

# NATIONAL AUSTRALIA BANK LIMITED (Company)

ACN 004 044 937

## BOARD PEOPLE & REMUNERATION COMMITTEE CHARTER

### 1 Operating Rules

- 1.1. The NAB Board Committee Operating Rules apply to the Board People & Remuneration Committee (**Committee**) and are incorporated into this Charter, except when expressly excluded.
- 1.2. The Committee may recommend changes to the Operating Rules to the Board Nomination & Governance Committee, which will, if appropriate, endorse the proposed changes to the Board for approval.

### 2 Purpose

- 2.1. This Charter sets out the responsibilities of the Committee.
- 2.2. The purpose of the Committee is to assist the Board in discharging its responsibilities relating to the people and remuneration strategies, framework, policies and practices of the Group (including the Group's remuneration framework), with the objective that they:
  - align with and enable the overall Group Strategy,
  - 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 do not reward conduct or behaviours that are contrary to this aim,
  - otherwise meet the needs of the Company 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, values and risk appetite.
    - supports the Group's sustainable performance and 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 (including financial and non-financial risks).

### 3 Duties and Responsibilities

In performing its role, the Committee will undertake the following:

#### **Remuneration Strategy, Framework and Policy**

- 3.1 Review the design, operation and monitoring of the Group's remuneration strategy, framework and policy (outlined in the Group's Remuneration Policy), ensuring they support the Group's purpose, values, strategic objectives and risk appetite, and are informed by market practice and trends, and legislative and regulatory requirements.
- 3.2 Consider the outcome of the annual shareholder advisory vote on the adoption of the Remuneration Report and feedback of key stakeholders.
- 3.3 At least annually, review and make recommendations to the Board on the effectiveness of the Group's Remuneration Policy.
- 3.4 At least annually, report to the Board on compliance with the Group's Remuneration Policy based on assurance from management.
- 3.5 Review:
  - at least annually, compliance of the Group's remuneration framework with the Australian Prudential Regulation Authority's (APRA) Prudential Standard CPS 511 (Remuneration) (CPS 511); and
  - at least every three years, the Remuneration Policy's effectiveness from operationally independent, appropriately experienced and competent persons,and in each case:
  - document and report the results of the reviews in a timely manner; and
  - take appropriate and timely action to ensure the findings of these reviews are adequately considered and addressed.
- 3.6 In relation to persons in specified roles, as defined in CPS 511 (Specified Roles):
  - provide clear guidance to senior management on the Committee's expectations in determining the appropriate level and timing of risk adjustment to the variable remuneration outcomes for persons in Specified Roles;
  - make recommendations to the Board annually on the remuneration arrangements and variable remuneration outcomes for persons in Specified Roles in accordance with CPS 511; and
  - consult with the Board Risk & Compliance Committee and Group Chief Risk Officer in accordance with 'PRemCo / Board Risk and Conduct Assessment Guide', to enable risk

outcomes to be appropriately reflected in remuneration outcomes for persons in Specified Roles.

- 3.7 On an as-needs basis, consider the remuneration-related aspects of recruitment, retention and termination policies for senior executives.

## Performance and Remuneration

### *Senior executives*

- (a) Review and make annual recommendations to the Board in relation to the contractual and remuneration arrangements of the following persons (including without limitation performance measures and targets, incentive arrangements and outcomes, superannuation, termination compensation and any other forms of remuneration), having regard to the regulatory requirements set out in paragraph 3.6, the circumstances of the Company and its regulated subsidiaries and the Group's risk management framework:
- Group Chief Executive Officer (Group CEO).
  - Senior executives who report directly to the Group CEO (including executive directors of the Company who are remunerated as executives and who are not entitled to receive directors' fees).
  - Persons whose activities may, if the Committee determines, affect the financial soundness of the Company or its subsidiaries.
  - Any person specified from time to time in the Remuneration Policy, by APRA or as required by other regulators.
- (b) Review and make annual recommendations to the Board in relation to the remuneration outcomes for the persons described in 3.7(a), having regard to:
- the regulatory requirements set out in paragraph 3.6;
  - the performance of those individuals (including performance against applicable risk management targets);
  - information relating to financial and non-financial risks or other matters relevant to the determination of remuneration outcomes;
  - input from other Board Committees on matters relevant to their Committees in the determination of remuneration outcomes; and
  - the circumstances and financial performance of the Company,
- including where necessary or appropriate in the view of the Committee, forfeiture or clawback of incentives.

### *Non-executive Directors*

- (c) Review and recommend to the Board remuneration (including superannuation) payable to non-executive directors of the Company who provide services to the Board and its committees.
- (d) Review and approve remuneration (including superannuation) payable to non-executive directors of controlled entity boards.
- (e) Seek independent external advice, as appropriate, on remuneration payable to non-executive directors to mitigate any potential conflict of interest.

### *Other people*

- (f) Review and make annual recommendations to the Board (where appropriate) on the remuneration structures of the categories of persons required by APRA Prudential Standards or other applicable regulators to be covered by the Remuneration Policy (to the extent not already covered above) including to:
  - comply with the regulatory requirements set out in paragraph 3.6;
  - closely monitor the remuneration of risk and financial control personnel as a cohort, to ensure arrangements are adequate to attract and retain suitably qualified, skilled and experienced staff; and
  - review and approve a threshold definition for material risk takers, including quantitative indicators and qualitative criteria for the identification of such roles.

### *Incentive plans*

- (g) Subject to 3.7(k), review and approve:
  - the design and implementation of incentive plans taking into consideration legislative, regulatory and market developments and the Group's risk management framework;
  - the introduction, modification or deletion of any performance measures that impact the Group's incentive programs;
  - the terms and conditions of any offers under existing employee share, performance option and performance rights plans (Employee Equity Plans), including setting the terms of issue of shares, performance options and performance rights, and approving the issue of securities in the Company in connection with such offers (within the aggregate number of securities to be approved by the Board);
  - funding levels for relevant incentive plans, incorporating appropriate risk-adjusted performance measures;
  - the methodology for assessing, determining and adjusting (including for consequences) incentive awards to ensure performance over the longer term

is aligned with shareholder outcomes and the Group's risk management framework;

- assessment of performance and compliance against award terms and conditions and determining appropriate levels of vesting and/or lapsing of incentives in accordance with the terms of the incentive plans;
  - any award of equity and appropriate forfeiture/lapsing (including the exercise of any discretion) in accordance with the award terms and conditions; and
  - retention of unvested equity and vesting/forfeiture/lapsing of awards on cessation of employment (including the exercise of any discretion);
- (h) Review and approve amendments to Employee Equity Plan rules and governing trust deeds in accordance with the terms of the relevant trust deed except where the amendment is material or significant in nature or approval by the Board is required or preferred within the relevant legal or taxation jurisdiction; approving remuneration arrangements outside the Remuneration Policy for individuals or groups of individuals which are significant because of their sensitivity precedent or disclosure implications.
- (i) Provide guidance and recommendations to senior management on its expectations in determining the appropriate level and timing of risk adjustment to the incentive outcomes for persons in Specified Roles (as defined under CPS 511) set out in paragraph 3.6.
- (j) Review reports received from management in relation to employee **consequence management** structures and outcomes.
- (k) Review and make recommendations to the Board or the boards of other Group members (where appropriate) for senior executives and other groups of people identified in paragraph 3.7(a) and (f) on the matters listed in paragraph 3.7(g).

### ***Termination Payments***

- 3.8 Review and make recommendations to the Board in relation to termination payments for senior executives (as defined in the *Corporations Act 2001* (Cth)), including the Group CEO, executive and non-executive directors, and other senior management to ensure they meet legislative requirements.

### **Colleague Strategy**

- 3.9 Review and monitor the effectiveness of the Group's Colleague Strategy, designed to **attract, retain, develop and motivate** colleagues. Monitor and assess progress on the delivery of key strategic focus areas within the Colleague Strategy.
- 3.10 Receive reports on the Group's **gender pay equity** position and actions to remedy any identified gaps.
- 3.11 Review and recommend to the Board for approval, **inclusion and diversity** strategies, frameworks, policies and measurable objectives for the Group. Monitor and assess progress in meeting inclusion and diversity objectives.

- 3.12 Review and monitor executive **talent** management and **leadership** development applicable to the Group CEO's direct reports and other critical roles.
- 3.13 Oversee and review **succession plans** for the Group CEO's direct reports and other critical roles.
- 3.14 Review and approve the **industrial relations** strategy and delivery plans.
- 3.15 Review **colleague engagement** action plans and monitor their effectiveness.
- 3.16 Review the Group's **performance** frameworks, ensuring they align with the Group's remuneration principles, framework and policy (including with respect to risk, financial and non-financial measures).
- 3.17 Review and evaluate reports from Internal Audit containing findings relevant to the responsibilities of the Committee.

### **3.18 Reporting requirements**

- (a) Review the annual Remuneration Report and make recommendations to the Board for its inclusion in the Company's annual report;
- (b) Ensure that the Remuneration Report and remuneration arrangements of the Group CEO and other senior executives are disclosed in accordance with applicable governance, accounting and legal requirements;
- (c) Provide the Board with information sufficient to ensure that the Board makes an informed decision in relation to the Committee's recommendations;
- (d) Review the principles and framework required for measuring the conduct and behavioural requirements of the Group on a regular basis and will report and make recommendations to the Board on these matters, as and when required; and
- (e) Keep the Board adequately informed to enable the Board to satisfy itself that the Group's remuneration framework supports the Company's purpose, values, strategic objectives and risk appetite.

## **4 Consideration of risk in remuneration outcomes**

- 4.1 The Risk & Compliance Committee and Group Chief Risk Officer (or appropriate delegate) will be consulted to enable risk outcomes to be appropriately reflected in the Committee's recommendations to the Board on remuneration outcomes for persons in Specified Roles.

## **5 Meetings**

- 5.1 The Group Chief Risk Officer is required to attend meetings where matters specific to risk-adjusted remuneration measures or risk management performance outcomes are discussed.
- 5.2 Periodically, the Group Executives for the Company's Business Units and major Enabling Units are required to attend meetings to update the Committee on the execution of the Colleague Strategy in their Unit and as required where conduct matters or issues are raised within their businesses that impact remuneration or performance outcomes.

This Charter supersedes any terms of reference previously in force.