



National
Australia
Bank

ANNUAL REMUNERATION DISCLOSURES

30 September 2021

Incorporating the requirements of APS 330

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SECTION 1 QUALITATIVE DISCLOSURES

INTRODUCTION

This document has been prepared in accordance with APRA Prudential Standard APS 330 *Public Disclosure*, which requires disclosure of information to the market relating to risk management practices, including those relating to remuneration. This disclosure has also been prepared in accordance with Article 450 of the European Union Capital Requirements Regulation, covering senior managers, risk managers and other material risk takers of London Branch as defined by the senior managers and certification regime in the United Kingdom (UK). The information in the document applies to National Australia Bank Limited (NAB) and its controlled entities (the Group).

These disclosures outline qualitative information on the Group's remuneration frameworks and policies and how they incorporate risk considerations. The qualitative information is relevant for all colleagues of the Group, including:

- senior managers and material risk takers of the Group (in respect of which there are quantitative disclosures in section 2)
- senior managers, risk managers and other material risk takers of the London Branch (in respect of which there are quantitative disclosures in section 3).

The Group provides detailed information specific to remuneration for the Executive Leadership Team (ELT), who are also senior managers of the Group, in the Remuneration Report contained in the 2021 Annual Financial Report (2021 Remuneration Report).

The types of persons considered senior managers and material risk takers for the Group are outlined in the following table, with details of the number of individuals who held those roles in the year ended 30 September 2021 (referred to as 2021 throughout this document). Individuals within this disclosure have been identified consistent with the definitions provided in paragraphs 22 of APS 330 and 57(a) and (c) of APRA Prudential Standard CPS 510 *Governance*.

	Number of individuals ⁽¹⁾	Definition
Senior managers	32	Members of the ELT, other Accountable Persons, senior managers who are members of the Group Executive Risk Committee, business line Chief Risk Officers and senior managers of regulated subsidiaries.
Material risk takers	37	Executives of the Group with a significant portion of total remuneration based on performance and whose individual or collective activities may impact financial soundness of the Group.

(1) There were 38 senior managers and 42 material risk takers identified for the 2020 disclosure.

The London Branch roles identified as senior managers, risk managers and other material risk takers are outlined in the following table, with details of the number of individuals who held those roles in 2021.

	Number of individuals ⁽¹⁾	Definition
Senior managers	8	Includes senior management of the London Branch operations and Group senior management who have significant management accountability for the London Branch.
Risk managers	11	Includes managers of credit and/or market risk takers.
Other material risk takers	42	Includes colleagues performing significant influence functions, colleagues who have responsibility and accountability for activities that could have a material impact on London Branch's risk profile, and colleagues in independent risk management, compliance or internal audit function roles.

(1) There were 8 senior managers, 13 risk managers and 46 other material risk takers identified for the 2020 disclosure.

Senior managers and material risk takers of the Group and senior managers, risk managers and other material risk takers of the London Branch are referred to collectively as Material Risk Takers throughout the remainder of this document.

Amounts in this document are presented in Australian dollars unless otherwise stated and have been rounded to the nearest thousand dollars (\$000) except where indicated.

REMUNERATION GOVERNANCE

The Board People & Remuneration Committee has been established by the Board. The Board People & Remuneration Committee assists the Board in discharging its responsibilities relating to people and remuneration strategies, policies and practices of the Group. On behalf of the Board, the Board People & Remuneration Committee is responsible for developing and maintaining an effective remuneration policy. The Board People & Remuneration Committee governs the application of the policy resulting in responsible remuneration outcomes that are consistent with the Group's strategy and risk appetite. The Board People & Remuneration Committee has oversight and governance of people related risks, culture, inclusion and diversity, talent and succession matters. The remit emphasises the Board People & Remuneration Committee's focus on long-term sustainable policy settings that foster desired culture while reinforcing compliance with NAB's Code of Conduct (the Code)⁽¹⁾ and fulfilling regulatory requirements across jurisdictions in which the Group operates.

As at the date of this report, the Board People & Remuneration Committee was comprised of three independent non-executive directors (including the Chair of the Board People & Remuneration Committee). In 2021 the Board People & Remuneration Committee met 12 times (2020: 10 times).

In 2021 the Board People & Remuneration Committee Chair received an annual fee of \$55,000 (2020: \$55,000) and other members of the Board People & Remuneration Committee received an annual fee of \$27,500 (2020: \$27,500) in respect of their membership of the committee or a pro-rated amount where members fulfilled the role for part of the year.

The Board People & Remuneration Committee's charter sets out its scope, authority, duties, and responsibilities. The full charter is available online at www.nab.com.au/about-us/corporate-governance.

Performance, risk and remuneration assessment

The Board People & Remuneration Committee oversees Group performance outcomes by establishing robust performance measures and targets that support delivery of the Group's strategy and conduct aligned to the Code. The Board People & Remuneration Committee also makes recommendations to the Board in relation to the assessment of performance and remuneration outcomes for the Group Chief Executive Officer (CEO), Group Executives and other persons as determined by the Board. In establishing and assessing performance for recommendation to the Board, the Board People & Remuneration Committee is supported by all other Board Committees who provide expert, independent reports, and information as required. The Board receives the recommendations, challenges, and applies appropriate judgement in determining the outcome. See *Risk and Consequence Management* for more details.

(1) The Code is available online at www.nab.com.au/about-us/corporate-governance.

REMUNERATION PROCESS

Remuneration Policy

The Group Remuneration Policy (Policy) covers all colleagues of the Group, including Material Risk Takers, except Bank of New Zealand (BNZ) colleagues. BNZ has its own remuneration policy which complies with the Group's policy. The BNZ Remuneration Policy is approved by the BNZ Board and the Board People & Remuneration Committee.

The objectives of the Policy are to:

- support the Group's purpose to serve our customers well and help our communities prosper, through encouraging behaviours and performance consistent with the Group's values and strategic objectives
- ensure variable reward components of remuneration are designed to encourage behaviour that supports:
 - the Group's long-term financial soundness and deliver long-term sustainable returns
 - the Group's risk management framework
- comply with jurisdictional remuneration regulations and Group diversity, inclusion and pay equity commitments.

The Policy has been developed to support remuneration arrangements aligned with the following principles:

- reinforce our commitment to customers
- attract, retain and reward the best people
- align reward with sustainable shareholder value
- reflect risk, reputation, conduct and values outcomes
- drive delivery of long-term performance.

Remuneration is provided in three components:

- fixed remuneration provided as cash and benefits (including employer superannuation), set to attract and retain a high performing team to deliver on the Group's strategy
- annual performance-based variable reward earned for delivery of annual goals that drive the Group's strategy
- long-term variable reward to align remuneration provided to the ELT with long-term shareholder outcomes.

The fixed remuneration and variable reward mix is balanced to ensure that the fixed component provides sufficient remuneration to take into account the possibility of paying no variable reward. Variable reward is set to be sufficiently meaningful to drive individual performance without encouraging inappropriate risk-taking or conduct.

The reward mix is based on market information and practices. In any year, the actual reward mix will vary, given the overlay of business performance and individual performance on variable reward outcomes. In the UK, actual variable reward does not exceed one times fixed remuneration for the relevant period.

The Board approves individual remuneration arrangements for the ELT, other Accountable Persons and any other senior executives of the Group as determined by the Board. Regulated subsidiary boards will approve individual remuneration arrangements for senior managers of the subsidiary and other senior executives as determined by the subsidiary boards⁽¹⁾. Individual remuneration for other Material Risk Takers is approved by the appropriate manager in accordance with the Policy. The Board approves and monitors the remuneration framework and overall outcomes for Material Risk Takers.

Changes to the Policy for 2021

Remuneration for Internal Audit Colleagues

Variable reward was removed from all Internal Audit colleagues except senior executives, reflecting the independent nature of these roles and to align with best practice. Fixed remuneration was increased from 1 April 2021 to offset the loss of variable reward and a one-off lump sum payment was provided to compensate impacted colleagues for the loss of variable reward for first half of 2021.

Employee Conduct Management Framework

A new Code and Employee Conduct Management Framework were introduced from 1 October 2020. An overview of the new framework is provided in the *Risk and Conduct* section.

Variable Reward Plans

Material Risk Takers may participate in a number of performance-based variable reward plans as described below.

Group Variable Reward Plan (GVRP)

The table below outlines the key features of the 2021 GVRP. Further detail on the application of the GVRP for members of the ELT is provided in the 2021 Remuneration Report.

The purpose of the plan is to reward participants for delivery of annual goals that drive long-term sustainable performance. It provides an appropriate level of remuneration that varies based on Group performance (as determined by the Board) and

(1) All matters relating to the remuneration of Material Risk Takers employed by BNZ, are approved by the BNZ Board as required under BNZ's Conditions of Registration which are set by the Reserve Bank of New Zealand.

REMUNERATION PROCESS (CONTINUED)

the participant's performance for the financial year. The plan is not wholly formulaic. Judgement is applied through qualitative assessment as determined by the Board.

Feature	Description
Annual variable reward (VR) opportunity	Annual VR opportunity is expressed as a percentage of fixed remuneration and is set having regard to a range of factors including the scope and accountabilities of the participant's role and market competitiveness. An eligible participant's actual VR outcome can be higher or lower than their target VR opportunity, but will not exceed their maximum VR opportunity, and will depend on the participant's individual score and the Group's performance for the financial year. The maximum VR opportunity for ELT is 150% of their target VR opportunity and for other Material Risk Takers the maximum VR opportunity is 250% of the individual's target VR opportunity.
Group performance	<p>Group performance is assessed on achievement of financial and non-financial measures, Group Performance Indicators (GPI), linked to the Group's key strategic priorities, overlaid by a qualitative assessment to support any adjustment to the outcome. The qualitative assessment is integral to the outcome and may result in the outcome being adjusted upwards or downwards (including to zero), for risk, quality of performance (including consideration of financial, sustainability, environmental and social impact matters, progress made against strategy) and any other matters as determined by the Board.</p> <p>For 2021, the GPI measures and weightings were Return on Total Allocated Equity (ROTAE) (25%), Cash earnings (25%), Strategic Net Promoter Score (NPS)⁽¹⁾ (15%), Colleague Engagement Score⁽²⁾ (15%), Lending Market Share (15%) and Intelligent Control Score (ICS) (5%). The GPI assigned is between 0 and 125%.</p> <p>The 2021 GPI was not applied for eligible MLC Wealth Material Risk Takers due to completion of the MLC Wealth sale to IOOF Holdings Limited on 31 May 2021. The GPI was replaced by an assessment of MLC Wealth performance that included the successful delivery of the sale transaction, execution against agreed business plan, strong management of the remediation program, and NPS. The performance period was based on 1 October 2021 to 31 May 2021.</p>
Individual performance	Individual performance is assessed against a scorecard. The 2021 scorecard for each participant is comprised of up to five goals including mandatory risk and customer goals, and a development goal. The participant's performance is assessed against their scorecard including the extent to which they demonstrated NAB's How We Work principles, including conduct. The participant is awarded an individual score from 0 to 2 depending on their overall performance.
VR calculation	A participant's actual VR award is calculated as:

Participant's target VR opportunity (\$)		Group Performance Indicators multiple		Participant's Individual Performance multiple
Fixed remuneration x Annual VR target %	X	Adjusted for qualitative assessment as determined by the Board	X	– Additional conduct VR reduction (if required)

Any amount may be awarded, from zero up to the participant's maximum VR opportunity.

- (1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Strategic NPS is sourced from DBM Atlas and measured on a six month rolling average. The overall Strategic NPS result combines Consumer and Business segment within Australia, using a weighting of 50% for each segment.
- (2) Score for the July 2021 Heartbeat Survey conducted by Glint. Includes Australia and New Zealand colleagues, excludes external contractors, consultants and temporary colleagues.

See *Deferral Arrangements* for more information on deferred awards provided under the GVRP.

REMUNERATION PROCESS (CONTINUED)

Financial Market Specialist Incentive Plan (FMSIP)

The table below outlines the general features of the 2021 FMSIP.

The purpose of the plan is to reward eligible participants for delivery of annual goals that drive long-term sustainable performance and provide market competitive remuneration for colleagues in specialist roles.

Feature	Description
Funding (FMSIP pool)	Generation of funding is dependent on the participating business teams achieving a minimum Return on Allocated Equity (ROAE) hurdle as determined through the planning process and outlined in approved budgets. If the ROAE hurdle is achieved, the amount of FMSIP funding is determined as a percentage of the participating business teams' cash earnings. The level of funding is adjusted for appropriate risk and financial adjustments and to align with customer outcomes. The adjustment takes into account financial outcomes and non-financial factors such as business risks, compliance, conduct, shareholder expectations or the quality of the financial result and may be adjusted for Group performance outcomes. The Board People & Remuneration Committee approves the FMSIP funding.
Individual performance	Each participant has a scorecard comprised of up to five goals including mandatory risk and customer goals, and a development goal. The participant's performance is assessed against their scorecard including the extent to which they demonstrated NAB's How We Work principles, including conduct.
FMSIP awards	If FMSIP funding is generated, it is allocated to participants on a discretionary basis, taking into consideration the individual's financial performance against plan targets and performance relative to peers. Minimum performance and conduct conditions must be met for an award to be allocated.

See *Deferral Arrangements* for more information on deferred awards provided under the FMSIP.

Asset Management Incentive Plan (AMIP)

The table below outlines the general features of the 2021 AMIP.

AMIP is no longer a variable reward plan operated by the Group since completion of the sale of MLC Wealth to IOOF Holdings Limited (IOOF) on 31 May 2021.

The purpose of the plan is to reward eligible participants for delivery of annual goals that drive long-term sustainable performance and provide market competitive remuneration for colleagues in specialist roles.

Feature	Description
Funding (AMIP pool)	All participants of this plan transferred to IOOF on 1 June 2021. All decisions for the 2021 AMIP have been made by IOOF in accordance with the AMIP. Under the plan funding is established based on the three-year cash earnings performance of the Asset Management business. For an AMIP pool to be generated a performance threshold must be met. The AMIP pool is adjusted to reflect the quality of Asset Management's financial and non-financial results. Financial metrics may include cash earnings, return on equity, impairments and profits or losses on the sale of interest in boutique investment fund managers. Non-financial metrics may include investment performance, colleague engagement and risk maturity.
Individual performance	Each participant has a scorecard comprised of up to five goals including mandatory risk and customer goals, and a development goal. The participant's performance is assessed against their scorecard including the extent to which they demonstrated NAB's How We Work principles, including risk outcomes and conduct.
AMIP awards	If an AMIP pool is generated, all participants will be eligible for consideration for an AMIP award from the AMIP pool, subject to minimum performance requirements. The AMIP pool is allocated to participants on a discretionary basis, taking into account individual performance and contribution to Asset Management outcomes.

See *Deferral Arrangements* for more information on deferred awards provided under the AMIP.

REMUNERATION PROCESS (CONTINUED)

BNZ Discretionary Variable Reward Plan (DVRP)

BNZ material risk takers participate in the DVRP. The DVRP operates on a similar basis to the GVRP. In this plan, BNZ performance is used instead of the GPI.

The purpose of the plan is to align decision making at executive and senior management levels with BNZ's strategic goals and outcomes and appropriately capture the business risks related to the achievement of business outcomes and reflect these in discretionary, variable rewards.

Feature	Description
VR opportunity	VR opportunity is expressed as a percentage of fixed remuneration and is set having regard to a range of factors including the scope and accountabilities of the participant's role and market competitiveness. An eligible participant's actual VR outcome can be higher or lower than their target VR opportunity, but will not exceed their maximum VR opportunity, and will depend on the participant's individual score and BNZ performance for the financial year. The maximum VR opportunity is 260% of the individual's target VR opportunity.
BNZ performance	<p>BNZ performance is assessed using the BNZ Performance Scorecard (known as the BNZ Score) comprising financial and non-financial measures linked to BNZ's key strategic priorities, which is overlaid by a qualitative assessment to support any adjustment of the outcome. The qualitative assessment is integral to the outcome and may result in the outcome being adjusted upwards or downwards (including to zero), for risk, reputation, quality of performance or any other matters as determined by the BNZ Board. For 2021, the BNZ Performance Scorecard measures and weightings were Customer (25%), Colleagues (12.5%), Safe Growth (12.5%), and Financial (50%). The BNZ Score assigned is between 0 and 130%.</p> <p>The BNZ Board determines the appropriate funding for the BNZ DVRP informed by an assessment of the BNZ Performance Scorecard and qualitative overlay. The NAB Board also approves the BNZ DVRP funding.</p>
Individual performance	<p>Individual performance is assessed against several areas including conduct, customer, risk and business performance. The participant is awarded an individual score from 0 to 2 depending on their overall performance.</p> <p>An individual's behaviour is assessed against the BNZ Code of Conduct and their performance outcome adjusted to reflect the outcome.</p>
VR calculation	Each participant's VR outcome is determined based on the combination of BNZ and individual performance. Any amount may be awarded from zero up to their individual maximum VR opportunity. A participant's VR award is calculated as:

Participant's target VR opportunity (\$) Fixed remuneration x target %	X	BNZ Score⁽¹⁾ Adjusted for qualitative assessment as determined by the BNZ Board	X	Participant's individual performance Adjusted for behaviour assessment
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Any amount may be awarded from zero up to the participant's maximum VR opportunity.

(1) VR for the BNZ Executive Leadership Team is calculated using 50% GPI + 50% BNZ Score.

See *Deferral Arrangements* for more information on deferred awards provided under the BNZ DVRP.

All matters relating to the remuneration of BNZ colleagues, including the BNZ DVRP are approved by the BNZ Board as required under BNZ's Conditions of Registration which are set by the Reserve Bank of New Zealand.

Long Term Variable Reward (LTVR)

Members of the ELT may also be eligible to receive LTVR. The LTVR is described in the 2021 Remuneration Report.

Year End Share Offer

The Year End Share Offer is an annual award provided to the majority of Group colleagues.

The purpose of the plan is to build alignment with shareholder experience and recognise the role colleagues play in growing the business over the longer term.

REMUNERATION PROCESS (CONTINUED)

Feature	Description
Award value	<p>For 2021, a \$1,000 share grant was made to colleagues who:</p> <ul style="list-style-type: none"> were a permanent employee of the Group with at least 12 months' continuous service as at 30 September 2021 and resided in Australia (excluding casual, fixed term and temporary employees and employees on career break) were still a permanent employee of the Group on the allocation date (15 December 2021) were not an Accountable Person or a senior executive (Executive General Manager or General Manager level) did not receive a serious or significant conduct issue for the performance year ended 30 September 2021. <p>Dividends are payable on the award during the restriction period.</p> <p>Eligible colleagues who did not meet the Australian residency requirement, including those who work in NAB international offices, may receive a cash equivalent payment in their local currency instead of the share grant.</p>
Restriction period	The award is restricted for three years.
Cessation of employment provision	In circumstances where an employee leaves the Group before the end of the restriction period, the retained shares will be released on cessation of employment.

Deferral Arrangements

Long-term performance is reflected in the design of the Group's variable reward arrangements. Variable reward plans contain performance metrics that are set to encourage long-term decision making, critical to creating long-term value for shareholders. Deferral of a portion of variable reward allows for the reward to be adjusted after the initial performance assessment to reflect longer-term performance outcomes.

The quantum and period of deferral is commensurate with the level of risk within a role and the ability to reliably measure business outcomes. This allows time to confirm that the initial individual performance and business performance outcomes are realised and if not, for the deferred variable reward to be adjusted downwards. Deferral is generally only applied to variable reward amounts of \$50,000 or more.

Variable reward is subject to deferral for Material Risk Takers depending on the variable reward plan and jurisdictional requirements as summarised in the following table:

Colleague category	Deferral arrangement
ELT - Annual Variable Reward Plan ⁽¹⁾	50% of variable reward is deferred over 4 years, vesting equally from 1 to 4 years
ELT - Long Term Variable Reward Plan	100% of variable reward is deferred for 4 years
Accountable Persons (other than ELT) ⁽¹⁾	40% of variable reward is deferred for 4 years
Senior managers and material risk takers (not in categories below) ⁽¹⁾	Depending on role: 40% of variable reward is deferred for 3 years or 30% of variable reward is deferred for 2 years
Asset Management Incentive Plan and BNZ other material risk takers ⁽²⁾	25% of variable reward is deferred for 1 year
UK senior managers ⁽³⁾⁽⁴⁾	40% (50% for Financial Markets Specialist Incentive Plan participants) of variable reward is deferred over 7 years, vesting equally from 3 to 7 years
UK risk managers ⁽³⁾⁽⁴⁾	40% (50% for Financial Markets Specialist Incentive Plan participants) of variable reward is deferred over 5 years, vesting equally from 1 to 5 years
UK other material risk takers (not in categories below) ⁽³⁾⁽⁴⁾	40% (50% for Financial Markets Specialist Incentive Plan participants) of variable reward is deferred over 3 years, vesting equally from 1 to 3 years
Financial Markets Specialist Incentive Plan senior Material Risk Takers ⁽²⁾	50% of variable reward is deferred for 3 years
Financial Markets Specialist Incentive Plan UK other material risk takers ⁽²⁾	50% of variable reward is deferred over 3 years, vesting equally from 1 to 3 years

(1) Only applies if the individual's variable reward is \$50,000 or more.

(2) Only applies if the individual's deferred amount is \$2,000 or more.

(3) Only applies if the individual's variable reward is more than 33% of total remuneration or total remuneration is more than £500,000.

(4) If annual variable reward is £500,000 or more, 60% of the incentive is deferred.

Deferred variable reward is generally provided in either shares or rights.

REMUNERATION PROCESS (CONTINUED)

For senior managers, risk managers and material risk takers in the UK, half of any 'up-front' variable reward (the non-deferred component of variable reward) is provided as cash. The remaining half is provided as equity subject to a retention period. A retention period also applies to deferred variable reward after performance conditions have been satisfied. For senior managers and material risk takers the retention period is 12 months, while for risk managers the retention period is six months. The retained amounts are restricted from being sold, transferred, or exercised by the individual during the retention period. No further performance conditions apply to retention equity.

The Board has absolute discretion to extend the deferral period for any reason, including if the Board has reason to believe that an individual is likely to have failed to meet threshold measures of conduct or comply with their accountability obligations.

Deferred awards are subject to malus and clawback (see *Malus* and *Clawback* sections).

Unvested awards may be retained on separation in other circumstances such as retrenchment or retirement. Where unvested awards do not lapse on cessation of employment, they will continue to be held by the individual subject to the terms and conditions of the offer.

Once deferred variable reward has vested or performance restrictions have ceased, no further adjustment (including as a result of malus) applies. Clawback may be applied to vested variable reward including for Accountable Persons and some Material Risk Takers in the UK.

Forms of Variable Reward

The Group provides variable reward in the following forms:

Form	Use
Cash	<ul style="list-style-type: none"> All or a portion of the variable reward that relates to the current performance year Where a colleague is entitled to receive deferred variable reward but has ceased employment with the Group prior to allocation of any shares or rights or for jurisdictional reasons Retention and recognition awards Commencement awards
Shares	<ul style="list-style-type: none"> Deferred variable reward Year End Share Offers Retention and recognition awards Commencement awards
Rights	<ul style="list-style-type: none"> Deferred variable reward Long-term variable reward Retention and recognition awards Commencement awards

Generally, the Group aims to provide deferred variable reward as equity to align the interests of colleagues and shareholders. Rights are generally provided where the Group does not consider it appropriate to pay dividends during deferral or restriction periods or for jurisdictional reasons. The mix of different forms of variable reward is dependent on the colleague's role, and external market relativities and practice.

All permanent colleagues (except colleagues in Internal Audit) are eligible to participate in a variable reward plan. Variable reward will generally be provided in a combination of cash (including employer superannuation if required) and equity.

Retention, recognition, and commencement awards are provided to a colleague depending on circumstances. The quantum and form will vary depending on the specific circumstances at the time of the award.

REMUNERATION PROCESS (CONTINUED)

Other Features of the Group Remuneration Policy

Malus (forfeiture or lapsing of unvested variable reward)

Unvested variable reward will be forfeited or lapsed if

- the employee resigns or
- the Board determines that some, or all, of the unvested variable reward should be forfeited or lapsed as a result of
 - cessation of employment with the Group other than in circumstances of retirement or retrenchment
 - due to conduct standards not being met as set out in the Code
 - following the occurrence of a malus event
 - any other circumstances described in the Policy.

Clawback (recovery of paid and vested variable reward)

Paid and vested variable reward, including retention rewards, is subject to clawback. The Board may apply clawback to the ELT, other Accountable Persons, some UK Material Risk Takers and other colleagues in certain circumstances. In the UK, clawback applies for up to seven years from the award date for some material risk takers and up to 10 years from the award date for senior managers (under the UK senior managers and certification regime).

For Accountable Persons who have not complied with their accountability requirements under the *Banking Act 1959* (Cth) (the Act), the individual will be required to repay an amount determined by the Board (in its absolute discretion), including if the Board determines that clawback is required to comply with the Group's obligations under the Act related to variable remuneration.

For material risk takers in the UK, the individual will be required to repay, up to the full amount, any performance-based variable reward, where the Board (in its absolute discretion) determines that one or more of the following circumstances have arisen before the seventh anniversary of the relevant award date:

- the individual has participated in, or was responsible for, conduct which resulted in significant losses to the Group or relevant business
- the individual has failed to meet appropriate standards of fitness and propriety
- the Group has reasonable evidence of misbehaviour or material error
- the Group, or the relevant business, suffered a material failure of risk management taking into account the individual's level of responsibility.

Clawback may apply to other Material Risk Takers and other colleagues of the Group depending on their individual employment arrangements and the terms and conditions of the variable reward plan.

Minimum shareholding requirements

Members of the ELT are required to accumulate and retain NAB equity over a five-year period from commencement in an ELT role, to an amount equal to:

- two times fixed remuneration for the Group CEO
- one times fixed remuneration for other ELT members.

Additionally, the Group CEO must hold at least 2,000 NAB ordinary shares within six months of appointment. Holdings included in meeting the minimum shareholding requirements for each of the Group CEO or a Group Executive are NAB shares held, equity received under NAB's employee equity plans that has vested and is retained, and unvested VR deferred shares and VR deferred rights. The Group CEO and Group Executives have met their current shareholding requirements.

Details of individual ELT members' NAB equity holdings are set out in the 2021 Remuneration Report.

Commencement, retention and guaranteed awards

Commencement awards are used to buy-out unvested equity, variable reward, or other benefits from a new colleague's previous employment. The amount, timing, and performance hurdles relevant to any such awards are based on evidence provided by the new colleague of the benefit offered by the previous employer, had the person remained in their previous employment. The awards are provided in the form of NAB equity or cash, subject to performance hurdles (where appropriate), restrictions, and certain forfeiture conditions, including forfeiture on resignation. The awards are structured to match as closely as possible the vesting conditions applicable to the forfeited awards (e.g. vesting period, award vehicle). In the UK, commencement awards may be reduced or completely forfeited if a reduction notice is received from the colleague's previous employer.

The Group provides retention awards for key individuals in roles where retention is critical over a medium-term timeframe (generally two to three years). These are normally provided in the form of NAB equity or cash, subject to a restriction period, achievement of individual performance standards and forfeiture conditions, including forfeiture on resignation. In the UK, retention payments require prior approval from the regulator.

REMUNERATION PROCESS (CONTINUED)

Guaranteed incentives or bonuses do not support the Group's performance-based culture and are not permitted as part of the Policy.

Remuneration of Risk and Financial Control Colleagues

Risk and Financial Control colleagues (as defined in paragraph 57(b) of CPS 510) are critical to effective management of the Group.

Independence from the business for these colleagues is assured through:

- setting the reward mix so that variable reward is not significant enough to encourage inappropriate behaviours while remaining competitive with the external market
- Internal Audit colleagues (except senior executives) do not receive variable reward (other than the Year End Share Offer)
- remuneration decisions for colleagues in the Risk and Finance functions being made by the management of those functions, rather than the businesses they support
- performance of the Group and the Risk and Finance functions are key components for calculating variable reward for these colleagues and not the performance of the businesses they support.

The Board People & Remuneration Committee reviews, and the Board approves, remuneration structures for these colleagues and oversees the overall remuneration outcomes for colleagues in these roles at least annually.

LINKING PERFORMANCE AND REMUNERATION

Performance is linked to remuneration through both fixed remuneration and variable reward components.

Fixed remuneration is set with consideration of role complexity and responsibilities, the individual's capabilities, experience and knowledge, individual performance, internal and external market role relativities, and pay equity considerations.

Variable reward is determined based on a combination of individual performance and business performance. Performance measures are selected that capture the effects of a number of material risks and minimise actions that promote short-term results at the expense of longer-term business growth and success. Further detail on performance measures and how performance links to remuneration outcomes is described in *Variable Reward Plans*.

Linking Individual Remuneration to Business Performance

Individual remuneration is linked to business performance through a number of the Group's variable reward plans design elements:

- Business performance is a component of the majority of variable reward plans ensuring remuneration outcomes will be smaller when business performance is less than target and higher when business performance is above target.
- A colleague's performance plan defines goals that are comprised of performance measures and targets relevant to the colleague's role that support delivery of the Group's long-term sustainable performance.
- Deferral of a portion of variable reward links remuneration to the future value of NAB and allows for adjustments to remuneration outcomes to be made if necessary.

Adjusting for Poor Performance

Poor performance during a performance period at a business and individual level will be reflected in the variable reward awarded to an individual for the current year and the level of vesting of other variable rewards from prior years. If performance is significantly weak, this may result in no variable reward being awarded, no vesting of other awards and/or clawback.

RISK MEASURES AND ALIGNING RISK AND REWARD

A number of measures exist across each of the Group's material risks, as detailed in the *Risk Governance and Management* section of the 30 September 2021 Pillar 3 Report.

Risk and Consequence Management

The Board People & Remuneration Committee regularly reviews Group performance and individual outcomes during the year for risk, reputation, conduct and performance considerations. The Board's review includes the Group's quality of financial results, shareholder experience and other sustainability metrics relevant at the time. This also includes oversight of the Group's Employee Conduct Management Framework. Effective consequence management supports an appropriate risk culture across the Group.

Risk is the responsibility of all colleagues of the Group. A sound risk culture is where the mindset, decisions and behaviour of colleagues are aligned to the Group's strategy and contribute to sustainable outcomes for customers, shareholders, and external stakeholders. The Board, Group CEO and Group Executives influence culture by focusing on leadership behaviour, systems, and colleagues, reinforced through performance and remuneration outcomes.

Regular reporting is provided to the Board on culture and the impact this may have on risk and consequence management outcomes.

How risk is integrated in our remuneration framework

IN-YEAR PERFORMANCE AND RISK ASSESSMENT

	Consequence management	Risk assessment
Scope	<ul style="list-style-type: none"> Applies to all colleagues, including Group CEO and Group Executives. Scope of consequences includes any combination of coaching, counselling, formal warnings, termination of employment, impacts to in-year performance assessment and remuneration outcomes, and the application of malus or clawback depending on the severity of the matter. 	<ul style="list-style-type: none"> Applies to all colleagues, including Group CEO and Group Executives. All colleagues including Group Executives (other than the Group CEO who has a risk modifier applied to his Annual VR outcome) have a scorecard inclusive of a mandatory risk goal.
Assessment	<ul style="list-style-type: none"> In assessing conduct and consequence, each business and enabling unit maintains a Professional Standards Forum to oversee the effectiveness of colleague conduct management (fairness, consistency, proportionality), and take steps to reinforce conduct or cultural expectations. The Executive Remuneration Committee (members include the Group Executive People & Culture, Group Chief Risk Officer, and the Group Executive Legal and Commercial Services) make recommendations to the Board People & Remuneration Committee and Board on the impact of risk, reputation, conduct, values and performance issues on variable reward, through the application of malus and clawback principles or in-year adjustments. 	<ul style="list-style-type: none"> Divisional Chief Risk Officers provide active oversight, challenge and independent input to the performance review process. The Group Chief Risk Officer prepares a detailed assessment of the risk outcomes for the Group CEO and each of the Group Executives. The Board Risk & Compliance Committee assesses the Group Chief Risk Officer's risk outcomes. These assessments are used by the Board in determining individual Group Executive variable reward outcomes. The Group CEO, Group Executives and colleagues receive higher variable reward if they are driving improvements in the management of risk and compliance. If risk is not appropriately managed, the individual's variable reward will be reduced and other consequences may be applied.

BOARD DISCRETION APPLIED (in-year and prior years' outcomes - including vested and unvested rewards)

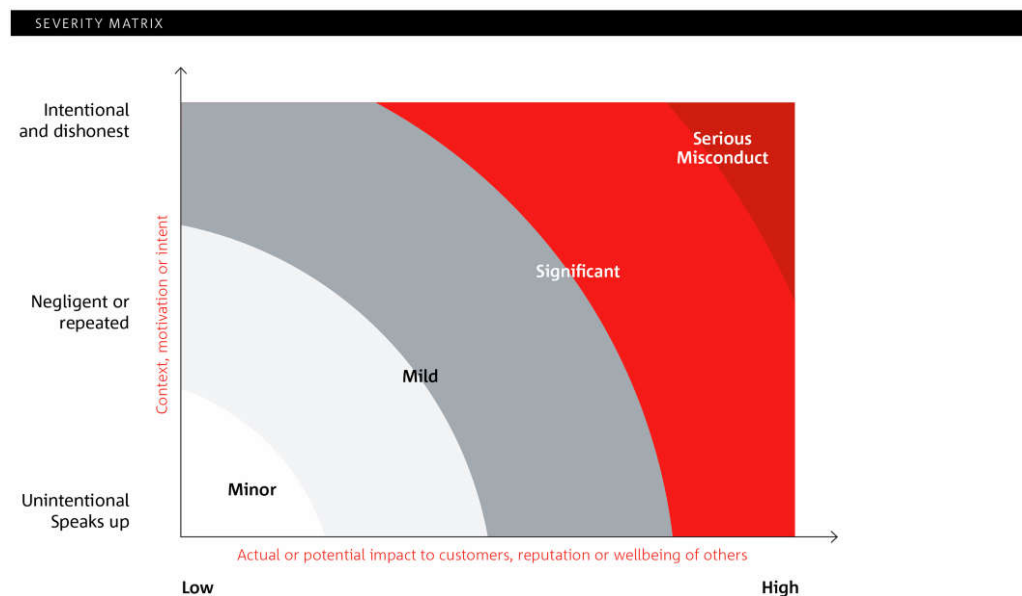
	Risk adjustment	Conduct standards	Malus and clawback
Explanation	<ul style="list-style-type: none"> On recommendation from the Board People & Remuneration Committee, the Board may adjust the 'in-year' funding level of variable reward outcomes or reduce variable reward for individuals to align with risk outcomes. 	<ul style="list-style-type: none"> Vesting and grant of all forms of rewards are subject to the individual meeting conduct standards as set out in the Code. The Board may determine unvested rewards should be adjusted or forfeited (including to zero), in circumstances where these conduct standards are not met. 	<ul style="list-style-type: none"> Malus and clawback may be used to reduce variable reward to align with risk outcomes. Malus (or forfeiture / lapsing of unvested awards) applies to all colleagues. Clawback applies to paid and vested variable reward provided to the Group CEO and Group Executives since July 2018. The Board may apply clawback to the Group CEO, Group Executives, UK Material Risk Takers and other colleagues in certain circumstances.

RISK MEASURES AND ALIGNING RISK AND REWARD (CONTINUED)

Risk and Conduct

Effective consequence management supports an appropriate risk culture across the Group. NAB has enhanced its focus on risk and conduct management in 2020 and 2021:

- The Code was revised and approved by the Board in 2020. The Code outlines what is expected of directors, leaders, colleagues, and contractors who perform services on NAB's behalf. It captures not only NAB's legal and regulatory obligations, but also an expectation to act ethically and responsibly towards customers, colleagues, and communities.
- The Code sets clear standards for what is expected for How We Work, how we approach problems, how we make decisions, and how we support each other to serve our customers well. It emphasises the key policies and guidelines which must be followed to achieve expected outcomes. There is a strong emphasis on speaking up about concerns and a guide to ethical decision making.
- removal of Conduct Gate labels while strengthening the overall approach to consequence management.
- The Code is supported by a renewed approach to conduct and consequence management that focuses on fair, consistent and proportionate consequence outcomes. The consequence management framework has a tiered approach to managing poor conduct (instances where the Code is not being followed) by introducing a consequence management severity matrix. This provides guidance to leaders to help measure the severity of potential misconduct. Consequence is informed by the severity of the matter, including an assessment of intention or repetitive conduct. A range of consequences can be applied – from coaching/ counselling, a reduction in variable reward of between 5% and 100%, as well as formal written warnings, removing eligibility for promotion and termination of employment as shown in the following diagram:



- Each business and enabling unit has established Professional Standards Forums to review or note breaches of the Code at least quarterly, taking action to set the tone and reinforce NAB's standards of conduct and culture. Any material breaches or conduct that is materially inconsistent with the expected outcomes in the Code are reported to the Board People & Remuneration Committee.
- Speak Up training was deployed to all colleagues encouraging a culture where concerns are raised and addressed.
- A network of 128 Whistleblower champions was established to foster psychological safety for colleagues who raise concerns.
- NAB's performance framework (Peak performance) was enhanced in 2021 to further embed non-financial metrics with a stronger focus on risk, customer outcomes, and leadership and culture goals to align with Group strategy and values.
- Enhancements on regular reporting, insights, and data were made to support informed decision-making by management and the Board on risk and remuneration outcomes.
- People leaders attest to having considered Ethics, conduct and disciplinary outcomes in end of year performance and reward decisions for any colleague who has a conduct matter raised during the financial year.

SECTION 2 QUANTITATIVE REMUNERATION DISCLOSURES FOR THE GROUP

Table 2A: Total Value of Remuneration Awards

The following table provides details of remuneration awarded to senior managers and material risk takers of the Group.

	2021				2020			
	Senior managers		Material risk takers		Senior managers		Material risk takers	
	Unrestricted \$000	Deferred \$000	Unrestricted \$000	Deferred \$000	Unrestricted \$000	Deferred \$000	Unrestricted \$000	Deferred \$000
Fixed remuneration								
Cash-based ⁽¹⁾	24,448	-	19,741	-	25,596	-	20,845	-
Other ⁽²⁾	930	-	904	-	955	-	928	-
Variable reward⁽³⁾								
Cash-based	12,400	1,124	14,760	89	4,812	790	5,552	24
Equity ⁽⁴⁾	-	9,955	-	5,275	-	7,183	-	7,080

- (1) Includes cash salary, cash allowances, short-term compensated absences (such as annual leave entitlements accrued but not taken during the year), motor vehicle benefits, parking, relocation costs and other benefits (including any related fringe benefits tax).
- (2) Other fixed remuneration includes employer contributions to superannuation (in Australia and New Zealand) and National Insurance Contributions (in the UK) and long service leave entitlements accrued but not taken during the year. The long service leave entitlements are recognised as accruing on an annual basis subject to an actuarial calculation.
- (3) 31 (2020: 22) senior managers and 34 (2020: 33) material risk takers received variable reward in respect of the relevant year. Some senior managers and material risk takers did not receive variable reward as they ceased employment with the Group or did not meet minimum performance requirements.
- (4) Equity includes all shares and share-linked instruments. Amounts are determined based on the grant date fair value amortised on a straight line basis over the expected vesting period. The amount represents the accounting expense for the relevant year, which includes amounts relating to the relevant year and prior year awards (if any).

Table 2B: Deferred Reward

The following table provides details of deferred reward for senior managers and material risk takers, including the amount outstanding as at the reporting date and the amount paid and reductions during the year. Reductions are split into those that are implicit (such as due to fluctuations in the value of NAB shares and share-linked instruments) and explicit (including reductions as a result of forfeitures and lapses due to failure to meet performance hurdles, resignations or malus adjustments).

	As at 30 Sep 21		As at 30 Sep 20	
	Senior managers	Material risk takers	Senior managers	Material risk takers
	\$000	\$000	\$000	\$000
Outstanding deferred reward as at the reporting date⁽¹⁾	29,763	23,193	35,142	16,637
of which: cash-based	1,124	89	4,014	160
of which: equity	28,639	23,104	31,128	16,477
Paid out during the year ⁽²⁾	9,098	6,513	7,357	8,853
Reductions due to explicit adjustments during the year ⁽³⁾	(3,774)	(2,610)	(9,522)	(1,690)
Reductions due to implicit adjustments during the year	(1,039)	(1,268)	(934)	(611)

- (1) The value of deferred cash awards is the grant value and for deferred equity awards is the grant date fair value. Outstanding deferred reward provided as shares and share-linked instruments is fully exposed to ex post explicit and/or implicit adjustments.
- (2) Includes the value of vested awards using the closing share price of NAB shares on the vesting date.
- (3) Calculated using the closing share price of NAB shares on the forfeiture or lapsing date.

Table 2C: Other Remuneration

The following table provides details of the commencement awards and termination payments for senior managers and material risk takers.

	2021				2020			
	Senior managers		Material risk takers		Senior managers		Material risk takers	
	No. of individuals	Total amount \$000	No. of individuals	Total amount \$000	No. of individuals	Total amount \$000	No. of individuals	Total amount \$000
Commencement awards ⁽¹⁾	-	-	2	836	1	3,140	6	4,243
Termination payments ⁽²⁾	5	3,099	4	1,720	4	3,037	4	1,069

(1) The full value of the commencement awards provided. The 2020 comparative amounts have been restated from that previously disclosed (3 senior managers with a value of \$1,305,000 and 13 material risk takers with a value of \$2,681,000).

(2) Termination payments are made in accordance with the relevant NAB Enterprise Agreement and/or the individual's employment agreement. Shares and rights may be retained by the individual in accordance with the relevant terms and conditions of each grant, which remain subject to the relevant performance hurdles and restriction periods. These arrangements are consistent with the Group's policy and practice in such circumstances.

SECTION 3 QUANTITATIVE REMUNERATION DISCLOSURES FOR THE LONDON BRANCH

The following quantitative disclosures relate to senior managers, risk managers and other material risk takers of London Branch. Amounts in this section are presented in British pounds unless otherwise stated and have been rounded to the nearest thousand pounds (£000).

Table 3A: Total Value of Remuneration Awards

	2021		Total
	Senior managers	Risk managers & other material risk takers	
Number of material risk takers	8	53	61
	Senior managers	Risk managers & other material risk takers	Total
	£000	£000	£000
Fixed remuneration	3,686	16,047	19,733
Variable reward (cash)	331	2,146	2,477
Variable reward (retained shares)	60	177	237
Deferred reward (equity) ⁽¹⁾	42	587	629
Deferred reward (cash) ⁽¹⁾	38	-	38
Total variable reward	471	2,910	3,381
Total remuneration	4,157	18,957	23,114

(1) The Group provides all deferred remuneration in NAB equity or cash.

Table 3B: Deferred Reward

	Senior managers	Risk managers & other material risk takers	Total
	£000	£000	£000
Outstanding - vested as at 30 Sep 2021	806	1,456	2,262
Outstanding - unvested as at 30 Sep 2021	540	1,573	2,113
Awarded during 2021	109	840	949
Vested during 2021	219	685	904
Reductions during 2021 through performance adjustments	-	(2)	(2)

Table 3C: Other Remuneration

	Senior manager ⁽¹⁾	Risk managers & other material risk takers ⁽²⁾	Total
	£000	£000	£000
Retention payments (£000)	-	347	347
Number of beneficiaries	-	2	2
Highest award to a single beneficiary (£000)	-	210	210
Termination payments (£000)	150	-	150
Number of beneficiaries	1	-	1
Highest award to a single beneficiary (£000)	150	-	150

(1) No commencement awards were provided to senior managers during 2021.

(2) No commencement awards were provided to risk managers or material risk takers during 2021.

Other Remuneration Information

In 2021 two senior managers were remunerated more than EUR 1 million but less than EUR 1.5 million. All other senior managers, risk managers and other material risk takers were remunerated less than EUR 1 million. Total remuneration includes fixed remuneration, allowances and variable reward. All values were converted using a rate of 1 Euro = £0.85748, consistent with the European Commission's currency converter for September 2021.

GLOSSARY

Term	Description
Accountable Person	An accountable person for the purposes of the <i>Banking Act 1959</i> (Cth). Members of the Executive Leadership Team are Accountable Persons.
ADI	Authorised Deposit-taking Institution.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
BNZ	Bank of New Zealand.
Cash earnings	Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the 2021 financial year has been adjusted for the following: <ul style="list-style-type: none"> - distributions - hedging and fair value volatility - amortisation of acquired intangible assets - acquisition, integration and transaction costs.
Cash return on equity (cash ROE)	Cash earnings after tax expressed as a percentage of average equity (adjusted).
CPS	Prudential Standards issued by APRA applicable to regulated entities, including ADIs.
Distributions	Payments to holders of equity instruments other than ordinary shares such as National Income Securities.
Executive Leadership Team (ELT)	Senior managers of the Group as described in the 2021 Remuneration Report.
Group	NAB and its controlled entities.
Group Performance Indicators (GPI)	Financial and non-financial measures linked to the Group's key strategic priorities used to assess the Group's performance for the financial year and determine variable reward outcomes for colleagues on the Group Variable Reward Plan.
Hedge and fair value volatility	This volatility represents timing differences between the unrealised gains or losses recognised over the term of the transactions and the ultimate economic outcome which will only be realised in the future. This volatility arises primarily from: <ul style="list-style-type: none"> - fair value movements relating to trading derivatives held for risk management purposes - fair value movements relating to assets, liabilities and derivatives designated in hedge relationships and - fair value movements relating to assets and liabilities designated at fair value.
How We Work	How We Work identifies the core elements of behaviour expected of colleagues for NAB to deliver its strategy and clearly articulate NAB's target culture. The core elements are: <ul style="list-style-type: none"> - Excellence for customers - Grow together - Be respectful - Own it.
NAB	National Australia Bank Limited ABN 12 004 044 937.
Net Promoter Score (NPS)	Net Promoter® and NPS® are registered trademarks, and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Net Promoter Score measures the likelihood of a customer's recommendation to others for retail or business banking.
Return on Total Allocated Equity (ROTAE)	A function of cash earnings, risk-weighted assets, regulatory capital deductions and target capital ratios.
Risk-weighted assets	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.