

NATIONAL AUSTRALIA BANK LIMITED (Company)

ACN 004 044 937

BOARD RISK & COMPLIANCE COMMITTEE CHARTER

1 Operating Rules

- 1.1 The NAB Board Committee Operating Rules apply to the Board Risk & Compliance 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:
 - (a) support the Board with oversight of the risk profile and risk management of the Company and its controlled entities (Group) within the context of the Board determined risk appetite and in relation to financial and non-financial risks
 - (b) make recommendations to the Board concerning: (i) the Group's current and future risk appetite, risk management strategy and particular risks or risk management practices; and (ii) policies, frameworks, processes and other matters requiring Board approval.
 - (c) review management's plans to mitigate material risks faced by the Group;
 - (d) oversight the implementation and operation of the risk management framework and internal compliance and control systems throughout the Group, including ensuring that the risk management framework is reviewed at least annually to confirm that it continues to be sound and is operating effectively;
 - (e) receive and consider the results of the comprehensive review (to be conducted at least every three years by independent experts) on the appropriateness, effectiveness and adequacy of the risk management framework;
 - (f) oversight and review the outcomes of stress testing of the Group risk portfolio, including both scenario analysis and sensitivity analysis for the Group's internal capital adequacy assessment process and internal liquidity adequacy assessment process;

- (g) guide management on establishing, promoting and maintaining a sound risk culture throughout the Group;
- (h) review and provide input to the Board's annual declaration to the Australian Prudential Regulation Authority (APRA) on risk management;
- (i) review advice from the Office of the BEAR and making subsequent determinations regarding notification of breaches of the Banking Executive Accountability Regime (BEAR) to APRA; and
- (j) ensure the Group Chief Risk Officer (Group CRO), Executive, Chief Compliance & Conduct Officer and executive management have unfettered access to the Committee via the Committee Secretary or Committee Chair.

3 Duties and Responsibilities

3.1 In performing its role, the Committee will:

- (a) consider, monitor, endorse and approve, as required, the Group's material strategies, frameworks, plans, policies, processes, models, limits and regulatory requirements that are in place to manage risk and compliance, and consider whether they are consistent with the risk management strategy and the established risk appetite of the Group (as determined by the Board);
- (b) oversee the extent to which: (i) the operational structure of the Group facilitates effective risk management and compliance; and (ii) the material risk management and compliance strategies, frameworks, policies, processes, models, limits and regulatory requirements have been embedded throughout the Group;
- (c) establish a view of the Group's current and future risk position relative to its risk appetite and capital strength, including reviewing processes to allocate economic capital to business areas on the basis of assessed risks and in line with Group risk appetite;
- (d) recognise uncertainties, limitations and assumptions attached to the measurement of each material risk type;
- (e) receive and review reports from management, external parties or any Board Committee regarding:
 - (i) the Group's credit, market, balance sheet and liquidity, sustainability, compliance and operational risks and any other risk arising from strategic objectives or which may have a material impact on the Group in order to oversee these risks and assess their effect on the Group and capital levels;
 - (ii) the Group's risk management framework, including any significant breach of, or material deviation from, it;
 - (iii) any material incident of fraud or a break-down of risk controls;
 - (iv) the resolution of significant risk matters and incidents and the monitoring of management's risk and control remediation plans;

- (v) the effectiveness of the Group's compliance framework for identifying, monitoring and managing compliance with relevant obligations that may impact the material risk types. This includes compliance processes to anticipate and effectively manage the impact of regulatory changes on the Group's activities; and
 - (vi) certain transactional credit submissions beyond the approval discretion of the Group Chief Executive Officer (Group CEO) that the Committee Chair has approved (in accordance with the delegation of authority from the Committee);
- (f) constructively challenge senior management's proposals and decisions that have been brought to the attention of the Committee regarding aspects of risk management and compliance arising from the Group's activities that may have a material impact on the Group;
 - (g) consult with the People & Remuneration Committee and the Board, to enable risk outcomes to be appropriately reflected in remuneration outcomes for persons in Specified Roles (as defined in the Australian Prudential Regulation Authority's (APRA) Prudential Standard CPS 511 *Remuneration*).
 - (h) oversee the ongoing effectiveness and independence of the Group's risk management function, including whether it is appropriate for the size, business mix and complexity of the Group, and whether sufficient resources are allocated to risk management and compliance functions at the Group level;
 - (i) review any issues raised by External Auditors or Internal Audit that may materially impact the Group's risk management framework or the Group's management of risk;
 - (j) receive reporting from Internal Audit on (i) audit issues and insights relating to risks, controls and risk culture; and (ii) issues identified by Internal Audit and the progress by management to ensure that previously identified Audit issues are being managed and rectified in an appropriate and timely manner; and
 - (k) oversee the Group's insurance strategy and adequacy of the Group's insurance program, having regard to the Group's activities and insurable risks.

3.2 In addition, the Committee will:

- (a) in consultation with the Group CEO, oversee and recommend to Board, the appointment of the Group CRO (including establishing objectives for the role); and, if relevant, the dismissal of the Group CRO;
- (b) in consultation with the Group CEO, review the Group CRO's performance;
- (c) periodically meet privately with the Group CRO and Executive, Chief Compliance & Conduct Officer; and
- (d) maintain and encourage open lines of communication with significant subsidiary and major offshore branch risk committees.

4 Meetings

- 4.1 The Group CRO, Group Chief Financial Officer (Group CFO) and senior representatives from Internal Audit and the External Auditor are expected to attend each scheduled meeting of the Committee.
- 4.2 Periodically, the Group Executives for the Company's Business Units and Enabling Units are required to attend meetings to update the Committee on risk matters within their respective Business Units, including how they manage and oversight risk management and their performance against risk appetite.

This Charter supersedes any terms of reference previously in force.