As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our engagement priorities based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

**Independent Fiduciary**

BlackRock uses an independent fiduciary to vote proxies where we are required by regulation not to vote ourselves or where there are actual or perceived conflicts of interest. The independent fiduciary makes voting decisions based solely on BlackRock’s publicly available proxy voting guidelines, which aim to advance our clients’ long-term economic interests, and public information disclosed by the relevant company. Our voting guidelines are the benchmark against which we assess a company’s approach to corporate governance, including environmental and social (E&S) issues.

One of the issuers for which BIS uses an independent fiduciary is Australia & New Zealand Bank Ltd (ANZ). In this case, the use of a fiduciary is to satisfy regulatory requirements in the United States. ANZ is in scope of these regulations as it is the parent of a Guam-based subsidiary regulated by the Federal Reserve Bank. The independent fiduciary, Sustainalytics, may engage with companies at its discretion to ask clarifying questions or in response to a company’s request for engagement on voting matters, though it is not authorized to represent BlackRock’s views.

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand the voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we or, in this case, the independent fiduciary, have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.
Overview

ANZ provides banking, financial products and services to retail, small business, corporate and institutional clients. It operates its business through the following segments: Australia Retail and Commercial; Institutional; New Zealand; Pacific; and Technology, Services and Operations and Group Centre. The company was founded in 1970 and is headquartered in Docklands, Australia.

BIS regularly reviews ANZ’s governance structures and risk profile. Although we do not vote proxies directly (for the reason explained above), we do engage the company to provide feedback on governance and business practices consistent with our fiduciary duty. As such, we have engaged extensively with various board and executive team members at ANZ over the last several years on a range of issues driving long-term shareholder value, including board composition and effectiveness, remuneration, business oversight and risk management, climate risk management and corporate strategy and culture.

In November 2020, ANZ released an updated climate change statement, where the company explains that it will act in support of customer, community and government efforts to facilitate an orderly and just transition to net zero emissions by 2050.

To achieve this, ANZ will focus on three areas:

1) Help customers (including their 100 largest greenhouse gas emitters) to identify climate risks and opportunities, create transition plans and report publicly on their progress;
2) Support transitioning industries to help grow the economy; this includes not directly financing any new coal-fired power plants or thermal coal mines, including expansions. Existing direct lending will run off by 2030;
3) Reduce ANZ’s impact by managing and reducing emissions from their own operations.

2020 Shareholder Proposals

ANZ received two shareholder proposals at this year’s annual general meeting (AGM) submitted by Market Forces: Item 5 to Amend the Constitution of ANZ and Item 6 on Transition Planning Disclosure.

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3 Please see previous footnote
Item 5: Amend Constitution of Australia and New Zealand Banking Group Limited (ANZ)

As required under Australian voting rules, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent non-binding resolutions of 6 to be voted upon. A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution.

Resolution 5 must pass by the required majority in order for Item 6 to then be considered.

Item 6: Transition Planning Disclosure

Shareholders request the Company disclose, in subsequent annual reporting, strategies and targets to reduce exposure to fossil fuel (oil, gas, coal) assets in line with the climate goals of the Paris Agreement, including the elimination of exposure to thermal coal in OECD countries by no later than 2030.

Rationale for BlackRock's vote

Based on BlackRock's proxy voting guidelines, the independent fiduciary voted as follows:

Item 5: Amend Constitution of Australia and New Zealand Banking Group Limited (ANZ) (AGAINST)

The independent fiduciary reported that it took into consideration BlackRock's voting guidelines and position to generally not support these types of constitutional amendment proposals. This resolution is required under Australian law but is typically not supported by shareholders.

Item 6: Transition Planning Disclosure (FOR)

The independent fiduciary reported that it took into consideration BlackRock's voting guidelines, and noted ANZ's stated ambition to align to the goals of the Paris Agreement and that the company has provided disclosures in relation to the management of its climate change risk and exposure to fossil fuel assets.

The independent fiduciary also reported that a growing number of studies raise concerns about the significant stranded asset risks in thermal coal investments. Many financial services firms have, as a result, signaled that they are considering phasing out their financing of thermal coal. As such, the independent fiduciary came to the conclusion that the proposal is in line with shareholder and market expectations, therefore it would be useful to investors for ANZ to disclose a timeline detailing its expectations to phase out some fossil fuel exposures by 2030.