



National
Australia
Bank

SUSTAINABILITY REPORT 2020



ABOUT THIS REPORT

This report provides information on our environmental, social and governance performance and practices. We'll explain what we're doing in these areas to serve customers well and help our communities prosper.

This Sustainability Report and accompanying Sustainability Data Pack (the 'Data Pack') cover the NAB Group's performance from 1 October 2019 to 30 September 2020 unless otherwise stated.

They are part of our [2020 Annual Reporting Suite](#),

which also includes the Annual Review, Annual Financial Report and Corporate Governance Statement.

This Sustainability Report is prepared using the Global Reporting Initiative Standards core option. It also refers to the

Task Force for Climate-related Financial Disclosures (TCFD) recommendations, Integrated Reporting Framework and United Nations Sustainable Development Goals (SDGs).

GET IN TOUCH

If you have questions or comments about this report, please share them with us here:

social.impact@nab.com.au

We are here to serve customers well and help our communities prosper.

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Detailed quantitative data relating to ESG performance is available in our Sustainability Data Pack.

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CEO'S MESSAGE

By Ross McEwan, CEO



In my first months at NAB, I travelled across Australia meeting NAB customers and colleagues. I was grateful to have the opportunity to see the very important roles they have in their communities.

The devastating impact of last summer's bushfires was stark in many of the places visited. At the same time, it was heart-warming to hear stories that when our customers had reached out to NAB for help, we were able to provide critical and immediate assistance.

That is what a bank should do in times of crisis.

This sustainability report outlines the various areas in which NAB ensures that we contribute in a meaningful way to improving lives and livelihoods.

It is absolutely consistent with our ambition: to serve customers well and help our communities prosper. Prosperity is a powerful ambition. In a sustainability context and looking back on 2020, those words take on extra meaning for NAB.

Our ability to mobilise quickly to support customers was evident again when COVID-19 hit Australia, with restrictions forcing the temporary closure of businesses and putting thousands of people out of work. Our colleagues were there, making sure customers had access to funds and the support services they needed.

We work directly with our customers to find the right solution or refer them to free and independent services if that's what they need. We won't deal with fee-charging debt management providers looking to take advantage of customers already under pressure.

Going forward, we want to be known for being easy to deal with, a safe bank, relationship-led and for our long-term view. It is the first time that sustainability has been anchored in our corporate strategy and it reflects the commitment we've made to act responsibly as part of the United Nations Global Compact.

It is a commitment I take very seriously as CEO of a major Australian organisation.

This approach will help guide us in addressing some of society's biggest challenges with commercial responses, creating sustainable business practices and innovating for the future.

Climate change is one area where we will play our part. We are evolving our business to help manage the effects of climate change and support the transition to a low-carbon economy. Critically, we are doing this mindful of energy security, the challenges and opportunities of our major customers and the potential impacts on the communities in which they employ many Australians.

There is more to do and we are working closely with our customers to help them transition their businesses to net zero emissions by 2050.

This year, we invested more than \$42 million in community activities. This included \$5 million committed to support customers, colleagues and communities impacted by the bushfires with emergency grants, and support longer-term recovery efforts. Through our partnership with Good Shepherd Australia New Zealand and in grassroots

sport, via our support of the AFL, AFLW and Special Olympics Australia, we invested \$15 million.

We know that to earn the trust of our customers, we must continue to improve our culture. We are resetting our focus for the next three years to take even greater strides towards being a more inclusive employer. A more diverse and balanced workforce helps drive innovation and creativity that leads to faster problem solving and better customer outcomes.

We know that trust is the foundation of any good bank. We are determined that NAB will serve Australia well for decades to come.

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OUR 2020 SNAPSHOT

HOW WE SERVE

859 **1,572**

branches & business banking centres
ATMs

>90% **>1m**

customers who interact with us are digitally active
virtual and live conversations

SUPPORTED CUSTOMERS WITH

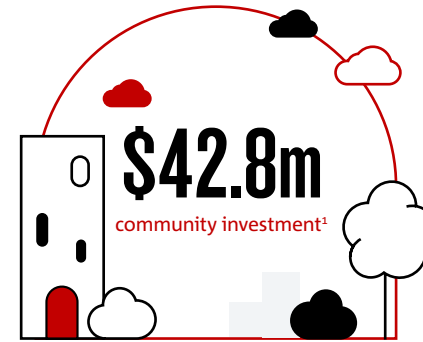


- >110,000 home loan deferrals
- >38,000 business loan deferrals

\$15.9BN

NAB's economic value distributed

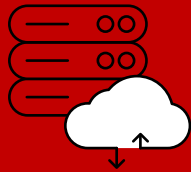
payments to government, suppliers, shareholders, our colleagues, and the community



FUNDING FOR THE FUTURE

\$2BN

financing in emerging technology by 2025



\$2BN

financing in affordable and specialist housing by 2023

~9m

customers

26,621

customers experiencing hardship assisted²

32,560

microfinance loans³

\$5m

committed to support customers, colleagues and communities impacted by the bushfires, including:

- \$3.6m in support for impacted customers and colleagues and in emergency relief donations
- \$1.4m directed towards longer-term community recovery efforts

Progress against environmental financing commitment⁴

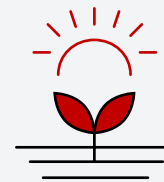
2020: **\$8.9BN**

Cumulative total since 2015:

\$42.5BN

\$70BN

by 2025



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ROYAL COMMISSION PROGRESS

76 recommendations

7 complete

32 in progress

29 no action required

8 not applicable



\$468m

returned to customers through remediation in 2020.

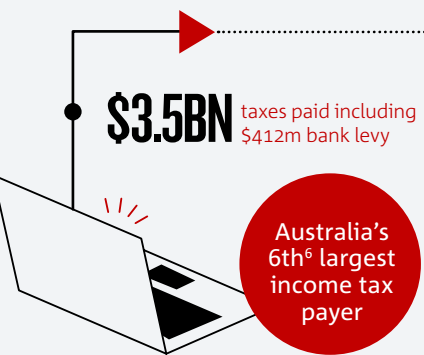
\$1,945m

total provision for remediation

#1 IN BUSINESS LENDING

21.5%

market share⁵



1 Corporate community investment ranges from short-term donations to longer-term capacity-building programs. It is calculated using the London Benchmarking Group methodology. For more information, refer to [page 49](#) and the 2020 Sustainability Data Pack.
 2 This number reflects customers who have been referred to NAB Assist for hardship assistance, and is not inclusive of customers with an active deferral as at 30 September 2020.
 3 Provided in partnership with Good Shepherd (Australia and New Zealand).
 4 Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our [Data Pack](#) for a further breakdown of this number and reference to how our environmental finance commitment is calculated.
 5 APRA Monthly Authorised Deposit-taking Institution statistics.
 6 The Australian Tax Office, 2017-2018 Report of Entity Tax Information



2020 SCORECARD

↑ Well progressed ↻ Progressing

The targets below show our progress in meeting our business and social commitments. They align with the United Nations Environment Programme Finance Initiative (UNEP FI) **Principles for Responsible Banking (PRB)** pathway to a stronger future – for people and the planet. The SDGs are 17 global goals to which Australia and other nations have signed up, to achieve a better and more sustainable future. These targets support NAB's new Group Strategy as outlined on **page 7**.

TARGET / COMMITMENT	SUSTAINABLE DEVELOPMENT GOALS	2019	2020	PROGRESS
Strategic NPS scores: Be #1 major Australian bank and NPS positive ¹		#1 -16	#2 -11	↑
Environmental financing: Provide \$70 billion in environmental financing over 10 years (by 2025)		\$33.6bn	\$42.5bn ²	↑
Thermal coal financing: Cap thermal coal mining exposures at 2019 levels, reducing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets		\$0.76bn EaD	\$0.67bn EaD	↻
Renewable energy consumption: Source 100% of Group electricity consumption from renewable sources by 2025		3%	7%	↻
Our new 2025 Group environmental operational targets (from 2019 baseline): a) Science-based GHG emissions (tCO ₂ -e) ₃ – 51% reduction from 2015 baseline b) Energy use (GJ) – 30% reduction c) Office paper (tonnes) – 20% reduction d) Customer eStatements (proportion online only) – 80% of all statements e) Waste to landfill (tonnes) – 10% reduction f) Water use (potable water withdrawal) (kL) – 5% reduction g) Vehicle fuels (GJ) – 50% reduction h) BNZ only staff air travel (tCO ₂ -e) – 70% reduction		a) 30% reduction b) New c) New d) New e) New f) New g) New h) New	a) 41% reduction b) 11% reduction c) 23% reduction d) 65% of all statements e) 22% reduction f) 21% reduction g) 18% reduction h) 38% reduction	↑
Our 2020 Group supplier sustainability targets: 90% of material suppliers comply with our Global Supplier Sustainability Principles 100% of new/re-contracted suppliers in sensitive sectors assessed for ESG risks each year		GSSP 88% ESG 100%	GSSP 90% ESG 100%	↑
Gender equality: 40% – 60% of either gender represented at all levels of the business by 2020		51% female overall 33% female in executive management	50% female overall 36% female in executive management	↻
Indigenous inclusion and support: a) 70 Indigenous Australian traineeships offered per year ⁴ b) Spend \$2.6 million with Indigenous businesses by 2021 (baseline year 2019) ⁵ c) Provide 19,000 microfinance loans to Aboriginal and Torres Strait Islander customers by 2021 (baseline year 2019) ⁶		a) 76 b) \$1.4m spend c) 6,725 loans	a) 65 b) \$2.4m spend c) 6,906 loans	↑
Technology: \$2bn financing for local emerging technology industry by 2025 (baseline 2020)		New	\$1,239m	↑
Affordable and specialist housing: \$2bn financing in affordable and specialist housing by 2023 (baseline 2020)		New	\$11.6m ⁷	↻

1 Refer to Glossary on **page 48** for definition of NAB's Strategic NPS, which has changed in 2020. Prior year data has been restated to align to the 2020 definitions. Scores are presented comparing September 2019 to September 2020.
 2 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the **2020 Sustainability Data Pack** for more information.
 3 Science-based emissions reduction target uses a 2015 baseline as revised in 2020. Refer to the **2020 Sustainability Data Pack**.

4 While 65 new traineeships were offered this year, 108 Indigenous Australian trainees were employed in 2020.
 5 As of 2020 Indigenous business spend excludes GST.
 6 Microfinance loans provided to Indigenous Australians are based on a July-June reporting period.
 7 Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. Progress of \$11.6m is based on total lending facilities committed, where first drawdown occurred during the commitment period. This number does not reflect debt balance.

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OUR APPROACH

We are here to serve customers well and help our communities prosper.

Our role

We have more than 34,000 colleagues² serving approximately nine million customers who rely on us to deliver secure, easy and reliable banking services. Our branches and offices in more than 850 locations in Australia, New Zealand, London and New York serve those local communities. As Australia's leading business and agricultural bank³ we have a unique responsibility to support our businesses and farmers.

We take our role in the community seriously and recognise the important role we and other large businesses play in supporting a strong economy in the current environment. In response to COVID-19, we are taking decisive action to support customers and colleagues. We will keep working on what matters most for our customers.

We remain focused on the lessons learnt from the Royal Commission into Misconduct in the Banking, Superannuation & Financial Services Industry and are making progress on the recommendations made in last year's Final Report. Getting the basics right for our customers and continuing to improve our culture remain our guiding focus.

Our contribution to the economy

A strong and resilient economy supports our community in many ways. Our business helps our communities prosper by safeguarding jobs, investing in their future, and helping people improve their financial health. This is particularly important during an economic downturn.






This year we distributed \$15.9 billion in payments³ that flow into our economy and communities. How this economic value is shared is listed on the right. More information about how we create value for our customers, colleagues, and communities is in our [Annual Review](#).

Our community investment

Our Corporate Community Investment (CCI) approach is aligned to the long-term pillar of our new Group Strategy (see [next page](#)). Using the London Benchmarking Group (LBG) framework, CCI measures the dollar value of what we contribute to community organisations through donations, partnerships, sponsorships and volunteering⁴.

In a challenging last year, we invested \$42.8 million

OUR ECONOMIC VALUE DISTRIBUTED

	Suppliers	Payments made for the provision of utilities, goods and services.	\$5.1bn
	Community investment	Community partnerships, donations, grants, in kind support and volunteering.	\$42.8m
	Shareholders	\$3.3 billion dollars in dividend payments to more than 641,000 shareholders.	\$3.3bn
	Colleagues	Colleague salaries, superannuation contributions and incentives.	\$4.0bn
	Governments	Payments made to governments in the form of the Bank Levy (\$412 million paid) plus \$3.1 billion in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	\$3.5bn
Total Economic Value Distributed³			\$15.9bn

OUR INDIRECT ECONOMIC CONTRIBUTION

\$66bn in new home lending.	\$469bn in deposits managed for retail and business customers.	>\$60bn in total deferrals provided during COVID-19.
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in community activities, an \$8.5 million decrease from the previous year⁵. The decrease in 2020 has largely been driven by COVID-19, resulting in a reduction in volunteer hours completed and a reduction in forgone revenue through

microfinance loans provided. The total includes donations and volunteering to support bushfire response and recovery efforts during the Australian summer. Beyond emergency relief, the main focus of our investment in 2020 was supporting

disadvantaged communities (through our partnership with Good Shepherd) and grassroots sport (through our support of the AFL, AFLW and Special Olympics Australia). For more information please refer to the [Data Pack](#).

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1 Number of full-time equivalent colleagues as at 30 September 2020, including discontinued operations. Excluding discontinued operations, FTE for 2020 is 31,372.

2 Based on market share.

3 Aligned to the Global Reporting Initiative (GRI) Standards. Economic value distributed includes operating costs, colleagues' wages and benefits, payments to providers of capital, payments to government and community investments.

4 Refer to Glossary on [page 48](#) for definitions of LBG CCI categories.

5 Prior periods' 'Community investment' figures have been re-stated due to a calculation error of a component of forgone interest relating to microfinance products.



OUR APPROACH

Sustainability in our group strategy

Sustainable business is good business. It is our responsibility to make good long-term decisions and help support a strong Australian economy into the future. That is how we will continue to serve customers well and help our communities prosper for years to come. It is why we are investing now for a more prosperous future.

This long-term approach is now explicitly included in our Group Strategy. The Group Strategy, explained in depth in our Annual Review, sets out what we will be known for over the next five years:

- **Safe:** protecting customers and colleagues through financial and operational resilience.
- **Easy:** an easier, more seamless and digitally enabled bank that gets things done faster.
- **Relationship-led:** building on market-leading expertise, data and insights.
- **Long-term:** delivering sustainable outcomes for our customers, colleagues, and communities.

The long-term approach is inclusive of our focus on sustainability, and our determination to tackle some of society's biggest challenges where we are best-placed to make the most positive impact. This includes responding to natural disasters, taking action on climate change and building financial health and resilience. We cannot respond to these challenges without resilient and sustainable business practices.

We are working to align our long-term goals with the PRB and **SDGs**, prioritising the following SDGs where we expect to have the biggest impact:

- ▶ **#7** Affordable and clean energy.
- ▶ **#8** Decent work and economic growth.
- ▶ **#9** Industry, innovation and infrastructure.
- ▶ **#11** Sustainable cities and communities.
- ▶ **#13** Climate action.
- ▶ **#15** Life on land.

HOW WE'RE DRIVING A LONG-TERM FOCUS



Commercial responses to society's biggest challenges

Supporting a low-carbon economy, driving investment in natural assets, helping people reduce financial stress and creating more sustainable and inclusive communities.

Our priorities:

- Climate action.
- Sustainable agriculture
- Financial health and resilience.
- Indigenous economic participation.
- Infrastructure and urbanisation.



Resilient and sustainable business practices

Managing our environmental, social and governance (ESG) risks and opportunities responsibly, and creating Australia's leading ESG capability.

Our priorities:

- Our colleagues.
- ESG risk management.
- Carbon footprint of operations.
- Human rights, including modern slavery.
- Incentivising sustainable financing.



Innovating for the future

Driving investment in new, emerging and disruptive technologies, and partnering with customers, industry and government on critical thought leadership and disaster response initiatives.

Our priorities:

- Our future core business and market-leading data analytics.
- Partnerships that matter.
- Natural disaster preparedness, relief and recovery.



Aligned to six key Sustainable Development Goals – where we can make the biggest impact

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OUR APPROACH

Helping Australia move towards a sustainable future

As a founding signatory of the PRB and the first Australian bank to join the UN Collective Commitment to Climate Action (CCCA)¹, we want to show industry leadership in making a positive impact on society.

We have identified the following areas of social and environmental need where we are best-placed to make the biggest impact:

- Natural disaster preparedness, relief and recovery.
- Climate action.
- Sustainable agriculture.
- Financial health and resilience.
- Indigenous economic participation.
- Infrastructure and urbanisation.

We are responding to many of these challenges with strong commitments, including those made from our participation in the Australian National Outlook (ANO) project². We also know there is more we can do. Our progress against our commitments appears in the [2020 Scorecard](#) section of this report.

The PRB provide the framework for sustainable banking, and aim to help the banking industry demonstrate how it makes a positive contribution to society. Having signed up in September last year, we are committed to meeting all six principles over the next three years.

For more detail, refer to our 'PRB Self-Assessment' in the [Data Pack](#).

Progress against the UN Principles for Responsible Banking

PRINCIPLE	OUR PROGRESS
<p>1. Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	<ul style="list-style-type: none"> • Sustainability – as part of our 'long-term' approach – is now explicitly included in NAB's Group Strategy, with reference to the six key SDGs we are seeking to progress. Work is under way to integrate this into divisional strategies and capital allocation. • BNZ has integrated sustainability into its business strategy and will report progress against relevant targets in its standalone Sustainability Report.
<p>2. Impact and target setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	<ul style="list-style-type: none"> • Work is under way to analyse the material positive and negative impacts arising from NAB's lending portfolio. This includes an initial estimation of financed emissions attributable to NAB Group across a range of sectors within Australia. NAB is also participating in PRB working groups, and piloting a UNEP FI tool to undertake impact analysis across our entire portfolio relative to our areas of operation. • NAB has made commitments to increase positive impact by providing: <ul style="list-style-type: none"> • \$70 billion in environmental financing by 2025. • \$2 billion in affordable and specialist housing financing by 2023. • \$2 billion in emerging technology financing by 2025.
<p>3. Clients and customers We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>	<ul style="list-style-type: none"> • BNZ has set a target of having 50 per cent of BNZ SME customers measuring emissions, setting reduction targets and reporting climate change impacts by 2025. • NAB has commissioned ClimateWorks Australia to apply sector-based analysis under 2°C and 1.5°C scenarios to understand possible transition pathways our customers can take to achieve net zero emissions by 2050 and the actions they may be able to undertake to get there. See page 30 for details. • NAB will work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023.
<p>4. Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	<ul style="list-style-type: none"> • NAB has well-developed processes for identifying and engaging with key stakeholders to drive commercial responses to address society's biggest challenges. For example, this year we engaged stakeholders in the review of the Group's Human Rights and Environmental Policies. Additionally, NAB engaged stakeholders in relation to our decision to sign the Tobacco-Free Finance Pledge. • NAB also engaged with policy makers and contributed to government consultations on topics such as climate, biodiversity, energy policy, modern slavery and other sustainability issues via industry associations and directly.
<p>5. Governance and culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	<ul style="list-style-type: none"> • PRB obligations have been formally assigned in our risk management system. This will ensure accountability across relevant divisions, supporting our leaders and teams in driving implementation of our commitment. • NAB and BNZ are participating in the PRB target-setting working groups relating to biodiversity and financial inclusion. • Sustainability performance is included in NAB's remuneration and performance management framework.
<p>6. Transparency and accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>	<ul style="list-style-type: none"> • NAB's first PRB Self-Assessment is available in our Sustainability Data Pack, outlining our progress against the Principles in more detail. • This self-assessment is subject to independent assurance.

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1 The CCCA commits NAB Group to aligning our lending portfolio to net zero carbon emissions by 2050.

2 A collaboration with 20 other non-governmental organisations led by CSIRO and NAB. The 2019 ANO report recommended five key shifts that Australia should make to secure a prosperous future across industry, the urban landscape, energy, land use and culture. Our affordable housing, emerging technology and sustainable agriculture commitments stemmed from our participation in the project.



HOW WE LISTEN

We are listening to, and acting on, feedback from our customers, colleagues and communities.

Ongoing listening helps us understand what we can do to better serve our colleagues, customers, advocacy groups, government, regulators, investors, community partners, unions, industry groups and media. You can find out more about our approach to stakeholder engagement on our [website](#).

We participate in industry associations and collaborations, with more information detailed on our [website](#).

At the request of the Australian Prudential Regulation Authority (APRA), NAB completed a self-assessment into governance, accountability and culture in June 2018. A detailed report on our progress against the self-assessment actions and Royal Commission recommendations, published on 11 November 2020, can be found here. See the **'Governance, conduct and culture'** section for a summary.

One of our self-assessment goals is to strengthen the voice of the customer in our bank. Listening to and acting on customer feedback is one way we are doing this. The Net Promoter System (NPS)¹ is our leading customer feedback measure,

supporting our culture of continuous learning and delivery of improved customer outcomes.

NPS provides real-time feedback by asking customers how likely they are to recommend NAB to friends, family or colleagues, using a 0-10 scale. The overall score is calculated by subtracting the percentage of customers that answer 6 or below ('detractors') from the percentage of customers that answer 9 or 10 ('promoters'). Our target is to have the highest Strategic NPS² score of our peers in the Consumer and Business segments, and be NPS positive.

In 2020, our overall Strategic NPS score was -11, which is a 5 point improvement on last year and we were ranked #2 among the major Australian banks. We exceeded our 2020 Strategic NPS target of -14, continuing to make progress towards our long-term NPS positive aspiration.

- **Consumer NPS** increased from -14 to -6 (September 2019 to September 2020). NAB is equal #1 among the major Australian banks.
- **Business NPS** increased from -18 to -15 (September 2019 to September 2020). NAB is equal #2 among the major Australian banks.

Each week, our teams review NPS feedback and insights, and use their findings to sharpen our focus, instigate change and turn our customers into advocates.

Acting on customer complaints

When we don't get it right, it is our responsibility to fix it and learn how to be better. This year we adjusted our focus from complaints reduction to capturing more customer feedback, delivering faster quality resolutions to customers and undertaking more comprehensive analysis and insight.

We have increased our capability to analyse complaints. Each complaint is read by a member of our Complaints Analytics team and coded so that we can understand the products and services it relates to, the stage of the customer journey and the detailed issue the customer raised.

We are improving our complaints capture and handling systems, making it easier for customers to make complaints and easier for our colleagues to resolve them. We aim to capture more complaints and resolve more of them at the customer's first point of contact (FPOC). Our FPOC resolution rate has increased for Personal Banking and Business and Private Banking customers. For Personal Banking customers

it was 55% in September 2019, ending this year at 68%. For Business and Private Banking customers, it has improved from 67% to 68%.

In response to COVID-19, we have tagged all complaints that were caused or exacerbated by the pandemic, identified common themes and ensured that consistent and fair outcomes were created for each of the identified themes.

Listening to our colleagues

Our aim is for every person at NAB to be proud to work here. That starts with listening and acting on what our colleagues tell us matters most. We have improved how we listen to our colleagues, focusing on ongoing, continuous listening followed by actions.

See the **'Colleague capability and wellbeing'** section for details.

Identifying what matters

Every year we ask our stakeholders for feedback on our performance and practices. Their insights help shape our activities and reporting.

This year we engaged with the investment community, NAB leaders and more than 1,400 personal and business customers to help determine and validate the environmental, social and governance (ESG) issues of most

One of our self-assessment goals is to strengthen the voice of the customer in our bank.

importance to our business, using a four-stage process:

1. Identifying issues based on last year's themes. We used internal processes (colleague engagement survey, peer review, reviewing ESG performance in sustainability rating benchmarks) combined with external frameworks and standards to check whether they remain relevant.
2. Prioritising themes with stakeholders. We sought the views of customers, the investment community and NAB leaders through a mixture of surveys and interviews.
3. Validating themes with input from our senior leaders.
4. Reviewing validated themes against last year's report feedback, specific feedback on disclosures, and considered in the context of our operating environment.

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1 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Refer to Glossary on [page 48](#) for a definition of NAB's segments.
 2 Strategic NPS: Sourced from DBM Atlas, measured on a six month rolling average. Definition has been updated to give all customers within the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. This has replaced "NPS priority segments" as previously reported by NAB, which was a simple average of four customer segments (Home Owners, Investors, Small Business and Medium Business). Data is presented comparing September 2019 to September 2020 figures. Note that data presented in the Remuneration Report in NAB's Annual Financial Report is stated on an August 2019 to August 2020 period. Prior year data has been restated to align to new segments.
















MATERIAL THEMES

Our material themes are the environmental, social and governance (ESG) issues that matter most to our stakeholders and our business. They are part of an ongoing process to improve our practices and better respond to community expectations.

This year's high-priority themes were customer, governance and colleague-related, reflecting the need to focus on the core business of banking and our industry's role in supporting the economy – all in the face of COVID-19 and an economic downturn.

Addressing climate change and helping our customers transition to a low-carbon economy continues to be a priority ESG issue across stakeholder groups.

These themes are defined on the right in order of priority, and are explored in more detail throughout this report.

THEME	WHY IT IS IMPORTANT	SUSTAINABLE DEVELOPMENT GOAL
 Supporting customers	It's our job to serve customers well. We are providing accessible products, acting quickly to fix things when we get it wrong, and helping individuals and businesses get through difficulty, hardship and vulnerability. In the near term, this means supporting customers throughout COVID-19 so they come out the other side in the best possible financial position. In the longer term, it's helping customers recover and supporting inclusive economic growth. Supporting customers also includes driving social impact by supporting industries such as education, affordable housing, health and medical research.	   
 Governance, conduct and culture	Being transparent and making ethical decisions, while continuing to show progress on the recommendations of the Royal Commission and actions of the APRA self-assessment. This includes how we are changing our culture, driving the right behaviours that put customers' needs first and embedding accountability throughout the organisation.	  
 Colleague capability and wellbeing	Looking after our colleagues' health and wellbeing, and ensuring they are well-equipped to manage new and remote ways of working. This has been particularly important following changes in the way we work due to COVID-19. This includes embracing inclusion and diversity at all levels of our workforce and playing a leadership role in the professionalisation of the banking industry.	   
 Managing climate change	Showing leadership and taking decisive action on climate change and environmental sustainability. We see climate change as a risk and an opportunity for our business and the broader economy, and recognise the important role we can play in supporting customers and industries to transition to a low-carbon economy and become more sustainable.	  
 Data security, technology and innovation	Maintaining resilient, reliable and secure systems oriented to customer outcomes and experience. This includes making things simpler, faster and safer, and managing data privacy, security and risks responsibly. Addressing digitisation and disruption through innovation is also important.	 

Learn more about NAB's broader approach to social impact on our [website](#). This includes more details about other important issues such as human rights and supply chain impacts, which also appear in the, '[How we act](#)' section of this report.

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Supporting customers



We are focused on getting the basics right and serving customers well through uncertainty.

Why is this important?

Our business only succeeds when our customers succeed. This year, we have been focused on building a secure, easy, and relationship-led banking experience while supporting our customers through the wide-ranging impacts of bushfires, drought and COVID-19. Maintaining access to banking services, providing expert guidance, hardship relief and support, and continuing to lend responsibly are critical to Australia and New Zealand's stability and recovery. We know that access to inclusive financial services is critical to achieving the Sustainable Development Goals (SDGs), particularly for people who are at risk of financial exclusion and vulnerability.

What are we doing?

Supporting customers through COVID-19

It is our job to step up and support customers through this crisis. How we treat our customers will define how they think of us for years to come. We have implemented a range of measures to continue to serve our customers and remain a safe, responsibly managed bank.

Ensuring the flow of credit

Providing a steady flow of capital through the economy is a critical part of Australia and New Zealand's recovery. We remain open for business and continue to lend to our personal and business customers at a steady rate. We have made some targeted changes to ensure we continue to lend responsibly by:

- Temporarily increasing the level of reduction we apply when assessing income from uncertain and rental income streams to account for increased uncertainty.
- Temporarily no longer accepting short-term rental income.
- Strengthening requirements regarding timeliness of proof of income.

Our credit appetite and risk settings remain unchanged for business lending, and we're still Australia's biggest business bank¹. Every month through COVID-19 we've provided around \$2.4 billion in loans to businesses.

Supporting customers

Our repayment deferrals have provided vital assistance to customers, in combination with significant relief from governments and regulators.

- We've provided deferrals for up to six months for more than 110,000 home loans and more than 38,000 business loans (combined value of more than \$60 billion).
- We've approved more than \$600 million in Business Support Loans under the Government's SME Guarantee Scheme.
- When appropriate, we've provided our customers with the option to extend existing deferrals by up to four months (ending no later than 31 March 2021).
- We've led check-in conversations with more than 41,000 homeowners on deferrals.

At the same time, we will sometimes need to make the hard but right decisions. Lending more money to customers who have little chance of repaying it will cause them more harm in the long term.

We've also made rapid, transformational changes in order to support customers remotely, see the **'Data security, technology and innovation'** section for details. To understand how we're supporting colleagues during COVID-19, see **'Colleague capability and wellbeing'**.

Building financial health and resilience

Making it easy for customers to manage their money

We want to offer our customers exceptional service by providing products and services that suit their individual situation and meet their needs. This year, we:

- Removed 12 products, consolidated 8 products and removed 88 fees².
- Launched Australia's first no interest credit card (StraightUp), with a no use, no pay feature.
- Enabled by the Federal Government's First Home Loan Deposit scheme, we're one of the first major banks in Australia to make it easier for approved applicants with only a five per cent deposit to obtain a mortgage without lenders mortgage insurance.
- Increased the maximum account value threshold up to which UBank customers can earn bonus interest to \$250,000. This resulted in 99% of UBank customers now receiving bonus interest on their savings.
- Launched an in-app activity tracker at BNZ, designed to help customers be good with their money.

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FEES REMOVED FROM OUR PRODUCTS

We supported our business customers this year by:

- Partnering with Strive Stronger we created 'NAB Business Fit'. This service, launched in October 2020, provides practical and evidence-based learning to support business owners and their staff be more resilient, transition to new ways of working and sustain physical and psychological wellbeing.
- Simplifying our merchant pricing plans, and our partnership with UK-based fintech Pollinate to roll out software for our Business Banking customers to provide greater access to sales data analytics, including average transaction values and payment types.
- Releasing research examining eight key areas of reform and action required from large businesses, like NAB, and governments to support Australian small and medium sized businesses.

¹ Based on business lending, APRA Monthly Authorised Deposit-taking Institution statistics.

² Consolidation due to multiple events including: where multiple products have been removed from our on-sale catalogue with no customer migration required, levelling exercises where multiple products with the same offering have been consolidated without customer migration, and for products that have been divested through divestment of Wealth business.

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Supporting customers



● CASE STUDY

Exploring wellbeing

Understanding the levels, and drivers, of wellbeing of our customers, colleagues and communities has always been important. COVID-19 has only emphasised this.

This information is useful to governments and businesses, and helps us to target our efforts and resources to understand challenges and drive greater impact.

Since 2013, and 2018 in New Zealand, we have measured population wellbeing through the quarterly Wellbeing Index.

The Index captures self-perceptions of life satisfaction, life worth, happiness and anxiety. We publish high-level data, and share detailed insights with partners. This year, we have expanded our questions into the role of financial health in relation to overall wellbeing. Findings this year include:

- Wellbeing levels in New Zealand have held up well during COVID-19.

- Australian wellbeing levels are starting to diverge markedly across the country, with the gap between wellbeing in Victoria and the rest of Australia now at its widest point in the survey's history.
- Wellbeing levels are significantly lower for unemployed Australians, and those that lost their primary source of income due to COVID-19.
- COVID-19 has also tested Australian business owners and operators in unique ways: over 4 in 10 people in business are 'highly anxious', 1 in 3 'lonely', and 1 in 5 'not coping well'.
- In response to the findings NAB has created a wellbeing program specifically to support Australian business owners.

In 2021, we'll apply this methodology to colleagues at NAB. This will complement the existing ways we listen and act on feedback, and allow for comparisons between our colleagues and our broader community.

Financial inclusion

A significant number of Australians and New Zealanders experience difficulties accessing financial services¹. This can limit their ability to earn income, build assets and manage unexpected expenses. This is particularly so for those on low-incomes and people who are under or unemployed. COVID-19 is expected to have a sustained impact on unemployment levels, increasing

the need to ensure equality of access to services.

These impacts on society are reinforcing the importance of our 17-year partnership with Good Shepherd to provide appropriate products and services to those excluded from mainstream banking. These products, operated on a not-for-profit basis, can support individuals who may

be excluded because of lower income or financial capability levels, or poor credit histories.

We have committed capital of \$130 million in Australia and NZ\$60 million in New Zealand to support loans that build financial inclusion. This year, we:

- Provided more than 32,000 microfinance products and services.

- Allocated capital support for two new Good Shepherd programs, backed by the Australian Government:
 - Household Relief Loans: no interest loans of up to \$3,000 to support people who have lost employment or income due to COVID-19, with rent and utilities expenses.
 - Domestic Violence No Interest Loans Scheme: no interest loans to support victims of domestic and family violence in establishing a safe household and contribute to rebuilding their lives.
- Within New Zealand, BNZ allocated NZ\$5 million of their capital commitment to expand eligible loan purposes for no interest loans to assist people impacted by COVID-19.
- In partnership with Good Shepherd NZ, launched 'DebtSOLVE', pairing specialist debt coaches with debt consolidation loans to help people struggling with high cost/ unsustainable debt.
- Continued to provide support for Habitat for Humanity's Home Repair program in New Zealand, providing over NZ\$750,000 to support essential home repairs for low to moderate income families.

Building digital adoption

We are investing significantly in making banking easier, faster and safer for our customers, and it is critical we bring our customers with us in designing digital solutions. We are working on increasing digital adoption to ensure access to financial services. This year, we:

- Provided more than 50 online help guides on Internet Banking and the Mobile

App. Between launch in May and the end of September, approximately 96,000 help guides were viewed on nab.com.au/helpguides

- Delivered digital banking refresher webinars and training for Personal Banking customers and frontline colleagues in Business Bank, Direct and Retail. A month-long 'Digi Edge' program was delivered nationally across Retail, equipping bankers with the tools and resources to assist customers on their online banking journey.
- Personalised in-app messages to further support customers with helpful guidance specific to a customer's banking behaviour. These messages encourage customers to update their details, activate biometric logins, download interest statements and register for two-factor authentication.

In New Zealand, we initiated a comprehensive survey of digital capability. BNZ will draw on the insights to build deeper partnerships with corporates, government and the digital sector, advancing a collective approach for a more productive, inclusive digital economy.

\$320M+

MICROFINANCE LOANS PROVIDED

in partnership with Good Shepherd (Australia and New Zealand) since 2003

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1 Marjolin, A., Muir, K., and Ramia, I. (2017) Financial Resilience and Access to Financial Products and Services – Part 2, Centre for Social Impact (CSI) at UNSW Sydney, for National Australia Bank.



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Supporting customers



Our interpreter service has helped us better serve ~3,300 customers in languages from Arabic to Vietnamese.

Gender inclusive banking

We are continually reviewing our practices and making improvements to support access to banking for all customers.

With the objective of improving the experience for our trans and gender diverse customers, NAB has delivered the following improvements:

- Removed inequalities in the customer identification and change of gender process.
- Simplified banker instructions.
- Standardised an enterprise definition of sexuality and gender identity.

Accessible banking

Our Accessibility Action Plan (AAP) articulates our commitment to inclusion of our customers and colleagues with disability. We are committed to embedding accessibility across NAB to ensure our environments, products and services and ways of working are inclusive of people with disability and subsequently everyone.

We have driven progress against our AAP goals, embedding accessibility considerations within:

- The design, development and review of products and services.

- Our technology services and customer-facing online channels.
- The design of our network and commercial buildings.
- Our communications and marketing.

We have forged stronger connections with disability employment services and improved recruitment processes to be equitable for applicants with disability. Detailed disclosure of our commitments, and performance against them, will continue to be published in our AAP.

Customers experiencing vulnerability

It is our responsibility to take extra care with customers who are experiencing vulnerability. Our Customer Vulnerability Framework lays out how we do this across our bank. It helps us:

- Build a deeper organisational understanding of customer vulnerability.
- Be more inclusive and supportive through better understanding the needs of customers experiencing vulnerability.
- Earn back trust by serving customers well.
- Meet the requirements in the Banking Code of Practice.

16 initiatives from the Framework have been delivered. Key support implemented in the past twelve months includes:

- Giving customers more control over their spending by offering the option to block gambling transactions on credit cards via our app. This was a first in Australian banking, and has already helped more than 47,000 customers control their spending across more than 64,000 cards. The restriction can be removed by contacting us, with a 48-hour delay to unblock. During this period, a customer can choose to cancel their request to unblock their cards.
- Introduction of a third-party interpreter service to support our customers with limited English via Direct Servicing and NAB Assist. Since its launch in May, the service has supported ~3,300 customer conversations and enabled our customers to speak to us about their banking in their preferred language.
- Introduction of a quick exit button on NAB's domestic and family violence support page, critical to support customers in being able to quickly move away from the browser if their activity is being monitored.

- Extending customers immediate access to confidential psychological services provided by NAB's Employee Assistance Provider service.
- Launched a two-way referral service for Allianz customers who are experiencing vulnerability, where customers experiencing domestic and family violence will be offered a warm transfer to the high care teams within NAB or Allianz for assistance with their banking or insurance.

With many customers limiting movement to protect their health and safety this year, we recognised that it may become difficult for some older customers to access their money using a passbook account. Our Retail teams spoke with many of these customers to help them become comfortable using transaction accounts and the features of a debit card so they could access their money without attending a branch. Customers will continue to be able to use their passbook to withdraw money in a branch and up to \$1,000 per week from Australia Post Offices.

In July 2020, BNZ, with support and advice from expert academics and support agencies, set up a dedicated resource to assist people experiencing economic harm as a consequence of an abusive relationship. This involves helping people understand their current financial circumstances, and quickly and easily setting them up with the required banking basics to get some control back over their own finances. This is all managed while protecting the customer's privacy and keeping their safety paramount.

During the March COVID-19 lockdown in New Zealand, BNZ launched dedicated phone support for customers over 70, with no more than two minutes wait time. Technology recognises the caller's phone number, matches it to their account and, if they are over 70, directs them to the special service. Approximately 30,000 calls were received by this line in the first four weeks with 3,000 moving to digital services (new or reactivation). Given its success, this was relaunched as the Digital Education Queue, aimed at over 50s. There have been over 66,000 customer interactions since March, averaging 314 a day.

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Supporting customers



From COVID-19 to fires, flood and drought, we're helping customers get back on their feet.

Hardship assistance

NAB Assist is the key point of contact when listening and responding to the needs of customers experiencing circumstances of financial difficulty. It is our responsibility to understand each customer's circumstances and to review the factors impacting their financial health in the short term, while considering options and developing a clear plan to help them in the long term. This is inclusive of assistance beyond money and may include referrals to social services support. Given the significance of COVID-19, the role of NAB Assist is even more critical. This year, we have:

- Received more than 170,000 customer assistance requests, up from an annual average of ~40,000.
- Significantly increased the number of colleagues directly supporting customers in hardship, including retraining colleagues from within NAB.

- Supported more than 6,500 customers with complex circumstances through the Customer Support Hub.
- Launched the Employee Support Hub, a confidential service specifically for NAB colleagues, drawing on lessons learned from NAB's Customer Support Hub.
- Continued to offer 'hardship bonds', an agreement whereby for every four payments a customer makes toward their lending product, NAB Assist will match the fourth payment. NAB had more than 700 active hardship bonds as at 30 September.
- Supported 578 customers with access to specialised social services support.
- Confirmed we will no longer deal with unlicensed, fee-charging debt management providers (see [page 45](#)).

Disaster response

This year, we have provided targeted support in response to significant natural disasters. This included drought and a prolonged, devastating bushfire season impacting customers, colleagues and communities across Australia and severe drought in New Zealand.

Our immediate response focused on the safety of customers and colleagues. A range of targeted support options were provided:

- Commitment of \$1 billion in concessional loans supporting customers seeking to restructure existing facilities to assist in repairs, restocking and re-opening for business.
- Access to the company's leading financial hardship assistance team, on the ground in impacted communities to support customers.
- Up to a three-year deferral of interest and repayments for existing NAB loans.
- A commitment not to foreclose upon, or force the sale of collateral of existing loans for up to three years.
- BNZ enacted drought provisions in New Zealand including additional temporary overdraft approvals and ability to defer scheduled principal repayments.
- Support and counselling services, by making NAB's Employee Assistance Program available to customers.

In addition, we have focused on philanthropic options to help local communities with immediate relief, and support for long-term recovery. We committed \$5 million to NAB's Disaster Relief Fund, allocated as follows:

- Approximately \$3 million distributed in small emergency grants to impacted colleagues and customers, helping cover personal costs such as temporary accommodation, food and clothing and business costs such as reopening, covering damaged property, and loss of stock.
- \$400,000 to the Australian Red Cross' Relief & Recovery Fund, made through direct and matched fundraising donations.
- Approximately \$150,000 in donations made to local charities in impacted regions via NAB's Donate Local Funds in NSW South, NSW, North QLD, Victoria and South Australia.
- \$1.4 million remaining is committed to supporting longer-term recovery efforts, including a resilience and preparedness project with the Australian Red Cross.

NAB also facilitated \$774,000 in donations for the Australian Red Cross' Relief & Recovery Fund through our branch network and internet banking.

We have also empowered our colleagues to help communities recover. This includes:

- Providing NAB colleagues with an extra day of leave for 2020, to be spent in bushfire affected regions and towns to support with economic recovery. Over 1,700 days of leave have been used in 2020.
- Leveraging our colleague volunteering program, including a policy exemption allowing colleagues to use their leave to support small businesses and colleagues in affected areas. Over 500 days of volunteering have been contributed to bushfire recovery.
- Working with Australian Business Volunteers on a skilled volunteering program to support the fire-affected community of Cobargo with their community-led '[Build Back Better](#)' resilience program.

Climate change is broadly acknowledged as extending the bushfire season and increasing the severity of bushfire events within Australia. In recognition of this we are actively working to invest more in communities to strengthen their natural resources against climate risk, and help them with disaster preparedness, relief and recovery. Learn more in the '[Managing climate change](#)' section of this report.

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Supporting customers



Customer Support Hub & other supporting programs

- Our Customer Support Hub assists customers experiencing a range of vulnerabilities through some of the most challenging times, including illness, elder abuse, domestic and family violence, gambling or other addictions.
- NAB has approved 84 Domestic and Family Violence Assistance Grants to customers and provided 578 referrals to counselling services to assist customers experiencing domestic and family violence and those seeking to leave.
- Calls from customers in financial difficulty (without a credit product, low income or with limited financial resources) have increased significantly from an average of 174 calls in the period June to September, compared to an average of 15 per month in the same period last year.
- In the period April to July we had an average of 26,000 active hardship arrangements per month compared to an average of 11,500 per month in the same period last year.

Most common reasons for calls into NAB's Customer Support Hub

REASON FOR CALLING	CUSTOMER CASES	% OF TOTAL CASES
Financial Difficulty	2,027	32
Family/Domestic Violence	1,621	26
Scam	664	11
Financial Abuse	307	5
Gambling	208	3
	4,827	77

Note: Top five reasons for calls represent 77% of all inbound calls, the remaining 23% are made up of a wider range of challenges.

Indigenous economic participation

Our ambition is for a reconciled Australia, where the gaps between Aboriginal and Torres Strait Islander people and non-Indigenous Australians are closed. It's a future where Aboriginal and Torres Strait Islander people have the same opportunities for social and economic inclusion. Reconciliation means all Australians acknowledge, respect, and take pride in the diverse histories and cultures of Aboriginal and Torres Strait Islander people, can speak to our shared past, and know how to contribute to a shared future.

Our Elevate Reconciliation Action Plan (2019-2021) details our commitments, with our next update on progress scheduled to be published in December.

We have continued to support Indigenous Financial Resilience in partnership with the Good Shepherd community network. This year, we:

- Provided 23 grants to community organisations for the delivery of local, community-led financial capability initiatives designed for Aboriginal and Torres Strait Islander people.

- Supported 6,906 no and low-interest loans to Indigenous Australians, making progress towards our three-year target of 19,000 by 2021.

The Royal Commission demonstrated many Aboriginal and Torres Strait Islander people frequently face high funeral costs, and are often targeted with predatory, ill-suited funeral insurance products. NAB is among organisations supporting Social Ventures Australia to create a two-part solution: to reduce the cost of funerals by replicating a non-profit community model, and to help people prepare financially for funerals through a fair and inclusive savings product.

We have been actively building awareness and capability of the Indigenous Customer Service Line (ICSL) launched in 2019. This has been integral to better supporting banking access for our Indigenous customers, particularly in a year when travel has been restricted, and many Indigenous communities have experienced a strict lockdown, with customers unable to travel to branches.

- We served more than 2,500 customers using the ICSL in 2020.
- Our specialists can open customer accounts for Aboriginal and Torres Strait Islander customers via the ICSL, using alternative forms of identification.

We've been progressing our support for Indigenous businesses, from increasing spend within our own supply chain, to better integrating our services to be applicable and useful for Indigenous organisations.

The Meereeng50 First Australians Procurement Accelerator Program, of which NAB is a corporate partner, has seen twelve Victorian Indigenous businesses connect with mentoring, coaching, and networking opportunities. The co-designed program aims to increase procurement relationships between Victorian Indigenous businesses and corporations, while advancing capability in the Indigenous business sector. We've introduced these twelve Victorian Indigenous businesses into the NAB network and our national supplier relationships, to explore how they could be brought into our supply chain.

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Supporting customers



Affordable and specialist housing

There continues to be a chronic shortage of appropriate housing for very low to moderate income households in Australia, and shelter for those in crisis. We have continued to help customers access homes and housing, providing \$66 billion in new home lending to customers this year¹.

In 2019, we announced a commitment to provide \$2 billion over 3 years for affordable and specialist housing to:

- Provide lending and banking services to not-for-profit community housing providers, including creating new funding models that will give them more capital to build more homes.
- Increase funding for developers of sustainable housing projects.
- Develop policies for lending to disability housing providers so that NAB can fund the sector on a larger scale.
- Develop viable funding options for build-to-rent projects in Australia, drawing on the experience and skills of NAB's London-based team who support the UK community housing market.

\$2BN

FINANCING FOR AFFORDABLE AND SPECIALIST HOUSING BY 2023

Through 2020, NAB financed \$11.6m into Australian affordable and specialised housing² against our commitment. We have mandated transactions under way totaling around \$190m across affordable housing, specialist disability housing and sustainable developments to be delivered by the end of December 2020. Once completed, these transactions will deliver accommodation to more than 800 individuals.

While the impact of COVID-19 temporarily slowed some progress during the year, the need for affordable housing options in the community is greater than ever, with a solid pipeline of activity into the future. We welcome the momentum achieved by the National Housing Finance and Investment Corporation (NHFIC). This is a corporate

Commonwealth entity with a focus on affordable housing that can lend at lower than commercial rates to community housing providers.

In disability housing, we entered into a sponsorship arrangement with the Specialised Disability Accommodation Alliance (SDAA) which acts as a national co-ordinating body of New Build Specialist Disability Accommodation (SDA) housing that empowers people with disability to live full and vibrant lives facilitated by

increased housing choice and control. We continue to focus on supporting SDA clients with their financing and broader housing needs.

Our London branch has committed as an 'early adopter' to the **Sustainability Reporting Standard for Social Housing**, an important development in unlocking the significant new private investment needed by the UK social housing sector. The standard will help providers of social housing to efficiently and consistently meet the demand

from investors for increasingly detailed sustainability data.

NAB is proud to have joined the Constellation Project as an Alliance Member to contribute our expertise to the community, provide skilled volunteering support and build our networks, knowledge and opportunities for collaboration aligned with our \$2bn commitment to affordable and specialist housing.

Ending homelessness in a generation

The Constellation Project, founded in 2018 by the Australian Red Cross, the Centre for Social Impact, Mission Australia and PwC Australia, has a vision to end homelessness in a generation. Whilst this is an ambitious vision, there is sufficient evidence to demonstrate that it is achievable. The project brings together an extensive cross-sector network to realise this vision.

The project is driving action around identified solutions that are informed by global experience and an extensive evidence base. Streams of work focus on new and sustainable solutions to homelessness including:

More Homes: Increasing the supply of safe, affordable, accessible, appropriate, and secure homes for people in Australia on very low to moderate incomes.

Better Journeys: Preventing entry into homelessness and accelerating journeys out.

Leading Together: Working across sectors to change policy and practice.

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¹ Based on drawdowns (excluding redraws) of our Australian and New Zealand customers.

² Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. Progress is based on total lending facilities committed, where first drawdown occurred during the commitment period. This number does not reflect debt balance.



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Supporting customers



Responsible finance

Responsible finance involves lending in a way that mitigates credit risk, and ensures customers can afford to pay their loans back. It is also about providing finance for activities like merchant services, trade finance, bonds and other financing activities in a way that's ethical and prudent. We manage risk at an asset, customer, sponsor and portfolio level to ensure we're providing responsible finance.

Our lending book reflects the key industries in Australia's economy, and we closely monitor our exposure to industry sectors and activities that may have higher ESG risks. We've engaged with investors, NGOs and other stakeholders about our exposure to a range of industry sectors with higher ESG risks – including resources (including coal, oil and gas), power generation, tobacco, guns and armaments, and intensive agriculture.

Renewables now represent 72% of our power generation exposures, moving from

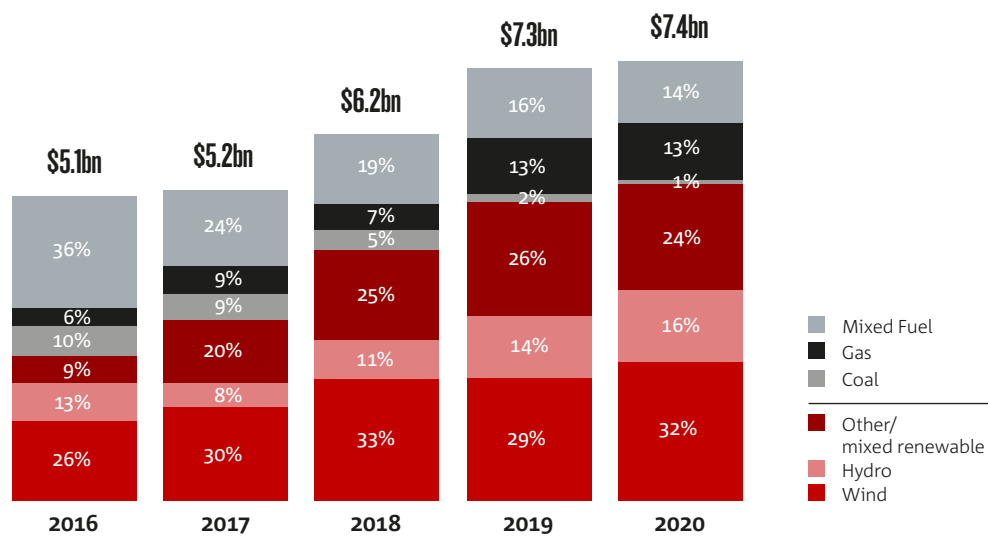
48% in September 2016. We've disclosed a number of our credit risk policy settings on our website – you can find this information online [here](#). More information about our sector reviews is in the 'How we act' section. Our Level 2 Regulatory Group² Exposure at Default (EaD) by sector is in the table on the right. Our EaD by region is mostly in Australia (79%), followed by New Zealand (13%) and in other countries (8%).

Our lending exposure to major tobacco companies is now zero, consistent with becoming a signatory to the Tobacco-Free Finance Pledge (refer to [page 45](#)).

As Australia's largest agribusiness lender¹, agriculture is a major priority for us – and a key focus in our Natural Capital and Climate Change strategies. Learn more in the 'Managing climate change' section.

LEVEL 2 REGULATORY GROUP ² EXPOSURE AT DEFAULT (EAD) BY LEVEL 1 ANZSIC CLASSIFICATION (\$M) ³	2020	2019	2018
Accommodation, Cafés, Pubs and Restaurants	10,049	10,504	9,433
Agriculture Forestry, Fishing and Mining	56,987	56,310	51,823
Property and Business Services	23,257	24,172	21,328
Commercial Property	73,062	73,871	75,135
Construction	11,620	11,600	10,665
Finance and Insurance ⁴	130,329	115,394	111,075
Manufacturing	19,713	20,624	19,130
Personal	13,710	15,778	16,997
Residential Mortgage	388,578	388,315	387,073
Retail and Wholesale Trade	30,546	32,081	30,796
Transport and Storage	28,202	24,881	22,358
Other	106,094	92,920	85,531
	892,146	866,450	841,344

Figure 1: Power generation exposures by fuel source (%) and total Exposure at Default (\$bn)⁵



QUICK LINK [ESG risk management](#)

1. RBA Banking Statistics/NAB APRA Submissions, 2019.
 2. The Level 2 regulatory group comprises NAB and the entities it controls, excluding superannuation and funds management entities, insurance subsidiaries and securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 securitisation. Prior year's figures have been restated to align with those reported in NAB's Pillar 3 report.
 3. Prepared in accordance with NAB's methodology (based upon the 1993 ANZSIC codes) on a net EaD basis.
 4. Now includes Exchange Settlement account with RBA, historic figures restated.
 5. Prepared in accordance with NAB's methodology (based upon the 1993 ANZSIC codes) on a net EaD basis. Excludes exposure to counter parties predominantly involved in transmission and distribution. Vertically integrated retailers have been included and categorised as renewable where a large majority of their generation activities are sourced from renewable energy.

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Supporting customers



How are we tracking?

-11
STRATEGIC NPS

>\$60BN
IN LOAN DEFERRALS
APPROVED TO SUPPORT
CUSTOMERS

1.2BN
FINANCING TO HELP EMERGING
TECHNOLOGY COMPANIES
AND INNOVATORS GROW

\$11.6m
FINANCING FOR
AFFORDABLE AND
SPECIALIST HOUSING

32,560
MICROFINANCE LOANS
PROVIDED ACROSS AUSTRALIA
AND NEW ZEALAND

6,906
MICROFINANCE LOANS
for Indigenous
Australians

Sustainable Development Goals



Targets

- Strategic NPS: Positive and #1 of major banks.
- \$2 billion financing to help emerging technology companies and innovators grow by 2025.
- \$2 billion financing to support affordable and specialist housing by 2023.

Future commitment

Continued focus on driving inclusive banking through actions outlined in our Accessibility Action Plan, Reconciliation Action Plan, Customer Vulnerability Framework.

Learn more

QUICK LINKS

[Our customers](#)

[COVID-19 support](#)

[Banking Code of Practice](#)

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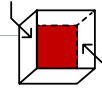
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Being transparent and acting responsibly

Why is this important?

Good governance and leadership are fundamental elements of driving improvement in culture, business practices and decision making. They are also critical in being able to respond effectively to crises.

Putting our customers at the centre of everything we do remains a key and unwavering focus, along with fostering a more developed culture of 'speaking up' and 'owning it' among all colleagues.

What are we doing?

Implementation of APRA self-assessment actions and Royal Commission recommendations

In an update to the ASX on 11 November 2020, we detailed our implementation of self-assessment actions and progress to improve governance, accountability and culture.

Of the 26 actions identified in the initial the self-assessment, NAB has completed 16 actions and an additional five actions are planned for completion by the first half of 2021.

The self-assessment observed a stronger customer focus across the bank, and noted that under the leadership of Ross McEwan, NAB's refreshed strategy and new operating model are addressing the root causes of the findings identified through the self assessment process.

We have continued to prioritise implementing the recommendations of the Royal Commission. We are continuing to work closely with the Australian Government and consult with the industry on the legislative and regulatory requirements associated with the reforms.

We have completed seven recommendations and continue

to progress the implementation of a further 32 recommendations. This includes recommendations that have been completed to the extent possible but are pending further legislative, regulatory or industry guidance or involved in consultation. Of the remainder, eight are not applicable to NAB and 29 do not currently require action.

We'll continue to ensure the actions required out of the Royal Commission, and the learnings from the self assessment process, are embedded in sustainable practices.

Driving cultural change

Our focus is on serving customers well, bringing discipline into everything we do and making things simpler for our colleagues. Building on the lessons from the Royal Commission and the issues identified in our self-assessment, this year we have:

- Delivered a mandatory education program for all leaders on giving and receiving feedback, to encourage the practice of open feedback in the organisation.
- Provided training to all colleagues on building skills to speak up even when it's hard, with ongoing learning activities to ensure the change in mindset is sustainable.
- Clearly defined expectations for all senior leaders to build a culture of clear accountabilities in their

divisions; these expectations include a goal focused on leadership quality.

- Re-written NAB's Code of Conduct to ensure clarity of standards, reinforce ethical decision-making and the expectations of leaders (see **page 21**).
- Included Conduct Risk as a core element of mandatory training completed by all colleagues so that there is a clear and consistent understanding of responsibilities in relation to conduct risk.

How we work to support our new Group Strategy reflects what is needed for us to meet our objectives and be an ethical business:

- Excellence for Customers.
- Grow Together.
- Be Respectful.
- Own It.

All colleagues are provided 'How We Work' guidance (see **page 20**) to understand the standards and behaviours expected. This guidance also forms the basis of NAB's new Code of Conduct and will form part of all our colleagues' goals in their performance plans.

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OF OUR 26 APRA
SELF-ASSESSMENT
ACTIONS COMPLETED

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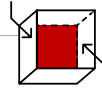
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Governance, conduct and culture



Tracking progress

Our Culture Index and dashboard, established in 2019, was further developed this year using surveys of our colleagues and relevant business outcomes to measure progress on cultural change. Our new approach to measuring culture launches in 2021. This new approach allows us to track progress on a more regular basis, and we will disclose deeper insights into progress next year.

Embedding a speak up culture

Our Code of Conduct makes clear what is expected of NAB colleagues. It shows customers and the community that we seek to always operate with integrity and protects the organisation from unnecessary and potentially costly risks.

This year, there were 1,105 conduct breaches, down from 1,278 in 2019. This led to 880 disciplinary actions, and 225 colleagues leaving NAB. More than two thirds of these breaches (67%) were due to personal conduct that didn't reflect our values. These breaches included 17 instances where colleagues were found to have engaged in discrimination, workplace bullying, sexual harassment or other harassment, resulting

in 10 disciplinary actions, and seven colleagues leaving NAB. All investigations are impartial and confidential.

Speaking up can be difficult, so we provide our colleagues with an externally operated Whistleblower Program, a safe and confidential channel for raising concerns about wrongdoing. Colleagues can raise concerns via the Faircall service, an independently monitored external hotline, anonymously if they prefer. The Whistleblower Program's role is to provide a safe environment that supports and protects our colleagues.

The Whistleblower Program takes all wrongdoing¹ concerns seriously and where an investigation is required, appoints an internal or external investigator with the right capability and independence to investigate the concerns.

There were 115 wrongdoing disclosures made to our Whistleblower Program in 2020, down from 155 last year. 35 were partially or fully substantiated resulting in appropriate consequences being applied, 60 were not substantiated, and 20 remain under investigation.

How we work

	WHAT WE DO	WHAT WE DON'T DO
Excellence for customers	<ul style="list-style-type: none"> Put our customers' needs first every time Get it right first time or fix it fast Make banking easy and fast 	<ul style="list-style-type: none"> Put personal interests before our customers' Leave issues unresolved Create 'band-aid' fixes
Grow together	<ul style="list-style-type: none"> Be ambitious for growth Be curious and learn from each other Prioritise each other's wellbeing 	<ul style="list-style-type: none"> Tolerate mediocrity Move on without learning Succeed at the expense of others
Be respectful	<ul style="list-style-type: none"> Speak honestly and supportively, especially about concerns Value the time and opinion of others Do what we say we will 	<ul style="list-style-type: none"> Avoid difficult conversations or challenge inappropriately Dismiss challenges and advice without consideration Fail to keep others informed
Own it	<ul style="list-style-type: none"> Get on with it and follow up until it's resolved Do what's right, even when it's hard Make the most of what we have 	<ul style="list-style-type: none"> Delay taking action Say 'it's not my job' Spend more time, resources or money than is needed

Discrimination and equal employment opportunity

We have zero tolerance for any form of discrimination and harassment, including sexual harassment. Since 2018, NAB entered into nine agreements containing mutual confidentiality obligations in relation to nine separate cases of sexual harassment. Five of these were entered into at the request of the complainant, and four as part of an agreement with NAB. This year, we undertook an independent assessment of

our approach to dealing with sexual harassment. We will continue to proactively ensure we have the right practices in place to protect our colleagues and ensure a safe, respectful and inclusive workplace culture. All colleagues complete mandatory Code of Conduct training, and we actively encourage reporting of concerns through a range of channels, including: direct managers, Colleague Relations, the Whistleblower Program, and directly to NAB's Executive Leadership Team.

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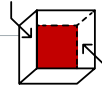
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1 This includes human rights and modern slavery-related disclosures which can be raised through this channel.



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Governance, conduct and culture



Refreshed Code of Conduct

Launched in October 2020, our new Code of Conduct incorporates the following key changes:

- It is a practical and simplified document so that colleagues don't need to read every conduct policy to feel confident they're meeting expectations – and they know where to get help when they are unsure.
- It promotes a 'two-way deal', clearly showing what colleagues can expect from the organisation and its leaders, as well as what the organisation expects from its colleagues.
- There is congruence and coherence on behavioural expectations. Previously, the organisation's values were not central to the Code of Conduct and sat 'to the side' of a set of rigid rules and controls, with some confusing principles and commitments. Our new 'How We Work' statements are predominant in the revised approach.
- There is stronger emphasis on speaking up about concerns and wrongdoing.
- It includes a guide to ethical decision making, supported by a 'good decision making' tool that can be used in individual or collective decision making.

Renewed approach to colleague conduct management

We are changing our approach to managing colleague misconduct, which until now has had both positive and negative effects on our culture. While the red/amber/green conduct gate system used previously was easy to apply and a strong symbol that we did not tolerate misconduct, we found that it could disempower leaders, result in disproportionate punishment, or create fear and shame among colleagues. This sometimes led to unintended consequences, such as indirectly encouraging worse behaviour, stopping us learning from mistakes and disengaging our colleagues.

From 1 October 2020, we have removed the labels of 'Conduct Gates' whilst strengthening our overall approach to consequence management. We maintain a tiered approach to managing instances where the Code is not being followed. A consequence management severity matrix guides leaders to measure the severity of potential misconduct. A range of consequences can be applied, from coaching, counselling and formal written warnings, to financial penalties ranging between 15% to 100% variable reward reductions, through to termination of employment. Professional Standards Forums oversee fairness, consistency and proportionality of consequence outcomes.

Making things right for customers

Our Centre for Customer Remediation, set up last year in response to issues identified by the Royal Commission, is committed to ensuring that where NAB has made mistakes customers are paid back in a timely, fair and consistent manner.

We're focused on resolving issues and paying customers back quickly. To this end, we have increased the number of colleagues working on customer remediation from 950 last year to more than 1,200 across NAB. Additionally, we are implementing new remediation approaches with the use of data analytics, automation and digitisation that will ensure initiatives move through the process in a faster yet responsible manner.

This year, we have made approximately 328,000 separate payments to the total value of \$468 million. Since June 2018, we have made approximately 801,000 separate payments to customers to the value of \$716 million.

Responsible remuneration

The Executive Leadership Team and the Board took early and decisive action on remuneration outcomes for 2020 to reflect the challenges faced by our customers, shareholders and the community. Remuneration outcomes were reduced through:

- A 20% reduction in non-executive director base fees for the period 1 April 2020 to 30 September 2020.
- A 20% reduction in fixed remuneration volunteered by the Group CEO for the period 1 April 2020 to 30 September 2020.
- The decision that the Group CEO and other Executives would not be awarded any Annual Variable Reward for 2020.

There were no changes to the Executive remuneration framework for 2020. Similarly, there were no increases to non-executive director fees or Executive fixed remuneration for 2020, other than for Executives who had their accountabilities increased.

Details of all remuneration matters for the Executive Leadership Team are provided in the Remuneration report of our **2020 Annual Financial Report**.

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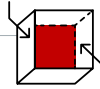
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Governance, conduct and culture



How are we tracking?

>4,800
LEADERS TRAINED IN GIVING AND RECEIVING FEEDBACK

ALL AUSTRALIAN COLLEAGUES PROVIDED WITH 'SPEAK UP' TRAINING PROGRAM

1,105
BREACHES OF OUR CODE OF CONDUCT WITHIN AUSTRALIA

115
WHISTLEBLOWER PROGRAM DISCLOSURES

<1,200
COLLEAGUES WORKING ON CUSTOMER REMEDIATION

\$716m
TOTAL REMEDIATION PAID TO CUSTOMERS SINCE JUNE 2018

Sustainable Development Goals



Targets

- Reduce the average time it takes to communicate with customers and make final remediation payments.

Future plans

Roll out new conduct management program.
Embed 'How We Work' and guidance in all colleague performance plans.

Learn more

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[Corporate Governance Statement](#)

[Our Code of Conduct](#)

[Performance and remuneration](#)

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Colleague capability and wellbeing

Why is this important?

The physical and psychological wellbeing of our colleagues is critical to serve customers well and help our communities prosper. Colleagues who feel safe and well can perform at their best, be resilient in times of change and can focus on greater customer and community outcomes.

The capability, adaptability and diversity of our colleagues are vital in achieving our ambitions for our business. We need colleagues who are clear on their role, capable, motivated to deliver, representative of their diverse communities, and able to adapt to different ways of working.

The impacts of drought and bushfires in late 2019 and the early part of this year, followed by the dramatic shift to the way we work and live our lives due to COVID-19, have challenged our colleagues. We have responded rapidly by ensuring our colleagues are informed and protected while empowering them to continue serving our customers throughout this time.

We're looking beyond the immediate challenges by investing \$50 million over three years to raise the bar of professionalism in banking with training for our entire workforce in the fundamentals of our industry. This accredited course is run in partnership with the Financial Services Institute of Australasia (FINSIA) and is an industry first in Australia and New Zealand.

What are we doing?

Our colleague strategy

We have an international workforce of more than 34,000 colleagues¹. 98 per cent of our colleagues work in Australia and New Zealand, while the remainder are in London, New York and parts of Asia.

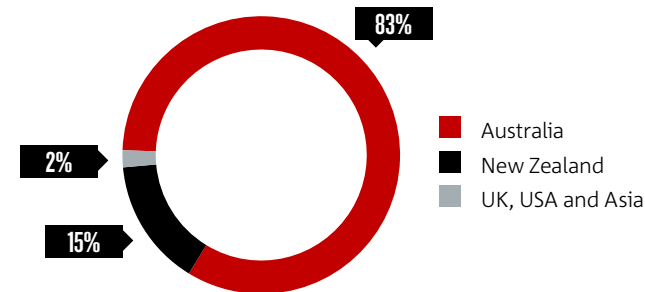
Our new Colleague Strategy is underpinned by an aspiration for our colleagues to be "trusted professionals that are proud to be a part of NAB". The strategy connects the capability of our colleagues to the needs of our customers, and is based on four pillars:

1. Talent to change the future of banking.
2. Motivated to perform and grow.
3. Great leaders who inspire.
4. Proud to work at NAB.

Several strategic initiatives are already bringing these pillars to life. These include a Distinctive Leadership program for all colleagues, professionalisation of our workforce through various levels of banking accreditation (see case study on page 25), refreshing both NAB's performance and reward framework and Inclusion & Diversity policy, and ongoing listening via regular colleague feedback surveys.

Looking after our colleagues' wellbeing and professional development

Figure 2: Colleague distribution (%) by geographic region



Workforce by contract type and gender (%) 2020

	FEMALE	MALE
Permanent term full-time	29.4	36.9
Permanent term part-time	8.9	1.4
Fixed term full-time	0.5	0.7
Fixed term part-time	0.1	0.1
Casuals	1.4	0.5
External/temporary employees/contractors	7.0	12.9

Colleague turnover rate by gender 2020

	FEMALE	MALE
Voluntary turnover rate	7.6%	8.4%
Involuntary turnover rate	3.9%	3.7%
Total turnover rate	11.4%	12.1%

1 Number of full-time equivalent colleagues as at 30 September 2020, including discontinued operations. Excluding discontinued operations, FTE for 2020 is 31,372.

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Colleague capability and wellbeing

Health, safety and wellbeing in a changing world

COVID-19 has rapidly shifted the way we live and work. In March this year, not long after the devastation of bushfires in Australia's eastern states, we moved quickly and successfully to enable about 30,000 colleagues to work from home.

We provided up to ten days paid pandemic leave to support colleagues impacted by COVID-19. We also put in place critical controls to protect them, our customers and the community from acquiring COVID-19 in NAB workplaces.

Protecting physical health

- Establishing a dedicated COVID-19 case team to coordinate NAB's response to suspected or confirmed cases among colleagues. This team has responded to over 1,800 queries from colleagues since March 2020, and no cases of COVID-19 have been contracted in NAB properties by colleagues or customers.
- Building COVIDSafe plans for all workplaces including the implementation of social distancing restrictions and best-practice hygiene and cleaning protocols.
- Implementing additional best-practice tools to support

colleagues cautiously returning to NAB workplaces, such as:

- A desk booking application to support the implementation of social distancing requirements and assist with potential contact tracing.
- Thermal camera installation in major commercial buildings.
- Building re-entry 'Guide to Thrive' for colleagues returning to NAB's corporate offices.

Supporting mental wellbeing

- Psychological first aid for colleagues and their families available through NAB's Employee Assistance Program (EAP) provider and a program of regular communication to raise awareness.
- Counselling via NAB's EAP has also been extended to customers until December 2020, in acknowledgement of the difficulties they have experienced because of COVID-19 and the impacts to their businesses and personal lives.
- Targeted resources for managers including facilitated remote training sessions on leading teams remotely and

supporting mental health and wellbeing.

- Running hardship and wellbeing training for our bankers, with 1,200 Business Bankers undertaking training in how to have conversations with customers in hardship while taking care of their own wellbeing.
- Weekly wellbeing webinars for all colleagues focusing on a range of health and wellbeing topics including managing health anxiety, stress management, physical and mental wellness, staying well during isolation and parenting support through COVID-19.

We've offered domestic and family violence support for colleagues throughout this period and provided permits and buildings access through Stage 4 restrictions for vulnerable colleagues.

Our approach on the return to workplaces is in line with Government guidance and current health advice. NAB is adopting a state-based and localised approach to managing our response to COVID-19, continuing to focus on colleague and customer wellbeing as we move towards COVID-normal.

Supporting colleagues' financial health

The NAB Employee Support Hub, which launched in May, supports colleagues experiencing domestic and family violence, financial hardship, mental health and serious illness, problem gambling and other personal circumstances which may impact their banking. This support hub provides an additional layer of support and care to colleagues during times of vulnerability.

BNZ launched a specialist Employee Financial Assistance program, to build the financial health of all BNZ colleagues. The specialist program provides financial support over and above traditional banking, including flexible lending options, budgeting assistance, access to debt counselling and referral to additional support where required.

Colleague reported impacts of COVID-19

IMPACTED AREAS	IMPROVED OR STABLE	DECREASE	UNSURE
Level of health, wellbeing and happiness	68%	21%	11%
Level of productivity	83%	11%	6%
Ability to serve customers	82%	12%	6%

Source: Wellbeing survey conducted in July 2020, 24,630 participants.

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Colleague capability and wellbeing



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COLLEAGUE ENGAGEMENT SCORE¹

● CASE STUDY

Career Qualified in Banking program

As part of a \$50 million investment in our colleagues over three years, we're partnering with The Financial Services Institute of Australasia (FINSIA) to raise the bar of professionalism in banking by training all NAB colleagues in the fundamentals of our industry.

This will be a unique level of education and accreditation provided to our workforce and is an industry first in Australia and New Zealand. The qualification will be the cornerstone of a career pathway in the financial services industry for all NAB bankers and support function colleagues.

It includes the foundations of banking – getting the basics right – and the specialist skills and expertise for supporting customers in good times and tough times, which will be needed in a post COVID-19 world.

Our plan is to train at least 8,000 colleagues each year for the next three years in the FINSIA 'Career Qualified in Banking' program. We want all colleagues to feel proud to work for NAB and proud to be in banking, and we want our customers to be confident they are being served by the best bankers in the industry.

Capability and training

We continue to adapt to the current environment with increasing digital learning to develop the capabilities of our colleagues to ensure that they remain current and relevant.

At the onset of the pandemic, a COVID-19 Rapid Response team was setup to train and support our colleagues in remote working technologies (including Zoom, Teams and OneDrive) so

they can work from home and collaborate effectively.

With technology enhancements creating the opportunity to access high quality learning, tools, and networks instantly and remotely, our colleagues have embraced a range of learning opportunities provided through our partners' digital learning platforms².

Monthly digital learning hours completed by our colleagues

via these platforms have increased from 3,000 hours pre-COVID-19 to 12,000 hours in September 2020.

Our investments in our teams and internal capability have resulted in more than 2,200 industry-recognised cloud certifications covering more than 1,400 of our colleagues. Further developing a collaborative and learning culture at NAB, we launched Innersource, a thriving

internal technical community that shares code, tools and resources, and facilitates problem-solving and innovation.

We also know that technology alone is not enough. Great leaders are a key differentiator for successful organisations, and that strong and consistent leadership is critical right now. That is why we have developed our new Distinctive Leadership program, launched in September this year. This program replaces all leadership programs at NAB and gives all People Leaders a common leadership language, one shared leadership toolkit and one consistent set of expectations.

By offering a consistent approach to management and leadership practices across NAB in Australia and BNZ in New Zealand, we are addressing one of the core cultural issues of leadership identified in our APRA self-assessment.

Engagement

Our aim is for every person at NAB to be proud to work here. That starts with listening and acting on what our colleagues tell us matters most. We have improved how we listen to our colleagues, focusing on ongoing, continuous listening followed by actions. We are now aligned with global best practice, providing leaders with a simple and intuitive portal for understanding colleagues with advanced realtime insights and analytics.

Our Heartbeat survey is an opportunity for colleagues to

tell us what is working well and should continue, as well as how we can improve. Our most recent survey, held in July 2020, had a 71% response rate and indicated an engagement score of 76 among all Australian and New Zealand colleagues. This compared with 66 in 2019¹, and exceeded our 2020 target of 71. Our colleagues identified job security, remote work resources and personal financial wellbeing as their most critical needs, concerns reflective of the current circumstances and challenges we are facing.

Organisational change

We know that COVID-19 has exacerbated what has been a difficult time for our colleagues as we continue to automate and simplify our business, and we are treating our colleagues with care and respect. Our 2016 Enterprise Agreement (EA) sets out employment arrangements for our Australian colleagues and underpins our approach as we evolve our workforce and our way of working.

All our colleagues have a right to freedom of association and collective bargaining. We continued our constructive relationship with the Finance Sector Union (FSU) this year in negotiating a new 2020 enterprise agreement. Although bargaining for that new enterprise agreement was ultimately paused in consultation with the FSU, NAB progressively provided all the benefits and improvements agreed during the negotiations.

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¹ 2020 Colleague Engagement Survey conducted by Glint, score based on July 2020 survey. 2020 methodology differs from prior years. The 2019 score has been restated using the updated methodology for comparative purposes. 2019 restatement falls outside the scope of EY assurance. Population excludes external contractors, consultants and temporary colleagues.

² Digital learning partners include LinkedIn Learning, Udemy, Pluralsight, Coursera, O'Reilly and A Cloud Guru with topics ranging from cloud computing (AWS), finance fundamentals, coding languages and data analytics to critical thinking and emotional intelligence.



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Colleague capability and wellbeing

Colleagues covered by our collective bargaining agreement (CBA) are as follows:

- Australia: 100%.
- New Zealand: 8%.

Inclusion and diversity

Our workforce should reflect our customers and the communities in which we operate. Inclusion and diversity in the workplace ensures we have a variety of perspectives that can lead to increased innovation, better problem-solving and higher engagement of our colleagues.

It means we can attract and retain the best talent by actively addressing the barriers many in our society face.

Our Inclusion and Diversity Strategy outlines our plan to build a culture of inclusion, with a focus on gender equality, life stage (graduates, parents, mature age), LGBTI+, accessibility and cultural inclusion. We updated our Group Inclusion and Diversity Policy, which shares our commitment to creating a culture that embraces equality, inclusion and diversity across all areas of our business.

The People and Remuneration Committee of the Board oversees our commitments and progress, and the Executive Leadership Team is accountable for acting on these principles.

In addition to our Sustainability Report, we report publicly on progress through our Corporate Governance Statement.

Performance against measurable objectives

This year marked the end of our 2017-2020 measurable objectives, detailing our targeted levels of gender representation throughout the organisation. As seen in the table opposite, we met 5 of 9 objectives in 2020.

While we have achieved our Board and Group Subsidiary Boards targets of 40%, and increased the representation of women in leadership, we fell short of fulfilling all of our gender targets. This will be a continuing focus for our business.

Looking ahead, the Board has approved measurable objectives for 2020-2025, which renew our focus on driving gender equality and a culture of inclusion. Progress will be supported by setting clearer accountability for senior leaders to drive change.

Progress against gender diversity targets 2017-2020

FEMALE REPRESENTATION ¹	2017	2018	2019	2020	TARGET
NAB Board (non-executive directors)	25%	33%	33%	44%	40-60%
NAB Group Subsidiary Boards	39%	39%	39%	40%	40%
Executive Management (Salary Group 6 & 7)	31%	31%	33%	36%	40%
Senior Management (Salary Group 5)	30%	32%	34%	34%	40%
Management (Salary Group 4)	38%	38%	37%	37%	40-60%
Non-management (Salary Group 1 – 3)	59%	57%	55%	56%	40-60%
Australian Talent population ²	59%	41%	41%	43%	50%
Australian graduate program intake ³	56%	46%	46%	50%	50%
Total organisation	54%	52%	51%	50%	40-60%

All People Leaders will have relevant inclusion and diversity measures included in their individual performance assessments and the level of achievement of measurable objectives will continue to influence variable reward outcomes.

Our new objectives extend across the Group (and its Boards), and include:

- Diverse leadership teams and talent pipelines, which includes:

- At each salary level, 40-60% of either gender represented.
- NAB Board (non-executive directors), 40-60% of either gender represented.
- NAB Group Subsidiary Boards, 40-60% of either gender represented.

- Fair remuneration: seek to reward colleagues fairly and support NAB's objective of gender pay equity <10% by 2025⁴.

- Inclusive culture: Achieving a colleague engagement score in the top 20%, including for diverse segments.

Our expanded objectives support those detailed in our Accessibility Action Plan and Reconciliation Action Plan. We're focused on creating a workforce reflective of our communities, which attracts and retains the best talent. We will hold ourselves accountable to the above objectives, and report transparently to allow others to do the same.

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1 NAB's 2020 gender equality targets were set in FY17. Representation for Non-management, Management, Senior Management, and Executive Management calculated using population of permanent full-time and part-time colleagues. Actuals and targets are stated as at 30 September for each respective year.

2 The Australian Talent population includes colleagues who have been objectively assessed against evidence-based criteria, and selected by Divisional Leadership Teams as having upward potential.

3 As at 30 September 2020, 48% of the graduates who have accepted positions in NAB's 2021 Australian graduate program are female.

4 At an organisational level, Workplace Gender Equality Agency's (WGEA) analysis (2018-2019) indicates that when comparing the base salary of all women to men within the Australian-based workforce of NAB, our gender pay gap is 20.1%. This is lower in comparison to the average pay gap for the financial and insurance services industry at 22.2% in WGEA's 2018-2019 benchmark report. Updated reporting from WGEA has been delayed due to COVID-19 and will be disclosed in FY21.



MATERIAL THEMES

Colleague capability and wellbeing



2020 INCLUSION INDEX	AVERAGE SCORE	FAVOURABLE%
I have a sense of belonging at NAB/BNZ	74	76%
I have the flexibility to manage my work and personal life	78	83%
Our team has a climate in which diverse perspectives are valued	79	84%
I am treated with respect and dignity	80	87%

Source: October 2020 Heartbeat Survey. Favourable percentage reflects the proportion of responders who agreed or strongly agreed with the statement/question. Average score reflects a weighted average of all responses. NAB's Inclusion Index is a tool to measure our culture of inclusion among our colleagues

Programs and activities to drive inclusion

The Inclusion and Diversity strategy and objectives are supported through memberships, programs and initiatives.

Gender equality

- Women in Banking and Finance (AUS) and Global Women (NZ): Our membership to both organisations provides access to mentoring, education programs and professional development tailored to women in financial services and related industries.
- Breakthrough Program: Breakthrough equips women with the skills and tools to achieve more senior roles. This year, 227 women at NAB have taken part.

LGBTI+ inclusion

- We support and advocate inclusion for sexually and gender diverse communities and their allies. Since 2013, NAB has been the Principal Partner of Midsumma Festival. We are also promoting inclusion in sport through our multi-year major partnership with Pride Cup Australia.
- This year, we maintained our Gold Employer Status in the Australian Workplace Equality Index (AWEI), national benchmark on LGBTI+ workplaces in Australia. At the 2020 AWEI awards, we were also recognised as a top three finalist in the area of trans and gender diverse achievements.

- BNZ was re-certified as part of the Rainbow Tick Certification, an independent assessment of a workplace's ability to understand and welcome sexual and gender diversity.

Life stage

- Colleagues have access to additional leave, such as carer's leave, to support their work and family life balance. This has been particularly important during school and childcare closures due to COVID-19, and has been complemented by up to 10 days of paid pandemic leave.
- Working parents and colleagues with caring responsibilities are supported by the NAB Care program. Dedicated resources for child, elder, and disability carer support are available to colleagues. Support has been expanded to encompass self-care for those balancing work and caring.
- All new parents at NAB have access to parental leave, with the removal of 12-month service eligibility in 2020. This includes a new return to work payment to ease the way back. Our parental leave return to work rate has increased to 86.4% (2019: 83.2%).

Accessibility

- Accessibility Action Plan (AAP) 2019–2020: Under the AAP, we continue to deliver changes that improve the experience for customers and colleagues with accessibility needs.

- Dandelion Program: In 2019, we partnered with DXC to launch NAB's Neurodiversity (Dandelion Program), offering people with autism meaningful employment and career paths. In 2020, we have placed six trainees in roles within our Enterprise Security Team. This program was awarded the Diversity, Inclusion and Sustainability Award at the 2020 NAB Supplier Awards.
- Special Olympics Australia: Our partnership is continuing, taking our support through to the 2022 Special Olympics.
- Workplace adjustment for colleagues with disability: We have refreshed our internal guidance to ensure all colleagues and job applicants can obtain effective adjustments or changes to work processes, practices, procedures or environments to have equitable opportunity in recruitment processes, and perform their role successfully.

Cultural inclusion

- Elevate Reconciliation Action Plan (RAP) 2019–2021: Our RAP is designed to create positive change in partnership with Aboriginal and Torres Strait Islander people, organisations, and communities. The RAP focuses on three key areas: Economic Participation, Employment, and Cultural Intelligence.
- Indigenous Recruitment Program: In 2020, 12 internships and 65 traineeships were offered. We also facilitated a mock assessment centre for 200+ Indigenous Interns across all

- industries in partnership with Career Trackers.
- Cultural intelligence: BNZ's focus on integrating and growing knowledge of Māori culture to enhance their interactions with customers and colleagues is evidenced through two new programs: Te Pūtaketanga (Māori Cultural Intelligence) and Te Hōkaitanga (Māori Leadership).
- African-Australian Inclusion Program (AAIP): 40 participants joined the 2020 AAIP cohort taking the total number of participants to 505 in the program's 11-year history. 52.5% of AAIP alumni remain employed at NAB.

Colleague resource groups

Our colleague resource groups (Gender Balance, NAB Pride, NABility, and Cultural Inc) create open forums for sharing and supporting each other. They represent diverse voices and inform our decision-making.

Diversity in supply chain

Including diverse suppliers (businesses owned by women, Indigenous people, people with disability, and social enterprises) into our supply chain helps increase their exposure to corporate sourcing, while creating employment and training opportunities, sustainable growth and social and financial inclusion.

During the year, NAB became a member of Social Traders Australia, an organisation which specialises as a broker between social enterprises and business and government buyers.

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Colleague capability and wellbeing

How are we tracking?

~30,000

COLLEAGUES RAPIDLY DEPLOYED TO WORK FROM HOME IN MARCH

1,800

QUERIES HANDLED BY NAB COVID-19 CASE TEAM WITH NO CONFIRMED CASES OF THE VIRUS CONTRACTED IN A NAB WORKPLACE

>1,200

BUSINESS BANKERS TRAINED

in how to have hardship and wellbeing conversations with customers

>16,000

DIGITAL LEARNING HOURS IN SEPTEMBER 2020 COMPARED TO ~3,000 HOURS A MONTH PRE-COVID-19.

5 OF 9

GENDER EQUALITY TARGETS MET

>4,500

LEADERS COMPLETED TRAINING TO UNDERSTAND AND SUPPORT FLEXIBLE WORKING AT NAB

76

COLLEAGUE ENGAGEMENT SCORE

Sustainable Development Goals



Targets

- Top quartile colleague engagement (including for diverse segments)
- At each salary level, 40–60% of either gender represented
- Gender pay equity <10% by 2025
- Monthly digital learning target of 8,000 to 10,000 hours

Future plans

8,000 colleagues to be trained through the 'Career Qualified in Banking' program every year for the next three years.

All People Leaders to complete Distinctive Leadership program, with all colleagues completing an introductory module as well.

Learn more

QUICK LINKS

[Our colleagues](#)

[Gender equality](#)

[Workplace accessibility](#)

[Banking fundamentals program through FINSIA](#)

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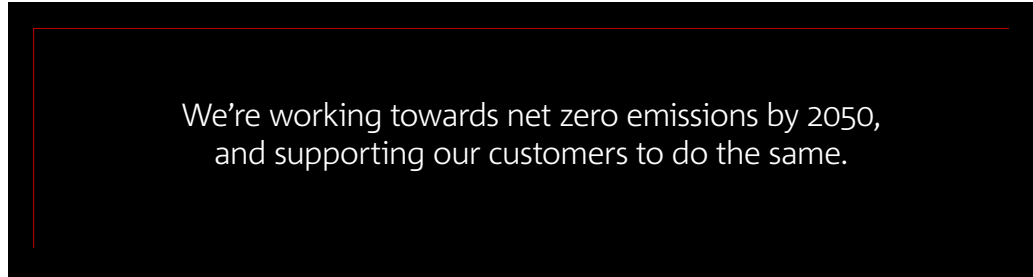
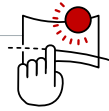
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Why is this important?

Climate change is one of the most significant challenges impacting the prosperity of our society and economy. It's a source of significant risk and opportunity for our bank. We are aligning our business with the goals of the Paris Agreement: to keep global warming to less than two degrees Celsius, striving for no more than 1.5 degrees Celsius above pre-industrial levels and supporting a just transition to a net zero emissions economy by 2050. This includes transitioning our operations to renewable energy, and working with our customers to support their implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050.

An orderly approach to the low-carbon transition is critical to ensure communities have access to secure, reliable and affordable energy and to ensure the transition is just. This includes how we provide financial services, support communities, operate our facilities, engage on matters of policy and contribute to industry initiatives.

Climate change is not an issue facing just one company, industry, or country, so we participate in initiatives and frameworks that cross these boundaries.

What are we doing?

NAB is one of 38 banks globally, and the first Australian bank, to sign the Collective Commitment to Climate Action (CCCA). The CCCA is a separate initiative of the Principles for Responsible Banking (PRB). It sets out concrete and time-bound actions that banks will take to scale up their contribution to, and align their lending with, the objectives of the Paris Agreement. This commitment accelerates our existing work to:

Collective Commitment to Climate Action

COMMITMENT	ACTION
Align our lending portfolio to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius.	<ul style="list-style-type: none"> We are undertaking portfolio analysis which will support the alignment of our lending portfolio with the Paris Agreement and help us achieve a net zero emissions portfolio by 2050. Our initial analysis has focused on our Australian lending portfolio and prioritised sectors considering both the size of our exposure, and the significance of each sector's contributions to aggregate Australian emissions. Working with customers we will set and publish sector-specific targets for portfolio alignment. We are supporting current coal-fired power generation customers implementing transition pathways aligned with Paris Agreement goals of a 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. We have capped thermal coal mining exposures at 2019 levels, reducing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. NAB will not take on new-to-bank thermal coal mining customers. We are continuing our phased review of carbon intensive, climate sensitive and low-carbon sectors with an Oil and Gas sector review intended for completion in 2021.
Take concrete action, within a year of joining, to use our products, services and client relationships to facilitate the economic transition required to achieve climate neutrality.	<ul style="list-style-type: none"> We have set a goal to deliver \$70 billion in environmental financing by 2025, and delivered \$42.5bn to date. We will source 100% of our energy from renewable energy sources by 2025, and have set a Science-Based Target to reduce GHG emissions by 51% by 2025. We will work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023.
Be publicly accountable for our impact and progress on these commitments.	<ul style="list-style-type: none"> We have submitted our first return to the UNEP FI, reporting on our progress against the CCCA commitments. Continue to report regularly on our approach to climate change, reporting on our progress semi-annually, and in alignment with TCFD recommendations.

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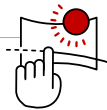
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Helping customers decarbonise

We have had a long-standing commitment to meaningful climate action. This year, we're expanding our disclosure on the steps we are taking to map decarbonisation pathways for our lending portfolio. A clear and accurate understanding of the current state is critical to get to net zero emissions by 2050.

In 2020, we estimated the Scope 3 GHG emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors¹. This recognises the indirect responsibility that arises from our lending and how this lending plays a crucial role in supporting environmental outcomes. This quantitative estimate is limited to Australian customers. Estimating the emissions provides us with an understanding of relative industry sector carbon intensity and supports us in aligning our lending portfolio to the Paris Agreement.

This is our first estimate of financed emissions attributable to our lending portfolio, which we will iterate and improve over time. It indicates that we lend approximately \$23,320 to these sectors for every tonne of GHG emissions released to the

atmosphere by customers in these segments. The data (Figure 3) from this estimation indicates that power generation is the most carbon intensive sector followed by resources (including coal, oil and gas), agriculture, residential property and commercial real estate (retail and office). Of the absolute emissions estimated for the five segments, the majority (~46%) are associated with residential mortgages, due to the size of our lending portfolio.

To extend this work, NAB commissioned ClimateWorks Australia to apply two modelled scenarios from their **'Decarbonisation Futures'** report to the five selected segments of NAB's Australian lending portfolio. They provide two decarbonisation pathways ('1.5°C All-in' and '2°C Innovate') to achieve a net zero emissions 2050 lending portfolio, in alignment with the Paris Agreement (See Figure 4). These sectoral pathways will be critical as we work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023.

Supporting SMEs

SMEs are a vital part of the communities in which we operate, contributing approximately 70% of private sector employment².

2019 was the warmest and driest year on record in Australia, and this year we sought to understand how SMEs thought about the impacts of climate change and the extraordinary bushfire season across Australia. Our survey identified that:

- Around 9 in 10 businesses surveyed expressed some level of concern about climate change.
- Around 7 in 10 businesses surveyed had changed their views on climate change since the bushfires, and were planning to do more to address climate change.

Within New Zealand, we are providing tools to help our small business customers understand their footprint and transition their own businesses towards a low emissions future.

BNZ has set a target of having 50 percent of BNZ SME customers measuring their emissions, setting reduction targets and reporting on their climate change impacts by 2025. To support customers in doing this, BNZ has partnered with the Sustainable Business Network (SBN), Meridian Energy, Waka Kotahi (NZ Transport Agency), Energy Efficiency and Conservation Authority, New Zealand Trade and Enterprise and business.govt.nz to develop a digital toolbox.

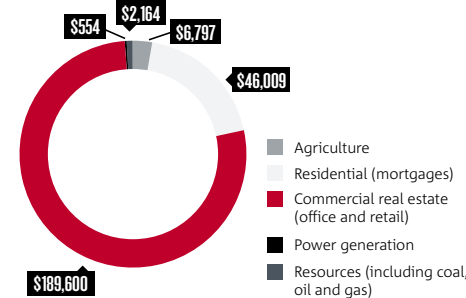
Australian Industry Energy Transition Initiative (AIETI)

In 2020 NAB, alongside a number of customers joined the AIETI. The AIETI aims to accelerate informed action by Australian industry towards the achievement of net zero emissions in hard-to-abate sectors by 2050, while managing the transition to thrive in a decarbonised global economy.

AIETI will focus on five supply chains that are critical to achieving the Paris Agreement goals (that is, keeping temperatures 'well below 2°C' and pursuing efforts to limit the temperature increase to no more than 1.5°C) given their significance to global emissions and the relatively higher abatement costs associated with them. The supply chains identified by the AIETI are:

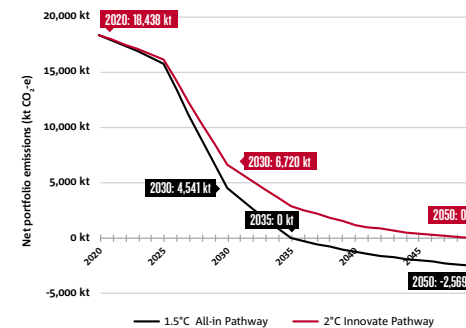
- Iron and steel
- Liquefied natural gas
- Other metals (lithium, cobalt, etc).
- Aluminium
- Chemicals, in particular plastics, fertilisers and explosives.

Figure 3: Dollars lent (EaD) in Australia per tonne of estimated emissions (tCO₂-e) generated: Initial sector estimate



This chart represents the estimated Scope 3 GHG emissions attributable to NAB's lending to Australian customers in these sectors. Detailed methodology available in our 2020 Sustainability Data Pack.

Figure 4: Indicative Australian lending portfolio emissions trajectory



The two low carbon pathways illustrated by these scenarios represent aggregated emissions trajectories for the five segments included in the financed emissions estimate. In the 2°C scenario some sectors are expected to decarbonise faster than others. Scenarios show that a net zero economy following the 1.5°C scenario achieves net zero emissions 15 years faster than a trajectory which follows the 2°C pathway.

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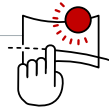
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1 Further information on our estimated financed emissions are available in our [2020 Sustainability Data Pack](#), and our detailed methodology document is available on our [website](#).
2 Australian Bureau of Statistics, Australian Industry, cat. no. 8155.0.



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Managing climate change



Actively pursuing sustainable financing

Finance is a critical tool in responding to society's biggest challenges. We have been driving and innovating sustainable financing options that generate financial returns for our shareholders and positive societal impact. We are pursuing these opportunities across our portfolio, from institutional and corporate financing to retail deposits. Our Group environmental financing commitment is to provide \$70 billion to help address climate change and support the transition to a low-carbon economy by 2025¹. BNZ has established a new commitment to provide NZ\$10 billion in sustainable financing by 2025².

Sustainable impact finance

This year, NAB continued its market-leading role, participating in 12 public green, social and sustainability bond deals, one sustainability linked US Private Placement (USPP), two Climate Bond Certified green loans, and two sustainability-linked loans. This included a range of Australian and global firsts. BNZ continues to play a leading role in supporting this important aspect of the financial markets,

acting on 87% of all green and sustainable Debt Capital Markets (DCM) transactions within New Zealand this year.

- Acting as a Joint Lead Manager (JLM) on the Mitsubishi UFJ Financial Group (MUFG Group) Total Loss Absorbing Capital (TLAC) A\$500m Green Bond which is the first Australian dollar TLAC format green bond, and the first offshore Financial Institution green bond in Australian dollars. It is also the first benchmark sized Australian dollar deal for the MUFG Group. The proceeds are earmarked for financing a global portfolio of renewables projects (wind farms and solar PV), and green buildings owned by Japanese Real Estate Investment Trusts.
- Acting as a Lender and Joint Lead Sustainability Structuring Arranger on the Coriance Sustainability-linked Loan. Coriance is First State Infrastructure's French district heating company. Three key sustainability performance indicators will be tracked as part of the loan including CO2 emissions per unit sold, frequency of accidents, and the share of renewable

energies in Coriance's production mix.

- Acting as a Joint Lead Agent & ESG Structuring Agent on the Sydney Airport³ A\$100m 20-year U.S. private placement (USPP) ESG-linked tranche. This sustainability-linked USPP is an Australian and world first. Strong investor demand saw the transaction more than four times oversubscribed. There is a direct two-way link established between the Airport's sustainability performance and funding costs, with a potential margin benefit for an improvement in sustainability performance and a margin penalty for a deterioration in sustainability performance.

\$42.5BN
ENVIRONMENTAL FINANCING PROGRESS¹

- BNZ acted as a Joint Lead JLM on the Kāinga Ora (Housing NZ) 15-year NZ\$500m Wellbeing bond. At the time of issuance, this was New Zealand's longest tenor and largest Sustainability Bond with proceeds earmarked for green buildings and affordable housing.
- BNZ acted as a JLM on Auckland Council's 30-year NZ\$500m green bond. At the time of issuance, this was the longest bond in the New Zealand market and is also a record size and tenor for the green category. Proceeds are earmarked towards projects which benefit the environment, such as efficient buildings, waste management, and low carbon transport.
- BNZ was also a JLM on Mercury Energy's inaugural green bond in 2020, raising NZ\$200 million which was primarily earmarked to financing the construction of the Turitea wind farm.

Green Term Deposits

UBank, our digital challenger brand, is continuing to provide its Climate Bond certified consumer Green Term Deposit. This green product gives

customers the ability to use their money to finance projects with positive impacts on the environment.

Customer savings are allocated for financing a portfolio of low-carbon projects, such as wind and solar power generation, electrified passenger rail and green buildings. In its second year, and despite increased uncertainty due to COVID-19, there has been continued customer interest in the UBank Green Term Deposit.

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¹ Group environmental financing commitment represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our **2020 Sustainability Data Pack** for a further breakdown of this number and reference to how our environmental financing commitment is calculated.

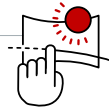
² BNZ's sustainable financing commitment applies to the period from 1 October 2020 to 30 September 2025. The environmental financing component of BNZ's NZ\$10 billion sustainable financing commitment will contribute to the Group's \$70 billion environmental financing commitment.

³ Sydney Airport is ranked third globally by Sustainalytics in the airports sub-industry group, seventh globally in the transport infrastructure sector on the Dow Jones Sustainability Index, and is rated 'AAA' by MSCI.



MATERIAL THEMES

Managing climate change



Financing sustainable infrastructure projects

Our Project Finance (PF) portfolio plays a big role in supporting Australia and New Zealand's long-term, sustainable growth by helping develop key infrastructure like schools, roads, and power plants. NAB continues to be Australia's leading arranger of PF for Australian renewable energy¹, helping our customers and community make the low-carbon transition.

As at 30 September 2020, PF represented 2.2% of total NAB Group Exposure at Default – and of the deals in our PF portfolio to which Equator Principles (EPs) applied, 98% were in designated countries and 2% were in non-designated countries². In 2020, we closed 30 new, refinanced 27 existing, and removed 7 PF transactions from our loan book.

While transactions can be declined at any stage of negotiation or due diligence, only one was declined in 2020 specifically on the basis of social or environmental risks or issues.

Our current global portfolio of renewable energy projects represents a total generation capacity of 13,684 MW and we have arranged \$10.2 billion worth of loans since 2003.

In 2020, we financed an additional 4,303 MW of installed renewable energy generation capacity through renewable energy projects – including finance for wind and solar assets in Australia, US and the UK. Our exposure to an existing Australian coal-fired power generation was paid out, reducing our exposure to coal-fired power in the PF portfolio to zero (down from 0.2% in 2019). This was the only coal-fired generation facility in our PF power generation portfolio. We provide PF for one gas-fired generation facility – which is off grid in a remote location of Australia.

This year, the aggregate estimated³ share of the total Scope 1 and 2 greenhouse gas (GHG) emissions from the Australian designated power

generation assets⁴ in our PF portfolio is around 23,351 tCO₂-e (295,330 tCO₂-e in 2019). We have calculated our estimated share as a percentage of the relevant debt at September 2020. Our PF activities are a key part of our commitment to help address climate change and support the low-carbon transition.

We apply the Equator Principles to project-related transactions. A breakdown of project finance deals by Equator Principles categories is available in our 2020 Sustainability Data Pack. Our 2020 Equator Principles Report will be available on our [website](#) in January 2021.

Project finance by sector as a percentage of total portfolio value (expressed as EaD as at 30 September)

SECTOR	2016	2017	2018	2019	2020
Energy (renewable)	11	15	19	19	19
Energy (coal and gas-fired) ⁵	6	6	5	6	5
Economic infrastructure	34	37	36	35	45
Social infrastructure	20	19	16	16	13
Water treatment infrastructure	5	4	4	3	2
Mining and refining (metals and coal) ⁵	8	6	7	7	4
Oil and gas	12	10	11	11	8
Other ⁶	4	3	2	3	4

1 Rankings based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2020, Value of Deals (database searched on 16 October 2020).

2 Designated countries are those deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. A list of the Equator Principles designated countries can be found [here](#).

3 As these GHG emissions are not generated directly by NAB, we have relied on the public information disclosed by the Australian Clean Energy Regulator, which is information reported by designated generation facilities for National Greenhouse and Energy Reporting. Our methodology involved identifying the reported Scope 1 and 2 GHG emissions associated with each generation facility we project finance in Australia. We then multiplied these emissions by NAB's participation in financing for each facility as % of debt as at 30 September 2020. We then aggregated our share of Scope 1 and 2 GHG emissions to get the total tCO₂-e for the portfolio of power generation assets we project finance in Australia.

4 Designated generation facilities are facilities where the principal activity is electricity generation and where the facility is not part of a vertically-integrated production process. The emissions figure calculated for our project finance portfolio of Australian designated generation facilities covers 91% of the Australian power generation assets (measured as MW capacity of the power generation facilities) included in NAB's project finance portfolio. Data for the remaining 9% of assets (measured as MW capacity of the power generation facilities) was not available.

5 In 2020, coal-fired power is 0% and the remaining balance is gas-fired (5%). Coal is 1.1% of mining and refining.

6 Of the 4% that constitutes "Other", 0.4% is related to waste management.

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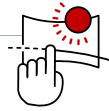
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Climate risk management Management and oversight

ESG risks, including climate change, are identified, measured, monitored, reported and overseen in accordance with the Group's Risk Management Framework (as described in the Group's Risk Management Strategy). Additional disclosures about NAB's approach to climate risk management aligned to TCFD are detailed in our Annual Financial Report pages 41-49.

The Board has ultimate accountability for oversight of climate risk management. Two key risk committees are involved in the oversight of climate-related risk:

- Group Non-Financial Risk Committee: oversight of non-financial risks, including climate-related risks, and the Group's environmental performance.
- Group Credit and Market Risk Committee: oversight of financial risk and ESG risks, including climate-related risks, in the context of the credit risk portfolio. This includes credit policy settings for climate intensive, low-carbon and climate-sensitive sectors.

Matters are escalated to the Executive Risk and Compliance Committee, Board Risk and Compliance Committee and Board as required.

Our Climate Change Working Group (CCWG) consists of management representatives from across NAB and BNZ. The CCWG reviews the key risks and opportunities facing our business and customers arising from climate change and the Paris Agreement, and monitors and supports the implementation of our climate change strategy.

Sectoral risk review

Our phased review of credit risk policy settings for carbon intensive, climate sensitive and low-carbon sectors has been proceeding more slowly than originally planned due to the increased regulatory requirements for COVID-19-related stress testing and the need to divert resources into customer-facing areas to support customers during COVID-19.

Our phased review commenced in the 2017 financial reporting year and is ongoing. These reviews consider a range of factors including: (i) various climate change scenarios for

both transition¹ and physical² risk; (ii) customer strategies and plans and their alignment to the Paris Agreement 2°C climate goal; (iii) industry trends; and (iv) trends in Group exposures to these sectors.

Although we continue to support existing customers across the mining and energy sectors to facilitate an orderly transition to a low-carbon economy, we will not finance:

- new thermal coal mining projects or new-to-bank thermal coal mining customers.
- oil/tar sands extraction projects.
- oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.
- new, or material expansions of, coal-fired power generation facilities, unless there is technology in place to materially reduce emissions.

We intend to complete a review of the Oil and Gas sector in 2021.

Developing robust risk assessment methodologies

In 2020, we continued to collaborate and participate in climate-related risk activities and projects to better understand, and implement, methodologies to assess, and manage, climate risk.

Energy Transitions Hub:

We have continued to work with the University of Melbourne to develop a robust process to overlay physical climate risk information on the Group's lending portfolio for scenario analysis. The pilot initially examined the potential impact

of cyclones, under differing climate scenarios, on the Group's Australian retail mortgage portfolio. This work was delayed in 2020 due to COVID-19 and is expected to be completed in 2021.

Climate Measurement Standards Initiative (CMSI): We have joined and supported this cross-sector industry initiative with the objective of providing open-source, voluntary guidelines for financial institutions to assess the physical risk of climate-related damage to buildings and infrastructure. The CMSI focused on supporting implementation of the TCFD recommendations, in addition to better understanding of the financial system's exposures to climate-related risks. NAB's involvement supported the publishing of two key reports, available [here](#).

Resilience Investment Vehicle (RIV): We have been working with IAG, CSIRO and a number of other government agencies, industry groups and not-for-profits on a RIV. We are drawing on this project to explore how the financial sector can invest in climate adaptation to deliver commercial returns and greater climate resilience with a view to developing insights on the creation of a scalable approach to climate adaptation finance.

Climate-KIC Australia:

We are exploring how to invest in climate adaptation to deliver commercial returns and climate resilience. This work is in partnership with Climate-KIC Australia and other organisations, and seeks to develop a scalable approach to adaptation finance. This work has

contributed to the adaptation finance discourse in Australia – the report is available [here](#).

UNEP FI Phase2 pilot project:

We have continued our involvement with other UNEP FI member banks on methodologies and processes to implement the TCFD recommendations. The Phase 2 work has involved examining a range of scenario tools to help increase understanding of the spectrum of scenarios available and explore the availability of further data sets to assist with climate-related scenario analysis and risk assessment. Work also included:

- examining the availability of climate-relevant asset-level data to advance and refine the Phase I methodologies for physical risk and opportunity assessment.
- piloting the use of correlation analysis to understand how climate-related hazards such as floods, droughts and wildfires can impact bank portfolios via property values, farm revenues, loan delinquency rates, mortgage approval rates and other indicators.
- developing sectoral heat maps for high-level physical and transition risk analysis ([see following page](#)).
- development of a transition risk **web tool** by Oliver Wyman and UNEP FI.
- examining additional scenarios including a disorderly transition.
- exploring the latest regulatory developments.

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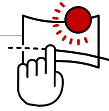
1 For the purpose of this work, transition risk was defined as the impact of low-carbon policy and transition to low-carbon technology on markets and industries.

2 For the purpose of this work, physical risk was defined as the risk resulting from climate variability, extreme weather events and longer-term changes in climate patterns.



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UNEP FI Phase 2: Physical and transition risk heat mapping

Heatmapping can provide valuable high-level insights about whole of portfolio exposure to climate risk. It can quickly help identify where higher risks may lie within a portfolio, that may be appropriate for deeper-dive analyses at a sectoral or sub-sectoral level. In the UNEP FI Pilot Phase 2 project, a collaborative exercise was undertaken to produce high-level heat-maps for both physical and transition risk.

Physical

For physical climate risk, the Phase 2 banks discussed the interlinkages between vulnerability, hazards and loan portfolio performance, and developed a shared view of the climate vulnerability of six sectors to physical climate risk hazards. The vulnerability rating was a function of three factors – vulnerability, hazard and exposure. We collectively mapped six sectors using eight vulnerability indicators, an example heat map for the power generation sector is presented opposite.

Transition

The project also created collective heat maps for transition risk across sectors and sub-sectors. An aggressive transition scenario for meeting the Paris Agreement goal of keeping warming well below 2°C was selected for heat mapping. This allowed participants to discuss the major impacts of such a scenario on the global economy, given that some sectors are likely to require material transformation in transitioning to a low-carbon future.

A broad set of sectors were explored to provide an indication of the widespread effects (both primary and secondary) that an aggressive transition is likely to have, considering four key risk factors: direct and indirect emissions cost, low-carbon capital expenditure and revenue.

Outcomes

The outcome of the analysis highlighted that in an aggressive low-carbon transition scenario even low-carbon emitting sectors may be affected by the transition through their supply chains, technological shifts, or changes in market demands.

The collective heat map outcomes were also useful as a feed into the transition risk loss methodology by providing climate risk sensitivities and ratings for each sector/sub-sector analysed with the UNEP FI- Oliver Wyman Transition Check Tool.

The heatmapping process was found to be useful for management of climate risk in risk identification, strategic prioritisation of transition risk for deeper analysis, and for risk assessment when considering sensitivities to various risk drivers.

Example of physical risk heat map – power generation sector

		Sub-sectors				
		Thermal power stations: natural gas	Biomass power stations	Solar CSP	Hydro-power	Power transmission and distribution
Vulnerability indicators	Natural resources	High	High	Low	High	Low
	Energy supply	Medium	Medium	Low	Low	High
	Climate sensitive supplies	Low	High	Low	Low	Low
	Transport routes	Medium	Medium	Medium	Medium	Medium
	Assets and processes	Medium	Medium	Low	Medium	Medium
	Market demands	High	High	High	High	Medium
	Environment and social impact	Medium	Medium	Low	Medium	Low
	Labour health and productivity	Low	Low	Medium	Medium	Medium

Source: Acclimatise's HeatMapR analytics (www.acclimatise.uk.com) in [Charting a New Climate](#), published by UNEP FI and Acclimatise, 2020 in October 2020.

Sector level heatmap – Absolute (sectors compared to each other).

Sector	Direct emissions	Indirect emissions	Low-carbon capital expenditure	Revenue	Overall
Oil and gas	High	Low	Moderately high	High	High
Agriculture	Moderate	Moderate	Moderate	Moderate	Moderate
Real estate	Moderately low	Moderate	Moderate	Moderately low	Moderate
Power generations	Moderately high	Moderate	Moderately high	Moderate	Moderately high
Metals and mining	Moderately high	Moderately high	Moderate	Moderately low	Moderate
Industrials	Moderate	Moderately high	Moderate	Moderately low	Moderate
Transportation	Moderately high	Moderate	Moderate	Moderate	Moderate
Services and technology	Low	Moderately low	Moderately low	Low	Low

Source: Source: UNEP FI, (2020) [Beyond the Horizon: New Tools and Frameworks for transition risk assessments from UNEP FI's TCFD Banking Program](#).

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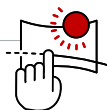
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Natural value and sustainable agriculture

Since our declaration of intent as the launch co-signatory of the Natural Capital Declaration in 2011, we have been working with customers and partners to better manage natural capital by managing risks and seizing opportunities. Primary production is, and will continue to be, important to Australia's economic future, and as Australia's leading agribusiness bank, we have initially focused on how best we can support our agribusiness customers to deliver long-term growth, that generates positive environmental impact.

Across Australia and New Zealand, we are also using our resources to showcase the work of agribusiness customers who are actively managing Natural Capital on their farms.

In 2020, a range of research partnerships we have supported have delivered material outcomes:

- In a survey of 160 graziers, CSIRO established a positive relationship between improved natural capital and long-term financial performance. The next phase of this work will seek to investigate how these

relationships align with NAB bank data.

- Following a project with the Australian Wine Research Institute, Queensland University of Technology and the Food Agility CRC, the wine industry's sustainability benchmarking tool has now embedded financial metrics alongside sustainability metrics. It will take several years for this work to help industry to understand the relationship between natural capital and financial performance. However, the first year of analysis found that to produce one tonne of grapes, the top 10% most profitable vineyards used approximately half of the water, 40% of the energy, and emitted 30% of the carbon dioxide compared to the bottom 10% vineyards.
- ClimateWorks have developed their draft Natural Capital metrics. This is a key step in the Natural Capital Roadmap, and creates a consistent language around natural capital metrics. NAB will now support discussions, feedback and input from farmers, scientists, industry and key stakeholders to embed these metrics consistently.

Our focus on sustainable agriculture has also progressed in New Zealand:

- BNZ has become a member of the Aotearoa Circles Sustainable Agricultural Finance initiative, exploring a framework for the finance sector to enable greater support for agribusinesses looking to transition to further sustainable business models.
- BNZ partnered with AgFirst Consulting to develop a series of Natural Capital fact sheets to help answer some of the key questions agribusiness customers have about environmental topics and their on-farm impacts.

Sustainable Agribusiness – Natural Capital Roadmap

● CASE STUDY

To value Natural Capital, we need a consistent approach to measurement and reporting. Our partnership with ClimateWorks has spent the last 12 months engaging with farmers, industry and experts on creating a draft core set of Natural Capital measures.

The team has worked closely with farmers from different industries at different levels of engagement with natural capital concepts to create an approach that will make it easier for more farmers to measure their natural capital and understand how it is changing over time.

This will facilitate the integration of natural capital considerations into land management, business, financial and government decision-making. The Natural Capital Investment Initiative also aims to enable private and public incentives for land managers at all scales to regularly measure and improve natural capital.

The team has created an overarching framework that incorporates and aligns with existing international and national measurement frameworks and industry sustainability standards. It also recognises that different natural capital measures and methodologies serve different objectives and consequently allows for varied approaches to measuring elements of natural capital.

The first two fact sheets focus on GHG reduction targets and explain the role of methane and nitrous oxide, how the emissions trading scheme works, and how a farmer knows if their plantings are eligible to apply.

- BNZ released their second **'Shift Happens, Future of Agribusiness'** report, based on survey feedback from agribusiness customers, looking to understand how they are thinking and approaching change within their business, with a particular focus on evolving environmental resource management and mindset

toward change and building sustainable long-term businesses. This report is now a part of a nationwide 'Shift Happens' campaign, aimed at engaging customers in a conversation about future plans for overcoming change within their business.

We have supported each of these initiatives so that we can better serve agribusiness customers investing in their sustainability. We will continue to work to integrate findings where relevant into our risk management, pricing and product development processes.

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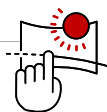
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Colleague training and capability

In 2020, the NAB Board incorporated climate change into its development agenda. The Board's training covered information about: (i) the global carbon budget, (ii) the role of transition pathways in achieving the low carbon transition and Paris Agreement goals, and (iii) the changing regulatory and supervisory response to climate change risk.

Additionally, we incorporated a climate change module into our annual mandatory Risk Awareness training with:

- Highlights from the latest climate science.
- The goals of the Paris Agreement.
- The key elements of the TCFD's recommendations.
- What we are doing to help take action to address climate change.

The training also provided examples of climate-related physical and transition risks to help our colleagues understand the impacts of climate change on our business, customers and the communities in which we operate. To date, colleagues in Australia, Asia, and the US have completed the training.

In June, BNZ issued a public op-ed on "Dodging Disaster with Disclosure", publicly stating the bank's commitment to voluntarily reporting on climate-related financial risk. The bank is committed to continuing to take a leadership role in education on ESG issues, with colleagues, customers and third parties.

Partnerships and advocacy

Achieving net zero emissions by 2050 requires a systems-approach to transition. We are actively engaging in a range of partnerships designed to support customers with their transition plans, improve knowledge and understanding, drive consistency and transparency, and encourage meaningful robust public policy. These partnerships are a critical element to drive meaningful progress in supporting our

customers' transition, and the decarbonisation of our own portfolios.

Residential property

For existing properties, the average star rating in Australia is below 3 stars. NAB's modelling of estimated energy-related GHG emissions associated with residential mortgages is around 8.4 million tonnes of GHG emissions annually.

In addition to the work we have in progress with the *Energy Transitions Hub* to understand the impacts of physical climate risk hazards such as cyclones on our residential lending portfolio, we are working with a range of partners to improve the energy efficiency and climate resilience of residential property in Australia.

We are working with the COAG Energy Security Board to develop:

- **A home energy rating framework for existing homes.** This crucial initiative aims to deliver a single, nationally consistent framework for giving information to Australians on the energy efficiency of their homes, and what they can do to improve it.
- **A national system for disclosing the energy efficiency of homes.** This system would leverage the energy rating framework, and require that the energy efficiency of a home is advertised when it is put up for sale.

These initiatives will help us support more residential

customers to buy and invest in energy efficient homes, reducing the overall risk of our residential book.

\$388BN
AUSTRALIAN RESIDENTIAL LENDING (EAD)

Infrastructure for adaptation

The cost of natural disasters in Australia is expected to reach over \$39.3 billion per year by 2050¹ which is beyond insurable limits. While it is acknowledged that targeted investment in resilience will significantly reduce the costs of disaster relief and recovery², there remains a shortfall of capital available to address disaster resilience.

Climate resilience and adaptation is emerging as an investment opportunity. Recent policy announcements by the Australian Government (i.e. COVID-19 and bushfire recovery priorities to fast track shovel ready projects and 'build back better'), as well as state-based infrastructure resilience strategies, present an opportunity for the finance sector and investment community to fund resilience projects.

A collaboration with CSIRO, IAG, Resilience NSW and Queensland Reconstruction Authority aims to develop a pilot that seeks to direct capital (public and private) toward a range of infrastructure (built, social and natural) that

builds community resilience to natural hazards, while deriving a commercial return.

In the past 18 months, NAB and IAG have undertaken extensive stakeholder engagement to refine and test the opportunity. Highlights include:

- running a series of cross-sector workshops to further refine the opportunity, including a workshop where we leveraged flood mitigation projects from the City of Paramatta as case studies to illustrate the concept.
- this initiative being formally supported at the federal government level by way of its inclusion in the National Action Plan (NAP)³ which seeks to implement the recommendations of the National Disaster Risk Reduction Framework (NDRRF)⁴.
- confirming several new working group members: CSIRO and member agencies of the ANZEMC Mitigation and Risk Subcommittee (MaRS)⁵. These organisations bring with them strategic capabilities and networks that will be vital to the success of this pilot, including expertise in: modelling and data, policy, resilience, as well as relationships across all levels of government, including the National Bushfire Recovery Agency.

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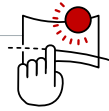
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1 Australian Business Roundtable for Disaster Resilience and Safer Communities, 2017. These costs do not take into account the associated social impacts and any loss of life, or the effects of a changing climate.
 2 The economic argument for investing in resilience is clear, with estimates that for every \$1 invested in disaster mitigation, \$6 is saved in recovery post disaster: <https://www.nibs.org/news/381874/National-Institute-of-Building-Sciences-Issues-New-Report-on-the-Value-of-Mitigation.htm>
 3 Progress of this pilot is reported to the minister responsible for natural disasters at the Federal level.
 4 National Disaster Risk Reduction Framework is the nationally agreed roadmap for disaster risk reduction, priority 3 speaks to the need for enhanced investment in disaster risk reduction for resilience.
 5 Members of MaRS include: Emergency Management Australia, Queensland Reconstruction Authority, and Resilience NSW (formerly NSW Office of Emergency Management).



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Global Compact Network Australia: Working together on a just transition

Effective planning for workers and communities supported by coal power and mining is critical to effectively transition to a low carbon future.

In 2020, NAB collaborated with the Global Compact Network Australia and delivered a report, written by the Institute for Sustainable Futures (University of Technology Sydney) which detailed principles that corporate Australia can apply to this societal challenge. The report details the regions and people at risk in an unplanned transition to a low-carbon future and provides findings and next steps for corporate Australia to consider.

Just over 10,000 workers in Australia are employed in domestic coal generation and mining with a further 35,000 workers in coal mining for export ¹.

The workforce is concentrated in a handful of regions in New South Wales, Queensland and Victoria which are built around mining, transport, generation and servicing of coal.

Almost one-in-two coal workers is a semi-skilled machine operator or truck driver². Whereas the power station workforce is ageing, the coal mining workforce includes a large proportion of prime-aged workers (25 to 44 years) (Figure 1). Consequently, although early retirement packages played an important role in transition overseas, the role they can play for Australian coal mining is more limited.

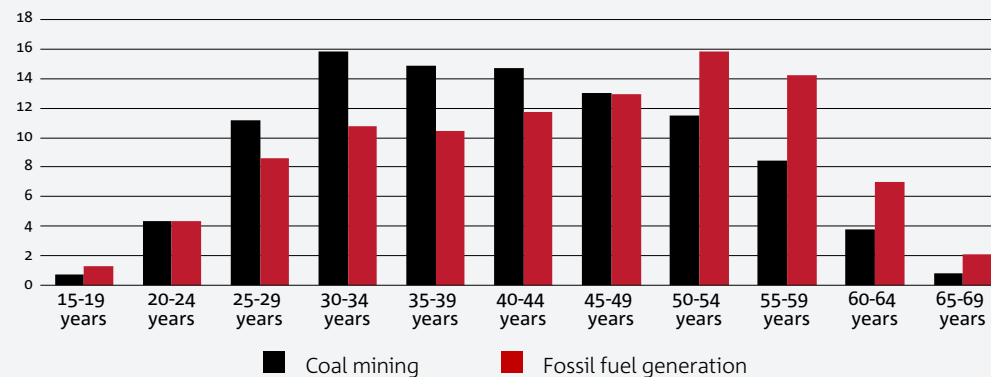
The impact of the closure of a single coal power station (Hazelwood) in the Latrobe Valley with only a few months' notice demonstrates the risks. Two and a half years after the closure of Hazelwood, only one-in-three workers has found a full-time job and one-in-four remains unemployed³.

Around A\$250 million has been invested in rebuilding the Latrobe Valley economy with some positive results, but regional labour markets and economies do not adjust quickly to shocks. An abrupt transition could lead to a collapse in regional economies with business defaults, high unemployment and inter-generational poverty.

Economic collapse could have wider impacts on financial, social and political stability. Not only is there a risk of 'stranded assets' – but if there is a wave of coal power station and coal mine closures without planning and investment ahead of time there will also be 'stranded workers' and 'stranded communities'⁴.

This is a challenging topic that requires organisations across sectors to come together, and we will play our part. We will use the insights from this report to engage our customers on what they are seeing in regards to managing the economic, environmental and social impacts of the transition to a low carbon economy, and how we can support them in their goals.

Figure 1: Coal Mining and Fossil Fuel Generation, Age Profile (%)



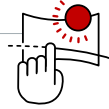
Source: Australian Census (ABS, 2016)

1 Briggs, C., Rutovitz, J., Dominish, E., Nagrath, K. 2020. Renewable Energy Jobs in Australia – Stage 1. Prepared for the Clean Energy Council by the Institute for Sustainable Futures, University of Technology Sydney.
 2 Australian Bureau of Statistics. 2016 Census.
 3 Victorian Parliament Report, 2019.
 4 Robins, Brunsting & Wood. 2018. Climate change and the just transition: A guide for investor action. Grantham Research Institute on Climate Change and the Environment



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Operational performance and commitments

Complementing our clear focus on aligning NAB's lending portfolio to net zero emissions by 2050, we have continued to drive change within our own operations. This year, we achieved 10 years of carbon neutrality under Climate Active's Carbon Neutral Standard. This has been achieved through a concentrated focus on energy efficiency, the use of cleaner energy sources, and the purchasing and retirement of offsets to neutralise remaining emissions. NAB's offsets focus on renewable energy projects internationally and domestic carbon offsets developed through traditional Indigenous land-practices such as savannah burning.

Our response to COVID-19 saw our colleagues shift to a remote way of working. Our total GHG emissions decreased by 8%, of which we estimate half was due to a decrease in work-related travel and occupancy in our office buildings. We expect some of the COVID-19 related GHG emission reductions to reverse in the

future as we adjust to a post-COVID-19 new way of working. We have announced an expected charge of \$134 million before tax for impairment of property-related assets. This primarily relates to plans to consolidate NAB's Melbourne office space with more colleagues expected to adopt a flexible and hybrid approach to working over the longer term.

To account for the emissions associated with a workforce operating remotely and recognising a substantial shift in the way individuals and companies will work into the future, we introduced an estimate of GHG emissions generated by our colleagues working from home. This new estimate of working from home emissions added 2% to the Group's total gross emissions.

NAB's proportion of electricity from renewable sources increased from 3% in 2019 to 7% in 2020 as part of our commitment to the RE100 initiative. This year, we entered into a contract for the supply of renewable energy certificates in

Australia until 2023 to help us meet our RE100 commitment. This year BNZ achieved Toitū enviromark diamond certification, exceeding the requirements of ISO 14001, one of the world's best known environmental standards.

2020 is the fifth and final year of reporting for our 2015/2020 environmental targets for our global operations. All our environmental sustainability performance targets have been achieved, and you can find our performance against these targets detailed in our 2020 Sustainability Data Pack.

NAB has set new and ambitious 2020/2025 environmental performance targets, this includes increasing our 2025 science-based GHG emissions (tCO₂-e) reduction target from 21% to 51%, against a restated 2015 baseline level. If met, the revised target will result in a further emissions reduction of 58,070 (tCO₂-e) when compared with the initial target. The new targets and our performance against them in 2020 can be found in our 2020 Sustainability Data Pack.

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How are we tracking?

\$42.5BN

IN ENVIRONMENTAL FINANCING SINCE 2015¹

10YRS

CERTIFIED CARBON NEUTRAL

72%

OF POWER GENERATION EAD INVESTED IN RENEWABLES

ONLY AUSTRALIAN BANK TO SIGN COLLECTIVE COMMITMENT TO CLIMATE ACTION

6 of 6

2020 ENVIRONMENTAL PERFORMANCE TARGETS ACHIEVED

MEMBER OF UNEP FI 'PHASE II' PROGRAM EXPLORING PHYSICAL IMPACT SCENARIO ANALYSIS

SUPPORTED THE RESEARCH AND LAUNCH OF THE CLIMATE MEASUREMENT STANDARDS

Sustainable Development Goals



Targets

- 100% electricity from renewable sources by 2025
- 51% carbon emissions reduction by 2025
- 30% energy reduction by 2025
- 50% reduction in energy from use of vehicle fuels by 2025 (Aus & BNZ only)
- 10% waste to landfill reduction by 2025
- 5% water reduction by 2020
- 20% office paper reduction by 2025
- 70% reduction in emissions from staff air travel by 2025 (BNZ only)

Future plans

Supporting our customers to achieve net zero emissions, and achieving a net zero emissions portfolio by 2050.

Learn more

QUICK LINKS

[ESG Risk management approach](#)

[Climate change approach](#)

[Natural value](#)

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¹ Group environmental financing commitment represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our 2020 Sustainability Data Pack for a further breakdown of this number and reference to how our environmental financing commitment is calculated.



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Data security, technology and innovation



Easier, faster and safer banking for our customers

Why is this important?

Our customers expect their banking to be easy and digitally enabled so they can do what they need whenever or wherever it suits them, with confidence that their data is secure. Serving customers well means continuing to find ways to meet and exceed this expectation. This is particularly important in a year when COVID-19 has changed the way we work and accelerated the shift of consumer behaviour to online shopping and banking.

We're working towards being known for offering an easy, fast and safe customer experience. Achieving this from a technology perspective means migrating IT applications to cloud¹ platforms, standardising and simplifying our architecture to reduce the number of core systems, and providing more consistent

outcomes for customers and colleagues. A safe experience also extends to having the right technology and systems in place to monitor and report on suspicious activity and keep Australia's financial system safe.

What are we doing?

We are making banking easier for our customers and colleagues by building technology that allows us to move faster, respond quickly to change, work more efficiently and be more resilient.

Our focus is technology investment in the areas that matter most to customers and colleagues.

Faster with the cloud

We are leveraging the power of cloud¹ partners to help us improve our speed and get

innovations to customers faster. We now have 865 applications running in the cloud, which represents 38% of our applications. In July this year, we announced a strategic five-year partnership with Microsoft, to migrate more than 1,000 applications to the cloud (Microsoft Azure) and train more than 5,000 NAB and BNZ technologists in the NAB Cloud Guild program. Central to this partnership is a shared commitment to build out our multi-cloud strategy, designed to manage concentration risk and further strengthen the resilience of our systems.

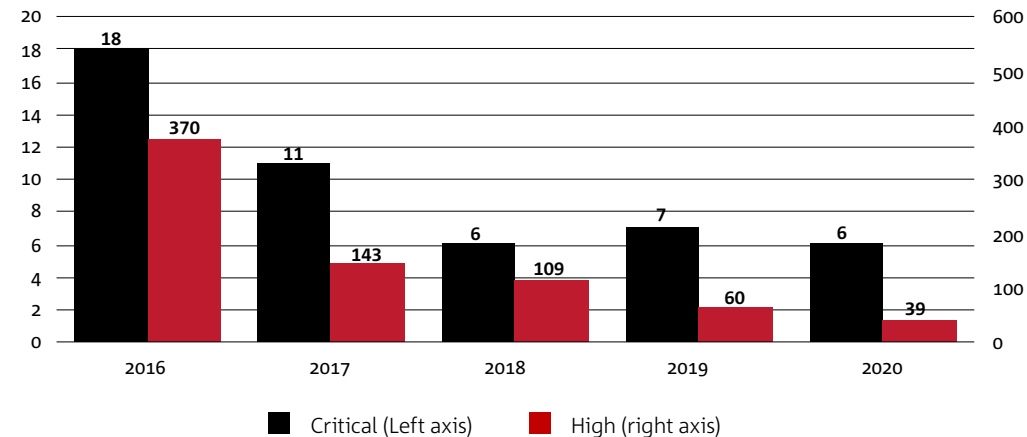
This year we also migrated NAB Connect, our internet banking solution for businesses, to the

Amazon Web Service (AWS) cloud platform. This is the first major customer-facing, business banking platform to be on the cloud by a major bank in Australia and New Zealand.

More reliable for customers

Our customers rely on us every day as an essential service for going about their lives, so improving system resilience is an ongoing priority for us. There was a 33% reduction in Critical and High priority incidents² this year, meaning fewer interruptions to customers' banking needs. This follows a 42% reduction in 2019, and continues an important downward trend in incidents for NAB year-on-year.

Number of critical and high priority technology incidents



1 The cloud refers to servers that are accessed over the internet, and the software and databases that run on those servers.

2 Critical priority incidents: significant impact or outages to customer facing service or payment channels. High priority incidents: functionality impact to customer facing service or impact/outage to internal systems.

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Insourcing functions

This year, we insourced 17 management and operational functions across our network and technology infrastructure functions, giving us greater control. Examples include:

- The management of digital screens and media players within our branch environment.
- The end-to-end management of our data centre.
- The management of network services for our branches, head office sites and data centres.
- The management of our firewall service.
- The management of audio and video conferencing services.

Making 'work from anywhere' a reality

The widespread uncertainty and impact of COVID-19 earlier this year put significant strain on our teams, our colleagues and our ability to keep our services operational for our customers. Within three weeks, we moved from 5,000 to 30,000 colleagues being able to work from home across NAB and BNZ. Our operations' colleagues – those who support customers in personal and business banking – went from 30% able to work remotely to 98% within five days.

In New Zealand, we have been supporting digital transition:

- We have migrated 80% of migratable over-the-counter transactions to smart ATMs, up from 58% in the prior year.
- 73% of all retail customers in New Zealand are digitally active, an increase of 5.5% year on year.
- 90% of all new retail, small business and business customers joining BNZ are digitally active.

Since the onset of COVID-19, customers are relying more heavily on digital channels for servicing questions. Many customers are using our chat and virtual assistant servicing channels, which are now conducting over 30,000 conversations every week. We must continue updating and improving our website, making it easy for customers to find what they need, and continue building our conversational banking capability.

Data security, privacy and management

NAB's transparent, compliant, and ethical collection and use of data is key to earning and maintaining the trust of our customers and colleagues. We focus on keeping data secure protecting our customer systems and providing our teams with the right tools and processes to respond to security incidents when they occur.

This year we completed a three-year investment program to improve our cyber security posture. With an investment of more than \$190 million, we introduced new capabilities to

position ourselves to respond to internal and external threats. This included conducting internal cyber security stress testing and rolling out new technology to make it easier for our developers to find issues in software. We also completed an extensive review of our subsidiary operations as part of our regulatory compliance program.

We benchmark our cyber security capability against international security standards, including the US National Institute of Standards & Technologies (NIST) Cyber Security Framework (CSF), and have achieved significant progress because

● CASE STUDY

Digital innovation in a time of rapid change

In response to COVID-19, we have accelerated the delivery of online features to our customers, increasing activities to help our customers use digital channels. We have:

- Provided better digital access and self-service capability so customers can access government support faster with up-to-date proof of balance, interim statements of recent transaction history, and interest statements for managing tax affairs.
- Redesigned nab.com.au to make it easier to navigate and help our customers bank online. This includes providing our customers with servicing material for simple queries, online call-back forms for more complex needs, and online forms to request changes to accounts, such as the merchant service repayment holiday. There have been more than 1 million views of dedicated COVID-19 support pages since the first page launched in March.
- Addressed COVID-19 concerns by optimising our Virtual Assistant's responses relating to Home Lending and Credit Card repayments. Our Virtual Assistant directs customers to new COVID-19 forms, in addition to providing them with information around Financial Hardship and NAB's specific COVID-19 response.
- Enhanced our real-time communication channels with Apple Business Chat and WhatsApp messaging – a first in Australian banking. Each week over 2,000 conversations are supported with their simple COVID-19 queries via this 24/7 automated channel, via these 24/7 messaging channels, with a small number of complex inquiries being handed over to someone in our contact centres.

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- ▶ Managing climate change
- ▶ **Data security, technology and innovation**

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Data security, technology and innovation



of continual investment in this area. As the data security landscape is continually evolving, we will continue to invest to maintain and improve our controls. A new two year strategic security program has just commenced with strategic priorities intended to simplify and streamline NAB's security services, ensuring frictionless access to key cyber security capabilities. The program will focus not only on internal cyber security improvements

but will also include initiatives to create effective Public and Private Partnerships to improve collaboration with our peers and drive positive outcomes in cyber safety awareness across the community.

Our Global Privacy Office (GPO) is responsible for privacy and data ethics across the NAB Group. This year, we appointed an experienced privacy professional to lead the GPO and tripled the resourcing of the function.

The GPO has focused on improving NAB's privacy fundamentals, including:

- Updating and clarifying internal policy and standards.
- Refining privacy obligations and ensuring effective controls.
- Developing and deploying training and awareness materials and activities.
- Simplifying how NAB conducts privacy impact assessments for business initiatives.

Additionally, the GPO expanded the practical implementation of NAB's data ethics framework and principles through data ethics assessments of business initiatives. To date, more than 270 data ethics assessments have been carried out to test the effectiveness of NAB's data ethics principles.

We have invested in advanced privacy engineering technologies, including differential privacy and the generation of synthetic datasets, resulting in the practical integration of differential privacy technology into a feature of NAB's mobile banking app to ensure the privacy of customer data.

Fighting financial crime

We play an important role in monitoring and reporting suspicious activity and we take our obligation to keep Australia's financial system safe extremely seriously. To fulfil that responsibility, we have made,

and continue to make, significant investments in our ability to detect, deter and prevent financial crime.

We have previously reported certain weaknesses with the implementation of Know Your Customer (KYC) requirements. We are continuing a program of work to strengthen our financial crime detection capabilities and resolve existing issues. This is one of our key priority projects.

The challenges posed by COVID-19, particularly due to social distancing requirements and restriction of movement, have impacted the ability to verify a customer's identity in person. NAB has responded by implementing alternate measures to support our customers and meet our regulatory obligations.

NAB continues to perform proactive assessment of the external environment for new and emerging threats, including human impact crime such as child exploitation, risks with correspondent banking, and tax evasion. We are a committed partner of the Fintel Alliance, which is a collaboration between public and private sector entities to investigate and disrupt criminal and terrorist activity. NAB's support has led to the arrest of organised crime groups and individuals who exploit minors.

Over the year we have invested \$83m in expanding our capability to fight financial crime and we have more than 1,000 colleagues

dedicated to managing financial crime risks.

As a signatory to the UN Global Compact, we have also pledged to work against corruption in all its forms, including extortion and bribery. NAB takes a zero-tolerance approach to bribery and corruption and has implemented a framework to manage bribery and corruption risks within our business. For more information on our approach to financial crime, refer to our website [here](#).

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● CASE STUDY

Cyber security incidents

We remain vigilant against external and internal cyber security threats. Our strategy continues to be to ensure our security measures are working as optimally as possible, and where there are areas for improvement we will address them rapidly and fully.

NAB had one reportable data loss event, due to a departing staff member attempting to take customer data with them. We notified 1,143 customers who were potentially exposed to suffer harm from this breach. The colleague's actions were flagged by our data loss prevention controls, leading to a prompt assessment and resolution of the matter, including pursuit of the matter with the Queensland Police Service and notification to the Office of the Australian Information Commissioner (OAIC). This one eligible data breach under Australia's Notifiable Data Breach Scheme compares to the eight that were reported to the OAIC last year.



MATERIAL THEMES

Data security, technology and innovation



How are we tracking?

865

APPLICATIONS RUNNING IN THE CLOUD

1ST MAJOR BANK IN AUSTRALIA AND NEW ZEALAND TO HAVE A MAJOR CUSTOMER-FACING, BUSINESS BANKING PLATFORM ON THE CLOUD

33%

DROP IN CRITICAL AND HIGH PRIORITY TECHNOLOGY INCIDENTS

MORE THAN 1,400 AMAZON WEB SERVICES, MICROSOFT AZURE AND GOOGLE CLOUD PLATFORM CERTIFIED COLLEAGUES

1

NOTIFIABLE DATA BREACH REPORTED TO THE OAIC

FROM 5,000 TO 30,000 COLLEAGUES ABLE TO WORK FROM HOME IN LESS THAN A MONTH

Sustainable Development Goals



Targets

- Train more than 5,000 NAB and BNZ technologists through the NAB Cloud Guild program over the next 5 years.
- Migrate more than 1,000 applications to the cloud over the next three years.
- Create six Public-Private Partnerships for Cyber Security

Future plans

Deliver our easier, faster and safer bank changes.

Migrate over-the-counter transactions to digital, specifically Everyday Business Deposits, and build new digital features to support customers.

Build strong alliances with industry, government and technology partners to strengthen Australia's cyber security capability.

Learn more

QUICK LINKS

[Our security approach](#)

[Anti-money laundering](#)

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HOW WE ACT

Making decisions for the long-term

Our actions can have a wide-reaching impact on society, and we are responsible for considering them with a long-term view. The NAB Board oversees our business performance, including how our practices affect people, communities and the environment and deliver long-term value to our customers and shareholders. This includes receiving updates on issues related to acting responsibly, community and environmental activities, and environmental, social and governance (ESG) risks and opportunities.

ESG risk management

Managing risk is part of everyone's job at NAB, with support from our Risk function which is led by the Group Chief Risk Officer. Our Risk function comprises specialist risk teams with expertise to support the Board, Board Risk and Compliance Committee (BRCC)¹, and other risk committees in governing and overseeing risk management and compliance across our business. Key risk committees include:

- Executive Risk Committee (ERC)².
- Group Non-Financial Risk Committee (GNFRC)³.
- Group Credit and Market Risk Committee (GCMRC)⁴.

Risk is part of our business and the effective management of it is fundamental to our strategy and our ability to be a safe and secure bank that serves customers well and helps our communities prosper. As a founding signatory to the Principles for Responsible Banking (PRB), we are actively working on shifting the balance of our activities towards positive environmental and social impact. Information about our approach to risk management is provided in the [Corporate Governance Statement](#) and online [here](#).

Our Risk Management Strategy (RMS) describes our material risks and our approach to managing them through our Risk Management Framework (RMF). Although we have integrated ESG risk within our RMF, with the increasing materiality of ESG risk, we (i) specifically called out sustainability risk as a new

material risk category as part of our 2020 RMS and RMF review, and (ii) further integrated ESG risk considerations within our risk appetite statement.

Our RMF supports the Group in:

- Delivering our business strategy.
- Protecting our customers and delivering fair outcomes.
- Driving sustainable business performance in a safe and responsible manner.
- Complying with our obligations.

We identify, measure, monitor, report and oversee ESG risks according to the Group's RMF and RMS. Our ESG Risk Principles provide an overarching framework for including ESG risk considerations in the RMF, and in our everyday decision-making processes. Learn more about our ESG Risk Management and Principles [here](#).

At NAB, ESG risks are managed in an integrated manner as part of our processes for managing risks across our material risk categories⁵. ESG risk assessment is part of our credit risk assessment and due diligence processes, and factors into decisions about our operations and suppliers. For more information about the risks facing the NAB Group, read our [Annual Financial Report](#).

We maintain a High Risk ESG Sectors and Sensitive Areas list to help our bankers and procurement professionals know which sectors and activities may have a higher inherent exposure to ESG-related risks. It also sets out sectors and activities where we have restricted or no appetite. This list is reviewed and updated to incorporate emerging and changing ESG risks.

Our Credit Risk Policy and Supplier Sustainability Program requires all customers and suppliers to be screened against the list for involvement in these sensitive sectors and areas – and if they engage in those activities, it triggers an ESG risk assessment. This could be part of the loan origination or on-boarding process for new customers, or the tendering and contracting process for new suppliers. It may also be part of the review process for our existing customers and suppliers.

We give our colleagues tools to help assess and manage ESG risks. All colleagues complete annual ESG training as part of their mandatory risk training.

We voluntarily sign up to initiatives that help banks set standards and improve ESG risk management practices. These include the UN Global Compact, the Equator Principles and, more recently, the PRB and CCCA. You can read more about our associations and initiatives [here](#).

Delivering sustainable outcomes for our stakeholders

Industry associations

Many of the issues that impact our ability to serve customers cannot be addressed by one company alone. Our industry association memberships provide direct benefit to NAB's long-term success, including:

- Access to industry research.
- Engaging in industry-wide policy discussions across a range of issues.
- Opportunity for networking with our industry peers.
- Access to key policymakers.
- A further avenue to support the community, particularly memberships of regional business chambers which we hold.

In addition, NAB recognises the role of its industry associations in terms of contribution to public policy and advocacy on issues of importance to NAB's business, customers, shareholders and the community. The diverse membership of some industry associations means there will be a diversity of opinion on particular issues. We may not always share the public views of individual members of an association, or an association as a whole.

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1 BRCC supports the Board with oversight of the NAB Group's risk profile and risk management within the context of the Board determined Risk Appetite Statement and makes recommendations to the Board on current and future risk appetite and particular risks or risk management practices.

2 ERC oversees strategic risks and leads management of risk matters related to risk culture, integrated risk governance processes, and risk strategy and performance.

3 GNFRC oversees the management of operational, regulatory and compliance risk, which includes conduct and prudential based regulatory risks, and oversight of the Group's Environmental Agenda and performance (including our climate change strategy).

4 GCMRC oversees risk in the context of managing the Group's credit risk portfolio. This includes ESG risk in the context of the Group's credit policy settings.

5 The material risks managed by the Group are: credit risk, operational risk, compliance risk, conduct risk, balance sheet & liquidity risk, market risk, sustainability risk and strategic risk. For more information on these, and other principal risks and uncertainties faced by the Group, refer to our [2020 Annual Financial Report](#).



HOW WE ACT

However, by maintaining membership in our industry associations, NAB can share knowledge and data, and encourage policy advocacy and actions broadly aligned with our own views, including on climate change and the environment. Membership also allows us to advocate within the association for a change in policy and actions to be more aligned with our own views and approach. When an industry association's position on an issue varies significantly from NAB's public position, we raise this directly with the leadership of that association, and take this into account at the time of membership renewal.

In 2020, we contributed to numerous industry association submissions, including:

- The Samuel Review of the *Environment Protection and Biodiversity Conservation Act*.
- The Climate Change Authority's statutory review of the Emissions Reduction Fund.
- The Federal Government's National Technology Investment Roadmap.
- APRA consultation on the treatment of loans impacted by COVID-19.

Tobacco-free finance pledge

In support of NAB's commitments under the PRB, NAB recognises the importance of reducing the negative impacts on people

and the environment from its activities, products and services.

NAB acknowledges that the tobacco industry is subject to significant regulatory uncertainty, litigation risk and sensitivities within the community. The growing of tobacco and production of tobacco products is incongruent with the objectives of the World Health Organisation Framework Convention on Tobacco Control, which Australia and New Zealand have both ratified.

This year, NAB signed the Tobacco-Free Portfolio's Finance Pledge (the Pledge), a global initiative to accelerate progress towards a tobacco-free future.

As a signatory to the Pledge, NAB will not provide finance for the purposes of growing tobacco or manufacturing tobacco-based products.

The Pledge highlights the commitment of financial institutions that have implemented tobacco-free finance policies and raises awareness of the role we can all play to improve global health.

Debt management providers

In a first for Australian banks, this year NAB announced that we will no longer deal with unlicensed, fee-charging debt management providers, an important step particularly as more Australians seek help as a result of the COVID-19 crisis. We continue to

work with customers who are unable to make repayments to find the right solution for them, or refer them to professional, free and independent services from organisations such as Way Forward Debt Solutions, the National Debt Helpline or not-for-profit financial counsellors based right across Australia.

This action we have taken helps protect customers from potentially being placed in a worse position financially and gives them confidence they are getting the best support possible.

Many for-profit providers do not hold a current Australian financial services (AFS) licence or Australian credit licence from ASIC, despite often appearing to provide services that require a licence¹. A 2018 Senate Economics References Committee recommended tighter regulation of all credit and debt management, repair and negotiation activities, and ASIC has previously warned consumers about the risks of using unlicensed debt management providers who charge high fees but often fail to help customers fix their credit and debt issues².

Respecting human rights

Caring for people who are affected by our business is an important part of our approach. Our support for human rights starts with doing business in a way that respects the rights and dignity of people, prevents human rights abuses, and upholds the law. This is set out in our Group Human Rights Policy, which was refreshed during the year.

Changes included:

- Amended wording which better reflects the requirements of Australia's *Modern Slavery Act*.
- Incorporation of policy requirements from the existing Improper Land Acquisition policy statement, allowing it to be retired.

We consulted with several NGOs during this process. You can find the Policy [here](#).

Our 2020 Modern Slavery and Human Trafficking Statement is available online [here](#). It outlines what we've done to keep our operations and supply chain free from slavery and human trafficking. While we have reported against the UK Modern Slavery Act since 2016, our 2020 report is the first to report under Australia's new *Modern Slavery Act*.

As a major Australian bank, we have a responsibility to work with stakeholders to

uphold human rights. We have continued to engage in industry dialogue about applying the Guiding Principles for Business & Human Rights to banking products and services. This includes taking part in industry working groups that reviewed the Equator Principles, including considering changes relating to social impacts and human rights. NAB's status as signatory to the PRB and Global Compact also includes human rights-related commitments.

Human rights-related feedback and concerns can be provided by contacting our NAB Resolve team. To ensure individuals wishing to raise human rights-related concerns are clear about our approach, this year we released guidance on our [website](#), in multiple languages, on how to lodge a human rights concern with us. Where issues are raised or identified, appropriate actions will be taken in accordance with our grievance processes – including relevant engagement with customers and rights holders. Customer-related human rights concerns may be received directly by NAB, or from State or Federal anti-discrimination bodies. Two customer discrimination complaints were received this year. NAB investigates and works to resolve any complaint received.

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1 Senate Economics References Committee Inquiry into Credit and financial services targeted at Australians at risk of financial hardship.
2 ASIC media release 4 June 2018: ASIC warns consumers about paying high fees for credit repair and debt advice services.



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Colleague-related human rights concerns are managed through our colleague relations processes or via our Whistleblower Program (see the **'Governance, conduct and culture section'**). No instances of modern slavery or human trafficking were identified in NAB's own operations, its supply chain, or through the Whistleblower Program this year. Through our ESG risk assessment process, we identified one issue related to a customer's supply chain. We have engaged with the customer and are monitoring the actions being undertaken to address the issue. In addition, our financial crime teams in Australia and New Zealand identified a number of instances of human exploitation that were investigated and reported to AUSTRAC and law enforcement where required.

NAB respects the land rights of communities that are, or may be, impacted by our customers and suppliers by including land rights in our approach to ESG risk management, relevant policies and tools, including as part of our ESG risk assessment processes. Policy requirements related to land rights are now included in our Human Rights Policy which is online [here](#).

Human impact guide

After the Australian Government passed the *Modern Slavery Act* in 2018, NAB has been working to enhance its processes to identify and address modern slavery risk.

A "human impact" working group was formed in late 2019, within NAB's Financial Crime Operations team. Its key objective was to design and produce a handbook for investigators: to educate colleagues on what human impact crimes actually entail, and how to detect them in financial crime investigations.

The guide begins with an overview of the key crimes associated with "human impact" including human trafficking, modern slavery practices such as servitude, forced labour, forced or servile marriage, debt bondage, financial/elder abuse and the exploitation of children.

For each of these crimes there are a range of situations or industries most susceptible, as well as a number of ways in which to identify possible victims and offenders. These typologies and indicators are explained in detail, pointing out those behavioural indicators which are observed by customer-facing staff, and those demographic and transactional indicators visible only to investigations and back office roles.

De-identified case studies, drawn from the experiences of NAB's transaction monitoring team are used to illustrate the real-world application of these typologies and indicators at work.

The guide will be reviewed and updated on an annual basis to ensure NAB stays up-to-date with the latest emerging trends in this area. A tailored version of the guide is currently in development for customer-facing staff, to provide specific education and awareness for those staff on the front line who are most likely to interact with the victims and offenders of human impact crimes.

Learn more

QUICK LINKS

[Our ESG risk management](#)

[Our supply chain](#)

[Sustainability Data Pack](#)

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ASSURANCE

To provide our stakeholders with a higher level of confidence in our reporting, we engage Ernst & Young (EY) to provide limited assurance over key metrics included in the 2020 Annual Review, the 2020 Sustainability Report and the 2020 Sustainability Data Pack, and limited assurance that NAB has identified and reported on its material themes in the 2020 Annual Review in line with the principles of materiality and completeness as defined by the Global Reporting Initiative.

Additionally, KPMG provide reasonable assurance over our Australian National Greenhouse and Energy Reporting (NGER) data (Scope 1 and 2 GHG emissions), along with limited assurance over the following:

- Specified GHG emissions and offset data relating to NAB Group.
- Renewable energy generation as a proportion (%) of the Group's exposure to the power generation sector,

expressed as Exposure at Default (EAD), as at 30 September 2020.

- Project Finance (PF) by sector as a proportion (%) of total PF portfolio value, expressed as total committed and uncommitted exposure, as at 30 September 2020 and financed emissions attributable to our Australian power generation project financing.
- Progress towards NAB's Groupwide target to

undertake financing activities of \$70 billion over the ten years to September 2025 to help address climate change and support the transition to a low-carbon economy.

- AUD Exposure at Default and emissions (tCO₂-e) for agribusinesses, commercial real estate (office and retail), NGER exposed entities (energy and resources) and residential mortgages.
- NAB's reporting and self-assessed responses to the six key areas as reported within

the UNEP Finance Initiative's Principles for Responsible Banking reporting template.

The metrics covered by EY are listed below. The assurance statements provided by EY and KPMG are available on our **website**.

Content indices for the Global Reporting Initiative standards and United Nations Guiding Principles for business and human rights are available in our **Data Pack**.

ASSURED INDICATOR	SCOPE	ASSURED INDICATOR	SCOPE
Code of Conduct breaches (by category and outcome)	Australia	Percentage of critical / material / strategic suppliers that are compliant with Group Supplier Sustainability Principles	Group
Net Promoter Score (by segment)	Australia and New Zealand	Ratio of basic salary, female to male (by employment level)	Group
Total customer complaints (by region and by category - showing percentage change), including total number of substantiated complaints received concerning breaches of customer privacy from regulatory bodies and other outside parties	Australia and New Zealand	Percentage of high risk category suppliers with ESG risk assessments completed	Australia and New Zealand
Employee engagement - Current model	Group	Female representation on Group Subsidiary Boards	Group
Employee engagement - Response Rate	Group	Number and dollar value of Volunteering Days (total of skilled and general)	Group
Number of customers assisted experiencing financial hardship	Australia	Return to work rate (from extended leave which commenced with primary carer leave)	Australia
Cure rates for NAB Assist and NAB Care customer accounts (30 days and 90 days)	Australia	LTIFR – including total days lost due to stress	Australia and New Zealand
Number of low-income Australians assisted with products / services (by product type)	Australia	Absenteeism	Australia and New Zealand
Number and dollar value of microfinance loans written (by type)	Australia and New Zealand	Community Investment (by dollar value, Region, type, focus area)	Group
Total workforce (by FTE, headcount, age group, gender, employment type, employment level)	Group	Number of whistle-blower disclosures received under the Whistleblower Policy (inc. partially or fully substantiated, not substantiated and remaining under investigation)	Australia
Female representation in total workforce	Group	Number of data breach notifications sent to the Office of the Australian Information Commissioner (OAIC)	Australia
Female representation in Executive Management	Group	Number of critical and high priority technology incidents	Australia
Total number and rate of employee turnover (voluntary/ involuntary and by gender)	Group	Progress on affordable housing financing commitment	Australia

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GLOSSARY

ANZEMC

Australian-New Zealand Emergency Management Committee.

BNZ

Bank of New Zealand.

Carbon footprint

The measure of the impact that activities in a defined carbon inventory will have on the environment; measured in units of carbon dioxide equivalent.

Carbon inventory

A defined list of GHG emission sources that an organisation uses to calculate its carbon footprint.

Carbon offset

A credit that is purchased to negate an amount of carbon (one tonne) included in a defined carbon footprint.

CO₂-e (carbon dioxide equivalent)

The common unit of measure for the expression of Greenhouse Gas (GHG) emissions. Each unit of GHG has a different global warming potential. Therefore all greenhouse gases are converted back to tonnes (tCO₂-e) of carbon dioxide equivalent to enable consistent comparison and measurement.

COAG

Council of Australian Governments.

Colleagues

Refers to NAB employees, staff, personnel. Note: some defined terms throughout the report continue to use 'employee', such as Employee engagement.

Cooperative Research Centre (CRC)

Australian Government funded initiatives to support industry-led collaborations between industry, researchers and the community.

CSIRO

Commonwealth Scientific and Industrial Research Organisation.

Diverse suppliers

Organisations in NAB's supply chain including Indigenous-owned, minority-owned and women-owned businesses and disability and social enterprises.

Employee engagement

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organisation, and put discretionary effort into their work.

Energy consumption (direct)

Direct energy consumption refers to energy from fuel used in buildings for heating and back-up power generation, as well as fuel used in our vehicle fleet.

Energy consumption (indirect)

Indirect energy consumption refers to electricity consumption from grid supply, and from trigeneration and solar PV.

Energy production (direct)

Indirect energy production refers to electricity generated through tri-generation and solar PV.

Energy production (indirect)

Net energy consumption refers to gross energy consumption minus indirect energy production.

Environmental, Social and Governance (ESG)

Describes the consideration of the environment, social and governance factors that impact on the risk and return profile of a company's operations and investments. ESG risk incorporates the three main areas of concern that have developed as the central factors in measuring the sustainability and ethical impact of a company's operations. They can arise directly through a company's own operations, or indirectly through customers and suppliers. ESG issues include managing the company's carbon footprint, addressing diversity, human rights and financial inclusion and ensuring there are policies and structures in place to provide robust management of the organisation.

Equator Principles (EPs)

A voluntary set of standards for determining, assessing and managing social and environmental risk in project finance transactions. Equator Principles Financial Institutions (EPFIs) commit to not providing loans to projects where the borrower will not or is unable to comply with the EPs. Refer to [website](#).

Exposure at Default (EaD)

An estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the NAB Group would incur in the event of a default.

FTE

Full-Time Equivalent includes all full-time employees, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees and external contractors either self-employed or employed by a third-party agency. (Note: This does not include consultants, IT professional services, outsourced service providers and nonexecutive directors.)

Greenhouse gas (GHG) emissions

Gaseous pollutants released into the atmosphere that amplify the greenhouse effect. Gases responsible include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Group Supplier Sustainability Principles (GSSPs)

Sets out the sustainability requirements of companies we procure goods and services from. See our [website](#) for more information.

Headcount

Represents the total number of employees within the workforce, regardless of full-time or part employment status.

London Benchmarking Group (LBG)

Global model to measure Corporate Community Investment.

LBG – Charitable gifts and donations

Includes intermittent support to wide range of good causes in response to the needs and appeals of charitable and community organisations.

LBG – Commercial initiatives

Refers to commercial activities or sponsorships, intended to directly promote the company's brand whilst also providing some community benefit.

LBG – Community investment

Describes the long-term involvement in community partnerships to address a limited range of social issues.

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GLOSSARY

LBG – Forgone fee revenue

The revenue a company chooses to forego to the benefit of the community. For example, the forgone interest on microfinance loans provided by NAB.

LBG – In-kind support

Describes the monetary value of goods or services provided by the company for community organisations.

LBG – In-kind volunteering

Refers to the total number and value of time provided by the company to allow colleague to volunteer with organisations. This does not include volunteering provided outside of standard work hours, unless time in lieu is provided to the colleague.

LBG – Management costs

The total value of the costs incurred in delivering programs, products and services designed to promote community benefit (for example, direct salaries and administration costs of payroll giving programs).

LGBTI+

Lesbian, gay, bisexual, transgender, intersex and other sexuality, sex and gender diverse people.

Materiality assessment

Our formal, annual assessment of ESG themes affecting the organisation and influencing the decisions of our stakeholders.

Material supplier

A material supplier, as defined in accordance with APRA Prudential Standard CPS 231 or regional equivalent, performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Group’s business operations or its ability to manage risks effectively.

NAB

National Australia Bank Limited (ABN 12 004 044 937).

NAB Group

NAB and its controlled entities (including BNZ).

Natural Capital

Comprises Earth’s natural assets (biodiversity and ecosystems) and the ecosystem services resulting from them.

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.

NPS – Business

Represents all businesses with an Australian Business Number, excludes government entities, and some charities and community organisations. Source: DBM Consultants.

NPS – Consumer

Represents 100% of NAB’s consumer banking customers, including previously reported segments of home owners and investors, as well as all other subsegments of consumer banking. Source: DBM Consultants.

NPS – Strategic

Represents the combined NPS of Consumer and Business segments within Australia, using a weighting of 50% for each segment. This has replaced “NPS priority segments” as previously reported by NAB, which was a simple average of four customer segments (Home Owners, Investors, Small Business and Medium Business) Source: DBM Consultants.

Photovoltaics (PV)

The conversion of light into electricity using semiconducting materials.

Science Based Target Initiative

The Science Based Targets initiative is a partnership between CDP, UN Global Compact, World Resources Institute and WWF, which helps companies determine how much they must cut emissions to prevent the worst impacts of climate change.

Scope 1 GHG emissions

This includes direct emissions from within an organisation’s boundary. These emissions are from sources that the organisation owns or controls such as:

- Combustion of fuel in boilers, furnace or generators that are owned or controlled by the reporting company.
- Generation of electricity, steam or heat in equipment that is owned or controlled by the reporting company.
- Business travel in vehicles such as company cars or corporate jets that are owned or controlled by the reporting company, colleague commuting in company-owned or controlled vehicles, such as company cars.
- HFC emissions from company owned or controlled refrigeration or air-conditioning equipment.
- Combustion of fuel in boilers or furnaces not owned or controlled by the reporting company.
- Colleagues commuting in vehicles not owned or controlled by the reporting company, such as light rail, rail, buses and colleagues’ cars,
- Third-party production or manufacture of materials and resources used by the reporting company, such as furniture, paper and equipment.
- Indirect losses resulting from the transmission of electricity and other fuels.

Scope 2 GHG emissions

Indirect emissions from electricity that is used by the organisation but is generated outside the organisation’s boundary by another company, such as an electricity provider. This is called ‘purchased electricity’. This includes indirect emissions from consumption of purchased electricity, steam, or heat.

Scope 3 GHG emissions

All other indirect emissions that occur outside the boundary of the organisation as a result of the activities of the organisation including indirect emissions from:

- Business travel in non-company owned or controlled vehicles, such as rental cars, colleague cars, rail and commercial planes.

Socially Responsible Investment

Investments made under a strategy which seeks to deliver financial return and social good. These may include investments that screen out companies deemed negative, such as those that produce cluster munitions, or tobacco products.

We, Our or Us

Refers to NAB, BNZ or the NAB Group as the context requires.

Key information

Refer to the **2020 Sustainability Data Pack** for key information on the reporting period, organisational boundary, scope, forward-looking statements, estimations and reporting of GHG emissions.

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Our 2020 snapshot

2020 scorecard

Our approach

How we listen

Material themes

- ▶ Supporting customers
- ▶ Governance, conduct and culture
- ▶ Colleague capability and wellbeing
- ▶ Managing climate change
- ▶ Data security, technology and innovation

How we act

Assurance

Glossary