395 Bourke Street
Melbourne VIC 3000
AUSTRALIA
www.nab.com.au

National Australia Bank

Tuesday, 9 November 2021

# ASX ANNOUNCEMENT

## NAB Virtual Annual General Meeting Notice of Meeting

National Australia Bank Limited (NAB), in accordance with the ASX Listing Rules, attaches its 2021 Notice of Annual General Meeting (AGM) for release to the market.

All important information and guidance for shareholders joining this year's virtual AGM is available on NAB's website at www.nab.com.au/agm

For further information:

**Media**

Mark Alexander
M: +61 (0) 412 171 447

Jessica Forrest
M: +61 (0) 457 536 958

**Investor Relations**

Sally Mihell
Mob: +61 (0) 436 857 669

Natalie Coombe
M: +61 (0) 477 327 540

**Shareholder Services**

Bettina Collins
M: +61 (0) 436 804 655

The release of this announcement was authorised by Louise Thomson, Group Company Secretary.

# 2021 NOTICE OF ANNUAL GENERAL MEETING

**9.30am (Australian Eastern Daylight Time)**
Friday, 17 December 2021

National Australia Bank Limited ABN 12 004 044 937

# CHAIR'S MESSAGE

It is my pleasure to invite you to the 2021 Annual General Meeting (AGM) of National Australia Bank Limited. In the interests of the wellbeing and safety of our shareholders, colleagues and the broader community, and given the continued uncertainty regarding COVID-19 restrictions on public gatherings, NAB's 2021 AGM will be conducted as a virtual meeting. The Board considers the AGM to be an important event for engaging with our shareholders. Shareholders will have the opportunity to view presentations, ask questions and submit votes online during the AGM.

## Restoring stability and driving performance

NAB finishes 2021 as a better bank, well placed to deliver improved performance over the long-term. In a year characterised by continued challenges, NAB has demonstrated a strong focus on customers and colleagues, as well as its resilience and ability to grow safely.

While there is more to do, Ross McEwan and the Executive Leadership Team have created stability and clarity of strategy within the organisation, with stronger discipline and execution. This is enabling us to deliver against our ambition to serve customers well and help our communities prosper.

Meaningful and sustainable change has been made to the way the bank operates as a result of reforms put in place following the Financial Services Royal Commission and in response to NAB's own self-assessment into governance, accountability and culture.

The Board is observing tighter operating disciplines across the bank, including faster identification and response to issues. While remediation continues in financial crime risk, the Board recognises the focus and diligence shown by management.

Products and services have been reviewed to ensure the needs of customers are put first. Processes are in place to ensure any complaints are resolved faster.

The number of outstanding regulatory issues has been materially reduced and we are making things right for our customers where we have let them down. This year NAB has returned $575 million to customers and we are on track to have the bulk of these legacy issues behind us by the end of 2022.

The successful exit of MLC Wealth has simplified the bank and enabled greater investment in core markets where the bank can grow. NAB's acquisition of 86,400 and proposed acquisition of Citigroup's Australian consumer business will enable the bank to quickly build scale in our digital and consumer bank offerings.

## Delivering results in a challenging environment

The Board is encouraged by the 2021 full year results, which reflect good momentum across all businesses, capital strength and sound credit quality.

We are pleased to be increasing the dividend across the full year from a reduced level in 2020. Further information on the dividend is contained in our annual reporting suite, available online at **www.nab.com.au/annualreports**.

The Board has set executive and employee remuneration outcomes for 2021 at a level which reflects the strong progress made in resolving legacy issues, the strategic repositioning of the business and major improvements to customer outcomes, evidenced by NPS and market share measures. This is in contrast to last year when the CEO and ELT did not receive any short-term incentive payments.

Importantly, remuneration outcomes reflect an assessment of performance against the targets set in the 2021 financial year plan, as well as greater colleague engagement and better outcomes for customers.

In a challenging environment, the bank provided flexibility and repayment relief to customers in need, while continuing to lend to businesses and homeowners to grow investment and support the broader recovery.

## Building for the long-term

Looking ahead, I am cautiously optimistic that the worst of the economic impact of COVID-19 is behind us and that the Australian economy will rebound to pre-COVID levels by the middle of 2022.

The pandemic accelerated generational shifts in technology. Today, 94 per cent of customer transaction activities are online and 48 per cent of our home lending appointments are by video, a clear shift away from face-to-face banking. We are supporting our customers as they make this change.

NAB has stronger technology foundations in place and a greater emphasis is being placed on digital, data and analytics.

This will enable NAB to deliver faster, better and more personalised experiences to customers. It will also strengthen defences against the growing, global threat of financial and cyber-crime.

More broadly, new technologies will be central to the decarbonisation of the Australian and New Zealand economies.

NAB was the first Australian member bank of the United Nations' Environment Programme Finance Initiative's (UNEPFI) Collective Commitment to Climate Action.

Aligned with this membership, NAB is working with 100 of our largest greenhouse-gas emitting customers as they develop or improve their low carbon transition plans by 2023.

NAB has capped oil and gas exposure at default at USD$2.4 billion and will reduce the Group's exposure from 2026 through to 2050, aligned to the International Energy Agency (IEA) Net Zero Emissions 2050 scenario.

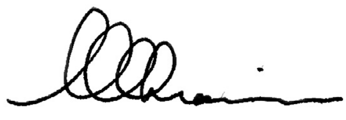
However, for Australia to play its part and become a stronger and more efficient economy, we need to tackle climate change as a whole-of-economy issue. Every industry, organisation and individual will have a role to play in our decarbonisation.

NAB's role is clear. We will work with our customers to support their transition plans and we will support the investment required to realise the significant economic opportunity for Australia in a low emissions economy.

The NAB Board will continue to evolve, to reflect the skills and diversity of experience required to guide the bank through changes in our operating environment. Anne Loveridge will stand for re-election at the AGM with our full support.

On behalf of the Board, thank you for your ongoing support as shareholders. To NAB's 32,000 employees, thank you for your hard work in serving our customers well and helping our communities prosper, particularly as you navigated the impacts of COVID-19 on your own lives.

I am proud of the progress the bank has made in the past year and the tangible momentum for the future.



Philip Chronican, Chair

# NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting (AGM or Meeting) of National Australia Bank Limited (NAB or the Company) will be held on Friday, 17 December 2021 at 9.30am (AEDT). This year's AGM will be conducted as a virtual meeting.

Conducting the AGM virtually will provide an equal opportunity for all shareholders to participate in the AGM, regardless of their location. Shareholders will be able to participate in the AGM by voting online and asking questions online in advance of or during the Meeting. The online portal for the AGM will open for registration at 8.30am (AEDT). Shareholders can also view a webcast of the AGM. Further information is provided below and in our online AGM Guide.

## Items of Business

### 1. Financial Report, Directors' Report and Auditor's Report

To consider the Company's Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 September 2021.

### 2. Re-election of Director

To re-elect Ms Anne Loveridge as a director following her retirement in accordance with the Company's Constitution.

The Board (other than Ms Loveridge who is the subject of this Item) recommends that shareholders vote <u>in favour</u> of Item 2.

### 3. Remuneration Report

To adopt the Company's Remuneration Report for the financial year ended 30 September 2021.

The Board recommends that shareholders vote <u>in favour</u> of Item 3.

### 4. Deferred Rights and Performance Rights – Group Chief Executive Officer

a) To approve the grant of deferred rights to the Group Chief Executive Officer, Mr Ross McEwan, under the Company's Annual Variable Reward Plan, as described in the Explanatory Notes.

b) To approve the grant of performance rights to the Group Chief Executive Officer, Mr Ross McEwan, under the Company's Long-Term Variable Reward Plan, as described in the Explanatory Notes.

The Board (other than Mr McEwan, who has a personal interest in this Item) recommends that shareholders vote <u>in favour</u> of Items 4(a) and 4(b).

### 5. Requisitioned resolutions promoted by Market Forces

The following resolutions were requisitioned by shareholders and promoted by Market Forces. These resolutions are not supported by the Board.

a) To consider the following resolution as a special resolution:

**Amendment to the Constitution**

Insert into the Constitution in clause 8 'General meetings' the following new sub-clause 8.3A 'Advisory resolutions': "The Company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the Directors has been or should be exercised. Such a resolution must relate to a material risk identified by the Directors or the Company and cannot advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the Directors or the Company".

A special resolution requires approval by at least 75% of eligible votes cast on the resolution.

b) To consider the following resolution as an ordinary resolution:

**Transition Planning Disclosure**

Shareholders note the Company's stated support for the goal of achieving net-zero emissions globally by 2050 (including its commitment "to align its lending portfolio to net zero emissions by 2050"),[1] along with the publication of the International Energy Agency's Net Zero by 2050 scenario.[2] Shareholders therefore request the Company disclose, in subsequent annual reporting, information demonstrating how the Company will manage its Fossil Fuel[3] exposure in accordance with a scenario in which global emissions reach net-zero by 2050. This information should include:

- A commitment to no longer provide Banking and Financing[4] where proceeds would be used for new Fossil Fuel projects; and
- Targets to reduce Fossil Fuel exposure consistent with net-zero by 2050.

The Board recommends that shareholders vote against Items 5(a) and 5(b).

1. Annual Financial Report 2020, National Australia Bank, p.42
2. 'Net Zero by 2050', International Energy Agency, May 2021
3. Upstream, midstream and downstream oil and gas; coal mining and transport (including haulage and ports); coal, oil and gas power generation
4. Corporate lending, bonds, hybrids, syndicated loans, US private placements and securitisation, project finance, asset finance, acquisition and leveraged finance, export credit agency, debt capital markets and advisory, as listed by NAB: https://www.nab.com.au/corporate/specialist-solutions/financing-corporate-growth; https://www.nab.com.au/corporate/specialist-solutions/specialised-financing-solutions



# INFORMATION FOR YOU

## Attending the Meeting

You can attend the Meeting virtually through our online AGM portal. To access our online AGM portal enter **https://web.lumiagm.com/303829712** in the web browser on your computer or mobile device and follow the instructions. Registration will commence from 8.30am (AEDT). If you wish to participate, we recommend that you register at least 30 minutes before the start of the AGM. Further information is also provided in our online AGM Guide that can be found at **www.nab.com.au/agm**.

You can also view a webcast of the AGM at **www.nab.com.au/agm**, where you will be able to watch and listen to the AGM and see slides and proxy results. This option is for viewing only and there is no ability to ask questions or vote.

## Voting

You can vote at the Meeting if you are registered as the holder of ordinary shares as at 7.00pm (AEDT) on Wednesday 15 December 2021.

Each resolution considered at the AGM will be conducted by a poll. The Board considers that voting by a poll is in the interests of shareholders as a whole and ensures that the views of as many shareholders as possible are represented at the AGM.

Shareholders unable to attend the AGM are encouraged to vote in advance of the Meeting.

There are several ways you can vote. You can:

<table>
<tr><th>OPTION</th><th>DETAILS</th><th>INSTRUCTIONS</th></tr>
<tr><td>Cast your vote before the AGM</td><td>You can vote online before the AGM. You must submit your vote by 9.30am (AEDT) on Wednesday, 15 December 2021.</td><td rowspan="2">You can cast your vote directly or nominate a proxy online at <u>www.investorvote.com.au</u> by entering:<br>• the Control Number 185711; and<br>• your Securityholder Reference Number (SRN); or<br>• your Holder Identification Number (HIN),<br>and following the instructions.<br><br>You can also cast your vote directly or nominate a proxy using a paper voting form.<br><br>You can request a paper voting form from Computershare by emailing nabservices@computershare.com.au or by calling 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia).<br><br>Completed paper voting forms must be received by Computershare no later than 9.30am (AEDT) on Wednesday, 15 December 2021 and can be provided by:<br>• Post in the Reply Paid envelope provided.<br>• Facsimile to:<br>1800 783 447 (within Australia)<br>+61 3 9473 2555 (outside Australia).<br><br>A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority and, in that situation, you will need to request a paper voting form from Computershare by emailing <u>nabservices@computershare.com.au</u> or by calling 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia).<br><br>When submitting the paper voting form, you will need to include evidence of any power of attorney under which the form was executed or a certified copy of the relevant authority. A form of notice of appointment can be obtained from Computershare or downloaded from <u>www.investorcentre.com/au</u> and selecting ‘Printable Forms’.<br><br>Custodians and other intermediaries may submit their proxy online at <u>www.intermediaryonline.com</u> (subscribers only).</td></tr>
<tr><td>Nominate a proxy before the AGM to vote on your behalf</td><td>You can appoint a proxy to attend and vote for you at the Meeting. If you choose to do this, we must receive your proxy nomination by 9.30am (AEDT) on Wednesday, 15 December 2021.<br><br>Your proxy may be an individual or a body corporate and does not need to hold securities in the Company.<br><br>You cannot appoint more than two proxies to attend the Meeting or vote for you. If you do appoint two proxies to attend and vote for you, you must specify the proportion (or number) of votes that each of your two proxies can exercise.<br><br>If your proxy is a body corporate, the body corporate must then appoint an individual as its ‘corporate representative’ to attend and vote at the Meeting. If you are a corporate representative, you will need to provide evidence of your appointment as a corporate representative to Computershare.<br><br>If you do not give any directions to your proxy, they may vote as they think fit (subject to the voting restrictions set out in this Notice and any legal requirements).<br><br>If you have specified how your proxy is to vote on an Item of business, the proxy must vote the way you have specified.<br><br>Your proxy can only vote on the Items of business that you are entitled to vote on.<br><br>If you have specified how your proxy is to vote on an Item of business but the proxy does not attend the Meeting, or does not vote on that Item, then the Chair will vote as you have directed.<br><br>If you appoint the Chair as your proxy, or the Chair is taken to be appointed as your proxy, and you have not specified the way to vote on an Item of business, the Chair will exercise your votes in accordance with the Chair’s voting intentions set out below.</td></tr>
</table>

| OPTION | DETAILS | INSTRUCTIONS |
| --- | --- | --- |
| **Cast your vote online during the AGM** | If you attend the AGM you will be able to vote online during the AGM.<br><br>If you have lodged a direct vote before the AGM and then vote online during the AGM, your direct vote lodged before the AGM will be revoked. Similarly, if you have appointed a proxy before the AGM and then vote online during the AGM, your proxy appointment will be revoked. | You can vote at the AGM by attending online through the AGM portal and following the instructions and on-screen prompts.<br><br>All polls will open when advised by the Chair. Shareholders and proxyholders will be able to vote on all resolutions until the Chair closes the polls, which will be around the time the Meeting closes.<br><br>If you are a proxyholder and wish to vote at the Meeting, you will need a Username and Password, which can be obtained by calling Computershare on +61 3 9415 4024 during the online registration period, which will open one hour before the start of the AGM. |

## What if my shares are held jointly?

If you hold your shares jointly, you and the other holders may attend the Meeting. However, only one holder can vote. The holder that can vote is the holder named first on the register.

A corporate holder may appoint one or more persons to act as its representative. However, only one representative can vote at any one time. If you are a representative of a corporate holder, you will need to have provided Computershare with evidence of your appointment before the Meeting. Refer to the relevant instructions on the previous page.

## Asking questions

The Meeting is intended to give you the opportunity to hear the Chair and the Group Chief Executive Officer (Group CEO) talk about the year and provide insights into the Company's prospects for the year ahead. It is also an opportunity for shareholders to ask questions. In the interests of all people attending the Meeting, we ask that you confine your questions to the Items of business and to matters relevant to shareholders as a whole. You may also submit written questions to the Company's auditor, EY, in advance of the Meeting if the questions are relevant to the content of EY's Auditor's Report or the conduct of its audit of the financial statements to be considered at the Meeting. EY will also attend the Meeting and there will be an opportunity for you to ask questions relevant to the audit during the Meeting.

There are several ways in which you can ask questions:

| OPTION | DETAILS | INSTRUCTIONS |
|---|---|---|
| Submitting questions before the AGM | If you are unable to attend the Meeting, or you prefer to register questions in advance, you are invited to submit questions **by Thursday, 9 December 2021**.<br><br>During the Meeting, the Chair will address key themes from shareholders' questions received in advance. | Questions can be submitted either:<br>• at **www.investorvote.com.au** if you are casting your votes online before the Meeting; or<br>• by emailing your questions to **nab2021agm@computershare.com.au**<br><br>If you email questions, please specify the Items of business that your questions relate to. |
| Asking questions at the AGM | If you attend the Meeting, you will be able to submit questions when the Chair invites them. | Questions can be submitted **via the online AGM portal** by:<br>• Tapping on the Messaging icon at the top of your screen, typing your question in the 'Ask a question' box and then selecting the send icon. Confirmation that your question has been received will appear. Your question will be read out by the Moderator; or<br>• Pausing the Meeting broadcast and selecting the 'Audio Questions' link located on the **Home** page. You will be connected to the audio questions line, where you will be prompted to enter your name and the topic of your question, before being placed in the audio questions queue. You will then be introduced by the Moderator and invited to ask your question in the Meeting. You can listen to the Meeting while waiting to ask your question.<br><br>If you require assistance prior to or during the Meeting, please call +61 3 9415 4024. |

Questions received before the AGM that relate to a shareholder's individual circumstances will be responded to as soon as possible. Due to system limitations, we will be unable to respond to questions related to a shareholder's individual circumstances where they are submitted using the online platform during the Meeting. If you have questions that relate to your individual circumstances as a shareholder or customer, please contact NAB Customer Services on 13 22 65 or Computershare on 1300 367 647.

## Voting restrictions

### Item 3 (Remuneration Report)

The Company will disregard any votes cast on Item 3:

- by or on behalf of any member of the Company's Key Management Personnel **(KMP)** whose remuneration details are included in the Remuneration Report (or their closely related parties) in any capacity; and
- by any member of the Company's KMP as at the date of the Meeting (and their closely related parties) as proxy for another shareholder.

However, a vote will not be disregarded if it is cast as a proxy for a person entitled to vote on Item 3:

- in accordance with the directions provided by that person; or
- by the Chair, as the Chair has received express authority from that person to exercise undirected proxies on Item 3 even though Item 3 is connected with the remuneration of the Company's KMP.

### Items 4(a) and 4(b) (Deferred Rights and Performance Rights – Group CEO)

The Company will disregard any vote cast:

- in favour of Item 4(a) or 4(b) by or on behalf of the Group CEO and any of his associates in any capacity; and
- on Item 4(a) or 4(b) as a proxy by a member of the Company's KMP as at the date of the Meeting or their closely related parties.

However, a vote will not be disregarded if it is cast as proxy for a person entitled to vote on Item 4(a) and 4(b):

- in accordance with a direction as to how to vote provided by that person; or
- by the Chair, as the Chair has received express authority from that person to exercise undirected proxies on Item 4(a) and 4(b) even though those Items are connected with the remuneration of the Company's KMP.

Further, a vote will not be disregarded if it is cast in favour of Item 4(a) or 4(b) by a holder as a nominee, trustee or custodian (or other fiduciary) for a person entitled to vote on those Items, in accordance with a direction as to how to vote provided by that person, provided that person gives written confirmation to the holder that they are not excluded from voting on those Items.

## Express authority of the Chair

If a shareholder appoints the Chair as their proxy (or the Chair is appointed as the shareholder's proxy by default) and the shareholder does not direct the Chair how to vote on Items 3, 4(a) or 4(b), the shareholder expressly authorises the Chair to exercise the proxy in respect of the relevant Item (even though those Items are connected with the remuneration of one or more of the Company's KMP).

## Chair's voting intentions

The Chair intends to vote all available proxies:

- in favour of Items 2, 3, 4(a) and 4(b); and
- against Items 5(a) and 5(b).

## Technical difficulties

The Chair has discretion as to whether and how the Meeting should proceed if a technical difficulty arises. In exercising this discretion, the Chair will have regard to the nature of the technical difficulty, the number of shareholders impacted and the extent to which participation in the business of the Meeting is affected. As the Chair could (in certain circumstances) elect to continue with the Meeting even if a technical difficulty arises, shareholders are encouraged to vote or appoint a proxy ahead of the Meeting even if they plan to attend the Meeting.

# EXPLANATORY NOTES

## Item 1: Financial Report, Directors' Report and Auditor's Report

The Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 September 2021 will be put before the Meeting. Each of these reports is contained in the Company's Annual Financial Report for the financial year ended 30 September 2021 **(2021 Annual Financial Report)**.

You can get a copy of the 2021 Annual Financial Report either:

- electronically from our website **www.nab.com.au/annualreports**; or
- from Computershare, which you can request by emailing **nabservices@computershare.com.au**; or by calling **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia).

While this Item does not require a formal resolution to be put to the Meeting, shareholders will be given a reasonable opportunity to comment and raise questions on the matters contained within the 2021 Annual Financial Report. Shareholders will also be able to ask questions of the Company's auditor who will be attending the Meeting.

## Item 2: Re-election of Director

The Board, with the assistance of the Nomination & Governance Committee:

- has applied director appointment criteria, which includes consideration of the Company's Board skills matrix, to ensure the Board has the necessary skills and experience to discharge its accountabilities and responsibilities;
- assesses the skills, experience and existing workload of any prospective non-executive director against the appointment criteria as part of the ongoing Board renewal process and the performance of any director offering themselves for re-election; and
- prior to appointment, undertakes comprehensive background checks into a candidate's background and experience.

The Board also undertakes an annual review of its performance and practices, including an assessment of each director's individual performance. The Board considers the results of this annual review in determining whether to endorse a director standing for re-election or election at the AGM.

The Board, with the assistance of the Nomination & Governance Committee, also considers whether each director standing for re-election or election is independent and has sufficient capacity to undertake the duties expected of a director of the Company.

In accordance with Article 10.3 of the Company's Constitution, Ms Anne Loveridge will retire at the AGM and will offer herself for re-election. The Board has concluded that Ms Loveridge is independent and has sufficient capacity to undertake the duties expected of a director of the Company.

### Ms Anne Loveridge
### BA (Hons), FCA, GAICD

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

ASX-listed companies. Up to her retirement in 2015, Ms Loveridge held senior leadership roles as Partner and Deputy Chair at PwC where, in addition to client advisory and audit roles, she had responsibilities within the firm for governance, leadership development, mentoring and remuneration of senior executives and Partners.

### Directorships of other listed entities:

nib Holdings Limited (since February 2017)

Platinum Asset Management Limited (since September 2016)

Ms Loveridge is also the Chair of The Bell Shakespeare Company Limited, a director of Destination NSW and member of Chief Executive Women (CEW).

The Board considers that Ms Loveridge's financial, regulatory reporting, risk management, remuneration and people leadership experience are valuable contributions to the Board's existing skills and expertise.

**RECOMMENDATION**

The Board (other than Ms Loveridge who is the subject of this resolution) recommends that shareholders vote in favour of Ms Loveridge's re-election.

## Item 3: Remuneration Report

Shareholders will be given the opportunity at the Meeting to comment on and ask questions about the Company's Remuneration Report for the financial year ended 30 September 2021 **(2021 Remuneration Report)**.

The 2021 Remuneration Report is contained in the 2021 Annual Financial Report and sets out the Company's policy for assessing the performance and determining the remuneration of the Company's KMP (being the Board, the Group CEO and members of the Executive Leadership Team) during the financial year ended 30 September 2021.

You can get a copy of the 2021 Remuneration Report using one of the methods described in the Explanatory Notes to Item 1.

No changes to the executive remuneration framework were made for 2021.

Section 250R of the Corporations Act requires a listed company to put a resolution to shareholders to adopt its Remuneration Report for the relevant financial year.

The vote on Item 3 is advisory only and does not bind the directors or the Company.

**RECOMMENDATION**

The Board recommends that shareholders vote in favour of Item 3.

## Item 4: Deferred Rights and Performance Rights – Group CEO

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)** Plans as part of his remuneration package for 2021.

**(a) Mr McEwan's remuneration package**

Mr McEwan's remuneration package is based on the Company's performance and remuneration frameworks (described in the 2021 Remuneration Report). These frameworks seek to provide appropriate rewards (balancing fixed and 'at risk' remuneration) to attract and retain talent.

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. Further detail on Mr McEwan's remuneration package is in the 2021 Remuneration Report.

The non-executive directors consider that Mr McEwan's remuneration package (including his proposed grants of deferred rights and performance rights) is reasonable and appropriate having regard to the circumstances of the Company and Mr McEwan's duties and responsibilities.

**(b) Annual VR and LTVR arrangements for Mr McEwan**

The non-executive directors have reviewed the performance of Mr McEwan during 2021 under the Company's performance and remuneration frameworks and have determined to grant Mr McEwan awards under the Company's Annual VR and LTVR Plans in the form of deferred rights and performance rights, subject to shareholder approval.

**(c) Annual VR award**

The Annual VR plan aims to reward Group Executives for delivery of annual goals that drive long-term sustainable performance. The Annual VR forms part of Mr McEwan's 'at risk' remuneration.

The Board has determined that half of the Annual VR awarded to Mr McEwan for 2021 will be provided in deferred rights. This ensures the value Mr McEwan actually receives from that half of his Annual VR award is tied to the Company's share price at the relevant Restriction End Dates (defined below) and that Mr McEwan does not receive any dividend related payments in connection with the award unless and until the deferred rights vest. See below for further details on the Dividend Equivalent Payment.

The deferred rights will be granted in four tranches (each tranche comprising approximately 12.5% of Mr McEwan's Annual VR award) and will be subject to lapse conditions until the relevant **Restriction End Date**, being 15 November 2022 for the deferred rights in tranche one, 15 November 2023 for the deferred rights in tranche two, 15 November 2024 for the deferred rights in tranche three, and 15 November 2025 for the deferred rights in tranche four.

The other half of the Annual VR awarded to Mr McEwan for 2021 will be provided in cash.

**How many deferred rights are proposed to be granted to Mr McEwan and at what price?**

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.

The deferred rights cannot be transferred, are subject to lapse conditions until they vest, and clawback applies after they vest. Each tranche of deferred rights will be eligible to vest shortly after the relevant Restriction End Date, and on vesting will be automatically exercised and entitle Mr McEwan to receive one Share for each deferred right.

No price is payable by Mr McEwan for the grant or exercise of the deferred rights.

No value will be received by McEwan if the deferred rights lapse.

The deferred rights do not carry any voting rights.

Mr McEwan will receive a cash amount **(Dividend Equivalent Payment)** when a deferred right vests. That Dividend Equivalent Payment will be equal to the value of any dividends paid by the Company during the period between the date the deferred right was granted and the date it vests (including the value of any imputation credits which applied to the dividends).

**Lapse conditions for deferred rights**

Until the relevant Restriction End Date, a deferred right will lapse in certain circumstances, including if:

(i) Mr McEwan does not meet threshold measures of conduct as set by the Company;

(ii) Mr McEwan resigns from the Company;

(iii) Mr McEwan ceases employment with the Company for another reason and the Board determines that some or all of the deferred rights lapse; or

(iv) the Board determines in its absolute discretion that some or all of the deferred rights will lapse, including as a result of:

- the Board's ongoing monitoring and review of Mr McEwan's performance and the performance of the NAB Group up to the relevant Restriction End Date, taking into account various factors such as Mr McEwan's or the NAB Group's under-performance or failings in matters relating to risk, conduct, values or sustainability measures; or
- the Board determining that a 'Malus Event' (including where Mr McEwan has failed to comply with his accountability obligations under the Banking Act 1959 (Cth) **(Banking Act)**) has occurred; or
- any other circumstances contemplated by the NAB Group Remuneration Policy.

Any deferred rights that do not lapse following any of those events, will continue to be held by Mr McEwan on the same terms (unless the Board determines otherwise).

The Board will retain discretion in relation to the final vesting outcome, including absolute discretion to adjust the number of deferred rights that vest down, or to zero, where appropriate.

The Board may extend the Restriction End Date at any time. This includes if the Board has reason to believe that Mr McEwan is likely to fail to meet threshold measures of conduct or comply with his accountability obligations under the Banking Act.

Details of the Company's approach to clawback and other key terms applying to the deferred rights are set out in section 4(e).

### (d) LTVR award

The Board has determined to grant the LTVR award in performance rights because the terms of the performance rights encourage long-term decision making critical to the creation of long-term value for shareholders and align Mr McEwan's remuneration outcomes to shareholder experience. The performance rights form part of Mr McEwan's 'at risk' remuneration.

Vesting of the performance rights will be subject to the achievement of a performance hurdle. Each performance right that vests will be automatically exercised and will entitle Mr McEwan to receive one Share.

The performance rights cannot be transferred and are also subject to lapse conditions until 22 December 2025 **(LTVR Restriction End Date)** and clawback.

The performance rights do not give Mr McEwan the right to receive a dividend or a Dividend Equivalent Payment.

#### How many performance rights are proposed to be granted to Mr McEwan and at what price?

It is proposed that Mr McEwan be granted 118,010 performance rights.

That number of performance rights was determined by dividing Mr McEwan's maximum LTVR opportunity of $3,250,000 (being the face value attributed to the performance rights by the Company) by the weighted average price at which the Shares were traded on the ASX in the five trading days from 24 September 2021 to 30 September 2021 inclusive, which was $27.54.

No price is payable by Mr McEwan for the grant or exercise of the performance rights.

No value will be received by McEwan if the performance hurdle is not met or the performance rights otherwise lapse.

#### LTVR performance hurdle and vesting

The performance hurdle is tested once at the end of the performance period.

| COMPONENT | HOW IT WORKS |
| --- | --- |
| Performance hurdle | The number of performance rights that vest will depend on the Company's Total Shareholder Return (**TSR**) performance over the performance period relative to a peer group comprising a selection of top financial services companies in the S&P/ASX 200 approved by the Board (**Peer Group**). |
| Performance Period | From 15 November 2021 to 15 November 2025 |
| Vesting schedule | The number of performance rights that vest will be determined on a straight-line scale from 50% of the performance rights vesting where the Company's TSR performance ranks at the 50th percentile of the Peer Group, up to 100% of the performance rights vesting where the Company's TSR ranks at the 75th percentile of the Peer Group. All performance rights will lapse where the Company's TSR performance ranks below the 50th percentile of the Peer Group.<br><br>The Board will retain discretion in relation to the final outcome of the performance hurdle and vesting generally, including absolute discretion to adjust the number of performance rights that vest down, or to zero, where appropriate. |

### Lapse conditions for performance rights

Until the Restriction End Date, a performance right will lapse in certain circumstances, including if:

(i) Mr McEwan does not meet threshold measures of conduct as set by the Company;

(ii) Mr McEwan resigns from the Company;

(iii) Mr McEwan ceases employment with the Company for any other reason, in which case a pro-rated number of performance rights will lapse based on the time elapsed within the Performance Period (unless the Board determines otherwise);

(iv) the Board determines that some or all of the performance rights were granted in error; or

(v) the Board determines in its absolute discretion that some or all of the performance rights will lapse, including as a result of:

- the Board's ongoing monitoring and review of Mr McEwan's performance and the performance of the NAB Group up to the LTVR Restriction End Date, taking into account various factors such as Mr McEwan's or the NAB Group's under-performance or failings in matters relating to risk, conduct, values or sustainability measures; or
- the Board determining that a 'Malus Event' (including where Mr McEwan has failed to comply with his accountability obligations under the Banking Act) has occurred; or
- any other circumstances contemplated by the NAB Group Remuneration Policy.

Any performance rights that do not lapse following any of those events will continue to be held by Mr McEwan on the same terms (unless the Board determines otherwise).

The Board may extend the LTVR Restriction End Date at any time. This includes if the Board has reason to believe that Mr McEwan is likely to fail to meet threshold measures of conduct or comply with his accountability obligations under the Banking Act.

Details of the Company's approach to clawback and other key terms applying to the performance rights are set out in section 4(e).

**(e) Terms that apply to deferred rights and performance rights**

### Clawback

The Board has absolute discretion to claw back Shares allocated to Mr McEwan after exercise of the deferred rights or performance rights, including if Mr McEwan has not complied with his accountability requirements under the Banking Act. If that occurs, Mr McEwan will be required to repay to the Company an amount determined by the Board and/or Mr McEwan will be required to transfer some or all of those Shares allocated to him back to the Company.

### Grant date

Subject to shareholder approval, the deferred rights and performance rights will be granted following the AGM and, in any event, within 12 months of the AGM.

Details of the deferred rights and performance rights granted to Mr McEwan will be published in the Company's 2022 Annual Financial Report, along with a statement that shareholder approval for that grant was obtained.

No future grant of deferred rights or performance rights requiring shareholder approval will be made until that approval is obtained.

### Voting

The deferred rights and performance rights do not carry any voting rights. Any Shares allocated to Mr McEwan in respect of vested deferred rights or performance rights, will provide the same rights (including with respect to voting) as other Shares.

**(f) Other information**

Mr McEwan is the only director who is eligible to participate in the Annual VR and LTVR Plans. The Company's non-executive directors do not receive performance-based remuneration and have never received any securities under the Annual VR and LTVR Plans.

Mr McEwan was granted 180,655 performance rights following receipt of shareholder approval for the grant of those performance rights at the 2020 AGM. No price was payable by Mr McEwan for the grant of those performance rights. No securities have previously been granted to Mr McEwan under the Annual VR Plan.

No loan has been (or will be) provided to Mr McEwan by the Company in respect of the deferred rights or performance rights.

**(g) Why are we seeking approval?**

Under the ASX Listing Rules, the Company must seek shareholder approval to issue equity securities in the Company to Company directors. Accordingly, we are seeking approval to enable the Company to grant deferred rights and performance rights to Mr McEwan (a director of the Company) as described above. If shareholders do not approve the grant of the deferred rights or performance rights at the Meeting, it is intended that all of the Annual VR or LTVR award (as applicable) will be provided in cash, subject to the performance, service and other conditions outlined above.

### RECOMMENDATION

The Board (other than Mr McEwan who has a personal interest in the subject of this resolution) recommends that shareholders vote in favour of Items 4(a) and 4(b).

## Item 5: Requisitioned resolutions promoted by Market Forces

A group of shareholders arranged by Market Forces has:

- proposed the resolutions for Items 5(a) and 5(b) pursuant to section 249N of the Corporations Act; and

- requested that the supporting statements set out in Appendix 1 and Appendix 2 be provided to shareholders pursuant to section 249P of the Corporations Act.

The resolutions for Items 5(a) and 5(b) are not supported by the Board. The Board considers that the resolutions for Items 5(a) and 5(b) are not in the best interests of the Company and shareholders as a whole and recommends that shareholders vote against Items 5(a) and 5(b).

**(a) Amendment to the Constitution – the Board's Response**

The proposed resolution in Item 5(a) seeks to amend the Company's 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 has been or should be exercised. The proposed amendment expressly provides that any shareholder resolution made pursuant to the proposed constitutional amendment would be advisory only and would not bind the directors or the Company.

The Board respects the rights of shareholders to requisition a resolution to amend the Company's Constitution. However, the Board believes that the proposed resolution is not in the best interests of the Company and shareholders as a whole and recommends that shareholders vote against it for the reasons that follow.

Under the Company's Constitution, the power to manage the business of the Company is vested in the directors who are required to make decisions and manage risks in the best interests of the Company and shareholders as a whole.

In order to discharge that duty, the Board must consider a range of issues, having regard to the nature and complexity of NAB's business and its operations in a global environment.

The proposed amendment would provide a platform for groups of shareholders to promote any number of matters that may not be in the best interests of the Company and shareholders as a whole. The Board considers that it would be inappropriate for any one issue promoted by shareholders to be given increased prominence over another.

The Company encourages transparency and appropriate shareholder discussion and provides shareholders with a number of avenues to raise issues or concerns. The Company has a comprehensive investor relations engagement program, which aims to facilitate regular and extensive engagement between the Board and senior management and investors. Sustainability considerations (including climate risk) regularly form a significant part of this engagement and the Company's progress on such matters is reported through its annual reporting suite of documents including the 2021 Annual Financial Report, which contains disclosures aligned to the recommendations of the Task Force on Climate-related Financial Disclosures **(TCFD)** as well as its annual results, Investor Presentation, Annual Review and Sustainability Data Pack. In addition, at each AGM, the Chair encourages shareholders to ask questions and make comments about the Company that are relevant to shareholders as a whole. Shareholders are also invited to submit questions before the AGM, which help the Company to understand shareholder issues and concerns, and address key areas of shareholder feedback at the Meeting.

## RECOMMENDATION

Having regard to these reasons, the Board considers that the proposed amendment to the Company's Constitution is not in the best interests of the Company and shareholders as a whole and recommends shareholders vote <u>against</u> the proposed resolution.

### (b) Transition Planning Disclosure – the Board's Response

Item 5(b) is an advisory resolution and may be properly considered at the Meeting only if Item 5(a) is passed by special resolution. If Item 5(a) is not passed, then this Item will not be put to the Meeting. However, the Company intends to allow reasonable opportunity at the Meeting for shareholders to ask questions on the subject matter of this Item.

This advisory resolution proposes that in subsequent annual reporting, the Company disclose information demonstrating how the Company will manage its fossil fuel exposure in accordance with a scenario in which global emissions reach net-zero by 2050. The advisory resolution proposes that this 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.

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 already provides detailed reporting and information with respect to that progress in its annual financial reporting suite of documents including the 2021 Annual Review and 2021 Annual Financial Report and as set out in further detail below. This includes progress on the Company's work, since 2020, to calculate the estimated attributable Scope 3 financed emissions of eight key sectors of the Company's Australian lending portfolio, and the requirement under the CCCA to set and disclose by November 2022, scenario-based decarbonisation targets for these key sectors.

Accordingly, the Board supports the continuation of the Company's current orderly and considered approach with respect to climate change action and recommends that shareholders vote <u>against</u> the proposed resolution.



## Climate change strategy

In 2020, the Company refreshed the strategic ambition in its business strategy. A key pillar of this ambition is a long-term sustainable approach consisting of:

- Commercial responses to society's biggest challenges.
- Resilient and sustainable business practices.
- Innovating for the future.

The Company's action to address climate change sits within this context. In 2021, the Company refreshed its climate change strategy. The Company's main role in climate action is through the provision of financing. While the Company recognises the impact it can make by reducing its own greenhouse gas (GHG) emissions, a far greater impact will be achieved by financing the GHG emission reductions needed globally.

The Company's updated climate change strategy covers:

- A goal of aligning the Company's lending portfolio to net-zero emissions by 2050.
- Working with customers to decarbonise and build climate-related resilience.
- Managing climate risk.

This strategy is supported by:

- Actively reducing the Company's own emissions.
- Developing the climate capability of colleagues.
- Research, partnerships and engagement.

The Company continues to develop key metrics to track its performance against each priority area and to measure how it is contributing to addressing the overall societal challenge.

## Goal of aligning the Company's lending portfolio to net-zero emissions by 2050

The Company was the first Australian bank signatory to the CCCA. The CCCA is a separate initiative of UNEP FI's Principles for Responsible Banking. It sets out actions that banks will take to scale up their contribution to, and align their lending with, the objectives of the Paris Agreement. Consistent with the Company's Group Strategy, it is acting now for the long-term.

Specifically, the CCCA requires the Company to align its lending portfolio to "reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius", from pre-industrial levels. To meet this requirement, the Company has set a goal to align its lending portfolio to net-zero emissions by 2050.

The Company has now calculated the estimated attributable Scope 3 financed emissions of eight key sectors of its Australian lending portfolio[5] (see the 2021 Annual Financial Report and 2021 Annual Review), and is measuring and reporting its emissions profile on an annual basis. The Company is now working to set and publish in its 2022 annual reporting suite, interim decarbonisation targets for portfolio alignment, and will apply the following principles in its target setting work:

- **Broad portfolio coverage:** Targets set will account for a substantial majority of the Company's Australian lending portfolio, and will include residential mortgages, commercial real estate (office and retail), agriculture, power generation (power generation and related retail, electricity transmission and distribution), resources (including coal, oil and gas), transport (road freight, air, rail and international sea transport), heavy manufacturing (cement, lime, plaster, concrete, bricks, iron and steel and aluminium) and lending for small to medium-sized business in the commercial and services sectors.[6]
- **Science-based:** Decarbonisation targets will be set for 2030 and 2050 using scenarios that are science-based and aligned to limit global warning to 1.5°C.

5. In working to achieve the Company's goal of aligning its lending portfolio to net-zero emissions by 2050, the Company acknowledges the limitations of current data and the need to regularly review, and update work, targets and methodologies used. The Company continues to work on understanding its total Scope 3 attributable emissions exposure. Consistent with the approach other international and Australian banks, the Company continues work to develop its emissions-based modelling to better monitor progress against its goal to align its lending portfolio to net-zero emissions by 2050.
6. Based on Australian Energy Statistics data for Commercial and Services sectors and aligned to 1993 ANZSIC classifications: F, G, H, J, K, L, M, N, O, P and Q.

- **Governance:** Targets will be approved by the Executive Leadership Team and Board.
- **Guided by global best practice:** The Company will take into account UNEP FI's ***Guidelines for Climate Target Setting for Banks***.
- **Up to date:** Targets will be reviewed regularly to ensure consistency with current climate science, updated data and available methodologies.

## Support customers to decarbonise and build resilience

Additionally, since announcing its goal in 2020 to work with 100 of its largest GHG emitting customers by 30 September 2023, the Company has worked closely with 34 of its largest GHG emitting customers to support them as they develop or improve their low-carbon transition plans. Further detail about this work can be found in the 2021 Annual Financial Report and Annual Review.

## Managing climate risk

Financial regulators have identified that climate-related risks are a potential source of systemic financial risk that needs to be addressed to ensure the future stability and resilience of the financial system. This is leading to changing supervisory expectations of banks and to regulatory change. In 2021, the Company commenced work on a Climate Vulnerability Assessment (CVA), a Council of Financial Regulators initiative led by the Australian Prudential Regulation Authority. The CVA is taking a scenario analysis approach to assessing the nature and extent of the financial risks that large banks in Australia, like the Company, may face due to climate change.

In financial year 2021, the Company also continued its involvement, with more than 40 other UNEP FI member banks, in UNEP FI's TCFD Phase 3 pilot to help banks understand and test methodologies and approaches to climate risk assessment, data selection and to support implementation of the TCFD recommendations. The Phase 3 work included a review of climate scenarios, including Phase 2 scenarios provided by the Network for Greening the Financial System, and testing of new tools and frameworks produced by UNEP FI and its partners to help banks better understand climate risks and prepare TCFD disclosures. Further details can be found in the 2021 Annual Financial Report.

Additionally, since 2017, as part of the Company's climate change strategy, the Company has been undertaking a phased review of credit risk policy settings for carbon intensive, climate sensitive and low carbon sectors. These reviews consider a range of factors including: (i) various climate change scenarios for both transition and physical risk; (ii) customer strategies and plans and their alignment to the Paris Agreement temperature goal; (iii) industry trends; and (iv) trends in the Company's exposures to these sectors.

In 2019, this review process focused on the Company's thermal coal-related exposures and in 2021 on its oil and gas-related exposures, and has led to implementation of ESG-related credit policy and risk settings as follows:[7]

## Oil and gas

- The Company has capped oil and gas exposure at default at USD2.4bn[8] and will reduce exposure from 2026 through to 2050, aligned to the International Energy Agency Net Zero Emissions 2050 scenario. This provides for measured re-orientation of client activity ensuring the Company can continue to support clients committed to transition.
- The Company will only consider directly financing greenfield gas extraction in Australia where it plays a role in underpinning national energy security.
- The Company will not directly finance greenfield gas extraction projects outside Australia.
- The Company will continue to support integrated liquefied natural gas (LNG) in Australia, New Zealand, Papua New Guinea and selected LNG infrastructure in other regions, under the oil and gas exposure cap.
- The Company will not directly finance greenfield oil extraction projects or onboard new customers with a predominant focus on oil extraction.
- The Company will not finance oil and gas extraction, production or pipeline projects within or impacting the Arctic National Wildlife Refuge area or any similar Antarctic Refuge.
- The Company will not directly finance oil/tar sands or ultra-deep water oil and gas extraction projects.

## Coal policies

- The Company will not finance new or material expansions of coal-fired power generation facilities.
- The Company capped thermal coal mining exposures at 30 September 2019 levels and has updated plans to reduce these exposures by 50% by 2026, and intended to be effectively zero by 2030, apart from residual performance guarantees to rehabilitate existing thermal coal mining assets.
- The Company will not finance new thermal coal mining projects or take on new-to-bank thermal coal mining customers.
- The Company recognises that currently there are no readily available substitutes for the use of metallurgical coal in steel production. The Company will continue providing finance to customers in this sector, subject to enhanced due diligence which further considers underlying environmental, social and governance risks.

7. Some credit risk policy settings are new, some are existing settings that have been updated or expanded in 2021, and some are unchanged from existing settings. See 2021 Annual Financial Report for more detail.
8. The cap of USD2.4bn was determined giving consideration to the three -year average exposure up to 30 September 2021 due to COVID impacts. Use of USD for the purposes of this cap is to account for currency movement because the majority of the portfolio is USD denominated. From 2022, oil and gas exposure at default will be reported in USD. For the purposes of this review oil and gas included: oil and gas extraction (upstream); liquefied natural gas (LNG) production (not at refineries – downstream LNG); and LNG production at wellhead (integrated LNG).

## Actively reducing the Company's own emissions

In the 2021 environmental reporting year (1 July – 30 June), the Company's performance against its energy and science-based emissions targets was as follows:

- A 32% reduction in energy use against a 30 June 2019 baseline (against a target of a 30% reduction in energy use by 30 June 2025).
- A 55% reduction in Scope 1 and 2 GHG emissions included in the Company's science-based target against a 30 June 2015 baseline (against a target of a 51% reduction by 30 June 2025).

The GHG emissions reductions in environmental reporting year 2021 have been greater than expected partly due to the impacts of COVID-19 which have restricted business activities. This was despite the Company taking into account the emissions generated by employees working from home. It is expected that some of these emission reductions will not be permanent when the Company's normal business activities resume. However, the Company's energy efficiency initiatives, including the move into new more energy efficient buildings and sourcing more renewable energy, are expected to result in permanent greenhouse gas emissions reductions.

The Company has also made progress towards its target to source 100% of its electricity consumption from renewable sources by 2025. The Company sourced 31.4% of its electricity consumption from renewable energy sources in environmental year 2021, compared to 7.0% in environmental year 2020. In addition, since 2010, the Company's operations have been certified carbon neutral under the Climate Active Carbon Neutral Standard, previously National Carbon Offset Standard. This is achieved through purchasing and retiring quality carbon offset units to offset emissions the Company has not been able to reduce or avoid.

Further information about the Company's environmental performance, operational GHG reduction and resource efficiency targets and management approach can be found in the Company's 2021 Annual Review and 2021 Annual Financial Report.

## Renewable energy and environmental financing

The Company is providing the finance to help customers make emissions reductions, with tailored products and services. The size of the opportunity is significant, and in 2019, the Company set a goal to provide $70 billion in environmental finance[9] by 2025. As at 30 September 2021, the Company had achieved a cumulative total flow of $56.3 billion of the $70 billion goal, which includes $31.7 billion to support green infrastructure, capital markets and asset finance and $24.6 billion in new mortgage lending for 6-Star residential housing in Australia (new dwellings and significant renovations). Additionally, the Company is the number one Australian bank for global renewables transactions and the 23rd largest lender to the renewable energy industry in the world.[10] Since 2003, the Company has successfully closed more than 150 renewable energy financing transactions around the world, committed over $11.5 billion, and financed around 26GW of renewable energy capacity globally. Further detail is included in the Company's 2021 Annual Review.

### RECOMMENDATION

Given the Company's ongoing goals and progress delivering against its climate change strategy, including its updated coal, oil and gas credit policy and risk settings, and plan in 2022 to set and disclose sector-specific, scenario-based targets for portfolio alignment, the Board supports the continuation of the current orderly and considered approach the Company has adopted with respect to climate change action. Accordingly, the Board considers that Item 5(b) is not in the best interests of the Company and shareholders as a whole and recommends that shareholders vote against the proposed resolution.

9. Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the Company's 2021 Sustainability Data Pack for a further breakdown of this number and reference to how the environmental financing commitment is calculated.
10. Rankings based on IJGlobal League Table, MLA, Renewables, 12 months ending 31 September 2021.

# APPENDICES

The comments in the Appendices were provided by Market Forces and are not endorsed by the Board. The Board and Company make no representations as to the veracity of the comments provided by Market Forces and disclaim any liability for factual inaccuracies contained in those comments.

**Appendix 1 – Resolution 5(a) – Amendment to the Constitution**

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of NAB is not conducive to the rights of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of NAB, the NAB board and all NAB shareholders.

Passage of this resolution – to amend the NAB constitution – will simply put the company in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

**Appendix 2 – Resolution 5(b) – Transition Planning Disclosures**

Despite committing to the climate goals of the Paris Agreement and achieving net-zero emissions by 2050, NAB is aligning its investment practices and policies with the failure of these goals.

In May 2021, the International Energy Agency (IEA) released its 'Net Zero by 2050' roadmap (NZE2050), providing a "comprehensive study of how to transition to a net zero energy system by 2050 while ensuring stable and affordable energy supplies, providing universal energy access, and enabling robust economic growth". The October 2021 IEA World Energy Outlook elaborates on the roadmap, providing sufficient detail to enable companies and investors to align their own strategies with this goal.

**Net-zero: implications for fossil fuel finance**

NZE2050 provides clear "red lines" to clarify fossil fuel developments no longer permissible if we are to achieve the goal of net-zero emissions by 2050, along with trajectories for the reduction of fossil fuels over time. Financial institutions committed to the goal of net-zero emissions by 2050 should therefore look towards NZE2050 as a key reference when developing their own strategies and targets. NZE2050 projects unabated coal demand falling by 98% by 2050, oil demand by 75% and gas demand by 55%, compared to 2020.[1] The IEA has confirmed having even a 50% chance of limiting global temperature rise to 1.5°C means no investment in new fossil fuel projects, beyond those already committed to as of 2021.

**The gap between NAB's actions and NZE2050**

In July 2021, 115 investors with US$4.2 trillion in assets under management and/or stewardship wrote to 63 global banks, calling on them to integrate the IEA's Net Zero by 2050 findings into their climate strategies.[2] NAB's current policies and practices fall well short of this demand.

1. https://www.iea.org/reports/net-zero-by-2050
2. https://shareaction.org/investors-call-on-banks-to-strengthen-climate-ambitions-before-cop26/

# APPENDICES (CONT.)

| NZE2050 scenario conclusions | NAB practice |
| --- | --- |
| Unabated coal demand falls by 98% by 2050, oil demand by 75% and gas demand by 55%, compared to 2020. | No targets to reduce exposure to oil and gas and insufficient target for thermal coal (see section below).<br><br>Disclosure of fossil fuel exposure is far less transparent than major competitors, leaving investors without clear visibility over the size and direction of NAB's fossil fuel exposure. NAB discloses only its exposure to oil and gas extraction, coal mining and power generation, while Commonwealth Bank[3] and Westpac[4] disclose exposure to a broader 'energy value chain', and ANZ[5] discloses oil and gas exposure beyond extraction (capturing transport, refining and retail). |
| "No new coal mines or mine extensions are required."<br><br>"Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway."<br><br>"Also not needed are many of the liquefied natural gas (LNG) liquefaction facilities currently under construction or at the planning stage." | Loaned at least $1.1B for 15 projects that expand the fossil fuel industry since 2016, including lending in late 2020. These projects will enable the release of 3.6 billion tonnes of CO2, equivalent to seven times Australia's 2020 national emissions.[6]<br><br>Since January 2019 NAB has loaned nearly $800M to seven ASX300 companies with business plans consistent with the failure of the Paris Agreement, including AGL Energy, Aurizon, BHP, Mineral Resources, Santos, Viva Energy and Whitehaven Coal.[7] |

3. https://www.commbank.com.au/content/dam/commbank-assets/about-us/2021-08/2021-annual-report_spreads.pdf (p.31)
4. https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/Westpac_AU_2020_Annual_Report.pdf (p.51)
5. https://www.anz.com.au/content/dam/anzcom/shareholder/ANZ-2020-Climate-related-Financial-Disclosures.pdf (p.12)
6. https://www.marketforces.org.au/campaigns/banks/bigfourscorecard/
7. https://www.marketforces.org.au/campaigns/super/outofline/

# APPENDICES (CONT.)

### NAB being left behind

NAB's failure to restrict finance to new or expanded oil and gas projects sits in stark contrast to other financial institutions domestically and abroad.

In 2020 Suncorp ruled out underwriting new oil and gas production assets, committing to "not directly invest in, finance or underwrite…new oil and gas exploration or production", and will phase out underwriting for the sector by 2025 and direct investment by 2040.[8] Similarly, IAG "committed to ceasing underwriting entities predominantly in the business of extracting fossil fuels, and power generation using fossil fuels, by 2023".[9]

UniSuper has recently reduced its look-through exposure to major Australian oil and gas producers Santos and Woodside by 80% and 88%, respectively.[10] In May 2021, Vision Super added a significant number of undiversified oil and gas producers to its 'Divestment List', including Santos and Woodside.[11] In March 2021, Danske Bank committed to immediately end direct finance for expansion of oil and gas exploration and production worldwide,[12] while NedBank,[13] SEB,[14] and NatWest[15] have made similar commitments.

8. https://www.suncorpgroup.com.au/corporate-responsibility/sustainable-growth/responsible-banking-insurance-investing
9. https://www.iag.com.au/sites/default/files/Documents/Safer%20Communities/FY20-Climate-related-disclosure.pdf
10. https://unisuperdivest.org/unisupers-first-steps-on-oil-and-gas-divestment/
11. https://www.visionsuper.com.au/wp-content/uploads/2021/07/Securitieslist-31May2021-v3.pdf
12. https://danskebank.com/-/media/danske-bank-com/file-cloud/2017/5/danske-bank-position-statement-fossil-fuels.pdf
13. https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2021/Nedbank%20Group%20Energy%20Policy.pdf
14. https://webapp.sebgroup.com/mb/mblib.nsf/dld/80AF6A2E5F88CDC2C12586B1002E33C2?opendocument
15. https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/oil-and-gas.pdf



NAB also remains a laggard regarding coal exposure. Signed by 587 investors representing over US$46 trillion in assets, the Global Investor Statement to Governments on the Climate Crisis requests governments "phase out of thermal coal-based electricity generation by set deadlines".[16] An associated Briefing Paper clarifies these deadlines, including the elimination of coal power in OECD countries by 2030.[17] Despite this statement, and despite ANZ, Commonwealth Bank and Westpac having committed to exit thermal coal by 2030, NAB's commitment remains at the non-Paris aligned date of 2035.

### Financial and regulatory risks

In April 2021, the Australian Prudential Regulation Authority (APRA) published draft Prudential Practice Guide 'CPG 229 Climate Change Financial Risks', which states:[18]

*"Where an APRA-regulated institution has identified material climate risks, a prudent institution would establish and implement plans to mitigate these risks and manage its exposures, as well as regularly review and assess the effectiveness of those plans."*

To comply with APRA's guidance, NAB should disclose targets to manage down exposure to gas, oil and coal sub-sectors, in line with the carbon constraints that can be anticipated as the global economy transitions to net-zero emissions by 2050.

### Investor support required

Despite its stated support for the Paris Agreement, and net-zero emissions by 2050, NAB remains an active investor in fossil fuel expansion, further exposing shareholders to financial risks associated with the energy transition required to meet the Paris climate goals.

We urge shareholders to vote in favour of this resolution, and expect the many institutional investors already outspoken on this issue to offer their support.

16. https://theinvestoragenda.org/wp-content/uploads/2021/09/2021-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf
17. https://theinvestoragenda.org/wp-content/uploads/2019/06/GISGCC-briefing-paper-FINAL.pdf
18. https://www.apra.gov.au/consultation-on-draft-prudential-practice-guide-on-climate-change-financial-risks

**Principal Share Register Computershare**
Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia

**Postal address**
GPO Box 2333
Melbourne VIC 3001
Australia
Local call: 1300 367 647
F: +61 3 9473 2500

**Outside Australia**
T: +61 3 9415 4299
F: +61 3 9473 2500
E: nabservices@computershare.com.au
W: investorcentre.com/au

**Registered office**
National Australia Bank Limited
Level 28
395 Bourke Street
Melbourne VIC 3000
Australia
T: 1300 889 398