

Building the bank we want

Company/ASX Code	National Australia Bank (NAB)
AGM time and date	9.30am AEDT 15 December
Location	Fullerton Hotel, 1 Martin Place, Sydney
Registry	Computershare
Type of meeting	Hybrid
Monitor	Christine Haydon, Dennis Shore
Pre-AGM Meeting	Yes, with Chair Phillip Chronican, Director Anne Loveridge, EGM Investor Relations Sally Mihell

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

1. How we intend to vote

No.	Item of business description	
1(a)	Re-election of director - Mr Simon McKeon AO	For
1(b)	Re-election of director- Ms Ann Sherry AO	For
1(c)	Re-election of director - Ms Christine Fellowes	For
1(d)	Election of director - Ms Carolyn Kay	For
1(e)	Election of director - Ms Alison Kitchen	For
1(f)	Election of Mr Stephen Mayne as a director who offers himself for election	Against

2	Remuneration Report	For
3	Deferred Rights and Performance Rights – Group Chief Executive Officer: a) Grant of Deferred Rights b) Grant of Performance Rights	For
4	Consideration of Financial Report, Directors’ Report and Auditor’s Report	For discussion
5	Resolutions requisitioned by a group of shareholders: (a) Amendment to the Constitution b) Transition Plan Assessments (conditional on carriage of 5a)	Against

2. Summary of Issues and Voting Intentions for AGM/EGM

NAB is into its fourth year of its strategy under the leadership of Ross McEwan and it has produced strong results albeit with some softening in the second half of the year. Overall cash earnings were up 8.8% on 2022 and a 7.5% increase in statutory profit. The leadership position in private banking is continuing to perform, with full year cash earnings up 10.1% on prior year. NAB’s dividend payout policy is 65-75% of cash earnings which reflects an intention to set dividends at a sustainable level whilst retaining balance sheet strength. Over the latest 3 years of the strategy, NAB has recorded a total shareholder return of 85.8%, against an average return of 65.2% for NABs major banking peers.

One of the key issues is the ongoing need for cyber security systems and for the protection of customers against scams. NAB investment spend of \$1.4b is similar to last year’s, slightly down on infrastructure and up on compliance and customer experience all basically related to online IT security. The NAB Board has completed a study tour in relation to technology and have extensive systems in place to ensure the board are fully informed of any potential IT, security, or cyber incidents. NAB also has a comprehensive bank-wide strategy in place to help reduce the impact of scams and fraud on their customers. Over the past two years they have prevented or recovered more than \$200m in scam losses for their customers.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	\$7,414	\$6,891	\$6,364	\$2,559	\$4,798
UPAT (\$m)	\$7,470	\$7,060	\$6,471	\$3,498	\$5,905
Share price (\$)	\$29.07	\$28.81	\$27.83	\$17.75	\$29.70
Dividend (cents)	167	151	127	60	166
Simple TSR (%)	6.7%	8.9%	63.9%	(38.2%)	13.3%
EPS (cents)	238	219.3	196.3	112.7	208.2
CEO total remuneration, actual (\$m)	\$4.277 (p133)	\$3.890	\$4.013	\$1.837 (Part Year)	4.981
Net Interest Margin (NIM – bank specific)	1.74%	1.65%	1.71%	1.77%	1.87%

Governance and culture

NAB has maintained a consistent approach, details of which are illustrated in the annual report with a section on “Creating Value” where it outlines its strategy, purpose and how it intends to create value. This section includes its focus on customers and colleagues as pillars to building long-term value for shareholders. In addition, it outlines its sustainability approach, namely what it is doing on climate change and environment and the work NAB does to support communities. NAB Foundation is made up of three trusts that are governed by an independent trustee. The NAB Foundation, a registered charity set up to help tackle social and environmental challenges relevant to NAB, natural disasters, climate transition, indigenous economic advancement, and affordable housing, donated \$1.3m to the Yes campaign. The primary focus is supporting the ambitions and progress of First Nations people in providing better banking services particularly to indigenous businesses in the knowledge that jobs and economic opportunities drive positive outcomes. The Chair and the NAB board engaged directly with a range of community leaders, customers, and colleagues to hear their perspectives which included a Board visit to Darwin. The Board made a unanimous decision in 2022 to support constitutional recognition, at the same time respecting the democratic process and the views of shareholders, colleagues and customers. ASA’s view on companies taking a position on social issues is outlined in its policy statement [Companies making statements on or being involved in social issues](#).

Since 2016 NAB has not made individual donations to any political party, however they do pay for attendance to business events hosted by the major political parties, although the amount for 2023 will only be made known via the Australian Electoral Commission in February 2024. In 2022 the total declared to the AEC was \$153,500.

The annual report includes a corporate governance statement, which outlines its governance framework and information about the board of directors as well as the Executive Leadership Team (ELT). This section details the various board committees, how they work, and the key activities performed. The board meets at least annually with key regulators including Australian Prudential Regulation Authority, Australian Securities and Investment Commission, Australian Transaction Report and Analysis Centre and the Australian Financial Complaints Authority. There is also data on board composition, diversity and it is worth noting that not one board member was absent from any board meeting. The NAB gender diversity on the board is 54.5% female and 45.5% male.

Key events

For the third consecutive year, NAB will undertake share buyback of a total of \$1.5b. The previous 2 announcements were \$2.5b for each year, taking the total potential share buyback to \$6.5b over the 3 years which is in line with the strategy of value for shareholders.

Ubank underwent a system migration program which was successfully completed with all customers now on the new platform, ubank strategy is to acquire younger customers and deliver a market leading digital experience and this year added 175,000 net new customers. NAB also has a customer brain program which is powered by 200 machine learning models which draws on lots of data sources to be proactive and relevant to customers with strict rules around how the data is permissioned and used.

Key board or senior management changes

Mr David Armstrong (Audit committee chair) and Mr Peeyush Gupta AM will retire from the board having served three terms of 3 years on the board.

As part of the Board renewal strategy three new directors were appointed during the year (and are up for election at this meeting):

- Ms Christine Fellowes (Media and digital transformation experience)
- Ms Carolyn Kay (Banking, law and financial services experience)
- Ms Alison Kitchen (Accounting and Audit experience – previous partner at KPMG)

We note that new Director Ms Alison Kitchen will Chair the Board Audit Committee. Whilst her professional qualifications and industry experience are all related to Audit, as a new director she will be supported on the Audit Committee by Ms Anne Loveridge who has previously chaired the Board Audit Committee at NAB.

There were 3 retirements in the Executive leadership team. Gary Lennon retired after 7 years as CFO at NAB. He is replaced by Nathan Goonan who was previously held executive level roles in strategy and mergers and acquisitions at NAB. This means that NAB will have a new CFO in addition to a new Audit committee chair.

Susan Ferrier (Group Executive, People and Culture) has retired after 4 years in the role, and is replaced by Sarah White. This is another internal promotion with Sarah having been the Chief of Staff to the Group Chief Executive Officer for the past 5 years.

Finally, Angela Mentis (Group Chief Digital, Data and Analytics) has also retired after 2 years in the role with her responsibilities being absorbed into Lee Matheson responsibilities which include Chief Operating Officer. The Executive Team has been reduced by two as part of the continuing focus on costs.

Sustainability/ESG

NABs reporting on sustainability/ESG, in addition to its separately provided risk report of which a summary exists in its annual report is very extensive. There is a separate sustainability data pack which external auditors EY provide limited assurance over the key metrics in the data pack.

4. Rationale for Voting Intentions

Item 1 Re-election and Election of Directors

In regard to the re-election of directors Simon McKeon & Ann Sherry, both adhere to the NAB policy of directors holding minimum shareholdings equivalent to the annual base fee of a non-executive director within a 5-year period from appointment. ASA preferred period is 3 years, and this has been noted by NAB.

ASA cannot support Mr Mayne's reason for nomination to delay the AGM to late January. His reasons were that in 2023 board nominations closed on October 13, well before the proposed release of the full year results on November 9. The vast majority of public companies release their full year results before the deadline for nominations, so if concerns are raised in the results, his view is that shareholders should have time to intervene on board composition. We note that the NAB Board recommends that shareholders vote against the election of Mr. Mayne as to date he has not met any of the Company's standard requirements for director candidates or the associated regulatory requirements. ASA will vote against this nomination.

Item 2 Remuneration Report

As foreshadowed in 2022 remuneration report the board undertook a detailed review of the remuneration framework in preparation for the implementation of APRA CPS 511. The requirement includes longer variable reward deferral periods for the CEO and introduction of the non-financial long term variable reward performance measures. The remuneration report is extensively detailed in the Annual Report and becomes effective from 1 October 2023 and applies for the 2024 financial year.

Item 3a & 3b Deferred Rights and Performance Rights - Group CEO

A full explanation is included in the notice of meeting. In 2024 Mr McEwan's remuneration package will comprise of annual fixed remuneration of \$2,500,000 with a maximum annual VR opportunity of 100% of annual fixed remuneration (\$2,500,000) and a maximum LTI opportunity of 140% of annual fixed remuneration (\$3,500,000).

Item 4 Consideration of Financial Report, Director's Report and Auditor's Report

All information is available either from the NAB website or from hard copy by request.

Item 5 Requisitioned by a Group of Shareholders

- a. **Amendment to the Constitution.** This resolution is not supported by the Board and is a special resolution requiring 75% approval to pass. It is a proposal to amend the Constitution to include a new provision that would enable shareholders, by ordinary resolution to express an opinion or request information about the way in which a power of the Company vested in the Board should be exercised.
- b. **Transition Plan Assessments.** This item is only considered if item 5a is passed, if not it will not be put to the meeting. It relates to climate strategy, climate reporting and disclosure of customer transition plans.

NAB has set a target to reduce financed emissions from the thermal coal sector to zero by 2030. Further details are available in the NAB 2023 Climate Report.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.495	58.3	2.500	26.3
STI - Cash	1.350	31.6	1.875	19.7
STI - Equity	0.432	10.1	1.875	19.7
LTI	unstated	-	3.250	34.3
Total	4.277	100.0	9.500	100

CEO actual as described above, Annual Variable award of \$2.700,000 (72% of opportunity under 2023) to be awarded half in cash and half in deferred rights with no dividend related payment until the rights vest. Paid in 4 tranches Nov 2024 - Nov 2027. It is proposed that 46,680 deferred rights be granted, at the face value computed via the weighted average share price between 25th Sept - 29th Sept 2023 inclusive, which was \$28.92.

Under the new LTI award the 2024 award will comprise 2 elements LTEA (long term equity award) and LTVR (long term variable award). Proposed rights to be granted 60,511 LTEA and 60,511 LTVR. The amount determined as the maximum opportunity for 2024 was \$3.500,000. Performance measures for LTEA are risk measured and LTVR are measured on Total Shareholder Return relative to peer group from a selection of top financial service companies in the S&P and ASX 200. All deferred rights cannot be transferred, are subject to lapse conditions until they vest. Claw-back and malus conditions apply.

There is extensive detail in Annual Report pages 134 and 135. CEO remuneration is within the GRG benchmark. The CEO is required to hold NAB shares to the value of two times fixed remuneration. Board fees have not increased.