Australian Securities Exchange: **ANZ**  
ISIN: **AU000000ANZ3**

**MEETING DATE:** 17 DECEMBER 2015  
**RECORD DATE:** 15 DECEMBER 2015  
**PUBLISH DATE:** 04 DECEMBER 2015

### COMPANY DESCRIPTION

Australia and New Zealand Banking Group Limited (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. The Company conducts its operations in Australia, New Zealand and the Asia Pacific.

**INDEX MEMBERSHIP:**  
S&P/ASX 100; S&P/ASX 20; S&P/ASX ALL ORDINARIES; DJSI WORLD; NZX 50 GROSS; FTSE4GOOD GLOBAL INDEX; S&P/ASX 300; S&P/ASX 50; DJSI AP; S&P/ASX 200

**SECTOR:** FINANCIALS  
**INDUSTRY:** BANKS

**COUNTRY OF TRADE:** AUSTRALIA  
**COUNTRY OF INCORPORATION:** AUSTRALIA  
**VOTING IMPEDIMENT:** NONE  
**DISCLOSURES:** REFER TO APPENDIX REGARDING CONFLICTS OF INTEREST

### 2015 ANNUAL MEETING

<table>
<thead>
<tr>
<th>PROPOSAL</th>
<th>ISSUE</th>
<th>BOARD</th>
<th>GLASS LEWIS</th>
<th>CONCERNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>Accounts and Reports</td>
<td>NON-VOTING</td>
<td>NON-VOTING</td>
<td></td>
</tr>
</tbody>
</table>
| 2.00     | Remuneration Report  | FOR | FOR | • High relative fixed remuneration  
• Single metric |
| 3.00     | Equity Grant (CEO Shayne Elliott) | FOR | FOR | • Single metric |
| 4.00     | Approve convertible preference shares Buy-Back | FOR | FOR |        |
| 4.01     | Approve convertible preference shares Buy-Back (First Buy-Back Scheme) | FOR | FOR |        |
| 4.02     | Approve convertible preference shares Buy-Back (Second Buy-Back Scheme) | FOR | FOR |        |
| 5.00     | Re-election of Directors | FOR | FOR |        |
| 5.01     | Re-elect Paula Dwyer | FOR | FOR |        |
| 5.02     | Re-elect Hsien Yang Lee | FOR | FOR |        |
| 6.00     | Shareholder Proposals | AGAINST | SPLIT |        |
| 6.01     | Shareholder Proposal Regarding Facilitating Nonbinding Proposals | AGAINST | FOR | • This proposal has the potential to allow for enhanced shareholder rights that could ultimately favor the long-term interests of shareholders |
| 6.02     | Shareholder Proposal Regarding Reporting and Setting Reduction Goals for the Financing of Carbon Emissions | AGAINST | AGAINST |        |
COMPANY PROFILE

FINANCIALS

<table>
<thead>
<tr>
<th>ANZ</th>
<th>1 YR TSR</th>
<th>3 YR TSR AVG</th>
<th>5 YR TSR AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/ASX ALL ORDINARIES INDEX</td>
<td>-7.5%</td>
<td>8.8%</td>
<td>8.7%</td>
</tr>
<tr>
<td>MARKET CAPITALISATION (MM AUD)</td>
<td>-0.2%</td>
<td>9.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>ENTERPRISE VALUE (MM AUD)</td>
<td>77,939</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUES (MM AUD)</td>
<td>238,190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MATERIAL TRANSACTION(S) IN PAST 12 MONTHS</td>
<td>19,892</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FIGURES AS OF 30-SEP-2015. ANNUALISED SHAREHOLDER RETURNS. SOURCE (EXCLUDING MATERIAL TRANSACTIONS): CAPITAL IQ

EXECUTIVE REMUNERATION

<table>
<thead>
<tr>
<th>P4P 2015</th>
<th>SAY ON PAY VOTE</th>
<th>CLAWBACK PROVISION</th>
<th>STRIKE AT LAST YEAR’S AGM</th>
<th>VOTE METHOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Poll</td>
</tr>
</tbody>
</table>

CGI GLASS LEWIS STRUCTURE RATING: Fair
CGI GLASS LEWIS DISCLOSURE RATING: Good
CGI GLASS LEWIS READABILITY RATING: Good

BOARD & MANAGEMENT

<table>
<thead>
<tr>
<th>ELECTION METHOD</th>
<th>CEO START DATE</th>
<th>AVERAGE NED TENURE</th>
<th>CGI GLASS LEWIS INDEPENDENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority</td>
<td>January 1, 2016</td>
<td>3 years</td>
<td>88 %</td>
</tr>
<tr>
<td>STAGGERED BOARD</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMBINED CHAIRMAN/CEO</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% OF WOMEN ON BOARD</td>
<td>25 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AUDITORS

<table>
<thead>
<tr>
<th>AUDITOR: KPMG</th>
<th>MATERIAL WEAKNESS(ES) IDENTIFIED IN PAST 12 MONTHS</th>
<th>TENURE: N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

RESTATEMENT(S) IN PAST 12 MONTHS | No

ENVIRONMENTAL & SOCIAL RATINGS

<table>
<thead>
<tr>
<th>ENVIRONMENTAL SOCIAL</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENVIRONMENTAL</td>
<td>Sector Leader</td>
<td>Market Leader</td>
<td>Market Leader</td>
</tr>
<tr>
<td>SOCIAL</td>
<td>Adequate</td>
<td>Adequate</td>
<td>Underperforming</td>
</tr>
</tbody>
</table>


CORPORATE ENGAGEMENT

ENGAGEMENT WITH CGI GLASS LEWIS IN PAST 12 MONTHS

VIA TELECONFERENCE ON JUNE 24, 2015 ON MATTERS RELATING TO E&S AND IN PERSON ON AUGUST 13, 2015 ON MATTERS RELATING PRIMARILY TO CORPORATE GOVERNANCE

CURRENT AS OF DEC 04, 2015
For Financial Year to September 30, 2015

- **NON-EXECUTIVE DIRECTORS**

<table>
<thead>
<tr>
<th>NEDs’ fees + superannuation</th>
<th>Australia And New Zealand Banking Group Limited</th>
<th>Median for ASX 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>A$810,000</td>
<td>A$767,330</td>
</tr>
<tr>
<td>Median remuneration for NEDs serving full year</td>
<td>A$333,750</td>
<td>A$300,125</td>
</tr>
<tr>
<td>Aggregate remuneration for all NEDs</td>
<td>A$2,784,375</td>
<td></td>
</tr>
<tr>
<td>Total remuneration cap approved by shareholders</td>
<td>A$4,000,000</td>
<td></td>
</tr>
<tr>
<td>Notes: None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **CEO REMUNERATION**

<table>
<thead>
<tr>
<th>Australia And New Zealand Banking Group Limited</th>
<th>Median for ASX 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO - date of appointment</td>
<td>October 1, 2007</td>
</tr>
<tr>
<td>Total fixed remuneration</td>
<td>A$3,604,530</td>
</tr>
<tr>
<td>Short-term incentives (cash)</td>
<td>A$2,050,000</td>
</tr>
<tr>
<td>Long-term incentives (amortised)</td>
<td>A$5,109,736</td>
</tr>
<tr>
<td>Other remuneration</td>
<td>A$78,054</td>
</tr>
<tr>
<td>Total remuneration</td>
<td>A$10,842,320</td>
</tr>
<tr>
<td>Notes: Long-term incentives include deferred STI in form of deferred shares and deferred share rights with an amortised value of A$1,939,554.</td>
<td></td>
</tr>
</tbody>
</table>

![Graph showing CEO remuneration components](image-url)
Australia & New Zealand Banking Group Limited's executive remuneration practice received a FAIR grade in our proprietary pay-for-performance model. The Company paid: more remuneration to its CEO than the median CEO remuneration for 7 similarly sized companies with an average enterprise value of A$222.8 billion; more than a sector group of 28 financials companies; more than an industry group of 6 banks. Overall, the Company paid more than its peers and performed moderately worse than its peers.

**FY 2015 REMUNERATION COMMITTEE GRADE**

<table>
<thead>
<tr>
<th>Grade</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GOOD</td>
<td>FAIR</td>
</tr>
</tbody>
</table>

**HISTORICAL REMUNERATION GRADE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>FAIR</td>
</tr>
<tr>
<td>2014</td>
<td>FAIR</td>
</tr>
<tr>
<td>2013</td>
<td>FAIR</td>
</tr>
</tbody>
</table>

**CEO REMUNERATION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fixed remuneration</td>
<td>A$3,604,530</td>
</tr>
<tr>
<td>Short-term incentive (cash)</td>
<td>A$2,050,000</td>
</tr>
<tr>
<td>Grant date fair value of equity awards</td>
<td>A$9,048,544</td>
</tr>
<tr>
<td>Other remuneration</td>
<td>A$78,054</td>
</tr>
<tr>
<td>Total remuneration</td>
<td>A$14,781,128</td>
</tr>
</tbody>
</table>

**CEO COMPARED TO MEDIAN**

**SHAREHOLDER WEALTH AND BUSINESS PERFORMANCE**

**Notes:**

Remuneration analysis for period ending 9/30/2015. Performance measures based on weighted average of annualized 1, 2 and 3 year data.
### AS PERCENTAGE OF SHARES OUTSTANDING

<table>
<thead>
<tr>
<th>NO.</th>
<th>PROPOSAL</th>
<th>FOR</th>
<th>AGAINST</th>
<th>ABSTAIN</th>
<th>DISCRETIONARY</th>
<th>TOTAL</th>
<th>CGI GLC RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00</td>
<td>Remuneration Report</td>
<td>46.87%</td>
<td>1.52%</td>
<td>0.28%</td>
<td>1.06%</td>
<td>49.73%</td>
<td>For</td>
</tr>
<tr>
<td>3.00</td>
<td>Equity Grant (CEO Michael Smith)</td>
<td>46.58%</td>
<td>1.90%</td>
<td>0.21%</td>
<td>1.04%</td>
<td>49.73%</td>
<td>For</td>
</tr>
<tr>
<td>4.01</td>
<td>Elect David M. Gonski</td>
<td>48.24%</td>
<td>0.24%</td>
<td>0.17%</td>
<td>1.08%</td>
<td>49.73%</td>
<td>For</td>
</tr>
<tr>
<td>4.02</td>
<td>Elect John T. MacFarlane</td>
<td>48.32%</td>
<td>0.16%</td>
<td>0.17%</td>
<td>1.08%</td>
<td>49.73%</td>
<td>For</td>
</tr>
<tr>
<td>4.03</td>
<td>Elect Ilana Atlas</td>
<td>48.29%</td>
<td>0.17%</td>
<td>0.18%</td>
<td>1.09%</td>
<td>49.73%</td>
<td>For</td>
</tr>
<tr>
<td>5.00</td>
<td>Shareholder Proposal Regarding Reporting the Financing of</td>
<td>1.41%</td>
<td>45.39%</td>
<td>1.75%</td>
<td>1.18%</td>
<td>49.73%</td>
<td>Against</td>
</tr>
<tr>
<td></td>
<td>Greenhouse Gas Emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### AS PERCENTAGE OF VOTES LODGED

<table>
<thead>
<tr>
<th>NO.</th>
<th>PROPOSAL</th>
<th>FOR</th>
<th>AGAINST</th>
<th>ABSTAIN</th>
<th>DISCRETIONARY</th>
<th>CGI GLC RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00</td>
<td>Remuneration Report</td>
<td>94.25%</td>
<td>3.05%</td>
<td>0.57%</td>
<td>2.13%</td>
<td>For</td>
</tr>
<tr>
<td>3.00</td>
<td>Equity Grant (CEO Michael Smith)</td>
<td>93.66%</td>
<td>3.83%</td>
<td>0.42%</td>
<td>2.09%</td>
<td>For</td>
</tr>
<tr>
<td>4.01</td>
<td>Elect David M. Gonski</td>
<td>97.00%</td>
<td>0.49%</td>
<td>0.34%</td>
<td>2.17%</td>
<td>For</td>
</tr>
<tr>
<td>4.02</td>
<td>Elect John T. MacFarlane</td>
<td>97.18%</td>
<td>0.31%</td>
<td>0.34%</td>
<td>2.17%</td>
<td>For</td>
</tr>
<tr>
<td>4.03</td>
<td>Elect Ilana Atlas</td>
<td>97.10%</td>
<td>0.35%</td>
<td>0.37%</td>
<td>2.19%</td>
<td>For</td>
</tr>
<tr>
<td>5.00</td>
<td>Shareholder Proposal Regarding Reporting the Financing of</td>
<td>2.84%</td>
<td>91.27%</td>
<td>3.53%</td>
<td>2.37%</td>
<td>Against</td>
</tr>
<tr>
<td></td>
<td>Greenhouse Gas Emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Shareholders will receive and consider the Company's financial statements and directors' and auditor's reports for the financial year ended September 30, 2015.

CGI GLASS LEWIS ANALYSIS

We believe that all of the necessary financial statements and reports are present in the Company's annual report. We note that, in the opinion of KPMG, the Company's independent auditor, the financial statements and reports have been properly prepared in accordance with the generally accepted accounting principles in Australia.

This is a non-voting proposal.
REMUNERATION REPORT

PROPOSAL REQUEST: Approval to adopt the remuneration report for the financial year ended September 30, 2015

RECOMMENDATION: FOR

PRIOR YEAR VOTE RESULT (FOR): 94.25%
PRIOR AGM STRIKE: No
BINDING/ADVISORY: Advisory
STRUCTURE: Fair
DISCLOSURE: Good
READABILITY: Good

REMUNERATION FEATURES

POSITIVE
- Alignment between executive remuneration and performance
- LTI clawback policy
- STI clawback policy
- STI deferral
- Executive share ownership guidelines
- Alignment with strategy discussed
- Face value equity awards

NEGATIVE
- High relative fixed remuneration
- Single metric

SUMMARY REMUNERATION TABLE

<table>
<thead>
<tr>
<th>KEY MANAGEMENT PERSONNEL</th>
<th>FIXED</th>
<th>SHORT-TERM INCENTIVES (CASH)</th>
<th>EQUITY-BASED INCENTIVES (AMORTISED)</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Smith CEO</td>
<td>A$3,604,530</td>
<td>A$2,050,000</td>
<td>A$5,109,736</td>
<td>A$78,054</td>
<td>A$10,842,320</td>
</tr>
<tr>
<td>Alistair Currie COO</td>
<td>A$1,078,083</td>
<td>A$1,000,000</td>
<td>A$1,557,961</td>
<td>A$25,567</td>
<td>A$3,661,611</td>
</tr>
<tr>
<td>Shayne Elliott CFO</td>
<td>A$1,267,037</td>
<td>A$1,300,000</td>
<td>A$2,179,558</td>
<td>A$18,940</td>
<td>A$4,765,535</td>
</tr>
<tr>
<td>Andrew Geczy CEO, International &amp; Institutional Banking</td>
<td>A$2,106,640</td>
<td>A$850,000</td>
<td>A$1,045,335</td>
<td>A$18,940</td>
<td>A$4,020,915</td>
</tr>
<tr>
<td>David Hisco CEO, New Zealand</td>
<td>A$1,621,033</td>
<td>A$1,162,631</td>
<td>A$1,648,528</td>
<td>A$33,659</td>
<td>A$4,465,851</td>
</tr>
<tr>
<td>Graham Hodges Deputy CEO</td>
<td>A$1,068,448</td>
<td>A$800,000</td>
<td>A$1,166,910</td>
<td>A$20,475</td>
<td>A$3,055,833</td>
</tr>
<tr>
<td>Joyce Phillips CEO, Global Wealth/Group MD, Marketing, Innovation and Digital</td>
<td>A$1,206,957</td>
<td>A$900,000</td>
<td>A$1,307,468</td>
<td>A$19,779</td>
<td>A$3,434,204</td>
</tr>
<tr>
<td>Mark Whelan CEO, Australia</td>
<td>A$505,625</td>
<td>A$500,000</td>
<td>A$525,392</td>
<td>A$22,550</td>
<td>A$1,553,567</td>
</tr>
<tr>
<td>Nigel Williams CRO</td>
<td>A$1,371,441</td>
<td>A$1,000,000</td>
<td>A$1,526,294</td>
<td>A$79,625</td>
<td>A$3,977,360</td>
</tr>
<tr>
<td>Phil Chronican Former CEO, Australia</td>
<td>A$1,642,163</td>
<td>A$300,000</td>
<td>A$1,737,781</td>
<td>A$104,145</td>
<td>A$3,784,089</td>
</tr>
</tbody>
</table>

CEO to Avg KMP Pay: 2.98:1

Note: Michael Smith will cease to be CEO of the Company and Shayne Elliot will succeed Mr. Smith as CEO and join the board on January 1, 2016. Phil Chronican will cease the employment with the Company on December 31, 2015. Mark Whelan commenced his role on April 3, 2015 and the remuneration reflects amounts prorated for partial service year. Equity-based incentives include deferred STI incentives.

SIGNIFICANT RECENT/UPCOMING CHANGES

- The Company adjusted the performance hurdles under high performing category, best connected category and customer driven category.
The Company made the following changes to the Share Option Plan ("SOP") from FY2015 and beyond:

1. The number of performance rights granted to the incoming CEO will be determined using a face value allocation methodology (i.e. based on the Company's share price);
2. Tranche 1 comparator group against which performance is tested to determine the vesting of tranche 1 performance rights has been revised to include core local and global competitors; and
3. An additional performance condition based on absolute compound annual growth rate ("CAGR") total shareholder return ("TSR") has been added.

### REMUNERATION STRUCTURE

#### FIXED

Fixed remuneration for the CEO increased moderately during the past financial year (FY2014: A$3,320,019). Shayne Elliott will succeed Michael Smith as the Company's CEO and join the board on January 1, 2016. The contractual fixed remuneration for Mr. Elliott is A$2,100,000.

#### SHORT-TERM INCENTIVES

**EMPLOYEE REWARD SCHEME ("ERS")**

<table>
<thead>
<tr>
<th>PARTICIPANTS</th>
<th>CEO and other executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWARDS TYPE(S)</td>
<td>Cash and deferred shares or share rights</td>
</tr>
</tbody>
</table>

**High performing category**

- Revenue
- Economic profit
- Return on equity ("ROE")
- Cash earnings per share ("EPS")

**Most respected category**

- Workforce diversity
- Employee engagement
- Senior leaders as role models

**Well managed category**

- Maintain strong credit rating
- Core funding ratio ("CFR")
- Number of repeat adverse internal audit ratings

**Best connected category**

- Growth in Asia Pacific Europe and America ("APEA")
- Growth in cross-border revenue
- Growth in products per customer

**Customer driven category**

- Customer satisfaction (based on external survey outcomes)

For the CEO and other executives, the weighting of measures in each individual's balanced scorecard will vary to reflect the responsibilities of their role. For example, the CEOs of the Australia, New Zealand, Global Wealth and International and Institutional Banking divisions and also the CFO have a heavier weighting on financial measures (typically 40%) compared to other executives.

The Chief Risk Officer ("CRO") has more limited STI leverage for individual performance and none for Company performance.

**LIMITS**

MD/CEO and other executives - 200% of total target remuneration

**DEFERRAL**

The mandatory deferral threshold for STI payments is currently A$100,000 (subject to a minimum deferral amount of A$25,000) with:

- The first A$100,000 of amount paid in cash;
- 50% of amount above A$100,000 paid in cash;
- 25% of amount above A$100,000 deferred in equity for one year; and
- 25% of amount above A$100,000 deferred in equity for two years.

The deferred component of bonuses paid in relation to FY2015 is delivered as deferred shares or deferred share rights.
CLAWBACK

The board has discretion to adjust STI downwards, or to zero, at any time, "where the [b]oard considers such an adjustment is necessary to protect the financial soundness of [the Company] or to meet unexpected or unknown regulatory requirements, or if the [b]oard subsequently considers that having regard to information which has come to light after the grant of deferred equity/cash, the deferred equity/cash was not justified."

OUTCOMES

With regards to the main categories comprising the balance scorecard in FY2015, the Company achieved the following results:

**High performing category:** below target
- Revenue for FY2015 was A$20,518 million, up by 5%;
- Economic profit was A$2,381 million was down by 13%;
- Cash ROE was 14.0% was down from 15.4% in 2014; and
- Cash EPS was 260.3 cents was in line with FY2014

**Most respected category:** above target
- The percentage of management roles filled by women increased from 39.2% to 40.4% in FY2014;
- Employee engagement has improved to 76% in 2015 compared to 73% in 2014; and
- The overall assessment of senior leaders as role models remained steady at 71% year on year.

**Well managed category:** on target
- Maintained a strong credit rating of AA;
- Maintained a strong CFR of 94.9%;
- 45.6% increased slightly; and
- No repeat adverse audit ratings.

**Best connected category:** on target
- APEA network revenue accounted for 25% of Group revenue in 2015;
- Growth in cross-border revenue improved from 2% to 3.9%; and
- In 2015, products per customer increased in Australia, New Zealand and wealth divisions with international and institutional banking remaining stable.

**Customer driven category:** on target
- In 2015, customer satisfaction in Australia retail has decreased slightly, but market share has increased, and corporate and commercial segment maintained a stable customer satisfaction score;
- Customer satisfaction in New Zealand has improved across personal, commercial and rural customer segments whilst also increasing market share; and
- International and institutional banking achieved rank one in terms of customer satisfaction in APEA and New Zealand.

For FY2015, the CEO’s STI payment was A$4 million (59% of his maximum STI opportunity) with A$2.05 million paid in cash and the balance of A$1.95 million awarded as deferred shares, half deferred for one year and half for two years. The other executives were awarded between 53% and 83% of their maximum STI opportunity in FY2015.

NOTES

**Dividends:** The employees receive dividends on deferred shares while those shares are held in trust (cash or Dividend Reinvestment Plan).

**Commercial sensitivity:** According to the 2015 Annual Report, the specific targets and features of the STI performance hurdles have not been provided in detail due to their commercial sensitivity.

**Change of control:** Any unvested STI deferred shares will vest at a time determined by the board in the event of a change of control.

LONG-TERM INCENTIVES

SHARE OPTION PLAN (“SOP”)

<table>
<thead>
<tr>
<th>PARTICIPANTS</th>
<th>CEO and other executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWARDS TYPE(S)</td>
<td>Performance rights</td>
</tr>
<tr>
<td>PERFORMANCE METRICS</td>
<td>Relative TSR - 100%</td>
</tr>
</tbody>
</table>

**FY2014**

**Relative TSR component:** No portion of an award will vest for performance below the 50th percentile of the comparator group. For performance at the 50th percentile, 50% of an award will vest. For each additional percentile between 50th and 75th percentile, awards will vest on a plus 2% prorated basis. For performance reaches or above 75th percentile, 100% will vest.

**Tranche 1**

**Peer group:** AMP Limited; ASX Limited; Commonwealth Bank of Australia Limited; Insurance Australia Group Limited; Macquarie Group Limited; National Australia Bank Limited; QBE
VESTING SCHEDULES

Australia Group Limited; Macquarie Group Limited; National Australia Bank Limited; QBE Insurance Group Limited; Suncorp Group Limited and Westpac Banking Corporation.

**Tranche 2**
*Peer group:* S&P/ASX 50 Index as at the start of the performance period (November 21, 2014).

**FY2015 and onwards.**
*Relative TSR component:* No portion of an award will vest for performance below the 50th percentile of the comparator group. For performance at the 50th percentile, 50% of an award will vest. For each additional percentile between 50th and 75th percentile, awards will vest on a plus 2% prorated basis. For performance reaches or above 75th percentile, 100% will vest.

**Tranche 1**

**Tranche 2**
*Peer group:* S&P/ASX 50 Index as at the commencement of the performance period (November 18, 2015).

**Tranche 3**
The performance condition is based on absolute CAGR TSR performance against targets as set by the board: No portion of an award will vest if the absolute CAGR TSR is below 9%. If CAGR TSR is equal to 9%, 50% of the award will vest. If CAGR TSR is at or above 13.5%, 100% of an award will vest.

**PERFORMANCE/VESTING PERIOD**
Awards vest after three years.

**RE-TESTING**
Not permitted

**LIMITS**
The Company did not explicitly disclose limits for the CEO and other executives. Proposal 3 is seeking approval of the CEO’s LTI to the value of A$4.2 million, which is the equivalent of 200% of his base salary.

**CHANGE OF CONTROL**
In the event of a change of control event occurring, performance rights which vest based on satisfaction of the performance condition will vest at a time (being no later than the final date on which the change of control event will occur) determined by the board. No pro-rata reduction in vesting will occur based on the period of time from the date of grant to the date of the change of control event occurring, and vesting will only be determined by the extent to which the performance condition is satisfied.

**TREATMENT OF DIVIDENDS ON UNVESTED AWARDS**
Awards do not carry any dividend rights until they vest and are exercised.

**CLAWBACK**
The board has discretion to adjust STI downwards, or to zero, at any time, “where the [b]oard considers such an adjustment is necessary to protect the financial soundness of [the Company] or to meet unexpected or unknown regulatory requirements, or if the [b]oard subsequently considers that having regard to information which has come to light after the grant of deferred equity/cash, the deferred equity/cash was not justified.”

**CRO:** The CRO is the only executive to receive LTI deferred share rights, rather than performance rights. Deferred share rights are subject to a time-based vesting hurdle of three years, during which time they are held in trust. Further, deferred share rights are subject to clawback.

**NOTES**

**2011 performance rights grant:** The LTIs awarded in 2011 were tested in late 2014. The Company achieved TSR of 89.65% and 87.83% over the three year performance periods for the other executives and CEO awards respectively, the Company’s TSR did not reach the median of the comparator group. The performance rights did not vest and the awards have now lapsed.

**TERMINATION ARRANGEMENTS**

**LEGAL REQUIREMENTS**
The Corporations Act stipulates that director and executive termination benefits be limited to 12 months’ fixed pay, unless shareholders approve a higher amount.

<table>
<thead>
<tr>
<th>OUTGOING CEO MICHAEL SMITH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Appointed:</strong></td>
</tr>
<tr>
<td><strong>Contract type:</strong></td>
</tr>
<tr>
<td><strong>Notice periods (Executive/Company):</strong></td>
</tr>
<tr>
<td><strong>Treatment of STI:</strong></td>
</tr>
</tbody>
</table>
### Contract Terms

**Treatment of LTI:**
On termination on notice by the Company or by mutual agreement, all performance rights which have vested or vest during the notice period will be retained and become exercisable. Further, all performance rights which have not yet vested will be retained and will vest and become exercisable subject to the relevant time and performance hurdles being satisfied. In the event of resignation, all performance rights which have not vested will be forfeited.

**Other:**
On termination of employment, the CEO is also entitled to payment of statutory entitlements of long service leave and annual leave.

### Incoming CEO Shayne Elliott

**Appointed:** January 1, 2016  
**Contract type:** Ongoing  
**Notice periods (Executive/Company):** 12 months/12 months  
**Fixed remuneration:** A$2,100,000  
**STI:** 200% of fixed remuneration  

**Treatment of STI:**
On termination on notice by the Company, all unvested STI deferred shares will be released at the original vesting date unless the board determines otherwise.

**LTI:** 200% of fixed remuneration  

**Treatment of LTI:**
On termination on notice by the Company or by mutual agreement, all performance rights which have vested or vest during the notice period will be retained and become exercisable. Further, all performance rights which have not yet vested will be retained and will vest and become exercisable subject to the relevant time and performance hurdles being satisfied. In the event of resignation, all performance rights which have not vested will be forfeited.

In certain circumstances where termination is classified as a “good leaver”, then, unless the board determines otherwise, any unvested performance rights will be pro-rated for the period from the date of grant to the full notice termination date and where the applicable performance condition is met will be released at the original vesting date. On vesting, the board may determine to deliver a cash equivalent payment, rather than Company shares.

**Other:**
The Company may make a payment in lieu of notice.

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### CGI Glass Lewis Analysis

CGI Glass Lewis believes ASX-listed entities should fully disclose and explain all aspects of their executives’ remuneration in such a way that shareholders can comprehend and analyse the company’s policies and procedures. In completing our assessment, we consider, among other factors, the appropriateness of performance targets and metrics, how such goals and metrics are used to improve company performance and whether incentive schemes encourage prudent risk management and the board’s adherence to market best practices. In addition to overall structure and disclosure, we encourage companies to improve the readability of the report to facilitate investor comprehension. We also emphasise and evaluate the extent to which the company links executive pay with performance and remuneration structures with strategy.

**Structure: Fair**

**High fixed remuneration**

The CEO’s fixed remuneration was approximately 33% higher than the median for total fixed remuneration of the Company’s index cap peers in FY2015. CGI Glass Lewis views high fixed remuneration with scepticism, as such
remuneration is not directly linked to performance and may serve as a crutch when performance has fallen below expectations.

Further, in our view the large incentive-based pay is largely the result of high fixed remuneration as it has a compounding effect on the amount of short- and long-term incentives granted to an executive, since such awards are granted as a fixed percentage of fixed remuneration. We note, however, that the Company indicates that "[t]he CEO's fixed remuneration was increased from A$3.15 million to A$3.4 million effective [October 1, 2014]. The [b]oard determined that an increase was appropriate to reflect the skills and experience of the CEO noting that no adjustment had been made since October 2010." As such, we will monitor this issue going forward.

**Single metric**

We are concerned that the Company's SOP performance goals are based upon a single metric, relative TSR. We believe measuring a company's performance with multiple metrics serves to provide a more complete picture of the company's performance than a single metric and that this remuneration structure may focus too much management attention on a single target. We do, however, acknowledge that the Company has somewhat addressed this issue with the second peer group and the additional performance condition based on absolute CAGR TSR.

**SOP performance period**

Best practice advocates a minimum performance period of three years for long-term incentive plans. We acknowledge that the SOP meets this standard. Nevertheless, given the Company's size and capital-intensive nature, we would encourage the board to consider a performance period of greater than three years, going forward.

**DISCLOSURE: GOOD**

Upon review of the Company's complete executive remuneration structure, we find that the Company has provided comprehensive disclosure with regard to both its short-term and long-term incentive arrangements. We have, nevertheless, identified the following disclosure issue:

**Disclosure of ERS performance hurdles**

The Company provides adequate disclosure of the performance outcomes against the ERS metrics, however, the remuneration report has failed to disclose relative weightings of the individual performance hurdles.

**READABILITY: GOOD**

Readability describes the ease in which the remuneration report can be read and understood. In our view, the remuneration report successfully facilitates investor comprehension of the Company's remuneration practices by disclosing key information in a logical and plain English manner, with clearly distinguished and concise sections that are straightforward to follow. We also note that the Company has disclosed the actual levels of remuneration received by individuals named in the remuneration report on page 47.

**2015 PAY FOR PERFORMANCE: FAIR**

As indicated by CGI Glass Lewis' pay-for-performance model on page 4, the Company has adequately aligned executive remuneration and company performance in the past year. At this point in time, CGI Glass Lewis has not identified pay-for-performance issues with this Company that should be of substantial concern to shareholders.

**CONCLUSION**

Notwithstanding our noted concerns, in our view, the remuneration report is comprehensive and provides robust explanation and disclosure of the Company's remuneration policy and structure, of which we believe to be supportable by shareholders. Further, we note that the Company's remuneration policy meets several best practice standards, including substantial STI deferral, extensive clawback provisions, appropriate treatment of dividends on unvested securities, disclosure on actual remuneration outcomes during the year and significant share ownership guidelines.

We, however, reiterate our concerns with the CEO's fixed remuneration and continue to encourage the Company to enhance the SOP with introduction of a second performance metric. Although, we note that the Company has included two peer groups and added another assessment criteria for the TSR hurdle.

Separately, we note that the Company has managed to adequately align executive remuneration and company performance in the past three years, as evidenced by our pay-for-performance model on page 4.

We will continue to monitor these issues closely going forward.
We recommend that shareholders vote **FOR** this proposal.
3.00: EQUITY GRANT (CEO SHAYNE ELLIOTT)

PROPOSAL REQUEST: Approval of the grant of 159,573 performance rights to the Company's CEO

PRIOR YEAR VOTE RESULT (FOR): 93.66%
BINDING/ADVISORY: Binding
REQUIRED TO APPROVE: Majority

RECOMMENDATIONS & CONCERNS:
FOR: Single metric

PROPOSAL SUMMARY

<table>
<thead>
<tr>
<th>Proposed grant</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Shayne Elliott</td>
</tr>
<tr>
<td>Position</td>
<td>CEO</td>
</tr>
</tbody>
</table>
| Number and type of awards to be granted | The number of performance rights will be determined by the volume weighted average price ("VWAP") of the Company's shares traded on ASX in the five trading days up to and including November 18, 2015. However, as disclosed in the ASX announcement on November 20, 2015, the Company states that "[t]he relevant VWAP has now been calculated and is A$26.32. Accordingly, the actual number of performance rights to be allocated to Mr Elliott, subject to shareholder approval at the 2015 AGM, is 53,191 in respect of each tranche, summing to a total allocation of 159,573 performance rights."
| Potential dilution* | 0.0055% |
| Incentive plan | Share Option Plan ("SOP") |
| Value of awards to be granted | A$4,200,000 or 200% of fixed remuneration |

Legal Requirement

Chapter 10 of the Listing Rules of the Australian Securities Exchange ("ASX") requires that the Company seek shareholder approval of any issue of securities to the Company's directors. Sections 200B and 200E of the Australian Corporations Act for any potential termination benefits that may be provided under the Company's SOP. Under section 200B of the Corporations Act, shareholder approval is required before the Company may give a person a benefit (exceeding 12 months' base salary) in connection with that person's retirement from a board or managerial office, unless the benefit falls within certain exceptions set out in the Corporations Act.

Note*: Calculated on a fully diluted basis.

<table>
<thead>
<tr>
<th>FY2016 MD/CEO remuneration*</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractual</strong></td>
<td><strong>Realised</strong></td>
</tr>
<tr>
<td>Fixed</td>
<td>A$2,100,000</td>
</tr>
<tr>
<td>STI</td>
<td>A$4,200,000</td>
</tr>
<tr>
<td>LTI</td>
<td>A$4,200,000</td>
</tr>
<tr>
<td>Other</td>
<td>A$0</td>
</tr>
<tr>
<td>Total</td>
<td>A$10,500,000</td>
</tr>
</tbody>
</table>

Note*: The CEO will be appointed to the board on January 1, 2016.

CGI GLASS LEWIS ANALYSIS

As discussed in Proposal 2, we have some concerns regarding the structure of the SOP. The features of this plan with which we have concerns include:

Single metric

We are concerned that the Company's SOP performance goals are based upon a single metric, relative TSR. We believe measuring a company's performance with multiple metrics serves to provide a more complete picture of the company's performance than a single metric and that this remuneration structure may focus too much management attention on a
single target. We do, however, acknowledge that the Company has somewhat addressed this issue with the second peer group and the additional performance condition based on absolute CAGR TSR.

**SOP performance period**

Best practice advocates a minimum performance period of three years for long-term incentive plans. We acknowledge that the SOP meets this standard. Nevertheless, given the Company’s size and capital-intensive nature, we would encourage the board to consider a performance period of greater than three years, going forward. This would also address our concerns regarding the focus on short-term performance, as discussed above.

---

**CONCLUSION**

Notwithstanding the above concerns, we believe that the Company's remuneration policy is thoroughly disclosed and that the structures of its incentive plans are, on balance, supportable. Further, as indicated by CGI Glass Lewis’ pay-for-performance model on page 4, we believe that the Company has adequately aligned executive remuneration and company performance in the past three years.

As such, we are prepared to support the proposed grant.

We recommend that shareholders vote **FOR** this proposal.
4.00:  APPROVE CONVERTIBLE PREFERENCE SHARES BUY-BACK

<table>
<thead>
<tr>
<th>PROPOSAL REQUEST:</th>
<th>Approval of the repurchase of convertible preference shares</th>
<th>RECOMMENDATIONS &amp; CONCERNS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIOR YEAR VOTE RESULT (FOR):</td>
<td>N/A</td>
<td>FOR- NO CONCERNS</td>
</tr>
<tr>
<td>BINDING/ADVISORY:</td>
<td>Binding</td>
<td></td>
</tr>
<tr>
<td>REQUIRED TO APPROVE:</td>
<td>Majority</td>
<td></td>
</tr>
</tbody>
</table>

**BACKGROUND**

19,687,224 fully paid mandatorily convertible preference shares ("CPS2") were issued at an issue price of A$100 each, raising a total of A$1,968,722,400. The CPS2 were issued under a prospectus dated November 18, 2009 which summarises the CPS2 ("CPS2 Prospectus").

Approval is being sought for two categories of buy-back:

- Proposal 4.1 - a buy-back of the CPS2 outside of the terms of the CPS2 but otherwise in accordance with the Corporations Act ("First Buy-Back Scheme"); and
- Proposal 4.2 - a buy-back of the CPS2 under the buy-back scheme contained in the terms of the CPS2 and set out in the CPS2 Prospectus ("Second Buy-Back Scheme").

As disclosed in the 2015 Notice of AGM, one or both of these buy-backs could be used and implemented at different times and could be for up to all of the CPS2 then on issue. In addition, there are other methods the Company can use to repay the CPS2. If the Company decides to repay the CPS2, shareholder approval of the buy-back schemes would not mean those other methods will not be used either in place of, or together with, the buy-back schemes.

Under the terms of the CPS2, if not repaid earlier, the shares will mandatorily convert into ordinary shares of the Company on the first conversion date on which certain conversion conditions are satisfied. The first conversion date is December 15, 2016 and if the conversion conditions are not met on this date, the CPS2 will convert on the first dividend payment date after December 15, 2016 on which the conversion conditions are satisfied ("Conversion Date").

The Company states that no decision has been made by the board whether to repay the CPS2 and accordingly no decision has been made whether to buy back the CPS2 or when any such buy-back might occur. The board will only decide to repay the CPS2 and, if so, to do that using any of the buy-back schemes approved at 2015 AGM, “if it considers it is in the best interests of the Company.”

The Company has provided a summary of the conditions of the buy-back schemes in the 2015 Notice of AGM.

**CGI GLASS LEWIS ANALYSIS**

As a general rule, we believe that buyback programs are in shareholders' best interests, so long as the Company is left with a sufficiently strong balance sheet in light of its capital requirements. Typically, a repurchase is used to return surplus capital to shareholders.

We believe that the terms under which the Company is considering a repurchase of its shares are reasonable.

We recommend that shareholders vote FOR Proposals 4.1 and 4.2.
5.00: RE-ELECTION OF DIRECTORS

PROPOSAL REQUEST: Election of two directors
ELECTION METHOD: Majority

RECOMMENDATIONS & CONCERNS:
FOR- Dwyer P., Hsien Yang L.
NOT UP- Atlas I., Elliott S., Gonski D., Liebelt G., Macfarlane I., MacFarlane J.

BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>NAME</th>
<th>UP</th>
<th>AGE</th>
<th>GLASS LEWIS CLASSIFICATION</th>
<th>COMPANY CLASSIFICATION</th>
<th>OWNERSHIP**</th>
<th>COMMITTEES</th>
<th>TERM</th>
<th>YEARS ON BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shayne C. Elliott*</td>
<td></td>
<td>51</td>
<td>Insider 1</td>
<td>Not Independent</td>
<td>No</td>
<td></td>
<td>2016</td>
<td>-1</td>
</tr>
<tr>
<td>Ilana Atlas</td>
<td></td>
<td>61</td>
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<td>Independent</td>
<td>Yes</td>
<td></td>
<td>2014</td>
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<tr>
<td>Paula J. Dwyer</td>
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<td>55</td>
<td>Independent</td>
<td>Independent</td>
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<td>2012</td>
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<tr>
<td>David M. Gonski</td>
<td></td>
<td>62</td>
<td>Independent 2</td>
<td>Independent</td>
<td>Yes</td>
<td>C</td>
<td>2014</td>
<td>1</td>
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<tr>
<td>LEE Hsien Yang</td>
<td>✓</td>
<td>58</td>
<td>Independent</td>
<td>Independent</td>
<td>Yes</td>
<td></td>
<td>2009</td>
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</tr>
<tr>
<td>Graeme R. Liebelt</td>
<td></td>
<td>61</td>
<td>Independent</td>
<td>Independent</td>
<td>Yes</td>
<td>C</td>
<td>2013</td>
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<tr>
<td>Ian J. Macfarlane</td>
<td></td>
<td>69</td>
<td>Independent</td>
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<td>Yes</td>
<td></td>
<td>2007</td>
<td>8</td>
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<tr>
<td>John T. MacFarlane</td>
<td></td>
<td>55</td>
<td>Independent</td>
<td>Independent</td>
<td>Yes</td>
<td></td>
<td>2014</td>
<td>1</td>
</tr>
</tbody>
</table>

C = Chair, * = Public Company Executive, = Withhold or Against Recommendation

1. CEO and executive director (from January 1, 2016).
2. Chairman. Serves as chairman of another S&P/ASX50 company, Coca-Cola Amatil Limited.

**Percentages displayed for ownership above 5%, when available

<table>
<thead>
<tr>
<th>NAME</th>
<th>ATTENDED AT LEAST 75% OF MEETINGS</th>
<th>ADDITIONAL PUBLIC COMPANY DIRECTORSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shayne C. Elliott</td>
<td>N/A</td>
<td>None</td>
</tr>
<tr>
<td>Ilana Atlas</td>
<td>Yes</td>
<td>(2) Westfield Corporation; Coca-Cola Amatil Limited</td>
</tr>
<tr>
<td>Paula J. Dwyer</td>
<td>Yes</td>
<td>(2) Tabcorp Holdings Limited; Healthscope Limited</td>
</tr>
<tr>
<td>David M. Gonski</td>
<td>Yes</td>
<td>(1) Coca-Cola Amatil Limited</td>
</tr>
<tr>
<td>LEE Hsien Yang</td>
<td>Yes</td>
<td>(2) Rolls Royce PLC ; Singapore Exchange Limited</td>
</tr>
<tr>
<td>Graeme R. Liebelt</td>
<td>Yes</td>
<td>(2) Amcor Limited; Australian Foundation Investment Company Limited</td>
</tr>
<tr>
<td>Ian J. Macfarlane</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>John T. MacFarlane</td>
<td>Yes</td>
<td>None</td>
</tr>
</tbody>
</table>
Entities listed on the Australian Securities Exchange ("ASX") must comply with the requirements of the ASX Listing Rules. Further, ASX-listed entities are encouraged to follow an "if not, why not" approach in regards to the guidelines of the ASX Corporate Governance Council Principles and Recommendations ("ASXCGC Principles").

In addition to the ASXCGC Principles, from the perspective of investors there are three published sets of corporate governance guidelines or standards that are influential in the Australian market - those of the Australian Council of Superannuation Investors ("ACSI"), the Financial Services Council ("FSC") and the Australian Prudential Regulatory Authority ("APRA").

PROPOSAL SUMMARY

Two nominees are standing for election as directors. Under ASX Listing Rules, each director, other than the managing director ("MD"), must retire by rotation at the first annual general meeting ("AGM") of shareholders after each three years of board service, but may seek re-election by shareholders. Additionally, any director, other than the MD, appointed by the board subsequent to the last AGM must stand for election by shareholders at the next AGM.

Nominees Dwyer and Lee retire by rotation at this year's AGM and, being eligible, offer themselves for re-election. Michael Smith will cease to be CEO and retire from the board on December 31, 2015, and as a result, his name has been omitted from the above board table.

With an independent chairman and a majority of independent directors, the board structure meets both ACSI and FSC guidelines.

CGI GLASS LEWIS ANALYSIS

SALE OF ESANDA DEALER FINANCE PORTFOLIO

On October 8, 2015, the Group entered into an agreement to sell the Esanda Dealer Finance business to Macquarie Group Limited. The sale is expected to complete during the first half of 2016. The estimated sale price is A$8.2 billion.

LEGAL ISSUES

Bank fees litigation

As disclosed in the 2015 Annual Report, litigation funder, Bentham IMF Limited ("Bentham"), commenced a class action against the Company in 2010, followed by a second similar class action in March 2013. Together the class actions are claimed to be on behalf of more than 40,000 of the Company's customers.

On February 5, 2014, the Australian Federal Court ("the Court") provided cause for judgement in the second class action. Further, in August 2014, Bentham commenced a separate class action against the Company for late payment fees charged to the Company's customers in respect of commercial credit cards and other products (at this stage not specified). The action is at an early stage and has been put on hold.
In April 2015, the Court delivered judgment in respect of appeals by both parties in the second class action. The Court found in Company’s favour in respect of all fees subject to appeal (in relation to both the penalty and statutory claims). All but one of those fees are no longer being pursued by Bentham. The one which is being pursued further is the credit card late payment fee - for which Bentham has obtained special leave to appeal to the High Court of Australia. The High Court appeal has been listed for hearing on February 4 and 5, 2016. The first class action is on hold.

In our view, although legal disputes are common to many companies, shareholders should be concerned with any type of lawsuit or regulatory investigation involving the Company, as such matters could potentially expand in scope and prove to dampen shareholder value. As such, in the event that members of management or the board are implicated in any such legal proceedings, we may consider recommending that shareholders vote against certain directors on that basis. However, due to the settlement of some of the investigations and the ongoing nature of the rest, we do not feel that any such action is necessary at this time. We will continue to monitor the proceedings going forward.

DIVERSITY

CGI Glass Lewis supports the ASXCGC Principles regarding board diversity, as we have had a long-standing practice of assessing the composition and mix of skills of the independent element of the board and believe improved diversity is an important step towards this end. We have reviewed this Company’s reporting on this issue and have determined the following:

<table>
<thead>
<tr>
<th>Features</th>
<th>Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity Policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific Gender Diversity Policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Measurable Gender Objectives</td>
<td>Yes</td>
</tr>
<tr>
<td>Progress on Measurable Objectives</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The Company disclosed the progress on measurable gender diversity objectives during FY2015 on pages 13-14 of its Corporate Governance Statement:

- Increase the representation of women in management by 1%:
  - Two of the Company's NEDs are women. The NEDs now comprise of 28% women as opposed to the target of 30%. Company set a new target to achieve female representation of at least 30% amongst the directors (not just the NEDs) to be achieved by the end of calendar 2017;
  - The Company has two women on its management board: the CEO, global wealth group managing director marketing and innovation; and the chief human resources officer;
  - Overall representation of women in management has increased from 39.2% to 40.4%. Improvements in particular occurred at senior manager level, increasing from 30.2% to 31.7%, and at senior executive and executive level (including management board), increasing from 22.5% to 23.9%.
  - Also, the Company mentioned that targets and progress for improving outcomes in gender equality are an input into determining and allocating incentive pools.

- Increase the adoption of flexible working practices in Australia and New Zealand to 50% of employees and extend flexibility into two Asian markets:
  - The Company exceeded this goal with a significant increase in flexibility adoption levels to 87%; and
  - The Company's flexibility policy has been extended to Hong Kong and India.

- Recruitment, talent and development Practices:
  - The 2015 graduate intake in Australia and New Zealand was 50% female. The 2015 cohort of the generalist banker accelerated development program was 63% women, and 51% of the building enterprise talent (“BET”) program are women;
  - The Company set clear targets around gender-balanced recruitment, requiring 100% of all interview short lists to contain at least one female candidate, and all interview panels must include at least one female interviewer; and
  - In 2013, the Company's CEO signed the panel pledge to ensure that all panels and speaking engagements in which Company participates are gender balanced.

- Pay Equity: The Company reports progress in achieving gender pay equity across the organisation. The gender pay differential between males and females (based on like-for-like job size) continues to be minimal, with further reductions achieved in the most recent remuneration review. Annual reviews of the Company's performance and remuneration outcomes ensure balance and parity, with performance assessments (which drive remuneration outcomes) being equitably applied between males and females.

The following are the Company's gender diversity goals for the FY2016:

- Increase the representation of women in management by at least 3% by 2018;
● Maintain 50:50 gender representation on the recruitment of graduates and key enterprise talent programs, and no less than 40% female representation on leadership pathways program;
● Maintain 80% or more of staff using flexible working options;
● Flexible working policies in place for a minimum of 90% of Australia and New Zealand by 2018; and
● Increase women on the Company's board to 30% by calendar end 2017.

BOARD SKILLS

From July 1, 2015, ASXCGC Principles include a recommendation for the boards of listed entities to have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. The Company provides disclosure of its board skills matrix on page 4 of the 2015 Corporate Governance Statement.

We have reviewed the current mix of skills and experience represented by the NEDs currently on the board, as follows:

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<th>NAME</th>
<th>CORE</th>
<th>INDUSTRY</th>
<th>SENIOR</th>
<th>EXEC</th>
<th>FINANCE/</th>
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We note that the average age of the NEDs on the board is 60 years old, with a range of 14 years from 55 to 69 years old.

ELECTION OF DIRECTORS

External chairmanship

David Gonski is the independent chairman of this Company. He is, however, also the chairman of another S&P/ASX50 company, Coca-Cola Amatil Limited.

There is a risk that the time and other commitments of those additional roles may preclude Mr. Gonski from devoting the required attention, priority and time to this Company's needs. Also, a NED, and especially the chairman, of an ASX-listed company should retain some spare capacity in case a crisis or other event occurs that escalates the demand on the NED role. ACSI guidelines also indicate that generally the chairperson of a listed company should not have the same high level responsibility with another listed company. We will monitor his level of commitments very closely, going forward.

RECOMMENDATIONS

Having reviewed the nominees, we do not believe there are substantial issues for shareholder concern.

We recommend that shareholders vote FOR both nominees.

The Company discloses the following biographical information for director Shayne C. Elliott, a new nominee to the board:

Shayne C. Elliott was based in Egypt as COO at EFG-Hermes, the largest investment bank in the Middle East and the leading retail and institutional broker in Cairo, Dubai and Abu Dhabi from 2006 to 2009. Prior to EFG-Hermes, he spent 20 years at Citibank/Citigroup across six countries in a variety of roles including regional business management, country management, strategy and derivatives sales and trading. In 2003, Mr. Elliott was appointed CEO global transaction services, Asia Pacific responsible for providing working capital and commercial banking services for 42,000 corporate, funds and institutional customers across 18 countries. From 2001 to 2003, he was Citigroup’s Australia/New Zealand corporate bank corporate officer, which was Citigroup’s chief representative for all businesses in Australia and New Zealand. In 1998, he moved from his role as vice president strategic planning at Citibank’s New York head office to CEO of the bank’s operations in Egypt.
**GLASS LEWIS REASONING**

- We believe shareholders may benefit from the ability to submit proposals and vote on issues of material importance to the Company; and
- We believe that potential benefits to the long-term interests of shareholders outweigh the minimal attendant risks given that proposals submitted pursuant to the terms of this proposal would be non-binding and would be voted on by all shareholders.

**PROPOSAL SUMMARY**

Text of Resolution- “To amend the constitution to insert at the end of Clause 5 ‘Powers of the board’ the following new sub-clause 5.4 “The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However such a resolution must relate to an issue of material relevance to the company or the company’s business and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company.””

**Proponent's Perspective**

The proponent has provided the following rationale for Proposals 6.01 and 6.02:

- In the US, UK, Canada and New Zealand, shareholders have a clear capacity to either direct their Company's board or formally express a view at the general meeting on matters of policy;
- Adoption of this proposal would place the Company's shareholders in a similar situation to shareholders in other major Anglophone countries;
- Currently, in aggregate, fossil fuel companies are estimating with 90% certainty that they will be able to extract freely (for subsequent sale and combustion) over three times more carbon than is compatible with the internationally agreed ceiling;
- As the carbon bubble bursts, it is likely reserves and other fossil fuel specific assets will become stranded, or written down in value prior to the end of their economic life;
- All banks contribute to climate change through their financed emissions, which are the emissions induced by a bank's debt and equity investments in companies that themselves emit greenhouse gasses and companies whose products and services result in greenhouse gas emissions;
- A banks' financed emissions typically dwarf its own operational climate impacts and expose it to risk of load default, share value write down as well as legal, reputational and regulatory risks;
- The Company currently reports its own operational emissions but not its financed emissions;
- At the Company's 2014 annual meeting, shareholders considered a resolution to amend the constitution to require disclosure by the board of its financed emissions, and although the board recommended shareholders vote against the resolution, the Company did provide shareholders with enhanced disclosure on this issue and also committed to participate in industry initiatives to develop improved disclosure metrics in the future;
- The Company's enhanced disclosure on its financed emissions

**Board's Perspective**

- Adoption of this proposal gives rise to a number of difficulties and uncertainties;
- As the power to manage the Company's business is vested in the directors, it is important that they be able to exercise this power as they see fit and be solely accountable for doing so;
- Adoption of this proposal would lead to confusion, and impede the ability of the directors to oversee and manage the Company's business in the interests of the Company as a whole, if the constitution gave shareholders the power to express an opinion, by formal resolution, as to how the power to manage the business out to be exercise by the directors;
- If shareholders could interfere in the management of the business by the board, even by expressing non-binding opinions through formal resolutions, it would lead to shared accountability for decisions and, consequently, poor administration and governance;
- If shareholders disapprove of actions taken by the directors, they can refuse to re-elect them or remove them from office by ordinary resolution;
- The wording of the proposed amendment are problematic as there are likely to be differing views as to whether a particular issue is of ‘material relevance to the company or the company's business and therefore whether the issue is within the scope of the proposed new rule and it may be difficult to assess whether any particular advisory resolution proposed under the new rule would “advocate action which would violate any law or relate to any personal claim or grievance” and therefore be impermissible under the proposed new rule; and
- Shareholders are able and have the right to ask questions about or make comments on the management of the Company at any time including at, but certainly not limited to, its annual general meetings and the Company provides a facility for shareholders to submit questions in advance of the annual general meeting and the chairman and CEO endeavour to address at the meeting the
confirmed claims that it was the most exposed of the top four Australian banks to carbon risk resulting from on balance sheet lending;
• It would be consistent with the commitments made at the Company’s 2014 annual meeting that the board would support the advisory motion tabled this year that requests the improved disclosure, which the chair committed to develop in December 2014, is provided to shareholders by August 2016 using whatever metrics the board views as most appropriate; and
• Adoption of this proposal would provide an opportunity for shareholders to express support for the view that a useful framework for the Company to express support for the view that a useful framework for it to publicly demonstrate its commitment to playing its part to help cut emissions would be to publicly set targets and a timetable for reduced carbon risk exposure.

MECHANICS OF THE PROPOSAL

This shareholder proposal would amend the Company’s constitution to allow shareholders to submit non-binding proposals at Company shareholder meetings. This language in the amendment would eliminate a potential obstacle to the submission of such shareholder proposals, i.e. whether the subject matter of the proposal is properly a matter for shareholder determination or infringes on the prerogative of the board in respect of the management and operation of the company, with which shareholders are not entitled to interfere.

GLASS LEWIS ANALYSIS

BACKGROUND

In Australia, regulations permit shareholders owning either 5% of voting shares or the support of 100 shareholders who are entitled to vote the ability to give a company notice of a resolution that they propose to move at a general meeting. Although shareholders may submit ordinary resolutions, companies are only required to put forward binding (or special) resolutions and are allowed to exclude precatory (nonbinding, or ordinary) resolutions if it is determined that they request the board act in a certain manner.

According to the Australian Securities and Investment Commission, some of the matters with respect to which an ordinary resolution, which requires majority shareholder support to be approved, may be used are: election/re-election of directors; appointment of an auditor; acceptance of reports at the annual general meeting; strategic, commercial decisions; increase or reduction in the number of directors; and passing a point limit resolution. Special resolutions, which require 75% shareholder approval, are reserved for specific items, which include, but are not limited to: a modification of a company’s constitution; company change of name; the issuance of preference shares with appropriate rights attached; conversion of ordinary shares into preference shares; and company dissolution.

This matter has recently gained significant attention due to a recent court case, Australasian Centre for Corporate Responsibility v. Commonwealth Bank of Australia. The case stemmed from the submission of three proposals from the Australasian Centre for Corporate Responsibility ("ACCR") to the Commonwealth Bank of Australia ("CBA"). The first two of these proposals were ordinary resolutions, while the third was a special resolution. CBA determined to only place the third resolution on the ballot for its 2014 annual meeting, and determined it was within its purview to exclude the ordinary resolutions. The ACCR challenged the CBA’s legal basis for excluding its proposed ordinary resolutions, arguing that a nonbinding proposal that expresses an opinion does not usurp the powers of the board, as the expression of an opinion by members of a company “(1) is not an exercise of the company's powers; or (2) is an exercise of power that impliedly is not conferred by the constitution of the board and does not purport to compel the board to exercise its express powers in any particular way; or (3) does not constitute the 'business of the company.'”

However, CBA contended that shareholders do not have any power vested in them by the company's constitution or securities laws to move advisory resolutions concerning the way in which directors should exercise their management powers and that both of ACCR's nonbinding resolutions were concerned with the business of CBA and that shareholders in general meeting cannot interfere with the exercise of the powers of management entitled to the board by its constitution. Ultimately, the judge ruled in favor of CBA, finding that companies are only required to put forth shareholder resolutions that amend a company's constitution and that shareholders can ask to change a company's constitution, but they cannot direct a board to act in a certain way. Although the ACCR has stated that it will appeal this decision, as it currently stands, companies may continue to exclude shareholder-submitted ordinary resolutions.

CONCLUSION

We believe that the shareholder proposal process can be an effective part of shareholder engagement by, if dialogue is
unsuccessful, affording shareholders the ability to raise important matters directly with other shareholders, subject to appropriate safeguards. To that end, Australian law limits the submission of such resolutions to shareholders either owning 5% of a company's voting power or to a group of 100 shareholders. Other countries, including the United States and Canada, provide for far lower ownership thresholds (though without a group allowance); not surprisingly, given the low threshold, a sizable number of shareholder proposals are routinely submitted at companies in each country every year. For the most part, even with the low ownership thresholds ($2,000 for one year in both Canadian and U.S. companies) for investors to submit a shareholder proposal, the process is generally not abused to the detriment of companies and their shareholders. (However, the SEC in the US provides an important rulemaking and oversight role non-existent in Australia, limiting to some extent the applicability of the U.S. shareholder proposal experience.) Further, unmeritorious shareholder proposals in the U.S. and Canada receive little shareholder support, obviating any distraction from the proposal or need for even a marginal Company response. However, well-targeted, reasonable proposals often enjoy high, in some cases majority, support from shareholders, providing an effective means for shareholders to effect change at companies.

As demonstrated by the submission of this proposal, shareholders already do exercise the ability to submit proposals to the Company. We recognize that, under current standards, these are generally special resolutions which both require a higher threshold for approval and must deal with a matter directly related to the purview of shareholders, i.e., the Company's constitution. However, adoption of this proposal would allow shareholders to submit proposals that lie outside of the constitution. We recognize that this could raise concerns about the propriety of the content of proposals, as Australia does not have regulatory mechanisms in place to review and allow the exclusion of certain proposals. There is some subjectivity as to the content of the shareholder-submitted proposals under the terms of this proposal, as "material" is not defined, and could allow a broad range of topics to come to a shareholder vote. This is especially concerning because the Company has been a target of shareholder proposals that have not been especially well-supported by its shareholders; the shareholder proposal on last year's ballot received only 2.84% support. As such, this could open the door to nuisance proposals, a concern expressed by the Company in a December 3, 2015 Glass Lewis Proxy Talk.

Nevertheless, given the experience of the shareholder proposal process in other countries (though cognizant of the distinct aspects of the process in Australia, including as proposed under the terms of this proposal) we believe that the benefits to shareholders outweigh the potential distraction from even frivolous shareholder proposals. Moreover, we believe there is an inherent protection in these proposals as they are nonbinding in nature, thus allowing the board to take actions they deem appropriate should they be approved by a majority of shareholders. Additionally, it allows companies to gauge the interest or concern of shareholders on certain issues raised by these proposals.

We recognize that the shareholder proposal process is still, at least with regard to some issues, developing in Australia. As such, shareholders should carefully consider the effects of this proposal and should closely monitor how this feature is implemented and, if successful, employed. We believe that adoption of this proposal has the potential to allow for enhanced shareholder rights that could ultimately favor the long-term interests of shareholders, despite the attendant risks. On balance, however, we believe that the benefits of this proposal outweigh the risks and therefore recommend shareholders support this resolution.

We recommend that shareholders vote FOR this proposal.
SHAREHOLDER PROPOSAL REGARDING REPORTING AND SETTING REDUCTION GOALS FOR THE FINANCING OF CARBON EMISSIONS

**PROPOSED REQUEST:** That the Company report on its financed emissions risk and establish a timetable for reduction of exposure to such risk

**SHAREHOLDER PROPOONENT:** Australasian Centre for Corporate Responsibility ("ACCR")

**BINDING/ADVISORY:** Binding

**PRIOR YEAR VOTE RESULT (FOR):** N/A

**REQUIRED TO APPROVE:** 75%

**RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:**

**AGAINST - NO CONCERNS**

**GLASS LEWIS REASONING**

- The Company has demonstrated responsiveness to both the issue of financed emissions risk and to its shareholders with regard to this issue.

**PROPOSAL SUMMARY**

Text of Resolution- “That in order to address our interest in the longer term success of the Company, given the recognised risks and opportunities associated with climate change, we as shareholders of the Company: (a) request that the Board of Directors report to shareholders by end-August 2016, at reasonable cost and omitting proprietary information, their assessment of our exposure to climate change risk and carbon intensive businesses in our lending, investing, and financing activities (utilising whatever metrics the board finds most appropriate); and (b) express our view that it is in the best interests of our company that, by end-August 2016 our board set public targets and a timetable for reductions in the extent of that exposure.”

**Proponent’s Perspective**

The proponent has provided the following rationale for Proposals 6.01 and 6.02:

- In the US, UK, Canada and New Zealand, shareholder have a clear capacity to either direct their Company’s board or formally express a view at the general meeting on matters of policy;
- Adoption of this proposal would place the Company’s shareholders in a similar situation to shareholders in other major Anglophone countries;
- Currently, in aggregate, fossil fuel companies are estimating with 90% certainty that they will be able to extract freely (for subsequent sale and combustion) over three times more carbon than is compatible with the internationally agreed ceiling;
- As the carbon bubble bursts, it is likely reserves and other fossil fuel specific assets will become stranded, or written down in value prior to the end of their economic life;
- All banks contribute to climate change through their financed emissions, which are the emissions induced by a bank’s debt and equity investments in companies that themselves emit greenhouse gasses and companies whose products and services result in greenhouse gas emissions;
- A bank’s financed emissions typically dwarf its own operational climate impacts and expose it to risk of load default, share value write down as well as legal, reputational and regulatory risks;
- The Company currently reports its own operational emissions but not its financed emissions;
- At the Company’s 2014 annual meeting, shareholders considered a resolution to amend the constitution to require disclosure by the board of its financed emissions, and although the board recommended shareholders vote against the resolution, the Company did provide shareholders with enhanced disclosure on this issue and also committed to participate in industry initiatives to develop improved disclosure metrics in the future;

**Board’s Perspective**

- The Company already provides detailed disclosure of its assessment of its exposure to climate change risk and its approach to managing that risk, including the Company’s relevant policies and public targets;
- The Company is subject to significant regulatory requirements for reporting lending exposures and it provides extensive disclosure bi-annually including a more detailed breakdown of the Company’s credit exposure at default to specific sectors such as coal and oil and gas;
- The Company continues to report on the assessed carbon emissions arising from its project finance exposure to the energy sector in domestic and international markets;
- The Company is participating in an international process led by the United Nations Environment Program to identify a standard for reporting financed emissions;
- The Company factors climate change risks into customer evaluations, including in the energy and extractive industries, and has individual entity, sectoral and country limits that help to manage its credit risks;
- The Company has exceeded its target to increase the proportion of lower-carbon power generation lending into Project Finance business by 15-20%, which as recently been achieved;
- The Company’s Climate Change Statement confirms its support for international agreements to limit the average global temperature rise to no more than 2°C above pre-industrial levels and sets out actions in support of this goal;
- The Company has established a target to fund and facilitate A$10 billion over five years for customers’ activities supporting practical measures to reduce emissions while promoting economic growth;
- A recent review of the Company’s Energy and Extractives Policies has resulted in a further strengthening of the Company’s
• The Company’s enhanced disclosure on its financed emissions confirmed claims that it was the most exposed of the top four Australian banks to carbon risk resulting from on balance sheet lending;
• It would be consistent with the commitments made at the Company’s 2014 annual meeting that the board would support the advisory motion tabled this year that requests the improved disclosure, which the chair committed to develop in December 2014, is provided to shareholders by August 2016 using whatever metrics the board views as most appropriate; and
• Adoption of this proposal would provide an opportunity for shareholders to express support for the view that a useful framework for the Company to express support for the view that a useful framework for it to publicly demonstrate its commitment to playing its part to help cut emissions would be to publicly set targets and a timetable for reduced carbon risk exposure.

CGI GLASS LEWIS ANALYSIS

CGI Glass Lewis recommends that shareholders take a close look at proposals such as this one to determine whether the actions requested of the Company will clearly lead to the protection or enhancement of long-term shareholder value. We believe it is prudent for management to assess its potential exposure to all risks, including environmental and social concerns and regulations pertaining thereto and incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might threaten shareholder value, CGI Glass Lewis believes that management of environmental and social issues associated with business operations are generally best left to management and directors, who can be held accountable for failure to address relevant risks on these issues when they face re-election.

THE "CARBON BUBBLE" AND STRANDED CARBON ASSETS

In 2009, world leaders established the Copenhagen Accord with the goal of limiting an increase global temperature as a result of climate change to two degrees Celsius. The agreement is non-binding and did not establish definitive plans on how this goal would be met. However, the International Energy Agency, an autonomous organization with the goal of promoting global energy security, has stated that the international community is falling short of the goals established by the Copenhagen Accord. The agency concluded in 2012 that, unless carbon capture technology is widely deployed, no more than one-third of the world’s fossil fuel reserves can be consumed prior to 2050 if nations are to achieve the two-degree goal (p.3). Analysts believe that fossil fuel industries in the world’s economies are at risk, as markets have not adequately prepared for future limitations that will render many carbon emitting fossil fuels unusable (James Leaton. “Carbon Bubble Growing, but Markets Aren’t Listening.” Reuters. July 15, 2011).

There are inherent risks to providing financing to firms that engage in fossil fuel development, as these firms could be exposed to potential new and stringent regulations that could affect their profitability and viability. For example, in September 2013 the United States Environmental Protection Agency issued a new draft proposal for its carbon pollution standard for new power plants. The proposed standard, which was registered in January 2014, would limit GHG emissions from new power plants. For plants that intend to burn coal, the standard would require them to have carbon capture and storage capabilities or burn lower-emission fuels such as natural gas. Since its initial proposal in 2012, the standard has received heavy criticism as opponents in the coal industry believe it is cost prohibitive since the required carbon capture technology is not fully developed nor readily available (Coral Davenport. “E.P.A. Staff Struggling to Create Pollution Rule.” New York Times. February 4, 2014). Further, in Australia, the coal mining industry has entered a structural decline, according to the Institute for Energy Economics and Financial Analysis (“IEEFA”), which also suggested that two large coal mining projects in central Queensland that are backed by Indian companies, are likely to prove uncommercial as a result of unfavorable market conditions. Because of the falling price of coal and new focus on renewable energy, such as that from solar and wind, from India and China, two large coal consuming nations could see reduced demand for coal-fired electricity (Oliver Milman. "Australian Coalmining is Entering ‘Structural Decline,’ Report Says." The Guardian. May 5, 2014).

RISKS TO FINANCIAL FIRMS FROM FINANCING COMPANIES WITH SIGNIFICANT EMISSIONS

Although service-based companies, including those that operate within the financial sector, do not often have a large environmental footprint as a result of their own operations, they nonetheless may be exposed to risks from climate change depending on their financing transactions. For those companies in the financial sector, associated risks mainly stem from the companies and industries to which they lend money. Given current and proposed regulations on environmental matters, including those related to greenhouse gas emissions, the Company should ensure that it is mitigating any potential direct, regulatory and legal risks stemming from environmental concerns that directly impact the companies the
For example, a 2013 report found that the top 200 companies spent US$674 billion (or 1% of global GDP) to find and exploit new resources which could end up as "stranded" or valueless assets (Damian Carrington. "Carbon Bubble Will Plunge the World into Another Financial Crisis." The Guardian. April 18, 2013). Moreover, HSBC found that fossil fuel companies could lose 40-60% of their value on account of greenhouse gas regulations and Citi has also found major risks to Australian fossil fuel companies ("Climate Proofing Your Investments: Moving Funds Out of Fossil Fuels." The Australia Institute. March, 2014).

In recent years, a number of financial institutions, including HSBC, Citi, Standard and Poors and the Bank of England have recognized that a collapse in the value of oil, gas and coal assets as a result of climate change regulation could pose potential systematic risks to the economy (Damian Carrington. "Carbon Bubble Will Plunge the World into Another Financial Crisis" The Guardian. April 18, 2013). In fact, in March 2014, the British parliament stated that financial stability "could be threatened if shares in fossil fuel companies turn out to be over-valued because the bulk of their oil, coal and gas reserves cannot be burnt without further destabilising the climate" and recommended that the Bank of England's Financial Policy Committee "seek advice from the independent Committee on Climate Change to help it monitor the systematic risk to financial stability associated with a carbon bubble"

On account of potentially stranded assets, some investors have begun to request additional information (such as that requested by the proposal) from companies that are heavily invested in fossil fuel companies. According to a report from the Australian Centre for Corporate Responsibility, which is also the proponent of this proposal, the Company and the Commonwealth Bank of Australia are the most exposed to unburnable carbon risk as a result of financed emissions.

REGULATIONS CONCERNING GREENHOUSE GAS EMISSIONS

Although prime minister Tony Abbot abolished Australia's Climate Commission and has repealed the carbon tax, in recent years a number of countries have taken significant steps toward reducing their carbon emissions. In fact, in 2000, there were fewer than 50 climate change-related laws; however, in 2013, there were more than 500. By 2013, in half of the 66 countries that account for 88% of carbon emissions, parliaments have passed climate change or energy efficiency acts, with only Japan and Australia repealing such regulations ("Law on Mother Earth" The Economist. March 1, 2014).

While many recent laws are aimed at directly curbing emissions, a number have also mandated reporting of greenhouse gas emissions. In Australia, the National Greenhouse and Energy Reporting ("NGER") Scheme was established in 2007 "to provide data and accounting in relation to greenhouse gas emissions and energy consumption and production." Under this scheme, corporations and facilities meeting certain thresholds must report emissions to the government. In 2008, the NGER (Measurement) Determination was established to provide criteria for calculating greenhouse gas emissions and energy data under the NGER Act and has since been update to reflect improvements in estimation methods and in response from industry feedback. The range of emissions sources required to be reported include: (i) the combustion of fuels for energy; (ii) fugitive emissions from the extraction of coal; (iii) oil and gas; (iv) industrial processes, such as producing cement and steel; and (v) waste management.

The reporting of GHG emissions, including that required by the NGER scheme, is typically broken down into Scope 1, 2 and 3 reporting. Scope 1 activities include all direct GHG emissions from sources that are owned or controlled by the reporting entity. Scope 2 emissions are those from the generation of electricity purchased by the reporter. Scope 3 emissions are considered to be a bit more nebulous; they are defined as other indirect emissions, or emissions that are a consequence of the activities of the reporting entity, but that occur at sources owned or controlled by another entity. Currently, the NGER scheme does not require the reporting of Scope 3 emissions.

We note that the Company is required to report under the NGER scheme. However, as noted in detail below, the Company provides significant reporting on its own Scope 1,2 and 3 emissions. However, this proposal concerns the financing of emissions, which, it does not appear is included as a Scope 3 activity by the Company (the Company states that it "follow[s] a common industry practice to limit this reporting to Corporate Air Travel + Scope 3 emissions from electricity, gas, diesel and fleet road transport").

COMPANY DISCLOSURE

The Company provides extensive disclosure on its financed emissions in its Climate Change Statement and its 2014 Sustainability Review. In the latter, the Company states that in Australia, "the average emissions intensity of generation financed by ANZ is around 0.69 tonnes of CO₂ per megawatt hour of electricity generated (tCO₂/MWh)," which is 20% lower than the Australian average emissions intensity. The Company provides information concerning the average emissions intensity generated outside Australia, which is approximately 17% lower than the average emissions intensity of generation in those countries. The Company also states that it has completed nine renewable energy generation transactions in project finance, including over $460 million committed to new renewable energy generation. The
Company's Climate Change Statement further discusses its commitments concerning financing fossil fuel commitments. Specifically, the Company highlights the following goals:

- The Company will fund and facilitate at least $10 billion by 2020 to support its customers to transition to a low carbon economy, including increased energy efficiency in industry, low emissions transport, green buildings, reforestation, renewable energy and battery storage, emerging technologies and climate change adaptation measures;
- The Company will consider financing new coal-fired power plants if they use advanced technologies and higher quality thermal coal to significantly reduce emissions to at least 0.8 tCO$_2$/MWh$^2$ and it will not finance any new build of conventional coal-fired power plants; and
- The Company will implement strengthened due diligence processes which govern its lending to coal mining, transportation and power integration.

The Company also details its environmental considerations when making financing decisions. The Company states that its policies adopt a “principles-based risk framework which is applied to decision-making in sensitive transactions across [certain] industry sectors.” The Company states that it uses the following principles to help inform its decision-making on clients, transactions and business strategies:

- The Company supports customers that demonstrate a balanced approach to social, environmental and developmental impacts;
- The Company supports and encourages customers to adopt management practices to continuously improve their social and environmental performance;
- The Company supports customers that use internationally accepted industry management practices to manage social, environmental and economic impacts (including effects on human rights, biodiversity, cultural heritage, indigenous rights, health and safety, governance and environmental sustainability); and
- The Company seeks ethical outcomes which are fair to customers and align with the principles in its policies.

In addition, the Company maintains a number of sector-specific policies for companies in, among others, the following industries: energy, extractives, forestry and forests and water. The Company's energy policy states that it has "a new target to fund and facilitate $10 billion by 2020 to support [its] customers to transition to a low carbon economy, including for increased energy efficiency in industry, low emissions transport, green buildings, reforestation, renewable energy and battery storage, energy technologies (such as carbon capture and storage) and climate change adaptation measures." The Company further states that its "super-regional strategy commits [it] to growth in countries with varying carbon emissions legacies, regulatory frameworks and energy needs," but that its energy policy applies in all markets in which it operates and covers all products and serves that it proves to its business customers. The Company also notes that "in some jurisdictions, governments may prioritise economic development, energy demand and energy security objectives," but that it recognizes "the need to progressively reduce the use of the least-efficient coal-fired power generation." The Company states that it helps its customers move toward cleaner energy sources through: (i) assessing best practice; (ii) reducing carbon intensity; (iii) change in fuel mix; and (iv) disclosure of carbon emissions. The Company also notes that, as of October 1, 2015, it has a carbon emission threshold "to ensure [it] only support[s] new coal fired power plants that use advanced technologies and higher quality coal to significantly reduce emissions to at least 0.8 tCO2/MWh."

The Company's extractives policy dictates that the Company will "work to ensure [its] customers are compliant with all relevant host country laws, regulations and permits that pertain to environmental and social issues," and that it will work with its customers to ensure the following:

- An environmental and social impact assessment is undertaken to inform the operational, environmental and social management requirements;
- A comprehensive analysis of the health and safety aspects of the operation on both employees and the surrounding community has been prepared and health and safety management plans have been developed; and
- Operation closure planning and funding mechanisms have been incorporated in project planning.

The Company states that this policy also applies more stringent requirements and demonstration of appropriate practices for particular high impact activities or where specific adverse issues have the potential to arise. Additionally, the Company states that it will not support any new mining or mineral processing activities with riverine tailings/waste disposal.

Further, the Company's 2015 Half Year Performance Against Sustainability Targets lists one of the Company's goals as "support transition to a lower carbon economy" through its international and institutional banking. In furtherance of this goal, the Company states its objective as to increase the proportion of lower-carbon (gas and renewables) power generation lending in its Project Finance business by 15-20% by 2020 against a 2011 baseline. The Company states that it has achieved this long-term target with gas and renewables at 75%, a 16% increase on the 2011 baseline of 59%. The Company also lists two other sustainable development targets: (i) support customers to manage their environmental, social and governance risks and opportunities; and (ii) integrate social and environmental considerations into its business.
decisions. With respect to the latter target, the Company states that its aim is to update its Sustainability Leadership Program and pilot it with 100 employees in emerging markets in Asia and the Pacific and that it intends to complete a review of its sensitive sector policies for Energy, Water, Hydropower, Forests & Forestry and Military Equipment.

CONCLUSION

We do not believe the proponent has provided sufficient rationale that adoption of this proposal is warranted given the Company’s current disclosure the Company’s responsiveness to financed emissions risks.

In a December 1, 2015 Glass Lewis Proxy Talk with the proponent, it was unclear precisely what reporting would be requested beyond that which the Company already provide. Rather, the proponent stated that the language was intentionally broad as to allow the Company latitude in implementation. However, given the Company’s extensive disclosure, we believe that amending the Company’s constitution to allow for reporting on this information is redundant and unnecessary.

Similarly, with respect to establishing a timetable for reducing the Company’s exposure to carbon emissions-related risks, we do not believe the proponent has provided enough rationale for such action. The Company’s Climate Change Statement clearly outlines its commitments to “facilitate a gradual and orderly transition” to decarbonizing the economy. These commitments ensure the funding of low-carbon energy sources and also states its intention to not finance any new build of conventional coal-fired power plants.

We further note that a proposal requesting that the Company provide additional disclosure on its financed emissions in 2014 received only 2.8% shareholder support. However, despite this extremely low support for the measure, the Company significantly expanded its disclosure on this issue. Further, in a December 3, 2015 Glass Lewis Proxy Talk, the Company stated that it would soon be releasing an updated sustainability review contained updated and enhanced information concerning this issues. We believe that this demonstrates responsiveness to shareholders and an awareness of the risks to the Company that may be posed on account of climate change and attendant regulations. Ultimately, given the Company’s policies, disclosure and its decreased financing of projects that are most susceptible to carbon-related risks, we do not believe that adoption of this proposal is necessary at this time.

We recommend that shareholders vote AGAINST this proposal.
Questions or comments about this report, GL policies, methodologies or data? Contact your client service representative or go to www.glasslewis.com/issuer/ for information and contact directions.

NOTE

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