



Thursday, 6 December 2018

ASX Announcement

2018 Remuneration Report - points of clarification

Since the release of our 2018 Remuneration Report, the Board has engaged extensively with proxy advisers and shareholders. The Board has received shareholder feedback on both the extent to which variable reward is aligned to the achievement of long term objectives and the circumstances in which the Board would exercise its discretion to reduce, forfeit, further extend or claw back deferred awards.

From 2018 onwards, 60% of variable reward for Executives will be deferred in dividend eligible shares for a minimum of 4 years. This is to drive sustainable long term performance and align Executive and shareholder experience.

Annual objectives for Executives are set to ensure we are making progress towards long term outcomes each year which have been consistently disclosed in NAB's result announcements and include the achievement of positive customer NPS, reduced cost to income ratio, improved ROE relative to peers, top quartile employee engagement and transformation outcomes.

The Board monitors and reviews performance periodically throughout the deferral period and prior to any vesting to ensure that performance is maintained and there is no new information that would alter the original decision to award a deferred variable reward. In the event that there is a significant risk or conduct matter that comes to light, the Board would consider forfeiting some or all deferred variable reward immediately, rather than waiting until a vesting milestone.

In addition, prior to any vesting of deferred awards, the Board will conduct a review of individual and company performance to ensure the performance has been sustained over the longer term and progress has been made towards the key strategic objectives.

The Board has deliberately avoided being overly prescriptive to ensure maximum flexibility in the use of their discretion, given the inherent difficulty in predicting future events.

The Board is committed to disclosing each year in the Remuneration Report the matters taken into consideration in determining the grant of deferred awards and the basis on which previous deferred awards for any individual or group may have been reduced, forfeited, further deferred or clawed back.

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