

NATIONAL AUSTRALIA BANK LIMITED

ACN 004 044 937

BOARD REMUNERATION COMMITTEE CHARTER

1 Purpose of Charter

This Charter sets out the authority, responsibilities, membership and terms of operation of the Board Remuneration Committee (Committee) of National Australia Bank Limited (Company).

2 Authority

- 2.1 The Committee is appointed and authorised by the Board of Directors of the Company (Board) to assist the Board in fulfilling its statutory, fiduciary and regulatory responsibilities. The authority of the Committee is sourced from:
- (a) the Company's Constitution;
 - (b) this Charter; and
 - (c) separate Board delegations, resolutions and approvals granted to it from time to time.
- 2.2 The Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities. The Committee may directly engage and retain, at the Company's expense, such legal, accounting, financial, corporate governance or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties (including an independent remuneration consultant as required), so that the engagement, including any advice received, is independent and provided in accordance with applicable regulatory requirements.
- 2.3 The Committee may form and delegate authority to sub-committees, comprised of one or more members. Any such sub-committee will have the full power and authority of the Committee, subject to the terms of its delegated authority. The Committee may approve named executives to act as Committee delegates to undertake certain limited and specified activities of the Committee. Any such committee or delegate must report to the Committee in relation to material developments arising in the exercise of that authority.

3 Duties and Responsibilities

- 3.1 The purpose of the Committee is to assist the Board in relation to the remuneration policies and practices of the Group, with the objective that these policies and practices:
- (a) are reasonable, fair and in line with current governance, legal and regulatory requirements and shareholder expectations;
 - (b) meet the needs of the Company, and the expectations and requirements of regulators;

- (c) responsibly reward individuals for performance; and
- (d) in respect of performance-based remuneration, encourage behaviour that supports the Group's long term financial soundness and the Group's risk management framework, and aligns with prudent risk-taking.

In performing the responsibilities referred to in Clause 3.1, the Committee will undertake the following:

- 3.2 The Committee may make recommendations to the Board, as it sees fit.

Remuneration Policy

- 3.3 The Committee will, at least, annually review and make recommendations to the Board and boards of controlled entities for which the Committee acts as the remuneration committee (Regulated Boards), on the Remuneration Policy and remuneration strategy for the Group so that both the Remuneration Policy and strategy support the Group's business strategy, are aligned with shareholder interest, and apply to all employees of the Group. This will include an assessment of the Remuneration Policy's effectiveness and compliance with Australian Prudential Regulatory Authority's (APRA) Prudential Standards (including Prudential Standard CPS 510 and SPS 510), the Banking Executive Accountability Regime, and any other relevant legal, governance and regulatory requirements.

- 3.4 The Committee will consider the recruitment, retention and termination policies and payments for senior executives.

Performance and Remuneration

- 3.5 The responsibilities of the Committee include, but are not limited to:

Senior executives

- (a) reviewing and making 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, superannuation, termination compensation and any other forms of remuneration), having regard to the circumstances of the Company, regulated subsidiary or connected registrable superannuation entity licensee (RSE Licensee) (as appropriate) 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, its subsidiaries or an RSE Licensee; and
 - Any person specified from time to time in the Remuneration Policy, by APRA or as required by other regulators;

- (b) reviewing and making annual recommendations to the Board in relation to the remuneration outcomes for the persons described in 3.5(a), having regard to the performance of those individuals (including performance against applicable risk management targets) and the circumstances and performance (on a statutory and cash earnings basis) of the Company, including where necessary or appropriate in the view of the Committee, clawback of incentives;

Non-executive Directors

- (c) Reviewing and recommending to the Board remuneration (including superannuation) payable to non-executive directors of the Company who provide services to the Board and its committees;
- (d) Reviewing and approving remuneration (including superannuation) payable to non-executive directors of controlled entity boards;
- (e) Seeking independent external advice, as appropriate, on remuneration payable to non-executive directors to mitigate any potential conflict of interest;

Other employees

- (f) Reviewing and making 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);

Incentive plans

- (g) Subject to 3.6(f), reviewing and approving:
- 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 short-term and long-term incentive programs;
 - the methodology for assessing, determining and adjusting incentive awards to ensure performance over the longer term, aligned with shareholder outcomes and the Group's risk management framework, is achieved;
 - 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);
 - 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;

- incentive pool amounts for relevant incentive plans, incorporating appropriate risk-adjusted performance measures;
 - 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) reviewing and making recommendations to the Board or Regulated Boards (where appropriate) for senior executives and other groups of employees identified in paragraph 3.6(a) and (d) on the matters listed in 3.6(e);
- (i) reviewing and approving 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; and
- (j) reviewing reports received from management in relation to consequence management structures and outcomes.

Termination Payments

- 3.6 The Committee will 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.

Gender and remuneration

- 3.7 The Committee will review the Group's policies and practices, and make recommendations to the Board where appropriate, in relation to gender and remuneration.

Reporting requirements

- 3.8 The Committee will:
- (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; and
 - (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.

Other

- 3.9 Members will be available to meet with regulators on request.
- 3.10 The Committee will obtain external advice, either independently (including from any independent remuneration consultant if required) or via management as appropriate, on remuneration, risk and any related matter to supplement Committee members' knowledge and expertise.

Limitation

- 3.11 The Committee will refer to the Board Risk Committee any matters that come to its attention that are in the domain of or relevant to the Board Risk Committee.
- 3.12 The Board Nomination & Governance Committee is responsible for making recommendations to the Board on the appointment, re-election and removal of directors.
- 3.13 The Committee performs its principal function based on information provided to it by management. Management is responsible for the preparation, presentation and integrity of information provided to the Committee. Without limiting the Committee's responsibilities, as described in this Charter, neither the Committee as a committee nor any member of it by virtue of being a member, has the duty to actively seek out activities occurring within the Group that are not compliant with the Group's policies and procedures, although they have a duty to act promptly if any such activity comes to their attention.

Operational Procedures

- 3.14 A separate detailed checklist of operational matters and agenda items to be considered by the Committee over a full year is used as a means to manage the Committee's responsibilities. This checklist includes review processes and assessment procedures recommended by APRA and other relevant regulatory sources. The checklist is maintained and regularly reviewed by the Committee Secretary.

4 Reporting and Evaluation

- 4.1 Minutes must be kept of all Committee meetings and circulated to the Board. All Committee papers will be made available to Directors who are not members of the Committee.
- 4.2 The Committee, through its Chairman, will report to the Board at the earliest possible Board meeting after each Committee meeting, any matters that the Committee considers should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.
- 4.3 A review of the Charter and its continuing adequacy will be performed on a regular basis, as required.
- 4.4 An evaluation of the Committee's performance as it relates to the requirements of the Charter will be performed annually.
- 4.5 The Committee Chairman will submit an annual report to the Board on the Committee's activities during the year.

- 4.6 The Committee must refer any matter of significant importance to the Board for its consideration and attention.

5 Composition

- 5.1 The Committee must consist of a minimum of three members (including the Committee Chairman), at least one of whom will also be a member of the Board Risk Committee. All members must be independent non-executive directors. 'Independence' for these purposes will be assessed by reference to the Standards adopted by the Board from time to time consistent with the law and current governance guidelines issued by the Australian Securities Exchange and other regulatory bodies.
- 5.2 Members are appointed by the Board. The Chairman of the Board will make a recommendation to the Board on the appointment or reappointment of each member.
- 5.3 Each member is expected to have adequate remuneration, regulatory and industry knowledge.

6 Term

- 6.1 Each member will be appointed for an initial term of three years, or shorter if circumstances dictate. The performance of each member will be reviewed by the Committee Chairman in conjunction with the Chairman of the Board.
- 6.2 Periodic rotation of members' appointments is encouraged. No more than one member should leave the Committee pursuant to rotation in any one year.

7 Chairman

- 7.1 The Committee Chairman will be appointed by the Board and must be an independent non-executive director of the Company.
- 7.2 The Committee Chairman must not be the Chairman of the Board.
- 7.3 Should the Committee Chairman be absent for all or part of a meeting, a designated member will deputise, in accordance with the Company's Constitution.

8 Meetings

- 8.1 Members may attend meetings in person or by electronic means.
- 8.2 The Committee should meet often enough to undertake its role effectively, but not less than quarterly.
- 8.3 In addition, the Committee Chairman may call a meeting at any time and will call a meeting of the Committee if so requested by any member or by the Chairman of the Board.
- 8.4 A quorum will be two members.
- 8.5 Directors who are not members of the Committee may attend meetings at the invitation of the Committee Chairman.

- 8.6 The Group Chief Risk Officer is required to attend meetings where matters specific to risk-adjusted remuneration measures are discussed.
- 8.7 Other persons of management and/or parties external to the Company may be invited to attend all or part of any meeting of the Committee.
- 8.8 Individuals must not be present during discussion or participate in any decisions of the Committee in relation to their own remuneration or any matters in which they have a personal interest.
- 8.9 Subject to clause 8.10, members must not be present during discussion or participate in any decisions of the Committee in relation to their own remuneration or the specific remuneration policies that are applicable to them.
- 8.10 Members may be present at meetings and may participate in the development, review and formulation of recommendations to the Board in relation to the remuneration of non-executive directors of the Company.
- 8.11 The Group Company Secretary or a designate will be appointed Secretary of the Committee.

9 Direct Access

In carrying out its duties, the Committee will, at all times, have free and unfettered access to relevant senior executives, risk and financial control personnel, and other internal and external parties.

10 Fees

Members are entitled to receive remuneration as determined from time to time by the Board.

11 APRA regulated Group subsidiary boards

The board of any APRA regulated subsidiary or RSE Licensee of the Group may delegate to the Committee its board remuneration committee function in accordance with APRA Prudential Standards and in such circumstances will have unfettered access to the Committee.

This Charter supersedes any terms of reference previously in force.