



National
Australia
Bank

CORPORATE GOVERNANCE AT NAB

NAB 2019 Corporate
Governance Statement

CORPORATE GOVERNANCE FRAMEWORK

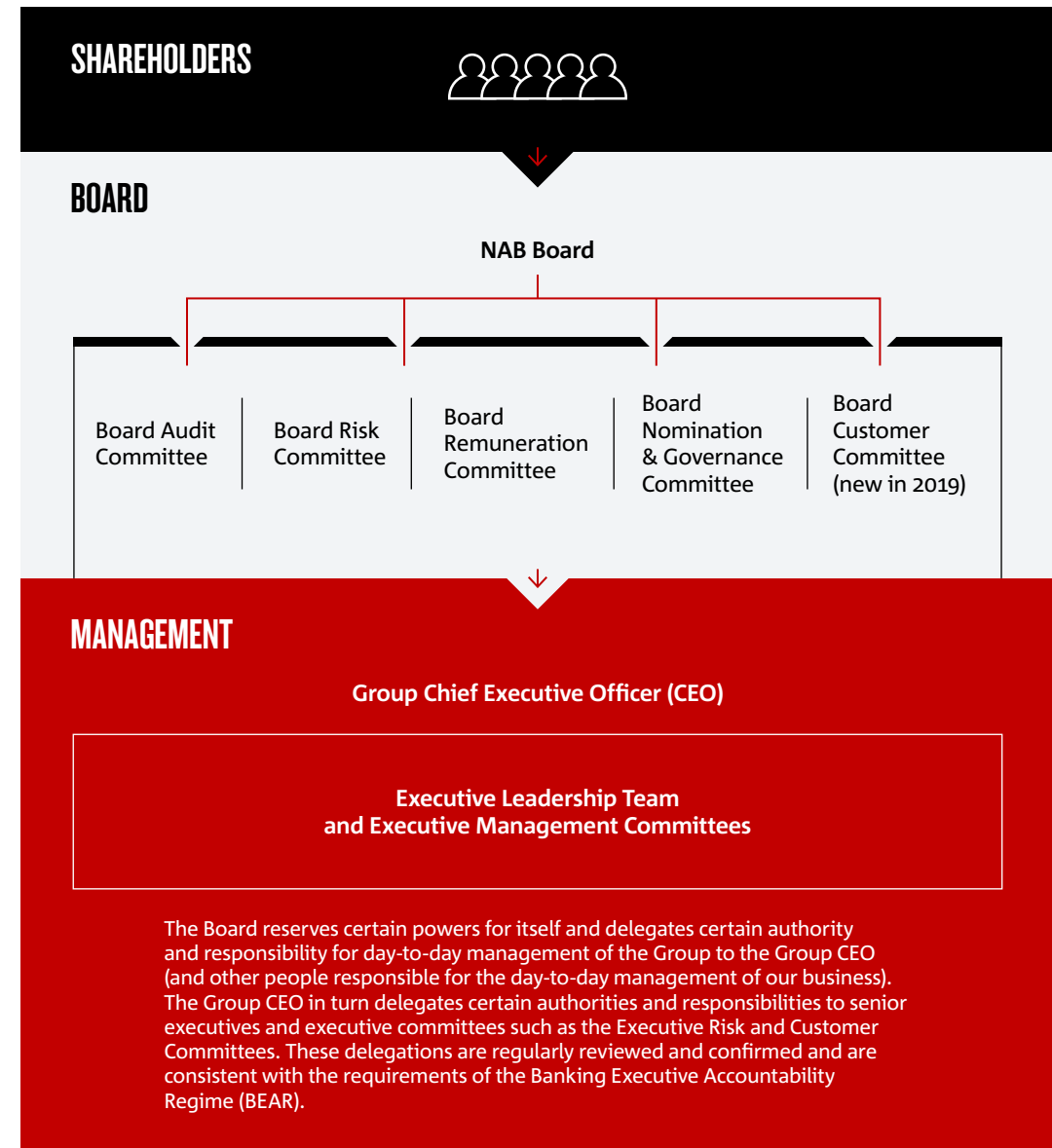
Our Corporate Governance Framework has evolved as we seek continuous improvement.

This Statement describes our approach to corporate governance and governance practices at NAB. We follow the 3rd edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Our Corporate Governance Framework has evolved as we seek continuous improvement.

As a fundamental element of our culture and business practices, our Corporate Governance Framework provides guidance for effective decision making in all areas of the Group through:

- Strategic and operational planning.
- Risk management and compliance.
- Financial management and external reporting.
- Succession planning and culture.
- Managing customer experiences and outcomes.



THE BOARD OVERVIEW

The Board announced the appointment of Ross McEwan as incoming Group CEO on 19 July 2019 and he will commence in this role on 2 December 2019.

The Board is committed to bridging the gap between what we say and what we do identified in the Royal Commission final report.¹

Although challenging and uncomfortable, this year has provided us with the opportunity to re-evaluate how and why we have done things, to focus on fixing our mistakes and earning trust. We recognise this will take time.

Board renewal, alongside the implementation of the Royal Commission recommendations and our Self-Assessment² commitments, will help earn customer and community trust in NAB. Our Self-Assessment responded to the Australian Prudential Regulation Authority's (APRA) request that we conduct an in-depth review of our governance, accountability and culture frameworks and practices.

A report detailing the progress against the Royal Commission recommendations and our Self-Assessment commitments was released on 7 November 2019.

Amongst other things, the Board has:

- Strengthened its governance practices by having stronger oversight of customer outcomes, including through the establishment of a Customer Committee.
- Required management to improve the quality and frequency of information on risk management performance, including non-financial risk.
- Been more challenging of management overall.
- Increased the frequency of updates on culture, trust and reputation.

These improvements complement the existing work of the Board and our standing committees, which cover the areas of Audit, Risk, Remuneration, and Nomination & Governance.

RENEWAL

Following the resignation of Group CEO Andrew Thorburn in February 2019, Philip Chronican led NAB as interim Group CEO from 1 March 2019 until 14 November 2019, based on the Board's recognition of his deep banking experience.

Former Chairman Dr Ken Henry announced his resignation from the Board on 7 February 2019, effective 14 November 2019. Philip Chronican commenced as Chairman of the Board on 15 November 2019.

The Board has appointed Ms Kathryn Fagg, who will stand for election at NAB's 2019 Annual General Meeting (AGM) on 18 December 2019. Anthony Yuen will retire from the Board after the 2019 AGM.

The Board announced the appointment of Ross McEwan as incoming Group CEO on 19 July 2019 and he will commence in this role and as Managing Director on 2 December 2019.

ACCOUNTABILITY

After further consideration of accountability for outcomes, the Board has reviewed and adjusted the variable reward decisions made in 2018 for the majority of the Executive team. This resulted in the forfeiture of deferred variable reward previously awarded between 2016 and 2018 for the majority of the 2018 Executive Leadership Team (other than the former Group CEO, Andrew Thorburn), potentially worth \$5.5 million.³ This is in addition to forfeiture of all deferred variable reward by Andrew Thorburn on resignation, potentially worth \$21 million.⁴ The Board also recognised the need for accountability beyond the decision of the Chairman, Ken Henry, to step down and determined that other directors would receive a reduction in fees for 2019, equivalent to 20% of 2018 base fees received.

¹ Final Report, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Volume 1, February 2019, <https://www.royalcommission.gov.au/sites/default/files/2019-02/fsrc-volume-1-final-report.pdf>

² NAB Self-Assessment on governance, accountability and culture, November 2018, <https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/nab-self-assessment-2018.pdf>

³ Based on an indicative share price of \$25 and assuming full vesting of all rights, shares and cash awards, and excluding the value of any dividends on unvested shares.

⁴ Reported in Ibid



BOARD OF DIRECTORS

In December Ross McEwan will join the Board as Managing Director and Kathryn Fagg will join as a Non-Executive Director.

The Board's other Directorships are listed in the Report of the Directors in the **2019 Annual Financial Report**.

At 30 September 2019, female representation on the Board was 33%.

Following the Board changes announced during 2019, the Board will comprise eight independent non-executive directors and one managing director.

Directors' biographies from left to right.

→ ANN SHERRY

AO, BA, Grad Dip IR, FAICD, FIPAA

Non-executive director since November 2017. Ann is Chairman of the Board's Customer Committee and a member of the Remuneration Committee.

Background and experience: Ann has extensive commercial experience across multiple sectors, including 12 years' experience with Westpac Banking Corporation (Westpac) where she held executive roles including CEO, Westpac New Zealand, CEO, Bank of Melbourne and Group Executive, People & Performance.

→ ANNE LOVERIDGE

BA (Hons), FCA, GAICD

Non-executive director since December 2015. Anne is Chairman of the Board's Remuneration

Committee and a member of the Nomination & Governance Committee.

Background and experience:

Anne was a senior partner in the Financial Services practice at Pricewaterhouse Coopers (PwC), with expertise in the banking, property, private equity and wealth management sectors. Anne has extensive knowledge and understanding of people leadership and development, financial and regulatory reporting and risk management.

→ ANTHONY YUEN

B.Soc.Sc.

Non-executive director since March 2010. Anthony is a member of the Board's Audit and Risk Committees. Anthony is retiring from the Board after the 2019 AGM.

Background and experience:

Anthony has held senior executive bank roles, having Asia-wide regional responsibility with Bank of America Corporation, National Westminster Bank and Royal Bank of Scotland.

→ KEN HENRY

AC, BCom (Hons), PhD, DB h.c., FASSA FAIIA

Served as Chairman from December 2015 and as a non-executive director since November 2011. Ken was Chairman of the Board's Nomination & Governance Committee. Ken resigned from the Board on 14 November 2019.

Background and experience:

Ken served as the Secretary of the Department of the Treasury from 2001 to 2011. From June 2011 until November 2012, he was special adviser to the Prime Minister with responsibility for leading the development of the White Paper on Australia in the Asian Century.

→ DAVID ARMSTRONG

BBus, FCA, MAICD

Non-executive director since August 2014. David is Chairman of the Board's Audit and Risk Committees. David became Chairman of the Risk Committee when Philip Chronican became interim Group CEO.

Background and experience:

David was a partner at 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.

→ PHILIP CHRONICAN

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

Non-executive director since May 2016. Philip became interim Group CEO from 1 March 2019 to 14 November 2019. Prior to this role, while serving as a non-executive director, Philip was Chairman of the Board's Risk Committee and a member of the Remuneration Committee.

Background and experience:

Philip was responsible for Australia and New Zealand Banking Group Limited's (ANZ) Australia division, with specific responsibility for ANZ's Retail and Commercial businesses. Prior to joining ANZ, Philip had a long career at Westpac, where he established his reputation as one of Australia's leading banking executives, in roles including Group Executive Westpac Institutional Bank and Chief Financial Officer (CFO).

→ PEEYUSH GUPTA

AM, BA, MBA, AMP (Harvard), FAICD

Non-executive director since November 2014. Peeyush is a member of the Board's Risk, Remuneration and Nomination & Governance Committees and a director of certain NAB Wealth and Bank of New Zealand (BNZ) subsidiaries (BNZ is a subsidiary of NAB).

Background and experience:

Peeyush Gupta has extensive experience in the wealth sector. 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.

→ GERALDINE MCBRIDE

BSc

Non-executive director since March 2014. Geraldine is a member of the Board's Audit and Customer Committees.

Background and experience:

Geraldine has extensive technology experience and is a former President of global software company SAP for North America.

Geraldine held executive positions with SAP in Asia Pacific and Japan, as well as roles with Dell and IBM.

→ DOUG MCKAY

ONZM, BA, AMP (Harvard), CMInstD (NZ)

Non-executive director since February 2016. Doug is a member of the Board's Audit, Customer and Nomination & Governance Committees and Chairman of BNZ.

Background and experience:

Doug has a deep understanding of New Zealand and Australian markets having held CEO and Managing Director positions within major trans-Tasman companies and organisations including Auckland Council, Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor.

BOARD ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Board, including the matters that are specifically reserved to the Board, 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 below.

KEY ELEMENT	BOARD'S ROLES AND RESPONSIBILITIES
Culture, Customer Focus and Conduct	<ul style="list-style-type: none"> With the guidance of the Customer Committee, overseeing a significant lift in the importance given to the voice of the customer and a more intense focus on customer outcomes. Overseeing and guiding the purpose, values, culture, reputation and standards of conduct of the Group including the establishment by management of a sound risk management culture. Having due regard to the Group's relationships with stakeholders and the communities and environments in which the Group operates and in a manner that promotes fair customer outcomes and financial market integrity.
Stakeholder Interests	<ul style="list-style-type: none"> With the guidance of the Nominations & Governance Committee reviewing and approving corporate governance principles and policies. Representing shareholders by overseeing and evaluating the Group's strategies, policies and performance. Overseeing the Group's performance to build sustainable value for shareholders.
Strategy	<ul style="list-style-type: none"> Considering and approving corporate strategy and plans. Making decisions concerning dividend policy. Approving major capital expenditure and other business initiatives.
Performance	<ul style="list-style-type: none"> Approving the Group's operating budgets, strategic plan, Risk Appetite Statement, financial operating plan, capital management and funding strategy.
Integrity of External Reporting	<ul style="list-style-type: none"> With the guidance of the Audit Committee, reviewing and approving the Group's audited annual and half-yearly financial statements and any reports which accompany the financial statements. Reviewing and monitoring our reporting to shareholders and regulators, including the provision of objective, comprehensive, factual and timely information to the markets in which NAB's securities are regulated.
Risk Management and Compliance	<ul style="list-style-type: none"> With the guidance of the Risk Committee, reviewing, overseeing and challenging the Risk Management Framework, and its implementation by management. Maintaining appropriate ongoing dialogue with principal regulators. Overseeing and approving the Group's Risk Appetite Statement and Risk Management Strategy.
Executive Remuneration Review and Succession Planning	<ul style="list-style-type: none"> With the guidance of the Remuneration Committee, reviewing and approving the Executive Remuneration Framework and the Group Remuneration Policy. Approving key executive appointments and monitoring and reviewing executive succession planning and diversity.

The Board provides the strategic direction for our business and represents the interests of our shareholders by overseeing activities which will create sustainable value.

BOARD PERFORMANCE

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

The Board held 15 scheduled meetings during the year. Scheduled meetings refer to meetings scheduled within the calendar of meetings approved by the Board. This included two joint meetings with the Audit Committee and one with the Remuneration Committee, as well as three short special purpose meetings relating to financial reporting. In addition, the Board held seven unscheduled meetings to consider high priority matters arising between scheduled meetings and two workshops. The Board also establishes ad hoc committees for special purpose business from time to time to support the Board carrying out its responsibilities.

The Board also attends branch, employee and customer engagement opportunities and meets with a variety of stakeholders including the Australian Securities and Investment Commission (ASIC) and APRA. These occasions benefit 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. In 2019, each director participated in individual performance interviews with the Chairman and Chairman-elect. 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.

External experts are engaged periodically to review the performance and effectiveness of the Board and its Committees, to bring an external perspective. The 2019 annual performance review took place in accordance with this process and found the Board and its Committees continue to be effective and are focused on continuous improvement and Board renewal.

The number of Committee meetings held in 2019 is set out on [pages 9 & 10](#), of this Statement, and in the Report of the Directors in our [2019 Annual Financial Report](#), where each director's meeting attendance is also set out.

BEAR ACCOUNTABILITY

The Banking Executive and Accountability Regime (BEAR) came into effect for NAB on 1 July 2018. 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 Executive Leadership Team members and other senior executives), which governs the terms of their appointment, as well as a detailed BEAR Accountability Statement that is lodged with APRA.

Work to further embed the principles and practices developed under BEAR will continue in 2020.

BOARD COMPOSITION, DIVERSITY AND PERFORMANCE

Further information on NAB's directors is provided in our [2019 Annual Financial Report](#).

BOARD RENEWAL HAS BEEN A FOCUS DURING 2019

The Board composition is driven by the following principles:

- The Board will be of an appropriate size to allow efficient decision making.
- The Board must comprise a majority of independent non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise, and be from a diverse range of backgrounds.
- 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 8](#) including information about retaining Philip Chronican's independence as interim Group CEO.

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 our 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 is the process which was undertaken to appoint Kathryn Fagg.

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.

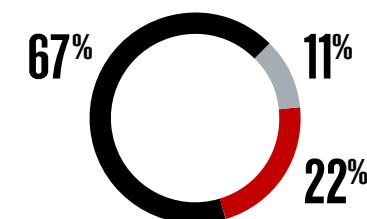
Before each AGM, the Board assesses the performance of each director due to stand for election and re-election, and decides whether to recommend to shareholders that they vote in favour of the election or re-election of each relevant director.

In 2019, the Board have recommended in the Notice of Meeting (NOM) that shareholders re-elect Philip Chronican and Doug McKay as non-executive directors at the AGM. The Board has also announced the appointment of Kathryn Fagg, who will commence as a non-executive director in December and will stand for election at the AGM. The Board have also recommended in the NOM that shareholders elect Kathryn.

Further information on NAB's directors is provided in our [2019 Annual Financial Report](#).

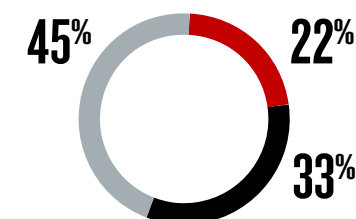
TENURE, AGE AND GENDER STATISTICS¹

BOARD TENURE



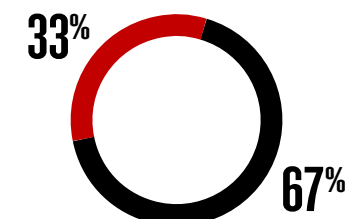
■ 0 – 2 years ■ 3 – 5 years ■ 6+ years

BOARD AGE PROFILE



■ 55 – 59 ■ 60 – 64 ■ 65+

BOARD GENDER DIVERSITY



■ Male ■ Female

¹ Tenure, age and gender statistics are for non-executive directors as at 30 September 2019. This includes Philip Chronican who led NAB as interim Group CEO from 1 March 2019 – 14 November 2019

SKILLS MATRIX

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.

The skills matrix on this page demonstrates alignment of the Board's responsibilities with the current mix of skills on the Board. The Board believes this mix results in an appropriate set of skills, experience and expertise, and ensures a diverse range of views and perspectives for the effective governance, oversight and strategic leadership of NAB.

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.	
Technology and digital transformation	Experience in businesses of a significant size with major technology focus, including adaptation to digital change and innovation.	
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. The only change in the collective position relative to the skills matrix in 2018 is that it no longer includes the former Group CEO and Managing Director, Mr Thorburn. The skills matrix in 2020 will reflect Board renewal subsequent to 30 September 2019.

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.

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 2019 that all non-executive directors 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 facing NAB 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 is satisfied that Philip’s performance as interim Group CEO on this short-term basis did not compromise his demonstrated capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of NAB and its shareholders. APRA has also accepted that Philip can qualify as an independent non-executive director of the Company despite his role as interim Group CEO. On this basis, the Board considered Philip as an independent non-executive director when he commenced as Chairman of NAB.

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.
- Codes of Conduct.
- Purpose, vision and values.
- Directors’ rights, duties and responsibilities.

Continuing education is provided for the Board through a combination of internal and external presentations, workshops with management, site visits and study tours. 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 customer-related topics. The Board Customer Committee participated in a workshop which covered a range of customer-related topics, including spending time with teams managing customer remediation programs and providing assistance to customers experiencing financial hardship and vulnerability as well as

customer advocacy. In addition, the full Board participated in workshops during the year on a number of matters that are directly important to NAB’s customers. These workshops covered topics such as financial crime, cyber security and projects underway to improve NAB’s lending processes and systems. These workshops provided the Customer Committee and the Board with experiences to enable a deeper understanding of how we work with and protect our customers.

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 director’s annual base fee. All current directors’ shareholding requirements have been met. Details of directors’ NAB shareholding requirements are set out in the Report of the Directors within our [2019 Annual Financial Report](#).

There are also minimum shareholding requirements for the Group CEO (two times fixed remuneration) and members of the Executive Leadership Team (an amount equal to each individual’s fixed remuneration) that must be maintained during the term of their appointment. Newly appointed Executive Leadership Team members are required to accumulate the minimum shareholding requirement over a five-year period from commencement in the role.

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 [2019 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 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.

BOARD COMMITTEES

To assist in carrying out its responsibilities, the Board has established standing board committees that cover each of Audit, Remuneration, Risk, Nomination & Governance and Customer matters. Other ad hoc committees are created, with specific remits, as and when required.

AUDIT COMMITTEE

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](#).

Committee Chairmen meet regularly with the Chairman of the Board. At each Board meeting, the Committee Chairmen provide an update of the 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 during the year and its areas of focus for the coming year.

The following descriptions of each standing Board Committee include details of the number of meetings (scheduled and unscheduled) and workshops each Committee held in 2019. Scheduled meetings refer to meetings scheduled within the calendar of meetings approved by the Board and include joint meetings held with the Board or other Committees (which are counted separately in each Committee summary).

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

- Oversight of financial statements, financial and regulatory reporting processes and compliance with applicable accounting standards to give a true and fair view of NAB's financial position and performance.
- Oversight of internal audit processes, including appointment and removal of the Executive General Manager of 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 Committee. In 2019, the members of the Audit Committee were David Armstrong (Committee Chairman), Geraldine McBride, Doug McKay and Anthony Yuen. David was also Chairman of the Risk Committee and Anthony was a member of the Risk Committee. 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 12 scheduled meetings including four joint meetings (two meetings with the Board and two meetings with the Risk Committee) and five workshops. In addition, the Audit Committee held two unscheduled meetings to consider high priority matters arising between scheduled meetings.

The Group CFO, Deputy Group CFO, senior representatives from external auditor EY, and the Executive General Manager Internal Audit (or delegate) attended every scheduled meeting.

REMUNERATION COMMITTEE

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

- Support the Group's business strategy, and meet the expectations and requirements of customers, our people, shareholders, the community and regulators.
- Responsibly reward individuals for performance.
- Encourage behaviour that is ethical, delivers sound customer outcomes, supports NAB's long-term financial soundness, and is aligned with the Group Risk Management Framework, and NAB's purpose and values.
- Are reasonable, fair, and in line with governance, legal and regulatory requirements.

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 annually 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 annually) the effectiveness of the Group's Remuneration Policy and strategy.

The Remuneration Committee must have a minimum of three independent non-executive directors and the Chairman of the Board may not be the Remuneration Committee Chairman. In 2019, the members of the Remuneration Committee were Anne Loveridge (Committee Chairman), Peeyush Gupta and Ann Sherry. Philip Chronican was a member of the Remuneration Committee until 1 March 2019, at which time Philip assumed the position of interim Group CEO and ceased to be a member of the Remuneration Committee.

The Remuneration Committee must have a member who also sits on the Risk Committee. Peeyush was a member of the Risk Committee. The Group Chief Risk Officer (CRO) has a standing invitation to attend Remuneration Committee meetings and has attended all scheduled meetings and workshops in 2019. The Group CRO attends other Remuneration Committee meetings as required, at the invitation of the Committee Chairman.

The Remuneration Committee held 11 scheduled meetings including one joint meeting with the Board and five workshops during the year. In addition, the Remuneration Committee held six unscheduled meetings to consider high priority matters arising between scheduled meetings.

In 2019, the Remuneration Committee invested significant time reviewing NAB's executive remuneration strategy, governance and framework in response to concerns raised by shareholders in 2018. A revised framework, applicable to the Group CEO and the Executive Leadership Team, that responds to shareholder feedback and complies with current laws and regulations (including BEAR), has been adopted in 2019. The revised executive remuneration framework is described in detail in the Remuneration Report within the [2019 Annual Financial Report](#).

RISK COMMITTEE

The Risk Committee supports the Board with oversight of the Group's risk profile and risk management within the context of the Board determined Risk Appetite Statement. The Risk Committee makes recommendations to the Board concerning current and future risk appetite and particular risks and/or risk management practices. In fulfilling this role, its principal activities include:

- Reviewing and making recommendations to the Board regarding NAB's Risk Appetite Statement and Risk Management Strategy.
- Reviewing management's plans to mitigate material risks faced by NAB.
- Overseeing the implementation and operation of NAB's Risk Management Framework and internal compliance and control systems, including annually reviewing the ongoing soundness of the Risk Management Framework.

- Overseeing stress testing of the Group's risk portfolio, including scenario and sensitivity analysis for internal capital and liquidity adequacy assessments.
- Overseeing management's promotion of a risk based culture and management's establishment of a balance between risk and reward.
- Reviewing assurances that support the Board to make the annual declaration to APRA on risk management and overseeing APRA statutory risk reporting requirements.

The Risk 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 Committee. The Risk Committee must have a member who also sits on the Audit Committee and the Remuneration Committee. During 2019, the members of the Risk Committee were David Armstrong (Committee Chairman), Peeyush Gupta and Anthony Yuen. Philip Chronican was Risk Committee Chairman until 1 March 2019, at which time Philip assumed the position of interim Group CEO and ceased to be a member (and Chairman) of the Risk Committee. David is also a member (and Chairman) of the Audit Committee. Peeyush Gupta is also a member of the Remuneration Committee.

The Risk Committee held 11 scheduled meetings, including two joint meetings (with the Audit Committee) and five workshops during the year.

The Group CRO and senior representatives of the Group's external auditor EY, and the Executive General Manager Internal Audit (or delegate), attended every scheduled Risk Committee meeting and the workshops.

NOMINATION & GOVERNANCE COMMITTEE

The Nomination & Governance Committee supports the Board with oversight of the size and composition of the Board and its Committees, including succession plans, to maintain the appropriate mix of skills, experience, expertise and diversity required by the Board to effectively discharge its responsibilities. 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 Chairman.
- 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 2019, the members of the Nomination & Governance Committee were Ken Henry (Committee Chairman), Peeyush Gupta, Anne Loveridge and Doug McKay.

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

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.

CUSTOMER COMMITTEE

One of the key Board responsibilities this year was establishing the 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.
- Seeking to ensure 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 and evaluating the principles underpinning and governing remediation programs.

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 2019, the members of the Customer Committee were Ann Sherry (Committee Chairman), Geraldine McBride and Doug McKay.

The Customer Committee held four scheduled meetings and a workshop since its inception in March 2019.

OUR FOCUS ON CUSTOMERS, OUR PEOPLE, SHAREHOLDERS AND THE COMMUNITY

We are committed to creating a culture that places customers at the centre of all we do.

IMPLEMENTATION OF APRA SELF-ASSESSMENT ACTIONS AND ROYAL COMMISSION RECOMMENDATIONS

We will drive effective change to improve outcomes for customers and achieve sustainable, long-term performance. Our Self-Assessment was a thorough examination of weaknesses in our governance, accountability and culture frameworks and practices. It identified 26 actions organised around five overarching goals and this work sits alongside our Royal Commission response. The Royal Commission has established new standards and expectations across the industry. We will implement the recommendations in line with their intent and we are making progress where there is sufficient regulatory, industry and legislative guidance to do so. A report detailing the progress against our Self-Assessment and the recommendations of the Royal Commission can be viewed [here](#).

CULTURE & LEADERSHIP

The Board approved NAB's culture plan, aligned to the issues outlined in the Royal Commission final report and identified in our Self-Assessment. It highlights three key culture priorities:

- **Customer First** – putting our customers first every time.
- **Disciplined** – uncompromising on accountability and standards, learning from our experiences.
- **Simpler for our People** – ensuring our systems and processes are efficient, and build capability.

NAB's culture plan is centred around the following critical components:

- **Leader engagement and role modelling** – one of the key levers to drive culture change is through outstanding leaders who role model an organisation's fundamental leadership expectations. At NAB, these fundamental leadership expectations are to engage people, perform with discipline, innovate and deliver, and collaborate for the customer.
- **Engaging hearts and minds** – critical to the success of delivering on our culture agenda is bringing our people with us on the journey.

- **Building capability** – we have launched digital self-service learning accessible to all of our people and will continue to build capability in core areas required to sustain culture change.
- **Reinforcing the change** – culture change will not be sustained if NAB's organisational systems and processes do not reinforce our desired culture through formal mechanisms. This is critical to hardwiring change into how NAB operates day to day.

RESPONSIBLE REMUNERATION

Changes to our executive remuneration framework and broader remuneration arrangements have been made to ensure sufficient focus and balance on non-financial matters such as risk management, compliance and customer outcomes. This drives the right behaviours and accountability alongside appropriate and sustainable outcomes.

NAB continues to monitor all our remuneration arrangements to ensure they support the right customer outcomes. A Group-wide review of all NAB's variable reward plans and practices is in progress to ensure they are driving the right customer outcomes. The Board has increased the governance

NAB'S VALUES ARE:

→ Passion for customers

We listen carefully so we can deeply understand the needs of our customers and bring the voice of our customers into every decision we make.

→ Win together

We come together for our customers to deliver an exceptional One NAB experience, determined and persistent in our goal to make the experience simpler and faster for our customers and each other.

→ Be bold

We have bold aspirations. We push outside our comfort zone, learning and growing from opportunities, speaking up with curiosity and encouraging healthy conflict.

→ Respect for people

We show care for everyone, embracing diversity and encouraging others to grow. We have real conversations with people and celebrate the contribution of others.

→ Do the right thing

We act with integrity, upholding the highest ethical standards. We hold ourselves and each other accountable for following through on the commitments we make.

and oversight of employee conduct and supports the enhanced Employee Conduct Management framework introduced to ensure NAB's behaviour standards are upheld and that customers can rely on our people to do the right thing.

Further information about NAB's executive remuneration framework, including NAB's policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives, is set out in our Remuneration Report within our [2019 Annual Financial Report](#).

OUR FOCUS ON CUSTOMERS, OUR PEOPLE, SHAREHOLDERS AND THE COMMUNITY

FOCUS ON SHAREHOLDERS

At NAB we value open, timely and transparent communication with all our stakeholders. We know this is important for trust. We engage with our shareholders and investors in many ways including:

- Written and electronic communications, including 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 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 at nab.com.au/shareholder, as well as the NAB Investor Relations mobile app).
- Webcasting of significant market briefings and meetings, including the AGM.

As in prior years, we will again be inviting shareholders to submit questions in advance of the AGM, to help us understand and address areas of interest or concern.

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

Our focus on having a positive social impact helps us to be the bank that our customers, people, shareholders and the community want us to be.

This year, the Board endorsed a new Social Impact (SI) strategy. It enables us to create positive impacts for the community and business where we have unique strengths to drive sustainable change for good.

This means we assess and balance risks and opportunities to drive long-term value for our customers, people, shareholders and the communities in which we operate.

We use a range of tools and approaches including strategic giving, corporate responsibility and shared value – leveraging our core assets and expertise as a bank to address social and environmental challenges at scale.

An annual materiality assessment identifies the environmental, social and governance (ESG) themes that matter most to our stakeholders and where NAB can drive the greatest impact. This assessment process is detailed in our [2019 Sustainability Report](#) and on our [website](#).

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 SI program that sets clear objectives, establishes appropriate policies, procedures and activities and measures and reporting on progress.

- Integrating ESG management and reporting into governance structures and internal communications to ensure that SI is understood by the Board, executives and our people.
- Focusing on four key social impact areas – financial health, stronger communities, banking on nature and climate action.

The Board has oversight of SI initiatives and ESG risks, including climate-related risk. The Board is provided with updates on SI and ESG risks, and other SI-related matters as appropriate.

NAB talks to stakeholders from a range of social and environmental organisations to obtain feedback on our SI strategy, activities and material issues facing NAB. It also includes our formal Indigenous Advisory Group (IAG) which provides strategic guidance on NAB's engagement with Aboriginal and Torres Strait Islander people and NAB's Reconciliation Action Plan. Ken Henry, was the Co-Chairman of the IAG in 2019 and Ann Sherry will be the Co-Chairman from 2020.

RISK MANAGEMENT

Risk governance refers to the formal structure used to support risk-based decision-making and oversee risk management across the Group's operations.

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 the Risk Management Framework documented in the Risk Management Strategy.

The Risk Management Framework consists of systems, structures, policies, processes and people within the Group that identify, measure, evaluate, mitigate, monitor and report on internal and external sources of material risk.¹

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 of defence is:

- **1st Line of Defence** – Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.
- **2nd Line of Defence** – 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.
- **3rd Line of Defence** – An independent Internal Audit function reporting to the Board monitors the end-to-end effectiveness of risk management and compliance with the Risk Management Framework.

Risk governance refers to the formal structure used to support risk-based decision-making and oversee risk management across the Group's operations. This consists of Board 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 Person² in their decision-making when discharging their individual accountabilities.

The Risk Management Strategy is reviewed 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. It is approved by the Board 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 2019 review of NAB's risk management framework is currently being undertaken in accordance with the timeframe permitted by CPS 220.

Detail on the progress of the actions identified on non-financial risk management is available in the **2019 Annual Review** and in the **progress report on NAB's Self-Assessment response and Royal Commission implementation**. Information on NAB's material risks is available in the **2019 Annual Financial Report** and in the **Corporate Governance section of our website**.

¹ The material risks managed by the Group are: strategic risk, credit risk, market risk, balance sheet and liquidity risks, operational risk, compliance risk, conduct risk and regulatory risk.

² Persons, including a senior executive or director, that fall within the definition under section 37BA of the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018

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.

Throughout 2019, 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 the appointment, evaluation and management of the external auditor 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, Chief Legal and Commercial Counsel, General Counsel Corporate Legal, Executive General Manager 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) which 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.

As part of the regular Policy review process, the Policy was amended and approved by the Audit Committee in September 2019, such that only audit, audit-related and taxation-related services are permissible services for the external auditor to perform effective from 1 October 2019. 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 Chair of the Board 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 **2019 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. In accordance with this legislation a rotation of the Quality Review Partner occurred following completion of the 2018 audit.

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.

INTERNAL AUDIT

The role of the Internal Audit team is to undertake analysis and independent appraisal of the adequacy and effectiveness of, and compliance with, NAB's Risk Management Framework and internal control environment. Internal Audit forms the 'third line of defence' in NAB's Risk Management Framework.

A recommendation on the appointment, performance and dismissal of the Executive General Manager – 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 15**.

Internal Audit has a direct reporting line to the Audit Committee, and information reporting lines to the Group CEO and Group CFO.

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

CONDUCT POLICIES

NAB has a comprehensive suite of policies and practices in place to promote a culture of compliance, 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.

CODES OF CONDUCT

NAB maintains Codes of Conduct in each jurisdiction in which we operate. Our people are required to abide by them.

The Codes capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including our customers. They apply to all of our people and directors of the Group, and to everyone working on our behalf, including contractors and consultants.

The Codes cover a range of areas including personal conduct, honesty, integrity and fairness and prevention of fraud and corruption. They emphasise our values, including the importance of making the right decisions and behaving in a way that builds respect and trust in the bank.

Our Codes set clear requirements for our people. Where conduct requirements are not met, there will be consequences. Regular reviews of conduct and performance trends across NAB are undertaken and areas of concern addressed.

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

ESCALATION AND WHISTLEBLOWER PROTECTION

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

Our people 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 people to speak up.

The Whistleblower Program provides confidential and anonymous communication channels for our people (current and former employees, 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 2019 NAB has continued to enhance our Whistleblowing Program (in line with enhanced obligations under the *Corporations Act 2001*), effective from 1 July 2019.

These measures instil a culture that encourages the escalation of concerns and notification of incidents to senior management and, where appropriate, the Board. Our people 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 and takes all reasonable steps to protect a person who discloses wrongdoing, including disciplinary action, potentially resulting in dismissal for any person taking reprisals against them. They may also be subject to legal consequences in the form of civil and criminal penalties.

CONTINUOUS DISCLOSURE 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 Communication Policy and associated guidelines. 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 Chief Legal and Commercial Counsel or the General Counsel Corporate Legal on any potentially disclosable matters. Routine administrative ASX announcements are made by the Group Company Secretary without reference to the Disclosure Committee.

The Continuous Disclosure 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 people 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 people 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 [2019 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 has updated its Political Contributions Policy (October 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.

SLAVERY AND HUMAN TRAFFICKING

NAB has a Modern Slavery and Human Trafficking Statement pursuant to the *Modern Slavery Act 2015* (UK) and in accordance with our Human Rights Policy. NAB has a Supplier Sustainability Program in place to manage risks within our material supply chain relationships.

DIVERSITY AND INCLUSION

74%
OF OUR PEOPLE
EXPERIENCE
AN INCLUSIVE
WORKPLACE

Creating an inclusive workforce is fundamental to maximising diversity and succeeding in today's complex global environment. Our workforce should reflect our customers and the communities in which we operate. At NAB, diversity of thought, background and experience is respected, valued and promoted. The Board approved the enterprise **Diversity & Inclusion Strategy** (the Strategy) for 2017-2020.

We offer a range of flexible working options, including job sharing, working from home, flexible start and finish times, and extended leave.

The Strategy is directly aligned to our business strategy to ensure the evolving needs and expectations of our customers, people, shareholders and the community are acknowledged. The overarching priority of the Strategy is inclusion. The three imperatives of the Strategy are:

- Gender equality.
- Life stage inclusion.
- Lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion.

We are also focused on cultural inclusion and improving accessibility for our people and our customers. The three imperatives are underpinned by three key enablers:

- Leadership.
- Flexibility.
- Employee Resource Groups.

Through the inclusion measure in our annual employee engagement survey, 74% of our people told us that they experience an inclusive workplace, a 2% increase from 2018. Our aim is to reach 77% or higher, which represents the top quartile of organisations in Australia.¹

LEADERSHIP

NAB's Executive Leadership Team has direct accountability for the execution of the Strategy, and for actively promoting a culture that builds a diverse and inclusive workforce that will drive innovation, engage our people, build productivity and ultimately result in a great customer experience.

The Board receives an annual update on diversity and inclusion from senior leaders and regular updates on performance against the Strategy's measurable objectives for achieving gender diversity. In August 2019, the Board approved an updated Group Diversity & Inclusion Policy, which is published in the **Corporate Governance section of our website**. The Group Diversity & Inclusion Policy includes a requirement for the Board to set measurable objectives for achieving gender diversity and to assess, at least annually, the objectives and the progress towards them. These measures satisfy Recommendation 1.5 of the ASX Corporate Governance Principles.

The NAB Diversity & Inclusion Steering Committee, led by our Chief Legal and Commercial Counsel and our Group CFO, champion and enable the Strategy at a Group and divisional level, by being a voice for inclusion at NAB and by removing barriers to drive equality. The committee includes senior representation from each business area and our four employee resource groups.

FLEXIBILITY

We offer a range of flexible working options, including job sharing, working from home, flexible start and finish times, and extended leave. The right option depends on a balance between the needs of the customer, the business and the individual. Providing a flexible work environment increases productivity, supports work life balance and helps retain talent. In 2019, 83% of our people said that they had the flexibility needed to accommodate priorities at work, home and in the community.²

EMPLOYEE RESOURCE GROUPS

Our commitment to inclusion is championed by our employee resource groups at NAB. These are voluntary, employee-led networks that foster a diverse and inclusive workplace. We have four active and progressive groups at NAB:

- **Gender Balance** – influencing change and action on gender equality and why it matters.
- **NABility** – looking beyond disability to ability.
- **NAB Pride** – celebrating all LGBTI+ people for who they are.
- **Cultural Inc** – harnessing the power of cultural inclusion.

¹ 2019 AON Hewitt employee engagement survey.

² ibid

OUR 2020 OBJECTIVES

Gender equality remains a key priority for NAB. From our Board through to our entry level roles, we are striving for every level to have 40-60% of either gender represented by 30 September 2020. '[Towards 2020: NAB's road to gender equality](#)' outlines how we plan to achieve this, and is published in the [Gender Equality section of our website](#). The Board has approved measurable objectives for achieving gender diversity for 2018, 2019 and 2020. Our progress during 2019 towards achieving our measurable objectives is set out below.

Despite an increase in representation of women in our senior levels of the bank, we have not met our 2019 targets. This is a concern for NAB's Executive Leadership Team and the Board and we remain committed to our 2020 goal for achieving gender equality at every level of the business.

In 2019, we have continued our focus on lifting female representation at every level. Some of the initiatives that will occur in 2020 include:

- Increasing senior leadership accountability for achieving NAB's gender equality targets through continued emphasis on gender diversity in senior leaders' 2020 performance goals.
- Encouraging participation in our Breakthrough development programs for women.
- Striving to have women equally represented during our talent assessment process.

We are also committed to ensuring equal pay for work of equal value, and reducing the gender pay gap.

NAB has complied with our reporting requirements under the *Workplace Gender Equality Act 2012 (Cth)* for the period 1 April 2018 to 31 March 2019 and has achieved the 2018-2019 Workplace Gender Equality Agency Employer of Choice for Gender Equality citation. 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.

FY19 AND FY20 GENDER EQUALITY MEASURABLE OBJECTIVES

MEASURABLE OBJECTIVE ¹	FY17 ACTUAL FEMALE REPRESENTATION	FY18 ACTUAL FEMALE REPRESENTATION	FY19 ACTUAL FEMALE REPRESENTATION	FY19 TARGET FEMALE REPRESENTATION	FY20 TARGET FEMALE REPRESENTATION
NAB Board (non-executive directors)	25%	33%	33%	-	40-60%
NAB Group Subsidiary Boards	39%	39%	39%	-	40%
Executive Management (Salary Group 6 & 7)	31%	31%	33%	37%	40%
Senior Management (Salary Group 5)	30%	32%	34%	37%	40%
Management (Salary Group 4)	38%	38%	37%	-	40-60%
Non-management (Salary Group 1 – 3)	59%	57%	55%	-	40-60%
Australian Talent population ²	59%	41%	41%	50%	50%
Australian graduate program intake ³	56%	46%	46%	50%	50%
Total organisation	54%	52%	51%	-	40-60%

¹ NAB's 2020 gender equality targets were set in FY17. '-' denotes no FY19 interim target was set. Calculated using population of permanent full-time and part-time employees. 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 2019, 46% of the graduates who have accepted positions in NAB's 2020 Australian graduate program are female.

DIVERSITY AND INCLUSION AREAS OF FOCUS

Our focus on gender equality during the 2019 financial year included:

Pay Equity: 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 spot any potential gender bias.
- Reviewing remuneration for our people who return from parental leave to ensure their remuneration remains aligned.

At an organisational level, the Workplace Gender Equality Agency's Analysis (2017 – 2018) indicates that when comparing the base salary of all women to men at NAB, our gender pay gap is 21.1%.¹ This is lower in comparison to the average pay gap for the financial and insurance services industry at 22.9%. For NAB specifically, this score has reduced from 22.7% in the previous year.

Breakthrough Program: Women are encouraged to focus on their career development by participating in Breakthrough, a comprehensive suite of development programs for women designed to equip them with the skills, knowledge and tools they need to transition into more senior roles. In 2019, approximately 400 NAB women participated in the program.

Talent Acquisition: We endeavour to provide 50:50 gender representation for all roles at all levels at recruitment shortlist stage.²

NAB AFL Women's Competition: NAB is the naming rights partner of the NAB AFL Women's Competition and the NAB AFL Women's Rising Stars Program. Since the inaugural NAB AFL Women's Competition in 2017, there has been a significant increase in females playing the game, now representing 32% of all participation in the AFL.³

Bloomberg Gender-Equality Index: NAB was included in the 2019 Bloomberg Gender-Equality Index, having disclosed data points across four dimensions – workforce statistics, policies and benefits, external impact, and support for women in the community.

Women on Boards: We encourage women at senior levels within NAB to join the Group subsidiary and not-for-profit boards. In 2019 we held workshops for our people in collaboration with Women on Boards, which allowed women who are interested in holding board positions to gain an understanding of what these positions involve, how to recognise transferable skills and experience, and how to best position themselves through the application process for board positions.

Women in Banking and Finance (WiBF): We are a 'Ruby' Corporate Member of Women in Banking and Finance (WiBF), a non-profit organisation, which provides mentoring, education programs and professional development events tailored to women in financial services and related industries.

FEMALES NOW
REPRESENT
32%
OF ALL
PARTICIPATION
IN THE AFL³

In addition, our focus on broader inclusion initiatives during 2019 included:

Principal Partner of Special Olympics Australia until 2022: We announced our expanded support of Special Olympics Australia, to become Principal Partner until 2022. The partnership builds on NAB's role as Presenting Partner of the 2018 Special Olympics National Games hosted in Adelaide.

Diversity Council Australia (DCA) – Championing Indigenous Women: Showing leadership and support for Indigenous women leaders and our Aboriginal and Torres Strait Islander Peoples, NAB was the proud sponsor of the Diversity Council Australia's 'Championing Indigenous Women' event in August 2019.

Elevate Reconciliation Action Plan (RAP) 2019 – 2021: We launched our new **Elevate Reconciliation Action Plan 2019-2021**, designed to create real outcomes and positive change in partnership with Aboriginal and Torres Strait Islander people, organisations, and communities. Our key areas of focus are Economic Participation, including financial inclusion initiatives and business partnerships, People, and Cultural Intelligence. We continued core Indigenous employment programs, which included offering 76 Indigenous Australian traineeships. In 2019, 1.45%⁴ of our Australian employee base identify as Aboriginal or Torres Strait Islander.

Cultural inclusion alliances:

Our alliance with the Asian Leadership Project and Culturally Diverse Workforces continues. The alliance is committed to driving greater representation of culturally diverse people in leadership within Corporate Australia.

African-Australian Inclusion Program (AAIP):

We continue to attract diverse talent through our AAIP, welcoming 465 participants as we celebrate the program's 10th year anniversary. 52.9% of AAIP Alumni across the 10 years remain employed at NAB.

Accessibility Action Plan (AAP)

2019 – 2020: We worked with the Australian Network on Disability (AND) to create and launch our new 'Better Together' Accessibility Action Plan (2019-2020). The plan has led to an increase in the number of our people who feel comfortable sharing information about their disability. As leading practice in Australia, we launched the 'Better Together' Plan in Easy English format on our new Accessibility Hub.

Valuing a neurodiverse workforce:

In partnership with DXC Technology, NAB introduced its 'Neurodiversity at NAB' Program, which sits within our Enterprise Security team and is designed to provide meaningful and sustainable employment for people on the autism spectrum.

1 Workplace Gender Equality Agency (WGEA) 2017-2018 benchmarking report.

2 This applies to both internal and external sourced positions (with the exception of volume based recruitment which already has steps in place to reduce gender bias).

3 2019 NAB AFL Women's End of Season Report.

4 Calculated based on a combination of responses to NAB's 2019 Employee Engagement Survey (managed by AON Hewitt) and NAB's total number of employed Indigenous Australian trainees (trainees do not participate in the employee engagement survey so are added to the overall response rate from that survey to ensure we appropriately include this population).

Gold Employer Status in the Australian Workplace Equality Index Awards (AWEI):

The AWEI is the definitive national benchmark on LGBTI+ workplace inclusion, which drives best practice in Australia and sets a comparative benchmark for Australian employers across all sectors. Due to our increased focus on LGBTI+ inclusion, this year we achieved Gold Employer Status in the Awards, which is the highest result within the current year.

LGBTI+ in the community: We support and advocate inclusion for sexually and gender diverse communities and their allies. Since 2013, NAB has been the Principal Partner of Midsumma Festival, we have extended our support to rural and regional communities through LGBTI+ community events and partnerships including Chillout Festival Daylesford, and we are committed to inclusion in sport through a multi-year major partnership with Pride Cup Australia.

Supporting our people with caring responsibilities: NAB partners with Care Corporate to assist our people to balance work with caring responsibilities. Through this program, we offer support and resources to assist those caring for young children, teenagers, persons with disability or the elderly.



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 2019.

This Statement complies with the 3rd edition of the ASX Corporate Governance Principles and Recommendations. Our Appendix 4G (a checklist that cross references the disclosures in this Statement to the ASX Corporate Governance Principles and Recommendations) is available at www.nab.com.au.

References in this Statement to:

- '2018' mean the financial years ended 30 September 2018.
- '2019' mean the financial years ended 30 September 2019.
- '2020' mean the financial years ending 30 September 2020.

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

Unless otherwise indicated Executive Leadership Team is inclusive of the Group CEO.

NAB's **2019 Annual Financial Report** has been published. Before publication, the Board received a joint declaration from the interim 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.

Further information on NAB's material exposures to economic, environmental and social sustainability risks (and how we manage or intend to manage those risks) is set out in NAB's **2019 Annual Financial Report**, **2019 Annual Review** and **2019 Sustainability Report**.

Further information about NAB's remuneration framework, including NAB's policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives, is set out in our Remuneration Report within our **2019 Annual Financial Report**.

Entities with a financial year commencing on or after 1 January 2020 will be required to adopt the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Recognising the importance of good governance and disclosure to the market, NAB intends to adopt the 4th edition principles in 2020.