



National
Australia
Bank

CORPORATE GOVERNANCE AT NAB

NAB 2020 Corporate
Governance Statement



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CORPORATE GOVERNANCE FRAMEWORK

This Statement describes NAB’s approach to corporate governance and governance practices.

NAB continually strives to improve its governance, accountability and risk management practices.

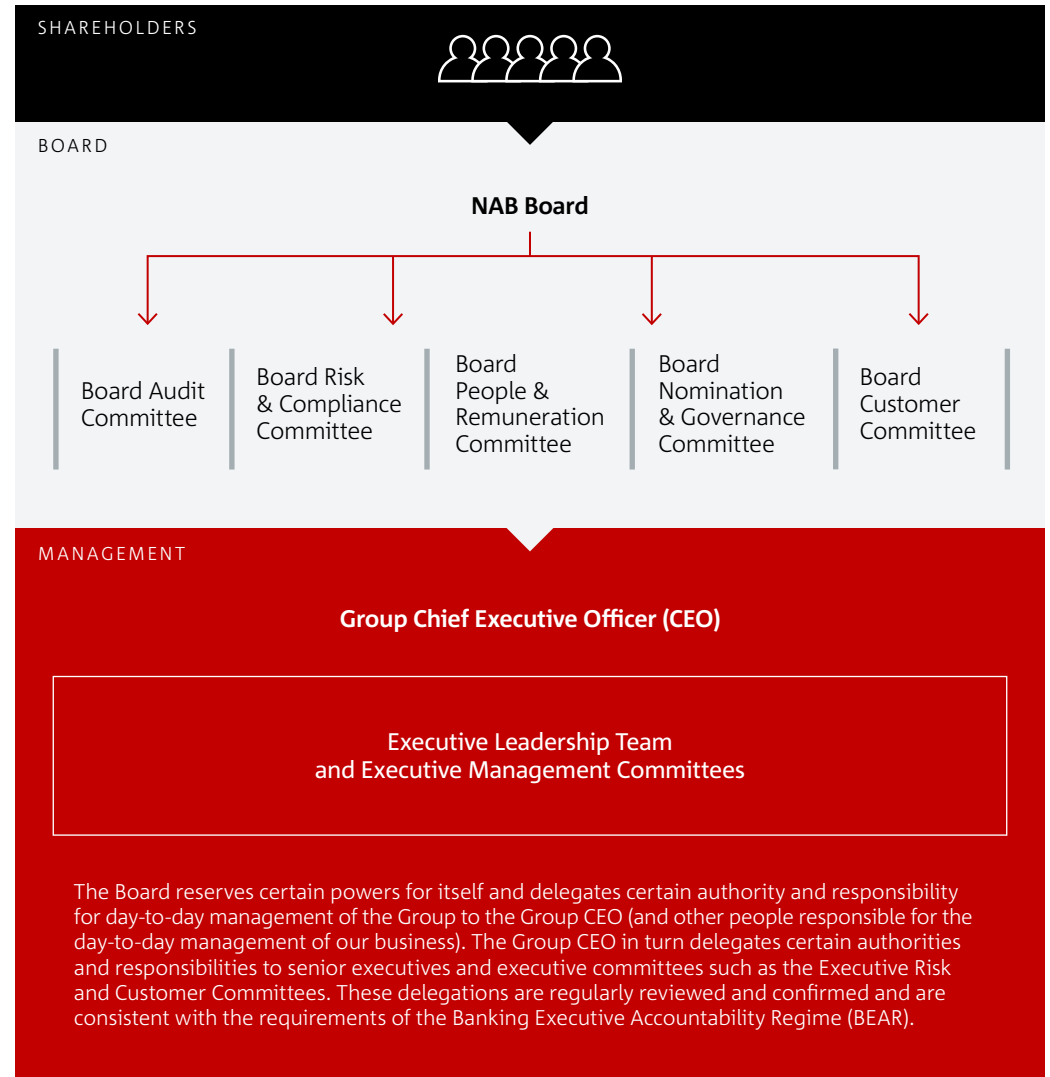
As a fundamental element of NAB’s culture and business practices, its Corporate Governance Framework guides effective decision making in all areas of the Group through:

- Strategic and operational planning.
- Culture, purpose, values and conduct.
- Risk management and compliance.
- Customer outcomes.

- Financial management.
- External reporting.
- People and remuneration.

NAB follows the 3rd edition ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations in this Corporate Governance Statement and made changes during the year to comply with the 4th edition. NAB will report against the 4th edition in 2021.

This statement has been approved by the Board and is current at 30 September 2020.





THE BOARD – COVID-19 RESPONSE

COVID-19 is having a profound impact on our customers, our colleagues, our shareholders and the community.

The Board has been fully engaged in overseeing NAB’s response to COVID-19, including regular briefings on issues such as customer support and workplace changes to protect the health of colleagues and customers.

For NAB’s customers, the support provided has included:

- Offering home loan and business loan customers impacted by COVID-19 the ability to pause repayments.
- Putting more colleagues into customer-facing roles to assist customers who need help.

The Board increased its frequency of meetings during 2020 to monitor the impacts of COVID-19 and met virtually from April onwards.

Recognising the challenges faced by customers, employees, shareholders and the community due to COVID-19, the Board announced:

- A reduction to non-executive director base fees of 20% for the period 1 April 2020 to 30 September 2020.
- A reduction of 20% of fixed remuneration for our Group Chief Executive Officer (CEO) for the period 1 April 2020 to 30 September 2020.
- The Group CEO and Executive Leadership Team will not receive any Variable Reward for 2020.



► **Philip Chronican**
Non-Executive Director & Chairman



► **Ross McEwan, CBE**
Group Chief Executive Officer and Managing Director



► **David Armstrong**
Non-Executive Director



► **Kathryn Fagg, AO**
Non-Executive Director



► **Peeyush Gupta, AM**
Non-Executive Director



► **Anne Loveridge**
Non-Executive Director



► **Geraldine McBride**
Non-Executive Director



► **Doug McKay, ONZM**
Non-Executive Director



► **Simon McKeon, AO**
Non-Executive Director



► **Ann Sherry, AO**
Non-Executive Director

QUICK LINK [2020 Annual Financial Report](#)



BOARD OF DIRECTORS

Board renewal in 2020

During the year, there was a transition in Chairman and Group CEO as well as other Board renewal. The changes have delivered collective benefit in the form of fresh thinking, diversity and stability.

Philip Chronican commenced as Chairman on 15 November 2019.

Ross McEwan commenced as Group CEO and Managing Director on 2 December 2019.

Kathryn Fagg was appointed by the Board in December and was elected by shareholders at NAB's 2019 Annual General Meeting (AGM).

Simon McKeon commenced as a Non-Executive Director

on 3 February 2020 and will stand for election at NAB's 2020 AGM on 18 December 2020. In the AGM Notice of Meeting, the Board recommends that shareholders vote in favour of Simon's election.

Three directors will also stand for re-election at the 2020 AGM – David Armstrong, Peeyush Gupta and Ann Sherry.

In the AGM Notice of Meeting, the Board also recommends that shareholders vote in favour of their re-election.

On 6 October, it was announced that Geraldine McBride will not be standing for re-election at the 2020 AGM. Geraldine has been a Non-Executive Director since March 2014.

Members of the Board

The Board consists of nine independent non-executive directors and a managing director.

The tenure of each Board member is listed in their biography below and their collective tenure profile is shown on [page 8](#).

Directors' other Directorships are listed in the Report of the Directors in the [2020 Annual Financial Report](#).

Directors' biographies

Philip Chronican

BCom (Hons), MBA (Dist), GAICD, SF Fin

Non-executive director since May 2016. Philip became Chairman of the Board and Chairman of the Board's Nomination & Governance Committee on 15 November 2019.

Background and experience:

Philip was interim NAB Group CEO from 1 March 2019 – 14 November 2019. Philip has more than 38 years of experience in banking and finance in Australia and New Zealand. Philip was responsible for the Retail and Commercial business of the Australia and New Zealand Banking Group Limited in Australia.

Ross McEwan CBE

BBus

Group CEO and Managing Director since December 2019.

Background and experience:

Ross has more than 30 years of experience in the finance, insurance and investment industries. Ross has extensive experience in leading

organisations through significant change and recovery. Prior to joining NAB, Ross held executive roles at the Royal Bank of Scotland as CEO UK Retail from 2012-2013 and Group CEO from 2013-2019.

David Armstrong

BBus, FCA, MAICD

Non-executive director since August 2014. Chairman of the Board's Audit Committee and a member of the Risk & Compliance Committee.

Background and experience:

David has more than 30 years of experience in professional services, including as a partner at PricewaterhouseCoopers (PwC) and has significant knowledge and understanding of banking and capital markets, real estate and infrastructure and is well-versed in the reporting, regulatory and risk challenges faced by the industry.

Kathryn Fagg AO

FTSE, BE (Hons), MCom (Hons)

Non-executive director since December 2019. Member of the Board's Audit Committee and Risk & Compliance Committee.

Background and experience:

Kathryn has more than 25 years of senior commercial and operational experience and is a respected director and Chairman, with extensive leadership experience across a range of industries, including banking.

Peeyush Gupta AM

BA, MBA, AMP (Harvard), FAICD

Non-executive director since November 2014. Member of the Board's Risk & Compliance Committee and People & Remuneration Committee. Director of certain MLC Wealth and Bank of New Zealand subsidiaries (subsidiaries of NAB).

Background and experience:

Peeyush has more than 30 years of experience in wealth management. Peeyush was a co-founder and the inaugural CEO of IPAC Securities, a pre-eminent wealth management firm spanning financial advice and institutional portfolio management, which was acquired by AXA.

Anne Loveridge

BA (Hons), FCA, GAICD

Non-executive director since December 2015.

Chairman of the Board's People & Remuneration Committee and member of the Nomination & Governance Committee.

Background and experience:

Anne has more than 30 years' experience in professional services, providing advice and other services to the financial services sector and ASX listed companies. Up to her retirement in 2015, Anne 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.

Geraldine McBride

BSc

Non-executive director since March 2014. Member of the Board's Audit Committee and Customer Committee.

Background and experience:

Geraldine has more than 30 years of experience in the technology industry and international business. Geraldine is a former President of global software company SAP for North America,

as well as roles with Dell and IBM. Geraldine is CEO and Director of MyWave.

Doug McKay ONZM

BA, AMP (Harvard), CMInstD (NZ)

Non-executive director since February 2016. Member of the Board's Audit Committee and Customer Committee. Chairman of Bank of New Zealand (a subsidiary of NAB).

Background and experience:

Doug has more than 30 years of senior commercial and operational experience, together with marketing and private equity experience. Doug has a deep understanding of New Zealand and Australian markets.

Simon McKeon AO

BCom, LLB, FAICD

Non-executive director since February 2020. Chairman of the Board's Risk & Compliance Committee and member of the Nomination & Governance Committee.

Background and experience:

Simon has more than 40 years of experience in financial services, law, government and the not-for-profit sector.

Simon held a range of senior executive roles with Macquarie Group, including as Executive Chairman of its business in the State of Victoria. He previously served as Chairman of AMP, MYOB and CSIRO and was Founding President of the Federal Government's Australian Takeovers Panel.

Ann Sherry AO

BA, Grad Dip IR, FAICD, FIPAA

Non-executive director since November 2017. Chairman of the Board's Customer Committee and member of the People & Remuneration Committee. Ann is Co-Chair of NAB's Indigenous Advisory Group.

Background and experience:

Ann has more than 20 years of experience in executive roles within the banking, tourism and transport industries in Australia and New Zealand, together with significant experience in government and public service. Ann held several executive roles in the Westpac Banking Group including CEO, Westpac New Zealand, CEO, Bank of Melbourne and Group Executive, People & Performance.



BOARD ROLES AND RESPONSIBILITIES

The Board guides the strategic direction of NAB and represents the interests of our shareholders by overseeing activities that create sustainable value.

The roles and responsibilities of the Board, including the matters that are specifically reserved to the Board and those delegated to management, are set out in our Board Charter which is available in the [Corporate Governance section of our website](#).

Key elements of the Board's roles and responsibilities are described in the table to the right.

| KEY ELEMENT | BOARD'S ROLES AND RESPONSIBILITIES |
|--|---|
| Leadership and Stakeholder Focus | <ul style="list-style-type: none"> • Represent shareholders and serve the interests of the Company by overseeing and evaluating the Company's strategies, performance, frameworks and policies. • Ensure that stakeholders are kept informed of the Company's performance and major developments affecting its state of affairs. • Approve the Company's purpose, values and Code of Conduct to underpin the desired culture within the Company and oversee that the Company's culture is focused on sound risk management and customer outcomes. • Oversee that an appropriate framework exists for relevant information to be reported by management to the Board and whenever required challenge management and hold it to account. • With the guidance of the Customer Committee, oversee a significant lift in the importance given to the voice of the customer and a more intense focus on customer outcomes. |
| Strategy and Performance | <ul style="list-style-type: none"> • Guide the strategic direction of the Company and monitor the execution of the strategies and business performance to oversee that sustainable value is being built for shareholders. • Make decisions concerning capital structure and dividend policy. • Approve major capital expenditure and other business initiatives. |
| Financial Reporting | <ul style="list-style-type: none"> • With the guidance of the Audit Committee, review and approve the Group's audited annual and half-yearly financial statements and any reports that accompany them. |
| Risk Management | <ul style="list-style-type: none"> • With the guidance of the Risk & Compliance Committee, satisfy itself that the Group has in place an appropriate risk management framework for financial and non-financial risks by overseeing related frameworks and internal compliance and control systems. |
| Remuneration | <ul style="list-style-type: none"> • With the guidance of the People & Remuneration Committee, review and approve the Group's remuneration framework including remuneration policy and satisfy itself that the remuneration framework and outcomes are aligned with the Company's purpose, values, strategic objectives and risk appetite. |
| Appointment and Succession Planning | <ul style="list-style-type: none"> • Appoint a Group CEO and Managing Director and approve key executive appointments. • Monitor and review executive succession planning. • With the guidance of the Nomination & Governance Committee, plan for Board renewal, appoint non-executive directors to the Board and select a Chairman. |



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SCHEDULED BOARD MEETINGS HELD THIS YEAR

Board performance

Directors comprehensively prepare for, attend and participate in Board and Committee meetings.

The Board held 11 scheduled meetings during the year. Scheduled meetings refer to meetings scheduled within the calendar of meetings approved by the Board. Of these, three were short meetings specifically related to financial reporting matters.

The Board held 12 out-of-cycle meetings during the year for a special purpose that did not form part of the Board's approved annual calendar. Of these out-of-cycle meetings, the majority were for the Board to receive updates on the impact of COVID-19 on the Company, its customers and employees.

While the Board's schedule of employee and customer engagement opportunities was affected by COVID-19 restrictions, the Board held virtual meetings with a variety of stakeholders including key regulators. These meetings benefited the Board by enhancing the directors' understanding of NAB's opportunities and challenges.

The Board conducts an annual assessment of its performance and effectiveness, as well as of its Committees' and directors' individual performance.

The performance of each Committee is initially discussed and reviewed within the relevant Committee and is then subsequently reviewed as part of the Board's assessment. Each director participated in individual performance interviews with the Chairman.

External experts are engaged periodically to review the performance and effectiveness of the Board and its Committees, bringing an external perspective. The 2020 annual performance review was conducted internally in July by surveying directors and executives. Based on the results of the annual performance review, the Board and its Committees continue to operate effectively. The Board continues to focus on improving its effectiveness in the following areas:

- Monitoring the execution of strategic and business plans and cultural change.
- Enhancements to information reported to the Board and its Committees.

The number of Committee meetings held in 2020 is set out on [pages 11-12](#), of this Statement, and in the Report of the Directors in our [2020 Annual Financial Report](#), where each director's meeting attendance is also set out.

Banking Executive Accountability Regime (BEAR)

For the purposes of BEAR, NAB has registered certain individuals (including directors and senior executives) as 'Accountable Persons' with APRA.

Implementing BEAR has strengthened existing accountability structures and practices. It has provided greater clarity on accountabilities and resulted in clearer delegation and decision-making processes.

All NAB Accountable Persons have a letter of appointment (in the case of directors) or written employment agreement (in the case of executives), which governs the terms of their appointment, as well as a detailed BEAR Accountability Statement which is lodged with APRA.

The Federal Government intends to replace BEAR with an expanded Financial Accountability Regime (FAR). Consultation on draft FAR legislation is expected to take place in 2021.

While the Board's schedule of employee and customer engagement opportunities was affected by COVID-19 restrictions, the Board held virtual meetings with a variety of stakeholders including key regulators.



BOARD COMPOSITION, DIVERSITY AND PERFORMANCE

Board composition

Composition of NAB's Board is informed by the following principles:

- The Board will be of an appropriate size to allow efficient decision making.
- The Board must consist of a majority of independent non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise, and different facets of diversity, including gender.
- The Chairman must be an independent non-executive director and must not have been a NAB executive or the Group CEO in the previous three years.

Further information about Directors' independence is on [page 9](#) including information about preserving Philip Chronican's independence while he served as interim Group CEO for part of 2019.

NAB has a *Group Fit and Proper and BEAR Suitability Policy* that addresses the requirements of *APRA Prudential Standard CPS 520 Fit and Proper* and supports compliance with the obligations of BEAR. This Policy requires an annual assessment of the directors, certain members of senior management and responsible auditors, including a determination of whether they have the appropriate competence, character, diligence, honesty, integrity and judgement to perform their role.

The Board, with the assistance of the Nomination & Governance Committee, has reviewed and taken into consideration the existing workload of directors and concluded that each director has sufficient capacity to undertake the duties expected of a director of NAB.

As a Board vacancy approaches, the Nomination & Governance Committee assesses the skills and experience required, which

informs the identification of suitable candidates. The most suitable candidate is appointed by the Board after appropriate checks are undertaken, including assessment in accordance with the *Group Fit and Proper and BEAR Suitability Policy*, and is subject to election by shareholders at the next AGM.

The key terms and conditions of a director's appointment are formally documented in a letter of appointment. This process was followed for all directors on the Board.

Newly appointed directors must stand for election by shareholders at the next AGM. In addition, the NAB Constitution requires that at each AGM, non-executive directors who have held office for at least three years without re-election, or beyond the third AGM following their appointment or last election (whichever is longer) must retire from office and are eligible to stand for re-election.

Before each AGM, the Board assesses the performance of each director due to stand for election and re-election, and decides whether to recommend to shareholders that they vote in favour of the election or re-election of each relevant director.

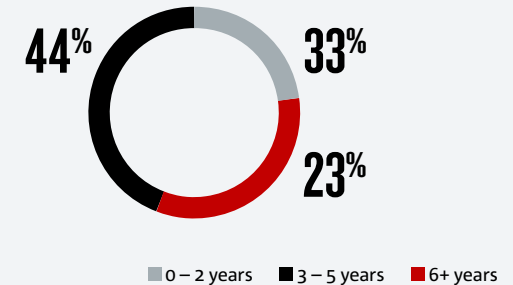
In 2020, the Board has recommended in the AGM Notice of Meeting that shareholders re-elect David Armstrong, Peeyush Gupta and Ann Sherry as non-executive directors. The Board also recommended the election of Simon McKeon, who commenced as a non-executive director in February 2020.

Further information on NAB's directors is provided in our [2020 Annual Financial Report](#).

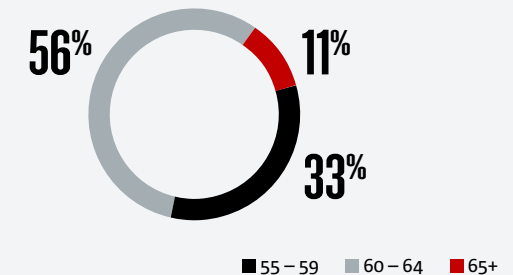
Before each AGM, the Board assesses the performance of each director due to stand for election and re-election, and decides whether to recommend to shareholders that they vote in favour of the election or re-election of each relevant director.

Tenure, age and gender statistics¹

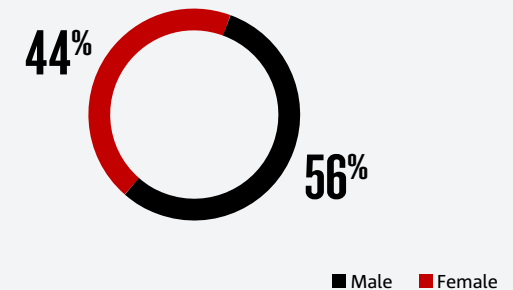
Board tenure



Board age profile



Board gender diversity



¹ Tenure, age and gender statistics are for non-executive directors as at 30 September 2020.



Board skills matrix

Each year, NAB undertakes an assessment of the skills and experience of each director and the combined capabilities of the Board. The insights from this assessment are documented in a skills matrix that is:

- Considered in the context of NAB’s business and its strategic needs.
- Incorporated into Board succession planning and the selection of new directors.
- An important factor in NAB’s commitment to diversity.

To prepare the skills matrix, each Director rates their skills, expertise and experience against several competency areas that are then mapped to the skills matrix. The self-assessment ratings and skills matrix are reviewed and calibrated by the Nomination & Governance Committee on behalf of the Board.

The skills matrix presented here demonstrates alignment of the Board’s responsibilities with the current mix of skills on the Board. The Board believes the current mix of skills, experience and expertise of directors provides a diverse range of views and perspectives for the effective governance, oversight and strategic leadership of NAB. The Board continues to focus on ongoing renewal to achieve an orderly transition of directors over the short- to medium-term and an appropriate balance of experience, expertise, diversity and fresh thinking.

Director independence

All NAB directors are expected to bring independent and unfettered judgement to Board deliberations.

To qualify as independent, a director must be independent of management and free of any business or other association that could materially interfere with (or reasonably be perceived to materially interfere with) the director’s exercise of unfettered and independent judgement with respect to issues before the Board, and to act in the best interests of NAB and our shareholders.

The Board conducts annual reviews of the independence of each of the directors. Directors are expected to volunteer information as and when changes occur, and each non-executive director is required to make an annual disclosure to the Board of all relevant information.

A register of directors’ material interests is maintained and periodically reviewed by each director.

If a director is involved with another company or firm that may have dealings with NAB, those dealings must be at arm’s length and on normal commercial terms.

Director tenure is a factor considered by the Board in assessing the independence of a director, but is not determinative. As a guide, most directors would not stand for re-election after serving 10 years on the Board; however, the Board may determine that a director continues to bring valuable expertise, independent judgement and the ability to act in the best interests of NAB beyond the term of 10 years. The overall tenure profile of the Board is also a relevant factor.

Skills matrix

| SKILLS & EXPERIENCE | EXPLANATION | COLLECTIVE ¹ |
|---|---|-------------------------|
| Banking and financial services experience | Experience outside NAB in significant components of the financial services industry, including banking and equity and debt capital markets. Strong knowledge of the regulatory environment. Includes advisory roles to the industry. | |
| Leadership and commercial acumen | Skills gained whilst performing at a senior executive level for a considerable length of time. Includes delivering superior results, running complex businesses, leading complex projects and issues, and leading workplace culture. | |
| Financial acumen | Good understanding of financial statements and drivers of financial performance for a business of significant size, including ability to assess the effectiveness of financial controls. | |
| Customer outcomes | Experience in delivering customer outcomes and deepening relationships in customer segments. | |
| Risk management | Experience in anticipating and evaluating risks that could impact the business. Recognising and managing these risks by developing sound risk management frameworks and providing oversight. Includes experience in managing compliance risks and regulatory relationships. | |
| Strategy | Experience in developing, setting and executing strategic direction. Experience in driving growth and transformation and executing against a clear strategy. | |
| Governance | Publicly listed company experience, extensive experience in and commitment to the highest standards of governance, experience in the establishment and oversight of governance frameworks, policies and processes. | |
| Transformation, digital technology, data and analytics | Experience in businesses of a significant size with major transformation programs, and focus on using digital technology, data and analytics to implement change. | |
| People and remuneration | Experience in building workforce capability, setting a remuneration framework that attracts and retains a high calibre of executives, and promotion of diversity and inclusion. | |

1 This is an aggregate profile of the Board’s skills and experience including Ross McEwan.



Director independence (continued)

In considering the independence of each director, the Board considers the factors outlined in the 3rd edition ASX Corporate Governance Principles and Recommendations. The Board has determined for 2020 that all non-executive directors identified on [page 4](#) are independent and that the Board consisted of a majority of independent directors. To further assist in ensuring that the Board operates independently of management, non-executive directors meet in the absence of management at most scheduled Board and Committee meetings.

Due to the exceptional circumstances NAB faced in 2019, the Board appointed Philip Chronican as interim Group CEO on 1 March 2019, in an executive director capacity. Prior to this, Philip had been an independent non-executive director since May 2016. Philip received a special duties director's fee while performing the role of interim Group CEO, rather than a salary, and did not receive any variable reward. The Board was satisfied that Philip's performance as interim Group CEO on this short-term basis did not compromise his ability to bring independent judgement to bear on issues before the Board and to act in the best interests of NAB and its shareholders. On this basis, the Board considered Philip as an independent non-executive director when he commenced as Chairman of NAB in November 2019. APRA supported that view.

Conflicts of interest

Under Australian law, directors have a duty to avoid conflicts of interest.

The *NAB Conflicts of Interest Policy* and the NAB Constitution establish clear rules, controls and guidance regarding the management of actual, potential or perceived conflicts of interest.

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of NAB. This is a matter for ongoing and active consideration by all directors, and any director who has a material personal interest in a matter relating to NAB's affairs must notify the Board.

If a potential conflict of interest arises, NAB's corporate governance standards dictate that the director concerned does not receive copies of the relevant Board papers and is not present at meetings while such matters are considered. In this way, the director takes no part in discussions and exercises no influence over the other members of the Board. If a significant conflict of interest with a director exists and cannot be resolved, the director is expected to tender his or her resignation.

Director induction and continuing education

Each new director is provided with an orientation program that includes discussions with executives and management, and briefings and workshops on NAB's:

- Strategic plans.
- Risk Management Strategy and Framework.

- Significant financial, accounting and risk management matters.
- Compliance programs.
- NAB's performance management structure.
- Internal and external audit programs.
- Purpose, vision and values and Code of Conduct.
- Directors' rights, duties and responsibilities.

Continuing education is provided for the Board through a combination of internal and external presentations, workshops with management and site visits. Directors are also encouraged to keep up-to-date on topical issues in their own time.

As part of directors' continuing education, workshops were held during the year on a range of topics. These workshops covered topics such as: governance, accountability and culture; BEAR; data analytics; risk appetite; credit models for capital and financial reporting purposes; liquidity; succession planning and leadership; and Board and Committee effectiveness. In addition, the Board also received continuing education in the following areas: regulatory developments; whistleblower developments; health and safety; and environmental, social and governance risks, particularly focused on climate change.

Access to management and independent professional advice

Directors have open access to understand and question management directly through the Chairman, Group CEO or Group Company Secretary.

The Board and Committee Charters clearly state that the Board or its Committees may engage external consultants and experts as required, and written guidelines entitle each director to seek independent professional advice at NAB's expense, with the prior approval of the Chairman. The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at NAB's expense, any legal, accounting or other services that it considers necessary from time to time to fulfil its duties.

Director and Executive shareholding requirements

To align with shareholders' interests, NAB's Constitution requires that within six months of appointment, a director must hold at least 2,000 fully paid NAB shares. The Board has also adopted a policy that within five years of appointment, a non-executive director's shareholding requirements should equal the value of the non-executive director annual base fee. The value of a directors' shareholding is based on the share price at the time shares were acquired.

All directors have met their current or full minimum shareholding requirement.

Minimum shareholding requirements of the Executive Leadership Team:

- Group CEO (two times fixed remuneration).
- Members of the Executive Leadership Team (one time fixed remuneration).

Newly appointed Executive Leadership Team members are required to accumulate the minimum shareholding requirement over a five-year period from commencement in the role. The Group CEO and members of the Executive Leadership Team have met their shareholding requirements.

Details of directors and Executive Leadership Teams' NAB shareholding requirements are set out in the Report of the Directors within our [2020 Annual Financial Report](#).

Company Secretaries

The Group Company Secretary provides advice and support to the Board, and is accountable to the Board, through the Chairman, for all matters relating to the proper functioning of the Board and its Committees. The Group Company Secretary is responsible for advising the Board on governance matters and ensuring compliance with Board and Board Committee Charters and procedures.

The Group Company Secretary (and assistant Company Secretaries) are appointed and removed by the Board. Further detail on each Company Secretary is provided in the Report of the Directors within our [2020 Annual Financial Report](#).

Subsidiary Boards

NAB has a number of subsidiary companies. The activities of each subsidiary company in the Group are overseen by that company's own board of directors. The Board's confidence in the activities of its controlled entities stems from the quality of the directors on those subsidiary boards and their commitment to NAB's objectives. NAB directors have a standing invitation to attend, through consultation with the relevant subsidiary board chairman, board meetings of significant subsidiaries to develop a broader understanding of NAB's operations. Some NAB directors are also directors of significant subsidiaries in the Group.

NAB has a subsidiary governance framework document which sets out the corporate governance requirements for subsidiaries operating within the NAB Group environment including different roles and responsibilities of subsidiaries, their boards and management.



BOARD COMMITTEES

To assist in carrying out its responsibilities, the Board has established standing board committees that cover each of Audit, People & Remuneration, Risk & Compliance, Customer and Nomination & Governance matters.

In addition to its standing committees, the Board establishes ad hoc committees, with specific remits, as and when required.

Each Committee has a Charter that sets out its purpose, authority, duties and responsibilities. The Charters are published in the [Corporate Governance section of our website](#).

At each Board meeting, the Committee Chairmen provide an update on matters considered by their respective Committees. All directors receive all Committee papers, and all directors receive the minutes of each Board and Committee meeting. The Board also receives an annual report on activities undertaken by each Committee and proposed areas of focus for the coming year.

The following Committee descriptions include details of the number of meetings and workshops each Committee held in 2020.

Audit Committee

The Audit Committee supports the Board with oversight of the integrity of the accounting and financial statements and the financial, regulatory and corporate reporting processes of the Group. In fulfilling this role, its principal activities include:

- Oversight of the integrity of financial statements and compliance with applicable accounting standards to give a true and fair view of NAB's financial position and performance.
- Oversight of financial, regulatory and corporate reporting processes.
- Oversight of internal audit processes, including appointment and removal of the Executive, Internal Audit.
- Oversight of external audit processes, including the appointment, evaluation, management and removal of the external auditor.
- Review of the scope of the audit plans for the external auditor and internal audit, and oversight of the audit work performed throughout the year.

- Oversight of NAB's Group Whistleblower Protection Policy and Program.
- Oversight of tax risk and tax governance arrangements.

The Audit Committee must have a minimum of three independent non-executive directors and the Chairman of the Board may not be a member. The Audit Committee must have a member who also sits on the Risk & Compliance Committee.

In 2020, the members of the Audit Committee were David Armstrong (Committee Chairman), Geraldine McBride, Doug McKay and Anthony Yuen (until his retirement from the Board in December 2019). Kathryn Fagg joined the Committee in August 2020. David and Kathryn are also members of the Risk & Compliance Committee (as was Anthony).

All Audit Committee members have appropriate financial experience and understanding of the financial services industry. David has accounting and financial expertise in accordance with the requirement in the Audit Committee Charter that at least one member must have such expertise.

The Audit Committee held seven scheduled meetings, which included several joint meetings with the Board and one with the BNZ Regional Audit Committee.

The Group Chief Financial Officer (CFO), Deputy Group CFO, senior representatives from external auditor EY, and the Executive, Internal Audit (or delegate) attended all scheduled meetings.

People & Remuneration Committee

The People & Remuneration Committee supports the Board with oversight of the Group's remuneration policies and practices with the objective that these:

- Are reasonable, fair and in line with current governance, legal and regulatory requirements.
- Support the Group's purpose, values, strategic objectives and risk appetite and otherwise meet the needs of NAB and the expectations and requirements of shareholders, customers and regulators.
- Responsibly reward individuals for performance and in respect of performance-based remuneration, encourage behaviour that is ethical, delivers sound customer outcomes and is aligned with the Company's purpose and values; supports the Group's long-term financial soundness; and is aligned with the Group's risk management framework and encourages prudent risk-taking and the achievement of sound risk outcomes.

In fulfilling this role, its principal activities include:

- Considering Group performance and recommending to the Board annually the funding outcome for the Group variable reward plan, taking into account the overall health of the Group's financial results against the Risk Management Framework, risk appetite and other qualitative factors.
- Considering individual executive performance in the context of Group performance and recommending to the Board each reporting period the fixed remuneration and variable reward outcomes for the Group CEO, Executive Leadership Team and certain other senior executives.
- Monitoring and making recommendations regarding deferred equity vesting outcomes.
- Oversight of NAB's employee conduct management framework and consequence management outcomes (including impact on remuneration outcomes).
- Reviewing (at least every two years) the effectiveness of the *Group's Remuneration Policy* and strategy.

In addition, the Board expanded the remit of this Committee during 2020 to include a broader range of people matters. In fulfilling this broader role, the Committee's principal activities include:

- Reviewing and monitoring the effectiveness of the Group's Colleague Strategy, designed to attract, retain, develop and motivate colleagues. Monitoring and assessing progress on the delivery of key strategic focus areas within the Colleague Strategy.
- Reviewing and recommending to the Board for approval, inclusion and diversity strategies, frameworks, policies and measurable objectives for the Group. Monitoring and assessing progress in meeting inclusion and diversity objectives such as pay equity and gender representation reports.
- Reviewing and monitoring executive talent management and leadership development applicable to the Group CEO's direct reports and other critical roles.
- Overseeing and reviewing succession plans for the Group CEO's direct reports and other critical roles.
- Reviewing and approving the industrial relations strategy and delivery plans.
- Reviewing colleague engagement action plans and monitoring their effectiveness.
- Reviewing the Group's performance frameworks, ensuring they align with the Group's remuneration principles, framework and policy.

The People & Remuneration Committee must have a minimum of three independent non-executive directors and the Chairman of the Board may not be the People & Remuneration Committee Chairman.



In 2020, the members of the People & Remuneration Committee were Anne Loveridge (Committee Chairman), Peeyush Gupta and Ann Sherry.

The People & Remuneration Committee must have a member who also sits on the Risk & Compliance Committee. Peeyush is also a member of the Risk & Compliance Committee.

The Group Chief Risk Officer (CRO) has a standing invitation to attend all scheduled People & Remuneration Committee meetings. The Executive, Internal Audit has also commenced attending scheduled People & Remuneration Committee meetings.

The People & Remuneration Committee held 10 meetings in 2020 including two out-of-cycle meetings.

Risk & Compliance Committee

The Risk & Compliance Committee supports the Board with oversight of the Group's risk profile and risk management within the context of the Board approved Risk Appetite Statement. In fulfilling this role, its principal activities include:

- Making recommendations to the Board regarding NAB's Risk Appetite Statement, Risk Management Strategy and particular risks or risk management practices.
- Reviewing management's plans to mitigate material risks faced by the Group.

- Overseeing the implementation and operation of NAB's Risk Management Framework and internal compliance and control systems, including annually reviewing the Risk Management Framework to confirm it remains sound and is operating effectively.
- Overseeing and reviewing the outcomes of stress testing of the Group's risk portfolio, including scenario and sensitivity analysis for internal capital and liquidity adequacy assessments.
- Guiding management's establishment, promotion and maintenance of a risk based culture.

The Risk & Compliance Committee must have a minimum of three independent non-executive directors and the Chairman of the Board may not be the Chairman of the Risk & Compliance Committee. The Risk & Compliance Committee must have a member who also sits on the Audit Committee and People & Remuneration Committee.

There were several changes to Committee composition during 2020. From October 2019, the Committee comprised of David Armstrong (Committee Chairman), Peeyush Gupta and Anthony Yuen. Kathryn Fagg joined the Committee in December 2019 and Anthony retired from the Committee upon his retirement from the Board. Simon McKeon joined the Committee in February 2020 and was appointed Committee Chairman in August 2020.

David remained a member of the Committee, as well as being Chairman of the Audit Committee. Kathryn was also a member of the Audit Committee. Peeyush was a member of the People & Remuneration Committee. Philip Chronican and Ross McEwan attended the majority of the Committee meetings in 2020.

The Risk & Compliance Committee held seven scheduled meetings in 2020 including one joint meeting with the BNZ Board Risk Committee and two workshops (on credit risk and stress testing scenarios) during the year.

The Group CRO, Executive, Internal Audit and senior executives of the Group's external auditor EY attended every scheduled Risk & Compliance Committee meeting and workshop.

Customer Committee

The Customer Committee supports the Board with overseeing a significant lift in the importance given to the voice of the customer and a more intense focus on customer outcomes. In fulfilling this role, its principal activities include:

- Reviewing and evaluating customer feedback, insights and themes.
- Reviewing and evaluating the governance frameworks for products.
- Overseeing management's role of ensuring fair customer product and services outcomes for

all customer segments, through the Customer Outcome Framework, with specific focus on vulnerable customers and customers in hardship.

- Reviewing and evaluating reports on complaint levels, complaint handling metrics, customer satisfaction indicators and market share measures to identify systemic trends impacting customers.
- Reviewing regular reports from the Customer Advocates.
- Reviewing and evaluating regular management reports on customer remediation.

The Customer Committee must have a minimum of three independent non-executive directors and the Chairman of the Board may not be the Chairman of the Customer Committee. In 2020, the members of the Customer Committee were Ann Sherry (Committee Chairman), Geraldine McBride and Doug McKay.

The Customer Committee held 10 meetings in 2020, including four workshops focused on reviewing longstanding customer dispute cases.

NAB's support to help customers respond to the impacts of COVID-19 was a prominent feature at each meeting since the pandemic began.

Following shareholders' questions at the 2019 AGM, the Committee decided to convene workshops to discuss longstanding customer dispute cases in order to bring a fresh perspective to the review process. The Committee also participated in a site visit with the Complaint Analytics team and Call Centre team in February 2020.

The workshops and site visit provided the Customer Committee with a deeper understanding of how NAB supports its customers.

Nomination & Governance Committee

The Nomination & Governance Committee supports the Board on composition and governance matters. In fulfilling this role, its principal activities include:

- Assessing the necessary and desirable competencies of the Board and Chairman, and of the Committees and Committee Chairmen.
- Making recommendations on the selection, re-election and removal of directors.
- Evaluating the performance of the Board, its Committees and directors.
- Making recommendations regarding professional development for directors.
- Reviewing corporate governance principles and policies.
- Making recommendations to the Board on the continuing independence of directors.

The Nomination & Governance Committee must have a minimum of three independent non-executive directors and the Chairman of the Board is Committee Chairman. In 2020, the members of the Nomination & Governance Committee were Philip Chronican (Committee Chairman) and Anne Loveridge. Simon McKeon joined the Committee in August 2020 and Peeyush Gupta and Doug McKay rotated off the Committee at that time.

The Nomination & Governance Committee held five scheduled meetings during the year.



OUR FOCUS ON CUSTOMERS AND COLLEAGUES

NAB's values

How We Work

NAB updated its company values during 2020 in conjunction with a refresh of its corporate strategy. These values, known as How We Work, identify the core elements of behaviour for NAB to deliver its strategy.

The articulation of "what we do" and "what we don't do" provides guidance for all colleagues to understand the standards expected at NAB and is the basis of NAB's Code of Conduct.

The Board approved NAB's elements of How We Work, which are:

- ▶ Excellence for customers
- ▶ Grow together
- ▶ Be respectful
- ▶ Own it

Culture

As part of NAB's strategy focused on customers and colleagues, the Board approved NAB's Colleague Strategy which focuses on creating NAB's desired culture through four pillars:

- Talent to change the future of banking
 - Clear view of the capability we have and the talent we need.

- Resource allocation of colleagues for highest priority, growth and return.

- Diverse, innovative and customer obsessive perspectives.

- Cross-functional teams working in the most effective way.

Colleagues motivated to perform and grow

- Professional banker skills.

- High performance expectations and a learning mindset.

- Fair and equitable pay and recognition.

- A clear two way deal at all levels, with compelling career pathways.

Great leaders who inspire

- Leaders who set out a clear and engaging vision for our future.

- Leaders who act as a beacon for talent.

- A clear set of leadership capabilities.

- Inclusive leaders who hold themselves accountable for decisions, risk and controls, and role model How We Work.

Colleagues who are proud to work at NAB

- Challenging, exciting and meaningful work.

| | WHAT WE DO | WHAT WE DON'T DO |
|--|--|--|
|  Excellence for customers | Put our customers' needs first every time | Put personal interests before our customers' |
| | Get it right first time or fix it fast | Leave issues unresolved |
| | Make banking easy and fast | Create 'band-aid' fixes |
|  Grow together | Be ambitious for growth | Tolerate mediocrity |
| | Be curious and learn from each other | Move on without learning |
| | Prioritise each other's wellbeing | Succeed at the expense of others |
|  Be respectful | Speak honestly and supportively, especially about concerns | Avoid difficult conversations or challenge inappropriately |
| | Value the time and opinion of others | Dismiss challenges and advice without consideration |
| | Do what we say we will | Fail to keep others informed |
|  Own it | Get on with it and follow up until it's resolved | Delay taking action |
| | Do what's right, even when it's hard | Say "it's not my job" |
| | Make the most of what we have | Spend more time, resources or money than is needed |

- Empowered to make a difference to customers and communities.
- Collaborative team where it's safe to speak up and care for the wellbeing of each other.
- Ways of working that get things done.



NAB's Code of Conduct

NAB's Code of Conduct (the Code) was revised in 2020 and approved by the Board.

The Code outlines what is expected of directors, leaders, colleagues and contractors. Any material breaches of the Code are reported to the Board.

NAB maintains Codes of Conduct in each jurisdiction in which it operates. The Codes capture not only NAB's legal obligations, but also the reasonable expectations of its stakeholders.

The Code emphasises How We Work, and the key policies and guidelines which must be followed in order to achieve expected outcomes. The Code is supported by a renewed approach to employee conduct and consequence management.

The Australian Code is available in the [Corporate Governance section of our website](#).

Implementation of APRA self-assessment actions and Royal Commission recommendations

In an update to the ASX on 11 November 2020, NAB detailed its implementation of self-assessment actions and progress to improve governance, accountability and culture.

The Board observed a stronger customer focus across the bank, and noted that under the leadership of Ross McEwan, NAB's refreshed strategy and new operating model are addressing the root causes of the failings identified through the self-assessment process.

NAB has continued to prioritise implementing the recommendations of the Royal Commission.

Commissioner Kenneth Hayne made 76 recommendations in his final report which focused on banking, financial services, superannuation, insurance, regulation, and culture, governance and remuneration.

NAB has completed seven recommendations and continues to progress the implementation of a further 32 recommendations. This includes recommendations that have been completed to the extent possible but are pending further legislative, regulatory or industry guidance or involved in consultation. Of the remainder, eight are not applicable to NAB and 29 do not currently require action.

Responsible remuneration

The Board continues to monitor NAB's executive and Group remuneration frameworks to ensure alignment with the Group's strategy. The Board has approved a modest range of changes within the Group's current remuneration framework for 2021 to:

- Ensure performance measures align to the refreshed strategy.
- Simplify the calculation of annual variable reward.
- Enhance governance through clearer application of accountability and remuneration consequences.

The Board will continue to explore potential improvements to the remuneration framework to ensure executive remuneration is aligned with our refreshed strategy, changes in regulatory requirements and takes shareholder outcomes into consideration. The Board will balance these requirements within an effective remuneration framework that appropriately rewards our Executive Leadership Team.

Further information about NAB's executive remuneration framework, including NAB's policies and practices regarding the remuneration of non-executive directors, executive director and other senior executives, is set out in our Remuneration Report within our [2020 Annual Financial Report](#).

Focus on shareholders

At NAB we value open, timely and transparent communication and engage with shareholders and investors in many ways including:

- Written and electronic communications, such as open letters and publications from the Chairman and the Group CEO on key developments and matters of interest.
- Providing information about NAB on our website, including in relation to our Group's policies and governance practices and media releases.
- Periodic trading updates, financial results and reports, ASX announcements, investor presentations and briefings (all of which are available on our [website](#) as well as the NAB Investor Relations mobile app).

- In situations when the Group hosts an analyst and investor presentation including interim and end of financial year results, supporting materials are released ahead of the presentation commencing.
- Webcasting of significant market briefings and meetings, including the AGM.
- In light of the restrictions on public gatherings as a result of COVID-19 and reflecting advice from government and health authorities, NAB's 2020 AGM will be conducted as a virtual meeting. Shareholders will have the opportunity to view presentations, ask questions and submit votes online during the AGM.

As in prior years, we will again invite shareholders to submit questions in advance of the 2020 AGM, to help NAB understand and address areas of interest or concern. All substantive resolutions at the AGM are decided by a poll rather than by a show of hands.

Shareholders can contact NAB or our share registry at any time, by mail, telephone, email or via the Computershare Investor Centre. More than half of NAB's shareholders have elected to communicate with NAB and Computershare electronically.

Social Impact

NAB's work to drive positive social impact contributes to the long-term pillar of the Group's strategy. We use a range of tools and approaches including strategic giving and shared value to deliver sustainable outcomes for our customers, colleagues, shareholders and the communities in which we operate.

Social Impact is embedded across the Group by:

- Engaging with stakeholders to identify current and emerging material issues, challenging NAB to develop mutually beneficial solutions and helping to define strategic direction.
- Implementing a Social Impact program that sets clear objectives, establishes appropriate policies, procedures and activities; and measures and reports on progress.
- Supporting Environmental, Social and Governance risk management and governance.
- Implementing internal communications to ensure that Social Impact is understood by the Board, executives and our colleagues.

Stakeholder engagement

NAB engages stakeholders from a range of social and environmental organisations to obtain feedback on our approach, progress and material issues facing NAB.

Our annual materiality assessment identifies the environmental, social and governance themes that matter most to our stakeholders and where NAB can drive the greatest impact. This assessment process is detailed in our [2020 Sustainability Report](#) and on our [website](#).

NAB's approach to stakeholder engagement is set out in our *Social Impact Policy*, and is informed by the [AA1000 Stakeholder Engagement Standard](#).

In all interactions with stakeholders, NAB is committed to being respectful, responsive, open and authentic. More information about our approach to stakeholder engagement can be found on our [website](#).

NAB's formal Indigenous Advisory Group (IAG) provides strategic guidance on NAB's engagement with Aboriginal and Torres Strait Islander people and NAB's Reconciliation Action Plan. Non-Executive Director Ann Sherry is Co-Chair of the IAG with Natalie Walker, a Kuku Yalanji woman and founder and managing director of Inside Policy.



RISK MANAGEMENT

Risk is an inherent part of NAB's business and the effective management of risk is a fundamental enabler of our strategic plan. The strategy for managing risk is to protect customers and enable sustained performance. This is achieved through our Risk Management Framework, documented in the Risk Management Strategy.

The Risk Management Framework (RMF) consists of systems, structures, policies, processes and people within the Group that manage our material risks.

Material risks are those that could have a material impact, both financial and non-financial, on the Group or on the interests of our customers. Our material risks are categorised as: strategic risk, credit risk, market risk, balance sheet and liquidity risk, operational risk, compliance risk, conduct risk and regulatory risk.

NAB applies a Three Lines of Defence operating model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. The role of each line is:

- **First Line** – Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.
- **Second Line** – A functionally segregated Risk function develops risk management frameworks, defines risk boundaries, provides objective review and challenge regarding the effectiveness of risk management within the first line businesses, and executes specific risk management activities where a functional segregation of duties and/or specific risk capability is required.
- **Third Line** – An independent Internal Audit function reporting to the Board monitors the end-to-end effectiveness of risk management and compliance with the RMF.

Risk governance refers to the formal structure used to support risk-based decision-making and oversight across all our operations. This consists of Board committees and management committees, delegations of authority for decision-making, management structures and related reporting. The risk governance structure increases transparency and the sharing of insights, guidance and challenge to support the BEAR Accountable Person¹ in their decision-making when discharging their individual accountabilities.

The Risk Appetite Statement is a key component of our RMF and sets out boundaries to ensure that we operate within acceptable levels of risk.

The Risk Management Strategy (documenting our RMF) and Risk Appetite Statement are reviewed by the Board at least annually, or more frequently

if there is a material change to the size, business mix and complexity, or a material change to the Group's risk profile. They are approved by the Board and submitted to APRA. The monthly Group Chief Risk Officer report highlights risk appetite measures along with commentary when triggers and limit thresholds are exceeded. The updated Risk Management Strategy and Risk Appetite Statement were approved by the Board in September 2020 and submitted to APRA.

The Board makes an annual declaration to APRA on risk management, in accordance with the requirements of *APRA Prudential Standard CPS 220 Risk Management*. The 2020 review of NAB's risk management framework is currently being undertaken in accordance with the timeframe permitted by CPS 220.

Environmental, Social and Governance risk management

Environmental, Social and Governance (ESG) risks are identified, measured, monitored, reported and overseen in accordance with the Group's Risk Management Framework. Executive management's Group Non-Financial Risk Committee and Group Credit & Market Risk Committee oversee key aspects of ESG risk, including climate and human rights-related risk. Our climate change disclosures align with the *Taskforce on Climate-related Financial Disclosures'* recommendations and are provided throughout our annual reporting suite.

Updates on ESG risks are provided to the Executive Risk Committee, Board Risk & Compliance Committee and Board as appropriate.

NAB applies a Three Lines of Defence operating model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective.

Further information on NAB's material exposures to ESG risks (and how we manage those risks) is set out in NAB's [2020 Annual Financial Report](#), [2020 Annual Review](#) and [2020 Sustainability Report](#).

QUICK LINKS

[2020 Sustainability Report](#)

[2020 Annual Review](#)

[2020 Annual Financial Report](#)



ASSURANCE AND CONTROL

For the Board to determine that our financial statements and disclosures are complete and accurate, it relies on information provided by management. Independent and objective assurance is provided by NAB's external auditor, EY, on the audited financial statements.

External audit

Throughout 2020, NAB's external auditor was EY. The Audit Committee is responsible for the appointment, evaluation, management and removal of the external auditor, and the approval of the external auditor's annual fees (subject to shareholder approval where required). The Audit Committee oversees EY's responsibilities and regularly meets with EY to review the adequacy of the external audit arrangements with emphasis on effectiveness, performance and independence. This includes an annual review of the external audit plan.

To foster open communication and to facilitate appropriate matters coming to the attention of the Audit Committee, the Group CEO, Group CFO, Deputy Group CFO, Group CRO, Group Executive Legal & Commercial Services, General Counsel Corporate, Executive Internal Audit, and the external auditor all have direct and unfettered access to the Audit Committee.

NAB does not employ or appoint to the Board, Group or any subsidiary board or management body, any current or former partner, principal,

shareholder or professional employee of the external auditor or their family members, if to do so would impair the auditor's independence.

The Audit Committee has adopted a *Group External Auditor Independence Policy* (Policy) that requires pre-approval of any services proposed to be provided by the external auditor. The Audit Committee delegates authority to the Group CFO and Deputy Group CFO to approve those services, within limits pertaining to the expected cost of the services that ensure independence is maintained. The exercise of any such delegation is reported to the Audit Committee at least biannually.

The Policy defines audit-related and taxation-related services and stipulates that certain services are entirely prohibited from being provided by the external auditor to ensure the independence of the external auditor is maintained. Non-audit services are permitted where the service meets auditor independence requirements with the approval by the Chairman of the Audit Committee.

Unless the Audit Committee approves otherwise, fees paid for the provision of audit-related, taxation-related and non-audit services must not exceed fees paid for audit services in any year. Details of the services provided by the external auditor to NAB and the fees paid or payable for such services are set out in the Report of the Directors and Note 33 'Remuneration of external auditor' in our [2020 Annual Financial Report](#).

Legislation requires the rotation of the external audit senior personnel who are significantly involved in NAB's audit after five successive years, including the Lead Partner.

The external auditor attends the AGM and is available to answer shareholder questions regarding the conduct of the audit and the content of the audit report.

Periodic Corporate Reports

The Annual Financial Report, Annual Review, Investor Presentations, Quarterly Trading Updates, Results Announcements, Corporate Governance Statement,

Sustainability Report and Pillar 3 Report form the suite of the Group's periodic corporate reports.

Each report is subject to the Group's risk management and internal control systems. Assurance over risk management and internal control systems is achieved through assessments of the effectiveness of controls, and the reporting of risk and control issues on a regular basis through various risk management and risk governance forums.

The integrity of the Group's periodic corporate reports is underpinned by structures and processes within the Group functions that support analytical review of financial reporting and non-financial metrics, validation of information and the maintenance of proper records for all information.

The Group's reporting policies incorporate Australian and international regulatory, legislative and prudential requirements. The policies are supported by detailed instructions and guidance on reporting requirements and are issued to all reporting entities and report section authors in advance of each reporting period. An internal management team reviews and checks information across the suite of the Group's periodic corporate reports. Group Executives and subject matter experts certify the information

pertaining to their area of responsibility is materially complete and not materially misleading by statement or omission. The suite of the Group's periodic corporate reports is also critically reviewed for consistency in messaging.

The level of external assurance provided on the suite of the Group's periodic corporate reports is disclosed by the external auditor in their reports presented in NAB's [2020 Annual Financial Report](#), [2020 Annual Review](#), [2020 Results Announcement](#) and [2020 Sustainability Report](#).

Where there is no external assurance provided, management's assurance procedures are considered adequate by the Audit Committee for ensuring the Group's periodic corporate reports are materially accurate, balanced and provide investors with appropriate information to make informed decisions.

Internal audit

The role of Internal Audit is to undertake analysis and independent appraisal of the adequacy and effectiveness of, and compliance with, NAB's RMF and internal control environment. Internal Audit forms the third line of risk accountability in NAB's RMF.

A recommendation on the appointment, performance and dismissal of the Executive, Internal Audit is made by the Audit Committee to the Board. The Audit Committee monitors the activities and performance of Internal Audit and assesses whether it remains independent of management and is adequately resourced and funded. Internal Audit is also the custodian of the *Group Whistleblower Protection Policy* and processes described on [page 17](#).

Internal Audit has a direct reporting line to the Chairman of the Audit Committee and informal reporting lines to the Group CEO and Group CFO.

The Executive, Internal Audit provides regular reports to the Board's Risk & Compliance Committee on risk and control matters, and during 2020 commenced attending the Board's People & Remuneration Committee to provide insights on conduct and culture matters.

Both the External and Internal Audit functions have full and unrestricted access to all colleagues, records and systems as necessary to undertake their activities.



CONDUCT POLICIES

NAB has a comprehensive suite of policies and practices in place to promote a culture of honesty and ethical behaviour. Policy compliance is monitored and consequence management procedures exist for policy breaches. Senior leaders are accountable for performance against risk and conduct measures.

Escalation and Whistleblower Protection

NAB's *Whistleblower Protection Policy* and Whistleblower Program comply with the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019 and reflect our commitment to a strong and safe culture of speaking up.

NAB does not tolerate wrongdoing, including fraud, corrupt conduct, bribery, unethical behaviour, legal or regulatory non-compliance, or illegal accounting or auditing practices by colleagues, contractors, directors or officers.

Colleagues are supported through clear and established procedures to escalate concerns to their people leaders or divisional support teams.

The Group Whistleblower Program provides a safe and confidential channel for reporting wrongdoing. The Board strongly believes that every concern matters and has ensured that the Whistleblower Program is set up and resourced to support, protect and encourage colleagues to speak up. The Program has been established as an independent function with

day-to-day operations managed by NAB's Internal Audit team and with direct escalation and reporting lines to the Board's Audit Committee via NAB's Group Whistleblower Committee.

The Whistleblower Program provides confidential and anonymous communication channels for our people (current and former colleagues, officers, contractors and/or suppliers) to raise wrongdoing concerns. This includes a confidential internal mailbox supported by trained Whistleblower Protection Officers as well as through Faircall, an independently monitored external hotline and reporting service operated by KPMG.

In 2020 NAB has continued to enhance our Whistleblower Program in line with ASIC Guidance (RG 270 Whistleblower Policies).

These measures instil a culture that encourages the escalation of concerns and notification of incidents to senior management and, where appropriate, the Board. Colleagues are encouraged to raise any issue involving illegal, unacceptable or improper behaviour or

any issue they believe could have a material impact on our customers, profitability, reputation, governance or regulatory compliance.

NAB does not tolerate any actual or threatened act of reprisal against those who disclose wrongdoing. Any person who carries out or threatens reprisals will be subject to disciplinary action (including potential termination of employment) and in some cases may also be subject to criminal liability.

The *Group Whistleblower Protection Policy* can be found in the [Corporate Governance section of our website](#).

Anti-Bribery and Corruption Policy

NAB is fully committed to the prevention of financial crime and takes a zero-tolerance approach to bribery and corruption. This is reflected in NAB's *Anti-Bribery and Corruption (ABC) Policy* as well as the Group's commitment to acting:

- Honestly, with integrity and upholding the highest ethical standards in its global activities.
- In compliance with all applicable anti-bribery and corruption laws in all jurisdictions in which the Group operates.

The prohibition against bribery and corruption in the *ABC Policy* applies to NAB's entities, colleagues and all agents, contractors and other third parties acting for or on behalf of the Group. The Group strictly prohibits bribery in any form, including:

- Active (giving) or passive (accepting) bribery.
- Bribery in the public or private sectors.

- Bribery directly by the Group or indirectly through a third party acting for or on behalf of the Group.
- The use of 'facilitation payments', even if this represents local practice or custom.

The *ABC Policy* is supplemented by supporting procedures which define minimum standards for compliance with the *ABC Policy*.

Material breaches of the *ABC Policy* are reported to the Board by the Group CRO.

NAB's *ABC Policy* can be found [online here](#).

Group Disclosure & External Communications Policy

The Corporations Act and the ASX Listing Rules require that, subject to certain exceptions, once NAB becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of NAB securities ('market sensitive information'), NAB will immediately disclose that information to the ASX and where applicable, to other relevant stock exchanges.

NAB manages compliance with its continuous disclosure obligations through its *Group Disclosure & External Communications Policy* and associated guidance notes. NAB's Disclosure Committee, comprised of senior executives, has primary responsibility regarding NAB's disclosure obligations. Potentially disclosable matters are promptly referred to the Disclosure Committee for assessment and determination. NAB operates a strict decision-making regime to enable it to monitor compliance with its disclosure obligations.

Where appropriate, the Board is consulted on disclosures of utmost significance.

All members of the Executive Leadership Team are responsible for ensuring their teams adhere to the Policy and liaising directly with the Group Executive, Legal & Commercial Services or the General Counsel Corporate on any potentially disclosable matters. Routine administrative ASX announcements are made by the Group Company Secretary without reference to the Disclosure Committee.

The Board receives copies of all material market announcements promptly after they have been made.

The *Group Disclosure Policy & External Communications Policy* is available in the [Corporate Governance section of our website](#).

Restrictions on trading in NAB securities

NAB's *Group Securities Trading Policy* explains the law and the policy for our colleagues to comply with when trading in NAB securities.

NAB has black-out periods prior to the release of the Group's financial results during which our colleagues must not trade in NAB securities. The duration of black-out periods is extended for those most likely to come into contact with market sensitive information. All our people are prohibited from using derivatives in relation to elements of their remuneration that are unvested.

In addition, members of key management personnel and their closely related parties are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested or which have vested but remain subject to forfeiture conditions.

For more detail, refer to the [Remuneration Report](#) within our [2020 Annual Financial Report](#).

The *Group Securities Trading Policy* is available in the [Corporate Governance section of our website](#).

Group Political Contributions Policy

Since 2016, NAB has not made individual donations to any political party, Parliamentarian, elected official or candidate for political office. NAB updated its *Political Contributions Policy* in 2019 to enable representatives to attend business forums hosted by major political parties. Any payments for event attendance received by political parties will be included in the Australian Electoral Commission register.

The *Group Political Contributions Policy* is available in the [Corporate Governance section of our website](#).

Modern Slavery and Human Trafficking

NAB provides an annual Modern Slavery and Human Trafficking Statement. From 2020, this statement is pursuant to both the Modern Slavery Act 2015 (UK) and the Modern Slavery Act 2018 (Cth). NAB has a Supplier Sustainability Program in place to manage risks within our material supply chain relationships. Consideration of modern slavery is also incorporated into our *Group Human Rights Policy* and relevant risk management practices and processes applicable to the Group's customer and third-party relationships. NAB's Human Rights Policy can be found online here [nab.com.au/content/dam/nabrw/d/documents/policy/corporate/human-rights-policy.pdf](#).

NAB's Modern Slavery and Human Trafficking Statement can be found online here [nab.com.au/about-us/social-impact/modern-slavery-statement](#).



INCLUSION AND DIVERSITY

Creating an inclusive workforce is fundamental to maximising diversity and succeeding in the global environment. At NAB, diversity of thought, background and experience is respected, valued and promoted.

The 2017-2020 enterprise Diversity & Inclusion Strategy (the Strategy) expired in September 2020. NAB has begun to identify areas of focus for its next three-year strategy.

Gender diversity targets FY17-FY20

NAB's Executive Leadership Team has direct accountability for the execution of the Strategy. The Board receives an annual update on the performance against the Strategy's measurable objectives. While NAB has achieved its Board and Subsidiary Boards gender representation target of 40% and increased the representation of women in leadership roles, NAB fell short of fulfilling all its gender targets.

Workforce Diversity

In addition to NAB's focus on gender equality, the following key initiatives have taken place to support broader workplace diversity and inclusion:

- NAB's Indigenous Recruitment Program – between 2017 and 2020, NAB has offered 256 traineeships and internships to Aboriginal and Torres Strait Islander people. NAB's aim is to uplift its Indigenous workforce to 2% by 2022. This supports our commitments outlined in NAB's Elevate Reconciliation Action Plan (RAP) 2019 – 2021.
- NAB's African Australian Inclusion Program – 505 participants have participated in the program over its 11-year history, gaining meaningful work experience and professional networks to build their careers in corporate Australia.
- Employee resource groups – are employee-led networks that foster a diverse and inclusive workplace. NAB has four employee resource groups:
 - Gender Balance – influencing change and action on gender equality and why it matters.
 - NABility – looking beyond disability to ability.

The table below outlines NAB's progress against gender diversity targets for FY17-FY20:

Gender equality table - 2020 female representation objectives

| MEASURABLE OBJECTIVE ¹ | 2017 | 2018 | 2019 | 2020 | 2020 TARGET |
|---|------------|------------|------------|------------|---------------|
| NAB Board (non-executive directors) | 25% | 33% | 33% | 44% | 40-60% |
| NAB Group Subsidiary Boards | 39% | 39% | 39% | 40% | 40% |
| Executive Management (Salary Group 6 & 7) | 31% | 31% | 33% | 36% | 40% |
| Senior Management (Salary Group 5) | 30% | 32% | 34% | 34% | 40% |
| Management (Salary Group 4) | 38% | 38% | 37% | 37% | 40-60% |
| Non-management (Salary Group 1 – 3) | 59% | 57% | 55% | 56% | 40-60% |
| Australian Talent population ² | 59% | 41% | 41% | 43% | 50% |
| Australian graduate program intake ³ | 56% | 46% | 46% | 50% | 50% |
| Total organisation | 54% | 52% | 51% | 50% | 40-60% |

- NAB Pride – celebrating all LGBTI+ people for who they are.
- Cultural Inc – harnessing the power of cultural inclusion.

New I&D Policy and measurable objectives for FY21-FY25

The Board approved a new Group *Inclusion & Diversity Policy* (Policy) in September 2020, committing to value and respect the diversity of our colleagues, customers, suppliers and communities to seek to ensure a positive experience for all.

The Policy aims to:

- Attract and retain diverse teams, enhancing our approach to decision making and innovating for the future.
- Empower individuals to work and grow together in an inclusive, safe and flexible way.
- Leverage the diversity of skills to enhance the customer experience and organisational growth.
- Design accessible products and services for financial inclusion and those who are vulnerable.
- Support our local communities and be proud of NAB's brand and reputation.

Recognising more work is needed to drive cultural change at NAB, the Board set measurable objectives for FY21-FY25 which are outlined in the Policy. These are:

- Diverse leadership teams and talent pipelines which includes:
 - At each salary level 40-60% of either gender represented.
 - NAB Board (non-executive directors) 40-60% of either gender represented.
 - NAB Group subsidiary boards 40-60% of either gender represented.
- Inclusive workforce culture – Engagement Score top 20% (including diverse segments).

- Fair remuneration – seek to reward colleagues fairly and support NAB's objective of gender pay equity <10% by 2025.

To support leadership accountability of the measurable objectives, key performance indicators will be put in place for all people leaders. Further, these measurable objectives will be evaluated against internal targets and appropriate external benchmarks annually and reported to the Board.

The *Inclusion & Diversity Policy* can be found in the [Corporate Governance section of our website](#).

¹ NAB's 2020 gender equality targets were set in FY17. Representation for Non-management, Management, Senior Management, and Executive Management calculated using population of permanent full-time and part-time employees, with the exception of NAB Boards (non-executive directors and Group Subsidiary). Actuals and targets are stated as at 30 September for each respective year.

² The Australian Talent population includes employees who have been objectively assessed against evidence-based criteria, and selected by Divisional Leadership Teams as having upward potential.

³ As at 30 September 2020, 48% of the graduates who have accepted positions in NAB's 2021 Australian graduate program are female.



Workplace Gender Equality Agency (WGEA) gender equity indicators

NAB has achieved the 2019-2020 WGEA Employer of Choice for Gender Equality citation and complied with our reporting requirements under the Workplace Gender Equality Act 2012 (Cth) for the period from 1 April 2019 to 31 March 2020. More information can be found in the [2019 – 2020 Public Report](#).

NAB has also met the minimum standards in relation to specified gender equality indicators, as set out in the Workplace Gender Equality (Minimum Standards) Instrument 2014.

Gender pay equity

As noted on page 18, gender pay equity is a measurable objective in the Policy. WGEA analysis indicates the gender pay gap (base salary of men to women across the organisation) of the Australian based workforce at NAB is 20.1%.¹ While slightly lower than the average pay gap for the financial and insurance services industry (22.2%), it is not where it should be.

Many factors determine a person's pay including their skills, experience, qualifications, performance and work hours. NAB regularly reviews gender pay equity and is committed to:

- Conducting regular pay reviews across roles, and the organisation.
- Making sure annual remuneration recommendations for specific roles are gender neutral.
- Examining performance and reward outcomes on a yearly basis to identify any potential gender bias.
- Reviewing remuneration for our colleagues who return from parental leave to ensure their remuneration remains aligned.

The under-representation of women in senior management at NAB and within highly remunerated roles across the business has contributed to our gender pay gap.

Further details on NAB's Inclusion & Diversity approach and progress, refer to NAB's [2020 Sustainability Report](#).



COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

This Statement has been approved by the Board of National Australia Bank Limited (Board) and is current as at 30 September 2020.

Our Appendix 4G (a checklist that cross references the disclosures in this Statement to the ASX Corporate Governance Principles and Recommendations) is available in the [Corporate Governance section of nab.com.au](#).

References in this Statement to:

- '2020' mean the financial year ending 30 September 2020.

Unless otherwise indicated, references to the 'NAB', 'Group', 'Company' or 'we' mean National Australia Bank Limited ABN 12 004 044 937 and our controlled entities. References to 'our website' are to [nab.com.au](#).

Unless otherwise indicated Executive Leadership Team includes the Group CEO.

NAB's 2020 Annual Financial Report has been published. Before publication, the Board received a joint declaration from the Group CEO and the Group CFO that:

- In their opinion the financial records of NAB have been properly maintained in accordance with the Corporations Act 2001 (Cth).
- In their opinion the financial statements and notes comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group.
- Their opinion was formed based on a sound system of risk management and internal control which is operating effectively.

QUICK LINKS

[2020 Sustainability Report](#)

[2020 Annual Review](#)

[2020 Annual Financial Report](#)

¹ Workplace Gender Equality Agency (WGEA) 2018-2019 benchmarking report. Updated benchmarking reports by WGEA are anticipated in November 2020.