



Voting Intention NAB 2021 AGM

ASX Code	NAB
Meeting Time/Date	9.30am Friday 17th December 2021 https://web.lumiagm.com/303829712
Type of Meeting	Virtual
Monitor	Christine Haydon and Dennis Shore
Pre AGM Meeting?	Yes, with Chair Phil Chronican, Director Anne Loveridge, Sally Mihell EGM Investor Relations, Richard Doody GM Performance & Reward.

Proposed Voting Summary

2	Re-election of M/s Anne Loveridge as a Director	For
3	Adoption of Remuneration Report	For
4	Approval of Deferred Rights and Performance Rights Group Chief Executive Mr Ross McEwan	For
5	Requisitioned Resolutions prompted by Market Forces	Against

Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	6,364	2,559	4,798	5,554	5,285
Underlying NPAT (\$m)	6,147	3,498	5,097	5,702	6,642
Statutory EPS (cents)	185.2	146.9	168.6	201.3	194.7
Dividend per Share (cents)	1.27	0.60	1.82	1.98	1.98
Share Price at End of FY (\$)	27.21	17.75	29.70	27.81	31.50
Statutory CEO Remuneration (\$)	5.293	2.420*	(4.981)	6.390	6.631
Total Shareholder Return (%)	61.9%	(38.22)	13.3%	(5.4%)	20.1%

*Part year

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

Summary of Historical ASA Issues with the Company

ASA noted in previous year the 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 behaviour. The Group Chief Executive was given the task of creating stability with a clear strategy, stronger discipline and execution. Meaningful change has taken place which is reflected in the financial results. Following from the Royal Commission some \$575m has been returned to customers and the bulk of the legacy issue will be completed by 2022. Of the ASIC Risk and Regulation issues from 2018 there is now only 1 to be agreed on within the next 12 months.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors with diversity of ethnic background.
- Directors and other KMP have/are investing at least one year's worth of base cash fees in company shares, within 3 to 5 years.

- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a meaningful skills matrix of the board easily accessible by shareholders.
- Guided by the United Nations Environment Programme Finance Initiative’s (UNEP FI) Collective Commitment to Climate Action (CCCA), signed by the Company in 2019, during financial year 2021 the Company has made significant progress on its refreshed climate change strategy and goal of aligning its lending portfolio to net- zero emissions by 2050. The Company now has clearly defined policies on funding for coal, oil and gas and is actively reducing their own emissions whilst providing finance for initiatives in environment and renewable energy.
- The company has successfully exited MLC Wealth and has acquired the company 86,400 Holdings as part of their online only U Bank. They are also in the process of acquiring Citibank Australia consumer business which was approved by ACCC in November and now awaiting Treasurer and APRA approval with a target completion by June 2022.

Areas for Improvement

- Robust discussion has taken place by ASA with NAB over the past few years in relation to the returns and share price on behalf of the retail investor, we believe that the company has listened and are working towards improving overall but acknowledge there is still more work to be done.

As a general comment NAB are in the process of completing a \$2.5b share buyback. Items for Voting

Item 2	Re-election of M/s Anne Loveridge as a Director
ASA Vote	For

Appointed as a non-executive director in December 2015. Ms Loveridge is Chair of the Board’s People & Remuneration Committee and is a member of the Board’s Nomination & Governance and Customer Committees. Ms Loveridge has more than 30 years of experience in professional services, providing advice and other services to the financial services sector and other ASX listed companies. Currently a Director at NIB Holdings Limited (since February 2017),Platinum Asset Management Limited (since September 2016),the Chair of The Bell Shakespeare Company Limited, a director of Destination NSW and member of Chief Executive Women (CEW). She is considered independent and has sufficient shareholdings therefore ASA support this re-election

Item 3	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	2.500	33.3	2.500	26
STI - Cash	1.25	16.65	1.875	20
STI - Equity	1.25	16.65	1.875	20
LTI	2.5	33.3	3.250	34
Total	7.5	100%	9.500	100%

*The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.*

Positives

- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not reasonably exceed the Godfrey Group report benchmarks.
- The quantum of Board fees do not reasonably exceed the Godfrey Group report benchmarks.
- At least 50% of CEO's pay is genuinely at risk.
- Majority of STIs are based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met.
- At least 50% of STIs is paid in equity with a minimum 12 month holding lock.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- LTI hurdles are measured a minimum of four years or more after issue.

- LTI hurdles are based on at least two hurdles, one of which is TSR. The Board may consider the absolute TSR result as part of its discretionary review of other factors when determining the vesting outcome.
- Comparator groups are from similar industries and include key competitors and any relevant foreign companies.
- No LTI awards based on comparator groups vest unless performance is >50th percentile. The LTVR vesting schedule is aligned with market practice, with vesting commencing at the 50th percentile.
- However, it should be noted that due to the number of companies in the TSR peer group (7) and NAB (8 companies) being an even number for the 2021 award, the 50th percentile is not a possible outcome. Vesting would only occur at the 57.1 percentile (4th ranking) with 64.2% of the award vesting for this outcome.
- The decision to purchase on market or issue shares is considered at the time of each allocation. Whilst NAB are in the process of a market buyback they are unlikely to purchase for the 2021 awards given it would otherwise restrict their ability to undertake the current on-market buyback and delay the completion timeframe.
- Note: Both the AVR and LTVR awards are rights grants that upon determination of performance and vesting are settled in shares. Currently NAB issues new shares to settle these awards. NAB annually validate the 5% issuance limits. New shares for the purposes of equity programs average ~0.5%.
- For the Annual Variable Reward, earnings hurdles are on a cash basis as this better reflects the underlying performance of the business which is what management to focus on.
- The earnings measures used to determine funding for the Group's main variable reward plan (Group cash earnings (25% weighting) and Return on Total Allocated Equity (ROTAE) (25% weighting) are based on an expected loss (EL) basis. The EL basis has been adopted in the current environment given the volatility in the Credit Impairment Charge.
- No termination payments exceed 12 months.
- The Board generally has discretion to determine the treatment of unvested shares and rights at the time a change of control event occurs. Vesting of shares and rights will not be automatic or accelerated and the Board will retain discretion in relation to the vesting outcome including absolute discretion to forfeit all shares and rights
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

Conclusion on Remuneration

There have been no major changes from the previous remuneration structure which is broadly in line with ASA guidelines. There is a modest increase (about 4.4%) in Director Fees, which have been unchanged since 2016 but overall we support the remuneration report.

Item 4	Deferred Rights and Performance Rights - Group Chief Executive Officer Ross McEwan
ASA Vote	For

Items 4(a) and 4(b) seek approval for grants of deferred rights and performance rights to the Group CEO,

Mr McEwan, under the Company's Annual Variable Reward (VR) and Long-Term Variable Reward (LTVR)

Mr McEwan's 2021 annual fixed remuneration was \$2,500,000, with a maximum Annual VR opportunity of \$3,750,000 and maximum LTVR opportunity of \$3,250,000. Mr McEwan's remuneration package is unchanged for 2022.

4a The Board has determined that half of the Annual VR awarded to Mr McEwan for 2021 will be provided in deferred rights. The other half of the VR will be provided in cash. It is proposed that Mr McEwan be granted 54,806 deferred rights.

That number of deferred rights was determined by dividing 50% of Mr McEwan's Annual VR award of \$1,509,375 (being the face value attributed to the deferred rights by the Company) by the weighted average price at which the Company's ordinary shares (Shares) were traded on the Australian Securities Exchange (ASX) in the five trading days from 24 September 2021 to 30 September 2021 inclusive, which was \$27.54.

4b It is proposed that Mr McEwan be granted 118,010 performance rights. The LTVR right are over a 4 year period with clear guidelines and details as per the Notice of Meeting.

As the Deferred Rights and Performance Rights are broadly in line with the ASA guidelines we support this resolution.

Item 5	Requisitioned Resolutions promoted by Market Forces
ASA Vote	Against

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

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 Data Pack 2021 as part of the annual investor presentation package and in the Notice of Meeting. We believe this provides adequate disclosure of the NABs 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 information should include a commitment to no longer provide banking and financing where proceeds would be used for new fossil fuel projects, as well as targets to reduce fossil fuel exposure consistent with net-zero by 2050. 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.

Monitor Shareholding

The individuals involved in the preparation of this voting intention have shareholdings in this company.

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