



## NAB 2021 AGM Report

ASX Code	NAB
Meeting Time/Date	9.30am Friday 17th December 2021
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 and Reward.

Number of Holdings Represented by ASA	1,323
Number of Shares represented by ASA	6,543,487
Value of Shares represented by ASA	\$189m
Number Attending Meeting	490 attendees, 161 shareholders, 18 third party proxies and 311 guests
Market Capitalization	\$94.18b
Were proxies voted?	Yes, on a poll

## Marathon not a sprint

### What the Company Does

NAB is the 2<sup>nd</sup> largest Bank by market capitalization on the ASX with a point of difference in business banking and private banking.

### Developments in the Financial Year

NAB have progressed well, finishing 2021 in better health, moving from 2 years ago when they were 4th in Australia by Market Capitalization to 2<sup>nd</sup> now. They have increased the Net Promotor Score by four points to -7. This is equal first amongst its peers and marks a 10-point increase on the back of a good full year result. The dividend for the year was 127 cents per share, compared to 60c in 2020. This outcome is closer to the level of shareholder return the Board is targeting going forward. Future dividends will be guided by a target payout ratio in the range of 65 to 75 per cent of sustainable cash earnings, subject to circumstances at the time.

The \$2.5b share buyback which started in August is 40% completed, MLC Wealth has been sold (a major milestone in the simplification plan) and they acquired 86,400 Holdings Ltd, a company that will be part of their on-line only U-Bank, providing the opportunity to be agile in digital space. 94% of customer transactions are now on-line and 40% of lending is completed by video. NAB have 566 retail branches, 283 of which are in regional areas, plus 3500 Australia Post outlets. ATM transactions have declined 50%, demonstrating the further movement away from cash. Most business customers are in good financial shape; they want to borrow, invest and grow. This year included a month with the highest business lending on record. The Austrac investigation into anti money laundering breaches, which were revealed in June, noted that at this time it was not considering civil penalty proceedings.

NAB is the first Australian member bank of the United Nations' Environment Program Finance Initiative's Collective Commitment to Climate Action, and they have joined the associated Net Zero Banking Alliance, which has set concrete actions with time horizons for member banks.

NAB is winding down over time the financing of fossil fuels, while at the same time growing in renewable energy finance. NAB is the only major Australian bank so far to have set an upper limit on exposure to oil and gas extraction and production, and to put restrictions on lending to greenfield gas projects.

Out of a team of 32,000 staff, 12,000 bankers are moving to a fixed pay scheme whilst senior people still have some pay "at risk" to reflect accountability, in line with providing customer service rather than commission-based "selling".

It is 2 years since the CEO Ross McEwan commenced and 18 months since the refreshed four pillar strategy of relationship leading, easy to do business with, safety and long term thinking has been implemented. Plans are underway to complete loan approvals within 1 hour and to conduct further work into supporting customers to decarbonize.

### **Summary of Historical ASA Issues with the Company**

ASA noted in the previous year the determination for the Board to address the squandering of shareholder wealth over the last 2 decades and to stamp out the issues that drove illegal and unethical behaviour. The Group Chief Executive was given the task of developing a clear strategy to create stability. With stronger discipline and execution, meaningful change has taken place which is reflected in their results. It is acknowledged by Board and Executives that there is still some way to go.

### **Debate and Voting at the AGM**

Despite the Chair's attempt to confine all climate change questions to resolution 5 on the Notice of Meeting, that was mostly ignored as many of the questions were posed verbally through the Lumi platform. Item 1. Financial, Directors and Auditors Report received many repetitive questions that related to carbon and the funding of fossil fuels. ASA asked questions on the acquisition of 86,400 Holdings Ltd and the Chair explained that it was part of the online U-Bank strategy which is digital only and is in a separate market position, trading under the NAB Licenses. It will provide the opportunity to be quite agile and migrate rapidly to digital. The merged entities will use the superior on-line platform developed by 86,400 Holdings. ASA questioned whether the move online would result in more branch and ATM closures. The Chair's response included the detail of the number of branches, those in rural areas and those with an arrangement with Australia Post. Several branches have recently been refreshed in their look and given the opportunity to scale to meet the customer needs. ATM transactions declined by 50% and

customers can now access all other Bank ATMs at no cost, leading to further rationalization as customers move away from using cash. We also asked about the take up of digital wallets and the new payments platform that facilitates transfer from PayPal wallet to Australian Banks. During our questions we did acknowledge the meaningful change that has taken place which is reflected in the financial results.

There were questions related to the recent publicity from the Financial Sector Union's survey about the excessive staff overtime. The Chair responded that the Bank takes this very seriously and is concerned about the conclusions from this and will be doing their own survey on health and wellbeing of staff. Staff can raise their concerns with their leader, HR division or use the whistle blowing policy. Some \$109m has been paid out because of the underpayment of staff.

In response to a question by Stephen Mayne the Bank will not be providing a transcript of the meeting.

Item 2 re-election of M/s Anne Loveridge. Anne spoke to her re-election, there were no questions and a vote in favour of some 99.5%

Item 3 the remuneration report again no questions, in favour 96.2%

Item 4 Approval of Deferred Rights and Performance Rights for Group Chief Executive - no questions in favour 98%

Item 5a and b were shareholder resolutions put up by the activist group Market Forces on constitutional change and climate change transition planning disclosure respectively. These became the marathon of the meeting. Market Forces Jack Bertolus spoke to the resolution and in particular the role NAB played in organizing the funding for US based Global Infrastructure Partners 'purchase of the 49% interest in the \$16b Scarborough gas project. The Chair explained that it was forecast there would be an increasing reliance on gas for electricity generation in order that the emissions-heavy coal-fired power plants could be retired and therefore whilst new gas projects were off limits there was the need for more investment in existing fields. The NAB exposure is capped at US\$2.4b and that will decline from 2026 -2050. The Bank will be aligning their lending portfolio to achieve net zero by 2050 and supporting an orderly transition as they wind down the financing of fossil fuels. The Chair stated that the opportunity to finance the climate transition was the greatest economic shift in our lifetime which requires meaningful backing to deploy low carbon solutions.

There were also questions related to NAB's funding of the Coastal Gaslink pipeline in Canada and how that reconciled with the UN Declaration of the Rights of Indigenous People. The Chair commented that this was an historical matter, and the Bank had no intention of funding any further new gas or oil extraction outside Australia. It should be noted that most of the shareholder questions by far were related to item 5a and 5b. 5a was defeated, receiving only 5% of shareholder votes in favour. Since this special resolution did not receive the requisite minimum 75% support, the substantive one on climate change transition planning was not put to the meeting.

### **Outlook Statements from the Company**

NAB intends to look at their \$1 trillion loan portfolio and take an overall approach to carbon intensity under the 8 major headings of residential, commercial, agricultural, power, resources, heavy manufacturing, transport and small/medium enterprises. Currently the resources sector accounted for 1% and the coal industry about 1/3rd of that figure so in taking a "whole of

economy“ approach to net zero by 2050, rather than net zero in each subsector, NAB can play a more important role in supporting their customers.

NAB will be appointing a new Director this coming year after completion of their refreshed Director appointment policy.

NAB flagged a capital expenditure of \$1.3b in 2022 with about 1/2 being directed to initiatives for simplification and automation of the systems and better use of data and analytics.

### **Monitor Shareholding**

*The individuals involved in the preparation of this voting intention have a shareholding in this company.*

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