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NATIONAL AUSTRALIA BANK LIMITED

Board Composition, Renewal & Performance Policy

1. OVERVIEW

1.1 Purpose and Scope

- 1.1.1 The Board Composition, Renewal & Performance Policy (Policy) sets standards for the appointment, independence, renewal, performance evaluation and tenure of Directors on the Board of National Australia Bank Limited (NAB) to enable the Board to discharge its responsibilities effectively.
- 1.1.2 NAB aims to maintain and promote high standards of corporate governance to support strong business performance and retain the trust of shareholders, customers, colleagues, regulators and the community.
- 1.1.3 The Policy aims to demonstrate that the Board is committed to performance as well as renewal so that the Board remains open to new ideas and independent thinking while retaining adequate skills, expertise, experience, diversity and independence required to effectively discharge its responsibilities.
- 1.1.4 The Policy adopts principles of good governance and practice and meets the requirements of APRA Prudential Standard CPS 510 Governance. It also supports compliance with obligations under the Financial Accountability Regime (FAR) established under the Financial Accountability Regime Act 2023 (Cth), relevant provisions of the Corporations Act 2001 (Cth) (Corporations Act) and the Australian Securities Exchange (ASX) Listing Rules.
- 1.1.5 Policy requirements in 2.16 extend to subsidiaries in the NAB Group.

1.2 Roles and Responsibilities

- 1.2.1 The Board has primary responsibility for this Policy. The Board, supported by the Nomination & Governance Committee, oversees that:
 - Director appointments, remuneration, performance, tenure and independence;
 - Board and Committee performance; and
 - Board composition and renewal,meet the requirements of this Policy.
- 1.2.2 The Nomination and Governance Committee's role is to support the Board in operating this Policy, particularly regarding the Board's renewal strategy and relevant succession plans, identification of potential Director candidates and the development and use of the Board's skills matrix, appropriate performance assessment processes for the Board, Committees and Directors, and Directors' induction and continuing education.
- 1.2.3 The Group Company Secretary is responsible for supporting the Nomination & Governance Committee and the Board in all operational aspects of this Policy. The Group Company Secretary monitors and reports on compliance with this Policy on an on-going basis and is responsible for recommending any substantive changes to this Policy to the Nomination & Governance Committee and the Board. The Group Company Secretary is responsible for reporting on the Board gender

diversity, including for subsidiary boards, and for promoting awareness of diversity considerations relevant to subsidiary board appointments.

1.3 Related Documents

1.3.1 Internal documents related to this Policy include:

- [NAB Constitution](#)
- [Board Charter](#)
- [Nomination & Governance Committee Charter](#)
- [Group Remuneration Policy](#)
- [Group Fit & Proper and FAR Suitability Policy](#)

1.3.2 External sources of obligations

- [APRA Prudential Standard CPS 510 Governance](#)
- [APRA Prudential Standard CPS 520 Fit and Proper](#)
- [Financial Accountability Regime Act 2023 \(Cth\)](#)
- [ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition](#)
- [Banking Act 1959 \(Cth\)](#)
- [Corporations Act 2001 \(Cth\) \(Corporations Act\)](#)
- [Australian Securities Exchange \(ASX\) Listing Rules](#)
- [Financial Accountability Regime \(jointly administered by APRA and ASIC\)](#)

2. POLICY REQUIREMENTS

2.1 Board Composition

2.1.1 The Board must have:

- a minimum of 5 and a maximum of 14 Directors;
- a majority of independent non-executive directors;
- collectively, a broad range of skills, diversity, expertise and experience from a range of backgrounds; and
- a majority of directors who ordinarily reside in Australia.

2.1.2 The Board must appoint a Chair.

2.1.3 The Board Chair must be an independent Non-Executive Director, a resident of Australia and must not have been an executive officer of the Company or the Group Chief Executive Officer (CEO) in the last three years.

2.1.4 The Board must appoint the Group CEO and Managing Director.

2.1.5 Other Executive Directors (if any) must be appointed by the Board.

2.2 Board Diversity

- 2.2.1 The Board must consider the inclusion and diversity objective measures and targets it has set for the Group when considering Board composition and renewal¹.
- 2.2.2 The Board and Nomination & Governance Committee must also consider diversity in a broad sense as set out in the Group Inclusion & Diversity Policy (i.e. age, gender, physical ability, cultural background, ethnicity and other factors) when considering Board composition and renewal.

2.3 Non-Executive Director selection criteria

- 2.3.1 The Board, on the recommendation from the Nomination & Governance Committee, must consider the following criteria when selecting and appointing new Non-Executive Directors:
 - Commercial capability with senior commercial experience.
 - Alignment to the Company's stated purpose and values.
 - Character and personal integrity.
 - Ability to work in a collegial manner.
 - Independent in fact and state of mind and free of conflicts.
 - Time available to meet the commitment required.
 - Appropriate skills, knowledge, experience and diversity to enable the Board to fulfil its responsibilities.
 - Inclusion and diversity attributes.

2.4 Board appointments

- 2.4.1 The Nomination & Governance Committee may engage external professional consultants, to identify potential Non-Executive Director candidates for appointment to the Board. Any such engagement must be in accordance with the Group Procurement Policy.
- 2.4.2 The Nomination & Governance Committee makes recommendations to the Board on suitable potential Non-Executive Director candidates and, in doing so, must have regard to matters including the Board's performance, skills matrix, renewal strategy and relevant succession plans, and the Non-Executive Director selection criteria.
- 2.4.3 Appointment of Non-Executive Directors to the Board must be in accordance with NAB's Constitution, in addition to applicable laws and regulations.
- 2.4.4 The most suitable candidate must only be appointed by the Board after:
 - appropriate checks, including checks of a person's character, experience, education, criminal record and bankruptcy history;
 - the candidate has provided details of other commitments and has acknowledged they have sufficient time to fulfil their responsibilities as a director of NAB; and
 - registration with APRA under FAR.

¹ The Board has approved the target of 40-60% female representation for itself and subsidiary boards.
pg. 5

2.4.5 Following appointment, a new Non-Executive Director must retire from that position and stand for election by shareholders at the next Annual General Meeting (AGM) of the Company.

2.5 Letter of Appointment

2.5.1 Newly appointed Directors must be provided with a letter of appointment setting out the key terms of their appointment, matters relevant to the Board's operations and policies and the induction process.

2.6 Induction and continuing education

2.6.1 Newly appointed Directors must participate in NAB's orientation and induction program, which is specifically designed to assist Directors to fully and actively contribute to Board decision-making from the date of appointment².

2.6.2 All Directors must participate in NAB's continuing education program that is provided to the Board and individual Directors each year³. The continuing education program considers the Board's skills matrix and priorities.

2.7 Minimum shareholding requirement

2.7.1 Non-Executive Directors must hold a minimum of NAB ordinary shares equal to the value of their respective Non-Executive Director annual gross base fee within five years of their appointment to that role, noting the Chair's gross base fee is higher than other Non-Executive Directors.

2.7.2 The Group CEO and Managing Director must hold a minimum of NAB ordinary shares equal in value to two times their Fixed Remuneration within five years of their appointment to that role.

2.8 Remuneration

2.8.1 The Board, on the recommendation of the People & Remuneration Committee, must determine the fees payable⁴ to each Non-Executive Director.

² The induction program is intended to give newly appointed Directors a sound understanding of: NAB's financial, strategic, operational and risk management plans; NAB Directors' rights, duties and responsibilities; the role of the Board and each of its Committees; and governance in the Group. The induction program involves the supply of reading material, technical workshops and meeting with senior executives.

³ Directors are individually also expected to satisfy continuing professional education requirements of any professional body that they are a member of.

⁴ Non-Executive Directors are entitled to fees, recognising their contribution to the work of the Board. Additional fees are paid, where applicable, for serving on Board Committees, boards of subsidiaries and internal advisory boards. Non-Executive Directors do not receive performance-related remuneration and do not receive any termination payments.

- 2.8.2 The total amount of remuneration paid to Non-Executive Directors on the Board (including superannuation) must be within the aggregate fee pool limit approved by shareholders.
- 2.8.3 The Managing Director (and any other Executive Director) must be remunerated as an employee and does not receive a director's fee.

2.9 Fit and Proper and FAR Suitability assessment

- 2.9.1 Directors must:
 - undergo necessary background checks to be assessed as fit and proper under Australian Prudential Standard CPS 520 *Fit and Proper* prior to appointment as a Director;
 - continue to meet the fitness and propriety requirements under CPS 520 *Fit and Proper*, in accordance with NAB's Fit and Proper and FAR Suitability Policy.
 - notify the Chair and the Group Company Secretary as soon as possible of any circumstances that may impact their fitness, propriety and FAR suitability, both prior to commencing and once appointed.
- 2.9.2 Prior to commencing on the Board, a Director must have their:
 - suitability assessed to be registered as an Accountable Persons under FAR approved; and
 - registration as an Accountable Person lodged with APRA at least 21 ~~14~~ days prior to commencing as a Director.

2.10 Independence

- 2.10.1 To qualify as being independent, a director must, in the opinion of the Board, be independent of management and free of any business or other association that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.
- 2.10.2 The Board, supported by the Nominations & Governance Committee, must determine the independence of each Non-Executive Director applying judgement using the Independence Standards in Appendix A⁵.
- 2.10.3 An Independent Director who serves on the Audit Committee must not:
 - be an Affiliate of any Group Company; nor
 - accept, directly or indirectly, any consulting, advisory or other compensatory fee from any Group Company⁶.

⁵ In general terms, a Director is considered to be independent when they are free from any business or other association – including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or adviser – that could materially interfere with the exercise of their independent judgement.

⁶ Refer to Appendix A for the meaning of terms and further detail on this Policy statement.

2.10.4 Directors must:

- disclose all interests prior to their appointment and as required when their interests change;
- notify the Chair if they become aware of any matter that might impact upon the Board's consideration of their independence; and

2.10.5 The Board must disclose which Directors the Board considers to be independent in the annual Corporate Governance Statement in the Annual Report.

2.10.6 Directors are required to consult with the Chair prior to accepting any other publicly listed company directorship or other role that potentially impacts their capacity to commit adequate time to their Board duties.

2.11 Annual Board, Committee and Director performance assessments

2.11.1 The Board must conduct a formal performance assessment, including assessment of the Board Committees annually.

2.11.2 The Board must engage an external expert to undertake the performance assessment at least once every three years, to bring objectivity and benefits from external perspectives on evolving governance practices.

2.11.3 The Chair must conduct individual performance assessment of each Director annually. This includes consideration of each Director's contribution to the Board and relevant Committees, development areas to further strengthen their contribution, and their ability to commit adequate time to their responsibilities.

2.11.4 A Committee Chair must seek, collate and provide feedback to the Board Chair on their performance annually.

2.12 Board tenure

2.12.1 The maximum tenure of a Non-Executive Director (other than the Chair) is approximately nine years from the date when first elected by shareholders. The maximum tenure of the Chair is approximately 12 years from the date when first elected by shareholders. This is inclusive of any term as a Non-Executive Director prior to being elected as Chair.

2.12.2 On an exceptional basis, the Board may exercise its discretion to extend these maximum terms where it considers that such an extension would benefit the Company. In such circumstances, the Board would consider independence. Such discretion will be exercised on an annual basis and the Non-Executive Director concerned will be required to stand for re-election annually at the AGM.

2.12.3 The term of the Managing Director (and any other Executive Director) must not exceed the term of their employment.

2.13 Election and re-election of Non-Executive Directors

- 2.13.1 The Constitution provides that each director (other than the Managing Director) must retire from that position and seek re-election at the third AGM after their appointment or after three years, whichever is longer. Directors appointed during the year must retire from that position and stand for election at the next AGM after their appointment.
- 2.13.2 Before each AGM, the Board must consider whether to recommend that shareholders vote for a Non-Executive Director's re-election. In making such a recommendation, the Board must consider the performance, skills and experience, diversity, independence and time commitment of those directors standing for re-election, together with the requirements for any other skills, experience or diversity attributes not currently represented on the Board.

2.14 Board renewal

With the support of the Nomination & Governance Committee, the Board must determine the size and composition of the Board, subject to the terms of the Constitution.

- 2.14.1 The Board must consider whether its members have relevant skills, experience, tenure and diversity attributes for them to collectively:
 - discharge their responsibilities and duties under the law effectively and efficiently;
 - understand the business of the Company and the environment in which it operates to guide the strategic direction of the Company, taking into account the interests of its stakeholders and the aim of creating sustainable value;
 - understand the legal and prudential risks of the business of the Company and manage those risks in an appropriate way;
 - oversee and monitor management's implementation of the strategic direction through agreed objectives and goals;
 - assess the performance of management; and
 - remain open to new ideas and independent thinking while retaining adequate expertise.

2.15 Board skills matrix

- 2.15.1 The Board, supported by the Nomination & Governance Committee, must maintain a skills matrix to assess the skills and experience of each director and the combined capabilities of the Board in the context of NAB's business and its strategic needs.
- 2.15.2 The Nomination & Governance Committee must use the skills matrix when developing a Board renewal strategy and succession plans, and when making recommendations to the Board on the appointment of a new Director or the re-election of a Director.

2.16 Subsidiary Boards

- 2.16.1 **Composition** – The appointment of independent Non-Executive Directors to subsidiary boards in the NAB Group must meet the following criteria:
 - there is a regulatory requirement for a board to have independent Non-Executive Directors;

- independent views will add commercial or strategic value to the subsidiary's business; and/or
- the Nomination & Governance Committee is satisfied that it is appropriate to do so.

2.16.2 **Board renewal** – The Nomination & Governance Committee must annually review the composition of boards of subsidiaries with independent Non-Executive Directors to maintain an appropriate balance of skills, experience and diversity is maintained.

2.16.3 **Appointment of Non-Executive Directors** – All proposed independent Non-Executive Director appointments to subsidiary boards must be referred to the Board Chair for consideration and approval, with support from the Group CEO.

2.16.4 **Term and maximum tenure** – The tenure of independent Non-Executive Directors on subsidiary boards must meet the following criteria:

- the standard term is three years;
- the maximum tenure is approximately nine years from the date of initial appointment; and
- the maximum tenure of the Chair of a subsidiary board (inclusive of any term as a non-executive director prior to be elected as Chair) is approximately 12 years from the date when first appointed.

In exceptional circumstances, a director may be appointed for a longer or shorter term. The Nomination & Governance Committee may exercise its discretion to extend these maximum terms where it considers that such an extension would benefit NAB and the subsidiary. In doing so, the Committee must consider independence. Such discretion must be exercised on an annual basis.

2.16.5 **Removal of Non-Executive Directors** – Each subsidiary's Constitution or the corporate law or regulation that applies in the jurisdiction in which the subsidiary is registered must describe the circumstances in which the office of a director becomes vacant.

2.16.6 **Diversity considerations** – Diversity must be considered in all subsidiary board appointments.

3. POLICY EXEMPTIONS

- 3.1.1 An exemption is required where a business is unable to comply with the mandatory requirements of this Policy for a defined period no greater than 12 months and immediate action cannot be taken to achieve compliance.
- 3.1.2 Authority for approval of exemptions is held by the Policy Owner and all exemption requests must only be approved by the Policy Owner (or their nominated delegate) in GRACE and will be granted at their discretion.
- 3.1.3 Exemptions and extensions to exemptions must be formally recorded as per requirements set out in the Group Policy Governance Policy. In circumstances where the exemption is expired and the business is not compliant with policy, it is considered a breach and an Event must be raised. Refer to the [Exemptions Procedure Guide](#) for further details.

4. POLICY EXCEPTIONS

- 4.1.1 An exception is required where a Customer, Colleague or business is unable to comply with the mandatory requirements of this Policy for a defined transaction on a case-by-case basis and immediate action cannot be taken to achieve compliance.
- 4.1.2 Authority for approval of exceptions is held by the Policy Owner and all exceptions must be submitted to the Policy Owner (or their nominated delegate) in GRACE and will be granted at their discretion.
- 4.1.3 Exception requests must be formally recorded as per requirements set out in the [Group Policy Governance Policy](#).

5. POLICY BREACHES

- 5.1.1 Breaches of this Policy (i.e. non-compliance that is not managed via the formal exemption or exception process) must be managed in accordance with the [Colleague Conduct Framework](#) (including the Misconduct Procedure or any superseding policy or framework) and recorded per the [Event Management Guidance Note](#) or regional equivalent.
- 5.1.2 All Policy breaches must be communicated immediately to divisional / regional Chief Risk Officer teams. Any material or systemic breach of this Policy must be communicated to the Policy Owner and appropriate remediation measures agreed and implemented.

6. POLICY CHANGES

- 6.1.1 Administrative changes to this Policy may be approved by the Policy Owner or the Policy Manager.
- 6.1.2 All other changes to this Policy must be submitted by Policy Owner/Manager and approved by the Approval Authority.

7. GLOSSARY

Term	Definition
Accountable Persons	An accountable person is an individual registered with ASIC and APRA as an accountable person for NAB under the <i>Financial Accountability Regime Act 2023</i> (Cth)
AGM	Annual General Meeting of NAB
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
Board	Board of Directors of NAB

Term	Definition
CEO	Chief Executive Officer of NAB
Chair	Chair of the Board of NAB
Committee	Committee of the Board
Company	The Company refers to NAB
Constitution	Constitution of NAB
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Director	Director of NAB (including Non-Executive and Executive Director)
FAR	Financial Accountability Regime established under the <i>Financial Accountability Regime Act 2023 (Cth)</i>
Independence Standards	Independence Standard for the Board of NAB, set out in Appendix A
Interests	Interests means contracts, positions, associations, relationships and other interests

Term	Definition
Group	NAB and its controlled entities, including all subsidiaries, international branches and representative offices
Must	An action is an absolute requirement and any deviation from this will require a formal policy exemption or exception
NAB	National Australia Bank Limited
Non-Executive Director	Director or potential Director of NAB who is not an employee
Nomination & Governance Committee	Committee of the Board of NAB
Subsidiary	Wholly owned entity of NAB

8. APPENDIX A – Independent Director Standards

In judging whether a director is independent, the Board must have regard to whether or not the director:

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

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

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses), in the context of each situation.
- The Board will generally consider an affiliation with a business that accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular director should be reviewed by the Board.

- Overriding the quantitative assessment is a qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations that may mean the director's interest, business or association could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Directors must disclose close personal ties or directorships that may be relevant in considering continuing independence.

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

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

- be an Affiliate of any Group Company; nor
- accept, directly or indirectly, any consulting, advisory or other compensatory fee from any Group Company. This includes the acceptance of such fees by (i) a spouse, a minor child or stepchild or (ii) a child or stepchild sharing a home with the director or (iii) an entity in which the director is a partner, member or officer such as a managing director or executive officer, or in which the director occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to a Group Company) and which provides accounting, consulting, legal, investment banking or financial advisory services to a Group Company.

For the purposes of these Standards:

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