

NATIONAL AUSTRALIA BANK LIMITED

ACN 004 044 937

INDEPENDENT DIRECTOR STANDARDS



A director is considered to be independent for the purposes of service on the Board and Board Committees of National Australia Bank Limited (Company) if the director satisfies the standards set out below (Standards).

To qualify as being 'independent', a director must, in the opinion of the Board, be independent of management and free of any business or other association that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

The Company will identify those directors the Board considers to be independent in its Annual Financial Report.

In judging whether a director is an 'Independent Director' the Board will have regard to whether or not the director:

- is a Substantial Shareholder in the Company or if he or she represents, or is an officer of or otherwise directly associated with, a Substantial Shareholder of the Company;
- is or has, within the past five years, been affiliated with, or employed by, a present or former auditor of the Company or of an Affiliate;
- is or has, within the past three years (or has close family ties with a person who falls within any of the following categories):
 - been employed by a Group Company or been a director of a Group Company after ceasing such employment;
 - been a principal of a material professional adviser or a material consultant to a Group Company or been an employee materially associated with services provided by such an adviser or consultant; or
 - in a material business relationship (either as a material supplier or customer) with a Group Company, or an officer of, or closely associated with, an entity in such a relationship.
- has received any remuneration from the Company, other than directors' fees (paid in cash or by the issue of shares in the Company in lieu of cash), and whether or not the director participates in any of the Company's executive share option or performance-related pay schemes;
- has served on the Board for a period that in the Board's opinion could interfere with the director's ability to act in the best interests of the Company;
- is free from any other interests and any business or other associations that could or could be perceived to interfere with the director's unfettered and independent judgement and ability to act in the best interests of the Company; and

- has a material contractual or other material relationship with any Group Company other than as a director, or has close family ties with a person who falls within this category.

The Board will consider thresholds of materiality in determining the 'independence' of directors on a case by case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (eg revenue, equity or expenses), in the context of each situation.
- The Board will generally consider an affiliation with a business, which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular director should be reviewed by the Board.
- Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations, which may mean that the director's interest, business or association could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Directors are required to disclose family ties or cross-directorships that may be relevant in considering continuing independence. Directors are also required to inform the Chairman before accepting any new appointment as a director of another listed entity or any other material directorship or any other position with a significant time commitment attached.

The Board will conduct a regular review of the independence of each of the directors, based on information provided to it by the directors. Directors are expected to volunteer information as and when changes occur.

In addition to these criteria, an Independent Director who serves on the Audit Committee must not:

- be an Affiliate of any Group Company; and
- accept, directly or indirectly, any consulting, advisory or other compensatory fee from any Group Company. This includes the acceptance of such fees by (i) a spouse, a minor child or stepchild or (ii) a child or stepchild sharing a home with the director or (iii) an entity in which the director is a partner, member or officer such as a managing director or executive officer, or in which the director occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to a Group Company) and which provides accounting, consulting, legal, investment banking or financial advisory services to a Group Company.

For the purposes of these Standards:

- 'Affiliate' means a person who directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. A director is deemed not to be an 'Affiliate' of a Group Company if they are not (i) an executive officer of the Group Company or (ii) the direct or indirect beneficial owner of more than 10% of any class of the Group Company's voting equity shares.
- 'Group Company' means the Company or any controlled entity of the Company.
- 'Substantial Shareholder' means a person or entity with a 'substantial' holding as defined in the Corporations Act 2001 (Cth).