



<b>Company</b>	National Australia Bank Limited
<b>Code</b>	NAB
<b>Meeting</b>	AGM
<b>Date</b>	18 December 2019
<b>Venue</b>	Darling Harbour Theatre, International Convention Centre, Sydney
<b>Monitor</b>	Dennis Shore. Mary Curran represented the ASA at the AGM.

<b>Number attendees at meeting</b>	347 proxyholders and shareholders, 30 non-voting holders, 98 visitors
<b>Number of holdings represented by ASA</b>	2,055
<b>Value of proxies</b>	\$243 m
<b>Number of shares represented by ASA</b>	9.6m (equivalent to 9th largest holder in Top 20)
<b>Market capitalisation</b>	\$73.3 billion
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with Chair Phil Chronican, Director Anne Loveridge, Executive General Manager Investor Relations Sally Mihell, and General Manager Performance and Reward Richard Doody

### No second strike, but ASIC strikes!

With a record against vote recorded for the remuneration report at the 2018 AGM, the stage was set for a challenging 2019 AGM. ASIC's filing of charges against NAB in the Federal Court on the eve of the AGM, alleging fees for no service and other failures, ensured there would be strong shareholder scrutiny even if the bank had done enough to address the issues of the previous AGM.

There was another record of sorts with the newly installed Chair and CEO facing tests of stamina for a six hour marathon, dealing with many questions not specifically relevant to agenda items from various groups about environmental and climate change issues and a group (Bank Warriors) claiming to represent bank victims, taking up much of the oxygen. With new CEO Ross McEwan only joining on 2 December much of the heavy lifting on questions was handled by Chair Philip Chronican who had served as interim CEO following the much publicised departure of Andrew Thorburn. The mood of the shareholders was not positive despite an improvement of total

shareholder return (TSR) with the aboriginal elder in his welcome to country, noting “you are not a happy bunch here”.

Mr McEwan acknowledged the bank must lift its game and needs to regain public trust and get the basics right and senior executives who rip off customers will not be tolerated. He will focus strongly on accountability and expected the bank to become simpler and less complex.

A ‘bank warrior’ opened with an Oscar Wild analogy about NAB’s loss of both a CEO and Chair, not once but twice, arguing the public face conceals a total disregard for the regulators, with tactics of delay, deny, deceive. Debates about books on ethics and who had read the Royal Commission Report did elicit that the board has taken the findings very seriously and has reforms underway.

Concern was raised about the risk of derivatives, described by Warren Buffet as ‘weapons of mass destruction’, but seemed to be of little concern to others, even if responses were not comprehensive.

Several shareholders asked about the ASIC lawsuit, which could theoretically attract billions of dollars in penalties. ASA queried adequacy of provisioning for potential penalties, which the Chair confirmed had no provision in the financial statement, and he did not know where they will land but customer remediation is already well underway and provisioned. He agreed extrapolations to a very large penalty were possible based on the law but the substance of the allegations is materially less. The bank’s lawyers were reviewing the claim with the matter needing to be resolved at court.

Former Labour senator Chris Schacht, described the board as failed capitalists with the board and executives having destroyed shareholder value, citing how his shares purchased in 2003 for \$30 are now trading at \$25. He spoke at length of the unpalatable conduct of the company and wondered if the latest whistle-blower received any bonus.

In the end, the bank satisfied shareholders that it had addressed the issues causing such repudiation at the 2018 AGM with the remuneration report strongly supported (97.02%). The bank returned to a traditional remuneration structure and also addressed the most important concerns raised by the ASA in 2018 with the Board finally accepting a 20% haircut off their base fee and essentially all executive bonuses being retracted back to 2016. Whilst supporting the resolution, the ASA emphasised that it saw the revised structure a work in progress and invited the bank to engage with us in this regard. The strong support for the remuneration report meant that the Conditional Spill Resolution was not required.

There was also strong support for directors seeking election or re-election and also the two resolutions for selective capital reduction.

The requisitioned resolution championed by environmental groups to amend the constitution did not garner appreciable support (5.83%) and consequently two further conditional resolutions were not put. Nevertheless, proponents of these resolutions got their couple of hours of webcast fame, although most AGM attendees had given up and left before consideration of the resolution.

ASA (and others) strongly voiced that support for resolutions was conditional with the bank on notice to reverse the destruction of shareholder wealth of the last 2 decades, with successive Boards having not adequately addressed the litany of bad investment decisions nor, seemingly, identifying or erasing unethical business practices. We expect the new leadership team to do both. These sentiments resonated and ASA received wide print and TV media coverage.

Unfortunately, the AGM was a lost opportunity to hold the company accountable for its shortcomings. The hours spent on issues other than accountability took the focus off how past failings will be redressed. Nevertheless, the Board and the new CEO can be left in no doubt about what is expected of them.