



PERPETUAL TRANSFORMATION PROGRAM STILL UNDERWAY

Company/ASX Code	Bank of Queensland/BOQ
AGM date	Tuesday 8 December 2021
Time and location	10am AEST Online
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Kelly Buchanan assisted by Mike Stalley
Pre AGM Meeting?	Yes with Chairman Patrick Allaway, Remuneration Committee Chair Warwick Negus, and Investor Relations Manager Cherie Bell.

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

Summary of issues for meeting

The financial turnaround of the BoQ and the acquisition of ME Bank.

The apparent disadvantage for retail shareholders during the capital raising around March 2021

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

The ASA will be monitoring the progress of the new BoQ with interest.

As the merger with ME Bank was effective only for two months, no useful comparative data is reliably available. Therefore, the statutory data and financial accounts as presented in the Report are noted.

However, the Bank has provided Pro-forma schedules for the 12 months without the ME bank data to enable the comparative analysis to be undertaken. While the underlying data is consistent with previous years, note that the analysis is based on data not subject to accounting standards or audit.

Governance and culture

The BoQ 2021 Annual Report document (Report), pages 55 to 70 inclusive provides a comprehensive explanation about this significant area of governance. No further value about this important area will be added to by analysis and discussion in this report. Interested readers are referred to the Report.

Financial performance

As mentioned above, there has been a significant turn-around in the Bank's financial performance. This is a very welcome change after many years of negative growth with ongoing uncertainty about the future of the Bank, despite previous (continued) plans, strategies, and assurances that there was a viable plan for the future of the Bank.

Statutory profit after tax (NPAT) is up from \$115m FY20 to \$352m FY21, the shareholder return is up from -32% FY20 to 61% FY21 and dividend payment is up from 12 cents FY20 to 39 cents FY21. The material influence for the improvement in the NPAT is the change in the impairment charge, from a cost FY20 of \$175m to a credit FY21 of \$21m. This has enabled BoQ to achieve the same profit as five years ago. Growth has been a rare commodity.

Key events

The key event was the acquisition of ME Bank. A successful capital raising of \$1.35b was announced on 22 February 2021 with a net amount of \$1.329b shown in the cash flow statement. Retail shareholders were disadvantaged in the capital raising for the ME Bank acquisition. At our pre-AGM the Chairman noted they had learned things and would act differently in the future but also emphasized the need to secure financing quickly in order to be the successful bidder.

Key Board or senior management changes

Ms Deborah Kiers was appointed as a Director on 5 August 2021.

MS Mickie Rosen was appointed as a Director on 4 March 2021

Ms Kathleen Bailey-Lord ceased as a Director on 5 August 2021.

MS Michelle Tredenick ceased as a Director on 8 December 2020.

Mr Nicholas Allton joined as Group General Counsel and Company Secretary on 1 February 2021.

ASA focus issue

The ASA focus issue in this report for 2020 was on better things to come. It is gratifying that the situation as presented in 2020, is in the process of a significant turnaround.

When combined with the acquisition of ME Bank, the outlook for BoQ 2021 and beyond is more secure than the ASA has observed for the last 10 years.

Summary: Note that the 2021 data is based on proforma underlying data for the non-merged entity. The exception is the share price.

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	\$352	\$115	\$298	\$336	\$352
UPAT (\$m)	\$389	\$225	\$320	\$372	\$378
Share price (\$)	\$9.46	\$6.13	\$9.17	\$11.49	\$12.59
Dividend (cents)	\$0.39	\$0.12	\$0.65	\$0.76	\$0.84
TSR (%)	60.7%	-31.8%	-14.5%	-2.7%	26.5%
EPS (cents)	\$0.67	\$0.26	\$0.74	\$0.89	\$0.94
CEO total remuneration, actual (\$m)	\$1.41m	\$1.34m	Transition yr w/3 A/CEOs	\$2.7m	\$3.3m

For 2021, the CEO's total actual remuneration was **fifteen times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

Item 2A	Election of Ms Mickie Rosen as a Director
ASA Vote	For

Summary of ASA Position

Based on the US West Coast, Ms Rosen was appointed in March this year. She has decades of experience across media, technology and e-commerce, having built and led global businesses for iconic brands such as Yahoo, Fox, Disney, Hulu and Fandango. She also served as President of the digital arm of Tribune Publishing and was concurrently President of the Los Angeles Times. She holds an MBA from Harvard Business School. She currently chairs BOQ's Transformation & Technology Committee and is a member of the Risk, People, Culture & Remuneration, Audit, and Nomination & Governance Committees. Ms Rosen's technology background should be a boon to BOQ's never-ending quest to improve its digital offering. Ms Rosen has yet to acquire any shares in the company and we urge her to do so in order to align her interests with those of shareholders.

Item 2B	Election of Ms Deborah Kiers as a Director
ASA Vote	For

Summary of ASA Position

Appointed to the board in August this year, Ms Kiers has decades of strategic, advisory and consulting experience to boards and management teams in various industries including Financial Services, Resources, Property, and Infrastructure to name a few. Her experience includes business model transformation, M & A integration, leadership development and building synergies between culture, performance and remuneration strategies. She is currently a NED for IFM

Investors and of the Tiverton Agriculture Impact Fund. She was a previous director of ME Bank. Ms Kiers is a member of the BOQ Transformation & Technology, Risk, People, Culture & Remuneration, Audit and Nomination & Governance Committees at BOQ. We are delighted that Ms Kiers has begun to acquire shares in the company through its excellent NED salary sacrifice scheme.

Item 2C	Election of Dr Jennifer Fagg as a Director
ASA Vote	For

Summary of ASA Position

Appointed to the Board in October 2021 Dr Fagg has had a 25-year career in the financial services sector. She is recognized for her leadership and turnaround capabilities fostered during her time with CIBC Canada. And she was CEO of ANZ Bank, New Zealand. Most recently she served as Chief Risk Officer for AMP driving a critical transformation agenda for risk culture and systems following the Hayne Royal Commission. Dr Fagg has a PhD in Management (Risk) from University of Sydney's Graduate School of Business and a Bachelor of Economics from the University of Queensland. At BOQ she is a member of the Transformation & Technology, Risk, People, Culture & Remuneration, Audit, and Nomination & Governance Committees. Ms Kiers has yet to acquire any shares in the company and we urge her to do so in order to align her interests with those of shareholders.

Item 3	Grant of Securities to the Managing Director & Chief Executive Officer
ASA Vote	Against

Summary of ASA Position

The Board seeks shareholder approval to grant the CEO up to \$1.3m in Performance Shares (STI) and up to \$876,000 in Premium Priced Options (LTI) as his variable remuneration for the financial year ending August 2022. The performance hurdles and vesting parameters are more fully disclosed in Appendix 1 below. Although we value Mr Frazis's performance and want him to be suitably compensated, we intend to vote against the remuneration report and encourage BOQ to improve on the current remunerations scheme.

Item 4	Approval of Future Issuances Under the BOQ Equity Incentive Plan
ASA Vote	Against

Summary of ASA Position

The Board seeks shareholder approval to grant the MD and CEO certain Performance Shares (STI) and Premium Priced Options (LTI) pursuant to the Remuneration framework. Although the company does not currently intend to issue such shares, it seeks shareholder approval to give it the flexibility to do so should they wish. As we are opposed to the Remuneration report (see Appendix 1 below) and are generally opposed to the issuance of shares to be used for compensation, we cannot approve this item. We are critical of the lack of quantifiable performance metrics and the lack of a financial gateway for the Performance Shares (STI). As well, we want to see more than one performance metric apply to the award of the Premium Priced Options (LTI). We see this as a 'close call' and note that a few strategic improvements in the coming years would see us view the Remuneration framework in a more favourable light.

Item 5	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

Our decision with regard to supporting the Remuneration Report has been a very close call. There are many elements we do like including the long-term nature of both the STI and LTI components. However, we are critical of the lack of quantifiable performance metrics and the lack of a financial gateway for the Performance Shares (STI) and we strongly urge the company to further improve disclosure of STI hurdles to shareholders in next year's Report.

As well, we urge the company to add performance metrics to the LTI framework that are within the CEO's control and more closely related to business performance. We also want to see more than one performance metric apply to the award of the Premium Priced Options (LTI). See details below in Appendix 1.

Item 6	Appointment of Auditor to Fill Vacancy
ASA Vote	For

At our pre-AGM meeting with members of the board, we learned that the previous auditor, KPMG, had been on board for many years and that the board decided to solicit tenders for a new auditor. They were extremely pleased with the tender provided by PwC and felt they would receive excellent services for a good price from the new auditor. We support this move.

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Appendix 1 Remuneration framework detail

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$1.3m	40.7%	\$1.3m	40%
STI - Cash	0	0	0	0
STI - Equity	\$1.144m	35.8%	\$1.144m	35.8%
LTI	\$754,000	23.6%	\$754,000	23.6%
Total	\$3.198m	100.0%	\$3.198m	100%

The amounts in the table above are the 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.

FRAMEWORK

As flagged in last year's annual report, the BOQ remuneration framework changed in FY21. Senior Executives now receive Fixed Pay, Performance Rights (STI) and Premium Priced Options (LTI). The Performance Rights are measured over one year and if hurdles are met, they will vest as Restricted Shares in tranches over the following three years (33%/33%/34%). The Premium Priced Options are options which the executive can elect to exercise after four years (50%) and five years (50%). Participants derive zero value from these options unless the share price at vesting (four and five years from grant) exceeds the exercise price which is set at 120% of the share price at the time of grant.

Although the Scorecard used to determine whether an executive's Performance Rights will convert to Restricted Shares has improved over last year we still find it wanting. ASA prefers that

quantifiable performance metrics be disclosed to shareholders. As it stands, we don't know what levels of performance are required for an executive to be rewarded. Are they indeed challenging enough to be meaningful or perhaps too high so as to be unachievable? We just don't know. We also prefer that no STI be earned unless a financial gateway is cleared. There is a financial metric (50%) as part of the Scorecard but it is not a gateway. We do like the long-term nature of the Performance Rights and that executives are ultimately rewarded with shares rather than cash.

Like the Performance Rights, we also like the long-term nature of the Premium Priced Options. However, ASA prefers that LTI hurdles be based on at least two metrics, one of which is TSR and no payment if absolute TSR is negative. These Options only have one measurement hurdle, that of share price. Although we agree that a greater than 20% increase in share price over four or five years would be a positive for shareholders, this is not enough.

The market can be fickle which means the share price might not reward a CEO who has brought great success to the bank's operations. Equally concerning, the market could price the shares at a high level on hype rather than on actual business results.

OUTCOMES THIS FY

The Board assessed the performance of executives and rated it as "exceeds". This resulted in the 100% conversion of Performance Shares awarded at the start of FY21 to Restricted Shares. No LTI granted in previous years vested this year.

UPCOMING CHANGES

Several KMP were awarded an average 12% fixed pay increase for FY22 and the CEO's fixed pay increased 15% as of Sept 2021.

Effective September 2021, NED fees will increase. NED fees were stagnant for seven years but will remain within the \$2.8m fee cap.

KUDOS

Several years ago BOQ started to include a table of actual take home pay for its KMP in the Annual Report. We are delighted and often refer other companies to this table as an excellent template

To make more employees feel like owners of the business and further align their interests with those of shareholders, BOQ instituted its ThankQ Shares program. Under the program nearly 1,600 employees received \$1,000 in BOQ shares. This year some of the shares were issued and some were purchased on market. We encourage the company to purchase these shares on market.

SUMMARY

In summary, we are critical of the lack of quantifiable performance metrics and the lack of a financial gateway for the Performance Shares and we strongly urge the company to further improve disclosure of STI hurdles to shareholders in next year's Report.

As well, we urge the company to add performance metrics to the LTI framework that are within the CEO's control and more closely related to business performance. We also want to see more than one performance metric apply to the award of the Premium Priced

Options (LTI). This is a 'close call' and we note that a few strategic improvements in the coming years would see us view the Remuneration framework in a more favourable light.

