

<b>Company/ASX Code</b>	National Australia Bank NAB
<b>AGM date</b>	Friday 18 December 2020
<b>Time and location</b>	Virtual Meeting 9.30 am (AEDT) via <a href="https://web.lumiagm.com/322453980">https://web.lumiagm.com/322453980</a>
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Dennis Shore & Christine Haydon
<b>Pre AGM Meeting?</b>	Yes with Chair Phil Chronican, Director Anne Loveridge, Sally Mihell EGM Investor Relations, Richard Doody GM Performance & Reward

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention Christine Haydon and Dennis Shore have a shareholding in this company.

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

## Summary of ASA Position

### Governance and Culture

The impact of COVID-19 was certainly the most significant event for NAB and initial emphasis was on a strong balance sheet and capital position to ensure the ability to support all the customers in an uncertain environment. The 34,000 staff had to quickly adapt to support customers including loan payment deferral arrangements, increased digital support, mobilising IT tools to work remotely, ensuring public health measures and adapting processes whilst maintaining appropriate controls. The board had 12 out-of-cycle meetings (not all related to COVID) in addition to annual effectiveness reviews of the board, committees and individual directors undertaken in July/August 2020. The Risk & Compliance committee risk framework has been significantly changed in response to 2018 APRA self-assessment and the new director with appropriate skills was actively

sought to chair this committee. Simon McKeon was appointed chair of this committee in August 2020.

### **Financial performance**

Dividend payout for the years was 60 cents per share, which represents a 64% reduction compared with FY19 and reflects the uncertain outlook for the impact of COVID-19, APRA's dividend guidance and consideration of the Group's strong capital position. The stronger provisions have impacted the FY20 cash earnings which are down 25.9% from FY19 (ex large notable items). Low interest rates and lower fee income contributed to the decline in revenue. Whist provisioning is conservative, recovery is taking longer than originally thought. In addition there is the yet to be seen impact of the removal of government support, loan deferrals, rent increase deferrals and insolvencies on-hold. 110,000 home loans and 38,000 business loans to the value of \$60b were deferred, however as the outlook improves this is now down to approx. \$19b. Businesses such as aviation, tourism, hospitality, retail and commercial property are yet to open up but other sectors such as agriculture and rural are showing some green shoots and looking strong. More than 1000 staff were added and redirected to support customers in managing the impact of COVID-19 and a further 550 new staff will be added in the business and private bank areas as part of the ambition to grow in these target market segments, although overall headcount is falling. Regulation and compliance spend as well as with technology and fraud related expenditure continues to be higher. In 2017 a 3-year transformative program commenced which included reducing complexity, increasing digital capability, growing U Bank and investing in the youth market and open banking, to name of few. In April 2020 a refresh of a longer-term strategy was announced, with the objective of creating a more efficient organization, reducing absolute costs over a 3-5 year period and improved, more sustainable shareholder returns.

### **Key events**

NAB conducted a capital raising in April 2020, due to the COVID caused uncertain economic outlook. A \$3 billion institutional placement at a 10.2% discount was made, with retail shareholders initially offered \$500m at 2% discount to VWAP if shares fell below \$14.15 replacement price. ASA wrote to the board about its concerns with shareholder dilution and received the response "I want to assure you that equitable treatment of shareholders was at the forefront of the Board's consideration in arriving at the decision to proceed with an institutional placement and associated SPP - the recent increase in SPP participation caps to \$30,000 will give 97% of NAB's retail shareholders the ability to avoid any disadvantage under an institutional placement when compared with an entitlement offer." The board extended the cap to \$1.25b but nonetheless refunded \$1.65b. ASA strongly advocates for PAITREOs as a fair method and this feedback has been acknowledged

Consistent with the strategy to simplify the portfolio, an agreement was reached in August 2020 to sell 100% of MLC Wealth (MLC) to IOOF Holdings Ltd (IOOF) for \$1.440b. Divisional cash earnings of MLC were down around \$100m from the previous year. This business was acquired by NAB in June 2000 for \$4.56b and became embroiled in the fees for no service scandal exposed by the Hayne royal commission.

There is currently an offer in the market for new Capital Notes 5 to raise \$750m to be used for general corporate purposes. APRA has confirmed that these NAB Capital 5 notes will qualify as A Tier 1 for the purposes of NAB's regulatory capital requirements.

## Key Board and senior management changes

Non-executive director Geraldine McBride will retire in December 2020 after serving almost 7 years. Continuing board renewal with the Chair Phillip Chronican appointed November 2019, Kathryn Fagg non-executive director in December 2019 and Ross McEwan Group CEO on 2/12/2019. Executive Leadership Team changes include appointment of Susan Ferrier to People & Culture, Rachel Slade to Personal Banking, Nathan Goonan to Strategy & Innovation and Andrew Irvine to Business and Private Banking.

The ASA notes a determination of the Board to address the squandering of shareholder wealth over the last 2 decades and to stamp out the cultural issues that drove illegal and unethical behavior. The ASA expressed a concern to the Chair that there seems to be a priority to improving customer satisfaction that seems to be at the expense of shareholders. We were assured that this is not the case.

## Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	2,559	4,798	5,554	5,285	352
UPAT (\$m)	3,498	5,097	5,702	6,642	6,483
Share price (\$)	17.75	29.70	27.81	31.50	27.87
Dividend (cents)	0.60	1.82	1.98	1.98	1.98
TSR (%)	(38.22)	13.3%	(5.4%)	20.1%	(0.7%)
EPS (cents)	146.9	168.6	201.3	194.7	8.8
CEO total remuneration, actual (\$m)	1.837	3.345	6.202	4.065	4.060

For 2020, the CEO's total actual remuneration was **26.3 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics). Note that the CEO was employed for just over 6 months so the annualized fixed remuneration and other standard payments was used (estimated as \$2,419,000), taking into account a 20% reduction in the last quarter, since no fixed or variable rewards were payable. This excluded relocation support.

Note - For May 2020, the Full-time adult average weekly total earnings (annualized) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

<b>Item 2a</b>	<b>Re-election of director David Armstrong</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Appointed as a non-executive director in August 2014. Chair of the board audit committee and member of the risk and compliance committee. Former partner at Price Waterhouse Coopers, he has no other listed company directorships and has good meeting attendance and holds shares in the company more than consistent with ASA guideline compliance.

<b>Item 2b</b>	<b>Re-election of director Peeyush Gupta</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Appointed as a non-executive director in November 2014. Member of the risk and compliance committee and the people and remuneration committee, director of certain MLC Wealth and Bank of New Zealand subsidiaries. He complies with ASA guidelines with regard to director load and holds shares in the company in compliance with ASA expectations. He has had 100% compliance with all scheduled and unscheduled meetings.

<b>Item 2c</b>	<b>Re-election of Ann Sherry</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Appointed as a non-executive director in November 2017. Chair of the customer committee and member of the people and remuneration committee and co-chair of NAB's indigenous advisory group. Former chair of Carnival Australia and as CEO and executive chair, she complies with ASA expectations for director workload. She has company shareholding consistent with ASA guidelines and has attended all scheduled and unscheduled Board and Committee meetings.

<b>Item 2d</b>	<b>Election of Simon McKeon</b>
<b>ASA Vote</b>	<b>For</b>

Appointed as a non-executive director in February 2020. Chairman of the risk and compliance committee and member of the nomination and governance committee. Previously executive chairman of Macquarie Group for Victoria, chair of AMP, MYOB and CSIRO, Mr McKeon complies with ASA guidelines for director load, company shareholding and has attended all scheduled and unscheduled Board and Committee meetings

<b>Item 3</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

CEO Rem Framework for FY2021	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2,375,000#	29.4	2,375,000	25.3
STI - Cash	1,250,000	15.3	1,875,000	20
STI - Equity	1,250,000	15.3	1,875,000	20
LTI	3,250,000	40	3,250,000	34.7
Total	8,125,000	100	9,375,000	100

# Excludes superannuation and reflects 20% reduction for first quarter

All non-executive directors agreed to a 20% reduction in fees from 1st April 2020 until 30th September 2020. The CEO volunteered a 20% reduction in fixed remuneration for the same period. In addition to a nil annual variable reward for Group CEO and other executives in the leadership team (second year in a row). See resolution 4 below re performance rights for group CEO. Fixed remuneration for CEO is pro-rated for part year and he currently holds 53,897 shares.

There have been no major changes from previous remuneration structure.

<b>Item 4</b>	<b>Performance Rights - Group CEO</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The board seeks approval to grant performance rights to the Group CEO Ross McEwan under the long-term variable reward LTVR plan. The CEO 2020 annual fixed remuneration was \$2,500,000 with a maximum annual variable (VR) opportunity of \$3,750,000 and a maximum LTVR opportunity of \$3,250,000. Fixed remuneration was reduced by 20% for period 1 April - 30th Sep 2020 and he was not awarded any Annual VR as an acknowledgement of the challenges faced by customers, shareholders and community over the past year. Fixed remuneration reflected the commencement date of 2nd December 2019. Ross McEwan's remuneration package is unchanged for 2021. The proposed LTVR performance rights are 180,655 for the performance period of 15th November 2020 to 15 November 2024 and will depend on the Total Shareholder Return performance over the period relative to a peer group comprising a selection of top financial service companies in the S&P/ASX approved by the board. The number of LTVR rights will be determined on a straight-line basis, from 50% where the Company's performance ranks at the 50th percentile, up to 100% where the Company's performance ranks at the 75th percentile. All performance rights will lapse where the TSR ranks below the 50th percentile. The board retains the discretion in relation to the final outcome of the performance hurdle and vesting in general.

<b>Item 5</b>	<b>NIS Buy-back Scheme</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Background: June 1999 20 million NIS (net institutional sales) were offered to investors and listed on ASX (ASX NABHA) with approximately 24,000 registered holders. The NIS raised \$2b of Tier 1 Capital, the NIS will cease to be eligible to be treated as Tier 1 regulatory capital from 1 January 2022. The board is seeking the flexibility to decide whether to repay the NIS and replace them with a more cost-effective source of funds. Shareholder approval is required and if not used in calendar 2021, fresh approval will be sought. APRA approval is required and currently they have not made a decision on this matter.

<b>Item 6</b>	<b>Requisitioned resolutions promoted by Market Forces</b>
<b>ASA Vote</b>	<b>Against</b>

### Summary of ASA Position

Market forces is an environmental activist group who garners support from companies' shareholders in relation to climate risks, divestment and stranded assets on fossil fuels.

**Amendment to the Constitution** The proposal is to amend the Company's Constitution to include a provision to enable shareholders to express an opinion or request information about the way in which the power of the company vested in the board has been or should be exercised. Currently the power to manage the business is vested in the directors who are required to make decisions and manage risks in the best interests of the Company. Proposed amendment would provide a platform to promote any number of matters and the board considers it is inappropriate for any one issue to be given prominence over another. There is extensive information on environmental, social and governance ESG including climate risk in the Sustainability Report as part of the annual investor presentation package. We believe this provides adequate disclosure of the NAB's climate related risks and mitigation strategies and do not see the value in supporting this shareholder resolution.

### Transition Planning Disclosure

To be considered only if Amendment to Constitution is passed. This advisory resolution proposes that in subsequent annual reporting the Company disclose targets for future levels of exposure to carbon related assets, including the elimination of exposure to thermal coal in OECD countries by no later than 2030 together with strategies to meet the targets set. We are reluctant to vote in favour of changing company constitutions - our preference is for a public policy consultation on whether there should be a right to more non-binding shareholder resolutions.

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