

NATIONAL AUSTRALIA BANK LIMITED
ACN 004 044 937
BOARD CHARTER



1. Purpose of Charter

This Charter sets out the authority, responsibilities, membership and operation of the Board of National Australia Bank Limited (**Company**), adopting principles of good corporate governance and practice for the Company and its controlled entities (**Group**), that accord with applicable laws.

2. Authority

The Board derives its authority to act from the Constitution of the Company and the law governing corporations and banking and finance entities in the jurisdictions in which the Company operates.

3. Role of Board

3.1. The Board's role is to:

- (a) represent shareholders and serve the interests of the Company by overseeing and evaluating the Company's strategies, policies and performance;
- (b) oversee the Company's performance to build sustainable value for shareholders, in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- (c) oversee the Company's values, including the establishment by management of a sound risk management culture; and
- (d) ensure that stakeholders are kept informed of the Company's performance and major developments affecting its state of affairs.

3.2. In performing its role, the Board should act at all times:

- (a) in a manner consistent with the Company's stated purpose and values, including the Code of Conduct;
- (b) in accordance with the duties and obligations imposed by the Company's Constitution and by law;
- (c) having due regard to the Company's relationships with stakeholders and the communities and environments in which the Company operates; and
- (d) in a manner that promotes fair customer outcomes and financial market integrity.

4. Board Committees

4.1. The Board may from time to time establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.

- 4.2. The Board will, as a minimum, establish the following committees and will adopt charters setting out matters relevant to the authority, responsibilities, membership and operation of those committees:
- (a) Risk Committee.
 - (b) Audit Committee.
 - (c) Nomination & Governance Committee.
 - (d) Remuneration Committee.
- 4.3. The Board may also delegate specific functions to sub-committees on an 'as needs' basis. The powers delegated to these committees will be described in Board resolutions.

5. Relationship with management

- 5.1. Directors may delegate their powers, as they consider appropriate. Ultimate responsibility for strategy and control and oversight of sound and prudent management of the Company rests with the directors.
- 5.2. The Board delegates the management of the Group's day-to-day business and operations to the Managing Director and Group Chief Executive Officer (**Group CEO**), subject to the matters specifically reserved to the Board pursuant to 6.1 and formal delegations of authority approved by the Board.
- 5.3. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.
- 5.4. The Group Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

6. Board responsibilities

- 6.1. Matters that are specifically reserved for the Board or its committees include the following:
- (a) Appointment of a chairman;
 - (b) Selection, appointment, determination of terms and conditions (including remuneration), evaluating the performance of, succession planning, and removal of the Group CEO;
 - (c) Appointment of directors to fill a vacancy or as additional directors;
 - (d) Establishment of Board committees, their membership and delegated authorities.
 - (e) Determining the Company's dividend policy, and approval of the payment of dividends.
 - (f) Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management, and other major business initiatives.
 - (g) Appointment of a company secretary.

- (h) Calling of meetings of shareholders.
- (i) Appointment or removal of the Group's external auditor (on the recommendation of the Audit Committee).
- (j) Reviewing and approving (with the guidance of the Audit Committee) the Group's audited annual and half-yearly financial statements and any reports that accompany financial statements.
- (k) Any other specific matters nominated by the Board from time to time.

6.2. In addition to the matters reserved to the Board in accordance with 6.1, the responsibilities and functions of the Board include:

- (a) input into and final approval of management development of corporate strategy, including setting performance objectives, and approving the Group's operating budgets, strategic plan, risk appetite statement, financial operating plan, capital management strategy and funding strategy;
- (b) overseeing the Company's operational and financial performance and implementation of strategy and policy;
- (c) approving major capital expenditure, acquisitions and divestitures, and other major business initiatives (including matters which may have a material impact on the Group's corporate reputation);
- (d) reviewing and approving capital management initiatives, including the issue or cancellation of equity securities in the Company, and overseeing and approving the Group's internal capital adequacy assessment processes including reviewing stress testing outcomes;
- (e) reviewing, with the guidance of the Audit Committee, management processes aimed at ensuring the integrity of financial and other reporting, and receiving the declaration of the Group CEO and Group Chief Financial Officer in relation to the same in accordance with section 295A of the *Corporations Act 2001* (Cth);
- (f) with the guidance of the Audit Committee, appointing and removing the Executive General Manager – Internal Audit;
- (g) with the guidance of the Audit Committee, reviewing and evaluating the performance and independence of the Group's external auditor and the Executive General Manager – Internal Audit;
- (h) with the guidance of the Risk Committee, reviewing and undertaking oversight and challenge of the Company's risk management framework and internal compliance and control systems, and reviewing management's implementation of those frameworks and systems in accordance with regulatory requirements. This includes approving the Group's risk appetite statement and risk management strategy (as established by management), and reviewing, and where necessary approving, particular risks or risk management practices beyond the authority of management;
- (i) approving the appointment of the Executive Leadership Team members who report directly to the Group CEO and their succession planning;

- (j) with the guidance of the Remuneration Committee, determining the terms (including remuneration) of the Executive Leadership Team members who report directly to the Group CEO; reviewing and evaluating their performance; and reviewing and approving their remuneration outcomes;
- (k) reviewing and approving, with the guidance of the Remuneration Committee, the remuneration framework including the Remuneration Policy;
- (l) reviewing and evaluating, with the guidance of the Nomination & Governance Committee, Board composition, processes and performance; evaluating the performance of the Board, its Committees and individual directors; and reviewing, with a view to ensuring, that the directors and senior management collectively have the full range of skills, diversity, experience and expertise required for effective and prudent management of the Company;
- (m) reviewing and approving, with the guidance of the Nomination & Governance Committee, remuneration and other benefits to be paid to non-executive directors, subject to the Board fee pool approved by shareholders in general meeting;
- (n) reviewing and approving, with the guidance of the Nomination & Governance Committee, corporate governance principles and policies, and providing oversight of governance arrangements;
- (o) reviewing and approving other significant Group policies;
- (p) reviewing and evaluating the effectiveness of policies and processes established by management relating to workplace health and safety, compliance with laws and the maintenance of high ethical standards;
- (q) overseeing and guiding the purpose, culture, reputation and standards of conduct of the Group;
- (r) being available to meet regulators on request; and
- (s) performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the directors under the Corporations Act. The Board may also engage external consultants and experts as required.

7. Meetings

- 7.1. All reasonable actions will be taken to provide all directors with advance notice of Board meetings, even those called at short notice.
- 7.2. Every possible effort will be made so that papers tabled at a Board meeting will be made available to all directors attending, regardless of location.
- 7.3. If it is not possible to have documents available to all directors, those who do not have the documents may abstain from voting, or the Chairman may defer the vote until the papers are available to all members. Any abstention must be indicated to the Chairman at the time the matter is being considered and recorded in the Minutes.

- 7.4. The Board should regularly meet from time to time without the presence of management.
- 7.5. A quorum will be three directors, in accordance with the Company's Constitution.

8. Composition

- 8.1. The Company's Constitution governs the regulations and proceedings of the Board.
- 8.2. The Board, together with the Nomination & Governance Committee, determines the size and composition of the Board subject to the terms of the Company's Constitution.
- 8.3. The Board must comprise a majority of independent non-executive directors and should consist of directors with a broad range of skills, diversity, expertise and experience from range of backgrounds. In addition, a majority of the directors must be ordinarily resident in Australia.
- 8.4. The chairman must be an independent non-executive director and must not have been an executive officer of the Company or the Group CEO in the last three years.
- 8.5. The Board regularly reviews the independence of each non-executive director in light of information relevant to this assessment as disclosed by each non-executive director.
- 8.6. A director is considered to be independent for the purposes of service on the Board and Board committees if the director satisfies the Standards adopted by the Board from time to time to assist it in its regular 'independence' determinations. The current Independent Director Standards are attached to and form part of this Charter.
- 8.7. The Board considers directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

9. Review

- 9.1. This Charter is to be reviewed by the Board, as required.
- 9.2. This Charter supersedes any terms of reference previously in force.

Further information on the practices and procedures of the Board are described in more detail in the National Australia Bank Limited Corporate Governance Statement available on our website at www.nab.com.au in the Corporate Governance section.