

JOINT STANDING COMMITTEE ON TRADE & INVESTMENT GROWTH

Inquiry into the prudential regulation of investment in Australia's export industries

QUESTION:

Senator VAN: Have you ever had motions put to your AGM by small groups of investors?

Mr Gall: Yes, we have had motions put to our AGMs. It's not unusual to have them, but we have had them. I don't know how small they've been. I think they only need 100 to put forward a motion, but—

Senator VAN: That's correct. They only need 100, which is a ridiculously small number of shareholders, I would say. Again, on notice can you provide the details of those motions that were put?

Mr Gall: Yes, I certainly can do that. One motion was on and around our transition to low-carbon economies and the actions that we're taking specifically in regard to fossil fuels. It was interesting to see over two successive AGMs the increase in votes for that submission. It moved from about 13 per cent to 26 per cent of shares voting 'for'. That is a bit of detail I can give now, but I'm happy to go away and get more specific details of any other motions that have been put forward.

NAB RESPONSE:

Since 2015, the only shareholder requisitioned resolutions that have been filed with NAB are as follows:

Year	Requisitioned by	Resolution Number	Resolution Details	Outcome	Link to text of Resolution
2020	Market Forces	6(a)(b)	6(a) - Amendment to the Constitution 6(b) - Transition Planning Disclosure (conditional upon 6(a) passing)	6(a) did not pass (6.92% for / 93.08% against), so 6(b) was not put to the meeting. However, 26.7% of votes cast voted for resolution 6(b).	NAB 2020 Virtual Annual General Meeting - Notice of Meeting
2019	Market Forces	6(a)(b)	6(a) - Amendment to the Constitution 6(b) - Transition Planning Disclosure (conditional upon 6(a) passing)	6(a) did not pass, (5.83% for / 94.17% against) so 6(b) was not put to the meeting. However, 12.89% of votes cast voted for resolution 6(b).	NAB 2019 Notice of Annual General Meeting
2019	Australasian Centre for Corporate Responsibility	7	Lobbying inconsistent with the Goals of the Paris Agreement	6(a) did not pass (as noted above), so 7 was not put to the meeting. However, 15.07% of votes case voted for resolution 7.	NAB 2019 Notice of Annual General Meeting

QUESTION:

CHAIR: I have some final questions. Firstly to NAB specifically: in your follow-up answers to questions, particularly questions from Senator Van, you referred to the UN Environment Program's financial initiative principles for responsible banking's collective commitment to climate change, which you stated required the bank, within three years of signing—that is, by November next year—to set scenario based sector-specific targets for the alignment of NAB's portfolio. Can you tell me, or I'm happy for you to take it on notice again, what that target or alignment was for the thermal coal sector?

Mr Gall: The expectation is, given our own commitments, that we—and we're a little bit different to the other banks—will have negligible exposure to thermal coal mining by 2035, although it has been amortising in part of our portfolio. We've said 'negligible' because we've excluded remediation bonds from that, which we think is good for the environment, not bad for the environment. With that pathway, we'd expect to go down to effectively zero in the time frame. These are pathways that take our lending portfolio through to 2050. In the long-term—

CHAIR: I hear that and I know that's what NAB's intention is, but my specific question was around what exactly the UN Environment Program finance initiative has set out in terms of a sector-specific target. What you've told me is that the document from the Collective Commitment for Climate Action has set out scenario based sector-specific targets. I want to know if there are—

Mr Gall: I understand. Thanks, Chairman. They're targets for us to set out for ourselves; they're not prescribed targets in terms of industry sectors. Having said that, it all has to actually work to net zero by 2050. I'll take that on notice and will be more specific in my response to you.

NAB RESPONSE:

The UN-convened [Guidelines for Climate Targets Setting for Banks](#) outline key principles for NAB and other signatory banks in setting their own sector level targets in line with achieving the objectives of the Paris Agreement, but do not specify or mandate specific targets for the thermal coal sector, or any other sector.

QUESTION:

CHAIR: Are there any further questions from committee members?

Senator VAN: Yes, I have one. It's for the banks to take on notice, if they would. The evidence from APRA and ASIC was very clear that their expectations as regulators is that, when it comes to managing risk, that is their No. 1 direction. The risks need to be managed. They were very clear that they're not at all looking for banks to avoid risk. Yet what we've heard today is very clearly that the banks are trying to avoid climate change risk by not participating in fossil fuel industries into the future. Can you all answer on notice for me how you can reconcile those two different positions between what you're doing and what APRA expects you to do?

NAB RESPONSE:

NAB does not seek to avoid climate risk, but instead manages it by integrating climate risk into its risk management strategy and framework, as required in APRA's *Prudential Standard CPS 220 for Risk Management* and draft *Prudential Practice Guide CPG 229 Climate Change Financial Risks*. NAB manages risk as part of its business, including through identifying and assessing risks, including climate risk, and has established risk appetite settings to help manage these risks and maintain them at an acceptable level to reduce the risk of losses. In identifying and assessing climate risk, NAB considers a range of available information, including climate scenarios, to build its understanding of where transition and physical climate risks may arise in relation to its lending portfolio and the actions NAB can take to manage those risks over time.