

SUSTAINABILITY REPORT 2018



National
Australia
Bank

Jeffrey Danydjati

The Arnhem Land Progress Aboriginal Corporation is the largest Indigenous Corporation in Australia with 1,100 team members, and growing.

**Arnhem Land Progress
Aboriginal Corporation**
NAB customer

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ABOUT THIS REPORT

Jane Campbell & Colin Campbell

Campbells Wines
NAB customer

Colin Campbell

"It's been an extraordinary relationship and if it wasn't for NAB, we wouldn't be where we are now."

As a major Australian bank, we take our role in the community seriously. In this report, we'll look at some of the ways we're supporting our customers, communities and Australia as a whole. We'll explain what we're doing to meet changing community expectations, and deliver on our vision to be Australia's leading bank, trusted by customers for exceptional service.

This Sustainability Report (and accompanying Data Pack) covers NAB's performance from 1 October 2017 – 30 September 2018. It's part of our 2018 Annual Reporting Suite, which also includes the Annual Review and Annual Financial Report. You can find the full suite [here](#).

We prepared this Sustainability Report using the Global Reporting Initiative Standards core option. It also refers to the Task Force on Climate-related Financial Disclosures recommendations and the Integrated Reporting and United Nations Sustainable Development Goals frameworks, linking our activities and commitments to the global agenda for a sustainable future.

IF YOU HAVE ANY QUESTIONS OR COMMENTS

Send them through to
corporate.responsibility@nab.com.au

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CEO MESSAGE

I am proud to share NAB's sustainability report which shows how we have contributed to the community and environment in 2018. The report is an important way to engage with our stakeholders and explain how we have lived up to our purpose to 'back the bold who move Australia forward'.

We launched this purpose last year and were eager to get this work right, taking our time to ensure it would emphasise the need to put customers first and provide meaningful direction to our people.

In 2018, the importance of this has been clear as the financial services industry was challenged with the charge it had put "profits before people" through the Royal Commission. It was uncomfortable to read this statement, but we must face into it – and change.

At NAB, we are determined to find a sustainable way forward, one that puts customers at the centre of everything we do. We want to reconnect with local communities and earn their trust by listening to them about the role we play in their area, how we can serve them better and manage the impacts from our business. We will respond to, and fix, issues quicker.

PUTTING CUSTOMERS FIRST

We are building a stronger bank that is ready for a more digital future, one where long-term returns are based on customer trust and loyalty.

This includes being there when it really matters, with examples including our hardship program NAB Assist. Our people have helped more than 18,000 Australians facing financial difficulty this year, with around 97 per cent of these customers back on track with their payments within 90 days.

We are proud of our partnership with Good Shepherd Microfinance, which has supported close to 600,000 low-income Australians with microfinance products and services since 2005. In 2018, more than 32,000 microfinance loans worth \$36 million were written across Australia and New Zealand through this partnership.

We are also determined to be the bank for regional and rural Australia. As part of this our senior leaders visited 13 communities over three months to listen and learn about how we can be better for our customers. We heard the importance of face-to-face banking and this has made us think differently about our branch

network. We have since committed to not close any branches in drought-declared areas and reversed decisions to close our Narooma and Dungog branches in NSW based on community feedback.

Through the Royal Commission Australians heard the story of our customers Ken and Deborah Smith, who were charged default interest as drought and tough market conditions put them behind in their repayments. This fell short of community expectations and did not represent the bank we want to be. As a result we have now scrapped default rates for drought-affected farmers.

These serve as part of a wider group of commitments made to be better for our customers, including enabling our farming customers to offset their farm management deposits against their lending and announcing in September we would keep our Standard Variable home loan rate on hold for the time being, to reward customer loyalty.

BACKING COMMUNITIES

We have a responsibility to provide a positive contribution to the communities in which we operate.

This includes leading on environmental financing and we uphold our pledge to deliver \$55bn by 2025. We are well on track having provided almost \$23bn in environmental financing since October 2015.

We continue to be the leading arranger of renewable energy project finance in Australia¹ and this year celebrated the milestone of 100 renewable energy deals, a number we are eager to grow. We are also a leading financier of infrastructure in Australia², helping fund the roads, schools and hospitals on which our society relies.

These milestones are the result of the work of our people, who have shown resilience through a difficult year.

Our people help us maintain one of the largest volunteering and workplace giving programs in the country, showing their support to the communities in which they live. In 2018, more than 15,000 volunteer days were completed by NAB's employees and we have ambition to increase this number in coming years.

This figure included our strong volunteering effort at the Special Olympics in Adelaide in April, with NAB's 200 volunteers representing a quarter of the volunteering effort and supporting our sponsorship.

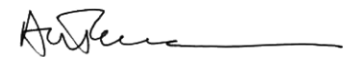
We also continue to support the NAB AFL Auskick program, which helps keep 200,000 Australian kids active, and the development of AFLW, which will continue its expansion in 2019.

THE WAY FORWARD

This year we refreshed our vision to be "Australia's leading bank, trusted by customers for exceptional service". This is where we want to be.

Our vision is designed to challenge us. And, together with our purpose and five core values, will guide us through a transformation that will help us better deliver for our customers.

We have a lot of work ahead to earn the trust of customers, but I am confident we are making the right decisions to ensure this vision will be achieved.



Andrew Thorburn,
Group Chief Executive Officer

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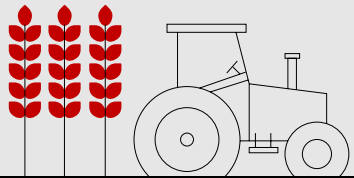
¹ Thomson Reuters: Project Finance International 2006-2018 Asia Pacific Initial Mandated Lead Arrangers League Tables - 2018 AUD\$ Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2018.
² IJGlobal League tables (2018).



OUR SNAPSHOT

AUSTRALIA'S
LARGEST
AGRI BANK
SUPPORTING
FARMERS¹

1 IN 3
farmers



OUR NETWORK FOOTPRINT

911

branches & business banking centres

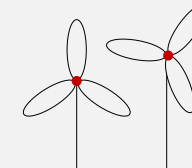
3,328

ATMs

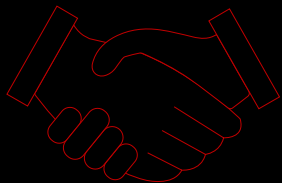
PERFORMANCE AGAINST STRATEGIC OBJECTIVES

- ▶ **11.7%** cash return on equity²
- ▶ **-16 NPS** for priority segments³
- ▶ **54%** people engagement⁴
- ▶ **50%** cost to income ratio⁵

#1 ARRANGER
of green and social
bonds in Australia
and New Zealand⁶



15+ YEAR PARTNERSHIP WITH GOOD SHEPHERD MICROFINANCE



delivered **\$36m** microfinance
loans in 2018⁷

~9m Customers

18,315

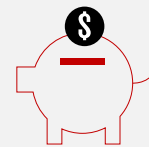
customers
experiencing
hardship assisted

\$54.4m

community investment⁹

1.8m

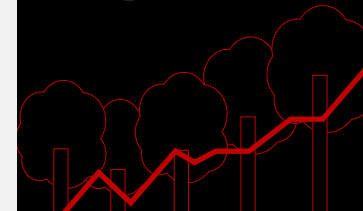
charitable gifts
and donations



PROGRESS AGAINST ENVIRONMENTAL FINANCING COMMITMENT¹⁰

\$22.9bn

\$55bn
by 2025



33,000+

*employees

15,300+

employee
volunteer days

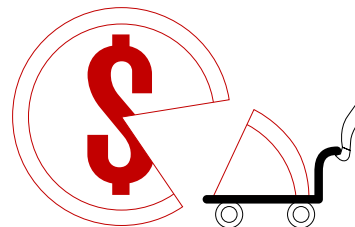
52%

female

#1 IN BUSINESS LENDING

21%

market share⁸



584,000+

shareholders

SIMPLER PRODUCTS

~70 products
simplified

+40 retired out of ~600

¹ Source: RBA Banking System/NAB APRA Submissions September 2018.

² Excluding restructuring costs and customer-related remediation, cash ROE is 13.3%. A definition of cash return on equity is available in the Glossary on page 55. Objective is to have #1 cash ROE amongst major Australian banks.

³ 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. Refer to Glossary on page 55 for definition of NAB's priority segments. Objective is to be NPS positive and #1 in priority segments amongst major Australian banks.

⁴ Source: Employee Engagement Survey conducted by Aon Hewitt. Objective is to be in the top quartile globally (68%).

⁵ Excluding restructuring costs and customer-related remediation, CTI ratio is 44.6%. Refer to Glossary on page 55 for a definition. Objective is to have a CTI ratio towards 35%.

⁶ Leading issuer of public market transactions by number of transactions and issuance volume. Sources: Bloomberg and Climate Bonds Initiative databases.

⁷ Delivered in partnership with Good Shepherd Microfinance (Australia) and Good Shepherd New Zealand.

⁸ APRA Monthly Banking Statistics as at September 2018.

⁹ 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 55.

¹⁰ Represents total cumulative new flow environmental financing from October 2015. More information is in the Data Pack, page 4.

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2018 SCORECARD – PROGRESS AGAINST OUR TARGETS

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We've set targets and commitments to help us achieve better business and social outcomes. These targets support the United Nations Sustainable Development Goals (SDGs) pathway to a stronger future – for people and the planet. More information about the SDGs is [online here](#). In this table, we've outlined how our targets and commitments align with the SDGs, and our progress towards them.

TARGET/COMMITMENT	SUSTAINABLE DEVELOPMENT GOALS	2017	2018	PROGRESS
NPS priority segment scores: To be #1 major Australian bank and net positive		-12 #1 Aust major bank ¹	-16 #2 Aust major bank	↓
Employee engagement: To be in the top quartile globally, with a 68% engagement rating		59%	54%	↓
Environmental financing: To provide \$55 billion in environmental financing over 10 years (from 2015-2025)	  	\$13.4bn	\$22.9bn	↑
Our Group environmental operational targets (from 2015 base year): a) Science-based GHG emissions (tCO ₂ -e) – 21% reduction by 2025 b) Energy use (GJ) – 5% reduction by 2020 c) Office paper (tonnes) – 10% reduction by 2020 d) Customer eStatements – 50% of all statements by 2020 e) Water use (kL) – 10% reduction by 2020 f) Waste to landfill (tonnes) – 5% reduction by 2020 g) Data Centre Power Usage Effectiveness – average below 1.5 by 2020.	    	a) 7% reduction b) 5% reduction c) 20% reduction d) 54% uptake e) 3% reduction f) 8% reduction g) 1.48	a) 12% reduction b) 8% reduction c) 36% reduction d) 59% uptake e) 6% reduction f) 23% reduction g) 1.40	↔
Our Group supplier sustainability targets: 90% of material suppliers ² comply with our Global Supplier Sustainability Principles (GSSPs) and 100% of new/re-contracted suppliers assessed for Environmental, Social and Governance (ESG) risks each year	  	GSSP 90% ESG 100%	GSSP 88% ESG 100%	↔
Gender equality: 40 – 60% of either gender represented at all levels of the business by 2020		54% female overall 31% female in executive management	52% female overall 31% female in executive management	↓
Volunteering: 50% increase in volunteering days on prior year (2017)	 	16,115 days	15,397 days	↓
Microfinance: 100,000 microfinance loans for low income Australians per year by 2019 ³	  	27,147 loans	31,743 loans	↓
Indigenous Inclusion: 70 Indigenous Australian traineeships per year	 	86	84	↔

¹ Home Owners priority segment changed to HL@bank in 2018. It was previously customers with a Home Loan at any bank. 2017 figure has been restated.

² Refer to Glossary for definition of material suppliers.

³ Delivered in partnership with Good Shepherd Microfinance (Australia).

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OUR APPROACH

WHO WE ARE

We're Australia's biggest business and agricultural bank¹, and operate from more than 900 locations² across Australia, New Zealand, Asia, London and New York. With more than 33,000 team members³ and close to nine million customers, we're an important part of daily life for many Australians, New Zealanders and people around the world. Our nation's economy, the infrastructure supporting our communities, the life decisions people make and the way our customers manage their money all impact our business in different ways – which is why we're looking at our role in the bigger picture.

The current external environment, including the Royal Commission into Misconduct in the Banking, Superannuation & Financial Services industry, shows that banks including NAB haven't always lived up to community expectations. (Read more in the *Doing the right thing* section.) To fix this, we're listening to our customers and communities and making changes based on what they say. We know that at our scale, the way we run our business, deliver our products and give back to the community matters. Find out more about how we're backing Australia's communities [online here](#).

Our Purpose is to 'back the bold who move Australia forward' – and our One NAB Plan outlines how we're bringing this purpose to life.

Our objectives are to be highly rated by our customers, have engaged teams, manage costs and make strong financial returns. To succeed, we need our people to live the NAB values every day, building trust through how we act and the choices we make. We need to be backing our customers on an individual level, and at an organisational level. And for us, this means being the best business bank, tapping into new and emerging growth opportunities, having great leaders, talent and culture, and being simpler and faster for our customers. This year we evolved our vision to be "Australia's leading bank, trusted by customers for exceptional service." This puts customers even more at the heart of who we are and where we want to be.

We also take responsibility for our positive and negative social and environmental impacts, and seek to create good outcomes for our community and business.

Learn more about what we stand for [online here](#).

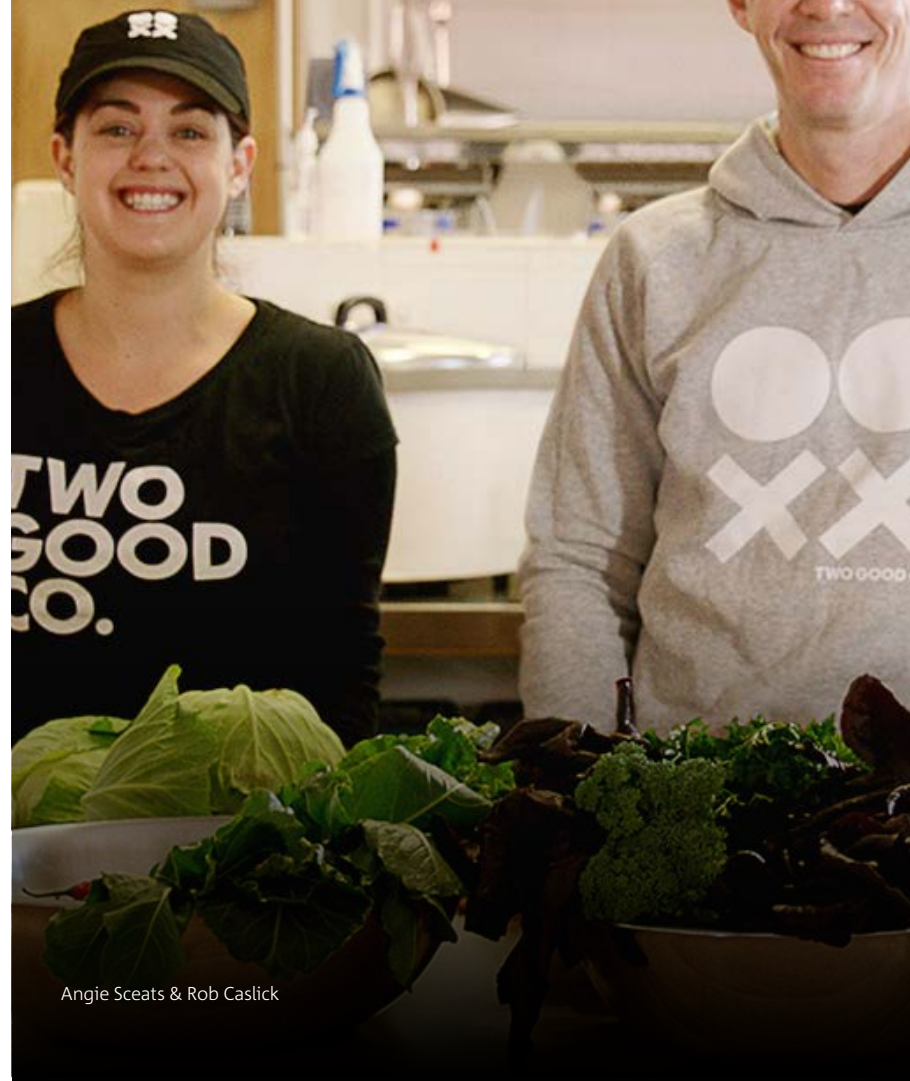
MAKING GOOD DECISIONS

The NAB Board oversees our business performance, including how our practices impact people and the environment. They receive updates on issues related to our community and environmental activities, and environmental, social and governance (ESG) risks.

Two Good Co.
NAB customer

Rob Caslick

"Having NAB walk with us on the journey to one million meals gives us the confidence that we're going to get there."



Angie Sceats & Rob Caslick

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¹ RBA Banking System / NAB APRA Submissions September 2018.

² Data represents 'points of presence' or physical locations of branches and business banking centres, to avoid double-counting branches and business banking centres at the same address.

³ Based on 33,283 full-time equivalent employees (FTEs) as at 30 September 2018. Refer to Glossary on page 55 for FTE definition. Headcount of permanent full-time and part-time NAB employees as at 30 September 2018 was 32,962.

OUR APPROACH

MANAGING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

The Group Chief Risk Officer is responsible for managing ESG risk, supported by a number of key committees that govern risk across our business. These include the:

- Board Risk Committee¹.
- Group Risk Return Management Committee².
- Group Regulatory, Compliance & Operational Risk Committee³ (GRCORC).
- Group Credit and Market Risk Committee⁴ (GCMRC).

Our Group Chief Risk Officer chairs the GRCORC and the GCMRC. These are the key management-level bodies overseeing ESG risk at NAB. The membership of the GRCORC and GCMRC is comprised of management representatives from across the Group including from Australian banking divisions and BNZ.

Designated employees in our subsidiaries and international branches are also responsible for managing ESG risk at the local level. See the *Supporting communities* section for more information.

We identify, measure, monitor, report and oversee ESG risks according to the Group's Risk Management Framework (RMF) in line with the Group's Risk Management Strategy. Our ESG Risk Principles provide an overarching framework for including ESG risk considerations in the RMF, and in our everyday decision-making processes.

They also align to our overall values and vision.

At NAB, ESG risks aren't managed as a separate risk category – they're integrated with our material risk categories⁵. They're part of our credit risk assessment, and due diligence processes, and factor 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. This helps our bankers and procurement professionals know which sectors and activities may have a higher inherent exposure to ESG-related risks, so they can take extra precautions in these areas. Our Credit Risk Policy and Supplier Sustainability Program require 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, a requirement to assess ESG risk is triggered. This could be part of the loan origination or onboarding 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 review our High Risk ESG Sectors and Sensitive Areas list regularly, and adjust included sectors and activities as required to reflect changes in ESG risks.

The ESG credit risk policy settings that govern NAB's approach to sensitive sectors and activities can change to reflect emerging risks in the external environment. This year, we reviewed a number of sectors due to changing


regulatory requirements, emerging industry issues and our ongoing commitment to review climate-related risks in our lending portfolio. A review of coal mining was completed in 2017 and the oil and gas sector was reviewed this year. In the next two years, we'll also be reviewing the power generation, agriculture, water, transport, energy intensive manufacturing, and property sectors.

We voluntarily sign up to a number of initiatives that set standards for ESG risk practices. These include the UN Global Compact, the Equator Principles, Women's Empowerment Principles and others. You can see the full list **online here**. Managing our social and environmental performance also creates many opportunities for our customers, communities and business.

For more information about our climate-related activities, see the *Supporting communities* section. And you can read more about our ESG risk management approach **online here**.

LEARN MORE

 **Our ESG Risk Management**

 **Our Supply Chain Management**

ESG POLICY SETTINGS FOR THE OIL AND GAS SECTOR

In the 2017 financial year, we 'heat mapped' climate risk across the Group's total lending portfolio. This process involved high level consideration of climate scenarios to understand the likely physical, transition and liability risks that may arise from climate change for different customer segments. Based on this work, we decided to undertake a phased review of credit risk policy settings for carbon intensive sectors, climate sensitive and low carbon sectors. These were rated high to medium transition and/or physical risks in our heat mapping process.

This year, we reviewed the oil and gas sector. This review considered a range of factors including:

- various climate change scenarios for both transition and physical risk;
- customer strategies and plans and their alignment to the Paris Agreement 2°C climate goal;
- industry trends; and
- trends in NAB Group exposures to these sectors.

As an outcome of the oil and gas sector review, we will not finance oil/tar sands extraction projects, and oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.

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¹ 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 Leads management of risk matters related to risk culture, integrated risk governance processes, and risk strategy and performance.

³ Supports the CEO and Group Chief Risk Officer to oversee the management of operational risk and compliance, 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, regulatory risk and strategic risk. For more information on these, and other principal risks and uncertainties faced by the Group, refer to pages 14-23 and 80-93 in the 2018 Annual Financial Report.

HOW WE LISTEN

Moving Australia forward starts with listening to what our communities want for their future and how they think we can improve the way we run our business. This is why we connect with all our stakeholders, which include our people, customers, advocacy groups, non-governmental organisations, government, regulators, investors, community partners, unions, industry groups and media.

You can find out more about our approach to Stakeholder Engagement [online here](#).

We also believe in the power of collaboration, and choose to partner with industry, government and communities to tackle important social and business issues.

You can learn about our industry memberships and collaborations [online here](#).

IDENTIFYING WHICH THEMES MATTER

Every year we ask our stakeholders for feedback on our performance – and we use this insight to shape our activities and reporting. In 2018, we ran a four-stage process to determine which themes matter most to our stakeholders.

STAGE	WHAT WE DID
Identify	We started with last year's material themes and used internal processes (employee engagement survey, peer review, engaging with community partners, reviewing ESG performance in sustainability rating benchmarks) combined with external frameworks and standards (Global Reporting Initiative, Sustainable Development Goals, Sustainability Accounting Standards Board) to check whether they remained relevant.
Prioritise	We engaged with investors and key executives, and ran focus groups with our employees to get their feedback on what our priorities should be.
Validate	An internal management committee reviewed the themes, with input from our senior leaders.
Review	The themes were reviewed against last year's report feedback, specific feedback on disclosures, and considered in the context of our operating environment.

Catherine Keogh & Vamshi Velma, recipients of NAB Honour, our annual employee recognition program

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HOW WE LISTEN

OUR MATERIAL THEMES

Our material themes are the issues that matter most to our stakeholders and our business. The themes represent both challenges and opportunities – and they’re part of an ongoing dialogue about how we can improve our practices and better respond to community expectations.

As expected, this year’s key themes focus heavily on governance issues relating to conduct, culture and ethics. This comes in response to the recent Royal Commission, which highlighted certain areas where we made mistakes and should have done better for our customers. This reinforces our commitment to being better for our customers and open about how we’re addressing the issues that stakeholders care about.

THEME	WHY IT'S IMPORTANT	SUSTAINABLE DEVELOPMENT GOAL
Delivering for customers <i>Getting the basics right and achieving real outcomes</i>	Our core business is to deliver exceptional service and get it right for our customers every single time. This theme is about standing up for our customers and ensuring we’re always reliable, easy to deal with and fix things quickly if they go wrong.	
Doing the right thing <i>Being a better bank that makes the right decisions</i>	We must be a responsible business that acts with integrity and makes ethical decisions. We own our mistakes outlined in the Royal Commission and we’re committed to building better culture and conduct. We’ll restore trust by staying true to our word and embracing enhanced accountability measures designed to lift industry standards.	  
Supporting communities <i>Backing a sustainable future for all people and the environment</i>	We play an important role in our communities, and we’re committed to living up to community expectations. We take action on the issues that are critical to our collective future, including financial health and resilience, social cohesion and environmental wellbeing. We’re also focusing our efforts on supporting a strong regional and rural Australia.	     
Engaging our people <i>Enabling a diverse workforce of great leaders and brilliant bankers to be future ready</i>	An engaged and productive workforce that embraces diverse thinking is a critical part of delivering for our customers and our business. We must lead and care for our people, listen to them, develop their skills and communicate openly with them in times of change. And with so much digital disruption, the ability to adapt to change is increasingly important for a future-fit workforce.	   
Good governance <i>Effective systems to manage risks and meet our regulatory requirements</i>	Our governance systems must be strong enough to drive good decision-making right across our business. We need robust and effective systems that allow us to manage risk and lend responsibly – which includes managing ESG risks such as climate change and human rights. As a result of upcoming industry reform, we expect to see more regulatory requirements introduced. We welcome these changes, and the opportunity to improve our transparency and customer outcomes.	  
Transformation and technology <i>Becoming a technology enabled, innovative business</i>	We’re transforming the way we use technology to achieve better customer outcomes, bolster data security and privacy, and ensure our success in an increasingly digital future. This includes tackling the challenges of simplification, automation and creating more digitally-enabled customer experiences.	

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OUR VISION FOR A STRONGER COMMUNITY

When our customers and communities succeed, so does our business. Strong communities are the foundation for great employees, and confident customers who can manage their money, grow their businesses and enjoy healthy lifestyles. Active and engaged people also drive a diverse and competitive economy that’s innovative, invests in new industries and addresses the long-term future of our nation.

SEEING THE BIGGER PICTURE

The issues that shape Australia’s future are complex. We’ve partnered with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to establish the Australian National Outlook Project. This business-led national forum brings together more than 50 senior leaders from major Australian businesses and non-government organisations to explore the trade-offs we face in building a better future for our country.



We’re working together to answer the question:

“How can we ensure that Australians continue to enjoy the best quality of life available in any nation, and give future generations access to even better opportunities?”

The group is using the best data and scientific evidence to model a long-term economic, environmental and social outlook for our country. It has identified five key shifts that society needs to make to ensure our collective future – and we have a key role to play in helping our customers and communities adjust. It also presents some great opportunities for us to become a better bank, and create shared value for society and our business.

SHIFT	WHAT IT MEANS	HOW WE CAN HELP
Industry	We must gain the personal and national skills to adopt new technologies and invest in new industries, so that by 2060, we have an innovative private sector that attracts local and global capital, and thrives in an open well-regulated market.	Strengthening the financial health of all Australians.
Urban	We must plan for a smarter mix of land use, housing types, transport and digital connectivity, so that by 2060 we have well-connected, affordable capital and regional cities that offer access to quality jobs, lifestyle amenities, education and essential services.	Drive investments in sustainable cities and communities by financing major infrastructure projects, and developing financial solutions to support housing affordability.
Energy	We must pursue the existing paths to energy productivity and invest in low-emission technologies, so that by 2060 we have a low-carbon economy with affordable, reliable energy.	Supporting the transition to a low carbon economy with affordable, reliable energy.
Land	We must invest in food and fibre productivity, restore ecosystem health, and enhance resilience to climate change, so that by 2060 we have a profitable and sustainable mosaic of food, fibre and fuel production, carbon sequestration and biodiverse landscapes.	Enabling investment in our natural assets to improve the productivity and resilience of our landscapes.
Culture	We must restore our social capital and trust in our institutions, companies and governments, so that by 2060 our civic, industrial and political institutions exemplify Australia’s positive culture of being open, innovative and reliable.	Building productive, sustainable and inclusive cities and regional and rural communities.

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OUR VISION FOR A STRONGER COMMUNITY

OUR CORPORATE RESPONSIBILITY PRIORITIES

Australia is changing – fast. This brings about challenges, and also presents new opportunities for NAB to continue to drive change for good.

Our priorities are Financial Inclusion and Resilience, Social Cohesion and Environmental Wellbeing. We're driving change in these areas by:

- Giving more and better to scale up our social impact.
- Acting responsibly and ethically to create a business that cares about people and our environment.
- Finding new ways to create value by using our core business skills to solve societal problems that deliver a strong commercial return.

TACKLING THE BIG ISSUES

We're taking action on the issues that matter to our customers and community, and where we're best placed to make a difference:

FINANCIAL INCLUSION AND RESILIENCE

Helping people who are excluded from mainstream banking to access fair and affordable financial services and building financial resilience.

SOCIAL COHESION

Creating stronger, more connected communities by addressing the big issues facing society such as gender equality, family violence, housing affordability and supporting Indigenous success.

ENVIRONMENTAL WELLBEING

Addressing climate change, biodiversity loss and ecosystem degradation by adopting a more sustainable approach to managing our business and helping customers to do the same.

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OUR VISION FOR A STRONGER COMMUNITY

SUPPORTING GLOBAL COOPERATION ON THE SUSTAINABLE DEVELOPMENT GOALS

We're committed to the Sustainable Development Goals (SDGs) set out by the United Nations General Assembly as part of its 2030 Agenda.

The Australian government has also pledged our nation's support for this global roadmap to achieve sustainable development – and we're backing the progress they've made (outlined in [Implementation of the Sustainable Development Goals](#)).

As a large bank, the finance we provide spreads across almost all activities – which means we have an impact on each of the SDGs, whether directly or indirectly. **We use the SDG framework in two key ways to:**

- Innovate and create products and services that meet our customers' needs. (See SDG bond case study).

- Guide our strategy to prioritise the headline Goals where we can play a transformative role.

Below, we've outlined how we're addressing the SDGs (you can find more about this [online here](#)), and the relevant material themes raised by our stakeholders.

OUR SUSTAINABLE DEVELOPMENT GOALS APPROACH

SUPPORTING COMMUNITIES
DELIVERING FOR CUSTOMERS



GOOD GOVERNANCE
ENGAGING OUR PEOPLE



TRANSFORMATION AND TECHNOLOGY



SUPPORTING COMMUNITIES



SUPPORTING COMMUNITIES
DELIVERING FOR CUSTOMERS



Our headline Goals are the big shifts where we can differentiate, positively contribute to society and play a transformative role.



We will continue to map alignment and impacts against these Goals. We can also draw on all Goals to develop new products and services based on customers' priorities.

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DELIVERING FOR OUR CUSTOMERS

Getting the basics right and achieving real outcomes

WHY IS THIS IMPORTANT?

Our business is based on serving close to nine million customers, and delivering real outcomes that make their lives better. This means keeping things simple, being reliable and making sure we're always easy to deal with.

It's why we're striving to put our customers at the heart of everything we do. And why we're taking the time to listen, adapt and support our communities where we can. If we can get it right for our customers every single time, then our communities as a whole will benefit – now and into the future.

WHAT ARE WE DOING?

Delivering customer outcomes – customer feedback and advocacy using the Net Promoter System

The Net Promoter System (NPS) provides real-time, targeted feedback about a customer's experience with NAB. It measures advocacy in a tangible way by asking customers how likely they are to

recommend NAB to friends, family or colleagues, using a 0-10 scale. We then calculate a final score between -100 and +100 by subtracting the percentage of detractors from the percentage of promoters.

As at 30 September 2018, the average Net Promoter Score of our priority segments¹ was -16, which is a 4 point decrease from last year and gave us a #2 ranking among the major Australian banks.

The individual segments had a mixed performance,² with none achieving our strategic objective of being NPS positive:

- Home Owners (HL@bank) NPS increased from -20 to -19, keeping us in the #4 position among our peers.

- Investors -18 fell two points from last year.
- Small Business -16 to -21 and Medium Business +3 to -5 both decreased this year.

Our digital-only bank, UBank bucks this trend. As a digital bank with 466,000 customers and an agile culture, it is uniquely placed to focus on an innovative, technology enabled customer experience. UBank's strategic NPS was +18 – a big achievement that offers great insights about how the wider NAB Group can improve.

Our teams review feedback and insights from the Net Promoter System weekly, and use their findings to sharpen our focus and instigate change.

¹ Refer to Glossary for a definition of priority segments.

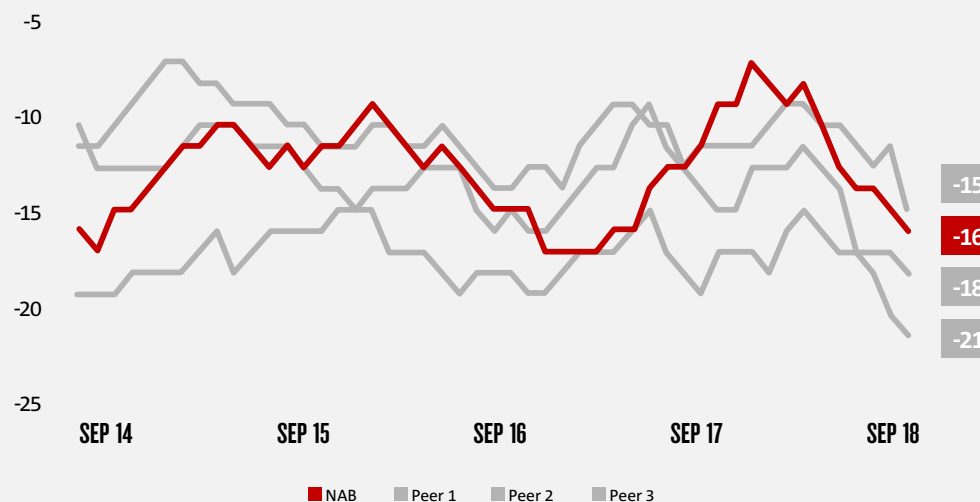
² For more information on our NPS performance, refer to page 8 of the Data Pack.

~9m
customers

\$36m
microfinance loans

18,315
customers experiencing hardship assisted

2018 PRIORITY SEGMENT NPS IN AUSTRALIA



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DELIVERING FOR OUR CUSTOMERS

COMPLAINTS

Customer feedback is important to us, including complaints which give us insight into how we can improve our service delivery. When an employee receives a complaint, we ensure they take responsibility for resolving it. Our more complex complaints are referred to and resolved where possible through our dedicated complaint management functions, including NAB Resolve and MLC Resolve. During the year, we set up a Centre for Customer Remediation to manage complex remediation programs and fix the mistakes found in the Royal Commission. We processed refunds of \$67 million in Plan Service Fees, plus compensation for lost earnings. By December 2018, we're expecting to close the issue for the affected 305,000 members. We also put in place a specialist customer hotline (1800 112 324) for people concerned about their superannuation.

The number of complaints increased by five per cent this year. We experienced a significant systems outage in May which contributed to a proportion of the rise in complaints. The remainder was from customers inquiring about how they were impacted by matters raised in the Royal Commission. Our feedback relating to interest, fees and charges is still the highest contributor at 62%.¹

INDEPENDENT CUSTOMER ADVOCATES

Since 2016, our customers have been able to access Independent Customer Advocates (ICA) to review their closed complaints. To help us better serve our customers, the ICA carries out wider thematic reviews and makes recommendations. Ultimately, they play an important role in helping restore our customers' trust and confidence in our dispute-handling process.

In 2018, the ICA:

- Completed five thematic reviews of closed complaints. One review focused on disputes raised by older customers over 65 – to understand the types of complaints, the root cause and their experiences during the dispute-handling process. The ICA's insights identified a number of recommendations for improving product design and business rules, disclosure of fees, transparency and complaint-handling.
- Started research on customers involved in our Advice Remediation Program – to understand their experience, what they valued most (which turned out to be proactive and transparent communication), and how their experience restored trust and confidence in us. The ICA shared its insights and recommendations to help us improve customer communications and ensure the most valued parts of the Program remained in place.

- Responded to 20 customers who requested and received an ICA review of NAB's response to their complaint. In 16 cases, the ICA found that our initial response was appropriate. In four cases, they provided a different outcome to the customer. This included replacing an initial response from NAB, or increasing the amount of compensation to recognise the customer's effort in seeking a solution. An example was increasing NAB's initial offer of compensation by \$750 recognising the stress and effort that was undertaken by the customer to have their concerns addressed.

CUSTOMER JOURNEYS

Feedback from NPS and our complaints channels help us identify areas of improvement. We then implement these through our dedicated Customer Journeys program, which works to tackle customer pain points. The key initiatives we delivered in the reporting year through our Customer Journeys program are outlined below.

¹ For more information on customer complaints in 2018, refer to page 8 of the Data Pack.

CUSTOMER JOURNEY	IMPROVEMENTS
Home Loans	Customers can now change the offset account linked to their home loan using a new self-service digital functionality. The change is effective instantly. Online home loan tools were also enhanced so that customers can estimate their equity and property value to make more informed decisions on the right home loan. Customers can also have quick access to information on their home loan interest at any time using the mobile app.
Personal Credit Cards	Customers can now see their credit card due dates easily on the transaction history screen on NAB's mobile app and internet banking. This makes it easier to know when payments are due and to manage credit. New SMS messaging also keeps customers up-to-date with the status of their balance transfer request. Customers who order a new or replacement credit card now receive an SMS about when the card will be dispatched and where it will arrive.
Debits	Customers can now set up a direct debit within one day. This used to take between 15 and 45 days but we automated the back-end process to significantly cut the time to one day.
Simple Banking	Customers can now rollover their own term deposits via our mobile app and internet banking. This makes banking easier and more convenient.
Business Customers	Sole trader and Australian company business customers can now use a digital on-boarding functionality that cuts the time taken to open transactional accounts. 74% of these customers are on-boarded and have an active transactional account within 30 minutes. This used to take an average six days. We are also promoting better informed decisions for our business customers with updated standard business loan contracts that are easier to understand with simpler contractual clauses and plain language.

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FINANCIAL HEALTH AND RESILIENCE

We want to offer our customers exceptional service by providing products and services that suit their individual situation and meet their needs. This is part of our responsible lending approach which gives bankers and brokers the tools to ensure our customers have easy to access and understand information about our consumer lending products.

Key measures introduced this year to better match customers with the right products, and improve our credit assessment and pricing process were:

- Introducing new Loan to Income ratio limits when assessing new loan applications to ensure that customers can repay debts and live within their means.
- Using a higher credit card repayment rate to assess credit risk and whether a customer can afford repayments.
- Offering fair pricing for first home buyers to help them access the housing market – 3.69% p.a. for two year fixed Choice Package loans¹.
- Committing to rolling out Comprehensive Credit Reporting to capture a complete picture of credit history that accounts for good credit histories as part of the assessment process. Currently, only negative credit information such as payment defaults and bankruptcies is captured.

Hardship assistance

We have a social responsibility to take care of our customers – backing them in the good times and being there to support them in the difficult times too.

NAB Assist was once a collections house with one of the highest rates of Financial Ombudsman Service (FOS) complaints in the industry. Since 2014, it's evolved into a flagship team supporting NAB customers who are facing financial difficulty. Through NAB Assist, we've created shared value for our customers and our business – see the case study on the next page.

NAB Assist tailors options to best suit a customer's needs from payment arrangements through to hardship options, such as reduced payments, moratoriums, or longer-term solutions. Some of our financially vulnerable customers also deal with personal issues. These include mental illness, gambling addiction, substance abuse, homelessness and family violence. Our team constantly reviews the causes of these hardships to better understand how we and our partners can better help.

We partner with Uniting Kildonan, leading experts in providing social support services to the community. We regularly refer our customers to their 'CareRing' Program, which is designed to help people get back on their feet and tackle personal issues that often go hand-in-hand with money problems. We've also continued to provide Domestic & Family Violence Assistance Grants to those who need to escape violent relationships and homes.

NAB@Work

This year, we launched a pilot called NAB@Work to help our customers access the resources they need to find employment sooner.

Through NAB@Work, an Employment Coach gives people a range of tools and helpful guidance – depending on how job-ready they are. They also have access to other support networks such as financial counsellors to help with their current situation.

Hardship support through our Branch Network

Helping our customers in the early stages or before they reach financial hardship can make a big difference to their wellbeing. This year we trained our branch network teams in areas with higher rates of financial difficulty to better identify and support customers in need. A key part of the program was introducing the branch to local Financial Counsellors and understanding the additional social support nearby. This program will be expanded to more geographic areas next year.

ONLINE BANKING IN MĀORI

Māori language has declined in New Zealand for the past decade. But as a show of support for Māori cultural heritage, BNZ customers can now bank in Te Reo Māori (full or bilingual translation) on the BNZ online banking and mobile banking apps. The idea to enhance the app came from a Digital Innovation day where Pera Barrett, a People Leader in the Digital team and his group successfully pitched the idea. It's also a great way to support the growth and use of Māori language. Using Te Reo in a banking setting helps to re-contextualise, evolve and normalise the language. It also gives our Māori customers and communities a more personal banking experience.

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Elissa Renouf
Diabetes-ezy
NAB customer

¹ The First Home Buyer Offer is a discount of 0.19% p.a. off the advertised two years Package Fixed Rate for Home Loans indicator interest rate. It was first introduced in March 2018 and remains in place.

DELIVERING FOR OUR CUSTOMERS

90%

of our customers dealing with financial difficulty return back to regular repayments within 30 days

NAB Assist Results

Here are the highlights:

- 90% of our customers dealing with financial difficulty return back to regular repayments within 30 days.
- 97% are back to financial health within 90 days.
- Financial Ombudsman Service complaints have reduced from 584 in 2013 to 18 this year – and our NAB Assist customers are our biggest advocates.
- NAB Assist consistently experiences an NPS of above +60, with the dedicated hardship team receiving an average NPS of +69.3.

Microfinance

We're committed to providing fair and affordable loans to Australians and New Zealanders who cannot access credit from a bank. We've made an ongoing annual commitment of \$130 million in Australia and NZ\$60 million in

New Zealand. For more than 15 years, we've been working with Good Shepherd Microfinance (GSM) to deliver no-interest and low-interest loans – see the case study on the next page for more. Together, we work with Federal and State governments, other major businesses and over 200 community organisations in more than 600 locations to support people in need.

Since starting out in 2014, BNZ's community finance program has made good progress. We hit a milestone this year, lending \$NZ3 million to low income New Zealanders. This helped more than 1,150 families, and saved them an estimated \$NZ1.6 million in the interest and fees they could have faced borrowing from high cost lenders.

2018 marks the target year for our goal to support a million Australians with products and services since 2005. We ended up falling short, supporting 585,005. While the goal was ambitious, we've learned a lot in the past five years about how best to scale our impact. We'll apply this to our new goal of increasing the number of microfinance loans we support each year to 100,000.

NAB is a trailblazer participant in the Financial Inclusion Action Plan (FIAP) initiative. Our inaugural FIAP set out the goals and targets we are working towards to make financial inclusion a reality for all Australians. We're also a founding member of the Thriving Communities Partnership, a cross-sector collaboration that aims to give all Australians fair access to modern essential services like financial services, utilities and transport.

Highlights from this year include:

- Increasing the total number of microfinance loans supported from 26,776 to 31,743 in Australia.
- Launching Speckle – a digital microfinance offering that provides small cash loans of up to \$2,000 online – which won Good Shepherd Microfinance a 2018 Shared Value Award from the Shared Value Project industry group.
- Celebrating the first year of operations for the Morwell, Cairns and Southport Good Money stores, and beginning to help customers remotely through phone based services. This has driven an increase in the number of people supported with loans, and improved the overall customer experience.
- Supported the **2018 Financial Resilience in Australia Report**. Now in its third year, the research provides an analysis of the Australian population's level of economic resources, access to financial resources, financial knowledge and behaviour and social capital, with a view to build the financial resilience of all Australians.
- In New Zealand, we streamlined our processes for StepUP loans, and helped Good Shepherd NZ with a technology project to improve how it delivers No Interest Loans (NILS).
- We set up a BNZ advisory board to provide advice, internal resources and advocacy to help the program grow.
- Alongside Good Shepherd NZ, we're exploring ways to refine and expand our loan worker network in the community. We're also looking at options for adding to our provider network.

HARVARD UNIVERSITY STUDENTS STUDY HOW NAB CREATES SHARED VALUE

NAB Assist's approach is an example of creating shared value. Shared Value is about using a business' core skills to solve social problems, while delivering a financial return. NAB Assist aims to provide a holistic, people-centred approach to return a customer back to sustainable financial health. This benefits the customer, the community and our business.

This year, NAB Assist featured in a Harvard Business School global case study titled, 'National Australia Bank: Looking Out for the Customer'¹. The study highlights how NAB Assist has inspired other divisions across the bank by combining a customer focus and understanding about how social issues impact client welfare with commercial outcomes.



Jamie Davison & Nathan Hood
Carbon Group
NAB customer

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¹ 'National Australia Bank: Looking Out for the Customer' by Mark Kramer and Hugh Foley, Harvard Business School, August 2018.

OUR PARTNERSHIP WITH GOOD SHEPHERD MICROFINANCE (GSM)

GSM is a world leader in breaking down barriers for people on low incomes to access banking. GSM is a non-profit organisation that provides no-interest and low-interest loans and people-centred, affordable financial programs. For over 15 years, we have proudly worked together to create products, services, distribution channels and education about financial inclusion.

Together we have advocated publicly for the interests of vulnerable Australians. In that time, we've provided more than 200,000 microfinance loans to people in need.



Good Money Manager
NAB customer

Tai Lee

"NAB backs us to help people on low incomes access fair and affordable finances for essential household items and services."

DELIVERING FOR OUR CUSTOMERS

This year, a key focus was developing a three-year strategy to grow the scale and impact of our partnership with GSM. The progress we've made against our product suite is outlined below.

PRODUCT	DESCRIPTION	2018 UPDATE
No-Interest Loans Scheme (NILS)	No Interest Loan up to \$1,500 (Australia) or NZ\$1,000 (New Zealand) for essential goods and services.	Achieved volume growth in 2018, we have focused on supporting Good Shepherd Microfinance to upgrade technology and consolidate 'back-office' loan processing to allow providers to spend more time with clients.
StepUP	Low Interest Loan up to \$3,000 (Australia) or NZ\$5,000 (New Zealand) for essential goods and services.	StepUP loan volumes were stable in 2018. To achieve growth, in 2019 we will work to upgrade underlying technology to streamline the application process and improve the customer experience.
AddsUP (Australia only)	Matched Savings Plan for eligible customers who have successfully repaid a NILS or StepUP loan.	The AddsUP Program has been 'off-sale' in 2018 as we review its effectiveness, and explore how best to reach scale. Matching for existing eligible clients has continued. We expect to pilot the new savings program in 2019.
Microenterprise loans (Australia only)	Unsecured fixed rate business loan of up to \$10,000 for people on low incomes, as well as a mentoring and training program.	Re-launched in 2018 with an improved customer experience, reduced loan approval times to within 24 hours, with the majority completed within one week. Volume growth has been slow as we earn trust in the process.
Speckle (Australia only)	Small loans, up to \$2,000, with an entirely digital application and disbursal process.	Launched nationally in 2018, Speckle is an online small loan product managed by GSM and supported by NAB. Speckle volumes have steadily increased as GSM builds awareness of the product offering.
LaunchME (Australia only)	Microenterprise programs currently being piloted in South Australia and Victoria. Business coaching, mentoring and support varies by initiative, with a small no interest loan available if suitable.	The LaunchME portfolio of initiatives is coordinated by GSM in partnership with the South Australian, Victorian and Federal Governments, alongside Carers Victoria and a range of business mentors and coaches. These initiatives are all in pilot, test and learn phases.

Refer to pages 6 and 7 of the Data Pack for more information on our microfinance performance in 2018.

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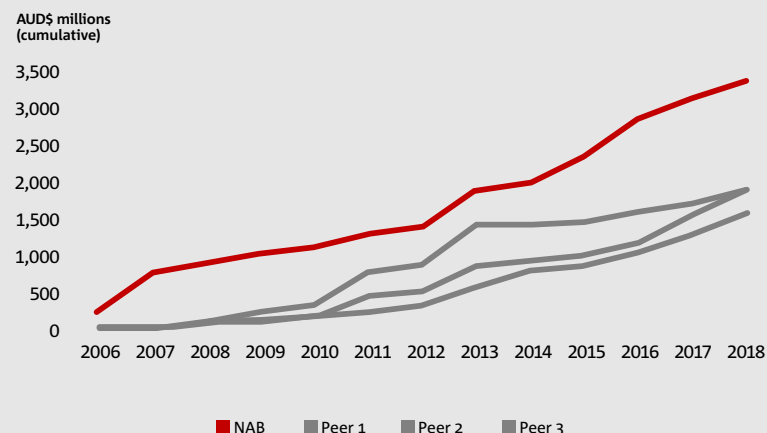
Providing project finance for infrastructure

Delivering great outcomes for our customers can also deliver great outcomes for our communities and the environment. Our project finance (PF) portfolio plays a big role in supporting Australia and New Zealand's growth. This year, we celebrated the financing of our 100th renewable energy transaction since 2003. We're proud to be helping our customers make the low carbon transition.

On 30 September 2018, PF represented 1.85% of total NAB Group Exposure at Default – the total value a bank is exposed to when a loan defaults - and of the deals in our PF portfolio to which Equator Principles (EPs) applied, 97.6% were in designated countries and 2.4% were in non-designated countries¹. In 2018, we closed 39 new PF transactions, refinanced 21 existing transactions, and removed 13 transactions from our loan book.

While transactions can be declined at any stage of negotiation or due diligence, only one transaction was declined in 2018 primarily on the basis of social or environmental risks or issues. Our current global portfolio of renewable energy projects represents a total generation capacity of 9,570 MW. Having arranged \$7.7 billion² worth of loans since 2003, we continue to be the leading arranger (by market share³) of PF to the Australian renewable energy sector.

LEADING ARRANGER OF PROJECT FINANCE FOR AUSTRALIAN RENEWABLE ENERGY³



In 2018, we financed an additional 4,330 MW of installed renewable energy generation capacity through renewable energy projects – including finance for wind and solar assets in Australia, USA and the UK. More information on our climate change activities is in the *Supporting communities* section.

This year, our estimated⁴ share of the total Scope 1 and 2 greenhouse gas (GHG) emissions is around 262,591 tCO₂-e (1,726,175 tCO₂-e in 2017). This comes from the Australian

designated power generation assets⁵ we finance (as a percentage of debt at September 2018) in our PF portfolio. Our PF activities are a key part of our commitment to help address climate change and support the low carbon transition.

We've been a signatory to the EPs since October 2007, which means we've been taking the Principles into consideration where they apply to project-related transactions for more than a decade. Our 2018 Equator Principles Report will be up on our website in January 2019.



Roza's Gourmet
NAB customer

Jasmin Robertson

An initially reluctant CEO, Jasmin says her mum's food philosophy and ethos remain at the heart of the business and continue to inspire her.

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¹ Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.

² Amount includes new transactions and re-financing.

³ Data Source: Thomson Reuters: Project Finance International 2006-2018 Asia Pacific Initial Mandated Lead Arrangers League Tables – MidYear 2018 US\$ Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2018.

⁴ 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 the purpose of 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 2018. 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.

⁵ 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 91.9% 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 8.1% of assets (measured as MW capacity of the power generation facilities) was not available.

DELIVERING FOR OUR CUSTOMERS

Project finance by sector as a percentage of total portfolio value (expressed as EAD as at 30 September 2018)

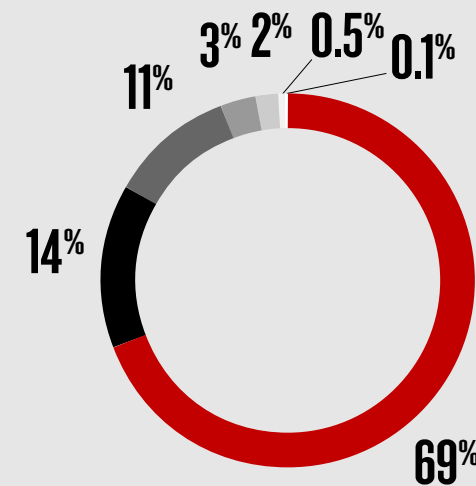
SECTOR	2018	2017	2016	2015
Energy (renewable)	19	15	11	12
Energy (coal and gas-fired) ¹	5	6	6	7
Economic infrastructure	36	37	34	33
Social infrastructure	16	19	20	21
Water treatment infrastructure	4	4	5	7
Mining and refining (metals and coal)	7	6	8	7
Oil and gas	11	10	12	11
Other	2	3	4	2

Project finance deals by Equator Principles Categories (as at 30 September 2018)

EQUATOR PRINCIPLE CATEGORY	NUMBER OF PROJECTS	PROJECTS AS A % OF TOTAL PORTFOLIO VALUE
A	4	9
B	83	48
C	24	15
Pre-EP adoption (pre-September 2007)	11	5
Project finance post EPs III to which the EPs do not apply	45	23

1 Coal-fired power represents 0.3% and gas-fired power 4.9% as a % of total portfolio value.

PROJECT FINANCE BY REGION (%)



Note: PF by region as a percentage of total portfolio value, expressed as exposure at default, as at 30 September 2018.

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DELIVERING FOR OUR CUSTOMERS

PROJECT FINANCE CASE STUDIES

In 2018, we continued to provide financial support to the development of important infrastructure and energy projects, including those outlined in the following case studies:

CASE STUDY 1 – BUILDING US RENEWABLE ENERGY CAPACITY

The United States' 2015 Wind Vision sets a goal to achieve 20% wind energy by 2030 and 35% wind energy by 2050. NAB's environmental financing commitment is aligned with achieving this goal. As part of our support for a low carbon transition, NAB has participated in a number of US renewable energy transactions including wind power projects, such as the Canadian Breaks wind farm.

Canadian Breaks is an 87 wind turbine project located 28 miles west of Amarillo in the Texas Panhandle – an area mainly used as ranch and agricultural land. The wind farm will have a peak generation design capability of 210 MW and will connect into the Electric Reliability Council of Texas electricity grid.

As part of NAB's due diligence and credit risk assessment, we undertook an ESG risk assessment which included consideration of a range of environmental aspects related to wind farm development. These include status of landholder agreements, stakeholder engagement and grievances processes, cultural and archaeological heritage, environmental management policies, process and approvals and other relevant permitting requirements, impacts on land and biodiversity, and climate change impacts. This project is rated as an Equator Principles (EP) Category B project.

CASE STUDY 2 – CONNECTING MELBOURNE

Melbourne's Metro Tunnel Project will build twin nine-kilometre tunnels and five new underground stations. It will untangle the City Loop so more trains can run more often across Melbourne. As a result, room will be created on the network to enable more than a half a million additional passengers per week across Melbourne's train network during the peak periods. The Metro Tunnel is expected to increase Victoria's Gross State Product by at least \$7 billion, with a range of community benefits. These include creating over 7,000 jobs during construction, including positions for almost 800 apprentices, trainees and cadets. Local suppliers will also provide 88% of materials.

The project has established community reference groups in precincts along the new tunnel route to consult, share information and resolve community concerns, where they arise. Meeting minutes and presentations are publicly available. The project also has a clear complaints process. The project's Environmental Effects Statement had an integrated assessment of environmental, economic, social and planning impacts. It also included technical studies that identified and assessed potential effects and provided guidance on mitigation measures.

We considered a range of social, environmental, economic and financial (including credit risk) aspects of the project as part of NAB's due diligence and credit risk assessment process. The social and environmental considerations included heritage values, community and indigenous engagement, environmental management policies, processes and approvals, environmental impacts on ecology, biodiversity and contribution to climate change mitigation and the requirements of the EP. This project has been rated as an EP Category B project.

CASE STUDY 3 – WATER TREATMENT AND RECYCLING TO PROTECT THE NSW ENVIRONMENT

The Springvale Water Treatment Facility (WTF) is a greenfield water treatment facility located near Lithgow in NSW. Once constructed, it will be able to treat 42 megalitres of water a day from Centennial Coal's Springvale Colliery. The water will be treated via clarification, filtration and reverse osmosis. It will be used as cooling water at the Mount Piper Power Station¹ (MPPS) which provides approximately 15% of NSW's electricity needs.

NAB supported Veolia in their bid to build, own, operate and transfer the Springvale WTF project. The key project requirements include: transferring mine water from the Springvale Colliery to the MPPS via a 16km pipeline; the treatment and reuse of mine water at the newly built WTF, ensuring excess water discharge complies with relevant environmental obligations; and implementing brine extraction.

This project is important as it will minimise saline mine water from being discharged into the Cocks River Catchment in NSW. This addresses community and environmental concerns about mine water being released into Sydney's drinking water catchment.

NAB's due diligence and credit risk assessment for this project considered a range of social and environmental aspects alongside economic, financial, and credit considerations. Key considerations were environmental management policies, processes and approvals, environmental impacts on ecology and biodiversity, aboriginal cultural heritage, community engagement, consultation and complaints processes, and the requirements of the EP. This project has been rated as an EP Category B project.

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¹ MPPS is owned by Energy Australia.

DELIVERING FOR OUR CUSTOMERS

Sustainable Impact finance

Sustainable Impact finance is our way of investing in companies and funds that offer both financial returns and a positive social or environmental impact. We allocate capital to projects or activities that drive a social outcome and create shared value for our community and business. We do this through impact investment and responsible investment.

Our work in this area is based on building market demand for products that deliver measurable impact and sustainable returns. We bring together different types of capital from private banking, philanthropy and institutional investment to provide funding for innovative social and environmental projects. There were some big achievements during the year that showed how new finance models can create positive change – these included:

- Launching our new \$200 million Low Carbon Shared Portfolio. This innovative product is an Australian first that allows institutional investors to directly invest in large-scale renewable energy projects that were unavailable to the public debt market. This unique co-investment vehicle funds current Australian renewable energy projects that save more than 460,000 tonnes of tCO₂-e emissions per year¹. This is equivalent to the emissions from 66,000 average Australian households.

- Issuing two SDG Green Bonds, including Australia's largest ever green bond. They raised USD\$750 million and EUR750 million each – see the case study on the next page.
- Supporting Sacred Heart Mission's Journey to Social Inclusion program by arranging this social impact investment to end chronic homelessness – see the case study on the next page.
- Releasing a \$2 billion residential mortgage-backed security (RMBS) bond that includes a \$300 million green RMBS tranche. The green RMBS bond meets the Climate Bonds Standard certification requirements for Australian low-carbon residential buildings. The Clean Energy Finance Corporation was a cornerstone investor in this Australian-first transaction, which builds market demand for green securitisations and green mortgage products.
- Working with the United Nations Environment Program Finance Initiative and industry peers to begin a process for developing national road maps for sustainable finance in Australia and New Zealand.

Responsible investment is an important way to ensure our funds are screened for ethical and socially responsible factors. Our total socially responsible investment (SRI) funds were \$588m in 2018. This represented 0.37% of total funds under management. You'll find the full list of SRI funds on page 5 of the Data Pack.



Sacred Heart Mission
NAB customer

Sacred Heart Mission (SHM) and NAB worked together on a Social Impact Investment, enabling SHM to expand its Journey to Social Inclusion program that aims to help people experiencing chronic homelessness access the support they need.

The table below summarises the responsible investment approach that our main wealth management businesses follow.

COMPANY	RESPONSIBLE INVESTMENT APPROACH
NAB's superannuation funds managed by NULIS Trustees including MLC Fund, Plum, Masterkey	An ESG Risk Management section in the NULIS Governance Policy requires that ESG factors be incorporated into investment decisions. The investment portfolio is monitored for ESG exposure on an ongoing basis.
JB Were	Adopts Socially Responsible Investing based on three pillars: Integrating ESG factors, screening based on ethical investing and impact investment.
BNZ	Responsible Investment policy that incorporates ESG factors and excludes investment in companies involved in producing cluster munitions, anti-personnel mines, nuclear weapons and tobacco or tobacco products.

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1. Avoided carbon emissions calculated using National Greenhouse Accounts Factors, August 2016.

BREAKING THE CYCLE OF CHRONIC HOMELESSNESS WITH SOCIAL IMPACT INVESTMENT

Safe and affordable housing is a measure of how a society cares for its people. Long term homelessness is often tied to complex disadvantage. Providing support for people to find and stay in housing while addressing the root causes of homelessness is central to Sacred Heart

Mission's work. The Melbourne-based non-profit organisation founded the Journey to Social Inclusion (J2SI) program to support people who are experiencing homelessness with a history of trauma. Its housing-first and relationship-based approach provides rapid housing pathways and wellbeing support to deliver social services.

In a Victorian first, Sacred Heart Mission and the Victorian Government launched

the state's first Social Impact Investment. We are proud to have first backed Sacred Heart Mission as a customer, and now as a funding partner with a proven and scalable finance model for the project.

We advised and arranged the financial aspects of the social impact transaction for the Victorian Government. Sacred Heart is contracted to deliver the J2SI program which means they can expand it to reach 180 people across Melbourne.

The transaction's structure is innovative. It has a mechanism that pays a return based on achieving agreed social outcomes such as people staying housed or a lower use of health care services. It brought together various stakeholders from the government, the Catholic Development Fund of the Archdiocese of Melbourne to provide the funding, and philanthropists (including the NAB Foundation) to provide loan guarantees to enable the program funding.

USING SUSTAINABLE IMPACT FINANCE TO CREATE SHARED VALUE FOR OUR CUSTOMERS AND COMMUNITY

The Sustainable Development Goals (SDGs) provide a common global framework for people, companies, governments and civil society to work together for a better future. We also see great business opportunities to develop innovative financial products for our customers that help to achieve the SDGs.

During the year, NAB issued two SDG Green Bonds into the European and US markets with a face value of EUR750 million and USD\$750 million each. The bond proceeds are earmarked for financing a global portfolio of projects eligible for Climate Bonds Standard certification and contribute towards meeting the SDGs. This builds on our strengths as the number one arranger¹ of green bond finance in Australia and New Zealand. It also puts the SDGs into practice as a way to allocate capital towards sustainable outcomes.

BNZ also continued supporting the New Zealand green bond market by acting as co-manager on Auckland Council's NZ\$200 million five-year green bond offer. The initial offer proceeds will be used for the financing of projects and assets that deliver positive environmental outcomes according to Auckland Council's Green Bond Framework. This was the first green bond from a domestic issuer. It follows the first NZ\$125 million Green Kauri Bond that was launched by the International Finance Corporation in July 2017 to fund private sector investments addressing climate change in emerging markets. BNZ was the arranger of the landmark Kauri Green Bond that paved the way for the domestic green bond market.

¹ Leading issuer of public market transactions by number of transactions and issuance volume (NAB and related entities). Sources: (1) Climate Bonds Initiative August 2018 Australia and New Zealand Green Finance Briefing available online at: <https://www.climatebonds.net/resources/reports/australia-new-zealand-green-finance-briefing>; and (2) Bloomberg New Energy Finance (BNEF) extract made using BNEF's Green Bond search function.

HOW ARE WE TRACKING?

- -16 NPS in priority segments.
- Complaints remained steady.
- +63 NPS for NAB Assist, +70 for hardship assistance customers.
- Continued partnership with Good Shepherd Microfinance (Australia) to help 585,005 people on low incomes since 2005.
- Provided 31,743 microfinance loans in Australia.
- Provided more than 6,500 microfinance loans for Indigenous Australians on low incomes.
- Celebrated our 100th renewable energy transaction.
- 114 renewable energy projects financed since 2003.

SUSTAINABLE DEVELOPMENT GOALS



TARGETS

- NPS positive and #1 for priority segments.
- 100,000 microfinance loans a year by 2019.
- \$55bn environmental financing by 2025.

FUTURE COMMITMENT

Expand the branch network hardship support program.
Release our 2018 Equator Principles report.

LEARN MORE

[Our CR approach](#)

[Our customers](#)

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DOING THE RIGHT THING

Being a better bank that makes the right decisions

WHY IS THIS IMPORTANT?

We must be a responsible business that makes ethical decisions – that does the right thing by our customers and community. This comes down to having a culture that drives the right behaviours and decisions.

Our five values are critical to our success: Passion for Customers, Be Bold, Respect for People, Win Together and Do the Right Thing. We refer to these values when we assess the performance of everyone working for us, including our CEO and executives.

The Royal Commission shone a light on where we got it wrong. This is an important process for our industry, and we're committed to doing better for our customers and making cultural changes that drive higher standards of conduct. We accept that we need to do more to earn community trust.

As a result of the Banking Executive Accountability Regime (BEAR) framework and Royal Commission recommendations, we'll be introducing more accountability requirements across our business.

WHAT ARE WE DOING?

Lessons from the Royal Commission

In November 2017, the Government announced a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. This came after major bank chairs and chief executives called for the establishment of a properly constituted inquiry to end uncertainty in the financial services sector, and restore trust and confidence. Former High Court Judge, the Honourable Kenneth Hayne AC, was appointed as Commissioner.

At NAB, we view the Royal Commission as an important and necessary process. We have co-operated fully, with witnesses appearing in five rounds of public hearings and the Group making 10 sets of submissions to the Royal Commission. As at 30 September, NAB responded to 66 notices to produce, supplied over 44,000 documents and provided 24 witness statements to assist the Royal Commission in its inquiries.

The Royal Commission reminds us of the importance of banking in society, having a customer mindset, being forward looking and learning from our mistakes. We're working on significant improvements to speed up the way we address customer issues (including remediation), improve risk management practices and tighten controls.

Among the case studies focused on NAB were a series of loans incorrectly set up through our Introducer program, which came to our attention by whistleblowers in 2015. Conduct of this kind may have,

in some instances, resulted in customers receiving potentially unsuitable loans. This was unacceptable and led to 20 employees leaving NAB.

Two case studies on small business and agribusiness lending concerning NAB were also considered by the Royal Commission, and while we are confident we acted lawfully in both cases, the discussions raised the importance of improving how we communicate and engage with our business customers.

Other case studies considered by the Royal Commission involved NAB's wealth business. They include issues with the incorrect witnessing of beneficiary nomination forms, which set out whom an individual wants to receive their superannuation funds in the event of death. No customers have been identified as suffering financial loss as a result of this issue, and consequence management was applied to 353 employees in the 2017 financial year.

Maintaining a constructive approach in dealings with regulators and any other investigations is our commitment to achieve the right outcomes for customers and NAB.

In September this year, the Royal Commission released its interim report – and NAB has submitted its response. As the Commission moves towards its final report for Government, due by 1 February 2019, we'll continue to co-operate in the process and consider any regulatory changes that may be introduced as a result of the Royal Commission findings.

HOW WE'VE IMPROVED FOR OUR CUSTOMERS:

- From 1 January 2019, NAB Financial Planning and NAB Direct Advice will no longer accept grandfathered commissions from NAB Wealth superannuation and investment product providers, benefiting around 32,000 superannuation and investment customers.
- We are offering our agri-customers the financial benefit of offsetting their Farm Management Deposit (FMD) against their agricultural lending by discounting it from their lending interest rate. FMDs play an important role in helping farmers manage and grow through fluctuating commodity prices and variable conditions.
- We will no longer charge a higher default interest rate to customers in declared drought-affected areas of Australia.
- We are keeping branches open in drought-affected communities. Many regional and rural customers are facing tough conditions as a result of the drought and we want to support these communities when they need it most.
- We are recognising the loyalty of our customers by keeping our Standard Variable home loan rate on hold for the time being.

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DOING THE RIGHT THING

Culture and values

One of our values is “doing the right thing” – which means looking beyond what we’re doing, to consider how we’re doing it. We always try to do the right thing, even when it’s hard. We own up to our mistakes quickly, and learn from them for the future. This starts with following our Code of Conduct, and making sure our people know what’s expected and how to speak up if they have concerns. All of our employees must comply with this Code.

We have high standards and hold our people to account for them. This year we had 1,215 conduct breaches. All investigations are impartial and confidential. There were 25% less breaches this year (down from 1,613 in 2017). This led to 908 disciplinary actions, with 307 people leaving NAB. More than half of breaches were due to personal conduct that didn’t reflect our values (57%).

It’s important that our people feel safe enough to speak up and raise concerns. Our FairCall Whistleblower program is independent, confidential and fair – governed by a Whistleblower Protection Policy that promotes a culture of compliance, honesty and ethical behaviour. The program supports our people to meet their duty under the Code of Conduct, and disclose actual or suspected wrongdoing. There were 123 issues raised in our Whistleblower Program in 2018, which is a marked increase from 87 last year.

All disclosures received were investigated by our team or an independent investigator. More than half (67) were not substantiated, 37 were partially or fully substantiated resulting in appropriate consequences being applied, and 19 remain under investigation.

We also worked with civil society and industry to review the United Nations Environment Program Finance Initiative’s consultation version of the Principles for Responsible Banking, and discussed our approach to fossil fuel industry lending and gambling with non-government organisations.

More information is in the *Indices and assurance* section.

Regulatory engagement and reform

We will improve service standards, promote better-informed banking decisions and act fairly towards our customers. It’s why we welcome new industry reforms that enhance accountability and transparency for customers.

We worked closely with the Australian Banking Association to develop the new Banking Code of Practice. This Code aims to set standards of practice and service that every Australian can expect from their bank. Recent updates will make banking products more customer-focused and easier to understand.

Some of the key changes are:

- Using plain English so that Australians can better understand their banking rights and responsibilities.
- An easier way to cancel credit cards or reduce the credit limit, and a commitment by banks, when offering cards to assess someone’s ability to pay the full credit limit in a reasonable time period.
- A new dedicated section for small businesses, and a commitment by banks to simplify terms and conditions, and give more notice when loan contracts change.
- More help for people experiencing – or at risk of – financial difficulty, so they can take control of their finances and get back on track.

We’ll be removing financial indicator covenants from most of our loan contracts for new and existing small business customers, where total business lending is less than \$3 million.

Financial indicator covenants are ratios that the borrower is required to stay above or below, often related to debt-to-equity or interest coverage. They often restrict debt levels and working capital requirements, which can limit a customer’s activities and have disproportionate impacts on small businesses.

The BEAR reforms came into effect this year. They promote good decision-making and better accountability for long-term business performance. Implementing BEAR has strengthened existing accountability structures and practices by providing more clarity about accountability for particular aspects of our business, supporting clearer delegation and decision-making processes, prompting an internal review of certain governance documents, policies and practices, and focusing attention on existing risk management practices and procedures.

The reforms also introduced remuneration obligations that defer a portion of variable remuneration for at least four years. Our remuneration policy allows for variable remuneration to be clawed back if circumstances warrant it.

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We changed the executive remuneration framework (outlined below) and implemented the deferral obligations ahead of the 2019 requirement.

Responsible remuneration

The Board is determined to drive a focus on exceptional customer service at every level of the bank to achieve our strategy and deliver sustainable, long-term performance.

In 2018, NAB made significant remuneration changes to encourage performance that represents the interests of all NAB stakeholders. We closed a number of legacy sales based incentive plans. Across the business, 100% of our people now have a balanced scorecard, with compulsory customer and risk measures. Our standard group variable reward plan now covers 97% of our people.

NAB is fully compliant with the retail banking remuneration related recommendations of the Sedgwick Report, in advance of the 2020 deadline.

We introduced a new executive remuneration framework for the CEO and Executive Leadership Team.

New Executive remuneration framework

The new framework makes more transparent the means by which the Board holds leaders accountable when NAB falls short of customer, shareholder and community expectations.

Key points on the new framework:

- Remuneration is now received in only two components. The first component is **fixed remuneration**, including superannuation (effectively a base salary). The second component is a **single variable reward** (determined by the Board on the basis of performance in the year).
- Variable reward is paid as follows:
 - 40% in cash.
 - 60% deferred for 4 years (in dividend paying shares). Deferred shares cannot be traded during the deferral period.
- Executive outcomes are aligned to shareholders, through deferral in shares upon which dividends are paid.
- All variable reward is subject to clawback, further extension of deferral periods and/or forfeiture at the Board's discretion, for any reason, including:
 - regulatory compliance, customer service outcomes and matters that impact on the bank's reputation; and
 - upon resignation, dismissal for cause or failure to meet threshold conduct requirements.
- The Board will monitor the vesting of deferred shares (in light of individual and bank performance) throughout the 4 year deferral period.

Behaviour that does not put the customer first cannot provide a sustainable foundation for any business, and therefore is not aligned with our shareholders' best interests or expectations. The 4 year deferral of a significant proportion of an executive's variable reward (paid in shares) emphasises the alignment with shareholders' best interests or expectations.

The new framework removes complexity and encourages performance that represents the interests of all NAB stakeholders. Its development involved engagement with investors, proxy advisors, regulators and executives. It is designed to ensure that NAB delivers exceptional customer service. We will monitor its effectiveness over time.

The new framework is compliant with the BEAR requirements. It applied with effect from 1 October 2017. The Board used the new framework to assess the 2018 performance outcomes for the Group CEO and Executive Leadership Team. Those outcomes are set out in NAB's 2018 **Remuneration Report**.

HOW ARE WE TRACKING?

- 1,215 Code of Conduct breaches and 908 remedial actions.
- 123 Whistleblower Program disclosures.
- Complied with BEAR requirements.
- More than 1,000 employees moved from sales incentive plans to new non-product based variable reward plans.
- Executive remuneration review complete and changes introduced.


SUSTAINABLE DEVELOPMENT GOALS




COMMITMENTS

- Undertake an organisation-wide remuneration review.
- Implement Sedgwick Review and BEAR requirements.

LEARN MORE

 [Our performance and remuneration](#)

 [Our Code of Conduct](#)

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MATERIAL THEME: SUPPORTING COMMUNITIES

Backing a sustainable future for all people and the environment

WHY IS THIS IMPORTANT?

Our aim is to be a trusted member of the community, taking action on the issues that make a real difference.

This means empowering our employees to build close relationships with grassroots communities, helping regional and rural areas succeed and making sure people feel connected and included.

It also means tackling big issues concerning Australia's future, such as financial resilience, climate change and the transition to a low carbon economy, liveability and affordable housing.

As a bank, we have unique skills and capabilities to apply to these social problems. We also partner with experts like Good Shepherd Microfinance, United Kildonan and our NAB Foundation partners because we recognise we can't do this alone.

WHAT ARE WE DOING?

Community investment

Our community investment approach is made up of community partnerships, our volunteering program, the NAB Foundation, grants, donations, and local sponsorships. This year we invested \$54.4 million in community activities – almost \$10 million more than last year.

This boost came from more investment in our microfinance programs in partnership with Good Shepherd Microfinance. Our microfinance products operate on a non-profit basis. We also ran a campaign celebrating the work of our community partners and invested more in sponsorships with sporting bodies like the AFL, AFLW, FFA and Special Olympics Australia.

Giving back

With a workforce of more than 33,000 people, we've got the power to make a big impact. Our employees are entitled to minimum of two days a year to volunteer with a non-profit organisation of their choice, and in 2018, they contributed a total of 15,397 volunteer days.

Our Australian employees are also encouraged to support a charity that matters to them through our workplace giving program. We match donations up to \$1,200 for each employee, every year. More than 550 not-for-profit organisations receive regular donations from our employees, and this year we matched more than \$820,000 in donations for these charities. For more information on our volunteering and community investment performance, refer to pages 28 and 29 of the Data Pack.

NAB Foundation

NAB Foundation is our philanthropic arm that supports new and innovative ways to address societal issues. The Foundation drives social change by funding social innovation and demonstrating how to use philanthropic capital for maximum impact.

This year, the Foundation:

- Committed to six grants worth \$1.6 million. These grants went to organisations working in regional communities to tackle environmental problems like declining access to water, water quality, land degradation and climate change.
- These partnerships also support our work in natural capital, which involves valuing the environmental resources – like water, soil, land and air – that act as assets and services underpinning our economic system. We rely on these ecosystem services to live healthy lives and run sustainable businesses. Through our Natural Value strategy, we are working to find ways to account for the way our customers use natural capital, and reward sustainable practices in managing loan portfolio risk. (See the Natural Value section on the next page.)
- Partnered with the Victorian State Government and Sacred Heart Mission to provide blended capital for an innovative social finance deal. The project will expand Sacred Heart Mission's successful Journey To Social Inclusion Program, to tackle chronic homelessness. (See case study in the *Delivering for our customers* section.)
- Formed a partnership with Our Watch, a leading voice on driving change in culture, behaviour and power imbalances that lead to domestic and family violence.

HARNESSING OUR SKILLS TO MAKE A DIFFERENCE

Skilled volunteering is a great way to give the community more than just money. Our people can put their skills to great effect by working with community organisations to solve business problems and build capacity.

We launched a new Australian pilot this year with Australian Business Volunteers. The aim was to increase our social impact and build the leadership skills of our people. A group of leaders from our customer facing divisions worked with the social enterprise Two Good Co to develop a sustainable business plan to grow the organisation. Two Good Co is a small business with a big vision to help people leaving domestic and family violence to feel loved by providing and lifestyle products to refuges and soup kitchens.

Bank of New Zealand (BNZ) continued its high-impact Closed for Good volunteering day. Each year, BNZ closes its doors so all employees can get out into the community and make a difference. This year, the focus was on skilled volunteering and working with young people and the elderly to build financial literacy. A team of 2,400 BNZers around the country engaged with more than 15,000 kindergarten-aged children, 7,800 high-school students and 5,600 seniors across NZ. Kindergarten students were read an interactive storybook about saving money called Penny the Penguin and played an app-based game that connected the characters and reinforced a 'needs versus wants' saving message in the story. Teenagers downloaded an avatar based app, My Moni to help guide them through financial moments. Seniors were engaged through an online program, Scam Savvy to help them practice online banking and avoid scams.

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SUPPORTING COMMUNITIES

Domestic and family violence assistance

Domestic and family violence has been a silent issue for too long. We're committed to raising awareness and providing critical support to help end this issue for our customers, employees and communities.

We take a holistic approach to domestic and family violence by:

1. Caring for our customers. The NAB Domestic & Family Violence Assistance Grant helps our customers take steps towards financial independence – and provides support for those who are struggling to leave violent relationships or homes. We've also partnered with Uniting Kildonan and their 'CareRing' Program to offer our customers a whole range of support services, beyond just financial.
2. Supporting our people through our Domestic & Family Violence Support Policy. This includes uncapped paid special leave based on a person's specific needs (included in our Enterprise Agreement). We also have a range of support strategies in place, relating to safety and security, access to specialist external resources, counselling, and emergency financial assistance.

During the year, we expanded our policy to include reasonable paid leave to support family or immediate household members experiencing domestic and family violence.

3. Backing our community partners who work in this space through the NAB Foundation – and raising awareness of the issue. Our Employee Relations and specialist hardship teams receive training so they can support our employees, people leaders and customers.

Taking environmental action

Without a healthy environment, our success as a business means nothing. So we have a strong Environmental Agenda focused on three key areas: Climate Change, Resource Scarcity and Natural Value. To manage our current environmental impacts, we integrate these issues into our business strategy, governance and risk management framework. We also set targets and commitments to help us stay focused on reaching our goals. We are in the third year of reporting against our environmental performance targets. All are on track to be achieved.

This year, we progressed towards our 2025 science-based GHG emissions target, delivering a 12% reduction from our 2015 base year. We are also progressing well towards our 2020 targets for energy, water, waste and other resources.

Our climate change strategy and leadership commitments are in the *Good governance* section.

You can also find information about our operational footprint and environmental performance in the 2018 Scorecard and Data Pack. And if you'd like to know more, head [online here](#).

Natural Value

Our Natural Value Strategy aims to help NAB and our customers better manage natural capital by mitigating risks and harnessing opportunities. The way we manage natural capital impacts future asset and business value – for NAB and our customers.

Agribusiness is a major priority for NAB. We're Australia's largest agribusiness bank – lending around \$30 billion to the sector, and banking one in three farmers.¹ Managing risk is central to this part of our business, and to our Natural Value strategy.

These issues are also important to our customers. Our agribusiness customers rate soil health (87%), water scarcity (83%) and energy costs (83%) as key business sustainability concerns.² That's why we're developing products and services to make it easy for them to invest in their natural capital base and strengthen their business models.

Research and analytics was the focus of our Natural Value Strategy in 2018. We have continued to advance research projects with key partners including the FoodAgility Cooperative Research Centre, CSIRO, Greening Australia, the Institute of Sustainable Futures and Australian National University. These projects aim to identify the key natural capital metrics that contribute to long term financial performance in agriculture by enhancing productivity, reducing risk or improving long term asset value.

We announced a new partnership with Agforce Queensland this year to establish links between good natural capital management in grazing systems and the long term financial performance of farming customers. This involves validating the Grazing Best Management Practice Framework's environmental and financial benefits.

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1 RBA Banking System / NAB APRA Submissions September 2018.
2 2017 NAB Customer Survey: Natural Value and AgTech Solutions.

SUPPORTING INDIGENOUS COMMUNITY SUCCESS

A bold future is one where the gaps between Indigenous and non-Indigenous people are closed. Our role as a bank is to support Indigenous success by enabling

greater access to finance and employment. We also recognise the rich cultural heritage of Indigenous Australians and New Zealanders and their role in building strong, reconciled communities.

NAB is guided by our Indigenous Advisory Group and we have been developing

our next Reconciliation Action Plan. Its priorities are economic participation, employment, and improving our cultural understanding. By implementing this plan, we aim to improve the financial inclusion of Indigenous Australians, increase our support of Indigenous businesses, improve

Indigenous career paths, and help grow our organisation's cultural intelligence. In 2018, we have provided more than 6,500 loans for Indigenous Australians on low incomes, and spent almost \$600,000 with Indigenous businesses.

REGIONAL & RURAL LISTENING TOUR

About a third of Australians live in regional and rural areas¹, which is why it's important to support regional communities to access services and prosper. We currently serve about 1.2m regional and rural customers and employ 2,000 people who work and live in these communities.

As part of our plan to be the Bank for Regional and Rural Australia, the NAB leadership team launched a tour of towns and communities across the country to listen, understand and respond to their needs. The aim of the tour was to find out how we can better serve our customers, including how we offer face-to-face banking services in a sustainable way and look at the future of our branch network. This led to reversing our decision to close the Dungog branch in regional NSW and not going ahead with the planned closure of the Narooma branch in NSW this year.

We were helped by two respected community figures, John Anderson and Chris Sarra as we listened to customers in Shepparton, Warrnambool, Sale (VIC) Gunnedah, Taree (NSW), Northam (WA) Darwin (NT), Clare (SA), Hobart (TAS), Beaudesert, Townsville and Emerald (QLD).

HELPING DROUGHT AFFECTED COMMUNITIES

This winter's severe drought conditions hit NSW and Queensland communities hard. We provided financial relief for drought affected farmers and committed to keeping our branches in drought affected areas open. Our Drought Assistance Package offered eligible customers:

- Extended loan terms, consideration of restructure of loan repayments to interest only and waiver of all associated extension/restructure fees.
- Credit card and personal loan relief where appropriate.
- Suspension of home and personal loan repayments.
- Waived costs and charges for early withdrawal of Term Deposits (including Farm Management Deposits).
- Waived home loan and personal loan application fees.
- Support and counselling through NAB's Employee Assistance Program.

We also wanted to help the broader community by providing a \$100,000 community relief package and collecting donations to support affected communities. The relief package consisted of two \$50,000 donations to the Country Women's Associations of NSW and Queensland to support farming families across both states. We also matched public fundraising up to \$25,000 for each of these charities in our branches and online to help donate a combined total of more than \$280,000.

HOW ARE WE TRACKING?

- Donated more than \$820,000 in matched giving for charities.
- More than \$280,000 raised through Drought Community Relief package.
- Committed to \$1.6m in grants through the NAB Foundation.
- \$54.4m community investment.
- 12% carbon emission reduction against 2015 baseline.
- \$300m in discounted finance provided to customers for renewable or energy efficient energy assets, or assets that improve energy efficiency since 2015.

SUSTAINABLE DEVELOPMENT GOALS



TARGETS

- Increase volunteering by 50%.
- 21% carbon emission reduction by 2025.
- 5% energy and waste to landfill reductions by 2020.
- 10% water reduction by 2020.
- 50% of Australian electricity from renewable sources by 2025.

FUTURE COMMITMENT

Be the Bank for Regional and Rural Australia.

Release our new Reconciliation Action Plan.

Keep branches open in drought affected communities.

LEARN MORE

[Our environmental performance](#) [Our climate change approach](#)

[Our community](#) [Indigenous Australian support](#)

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¹ Australian Bureau of Statistics.

MATERIAL THEME: ENGAGING OUR PEOPLE

Enabling a diverse workforce of great leaders and brilliant bankers to be future ready

WHY IS THIS IMPORTANT?

Backing our people helps us back our customers. As we transform, it's critical for us to innovate, while remaining agile and responsive to customer needs.

We aim to meet this challenge with an engaged and diverse workforce, supported by great leaders, talent and culture. Our leaders need to be outstanding – empathetic, high performing, imaginative and connected to achieve our vision.

We also know organisational change can bring uncertainty for our people and impact their wellbeing. That's why we continue to enhance our health and wellbeing programs and approach. It is also why we have established NAB The Bridge, a career transition program to help people plan for the future.

WHAT ARE WE DOING?

About our people

We have an international workforce of more than 33,000 employees. Ninety eight per cent of our people work in Australia and New Zealand, while the remainder are in London, New York and parts of Asia.

Our People Strategy aims to have outstanding leaders, brilliant bankers and a future ready workforce. We use data and evidence to inform how we engage our people. Our research into the people factors that drive business outcomes has validated some of our priorities.

Key insights from these projects are:

- More engaged teams in front line roles create a better customer experience.
- Leaders who completed development programs were seen as more effective by their teams and had more engaged teams.
- Engaged employees are more likely to be our top performers.

Engagement

Engaging our people starts with listening to their feedback. This year we launched Workplace, a new social media platform that encourages our employees to give feedback in real time, and solve business issues together. About 21,000 people joined Workplace in the first three months, with more than 15,500 active users each week. It helps to break down hierarchies, and gives our people a direct line to leaders and other teams across the organisation.

Our annual employee engagement survey, conducted by Aon Hewitt, is another way to give feedback. In 2018, our overall engagement score was 54% (compared to the top quartile benchmark of 68%). This score is based on Aon Hewitt's industry benchmarks.

Our score has dropped five per cent from 2017. While that's not where we want to be, the score is higher than expected for a company going through a large-scale transformation¹. Employee feedback from the survey is summarised on the right.

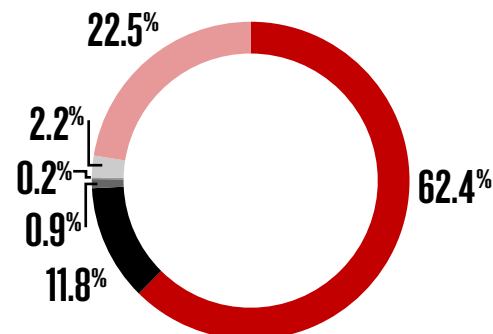
Health, safety and wellbeing

Our health, safety and wellbeing vision is to have all employees well at work. By managing safety and supporting their health and wellbeing, we can create a healthy environment where they can perform, are resilient in times of change, feel engaged and are productive in their roles.

We offer a range of tools, resources, services and programs to help manage physical health and mental wellbeing. These include a strong focus on early intervention for physical or psychological illness and injury, a number of mental health initiatives supported by the Employee Assistance Program, and flexible work practices. We also offer an influenza vaccination program and a digital health and wellbeing portal, which includes free behavioural change programs and evidence-based health programs.

OUR WORKFORCE (%) BY EMPLOYMENT TYPE

- Permanent Full Time
- Permanent Part Time
- Fixed Term Full Time
- Fixed Term Part Time
- Casual
- External (e.g. Contractor, Temp, Consultant)



ENGAGEMENT SCORE FEEDBACK

Where we did well

- Our people leaders (how leaders individually coach, communicate and lead).
- Risk and risk culture (those who deliver strong results aren't excused from following the rules).
- Empowerment (having the freedom to express views even though they might contradict the views of people leaders).

Where we can improve

- Reputation (how people feel about us, and how we're seen in the community).
- Enablement (making it easy for our people to do their job, and giving them the right tools to succeed).
- Senior leadership (helping people leaders and teams connect to the One NAB Plan, our purpose and vision).

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Our Employee Assistance Program was enhanced and rebranded this year. Best You by Benestar helps people make their way through life, giving them the support they need to be their best every day – not just during periods of uncertainty or concern. Offering coaching support for all our people is a key part of this program.

Preventing injuries and absenteeism

We're committed to making sure an employee's return to work is always safe and sustainable. In doing so, we aim to ensure that our injured employees receive the best treatment, and the kind of rehabilitation that leads to optimal recovery.

From a business perspective, this has led to fewer lost-time injury claims and kept our lost-time injury frequency rate (LTIFR) stable and low over time. Most of our lost days were due to work-related stress. We are focused on caring for our people to give them support through our Employee Assistance Program and broader health and wellbeing program as we experience organisational change.

In addition to compensation claims, we also measure sick, carer's and bereavement leave. We give our people two days per year of planned sick leave, which means they can support their wellbeing by attending preventative and planned health appointments.

Supporting our people through change

In November 2017, we announced that we'd be reshaping our workforce to be simpler, faster and closer to our customers. This includes reshaping our workforce for the future and focusing on talent and leadership. We said we'd create 2,000 new jobs by 2020 (in the areas of technology, data science and artificial intelligence), while acknowledging that 6,000 existing roles would be removed. So far, 195 new jobs have been created and 1,897 roles have been removed.

We know that it's a difficult time for our people as we automate and simplify our business, but we're committed to treating them with care and respect. Our 2016 Enterprise Agreement sets out employment arrangements for our Australian employees, and underpins our approach as we reshape our workforce. Our constructive relationship with the Finance Sector Union (FSU) continues. Finally, we're committed to looking after our people in times of change through our transition program, NAB The Bridge.

LTIFR ¹	2018	2017	2016	2015
Australia	0.59	0.65	0.98	1.24
New Zealand	0.24	1.66	1.09	1.48

ABSENTEEISM ²	2018	2017	2016	2015
Australia	8.13	8.37	7.90	7.46
New Zealand	6.29	6.61	7.17	6.51

¹ Absenteeism is the total number of unscheduled absence days during the period divided by the average number of full time equivalent employees (excluding casual employees). Past results have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results are also likely to be revised as additional lost time injuries are recorded in our system. Any updates will be reflected in future reporting.

² Lost time injuries are defined as a workplace injury resulting in an employee being absent from work for at least one full day, and for which the employee receives workers compensation. LTIFR = Lost time injuries × 1,000,000 hours worked ÷ (average annual full-time equivalent employees × 40-hour working week × 46 weeks per year). A 37.5-hour working week is used in the calculation for New Zealand. Past results have been revised upwards due to additional lost time injuries being recorded after the reporting period has ended. Current year results are also likely to be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

NAB THE BRIDGE

NAB The Bridge is a dedicated support program for people leaving NAB through redundancy, providing practical tools and assistance, helping create a new direction and forge a new path.

Working with a personal coach, impacted employees are supported to explore and understand their strengths, opportunities and goals, then make a plan to move forward.

This offering provides a number of career and wellbeing services, including:

- Career planning and coaching.
- Health and wellbeing benefits.
- Financial planning services.
- Re-skilling and training access.
- Active job and volunteering placements.
- Small business set-up and support.

Before leaving NAB, people are contacted to set up their first appointment with their coach and arrange access. We have delivered 2,699 hours coaching and 638 workshops this year at our Melbourne and Sydney centres, as well as online.

To date, 40% of NAB The Bridge members have successfully transitioned to their desired pathway. Of these members, 40% have commenced a new position with an average job search time of 74.5 days versus a market average of 90 days. A further 23% have opted to take up vocational training instead of career transition support to enhance their job market value proposition or to retrain into new careers. Other outcomes include 9% of members moving to self-employment and seven per cent opting to retire.

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ENGAGING OUR PEOPLE

Talented, capable leaders and people

We attract, grow and prepare a diverse workforce of talented people to deliver for our customers – now and in the future. We do this through a range of programs, and a strong performance and reward framework that encourages our employees to achieve their best (see the *Doing the right thing* section for more).

In 2018, more than 350 Senior Managers took part in a development program to identify both current capability and future potential for fast-tracking their progress into more senior roles. These programs are designed to accelerate the growth of our most talented senior leaders through world-class learning experiences – which helps us nurture the best talent in the financial services industry.

This year, we identified 162 Senior Managers as having potential for more senior and/or complex roles, and supported 60% of them to take part in talent development programs. There were also 36 promotions in the Key Talent population, including lateral moves with a 10% salary increase or moves into more senior and/or complex roles.

Our development programs aren't limited to experienced leaders. For example, our Leadership Ready programs¹ are for people taking on their first leadership role, and for those moving through any leadership transition. This year 340 leaders have taken part in these programs.

In 2018, we embedded our newly designed inclusive leadership curriculum into our core leadership development programs for Group 2-5 leaders. By doing this, we've strengthened our inclusive leadership capability, and we'll be extending this curriculum to our senior leadership programs in 2019.

DIVERSITY AND INCLUSION

We know that a diverse and inclusive workforce is vital to face the challenges of a changing world – and that our workforce should reflect our customers and community. Strengthening inclusion will engage our people and drive productivity and innovation.

Strategy and leadership

The focus of our Diversity & Inclusion (D&I) strategy is to foster an inclusive culture based on three strategic priorities: gender equality, life stage inclusion and lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion. The D&I strategy also focuses on cultural inclusion and accessibility, and is underpinned by leadership, flexibility and NAB's employee resource groups.

Our CEO, Andrew Thorburn signed the CEO Statement of Support for NAB to become a signatory to the Women's Empowerment Principles - a joint initiative of the UN Global Compact and UN Women. This demonstrates NAB's support for a set of 7 principles that provide a holistic framework for global corporate action on empowering women in the workplace, marketplace and community. He also continues his roles as a member of Male Champions of Change (2015), and a Workplace Gender Equality Agency Pay Equity Ambassador – affirming his commitment to advance gender equality in Australia.

Our Diversity and Inclusion Steering Committee, led by Sharon Cook, our Chief Legal and Commercial Counsel and Gary Lennon, our Chief Financial Officer, remains focused on providing a voice for inclusion at NAB – and removing barriers that might stand in the way of equality. The committee has senior leader representation from each division and each employee resource group. Our employee resource groups are voluntary, employee-led groups of passionate individuals that foster an inclusive culture aligned to our diversity priorities.

Supporting our people through flexible working

We continue to offer a wide range of flexible working options, including job sharing, working from home, flexible start and finish times, and extended leave. The right option depends on a balance between the needs of the customer, the business, the team and the person. Providing a flexible work environment increases productivity, supports work life balance and helps keep talented people on board. In 2018, 84% of employees said that they had the flexibility needed to accommodate priorities at work, home and in the community².

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¹ These programs include Breakthrough, Inclusion Ready and Leadership Ready.

² 2018 Aon Hewitt employee engagement survey.

ENGAGING OUR PEOPLE

Gender Equality

We're committed to having 40-60% of either gender represented at every level of the business by 2020. In 2017, we set new Board approved targets for reaching gender equality by 2020. This changed the way we report progress towards gender equality, and enabled greater transparency at every level. 'Towards 2020: NAB's road to gender equality' outlines our commitment and how we plan to achieve this. Learn more about our gender equality approach [online here](#).

We expected that measuring progress in a more detailed and transparent way at each level would increase the challenge in reaching our targets. Our more detailed focus on each level and the need for a sustainable pipeline of talented females made the first year of this revised methodology harder than we anticipated, and we have fallen short of our FY18 gender targets.

Next year, we'll improve our focus on lifting female representation by:

- Increasing executive accountability for achieving our gender equality objectives through a greater emphasis on gender diversity in the executive leadership group's FY19 performance goals.
- Mandating 50:50 gender representation on the recruitment shortlist for all roles at all levels, with the exception of volume based recruitment which already has a steps in place to reduce gender bias.
- Continuing to encourage our female employees to take part in Breakthrough, our suite of development programs for women at various career stages.

- Making sure women remain equally represented during our talent assessment process, taking steps to widen the female assessment pool where necessary.

We've also set these targets to ensure gender equality in how we recruit and identify talent:

- Striving for 50:50 gender representation on recruitment shortlists for all roles at all levels.
- Maintaining 50:50 representation of employees identified as Key Talent.
- Aiming for a minimum of 1 female and 1 male as 'ready now' for each succession plan, and an overall 50% female representation, across senior management succession plans.

We have a number of initiatives aimed at helping our female employees grow, and progress in their careers. Breakthrough is a suite of development programs that equip female employees with the skills, knowledge and tools they need to transition into senior roles. We've also partnered with Women on Boards to deliver workshops that provide our women with development towards Board and Subsidiary Board positions. We're also proud of our employee resource group, Connecting Women, which helps to build an inclusive workplace where women can grow their careers.

OUR 2020 FEMALE REPRESENTATION OBJECTIVES

MEASURABLE OBJECTIVE ¹	2017 ACTUAL	2018 ACTUAL	2018 TARGET	2019 TARGET	2020 TARGET
NAB Board (non-executive directors) ²	25%	33%	-	-	30%
Group Subsidiary Boards	39%	39%	-	-	40%
Executive Management (Salary Groups 6 & 7)	31%	31%	35%	37%	40%
Senior Management (Salary Group 5)	30%	32%	34%	37%	40%
Management (Salary Group 4)	38%	38%	-	-	40 - 60%
Non-management (Salary Groups 1 - 3)	59%	57%	-	-	40 - 60%
Australian talent population ^{3, 4}	59%	41%	50%	50%	50%
Australian graduate program intake ⁵	56%	46%	50%	50%	50%
Total organisation	54%	52%	-	-	40 - 60%

1 Targets are enterprise targets, include operational and non-operational employees but exclude fixed term contractors and casuals. Non-operational employees are employees on any specified absence type for greater than 90 days.

2 The target is to increase the number of female non-executive directors on the NAB Board as vacancies and circumstances allow.

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

4 In 2018, over 350 Senior Leaders participated in a development experience aimed at providing insights on current capability and identifying future potential to progress to more senior roles. Talent selection decisions have been made for this group.

5 As at 30 September 2018, 46% of the graduates who have accepted positions in NAB's 2019 Australian graduate program. At offer stage of the 2019 Graduate Program, female representation was 50.7%. Due to the lead time between acceptance and start, graduates may withdraw which can change the composition of this group.

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ENGAGING OUR PEOPLE

A diverse and inclusive workforce is vital to face the challenges of a changing world – and our workforce should reflect our customers and community.

Pay equity

Many factors determine a person's pay including their skills, experience, qualifications, performance and work hours. At NAB, we believe in equal pay for work of equal value. That's why we regularly review gender pay equity and are committed to:

- Conducting regular pay reviews across roles, and the organisation as a whole.
- Setting variable reward targets that recognise each gender in a consistent way.
- Making sure annual remuneration recommendations for specific roles are gender neutral.

- Examining performance outcomes on a yearly basis to spot any potential gender bias.
- Reviewing remuneration for our people who return from parental leave to ensure their remuneration remains aligned.

At an organisational level, the Workplace Gender Equality Agency's Analysis (2016 – 2017) found that when comparing the base salary of all women and men at NAB, our gender pay gap is 22.7%¹. This is lower than the average pay gap for the financial and insurance services industry (24.4%). Our pay gap has fallen from 24.2% in the previous year but we have more work to do. Closing the pay gap is the right thing to do and we are working towards this in a responsible and sustainable way.

Our biggest opportunity to lower the organisational pay gap is to achieve equal gender representation at all levels. We expect to make significant progress towards closing the gap as a result of our 2020 gender equality commitment.

Life Stage

We offer comprehensive support for new parents. This includes 12 weeks of paid primary carer's leave, regardless of gender, and up to 40 weeks of unpaid primary carer's leave that accumulates superannuation and counts towards long service leave. We encourage our male employees to take parental leave, and in 2018, 32%² of our employees on parental leave were men.

This year we saw a slight drop in the return to work rate after parental leave (82.5% versus 85.6% last year). Our organisational transformation and the changes we're making to our workforce were contributing factors here, with more parents leaving the business than usual. In FY19, we'll increase support for NAB parents with new initiatives to help transition between parental leave and work and support a better overall balance between work and family life.

We're also committed to supporting employees who are at the early stages of their career. In October 2018, we sent a delegation to the annual One Young World Summit in The Hague, Netherlands. This is a global forum for young leaders and provides delegates with an opportunity to connect, debate, formulate and share innovative solutions for some of the most pressing issues facing our world today.

LGBTI+

We want to create a culture where our LGBTI+ employees aren't defined by their sexual orientation, or their gender identity. Our people can show that they're proud supporters of LGBTI+ inclusion by choosing to wear a NAB Star Rainbow Pin. Our NAB Pride employee resource group provides a strong support network for employees who identify as LGBTI+, and continues to raise awareness across the organisation. This year we achieved silver status in the Australian Workplace Equality Index Awards. The awards recognise the positive impact of LGBTI+ inclusion initiatives on organisational culture.

Accessibility

Our Accessibility Action Plan 2017-18 is an important part of NAB's inclusive culture – and our vision to keep improving accessibility for our people and customers into the future.

Anyone can read the Plan [online here](#).

NABility is an employee resource group working to create an environment that supports and engages employees with accessibility needs. It also drives awareness, education and understanding across the entire business.

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¹ Base salaries are annualised and issues such as hours worked are not included in the analysis.

² The male parental leave rate combines men who took 15 days leave after the birth of their child and 90 continuous days leave. Data is based on parental leave periods of 15 days or greater, as this accounts for employees who take primary carer's leave as opposed to those who take secondary carer's leave.

ENGAGING OUR PEOPLE

Cultural Inclusion

We're committed to making sure our workplace reflects the cultural representation of our community. In 2018 we launched our newest employee resource group, Cultural Inclusion, which aims to empower employees of different ethnic and cultural backgrounds to realise their full potential in leadership. Since its launch, Cultural Inclusion has led a number of events across NAB – driving awareness, education and understanding about cultural diversity.

This year, NAB launched partnerships with the Asian Leadership Project and Culturally Diverse Workforces. These organisations are working to support greater representation of people from different cultural backgrounds in corporate leadership roles. We also continue to attract diverse talent through our Indigenous Australian and African-Australian employment programs. This year, we welcomed 82 participants to our African-Australian Inclusion program.

Full performance information for all people-related measures is in the Data Pack.

HOW ARE WE TRACKING?

- 54% overall employee engagement
- 72% of employees experience an inclusive workplace
- FY18 gender representation targets for executive management, senior management, the Australian graduate program intake and Australian Key Talent population not met
- 2017-2018 WGEA Employer of Choice for Gender Equality citation
- Included in the 2018 Bloomberg Gender Equality Index
- Silver Status in the Australian Workplace Equality Index for LGBTI+ workplace inclusion
- 32% Australian male parental leave uptake.

SUSTAINABLE DEVELOPMENT GOALS



TARGETS

- Top quartile 68% employee engagement.
- 95% of Key Talent retention for FY19.
- 50% female representation in Australian Talent Population and Australian Graduate Intake.
- 30% of Senior Leaders identified as Key Talent.
- Every level 40-60% female representation by 2020.





FUTURE COMMITMENT

Achieve our gender equality target of 40-60% of either gender represented by 2020.

Keep embedding inclusive leadership into development curriculum.

Progress towards ANZ top quartile inclusion index (78%).

LEARN MORE

-  [Our people](#)
-  [Gender Equality strategy](#)
-  [Workplace accessibility](#)
-  [Health and wellbeing](#)

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GOOD GOVERNANCE

Effective systems to manage risks, make good decisions and meet our regulatory requirements

WHY IS IT IMPORTANT?

Robust and effective governance systems are critical to managing risk, and providing finance to customers responsibly. This includes managing climate change, human rights issues and other ESG risks across our loan book, and our business as a whole.

It's important that we maintain strong governance and risk management systems across our business, so we can respond to the changing industry environment and regulatory requirements. We need effective risk management and decision-making processes to understand our exposures, inform policy decisions, develop asset management plans, and engage with our customers about their activities. Read our Corporate Governance Statement [online here](#) for more information.

Strong governance also sets the framework for how we engage with suppliers and manage our supply chain impacts.

WHAT ARE WE DOING?

Responsible finance

Responsible finance involves lending in a way that mitigates credit risk, and ensures customers can afford to pay their loans back. It's 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, power generation, oil and gas, and tobacco. We've disclosed a number of our credit risk policy settings on our website – you can find this information [online here](#). In 2018, we also reviewed our credit risk policy settings for the oil and gas sector. You can read the outcomes of that review in the *Our approach* section.

Our Group Exposure at Default (EAD) by sector is in the table below. Our EAD by region is mostly in Australia (80%), followed by New Zealand (12%), United Kingdom (4%) and other countries (4%).

Group Exposure at Default by Level 1 ANZSIC Sector (\$m)¹

SECTOR	2018	2017	2016	2015
Accommodation, Cafes, Pubs and Restaurants	9,433	9,295	9,101	10,167
Agriculture Forestry, Fishing and Mining	51,824	49,204	50,115	51,706
Property and Business Services	21,328	19,355	18,396	19,072
Commercial Property	75,211	75,262	74,517	71,505
Construction	10,665	10,281	10,170	9,990
Finance and Insurance	106,897	106,340	236,803	268,401
Manufacturing	19,130	19,412	20,160	23,622
Personal	16,998	17,344	17,775	20,167
Residential Mortgage	387,072	378,162	362,872	395,775
Retail and Wholesale trade	30,796	30,405	30,934	32,791
Transport and Storage	22,358	20,631	19,526	19,651
Other	85,532	81,273	77,375	83,818
Total	837,244	816,965	927,744	1,006,665

We manage risk at an asset, customer, sponsor and portfolio level to ensure we're providing responsible finance.

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1 Prepared in accordance with NAB's methodology (based upon the 1993 ANZSIC codes) at net EAD basis for 2017-2018, and at gross EAD basis for 2015-2016.

GOOD GOVERNANCE

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Brooke Hudson, Tristan Grier & Kass Grier

Harvest
NAB customer

Tristan Grier

"The relationship has given us strength and the ability to move forward. NAB bought into our future and, from the day they did, we haven't looked back."

Our total exposure to the tobacco sector at 30 September 2018 was 0.004% of total Group EAD (down from 0.01% in 2017). We've continued to decrease our lending exposure to major tobacco companies, which is now around 0.001% of total Group EAD. What remains is comprised of minor Australian exposures that are not directly related to tobacco manufacturing operations.

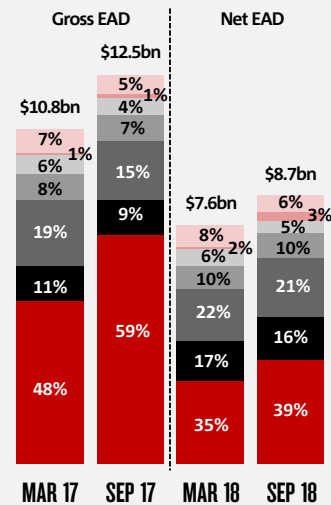
As Australia's largest agribusiness lender¹, agriculture is a major priority for us – and a key focus in our Natural Value and Climate Change strategies. Learn more about our Natural Value strategy in the *Supporting communities* section.

INDUSTRIES OF INTEREST

RESOURCES EXPOSURE AT DEFAULT BY TYPE (%)

- Gold Ore Mining
- Metallurgical Coal Mining
- Thermal Coal Mining
- Iron Ore Mining
- Other Mining
- Mining Services
- Oil & Gas Extraction*

* Oil & Gas extraction exposure is largely to Liquefied Natural Gas projects and investment grade customers (79%)



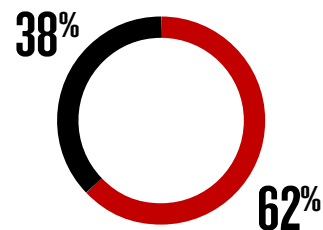
Our target

\$55bn

Provide in environmental finance by 2025

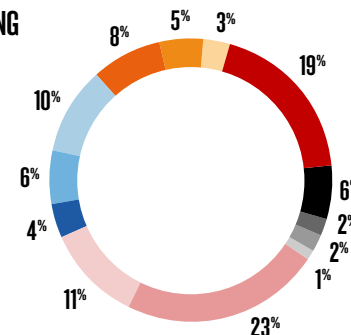
GROUP AGRICULTURAL, FORESTRY AND FISHING BY REGION (%) EXPOSURE AT DEFAULT (\$43.2bn)

- Australia
- New Zealand



AUSTRALIAN AGRICULTURAL, FORESTRY AND FISHING BY SECTOR EXPOSURE AT DEFAULT (\$26.9bn)

- Beef
- Sheep/Beef
- Sheep
- Other Livestock
- Poultry
- Mixed
- Services
- Forestry and fishing
- Dairy
- Grain
- Other crop and grain
- Cotton
- Vegetables



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Climate change risk

We recognise climate change is a significant risk to our environment, and a major challenge for the global economy and community. It's why we support the transition to a low carbon economy, in line with the Paris Agreement to limit global warming to less than 2 degrees above pre-industrial levels.

Managing climate change well opens up opportunities for us to help our customers. As a global provider of financial products and services, we can play a key role in financing the low carbon transition and green growth¹—in addition to meeting our regulatory requirements. We're also building consideration of climate-related risks and opportunities into our business strategy and Risk Management Framework, so we can become a more sustainable and resilient business.

Climate change governance

The Board has ultimate oversight for ESG risks, including climate change. It receives regular reports on a range of climate-related issues and performance goals, including progress against our climate change strategy, commitments, activities and stakeholder feedback. The Board also receives updates on regulatory change, and approves our greenhouse and energy reporting returns before they are submitted to regulators. Our Executive Leadership Team (ELT) and risk committees² are involved in overseeing governance, strategy and risk management relating to climate change.

We also have a Climate Change Working Group that reviews the key risks and opportunities facing our business and customers as a result of the Paris Agreement. Its work is

shared with various risk committees, the ELT and our Board. There's more information about how we manage ESG risk in the *Our approach* section.

Climate change strategy

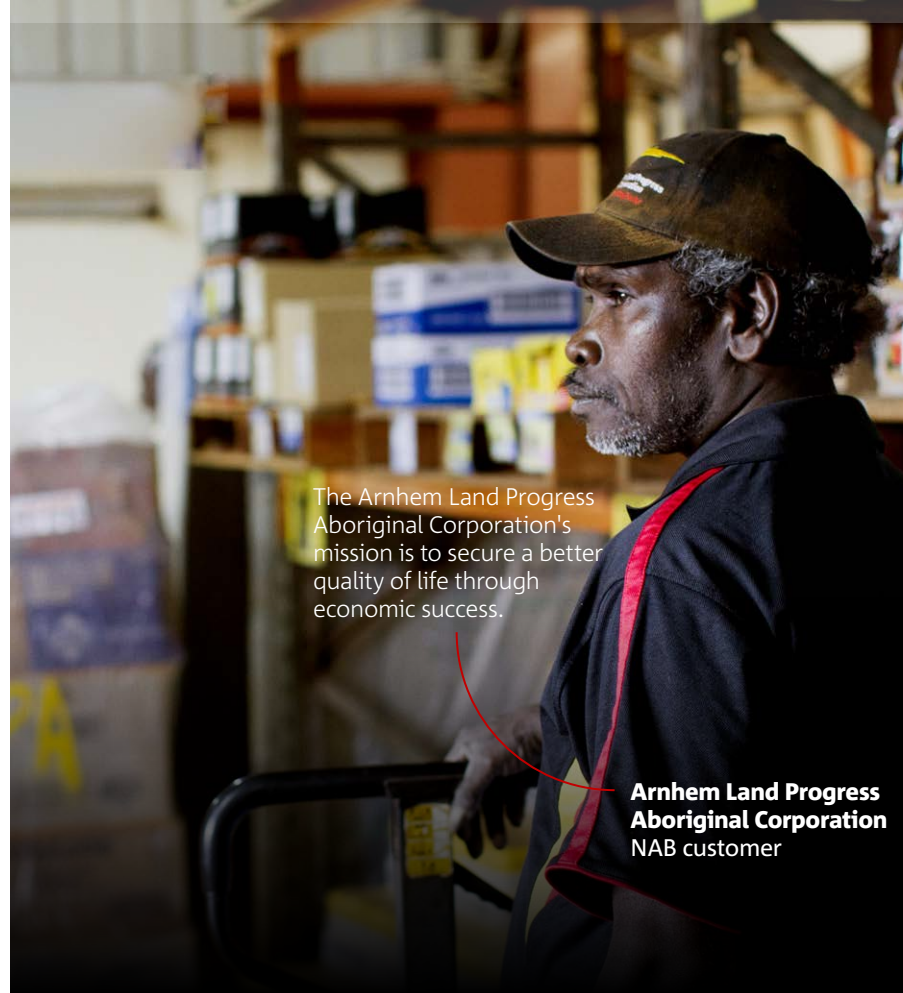
Our climate change strategy has four focus areas:

1. Delivering on our leadership commitments.
2. Developing climate change knowledge and insights.
3. Supporting our customers through the low-carbon transition.
4. Investing in organisational capability to identify and respond to climate change risks and opportunities.

Our approach to managing climate change risk and opportunities is consistent with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) on how to manage climate-related risks and opportunities. The climate change disclosures in this report are also based on the TCFD recommendations.

We believe an orderly approach to the low carbon transition is critical to ensure communities have access to secure, reliable and affordable energy. It's also important that governments and businesses build their capacity to be adaptive and agile when responding to climate change so that our economy can grow.

Throughout the year, we continued to deliver on our climate change leadership commitments, and support our customers through the low carbon transition. We also participated in joint initiatives to develop climate change insights, and to build our business capability to better respond in this area.



The Arnhem Land Progress Aboriginal Corporation's mission is to secure a better quality of life through economic success.

**Arnhem Land Progress
Aboriginal Corporation**
NAB customer

We're also building consideration of climate-related risks and opportunities into our business strategy and Risk Management Framework, so we can become a more sustainable and resilient business.

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¹ Green growth describes a path of economic growth that uses natural resources in a sustainable manner.

² Group Credit and Market Risk Committee, Group Regulatory Compliance and Operational Risk Committee, Group Risk Return Management Committee and divisional, subsidiary and branch risk committees as required.

GOOD GOVERNANCE

OUR CLIMATE CHANGE PROGRESS

COMMITMENT	2018 ACHIEVEMENTS
<p>Provide \$55 billion in environmental finance by 2025 to assist the low carbon transition¹.</p> <p>This includes:</p> <ul style="list-style-type: none"> \$20 billion to support green infrastructure, capital markets and asset finance. \$35 billion in new mortgage lending flow for 6 Star residential housing in Australia (new dwellings and significant renovations). 	<p>In FY2018, we reached a total of: (i) \$10.4bn against our commitment to provide \$20bn to support green infrastructure, capital markets and asset finance by 2025, and (ii) \$12.5bn against our commitment to provide \$35bn in new mortgage lending flow for 6 Star residential housing in Australia (new dwellings and significant renovations) by 2025. This is a cumulative target, which commenced in October 2015. Refer to page 4 of the Data Pack for a breakdown of environmental finance by lending category.</p>
<p>Source 50% of our Australian electricity from renewable energy by 2025 (this commitment was increased from 10% by 2018 in FY2017).</p>	<p>Met our commitment to have arrangements in place to source 10% of Australian electricity from renewable energy by 2018. This has been achieved via: (i) a large solar installation at our Knox Data centre; and (ii) contracting with a renewable energy provider for Renewable Energy Certificates (RECs) from a new Victorian wind farm. We will receive RECs from both these facilities in 2019. Achieving our interim target will help deliver our longer term commitment.</p>
<p>Play an active role in addressing climate change through seeking to innovate across key sectors and markets and supporting low carbon opportunities for our customers.</p>	<p>To support home lending customers we piloted a NAB Rewards offer with Origin on solar panel installations for new home loans.</p> <p>We also provided asset managers with access to our renewable energy finance expertise and project finance portfolio by launching a Low Carbon Share Portfolio.</p> <p>We continued to provide our business customers with discounted equipment finance for renewable energy and energy efficiency investments – which has reached a cumulative total of \$300 million in finance to date.</p>
<p>Report climate change information through mainstream reporting channels and increase our carbon risk disclosure in half and full-year results and annual reporting, incorporating stakeholder input².</p>	<p>We have included climate-related disclosures in our 2018 Annual Financial Report and FY2018 Full Year investor presentation.</p> <p>We also maintained our National Carbon Offset Standard certification in Australia and will publish our Public Disclosure Summary online here.</p> <p>We participated in the UNFI TCFD pilot and responded to the CDP Climate Change survey.</p>
<p>Set a science-based GHG emission reduction target for our operations³.</p>	<p>This year we achieved a 12% reduction in emissions against our science-based emissions reduction target to reduce GHG emissions by 21% by 30 June 2025 from a 2015 base year.</p>
<p>Engage responsibly on climate policy.</p>	<p>We annually disclose our key climate-related policy engagement in our annual CDP response, and this year we have added information on our climate policy engagement to our website here.</p>
<p>Commit to putting a price on carbon⁴ and align to the UN Global Compact's business leadership criteria on carbon pricing.</p>	<p>We disclose how we use our internal carbon price in our annual CDP response. Prior year responses can be downloaded here. CDP will publish their 2018 results in early 2019 and we will make a copy of our CDP response available on our website at that time.</p>

1 Represents total cumulative new flow environmental financing from 1 October 2015.

2 We commenced reporting climate risk metrics for shareholders for the first time in our half year investor presentation in FY2015.

3 This target covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard – with the exception of data centre emissions. Data centres are excluded as there is currently no data centre science-based target setting methodology available. The target has been prepared in accordance with the Sectoral Decarbonisation Approach (SDA) 'Services Buildings' methodology published by the Science Based Target initiative.

4 We first established an internal carbon price in 2010 as part of our approach to carbon neutrality.

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Climate risk insights

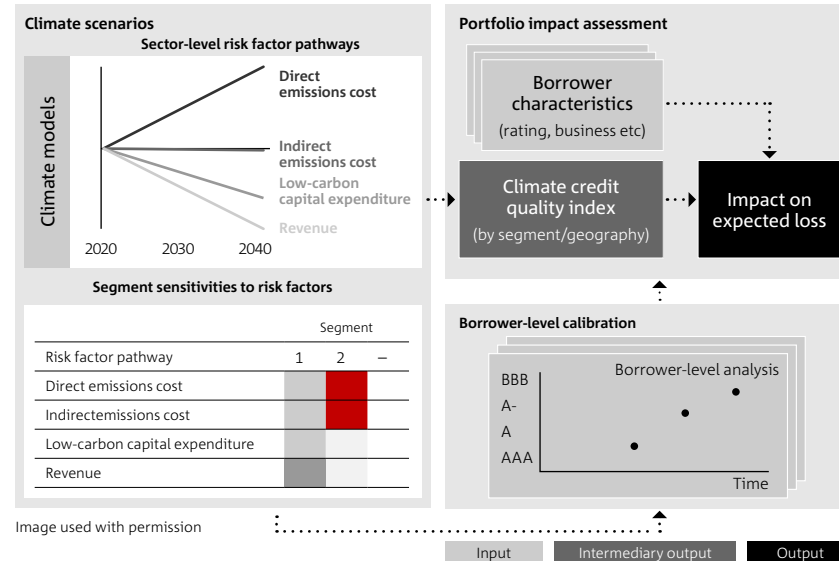
This year we participated in the United Nations Environment Program Finance Initiative's Task Force on Climate Related Financial Disclosures (TCFD) pilot. This was a valuable opportunity to build our internal capability and grow our knowledge of how to use climate change scenarios and data to assess the climate change impact on industry sectors in our lending portfolio. Based on this work, we expect to see some movement in credit ratings as a result of climate change.

The project brought together 16 global banks to test the Financial Stability Board's TCFD recommendations. This involved implementing methodologies developed by Acclimatise and Oliver Wyman for using climate change scenarios to assess the 'stress' or impact of physical¹ and transition² risks on our lending portfolio.

We assessed climate risk against three transition risk scenarios (1.5°C, 2°C and 4°C), and two physical risk scenarios (2°C and 4°C). This differed from the typical macro-economic stress testing conducted by banks, which usually occurs at a portfolio level and aims to estimate capital needs and inform capital management over one to five years. The pilot found that sector responses to physical and transition risk varied significantly, requiring impacts to be modelled at both a sectoral and sub-sector level, followed by calibration and sensitivity testing. The pilot applied a longer time horizon than traditional stress testing, evaluating hypothetical scenario-based lending portfolio impacts out to 2040.

The methodology for assessing transition risk is shown in the diagram above. It used climate change scenarios to map sector level risk factor pathways and we applied a high level sensitivity analysis to the risk factors for each sub-sector. We then used a small set of customers

UNEP Finance Initiative & Oliver Wyman methodology on transition risk



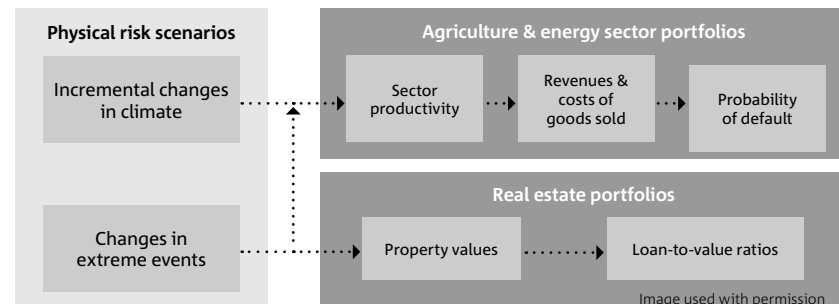
to provide borrower-level calibration for each sub-sector. The transition risk impact on the calibration set was extrapolated to all other customers in that sub-sector to provide a portfolio-level impact assessment.

We used a different methodology to to assess physical risk. You can see this in the diagram below. We assessed physical risk in two contexts – those where changes

in climate are incremental and change slowly over time, and those where extreme events become more frequent and severe.

For property, the methodology estimates potential changes in property values and loan-to-value ratios caused by extreme weather events. For other sectors, we estimated the impacts of gradual climate change and extreme events on

UNEP Finance Initiative & Acclimatise methodology on physical risk



productivity, revenues and cost of goods sold. This helped to estimate how likely our customers would be to default, and the impact this would have on our loan book. Like with the transition risk methodology, we then performed a borrower level calibration of the pilot methodology for each sub-sector using a small sample of customers.

Based on the work we did last year, which heat-mapped climate risk across our lending portfolio, we chose sectors we assessed as having potentially high to medium transition and/or physical risks.

We assessed our Australian exposures in:

1. The metals and mining, and power generation sectors to pilot the transition risk methodology.
2. The agriculture and property sectors to pilot the physical risk methodology.

During the physical risk work, we engaged with the insurance sector to build our understanding of the role insurance plays in reducing the risk of losses due to physical climate change impacts – now and in the future. To source the data and information needed, we also engaged with Government agencies and universities. We found gaps in the available data and it wasn't always in a compatible format or easy to integrate with our bank systems. This made it challenging for us to put climate-related data into the piloted stress testing models.

At this early stage, we plan to look for further sources of Australian climate and transition data to address the identified gaps. More work is also required to further develop the pilot methodology before results can be shared. You can find information about the pilots in the reports published by UNEP FI/Oliver Wyman (on transition risk)³ and UNEP FI/Acclimatise (on physical risk)⁴.

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¹ Physical risk was defined as the risk resulting from climate variability, extreme weather events and longer term changes in climate patterns.

² Transition risk was defined as the impact of low-carbon policy and the transition to low carbon technology on markets and industries.

³ UNEP Finance Initiative, Oliver Wyman & Mercer, Extending our Horizons Report Part 1: Transition-related risks and opportunities.

⁴ UNEP Finance Initiative & Acclimatise, Navigating a New Climate Report Part 2: Physical risks and opportunities.

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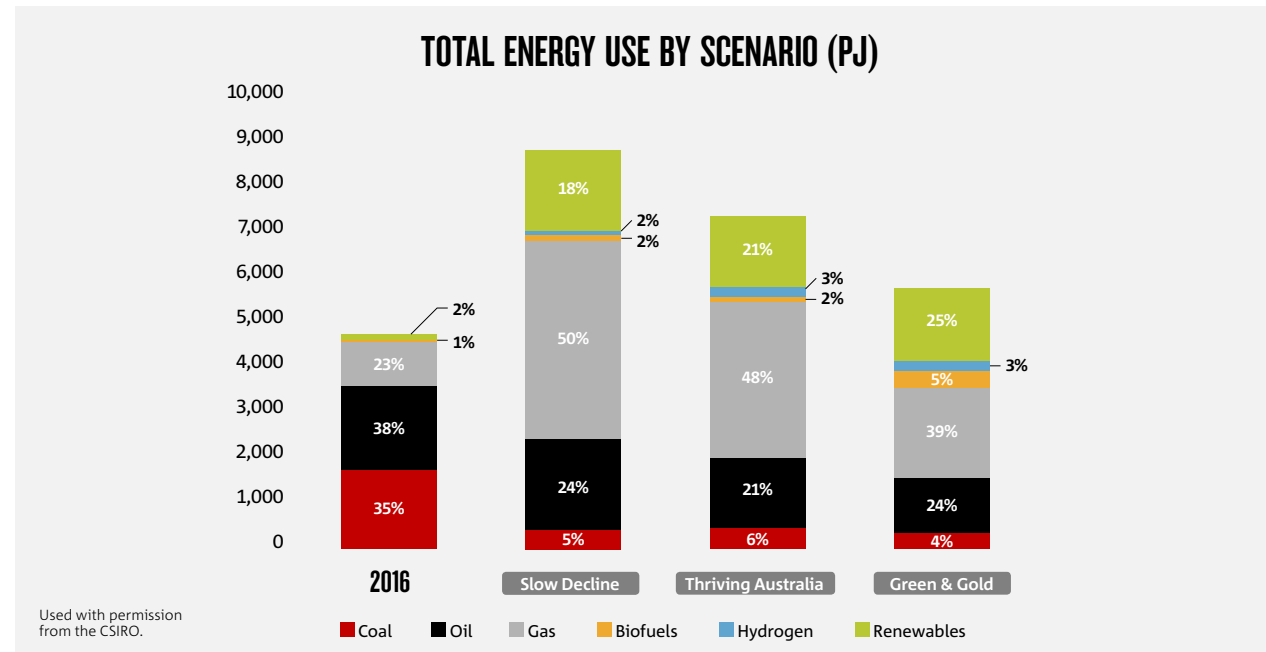
In FY2018, in addition to the TCFD pilot, we also:

- Partnered with CSIRO to establish the Australian National Outlook (ANO) Project. This project uses CSIRO's integrated modelling and qualitative research to consider economic, social and environmental outcomes for Australia, up to 2060. It also considers two global outlooks on climate action corresponding to 2°C and 4°C increases from pre-industrial temperature – and provides three possible future energy scenarios for Australia in 2060. It also helped us understand what we need to do to support the low carbon transition. More information on this work will be published by CSIRO in late 2018. And you can see the energy scenarios in the graph to the right.
- Worked to understand the state of the drought in NSW and Queensland. This meant assessing the number of customer properties located within regions impacted or significantly impacted by drought.

Climate-related public policy engagement

We're committed to engaging responsibly in climate change policy development. This continues our longstanding approach to constructively engage in the policy development process, where it is relevant to our business.

That's why we have an internal consultative process. It helps us make sure that any activities (both direct and indirect) that influence policy are consistent with the climate change focus area in our Environmental Agenda – as well as across our business divisions and geographies. Under this process, representatives from our relevant business units and Group functions meet to review policy changes and determine their relevance and impact for the NAB Group. Before we submit a formal written response, we seek approval from relevant internal stakeholders.



You can find more information about our key climate-related policy engagement activities for 2018 [online here](#). You'll also find out about our industry memberships, Board positions and the contributions we've made to climate change-related projects. You can also find information about our broader climate change approach [online](#).

Respecting human rights

Caring for people who are affected by our business is an important part of our governance approach. Our approach to human rights is based on doing business in a way that respects the rights and dignity of people, avoids human rights abuses, and upholds applicable legal requirements. This is set out in our Group Human Rights Policy, which is currently reviewed on an annual basis. You can find this on [our website](#).

We support the development of an Australian Modern Slavery Act, and continue

to take part in consultation processes running before it comes into effect – some of which were held this year. Our 2018 UK Modern Slavery Act statement is available [online here](#). It outlines what we've done to keep our operations and supply chain free from slavery and human trafficking.

Having an aware and informed workforce is important to safeguard human rights. We have included a modern slavery case study in our annual Risk Awareness training and reminded employees that concerns should be raised via our Whistleblower Program. We also include human rights considerations in our Group Supplier Sustainability Principles (GSSPs). We enhanced our supplier due diligence processes by adopting a new ESG risk monitoring solution for material suppliers in high risk sensitive sectors. This follows strengthening the requirements for labour rights and Modern Slavery in our GSSPs in 2017.

As a major Australian bank, we have a responsibility to work with stakeholders to uphold human rights. That's why we took part in a sector-wide dialogue about how to apply the Guiding Principles for Business & Human Rights to banking products and services, and are involved in current industry discussions about enhancing human rights considerations in the Equator Principles.

NAB is committed to respecting 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. This is set out in our Improper Land Acquisition Policy Statement which is [online here](#). We also consider the land rights of communities as part of our ESG risk assessment processes. And as part of our annual sustainability reporting, we plan to report on our actions to meet Policy commitments.

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PROGRESS AGAINST OUR IMPROPER LAND ACQUISITION POLICY COMMITMENTS

COMMITMENT	STATUS	UPDATE
NAB commits to respecting the land rights of communities that are, or may be, impacted by our customers and suppliers through the inclusion of land rights in our approach to ESG risk management, relevant policies and tools.	✓	<p>In FY2018, NAB's Human Rights Policy underwent its annual review. As part of the review process we engaged with a number of social NGOs. Our Policy includes a requirement to consider improper land acquisition and sets out how NAB respects human rights to meet our obligations related to international conventions, legal and regulatory requirements and voluntary commitments.</p> <p>NAB considers land rights in its ESG risk assessment processes for lending and procurement. This is particularly relevant when lending to companies in soft commodities, forestry, resources and power generation sectors where there is potential for land acquisition issues to impact on indigenous communities and landholders in developing countries.</p>
NAB will not knowingly finance or provide advice to companies that have a prevailing conviction for improper land acquisition or against which NAB considers there is credible evidence of material violations of applicable laws and regulations.	✓	In 2018, our ESG risk assessment processes did not identify any cases in which NAB considered there was credible evidence of material violations of applicable laws and regulations.
NAB will review customer relationships where there is a risk of a customer operating outside the law or not meeting NAB requirements. If this risk is not addressed to NAB's satisfaction, NAB may exit the banking relationship.	✓	<p>Considering improper land acquisition and how our customers address this risk is part of our ESG risk assessment undertaken as part of our credit risk and due diligence processes. In 2018, we continued to review relevant large institutional and corporate customers and share our Improper Land Acquisition Policy Statement with them, where applicable.</p> <p>NAB continues to closely monitor a small number of customers that have faced allegations of improper land acquisition to understand how they address and manage the issue.</p>
NAB will investigate and, if appropriate, join relevant multi-stakeholder and industry initiatives, which seek to address and prevent, the occurrence of improper land acquisition – this may include standards, certification or verification systems.	✓	<p>NAB continues to be a member of a UN Global Compact led working group - with our Australian peer banks and representatives from a number of NGOs – that focuses on human rights issues and responses relevant to the finance sector.</p> <p>NAB has been a signatory to the Equator Principles (EPs) since 2007. When providing project finance in non-designated countries¹ (defined in the EP III), this includes applying International Finance Corporation (IFC) Performance Standards². Standards 5 (Land Acquisition and Involuntary Resettlement) and 7 (Indigenous Peoples) are particularly relevant, when we review how our customers manage land rights and potential impacts on local communities. The EPs are currently undergoing review to develop EP IV. NAB is actively engaged in EPs IV working groups.</p>
NAB will work towards implementing risk processes by 2020, so that major lending and advisory customers whose operations include significant land acquisition, can verify to NAB that their operations are giving appropriate consideration to land rights of local and indigenous communities, particularly in developing countries.	In progress	Work completed to satisfy commitments 1 and 4 (above) and 6 (below) will help NAB deliver on commitment 5 by 2020.

1 Non-designated countries are those countries not found on the list or designated countries published by the Equator Principles Association.
2 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards.

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PROGRESS AGAINST OUR IMPROPER LAND ACQUISITION POLICY COMMITMENTS

COMMITMENT	STATUS	UPDATE
<p>NAB is committed to building understanding and recognition of the issue of land rights and improper land acquisition and how it can be prevented through:</p> <ul style="list-style-type: none"> engaging and educating our employees, particularly bankers. engaging with our customers, suppliers and other stakeholders to encourage business best practice in respecting and protecting land rights of relevant communities. 	✓	<p>We continue to include information on improper land acquisition in ESG risk training and presentations to credit managers and relevant bankers.</p> <p>Bankers share NAB's improper land acquisition policy statement with customers in relevant sectors such as soft commodities, forestry and mining, where applicable.</p> <p>The requirement to consider improper land acquisition in NAB's business relationships is included within our Human Rights Policy.</p> <p>Since publishing NAB's policy statement on improper land acquisition in December 2014, and as reported in our 2018 Sustainability Report, NAB continues to review, monitor and engage with relevant large institutional and corporate customers where indigenous land rights issues could arise. To minimise the potential for human rights and improper land acquisition concerns in the bank's own operations, NAB continues to purchase Fair Trade products in Australian offices and branches.</p> <p>Our website has details on how affected external parties can provide feedback or raise concerns (including human rights related concerns such as improper land acquisition). This can be done by contacting our NAB Resolve team.</p>
NAB will work within our sector and with our customers to encourage standardised disclosure on social and environmental risks.	✓	NAB continues to participate in industry initiatives which support standardisation of ESG risk information. These include the Equator Principles, the UN Global Compact, and CDP Water and Forestry Surveys ¹ .
NAB will report publicly on an annual basis on the actions NAB has taken to meet the commitments in our improper land acquisition policy statement.	✓	This commitment is met through this progress update. NAB will continue to report each calendar year.

HOW ARE WE TRACKING?

- 88% material suppliers compliant with our Group Supplier Sustainability Principles (GSSPs).
- Human Rights Policy reviewed.
- Participated in the United Nations Environment Program Finance Initiative (UNFI) Task Force on Climate-related Financial Disclosures pilot.
- Met 10% renewable energy sourcing target.

SUSTAINABLE DEVELOPMENT GOALS



TARGETS

- 90% of material suppliers comply with our GSSPs.
- 10% renewable electricity sourcing target.
- 12% GHG emissions reduction against 2015 baseline.




FUTURE COMMITMENT

Report further on NAB's TCFD-related work.

Meet our Climate Change leadership commitments, including sourcing 50% of Australian electricity from renewable sources by 2025.

Report annually on our improper land acquisition policy statement commitments in the Sustainability Report, as appropriate.

LEARN MORE

-  [Our ESG risk management approach](#)
-  [Our climate change approach](#)
-  [Our human rights approach](#)

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¹ NAB is a signatory to CDP's water, forest, climate change and carbon action surveys.

TRANSFORMATION & TECHNOLOGY

Becoming a technology enabled, innovative business

WHY IS THIS IMPORTANT?

To give customers the best possible service, we're making big changes. This means we're embracing automation and digital innovations. We think of technology as a foundation and accelerator - without it we cannot have a modern bank that meets the needs of our customers.

Our strategy allows us to move faster, change quicker, and be more efficient and resilient for our customers. We're transforming the way we manage data privacy, security and risks. And we're investing more than ever to make banking simpler and faster for our customers. Plus, we're targeting more than \$1 billion in cost savings by 2020.

Being simpler and faster is one of four strategic pillars in our One NAB Plan. Alongside strengthening our technology to create better digital experiences, we're also cutting down layers to move faster and stay close to our customers. Doing this means making tough decisions about how we run our business – but it's something we need to do to make the most out of our digital capabilities.

This requires some tough decisions about how we run our business. We need to reshape our workforce with new and different skills and invest in technology to make the most out of digital disruption.

WHAT ARE WE DOING?

Technology and resilience

We've stepped up our investment in technology this year. This important move will drive our success well into the future. We're also focusing on building deep, in-house technical capabilities.

Our strategic priorities are:

- Migration to the Cloud. The cloud gives us on-demand scale and greater operating speed. We migrated 30 applications within 50 days.
- Micro-services and Application Program Interface technology. We believe we have to rewrite many of our core applications to create the speed and agility needed to compete.
- Embracing data and analytics so we can build a better picture of our customers, and create deeper and more meaningful relationships.
- Building a world-class team. We want the best people in tech working at NAB. We're bringing new talent on board and up-skilling our people to grow our resources and capabilities.

Building in-house technical capability makes us a stronger business and cuts our dependence on outsourcing IT services. That's why we launched the NAB Cloud Guild this year – to up-skill our employees in cloud computing skills. More than 3,000 people have completed the program. We've also insourced more than 540 technology and procurement related roles. This lowers our costs, introduces vital new technology skills into our team, and boosts our ability to develop new and innovative products quickly.

Data security, management and digital innovation

Our customers' data is precious. The more quality insights we have, the better our customer relationships, experiences, products and services can be.

This year, we started a multi-year program to modernise our data architecture using cloud technologies. So far, we've completed the first releases of our NAB Data Hub and NAB Discovery Cloud, both of which use Amazon Web Services. With these tools, we can better anticipate our customers' needs and create the products and services they expect. By automating our operations, we can also significantly cut down on costs.

SYSTEMS OUTAGE

On Saturday, 26 May 2018 we had a major system outage, impacting a number of our core systems including internet and mobile banking, ATMs and Merchant EFTPOS terminals. This was our most significant disruption for years, caused by a core power issue. We apologised to our customers and we're working hard to ensure these types of issues don't happen again. We took full responsibility for letting our customers down and launched a compensation scheme for our business customers that were impacted.

We regret the systems outage but we have learned some good lessons about how to act fast and effectively for customers. Our team mobilised and identified the problem quickly. It still took several hours to restore all services but we communicated updates regularly, apologised and promised to compensate all business customers who were financially impacted. We provided \$7.4 million compensation. Eighty six per cent of customers claims were solved within five days of lodging and 67% were closed within same day.

After a detailed review of the incident, we strengthened many of our operational processes to prevent a recurrence. We have also learned about how and when we should communicate with customers when services are disrupted.

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TRANSFORMATION & TECHNOLOGY

We're investing in making our core data and analytics capabilities better. This helps us ensure we're ready for what the future brings. We've continued working with the Government on establishing the framework for Open Banking due to launch in July 2019. This will enable customers' data to be provided in a secure, safe way to other certified service providers they want to share it with.

NAB Ventures is our incubator that funds start-ups and fintechs. This helps accelerate our own digital transformation and tap into the latest technologies and trends. This year we doubled our investment in the fund, taking the total to \$100 million until 2020. Three years on from announcing the fund, NAB Ventures has made 12 investments in start-ups, both locally and internationally.

Data security is the flip side of digital innovation so it's important that we remain resilient and invest in world-class data security systems. This will help us ward off growing cyber security threats, which is one of the top risks facing our business today.

Our Board Risk Committee and Executive Leadership team oversee our data security approach. We track how effective our key security controls are by using internal metrics, and through our key third party suppliers.

During the year, we upped our security investments by 40%. The focus was on strengthening:

- Data protection measures to reduce the risk of losing information.
- Identity management capabilities to reduce unauthorised system access risks.
- Cyber capabilities to improve cyber threat detection and reduce response time.

This year, we notified the Office of the Australian Information Commissioner of seven data breaches. A separate breach was lodged by a third party. These mostly related to phishing incidents. We also received 20 complaints referred to the Privacy Commissioner in Australia and New Zealand.

During the year, we formed an enterprise-wide security team. Their role is to strengthen the way we protect our customers, our people and our shareholders. This creates a security model that integrates physical, fraud, cyber and investigations functions. This approach boosts our intelligence-led, data-driven security function – and helps us adapt to a constantly evolving threat landscape. Our combined data and operating model also means we can better identify threats, detect security events faster and improve response times and skills.

Our Enterprise Security team has a strong focus on uplifting security for data protection, identity management, cyber threats, employee surveillance, cloud and software security and assurance. In the future, we will increase automation and have a rigorous technology hygiene and asset management approach. At the same time, we'll improve our threat intelligence by strengthening our international connections. The online safety resources and training we provide for our customers is online at nab.com.au/security.

We're committed to protecting our customers and ourselves, and meeting our legal and regulatory requirements related to financial crime. This includes anti-money laundering and counterterrorism financing, fraud, bribery and corruption, and sanctions and embargoes.

You can find out more about how we manage financial crime and uphold the Wolfsberg Group Anti-Money laundering principles [here](#).

Becoming simpler and faster

Investing in technology has helped us become simpler, faster and more agile for our customers. We've made some key changes to achieve our goal of becoming the world's best business bank:

- Launching a flatter structure to serve our customers. This simplifies leadership structures, introduces a new geographic model to partner with our customers, and provides a sharper focus on specialist industries.
- Aligning our customers to the right banker. We've made it easier for our bankers to help customers and grow their portfolios. We've migrated 330,000 customers to the right banker with the right expertise and products.
- Improving the home lending experience for our business customers. We added 68 dedicated resources to free up our bankers' capacity and deliver a more consistent experience from start to finish.
- Increasing industry specialisation. Revenue is up 8% over 12 months, and we've completed the roll out of a dedicated Professional Services team.

We've achieved good outcomes in our digital customer services activities too. This includes the improved NAB Connect Mobile app that allows business customers to authorise payments and make fast payments on the go. We've also added more mobile features such as: Look Who's Charging, online card PIN setting, customer onboarding, in-app messaging, and an improved sales experience to improve conversion by more than 10%.

BNZ also launched Convert It, an instant currency conversion app to help travellers manage their money overseas. It works on and offline by using the smart phone's camera to read a foreign price. The app converts the price to NZD on the spot, and is based on the mid-market exchange rate. Since launching in July 2018, it's been downloaded more than 44,000 times.

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TRANSFORMATION & TECHNOLOGY

During the year, we started servicing customers through Google Assistant and Amazon Alexa using voice activated technology. This allows customers to ask Virtual Assistants about their personal banking information. We provide secure access to account information including balances, recent deposits and credit card amounts owing.

We expanded the HICAPs Go digital marketplace so customers know more upfront about out of pocket expenses and can seamlessly process health rebates faster. More than 37,000 practitioners can now claim digitally with 12 private health insurers. We've also launched a world-first eCommerce digital claiming and payments solution with Specsavers.

For small businesses, it's important to have fast and easy access to funding. This is what Quickbiz is all about. It offers our business customers quick and unsecured lending of up to \$100,000. They can expect an answer right away and funds are available within a business day of receiving signed documents. To offer better support, we doubled the Quickbiz limit from \$50,000 and expanded the loan to include equipment finance. Our customers responded positively to these changes and in the second half of the year, QuickBiz accounted for 36% of small business lending.

There's been clear benefits in changing the way we do things behind the scenes. We've addressed 263 customer pain points and can now onboard 63% of simple business customers in less than 30 minutes. We also consolidated our systems for onboarding Sole Traders and Australian Private Companies, reducing the time from six days to 30 minutes.

Automation and machine learning

Through our digital bank UBank, we are disrupting ourselves from within. UBank's simpler, faster and mobile-first banking experience has connected with our millennial customers, who make up half of its customer base. This year, 66,000 new customers joined UBank and home loan rates grew by four times system rates in the second quarter. UBank is leveraging AI, machine learning and predictive analytics to deliver a better customer experience and sharing these learnings with the wider NAB Group.

In April 2018, we launched Free2Spend, an in-app tool that helps customers navigate their spending and saving goals in real-time by simplifying their budgeting journey into one target number. And it's working.

Customers using Free2Spend are 10 times more engaged with their finances than those who haven't yet engaged with the tool. The launch was part of a complete iOS app refresh to enable our customers to digitally self-serve a number of features thanks to Application Programming Interfaces (including card servicing, viewing your customer profile and viewing and cancelling scheduled payments). Our app currently has a NPS of +65 and in the first six weeks of launch there was a 45% increase in new USaver customers (from 1,134 to 1,644 per week).

As we continue to strengthen our programming, as well as design more sophisticated machine learning capabilities, we can unlock innovations in customer service using predictive data analytics. This can improve our overall online user experience and design, while delivering a better service.

HOW ARE WE TRACKING?

- 3,000 NAB Cloud Guild members trained.
- 40% increase in security investment.
- Eight data breach notifications sent to the OAIC.
- 70 IT applications migrated to the Cloud.
- Reduced products by more than 100 to 495.
- 66,000 new UBank customers.
- Increased NAB Ventures investment to \$100 million.

SUSTAINABLE DEVELOPMENT GOALS






TARGETS

- Fewer & more digitised products.
- Smarter physical network, targeting 50% reduction in over-the-counter transactions by FY20-22.
- Flatter organisational structure with a maximum 7 layers from CEO to customer by 2020.
- More than \$1 billion in cost savings by 2020.

FUTURE COMMITMENT

Deliver our simpler bank changes

LEARN MORE

-  [Business banking](#)
-  [Our security approach](#)
-  [Anti-money laundering](#)

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GLOBAL REPORTING INITIATIVE STANDARDS INDEX

General Standard Disclosures

GRI STANDARD	DISCLOSURE	REFERENCE (URL AND/OR PAGE REFERENCE)	GLOBAL COMPACT PRINCIPLES
General disclosures			
GRI 102: General Disclosures	102-1 Name of the organisation	Annual Review (page 11), Website	
	102-2 Primary brands, products and services	Annual Review (page 11), Website	7
	102-3 Location of headquarters	Melbourne, Australia	
	102-4 Location of operations	Annual Review (page 11), Website	
	102-5 Ownership and legal form	Annual Financial Review (page 114), Website	
	102-7 Scale of the organisation	Annual Review (page 11), Website	
	102-8 Information on employees and other workers	Engaging our people (page 29) Data Pack - Our people	6
	102-9 Supply chain	Data Pack - Our suppliers, Website	
	102-10 Significant changes to the organisation and its supply chain	Annual Financial Report (page 2), Website	
	102-11 Adoption of the precautionary approach	Annual Review (page 22)	
	102-12 External initiatives	Website	
	102-13 Memberships of associations	Website	
	102-14 Statement from senior decision maker	CEO Message (page 3)	
	102-16 Values, code of conduct and code of ethics	Doing the right thing (page 23)	10
	102-18 Governance structure	Making good decisions (page 6)	10
	102-40 Stakeholder groups engaged	How we listen (page 8), Website	
	102-41 Collective bargaining agreements	Supporting our people through change (page 30) Data Pack - Our people	3
	102-42 Identifying and selecting stakeholder groups	How we listen (page 8), Website	
	102-43 Approach to stakeholder engagement	How we listen (page 8), Website	
	102-44 Key topics and concerns raised	How we listen (page 8), Website	

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GRI STANDARD	DISCLOSURE	REFERENCE (URL AND/OR PAGE REFERENCE)	GLOBAL COMPACT PRINCIPLES
GRI 102: General Disclosures	102-45 Entities included in the consolidated financial statements	Annual Financial Report (page 2), Website	
	102-46 Defining report content and topic boundaries	How we listen (page 8)	
	102-47 List of material topics	This index	
	102-48 Restatements of information	Key information (page 54)	
	102-49 Changes in reporting	Key information (page 54)	
	102-50 Reporting period	About this report (page 2)	
	102-51 Date of most recent previous report	Website	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions	corporate.responsibility@nab.com.au	
	102-54 Claims of reporting in accordance with the GRI Standards	About this report (page 2)	
	102-55 GRI content index	This index	
	102-56 External assurance	Index tables and assurance (page 46), Website	

MATERIAL TOPICS	
Topic	Impact boundary
Employment	External (Customers, communities, shareholders) Internal (Employees)
Climate change	External (Shareholders, customers, communities) Internal (Employees)
Customer privacy	External (Customers, shareholders) Internal (Employees)
Human rights assessment	External (Customers, suppliers, communities) Internal (employees)
Responsible finance (lending)	External (Customers, communities, shareholders) Internal (Employees)

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GRI STANDARD	DISCLOSURE	REFERENCE (URL AND/OR PAGE REFERENCE)	GLOBAL COMPACT PRINCIPLES	EXTERNAL ASSURANCE
Employment				
GRI 103: Management	103-1 Explanation of the material topic and its Boundaries	Engaging our people (page 29)	6	
Approach	103-2 The management approach and its components	Engaging our people (page 29)		
	103-3 Evaluation of the management approach	Engagement (page 29)		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Data Pack - Our people	6	Yes
	401-3 Parental leave	Life stage inclusion (page 33)	6	Yes
Climate change				
GRI 103: Management	103-1 Explanation of the material topic and its Boundaries	Good governance (page 35)		
Approach	103-2 The management approach and its components	Climate change strategy (page 38)		
	103-3 Evaluation of the management approach	Climate risk insights (page 39)		
GRI 201: Economic Performance	201-2 Financial implications and other risks and opportunities due to climate change	Climate risk insights	9	
Data privacy and confidentiality				
GRI 103: Management	103-1 Explanation of the material topic and its Boundaries	Data security, management and digital innovation (page 43)		
Approach 2016	103-2 The management approach and its components	Data security, management and digital innovation (page 44)		
	103-3 Evaluation of the management approach	Data security, management and digital innovation (page 44)		
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data security, management and digital innovation (page 44)		Yes

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GRI STANDARD	DISCLOSURE	REFERENCE (URL AND/OR PAGE REFERENCE)	GLOBAL COMPACT PRINCIPLES	EXTERNAL ASSURANCE
Human rights assessment				
GRI 103: Management	103-1 Explanation of the material topic and its Boundaries	Respecting human rights (page 40)	1, 2, 4, 5, 6	
Approach	103-2 The management approach and its components	Respecting human rights (page 40)		
	103-3 Evaluation of the management approach	UN Guiding Principles - Salient issues (page 50)		
GRI 412: Human rights assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Managing human rights (page 51) Respecting human rights (page 40)	2, 10	
GRI 412: Human rights assessment	Employee training on human rights policies or procedures	Respecting human rights (page 40) Managing human rights (page 51)		
Responsible finance (lending)				
GRI 103: Management	103-1 Explanation of the material topic and its Boundaries	Financial health and resilience (page 15) Responsible finance (page 35)		
Approach	103-2 The management approach and its components	Financial health and resilience (page 15) Responsible finance (page 35)		
	103-3 Evaluation of the management approach	Microfinance (page 16) ESG risk (page 7)		
FS6: Product portfolio	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Responsible finance (page 35)		Yes
FS7: Product portfolio	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Microfinance (page 16)		Yes
FS8: Product portfolio	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Climate change progress (page 38) Data Pack - Our customers	7, 8, 9	

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UNITED NATIONS GUIDING PRINCIPLES – SALIENT ISSUES

We understand that human rights issues can arise in our own operations and when engaging with external parties, especially customer interactions, financing and investments, and our supply chain. Salient human rights issues can occur in a range of geographies where NAB operates or has business relationships.

We identify salient human rights issues through our internal risk management and materiality review processes. We also regularly engage with civil society and other stakeholders who raise human rights issues with us. During the year, we participated in a range of multi-stakeholder forums like industry, government and civil society seminars, roundtables and working groups to discuss human rights and grow shared understanding of issues such as modern slavery.

How we are addressing salient human rights is described throughout this report and is summarised in the table below.

SALIENT HUMAN RIGHTS ISSUE	PUBLICATION	REFERENCE	SALIENT HUMAN RIGHTS ISSUE	PUBLICATION	REFERENCE
Anti-discrimination, harassment and bullying	Culture and values Managing human rights	Page 24 Page 51	Accessible products, services, technology and buildings	Accessibility Workplace Accessibility	Page 33 Website
Freedom of association and collective bargaining	Supporting our people through change Data Pack - Our people	Page 30 Website	Corruption and bribery	Data security, management and digital innovation	Page 44 Website
Fair, equitable, diverse, inclusive and flexible employment practices	Diversity and inclusion Data Pack - Our people	Page 31	Privacy, information security and data protection	Data security, management and digital innovation	Page 44
Financial literacy and inclusion	Microfinance Data Pack - Our people Financial health and resilience	Page 16 Page 15	Freedom from forced labour, slavery and servitude and child labour (inc. modern slavery)	2018 Modern Slavery Act Statement Respecting human rights	Website Page 40
Health, safety, security and wellbeing	Health, Safety and Wellbeing Domestic and family violence assistance	Page 29 Page 27	Indigenous rights and inclusion	Supporting Indigenous community success Data Pack - Our people Indigenous Australian support	Page 28 Website
Customer financial resilience and hardship	Financial health and resilience Microfinance	Page 15 Page 16	Improper land acquisition/land grabbing	Respecting human rights Progress against our improper land acquisition policy commitment	Page 40 Page 41 Website
Fair and responsible financial products and services	Doing the right thing Responsible finance	Page 23 Page 35			

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MANAGING HUMAN RIGHTS

Risk management processes identify, assess, mitigate and monitor potential risk areas (including human rights). This includes using our High Risk ESG Sectors and Sensitive Areas list to determine customers and suppliers that may have a higher risk of ESG issues, and where additional review and/or due diligence is required.

Human Rights training is included in Risk Awareness training and specific People-related training (for example, Code of Conduct and our annual Health & Safety training). Grievance mechanisms are in place to allow employees, customers and others to raise human rights related concerns. See diagram below.

INTERNAL PROCESS

Employee Complaints Procedure

Whistleblower Program / KPMG FairCall

EXTERNAL PROCESS

NAB, MLC and BNZ Resolve (email, phone, website)

Human Rights / Anti-discrimination bodies

Corporate Responsibility Inbox

Social Media

Direct correspondence

These mechanisms are part of our existing complaint/dispute resolution processes, and include employee dispute processes, NAB/MLC/BNZ Resolve functions, independent customer advocate functions and our Whistleblower Program.

Where grievances or concerns are raised, we investigate and address them as appropriate. This may include engagement with customers and other stakeholders. We do not have a standalone human rights grievance process – managing these grievances is embedded in our existing People, Customer, Corporate Affairs, and Whistleblower grievance processes, and escalated where required. We remain focused on building our people's capability

to recognise and manage potential human rights issues.

Human rights grievances related to our people are generally received through our Employee Complaints Procedure or FairCall Whistleblower service. Concerns include allegations of workplace bullying, harassment, (including sexual harassment) or discrimination on the basis of a protected ground or attribute. All concerns are carefully reviewed and an appropriate approach determined. This may include investigation by NAB's Employee Relations team or by external investigators.

Human rights concerns or grievances related to our customers' operations and suppliers are also received from external

parties. In these cases we take steps to understand the issue and take appropriate action. This may involve referring the matter to the appropriate authorities (for example in the case of allegations of modern slavery), or engaging with the customer about areas of the organisation that we finance. In a number of cases, the issues relate to activities that NAB does not finance.

HUMAN RIGHTS GRIEVANCE PROCESS

Logging and review

Grievance sent to appropriate area for investigation

Investigation

Investigate and assess grievance
For substantiated grievances, determine whether NAB has caused, contributed or is directly linked to the grievance
Engage with impacted party, subject matter experts and other stakeholders/3rd parties (e.g. suppliers, customers, civil society, unions, anti-discrimination bodies) as appropriate

Response

Determine appropriate response to the grievance
Resolve issues caused by NAB
Where grievance relates to a 3rd party and NAB has contributed or is directly linked:
(i) consider extent of NAB's leverage; and (ii) seek to use influence to encourage 3rd party to address the issue where appropriate
Engage with impacted party, subject matter experts and other stakeholders/3rd parties as appropriate

Remedy

Where NAB has caused or contributed to the issue, provide or co-operate in providing appropriate remedy for the situation*

* Refer UN Guiding Principles for Business and Human Rights. Remedy may include apologies, restitution, rehabilitation, financial or non-financial compensation, as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

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UNITED NATIONS GUIDING PRINCIPLES FOR BUSINESS & HUMAN RIGHTS– INDEX OF ANSWERS

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SECTION OF THE FRAMEWORK	LOCATION ADDRESSED
Policy commitment	Website – Human Rights Human Rights Policy
Embedding Respect	Website – Human Rights Website – ESG Risk Website – Supply chain management Human Rights Policy 2018 Sustainability Report (Page 40, 50-51)
Statement of salient issues	Website – Human Rights 2018 Sustainability Report (Page 50)
Explanation of salient issues	Website – Human Rights 2018 Sustainability Report (Page 40, 50-51)
Geographical focus (if any)	Not applicable
Additional severe impacts (if any)	Not applicable
Specific Policies	Website – Human Rights Website – Human Rights Policy Improper Land Acquisition Policy Statement
Stakeholder Engagement	Website
Assessing impacts	Website – Human Rights
Integrating Findings and Taking Action	Website – Human Rights 2018 Sustainability Report (Page 40-42, 51)
Tracking Performance	Website – Human Rights 2018 Sustainability Report (Page 40-42, 51)
Remediation	Human Rights Policy Website – Human Rights Website – Contact Us 2018 Sustainability Report (Page 51)

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ASSURANCE

To provide our stakeholders with a higher level of confidence in our reporting, we engage Ernst & Young to provide limited assurance over key metrics included in the 2018 Annual Review and the 2018 Sustainability Report and limited-level assurance that NAB has identified and reported on its Material themes (and that the associated disclosures are complete) within the 2018 Annual Review.

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 2018.

- Project Finance (PF) by sector as a proportion (%) of total PF portfolio value, expressed as total committed and uncommitted exposure, as at 30 September 2018.
- Progress towards NAB's Group-wide target to undertake financing activities of \$55bn over the ten years

to September 2025 to help address climate change and support the transition to a low carbon economy.

The metrics (other than environmental metrics) covered by external assurance are listed below. The assurance statements provided by Ernst & Young and KPMG are available [on our website](#).

INDICATOR	SCOPE	INDICATOR	SCOPE
Code of Conduct breaches (by category and outcome)	Australia	Total retention rate of high performers	Australia & New Zealand
Number of whistle-blower disclosures received under the Whistleblower Policy (inc. breakdown of those fully/partially substantiated, closed, open etc)	Australia	Percentage of critical / material / strategic suppliers that are compliant with Group Supplier Sustainability Principles	Group
Number of data breach notifications sent to the Office of the Australian Information Commissioner (OAIC)	Australia	Employee Engagement – current model	Group
Net Promoter Score (by segment)	Australia & New Zealand	Ratio of basic salary, female to male (by employment level)	Group
Total customer complaints (by region and by category – showing percentage change)	Australia & New Zealand	Percentage of high risk category suppliers with ESG risk assessments completed	Australia & New Zealand
Share of active users for Retail Internet Banking usage	Australia & New Zealand	Employee Engagement – Response Rate	Group
Number of customers assisted experiencing financial hardship	Australia	Employee engagement – Inclusion index	Group
Cure rates for NAB Assist and NAB Care customer accounts (30 days and 90 days)	Australia	Employee Engagement – Values score	Group
Cumulative number of low income Australians assisted with products / services (by product type)	Australia	Female representation on Group Subsidiary Boards	Group
Number and dollar value of microfinance loans written (by type)	Australia & New Zealand	Number and dollar value of Volunteering Days (skilled and general)	Group
Total workforce (by FTE, Headcount, age group, gender, employment type, employment level)	Group	Return to work rate (from primary carer's leave, long service leave and parental leave)	Australia
Female representation in total workforce	Group	LTIFR – including total days lost due to stress	Australia & New Zealand
Female representation in Executive Management	Group	Absenteeism	Australia & New Zealand
Percentage of total workforce over 50	Group	Community Investment (by dollar value, Region, type, focus area) Group	Group
Total number and rate of employee turnover (voluntary/involuntary and by gender)	Group		

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KEY INFORMATION

Reporting period

The 2018 Sustainability Report has been prepared based on NAB's financial reporting year (1 October to 30 September), unless otherwise stated. Of note, environmental operational performance data is prepared based on NAB Group's environmental reporting year from 1 July to 30 June. The environmental reporting year aligns with regulatory reporting requirements in Australia geography, where the majority of NAB's GHG emissions currently occur.

Organisational boundary

Performance data and metrics are reported at a NAB Group level, unless otherwise stated. Information is presented on a continuing operations basis, with the exception of environmental operational performance data prepared based on NAB Group's environmental reporting year from 1 July to 30 June. Prior periods have data within the NAB Numbers tables have been restated for Customer, People and Community data to exclude discontinued operations. Workforce data refers to all NAB Group employees as at 30 September. Refer to Glossary on page 55 for a definition of continuing operations and discontinued operations. NAB has used an operational control-based approach to establishing its organisational reporting boundary for environmental performance data. In Australia, with respect to the boundary for reporting of relevant Scope 1 and 2 GHG emissions, our organisational boundary meets the requirements of the National Greenhouse and Energy Reporting Act 2007 (Cth). In the UK, the organisational boundary for NAB's relevant Scope 1 and 2 GHG emissions meets the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme (UK).

Geographic scope

Corporate Responsibility (CR) performance data has been reported for NAB Group's operations in Australia, New Zealand, the UK, Asia and the US, where data of a reasonable quality is available, or a reasonable estimate can be made, unless otherwise stated. CR performance data, including environmental performance data, currently excludes a small office in Canada, from which GHG emissions are considered to be immaterial.

Prior year statements

Where relevant, prior period figures have been restated when more accurate data becomes available or when there have been material changes to the methodologies for data calculation and estimation.

Baseline for 2020-2025 environmental performance targets

The baseline data for the NAB Group's 2020 environmental performance target and 2025 science-based emissions reduction target is the performance data from the 2015 environmental reporting year.

Forward-looking statements

This report contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NAB, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Estimation

Where complete information is not available, estimates have been made by extrapolation from known activity data or by applying an uplift based on reconciliation between systems that collect activity data and NAB's financial reporting systems. Estimates are noted where relevant within this Sustainability Report. Across the NAB Group, where there is evidence that a proportion of activity data relevant to the calculation of a GHG emissions source is generated outside corporate systems, an uplift factor is applied to account for this additional business activity. This is to ensure that we do not underestimate our GHG emissions. The uplift factor is calculated based on a reconciliation of activity data in corporate systems compared to another data source e.g. expenditure data. Uplift factors have been applied to data from Australia, New Zealand and the UK.

Reporting of GHG emissions

All GHG emissions figures reported as part of the NAB Group's environmental performance are in tonnes of carbon dioxide equivalents (tCO₂-e) and include the main GHGs covered in the Kyoto Protocol – carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), perfluorocarbons (PFCs) and hydrofluorocarbons (HFCs), as relevant. The NAB Group does not have emissions of sulphur hexafluoride (SF₆). Our Environmental Reporting and Offset Management Policy sets out the decision framework we have used to establish which Scope 3 GHG emissions are included in our carbon inventory.

Further information on the methodologies and approaches used by NAB Group to prepare its environmental performance data, particularly energy and greenhouse gas data, is available on [our website](#).

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Material theme:
Engaging our people

Material theme:
Good governance

Material theme:
Transformation & Technology

Indices and assurance

Glossary

GLOSSARY

Biodiversity

The variety of flora and fauna – nature's 'living' assets.

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.

Continuing operations

The components of the NAB Group which are not discontinued operations.

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.

Cost to income (CTI) ratio

Represents operating expenses as a percentage of net operating income.

Dollars or \$

Australian dollars unless specified otherwise.

Discontinued operations

A component of the NAB Group that either has been disposed of, or is classified as held for sale, and represents a major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.

Ecosystem

A natural habitat which includes a combination of soil, air, water, flora and fauna, and climate e.g. desert, forest, ocean, grassland.

Ecosystem services

Natural services derived from the earth's natural assets, on which human beings are reliant. Ecosystem services are worth trillions of US dollars per year and provide food, fibre, water, health, energy, climate security and other essential services for everyone. The United Nations 2004 Millennium Ecosystem Assessment (MEA) grouped ecosystem services into four broad categories:

- Provisioning – such as the production of food and water.

- Regulating – such as the control of climate and disease.
- Supporting – such as nutrient cycles and crop pollination.
- Cultural – such as spiritual and recreational benefits.

Employee Engagement

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, 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 their respective social and environmental policies and procedures that implement 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 non-executive 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.

LBG – Forgone 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 employees to volunteer with organisations. This does not include volunteering provided outside of standard work hours, unless time in lieu is provided to the employee.

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).

Materiality assessment

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

Material Supplier (AUS)

A supplier that 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.

Material Supplier (BNZ)

Strategic suppliers in New Zealand are considered equivalent to the definition of Material supplier in the other regions. For New Zealand, a strategic supplier is a supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on BNZ's business operations or ability to manage risks effectively or that their spend is so significant that they require careful monitoring.

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.

Natural Value

Recognition of the contribution that biodiversity and ecosystem goods and services have on economic sustainability.

Net Promoter Score

Measures how likely a customer would be to recommend NAB to a friend or colleague on a scale of 0-10. 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').

NPS priority segments

An average of the Net Promoter Score of four priority segments: NAB defined Home Owners (HL@bank) and Investors, as well as Small Business and Medium Business. The priority segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

Return on Equity

Return on Equity (ROE) is calculated by dividing cash earnings by average equity.

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, employee commuting in company-owned or controlled vehicles, such as company cars.
- HFC emissions from company owned or controlled refrigeration or air-conditioning equipment.

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, employee cars, rail and commercial planes.
- Combustion of fuel in boilers or furnaces not owned or controlled by the reporting company.
- Employee commuting in vehicles not owned or controlled by the reporting company, such as light rail, rail, buses and employees' 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.

Shared Value

The generation of measurable business returns by addressing social and environmental challenges.

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.

Total Shareholder Return

Total Shareholder Return (TSR) combines share price appreciation and dividends paid for a particular period to show the total return expressed as a percentage.

We, Our or Us

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

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