

Voting Bulletin: National Australia Bank

As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term, sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions on key votes at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	National Australia Bank
Market	Australia
Meeting Date	18 th December 2020
Key Resolutions ¹	Item 6(a): Amendment to the Constitution Item 6(b): Transition Planning Disclosure
Board Recommendation	The board recommends shareholders vote AGAINST these proposals
BlackRock Vote	BIS voted AGAINST Items 6(a) and voted FOR Item 6(b)

¹ Meeting information can be accessed at: <https://www.nab.com.au/content/dam/nab/documents/notice/corporate/2020-notice-of-meeting.pdf>

Overview

National Australia Bank Ltd. (NAB) engages in the provision of banking and financial services, including banking, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management and custodian, trustee and nominee services. The company operates through five segments: Consumer Banking & Wealth, Business & Private Banking, Corporate & Institutional Banking, NZ Banking, and Corporate Functions & Other. The company was founded on October 4, 1858 and is headquartered in Melbourne, Australia.

BIS regularly reviews NAB's governance practices and risk profile. We also engage with members of NAB's board and management to discuss a range of material environmental, social and governance issues, as well as board composition, strategy, remuneration and climate-related risks and opportunities, amongst others.

Shareholder proposals

NAB received two shareholder proposals at this year's annual general meeting (AGM) submitted by Market Forces): Item 6(a) to Amend Constitution of NAB.; Item 6(b) on Transition Planning Disclosure.

Item 6(a): Amend Constitution of National Australia Bank (NAB)

As required under Australian voting rules, a resolution calling for an amendment to the company's constitution is first necessary to allow for the subsequent non-binding resolutions of 6(b) to be voted upon. A group of shareholders owning 5% of voting shares or 100 shareholders (with no minimum holding size or length of holding period) may file a resolution.

Resolution 6 (a) must pass by the required majority in order for Item 6(b) to then be considered,

Item 6(b): Transition Planning Disclosure

Shareholders request the Company disclose, in subsequent annual reporting, strategies and targets to reduce exposure to fossil fuel (oil, gas, coal) assets in line with the climate goals of the Paris Agreement, including the elimination of exposure to thermal coal in OECD countries by no later than 2030. This resolution will only be put to the Meeting if the resolution in Item 6(a) is passed as a special resolution.

Rationale for BlackRock's vote

Item 6(a): Amend Constitution of National Australia Bank (AGAINST)

BlackRock is not generally supportive of this type of constitutional amendment resolution, as the relative ease of the filing process increases the risk that these types of proposals are potentially distracting, time-consuming or are submitted by shareholders whose interests may not be necessarily aligned with those of the broader shareholder base. This resolution is a requirement in Australia, and typically receives relatively low levels of support for these reasons.²

Item 6(b): Transition Planning Disclosure (FOR)

This proposal requests that the company disclose and set targets for its fossil fuel loan exposures in order to be aligned with the Paris Agreement, including a reduction to its coal exposure by 2030.

We may support a shareholder proposal that addresses material business risks, even if management is on track, but we believe that voting in favor might accelerate their progress and the shareholder proposal is reasonable and not unduly constraining to management. Accordingly, our support for this proposal is intended to encourage NAB to continue its efforts in this regard.

² BlackRock would prefer that constitutional changes such as these be made through the regulatory process, rather than through private ordering, to establish a consistent standard across the market.

Specifically, the company has demonstrated that it will take action to manage its fossil fuel exposures, particularly in reducing its thermal coal exposure while effectively aiming to achieve zero exposure by 2030:

- In the last twelve months to 30 September 2020, the company has reduced total resource exposure at default by 12.31% for total resources exposure and 11.42% for thermal coal mining exposure.³
- The company expects to reduce its exposure to thermal coal mining by 50% by 2026 (from 2019 financial year-end (FY2019) levels) and to be effectively zero by 2030.⁴

Beyond these reductions, NAB has taken additional steps that demonstrate an awareness of and responsiveness to the concerns raised in this proposal. For example, NAB is a signatory to the Collective Commitment to Climate Action (CCCA)⁵ and will set and publish sector-specific, scenario-based targets for portfolio alignment as part of its commitments.

Further, in 2020 NAB commissioned a specialist climate advisory firm, ClimateWorks Australia, to apply a 2°C scenario and a 1.5°C scenario to the five identified segments of its Australian lending portfolio, including fossil fuel assets for oil, coal, and gas. They provided two decarbonisation pathways to achieve a net zero lending portfolio by 2050, in alignment with the Paris Agreement.⁶

Finally, NAB has set a target of providing \$70 billion in environmental financing by 2025 and, as of September 2020, had provided \$42.5 billion in financing.⁷

Nonetheless, there is still some room to improve. For example, the company can improve disclosures on its oil and gas exposures. NAB intended to complete a review of the oil and gas sector in 2020, however, work was delayed due to COVID-19 and is now scheduled to be completed in 2021.⁸ We anticipate NAB will move forward with this endeavor and our decision to vote for the proposal is intended to signal our support for an accelerated effort on this project.

Our support for this proposal is not intended to signal dissatisfaction, but rather to encourage NAB to continue to demonstrate leadership on the aforementioned plans and targets. As the company is taking appropriate action, we have not voted against any members of NAB's Board of Directors, which would be our course of action if we had significant concerns about a company's management of material ESG issues.

³ See <https://www.nab.com.au/content/dam/nab/documents/notice/corporate/2020-notice-of-meeting.pdf>

⁴ See previous footnote

⁵ As of November 2019

⁶ See <https://www.nab.com.au/content/dam/nab/documents/notice/corporate/2020-notice-of-meeting.pdf>

⁷ See <https://www.nab.com.au/content/dam/nabrdw/documents/reports/corporate/2020-sustainability-report-pdf>

⁸ See <https://www.nab.com.au/content/dam/nab/documents/notice/corporate/2020-notice-of-meeting.pdf>