National Australia Bank Limited ABN 12 004 044 937

ABOUT THIS REPORT

This report sets out our environmental, social and governance performance. 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 Sustainability Data Pack (the 'Data Pack') cover the NAB Group's performance from 1 October 2018 to 30 September 2019 unless otherwise stated. They are part of our 2019 Annual Reporting Suite, which also includes the Annual Review and Annual Financial Report. You can find the full suite **here**.

This Sustainability Report is prepared using the Global Reporting Initiative Standards core option. It also refers to the Task Force for Climate-related Financial Disclosures recommendations and the Integrated Reporting and United Nations Sustainable Development Goals frameworks.

IF YOU HAVE ANY QUESTIONS OR COMMENTS

Send them through to
social.impact@nab.com.au

CONTENTS

ABOUT THIS REPORT 2
LEADERSHIP MESSAGE 3
OUR SNAPSHOT 4
2019 SCORECARD 5
OUR APPROACH 6
HOW WE LISTEN 9

MATERIAL THEMES 10
- Governance, conduct and culture 11
- Customer support and experiences 14
- Addressing climate change and environmental sustainability 21
- Engaging our people 30
- Transformation & technology 35
- Stronger communities 38

HOW WE ACT 43
ASSURANCE 46
GLOSSARY 47

LEADERSHIP MESSAGE

Our sustainability report helps to explain how our products and services create value and help build a stronger future for our customers, our people, our shareholders and the broader community.

We recognise our broader role and ability to help others grow. This year we paid $4.3 billion in salaries to more than 34,000 employees, $3.1 billion in government taxes and levies, $5 billion in shareholder dividends, spent $5.1 billion with suppliers and invested $57 million with our community partners and programs.

As Australia's largest business bank and largest regional and rural bank, we are proud to support business investment and growth. This year we grew market share ahead of our peers in the small to medium enterprise sector, the engine room of the economy.

The financial health and wellbeing of our customers is the core of our business and we have made significant investments this year to support customers experiencing vulnerability. A new, dedicated customer support team is now in place for those experiencing vulnerability, as well as a new Indigenous Customer Service Telephone Line to improve access for Aboriginal and Torres Strait Islander customers, particularly those living in remote areas.

Our scale and resources also mean we have an opportunity to make a positive and enduring contribution to our economy and community.

Together with CSIRO we launched the Australian National Outlook Report 2019, aimed at building a better future for all Australians. The report identified five shifts Australia needs to make to be a prosperous nation in 2060 and we have acted to help Australia realise this vision.

As part of the Australian National Outlook, we committed $2 billion in financing to drive innovation in the emerging technology sector and a further $2 billion to help address Australia's social and affordable housing crisis. We launched a partnership with ClimateWorks to enable farmers to adopt sustainable and profitable land management practices, helping to drive environmental improvements and economic resilience.

We recognise the role we can play in the development of a more sustainable banking industry and have joined 130 banks from across the world as inaugural signatories of the United Nations' (UN) Principles for Responsible Banking. These are consistent with our commitment to the UN Global Compact principles on human rights and the Sustainable Development Goals.

We have sought to lead in areas where we can have the largest impact on climate change. Over the past year, we have been the 13th largest lender to the renewable energy industry in the world and we are proud to be Australia's number one bank for global renewables transactions[1].

Since 2015 we have provided $33.6 billion in environmental financing[2] to help our customers address climate change and support the transition to a low-carbon economy. Building on this and our commitment to making the energy shift outlined in the *Australian National Outlook* report, we increased our target to provide $70 billion in environmental financing.

We are determined to serve our customers better and create a culture that builds, maintains and preserves trust. Helping businesses and consumers achieve their goals is the right thing to do because done well, it delivers benefits for all our stakeholders.

Philip Chronican, Chairman

1 Rankings based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2019, Value of Deals (database searched on 29 October 2019).
2 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to 2019 Sustainability Data Pack for more information.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

OUR 2019 SNAPSHOT

185
fees reduced or removed in Australian banking and Wealth

$155m
in benefits returned to customers

OUR NETWORK FOOTPRINT

892
branches & business banking centres

1,601
ATMs

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

- **9.9%** cash return on equity[1]
- **-14 NPS** for priority segments[2]
- **54%** people engagement[3]
- **52.3%** cost to income ratio[4]

$57.1m
community investment[5]

FUNDING FOR THE FUTURE

$2bn
investment in emerging technology by 2025

$2bn
investment in affordable housing by 2023

and launching a new ClimateWorks partnership on sustainable agriculture

~9m
customers

19,673
customers experiencing hardship assisted

$40m[6]
microfinance loans

$2,092m
provision for remediation costs

$247m
returned to customers since June 2018

$33.6bn
Progress against environmental financing commitment[7]

$70bn BY 2025

$3.1bn
taxes paid including $0.4b bank levy

AUSTRALIA'S FIFTH LARGEST INCOME TAX PAYER

ROYAL COMMISSION PROGRESS

76	recommendations
5	complete
34	in progress
29	do not currently require action
8	not applicable

$17.6bn
NAB'S ECONOMIC VALUE DISTRIBUTED

based on payments to government, suppliers, shareholders, our people, and the community.

#1 IN BUSINESS LENDING

22.1%
market share[8]

1. Excluding large notable items, cash ROE is 12.7%. Cash ROE is defined in the Glossary on page 47. Objective is to have #1 cash ROE amongst major Australian banks. 2. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Refer to page 47 for definition of priority segments. Objective is to be NPS positive and #1 in priority segments amongst major Australian banks. 3. Source: Employee Engagement Survey conducted by Aon (now known as Kincentric). Objective is to be in the top quartile in Australia and New Zealand (69%). 4. Excluding large notable items, CTI ratio is 44.3%. Refer to page 47 for a definition. Objective is to have a CTI ratio towards 35%. 5. Corporate community investment ranges from short-term donations to longer-term capacity-building programs. It is calculated using the London Benchmarking Group methodology. For more information, refer to page 38 and the 2019 Sustainability Data Pack. 6. Provided in partnership with Good Shepherd (Australia and New Zealand). 7. Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our Data Pack for a further breakdown of this number and reference to how our environmental finance commitment is calculated. 8. APRA Monthly Banking Statistics as at September 2019.

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About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

2019 SCORECARD

The targets below show our progress in meeting our business and social commitments. They align with the **United Nations Sustainable Development Goals (SDGs)** pathway to a stronger future – for people and the planet. The SDGs are 17 global goals that Australia and other nations have signed to achieve a better and more sustainable future. These targets support new NAB's Social Impact Strategy and will be revised in line with its goals. More information is in the *Our approach* section.

TARGET/COMMITMENT	SUSTAINABLE DEVELOPMENT GOALS	2018	2019	PROGRESS
NPS priority segment scores: To be #1 major Australian bank and net positive		-16 #2 Aus major bank	-14 =#1	↑
Employee engagement: To be in the top quartile in Australia and New Zealand, with a 69% engagement rating		54%	54%	↔
Environmental financing: To provide $70 billion in environmental financing over 10 years (by 2025)		$22.9bn	$33.6bn[3]	↑
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)** 12% reduction **b)** 8% reduction **c)** 36% reduction **d)** 59% uptake **e)** 6% reduction **f)** 23% reduction **g)** 1.40	**a)** 18% reduction **b)** 12% reduction **c)** 43% reduction **d)** 64% uptake **e)** 5% reduction **f)** 26% reduction **g)** 1.40	↔
Our Group supplier sustainability targets: 90% of material suppliers comply with our Global Supplier Sustainability Principles 100% of new/re-contracted suppliers in sensitive sectors assessed for ESG risks each year		GSSP 88% ESG 100%	GSSP 88% ESG 100%	↔
Gender equality: 40% – 60% of either gender represented at all levels of the business by 2020		52% female overall 31% female in executive management	51% female overall 33% female in executive management	↔
Microfinance: Provide $130 million in capital for microfinance loans to Australians[1]		31,743 loans $34.6m	34,215 loans $38.4m	↑
Indigenous Inclusion: 70 Indigenous Australian traineeships offered per year[2]		84	76	↔
Technology: $2 billion investment in the local technology industry by 2025		N/A	NEW	N/A
Affordable Housing: $2 billion investment in affordable housing by 2023		N/A	NEW	N/A

1 Delivered in partnership with Good Shepherd.
2 While 76 new traineeships were offered this year, 90 Indigenous Australian trainees were employed in 2019.
3 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the 2019 Sustainability Data Pack for more information.

↓ Below expected progress ↔ Steady ↑ Well progressed

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

OUR APPROACH

WHO WE ARE

We have more than 34,000 employees[1] and nine million customers who rely on us to deliver secure, easy and reliable banking services. Our branches and offices in more than 890 locations in Australia, New Zealand, London and New York serve those local communities. We are also Australia's biggest business and agricultural bank – serving two key sectors of the economy.

We take our role in the community seriously, which is why we are fixing the issues found in the Royal Commission into Misconduct in the Banking, Superannuation & Financial Services industry. An update on our response to the Royal Commission recommendations is **online here**.

We fell short of community expectations and we are determined to be better for our customers and communities. This means being open and transparent about how we are learning from our mistakes, changing our culture and making progress. This report shows how we are taking responsibility for our positive and negative impacts on people and the environment.

OUR ECONOMIC VALUE DISTRIBUTED

SUPPLIERS	Payments made for the provision of utilities, goods and services.	**$5.1bn**
COMMUNITY INVESTMENT	Community partnerships, donations, grants, in kind support and volunteering.	**$57m**
SHAREHOLDERS	$5 billion dollars in dividend payments to more than 573,000 shareholders.	**$5.0bn**
EMPLOYEES	Employee salaries, superannuation contributions and incentives.	**$4.3bn**
GOVERNMENTS	Payments made to governments in the form of the Bank Levy ($383 million paid) plus $2,725 million in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	**$3.1bn**
	Total Economic Value Distributed[2]	**$17.6bn**

OUR INDIRECT ECONOMIC CONTRIBUTION

$61bn in new home lending.

$87bn in new business lending.

$356bn in deposits managed for retail and business customers.

$202bn in assets under management – helping customers plan and save for retirement.

OUR ECONOMIC CONTRIBUTION

A strong economy benefits the community in different ways. Our business contributes to wider economic prosperity by creating jobs, stimulating inclusive growth and helping people improve their financial health. We distribute $17.6 billion in payments that flow on to different stakeholders. How our economic value is distributed towards important socio-economic activities is listed on the left. More information about how we create value for our stakeholders is in our **Annual Review**.

1 Based on number of full-time equivalent employees (FTE) as at 30 September 2019.
2 Aligned to the Global Reporting Initiative standards. Economic value distributed includes operating costs, employee wages and benefits, payments to providers of capital, payments to government and community investments.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary

OUR APPROACH

OUR SOCIAL IMPACT STRATEGY

Australia's largest businesses have a responsibility to make decisions that create a better and stronger nation. We are taking a long-term view and investing now for a better future. This year, we launched a new Social Impact Strategy to shift the dial on significant social challenges facing our business and community. It sets goals for what we will seek to achieve by 2030, in line with the United Nations' **Sustainable Development Goals (SDGs)**. Each Social Impact goal is paired with relevant SDGs where we can make a difference to the societal challenge. This means focusing our resources on where we can have the biggest impact and link our Social Impact Strategy to NAB's broader ambition and responsibilities.

Our priority SDGs are:

- #7 Affordable and clean energy
- #8 Decent work and economic growth
- #11 Sustainable cities and communities
- #13 Climate action
- #15 Life on land.

You can learn more about our approach to the SDGs online **here**.

SOCIAL IMPACT STRATEGY

Australia is changing – fast. This brings about challenges, and also presents new opportunities for NAB to continue to drive change for good. We've set out four goals that we're tackling to drive positive change. We're working with our people, customers and communities to help move Australia forward.

WE WILL PAY PARTICULAR ATTENTION TO:

- CUSTOMERS EXPERIENCING VULNERABILITY
- ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE
- PEOPLE LIVING ON LOW INCOMES
- RURAL & REGIONAL AUSTRALIA

OUR GOALS

FINANCIAL HEALTH

Helping people reduce financial stress and feel more in control of their money.

Our priorities:

- Access to financial services
- Assisting customers experiencing vulnerability and hardship
- Building the financial health of our people and customers

STRONGER COMMUNITIES

Creating more sustainable, accessible and inclusive communities across Australia.

Our priorities:

- Affordable Housing
- Indigenous Business
- Supporting the for-purpose sector
- Diversity & Inclusion

BANKING ON NATURE

Driving investment in natural assets to improve the wellbeing of our communities.

Our priorities:

- Enhancing biodiversity and ecosystems
- Future-proofing Australian Agriculture
- Natural disaster recovery and resilience

CLIMATE ACTION

Working with communities to ensure they are more resilient to climate change, and supporting a low-carbon economy.

Our priorities:

- Clean energy
- Just transition to a low-carbon economy
- Climate Adaptation

HOW WE'RE MAKING CHANGE

GIVING STRATEGICALLY

We're partnering with organisations to maximise the impact of our volunteering, workplace giving and grants through the NAB Foundation.

ACTING RESPONSIBLY

We're minimising our environmental and social risk impacts, creating a diverse and inclusive workplace, and supporting people in times of need.

CREATING VALUE

We're finding new commercial opportunities that address the environmental and social challenges facing Australians today.

This approach calls for measuring success in a broader manner. We will develop key metrics to track our performance against each priority area but we'll also measure how we are contributing to addressing the overall societal challenge. Some new population level metrics are required for areas such as financial health, a just transition to a low-carbon world, and community preparedness for natural disasters. We will develop these metrics for our Social Impact Strategy next year. They will inform new performance goals and future sustainability reporting.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary

OUR APPROACH

HELPING AUSTRALIA SHIFT TOWARDS A SUSTAINABLE FUTURE

This year, we made landmark commitments to drive Australia towards a sustainable future. This was part of our participation in the **Australian National Outlook (ANO)**, a multi-stakeholder collaboration with CSIRO and other organisations. The ANO mapped a sustainable path for Australia to reach its social and economic potential in 2060. This path is based on five key land, energy, culture, urban and industry shifts that government, business and the wider community must make together.

We made key commitments to help make the required land, urban, industry and energy shifts. These were: (a) launching a partnership with ClimateWorks Australia to develop sustainable agriculture metrics to improve natural asset management, (b) investing $2 billion in affordable housing by 2023, (c) investing $2 billion in the emerging technology sector to spur innovation by 2025 and (d) increasing our environmental financing commitment from $55 billion to $70 billion by 2025. We'll keep setting targets to drive these shifts and put Australia on a path to realising a future with a positive outlook.

We signed up to the **United Nations Principles for Responsible Banking**. These six Principles require banks to be more transparent about how products and services create value for customers, clients, investors, and society. As a founding signatory to the Principles, we participated in the core group of 30 global banks that developed the Principles. The Principles provide the framework for a sustainable banking system, and aim to help the banking industry demonstrate how it makes a positive contribution to society. Signing up commits us to meeting all the Principles over the next four years.

The table on the right summarises how we are currently tracking against the Principles and where we need to increase our efforts. We have a good foundation in place to meet these commitments, but there is work to do to align our business with society's goals.

PROGRESS AGAINST THE UN PRINCIPLES FOR RESPONSIBLE BANKING

PRINCIPLE	OUR PROGRESS
1. ALIGNMENT We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	A foundation is in place. We need to review existing targets and commitments following an impact analysis.
2. IMPACT We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.	Uplift is required to to develop new methodologies that measure impacts. More investment in scenario analysis is required, particularly in areas outside climate risk. We will develop targets to help align our lending portfolio with the SDGs and the Paris Climate Agreement to limit global warming to less than 2 degrees, striving for 1.5 degrees.
3. CUSTOMERS & CLIENTS We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	A foundation is in place with Climate Change, Natural Value, Affordable Housing and other Divisional and Subsidiary strategies. We will continue to build on this.
4. STAKEHOLDERS We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	A foundation is in place. Uplift is required in advocacy – this is being addressed in NAB's Social Impact and Climate Change strategies.
5. GOVERNANCE & TARGET SETTING We will implement our commitment to these Principles through effective governance and a culture of responsible banking.	A foundation is in place but integrating sustainability considerations into remuneration and performance management is a gap. There is more work to be done to develop sustainability-related lending portfolio targets.
6. TRANSPARENCY & ACCOUNTABILITY We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.	A foundation is in place. Incremental effort is required to integrate the Principles into year-end reporting and non-financial assurance processes.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

HOW WE LISTEN

We have a responsibility to listen to and act on our stakeholders' feedback.

This helps us understand different groups, what they need and how we should respond. These 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 participate in industry memberships and collaborations, with more information **online here**.

This year, NAB completed a Self-Assessment into governance, accountability and culture at the request of the Australian Prudential Regulation Authority (APRA). See the *Governance, conduct and culture* section for more details. One of our Self-Assessment goals was to bring the voice of the customer back into the bank. The voice of the customer guides our decisions and actions. The Net Promoter System (NPS)[1] is our leading customer feedback measure. It provides real-time feedback 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 people who disagree from the percentage of those who agree.

In 2019, the average Net Promoter Score of our priority segments was -14, which is a 2 point improvement on last year, giving us an equal #1 ranking among the major Australian banks. The individual segments had a mixed performance, with none achieving our strategic objective of being NPS positive:

- Home Owners (HL@bank) NPS increased from -17 to -13, keeping us in the #2 position among our peers.
- Investors -20 fell 1 point from last year but remained #1.
- Small Business improved from -21 to -15, while Medium Business -5 to -8 decreased this year.

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

ACTING ON CUSTOMER FEEDBACK

This year, we launched a Customer Complaints Reduction Council. It aims to address the root causes of complaints, and reduce the top three complaints areas by 25%. The top three areas were wrongly charged fees, non-transparent fees and interest, and giving customers a poor experience during the product set up process.

A systematic review of these complaints helped to improve customers' experiences by targeting where we got it wrong with our products and services. This led to a 10% reduction in complaints for these top three areas and reversed a four year trend where the top three complaint areas grew by 33%. This review also informed our fee removal program (see the *Customer support and experiences* section for more).

Overall we achieved a four per cent reduction in complaints from our Australian and New Zealand customers, moving from 236,696 complaints in 2018, to 226,714 this year. Refer to our **Data Pack** for more information.

IDENTIFYING WHAT MATTERS

Every year we ask our stakeholders for feedback on our performance. These insights shaped our activities and reporting. We used a four-stage process to clarify material themes:

1. Identifying issues based on last year's themes. We used internal processes (employee engagement survey, peer review, reviewing environmental, social and governance (ESG) performance in sustainability rating benchmarks) combined with external frameworks and standards to check whether they remained relevant.
2. Prioritising themes with stakeholders. We engaged with customers, consumer advocates, industry associations, the investment community and NAB leaders to get their feedback.
3. Validating themes via an internal management group, with input from our senior leaders.
4. Reviewing validated themes against last year's report feedback, specific feedback on disclosures, and considered in the context of our operating environment.

1 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Refer to Glossary on page 47 for definition of NAB's priority segments.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

MATERIAL THEMES

OUR MATERIAL THEMES

Our material themes are the issues that matter most to our stakeholders and our business. They're part of an ongoing process to improve our practices and better respond to community expectations. This year's high priority themes were governance, customer and climate-related. We're committed to being open and transparent about our progress in addressing the past mistakes found in the Royal Commission and APRA Self-Assessment on governance, culture and accountability. We also play a key role in helping our customers transition to a low-carbon economy.

More information on these themes appears in order of priority.

THEME	WHY IT IS IMPORTANT	SUSTAINABLE DEVELOPMENT GOAL
GOVERNANCE, CONDUCT AND CULTURE	What we have learned from the Royal Commission, and how we are responding and driving cultural change. This means behaving and acting in a way that puts customers' needs first and manages non-financial risk.	
CUSTOMER SUPPORT AND EXPERIENCES	Ensuring we get it right for customers every time, delivering fair customer outcomes. This includes building financial health, lending responsibly and providing fit-for-purpose products and great service.	
ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY	How we take action on climate change and show leadership in environmental sustainability. We recognise that carbon risk and our role in the transition to a low-carbon economy are increasingly important to our stakeholders and the community.	
ENGAGING OUR PEOPLE	How we manage, care for, listen to and develop our people. A happy, engaged and diverse workforce is essential in serving our customers well and delivering results for our business.	
TRANSFORMATION AND TECHNOLOGY	How 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.	
STRONGER COMMUNITIES	Our role in building a stronger economy, supporting communities and driving innovation. This includes backing small to medium businesses, rural and regional Australia and the for-purpose sector, as well as investing in critical infrastructure.	

Learn more about our material themes and why they are important **online here**. This includes more details about other important themes such as human rights and supply chain impacts which appear in the *How we act* section of this report.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary

GOVERNANCE, CONDUCT AND CULTURE

Being a secure and reliable bank that makes the right decisions

WHY IS IT IMPORTANT?

The past year has been one of the most challenging in recent history for financial services in Australia. The events discussed in the Royal Commission have eroded community trust in financial institutions, including NAB. We are acting on the recommendations and findings of the Royal Commission and carrying out the actions required by our APRA Self-Assessment. Our culture must change to be better for customers, our people and the community. This means having a culture that drives the right behaviours and decisions.

Five key cultural inhibitors have been the root causes of our failures in governance, accountability and culture. These were listed in the APRA Self-Assessment:

1 We have not brought the rigour and discipline to get it right every single time.
2 We have over-relied on our people to make up for deficiencies in our system and processes.
3 We have not consistently brought the collective intensity or individual resolve required to fix complex issues.
4 We have not listened to or learned enough from our customers, regulators and employees.
5 While we have a strong commitment to customers, we have too often put other priorities first.

These root causes underpin our plans to change how we serve customers and run our business.

WHAT ARE WE DOING?

Implementation of APRA Self-Assessment actions and Royal Commission recommendations

We will drive effective change to improve outcomes for customers and achieve sustainable, long-term performance. Our Self-Assessment was a thorough examination of weaknesses in our governance, accountability and culture frameworks and practices. It identified 26 actions organised around five overarching goals and this work sits alongside NAB's Royal Commission response. The Royal Commission has established new standards and expectations across the industry. We will implement the recommendations in line with their intent and we are making progress where there is sufficient regulatory, industry and legislative guidance to do so. A report detailing the progress against our Self-Assessment and the recommendations of the Royal Commission are **online here**.

Changing a culture requires new ways of thinking and acting in our customers' interests. We have made first steps but there is still a long way to go. We have introduced a new leadership framework to embed customers' needs and expectations into how we engage our teams.

Maintaining momentum during a leadership transition has been hard. It has also been challenging to ensure that a consistent change agenda is rolled out. The priority has been engaging leaders to drive the change.

There's still more work to do so that culture change is genuinely understood and owned by all leaders.

Driving cultural change

Making cultural changes will drive higher standards of conduct. NAB's Culture Plan aims to drive this change with three priorities:

- Customer First – we put our customers first every time;
- Disciplined – we are uncompromising on accountability and standards, learning from our experiences; and
- Simpler for our People – we ensure our systems and processes are efficient, and build capability.

A key activity in the plan is building leadership engagement and role modelling. We launched a foundational leadership program to set expectations and ensure consistent practices; 950 leaders have completed this program so far. It aims to lift employee engagement and help our leaders to role model our desired culture.

We are also investing in our broader workforce to build their risk management knowledge and skills. This year, we launched a digital self-service learning platform for all employees. It targets the core organisational capabilities that need to lift based on the APRA Self-Assessment. A Conduct Risk training program will launch by the end of 2019. This will improve our teams' ability to manage non-financial risk.

Our systems and processes need to reinforce the rigour and discipline which underpins our desired culture. A diagnostic review of our conduct and consequence management framework against leading practices informed changes to our Employee Conduct Management Framework. This improves how we drive accountability, apply consequence management process and recognise those who do the right thing.

A simpler performance framework has been introduced with mandatory risk, customer and people goals for employees. Work continues to assess and monitor the effectiveness of NAB's various performance and reward programs. This includes implementing the Sedgwick Retail Banking Remuneration recommendations.

Tracking progress

This year, we introduced a new monthly Culture Index to track progress on our cultural change program. The index has shown a slight improvement (four per cent) in a seven month period. This is most likely due to more visible leadership on taking actions that benefit customers and reinforcing our cultural priorities, including NAB's external customer and community announcements.

A new culture dashboard was developed to track our cultural change progress. It includes metrics about the cultural inhibitors in our Self-Assessment. These measures give us insights into how we are improving our risk culture and whether activities are effective.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- **Governance, conduct and culture**
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

Promoting a speak up culture

Our Code of Conduct sets high standards for doing the right thing by customers and holds our people to account for them. This year, there were 1,278 conduct breaches. All investigations are impartial and confidential. There were 5.2% more breaches this year (up from 1,215 in 2018). This led to 986 disciplinary actions, with 292 people leaving NAB. More than half of these breaches (58%) were due to personal conduct that didn't reflect our values.

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

The Whistleblower Program takes all wrongdoing[1] concerns seriously and where an investigation is required, appoints an internal or external investigator with the right capability and independence to investigate the concerns.

There were 155 wrongdoing disclosures made to our Whistleblower Program in 2019, which is a marked increase from 123 last year. Twenty nine were partially or fully substantiated resulting in appropriate consequences being applied, 60 were not substantiated, 32 did not proceed (due either to the withdrawal of the disclosure, insufficient information being available to properly investigate the concerns or agreement with the disclosing person that the matter would be best dealt with through another channel), three were unproven, and 31 remain under investigation.

Making things right for customers

During the year, we set up a Centre for Customer Remediation to manage complex remediation programs and fix the mistakes identified by the Royal Commission. Approximately 473,000 payments have been made to customers since June 2018 at a total value of $247 million. We also put in place a specialist customer hotline (1800 112 324) for people concerned about their superannuation. NAB announced an additional $832 million cost after tax for customer remediation matters related to increased provisions for our customer-related remediation program in September. Our total remediation provisions are $2,092 million.

There are currently more than 950 people working on customer remediation across NAB as we bring greater focus and discipline to resolving issues and making sure they do not happen again.

Strengthening Board oversight

The Board is committed to bridging the gap between what we say and what we do, as identified in the Royal Commission final report. Although challenging and uncomfortable, this year has provided us with the opportunity to reflect and re-evaluate how and why we've done things, to focus on fixing our mistakes and earning trust.

The Board has strengthened governance practices and required that management improve the quality and frequency of information on risk management performance, including non-financial risk. The Board has been more challenging of management overall. It receives regular updates on culture, trust and reputation. The Board Customer Committee supports the Board to oversee a significant lift in the importance given to the voice of the customer and a sharper focus on customer outcomes using insights from complaints to drive continuous improvement. It reviewed and evaluated the principles that govern remediation programs.

Find more about these committees and the Board's work this year in our Corporate Governance Statement **here**.

Responsible remuneration

Put simply, we need to reward the right behaviours if we want them to flourish. The Royal Commission has shown us that incentive structures haven't always driven the right outcome for customers.

The new executive remuneration framework applies to the Group CEO and Executive Leadership Team. It is designed to better meet shareholder expectations for long-term performance outcomes and more closely align the interest of Executives and shareholders. The framework applies to 2019 onwards.

Read our Remuneration Report for more information **here**.

CALLING OUT WRONGDOING

Whistleblower cases are treated confidentially, however, two recent cases became public because of the courage of NAB whistleblowers.

These cases showed the important role that whistleblowing plays in addressing wrongdoing:

- The Introducer Program: An anonymous whistleblower raised concerns about fraud connected to NAB's Introducer Program. This led to 10 bankers having their employment terminated, and extensive changes to (and ultimately the end of) the Introducer Program.
- High profile fraud: A whistleblower raised concerns about a possible serious fraud on NAB. The concerns were reported to police by NAB and if proven represent a serious breach of trust by a former employee.

In both cases the concerns were raised anonymously in a confidential environment.

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

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- **Governance, conduct and culture**
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

GOVERNANCE, CONDUCT AND CULTURE

HOW ARE WE TRACKING?

950
leaders trained in NAB's Culture Priorities Leadership program

ZERO
EXECUTIVE VARIABLE REWARD IN 2019

NEW
EXECUTIVE REMUNERATION STRUCTURE INTRODUCED

155
WHISTLEBLOWER PROGRAM DISCLOSURES

$247m
TOTAL REMEDIATION PAID TO CUSTOMERS

SUSTAINABLE DEVELOPMENT GOALS

TARGETS

- Enhance regular variable reward plan assessment processes to ensure the plans meet their objectives and drive the right customer outcomes

FUTURE PLANS

Roll out our Culture Plan

Introduce enhanced mandatory conduct risk training

LEARN MORE

- Performance and remuneration
- Our Code of Conduct
- Royal Commission and APRA Self-Assessment response

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- **Governance, conduct and culture**
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary

CUSTOMER SUPPORT AND EXPERIENCES

Getting the basics right and achieving real outcomes

WHY IS THIS IMPORTANT?

We exist to serve our nine million customers. Events this year have highlighted where we let them down and how we need to change our mindset to bring the voice of the customer back into the bank. Customers want their bank to be simple, reliable and easy to deal with.

There are fundamentals that we need to fix so that our customers can trust us to get it right every time. We have also set up specialist teams and changed processes to resolve issues faster and better support customers experiencing vulnerability.

WHAT ARE WE DOING?

Getting it right for customers

The 'Getting it Right for Customers' program is part of our response to the Royal Commission. This program involves reviewing all NAB product areas (excluding Wealth) to determine where we can simplify and improve the ways that we serve customers. Phase one involved developing the Customer Outcomes Framework. The Customer Outcomes Framework is a set of principles about how we will put customers first, fix mistakes, meet their needs, and be transparent, easy and reliable. Each principle has a set of standards which outline what we will do to enact these promises and translate into customer outcomes.

Phase two applied the framework to our products. We assessed 43 product groups and reviewed key business processes. This identified the hot spots for customer complaints and failures against the customer outcomes framework. We learned that we need to improve how we communicate with customers so fee information is easy to understand and servicing and processing requests are clear. Products can be designed better so that customer needs are considered at the outset. This also helps customers to take advantage of full product features.

Phase three reviewed 300 products from the design to customer use stage against the framework through a series of working groups. Unsecured lending, Home lending, Everyday banking and Payments and Merchant Solutions reviews were completed this year. The next step is to complete the remaining product reviews and implement the recommended high priority changes to improve these products so that they embed the Customer Outcomes Framework principles and achieve the right outcomes.

ADVOCATING FOR CUSTOMERS

Since 2016, NAB's Office of the Customer Advocate has worked to make it easier for customers when things go wrong by helping to facilitate fair outcomes and prevent future problems.

This year, the Office of the Customer Advocate played a role in boosting NAB's support for customers experiencing vulnerabilities. We worked with NAB employees to help them identify when a customer may be vulnerable, how a vulnerability may affect their ability to engage with NAB, and the extra care we need to take to identify and respond to these needs. We have worked closely with our disputes team, NAB Resolve, on how to engage and support customers experiencing vulnerability to ensure that we fully understand, investigate and address their concerns. This work also reviewed how to better support customers dealing with bereavement or those customers who have been the victim of scams.

The Office of the Customer Advocate works with the broader business to ensure customers are treated fairly. We worked with NAB Resolve to improve how we communicate to customers about the outcome of dispute investigations. Letters now have a greater acknowledgement of the customers' concerns and an explanation about the reasoning behind the outcome. The Office has worked with the business to improve the ongoing disclosure of terms and conditions for some savings accounts and term deposits to increase customers understanding about how they can best access their benefits and features.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary

MAKING A DIFFERENCE FOR CUSTOMERS

Customers expect great banking services. This year, we took the following actions to help our customers to access better quality banking services.

- **Reduced or removed fees for customers:** More than 185 fees were reduced or removed as part of our fee clean up program.
- **Launched ApplePay:** Listening to our customers who have been long calling for the digital payments system.
- **Supported emerging tech industries:** Pledged $5 billion in funding for the emerging tech industries by 2025, reinforcing our commitment to help Australia make the industry shift in the Australian National Outlook report.
- **Community support:** Giving specialist support to Mascot Tower residents, including home loan payment relief for up to six months, interest fee reversal and assistance with other NAB accounts.
- **Committed $2 billion to fund affordable housing by 2023:** This funding will create affordable and social housing supply and supports the Australian National Outlook's urban shift to realise a positive future.
- **Ending the introducer payments program:** Giving customers the confidence to come to NAB because of the products and services we provide – not because a third party received a payment to recommend us.
- **Frontline remuneration:** Putting customers' needs first and removing incentives from relevant frontline staff.
- **Being the bank for regional and rural Australia:** Keeping regional and rural branches open until at least 2021, investing in regional Customer Connect Centres that better serve regional customers and create local jobs (see *Stronger communities* section for more).
- **Special Olympics:** Expanded support for diverse and inclusive communities in partnership with Special Olympics Australia as Principal Partner until 2022.
- **Helping customers in difficulty:** Introducing a new Code of Conduct for insolvency firms so that customers are well supported, and no longer charging default interest.
- **Launched new Indigenous Customer Service Line:** To better support Indigenous customers, especially in remote and rural locations with a specially trained team.

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 ensures that customers have easy to access and understand information about our everyday banking and lending products. This is increasingly about proactive and personal communication with customers about how to prevent problematic debt, avoid fees and maximise savings.

We introduced some changes this year to help customers better manage their money and develop good financial habits. These included:

- Giving customers more information about how to get the full value out of banking products and being transparent about fees. Choice Package customers are proactively sent emails and text messages reminding them about benefits and fees two months and two weeks before their annual package fee is due.
- Giving customers early reminders about the upcoming date of their interest only loan expiry. Customers receive a call from a banker and an email reminder at least six months before the loan expiry to encourage them to plan their next step.
- Proactively contacting customers to remind them about their fixed rate loan expiry.
- Encouraging Reward Saver customers to maximise how much interest they can earn each month. New Reward Saver customers receive monthly text messages with tips on how to earn bonus interest every month to reinforce good savings behaviours and get the best out of their banking products.

We also focused on credit cards to support people who experience problem debt. Initiatives were:

- Waiving the $15 late payment fee for customers with a good track record of making credit card repayments on time. We sent text messages and emails to customers notifying them about reversing the late payment fee. This was for customers who had paid on time for at least 11 consecutive months.
- Contacting customers who incurred a late payment fee with information and tips on how to avoid late payment fees.
- Contacting customers who are at risk of falling into problematic debt. We send them an email that promotes our hardship support services, encourages customers to talk to a financial advisor and call us for help.
- Customers at risk of problematic debt also receive an email with financial health education information about budgeting, repayment calculators and avoiding interest.
- For customers who have fallen into problematic debt, we send a text message reminding them that the more they pay off their monthly balance, the less interest they'll have to pay.
- All credit card customers who haven't paid their minimum monthly payment receive a reminder text message three days before the due date.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

UNDERSTANDING FINANCIAL STRESS AND HARDSHIP IN NEW ZEALAND

This year, we launched the NZ Wellbeing Index in partnership with Auckland University of Technology. It reports on the financial wellbeing of Kiwis on a quarterly basis. The most recent results polled 1000 Kiwis. It found that most enjoy a relatively high level of personal wellbeing though there were concerns about a slowing global economy and its impact on New Zealand. Home ownership was linked to wellbeing and Kiwis enjoyed higher wellbeing across different income levels.

Despite these relatively optimistic views, the most recent quarterly results found that many Kiwis didn't have enough savings to deal with emergencies and unexpected life issues. Having insufficient wealth to fund retirement was the biggest cause of ongoing financial stress, with 60% of people believing they won't have enough savings for retirement.

Wellbeing measures help illuminate how people and communities are progressing. The NZ Wellbeing Index captures New Zealanders' self-perceptions of life satisfaction, life worth, happiness and anxiety. The research gives us insights into how we can build the financial health of New Zealanders to deal with unexpected shocks and plan for the future.

Having insufficient wealth to fund retirement was the biggest cause of ongoing financial stress, with 60% of people believing they won't have enough savings for retirement.

HARDSHIP ASSISTANCE

Customers in financial stress can find dealing with a bank overwhelming. That's why our NAB Assist team plays a vital role supporting NAB customers who are facing financial difficulty. NAB Assist tailors options to suit a customer's needs from payment arrangements through to hardship options. These may include reduced payments, moratoriums, or longer-term solutions. Some customers experiencing financial hardship may also deal with personal issues. These include mental illness, gambling addiction, substance abuse, homelessness and family violence.

We partner with Uniting Kildonan, experts in providing social support services to the community. We regularly refer our customers to their 'CareRing' Program which helps people get back on their feet and links them with specialised services that tackle the personal issues that often go hand-in-hand with money problems. We've also continued to provide Domestic and Family Violence Assistance Grants to customers leaving violent relationships and homes.

Some new initiatives were launched this year to enhance our customer support. More than half of customers say that 'unemployment' or 'underemployment' is their main reason for hardship. We introduced the NAB@Work program to connect home loan customers with an Employment Coach for help getting back into the workforce. The Employment Coach provides tools and advice so people can feel job-ready and re-enter the workforce faster. They can also access other support networks such as financial counsellors to help with their current situation.

Customers struggling with home loan repayments can find it hard to deal with the process of selling their home once they've made that decision. We introduced a referral program for customers who want support selling their home. Customers are referred to Agent Select, a property advisory service that gives free and independent advice on property trends such as local sales prices and real estate agent fees. Customers receive an agent report and referral for the top real estate agents in their area, ranked by sale prices achieved and fees, and a pricing guide for their property. This gives customers the ability to make informed decisions when selling their home. This helps enable a timely sale for the highest price with the lowest fees.

Here are the highlights from this year's NAB Assist performance:

- 90% of our customers dealing with financial difficulty return to regular repayments within 30 days.
- 96% are back to financial health within 90 days.
- NAB Assist Net Promoter Score +67 and our financial hardship team consistently sitting around +74.
- First Call Resolution 96%.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

PROVIDING EMERGENCY RELIEF WHEN CUSTOMERS NEED IT MOST

When disasters hit, people and communities need emergency support to recover from shocks. Our NAB Assist team provides on-the-ground advice and support to people affected by unplanned events.

An example was supporting the Mascot and Opal Towers residents affected by cracking and structural defects in the buildings. We proactively contacted NAB customers who live in or own properties in the Mascot and Opal Towers in Sydney to offer them NAB Assist support. This included up to six months repayment hold on mortgages, access to counselling services and repayment support for products such as personal loans and credit cards.

Another example was NAB Assist being on the ground to support customers affected by the drought in Tamworth, New South Wales. We provided specialised hardship support in-store and trained the local branch team about our financial hardship approach to identify customers in need and how to refer them to our NAB Assist team or external partners.

FINANCIAL INCLUSION

People on lower incomes experience higher levels of financial stress. Stress about managing costs of living or paying off debt can entrench disadvantage and financial exclusion. The latest Financial Resilience in Australia research from the Centre of Social Impact in partnership with NAB, found that close to one in three respondents with very low levels of economic resources used low-cost or informal credit such as Centrelink Advance or No Interest Loans Scheme (NILS), or borrowing from family or friends. Those people were also over-represented in using high-cost credit such as payday lenders.

These customers need better access to easy and affordable services. Our 16-year partnership with Good Shepherd provides no and low interest loans to Australians and New Zealanders who would usually be excluded from mainstream banking. They may be excluded because of lower income or financial capability levels, or bad credit histories from other major lenders. Our ongoing annual commitment is to provide $130 million in Australia and NZ$60 million in New Zealand.

BNZ's Community Finance program celebrated its fifth anniversary this year. Since inception, more than 1,900 families have received more than five million in low cost loans and saved an estimated $2.7 million in interest and fees. We reaffirmed our commitment to disrupt predatory lending practices in New Zealand, and pledged to provide millions more dollars in no and low interest lending to the community in the next five years.

NAB is an active member of the Thriving Community Partnership and the Financial Inclusion Action Plan initiative. Both forums bring government, community and businesses together to help drive greater inclusion and financial wellbeing for all Australians.

BNZ's Community Finance program complements the NZ Government's launch of a new cross-sector strategy to address financial hardship. The Safer Credit and Financial Inclusion Strategy is a partnership between the financial services sector, community organisations and central government, including Good Shepherd NZ and BNZ. It aims to create solutions that help New Zealanders access affordable and appropriate financial services.

Highlights from this year were:

- Improving how customers access the No Interest Loans Scheme, and technology improvements to increase the total number of microfinance loans supported from 31,743 to 34,215 in Australia.
- Launching a pilot in Good Money Queensland to provide loans that will help low income people find and stay in private rental accommodation.
- Releasing a research report called, Money stories: financial resilience among Aboriginal and Torres Strait Islander Australians, in partnership with the Centre for Social Impact and First Nations Foundation. The research found that wealth is culturally specific. Many Aboriginal and Torres Strait Islander people experience and interact with money in ways that emphasise sharing rather than accumulating wealth. Financial insecurity is higher for this group, with many people experiencing higher levels of financial stress.
- Supporting 27 community organisations to build the financial resilience of Indigenous clients through the Indigenous Money Network. We provided small grants for a range of projects, from translating documents into local languages, to running community engagement events and building financial literacy.
- Continuing to offer customers an easy, digital microfinance product Speckle. Speckle provides small cash loans of up to $2,000 online. Since it launched two years ago, it is estimated that customers have saved over $800,000 in unfair fees and charges and 82% of clients report reduced financial stress.
- Boosting funding and resourcing for the BNZ Community Finance program to double the number of community loan workers issuing no and low interest loans.
- Launching the Good Shop in South Auckland & Porirua. The Good Shop is run by The Salvation Army. It is a mobile truck service that offers access to practical financial advice, food, and quality household goods available on interest-free loans, supported by BNZ and Good Shepherd NZ. The Good Shop takes on the mobile traders who target vulnerable communities with inflated prices and high-cost credit.
- 'Launching a mobile branch in Foxton, Martin, Ōtaki and Pahiatua in the Manawatu-Whanganui region that offers access to practical financial advice. Since launching in June 2019, the BNZ mobile branch has covered 8,500 kms, the equivalent of traveling the length of New Zealand five times, and facilitated more than 600 interactions with customers who previously had no branch to visit. It will also be available in more regions next year.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen

Material themes

- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

This is just one example of how specialised customer support can make a difference. Customers can call the Indigenous Customer Service Line directly on 1800 966 100.

CREATING AN INDIGENOUS CUSTOMER SERVICE LINE

Aboriginal and Torres Strait Islander Australians face financial exclusion at higher rates than non-Indigenous Australians. For some Indigenous customers in remote locations, accessing basic banking services can be difficult.

This is why we have launched a dedicated phone line for Indigenous customers. The NAB Indigenous Customer Service Line helps improve access to financial services for customers who are often the most excluded.

One of our bankers, Daniel, recently took a call from Tania*. The first thing he heard was a male voice saying, "Tania wants to transfer money, can you help?"

Daniel had done financial abuse training, so the request raised a red flag.

He continued with the call, and found that Tania was difficult to identify. She'd provided a different address and couldn't advise on any recent transactions. Looking at the notes on Tania's account, he saw that she had repeatedly failed NAB's ID authentication process and hadn't been able to access any banking for two years.

What Daniel didn't initially know was that Tania was elderly and partially deaf. She was also from a remote Indigenous community in far-north Queensland, and English was her second language. The man speaking on her behalf wasn't a financial abuser, but her support worker.

Daniel was able to draw on his training as a member of the Indigenous Customer Service Line. The team can ask modified identification questions that cater to the language or cultural differences experienced by some Indigenous customers. With these new modified questions, Tania passed the identification process. Daniel then spent time with her resetting internet banking, issuing a new debit card, and updating her address. When Tania got access to telephone banking, she cried on the phone. She now had immediate access to her funds.

After focusing on far-north Queensland, our Indigenous Customer Service Line is expanding into other areas in Australia to ensure we get things right for more customers.

**Not her real name*

THE CUSTOMERS EXPERIENCING VULNERABILITY FRAMEWORK

Customers experiencing vulnerability have different and sometimes complex needs. Too often, banks are hard to deal with and don't treat customers in vulnerable situations with the empathy and care they need. We are making our banking services more inclusive and accessible. The Royal Commission showed us where we got it wrong and why we must simplify our financial products and services for all customers.

During the year, we launched a Customers Experiencing Vulnerability framework to improve how we support these customers and meet the new requirements set out in the Code of Banking Practice. We believe that customers experiencing vulnerability deserve the same standard of exceptional service as anyone else. NAB defines customer vulnerability as:

Vulnerability is a personal situation, where people are exposed and susceptible to harm or loss. Everyone may experience being vulnerable in their life and its impacts can be experienced differently. Customer vulnerability involves an inter-play of personal and environmental circumstances, market practices and the actions of our organisation.

We launched a specialist NAB Customer Support team to assist customers experiencing vulnerability (see the *Improving Customer Support* case study on page 20).

Driving fundamental change requires us to think about how we affect customers when we design products, sell and communicate them, service customers and resolve issues. This year we identified a range of initiatives in four key focus areas:

1. Making it easy – for customers experiencing vulnerability who disclose and seek support;
2. Universal design, service and change – keeping vulnerable customers at the heart of design, service and change processes;
3. Building our capability – employee training and support to enable and empower support for customers experiencing vulnerability; and
4. Older customers – inclusive and accessible banking services and reducing susceptibility to elder financial abuse, scams and fraud.

We are taking action for customers experiencing vulnerability to make it easier to access banking services and provide support when it matters most.

Learn more about the Customers Experiencing Vulnerability Framework **online here**.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

RESPONSIBLE FINANCE

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

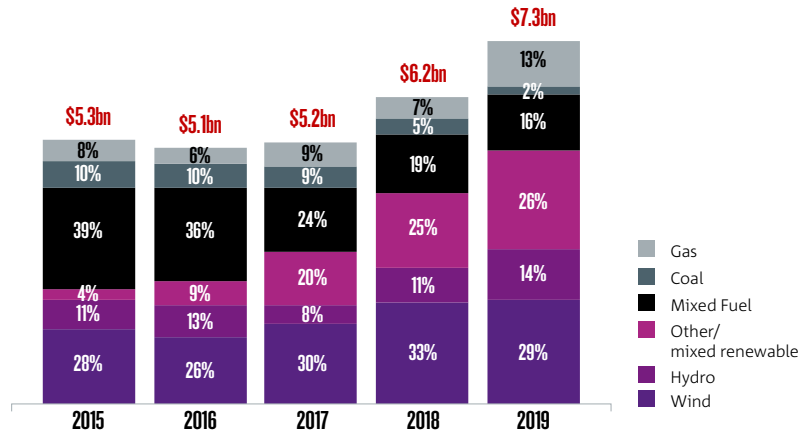
Our lending book reflects the key industries in Australia's economy, and we closely monitor our exposure to industry sectors and activities that may have higher ESG risks. We've engaged with investors, NGOs and other stakeholders about our exposure to a range of industry sectors with higher ESG risks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

Renewables now represent 69% of our power generation exposures, moving from 43% in September 2015 (see chart on the right). We've disclosed a number of our credit risk policy settings on our website – you can find this information **online here**. More information about our sector reviews is in the *How we act* section.

Our Level 2 Regulatory Group[1] Exposure at Default (EaD) by sector is in the table on the right. Our EaD by region is mostly in Australia (79%), followed by New Zealand (13%) and in other countries (8%). Our lending exposure to major tobacco companies has kept decreasing. It is now at less than 0.0003% EaD (at 30 September 2019) – down from 0.001% in the prior year. Our remaining exposure in the tobacco sector comprises minor exposures to wholesale and retail tobacco in Australia and New Zealand, and remains consistent with last year at less than 0.005% of EaD.

As Australia's largest agribusiness lender[2], agriculture is a major priority for us – and a key focus in our Natural Value and Climate Change strategies. Learn more in the *Addressing climate change and environmental sustainability* section.

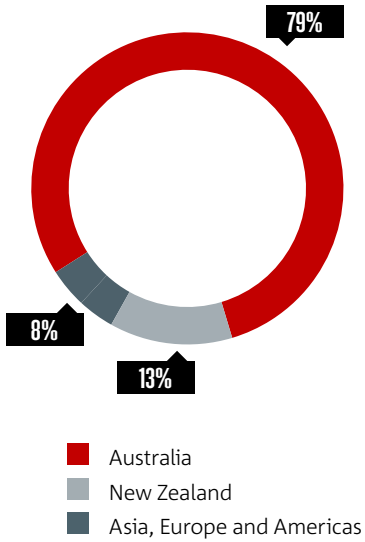
POWER GENERATION EXPOSURES BY FUEL SOURCE (%) AND TOTAL EXPOSURE AT DEFAULT ($BN)[3]



LEVEL 2 REGULATORY GROUP[4] EXPOSURE AT DEFAULT (EAD) BY LEVEL 1 ANZSIC CLASSIFICATION ($M)[5]

	2019	2018	2017
Accommodation, Cafes, Pubs and Restaurants	10,503	9,433	9,295
Agriculture Forestry, Fishing and Mining	56,310	51,824	49,204
Property and Business Services	24,172	21,328	19,355
Commercial Property	73,874	75,211	75,262
Construction	11,600	10,665	10,281
Finance and Insurance	112,000	106,897	106,340
Manufacturing	20,624	19,130	19,412
Personal	15,778	16,998	17,344
Residential Mortgage	388,315	387,072	378,162
Retail and Wholesale Trade	32,079	30,796	30,405
Transport and Storage	24,881	22,358	20,631
Other	92,920	85,532	81,273
Total	**863,056**	**837,244**	**816,965**

GROUP EXPOSURE AT DEFAULT BY REGION (%)



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

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

CUSTOMER SUPPORT AND EXPERIENCES

HOW ARE WE TRACKING?

CURE RATES:

90% 30 DAY CURE RATES

96% 90 DAY CURE RATES

+67 NPS FOR NAB ASSIST

+74 FOR HARDSHIP ASSISTANCE CUSTOMERS

PARTNERED WITH GOOD SHEPHERD TO HELP

72,000 AUSTRALIANS WITH MICROFINANCE PRODUCTS AND SERVICES

34,200 MICROFINANCE LOANS IN AUSTRALIA

6,700+ MICROFINANCE PRODUCTS & SERVICES FOR FOR INDIGENOUS AUSTRALIANS

-14 NPS IN PRIORITY SEGMENTS

SUSTAINABLE DEVELOPMENT GOALS

TARGETS

- NPS positive and #1 for priority segments
- $2bn funding over five years to help emerging technology companies and innovators grow

FUTURE PLANS

Achieve 8 customer goals in our Accessibility Action Plan 2019-2020, and 8 economic participation commitments in our Reconciliation Action Plan 2019-2021

$130m and NZ$60m capital commitments to support provision of microfinance loans to Australians and New Zealanders

LEARN MORE

- Our customers
- Our Social Impact approach
- Banking Code of Practice

IMPROVING CUSTOMER SUPPORT

Customers in vulnerable situations who need extra support can now access more proactive help. We established the NAB Customer Support Hub this year. This team is made up of employees who receive specialist training about working with customers experiencing vulnerability. Since it was launched in June 2019, the Customer Support Hub has assisted more than 840 customers, with over 40% of calls relating to domestic and family violence.

The NAB Customer Support team also refers customers to external partners such as Uniting CareRing, Adult Safeguarding agencies, domestic and family violence services, gambling health services, financial counsellors and other specialist agencies.

Since 2016, NAB Assist has referred more than 1,500 customers to Uniting Kildonan's CareRing program for assistance. Eighty per cent of customers said domestic violence was one of their vulnerabilities. More than 130 customers obtained the NAB customer domestic and family violence grant. The grant helps customers to be financially independent and provides support for those who are struggling to leave violent relationships or homes.

WORKING WITH GOOD SHEPHERD TO MAKE A BETTER AUSTRALIA

We are building on our 16-year partnership with Good Shepherd to help all Australians be good with their money.

This year, we have helped almost 72,000 Australians access the low and no interest finance they need to bounce back from hardship. Some people don't have access to credit or banking, which can put them at risk of falling into poverty and missing out on opportunities. NAB can play a role in helping people experiencing vulnerability by offering simple, easy and affordable access to small loans and other financial resources.

We've provided 34,215 loans in partnership with Good Shepherd, state and federal governments, in more than 600 locations in Australia. This amounts to $38.4 million in microfinance loans for essential household goods or education expenses.

In partnership with Good Money and state governments, Good Money stores have opened in Victoria, South Australia and Queensland. These branches are in community areas where people can get access to small loans and have conversations with experts to build their healthy relationship with finance, rather than going to pay day lenders.

More information about our partnership with Good Shepherd is **here**. Refer also to our **Data Pack**.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen

Material themes

- Governance, conduct and culture
- **Customer support and experiences**
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Backing a sustainable future for all people and the environment

WHY IS IT IMPORTANT?

We recognise climate change is a significant risk to our environment, and a major challenge for the global economy and society. Financial regulators have recognised it is also a systemic risk to the financial system. Climate change will affect everyone from residential property owners and farmers to investors seeking long-term stable returns. Our customers are key players in these industry sectors. We are playing an active role in addressing climate change and supporting low-carbon opportunities for our customers. We believe an orderly approach to the low-carbon transition is critical to ensure communities have access to secure, reliable and affordable energy and to ensure the transition is just.

Our Social Impact Strategy has two pillars that help tackle climate change: Climate Action and Banking on Nature. Managing natural assets and future proofing the agricultural sector is a critical challenge for our agri-business customers. Our Natural Value program seeks to factor how farmers manage natural capital like water, land and soil into credit risk assessments. The likely increasing frequency and scale of extreme weather events supports our drive to incentivise sustainable agricultural management. This is a win-win situation. It makes our customers, their assets and our loan book more resilient. It also creates a healthier environment.

WHAT ARE WE DOING?

NAB will take a range of actions to help meet the goals of the Paris Agreement on climate change while supporting security of energy supply in Australia and New Zealand and working with customers, related suppliers and their employees and communities in which they operate.

We will seek to manage our portfolio aligned with the Paris Agreement goal of keeping global warming to less than two degrees Celsius, striving for 1.5 degrees Celsius above pre-industrial levels. The bank will review targets each year against the latest global climate scenarios and relevant technology developments. The changes include:

- Increasing our environmental financing commitment from $55 billion to $70 billion by 2025. NAB is Australia's largest arranger of renewable energy finance[1] and 69% of our energy financing in 2019 was for renewables.
- Increasing our internal renewable energy objective from 50% to 100% by 2025 and signing up to the RE100 initiative, bringing together businesses committed to using only renewable electricity.
- Supporting current coal-fired power generation customers implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions.
- Capping thermal coal mining exposures at current levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers.

We set environmental targets to help us stay focused on reaching our goals. This year, we progressed towards our 2025 science-based GHG emissions reduction target[2], delivering a 18% reduction from our 2015 base year. We are on track to meet most of our 2020 environmental performance targets. However, progress against our water target was challenged this year, largely because planned capital works for our most water-intensive site were postponed.

You can find information about our operational footprint and environmental performance in our **Data Pack**. And if you'd like to know more, head **online here**.

Financing sustainable infrastructure projects

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 provided project finance for our 130th renewable energy transaction since 2003. This cements our role as Australia's leading arranger of project finance for Australian renewable energy[3], helping our customers and community make the low-carbon transition.

As at 30 September 2019, PF represented 1.95% of total NAB Group Exposure at Default – and of the deals in our PF portfolio to which Equator Principles (EPs) applied, 98.1% were in designated countries and 1.9% were in non-designated countries[4]. In 2019, we closed 23 new PF transactions, refinanced 26 existing transactions, and removed 29 transactions from our loan book.

While transactions can be declined at any stage of negotiation or due diligence, none were declined in 2019 specifically on the basis of social or environmental risks or issues. Our current global portfolio of renewable energy projects represents a total generation capacity of 10,516 MW and we have arranged $9.4 billion worth

1 Rankings based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2019, Value of Deals (database searched on 29 October 2019).
2 Refer to footnote 4 on page 27 for further information on our science-based emissions reduction target.
3 Data Source: BloombergNEF Country Profile for Australia - Top Renewable Energy Players (2004 to 3Q 2019). Cumulative totals are in USD as at 30 September 2019. Totals do not include large hydro.
4 Designated countries are those deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

of loans since 2003.

In 2019, we financed an additional 2,520 MW of installed renewable energy generation capacity through renewable energy projects – including finance for wind and solar assets in Australia, US and the UK.

This year, the aggregate estimated[1] share of the total Scope 1 and 2 greenhouse gas (GHG) emissions from the Australian designated power generation assets[2] in our PF portfolio is around 295,330 tCO_2-e (262,591 tCO_2-e in 2018). We have calculated our estimated share as a percentage of the relevant debt at September 2019. Our PF activities are a key part of our commitment to help address climate change and support the low-carbon transition. Refer to tables and charts below on our project finance activities and exposures.

We apply the Equator Principles to project-related transactions. A break down of project finance deals by Equator Principles categories is also below, and in our **Data Pack**. Our 2019 Equator Principles Report will be available on **our website** in January 2020.

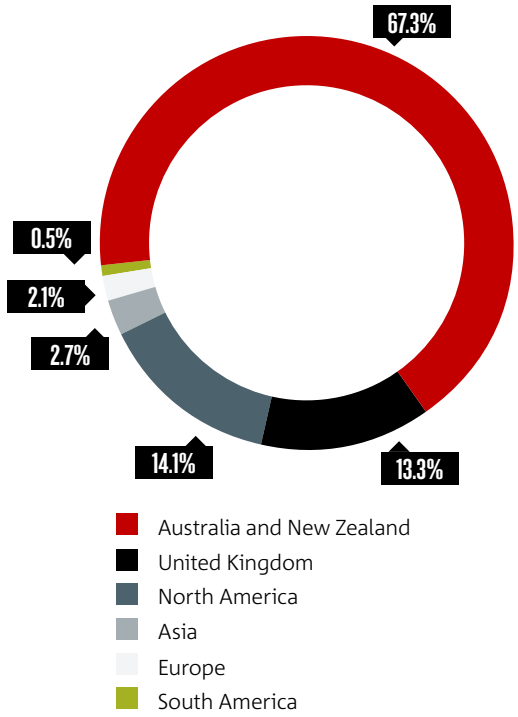
Project finance by sector as a percentage of total portfolio value (expressed as EaD as at 30 September 2019)

SECTOR	2019	2018	2017	2016	2015
Energy (renewable)	19	19	15	11	12
Energy (coal and gas-fired)[3]	6	5	6	6	7
Economic infrastructure	35	36	37	34	33
Social infrastructure	16	16	19	20	21
Water treatment infrastructure	3	4	4	5	7
Mining and refining (metals and coal)[3]	7	7	6	8	7
Oil and gas	11	11	10	12	11
Other	3	2	3	4	2

Project finance deals by Equator Principles categories (as at 30 September 2019)

EQUATOR PRINCIPLE CATEGORY	NUMBER OF PROJECTS	PROJECTS AS A % OF TOTAL PORTFOLIO VALUE
A	5	8%
B	81	48%
C	23	16%
Pre-EP adoption (pre 2007)	8	4%
Project finance post EPs III to which EPs do not apply	43	24%

PROJECT FINANCE BY REGION (%)[4]



1 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 2019. We then aggregated our share of Scope 1 and 2 GHG emissions to get the total tCO_2-e for the portfolio of power generation assets we project finance in Australia.
2 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 92.6% 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 7.4% of assets (measured as MW capacity of the power generation facilities) was not available.
3 In 2019, coal-fired power is 0.2% and the remaining balance is gas-fired. Coal is 1.5% of mining and refining.
4 Expressed as a percentage of total portfolio value as at 30 September 2019.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

PROVIDING CRITICAL INFRASTRUCTURE TO HELP STUDENTS LEARN

Infrastructure that supports health and education is critical for the community. That's why social infrastructure is a key focus in our Infrastructure and Energy Strategy.

NAB provided project finance for the refurbishment of purpose built student accommodation for the Australian National University. 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 the accommodation development. These included environmental approvals, treatment of any hazardous materials on site – including occupational health and safety risks for access and removal and stakeholder engagement (including students) in the design. This project was screened to check whether Equator Principles should apply to the project financing of the refurbishment, as we had previously project financed this accommodation. The outcome was that the Equator Principles did not apply to this transaction because the accommodation was an existing asset undergoing refurbishment and there were no material changes to the social and environmental impacts arising from the development. We also came to a view that the classification of this project as a Category C project had not changed since we categorised it as part of our original project financing.

OFFERING CUSTOMERS THE WORLD'S FIRST GREEN TERM DEPOSIT

UBank's Green Term Deposit is a leading example of how an innovative financial solution can help tackle climate change. UBank is our online-only subsidiary with a more agile and challenger bank business model.

In March 2019, UBank launched the world's first Climate Bond certified consumer Green Term Deposit. This green product gives customers the chance to use their money to positively impact the environment. Their savings are allocated for financing a portfolio of low-carbon projects, such as wind and solar power generation, electrified passenger rail and green buildings. It has raised almost $357 million in deposits that are currently being directed to low-carbon projects. It has also reinvigorated the customer base for term deposits.

The UBank Green Term Deposit won 'Best Green Innovation' at the Finder Awards. There is potential to scale up similar green products for the broader NAB Group. It is something our customers care about and have responded to which fuels us to develop more innovative green products.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

Sustainable Impact finance

Sustainable Impact finance provides opportunities to invest 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 positive social outcome and create shared value for our community and business. Impact investment and responsible investment are key levers that drive these outcomes.

We have arranged 24 green, social and sustainability bonds to date. The six green bonds issued by NAB and its related entities, plus green term deposits, have raised over $4.3 billion for NAB financing of eligible green and social projects (as defined by NAB's SDG Green Bond Framework).

This year, NAB participated in eight public green, social and sustainability bond deals and three sustainability-linked loans including:

- Arranging Australia's largest ever green bond – the $1,800 million TCorp Green Bond. Proceeds were earmarked for low-carbon transport and sustainable water projects.
- Arranging the world's first Climate Bond certified green bond for a retail property landlord – $300 million Queensland Investment Corporation Shopping Centre Fund green bond.
- Acting as a Mandated Lead Arranger on the $1,400 million Sydney Airport sustainability-linked loan (see case study on page 25 for more detail).

We're also working with the other major banks, super funds, insurers, peak bodies and academia as part of the Australian Sustainable Finance Initiative to develop a roadmap for sustainable finance. The roadmap will be a national action plan to enable the finance sector to contribute systematically to a more sustainable and resilient economy. We are also participating in the NZ Sustainable Finance Forum.

New Zealand activity

This year, the NZ market for green and sustainability bonds has grown, with BNZ playing a leading role in supporting this demand. BNZ was the arranger for the Housing New Zealand Sustainability Financing Framework and a joint lead manager for the inaugural NZ$500m Sustainability Bond in March 2019[1].

The bonds have subsequently been renamed "Wellbeing Bonds" - proceeds are used for projects within the Sustainability Financing Framework and contribute towards the United Nations Sustainable Development Goals[2]. These projects are related to green buildings, minimising pollution and creating affordable housing.

GREEN PRODUCTS AND SERVICES	2019	2018	TREND
Total number of renewable energy (RE) transactions since 2003	130	114	↑
Total Value of RE transactions since 2003 ($bn committed)	9.4	7.7	↑
Cumulative Green Bonds (by number) issued by NAB and related entities since November 2014	6	6	↔
Cumulative Green and Sustainability Bonds (by number) arranged by NAB and related entities since November 2014[3]	24	16	↑

BNZ was also a Joint Lead Manager on Auckland Council's second green bond which raised NZ$150 million towards projects that benefit the environment, such as efficient buildings, waste management and low-carbon transport.

The NZ corporate sector also engaged in sustainable finance activities during 2019. BNZ was a Joint Lead manager on transactions for Argosy Property (NZ$100 million) and Contact Energy (NZ$100 million). BNZ has been taking an active role in educating customers about ESG risk management and sustainable finance including the issue of green and sustainable bonds. An example was a Sustainability Forum BNZ held for investors in Auckland in late 2019.

1 Housing New Zealand Limited is the issuing entity for the Crown Agent, Kāinga Ora – Homes and Communities.
2 See: https://www.hnzc.co.nz/assets/Wholesale-investor-docs/Final-Term-Sheet-190328-HNZ-Oct26.pdf.
3 This number does not include the NAB issued social bond.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

MAKING THE LOW-CARBON TRANSITION WITH SUSTAINABILITY-LINKED LOANS

Sustainable debt products are powerful tools to help our customers transition to a low-carbon economy.

Traditional green, social or sustainable bond issuances allocate proceeds to specific projects which deliver positive environmental and/or social outcomes. We are also developing solutions that support the 'brown' to 'green' transition from traditional to renewable industries. Sustainability-linked loans (SLL) offer new opportunities to innovate. They are behaviour-based and incentivise better environmental and social performance outcomes within the financing arrangement. Behaviour-based debt is an opportunity to incentivise faster and greater social impact in sectors not easily transitioned to more sustainable business models. It is overtaking proceeds-based sustainable debt in terms of volumes raised. This approach can extend some of the benefits traditionally associated with green finance to 'brown' sectors. It reflects a wider shift in financial services and the public conversation about tackling climate change. From climate change to biodiversity or inclusive growth, from green to brown, from sustainable loans to transition bonds, from labelled use-of-proceeds to sustainability or impact-linked financings. One thing is sure: transition is everywhere.

Two leading examples of SLLs this year were Sydney Airport and AGL. Sydney Airport's SLL was the first syndicated SLL in Australia. Under the SLL, Sydney Airport's sustainability performance over time will be assessed by the independent ESG ratings agency, Sustainalytics. Sydney Airport's sustainability performance target is based on improving its Sustainalytics ESG Risk Rating. The target ESG Risk Rating would place it the top fifth percentile of the airport industry index.

AGL is the first energy company in the Asia Pacific region to enter into a SLL. AGL's SLL incentivises efficiency and gradual improvement in AGL's emissions performance. Specifically, there are two key performance metrics that AGL is incentivised to achieve over the life of the loan. The first relates to emissions intensity and the other to renewable energy and storage capacity.

Responsible investment

Responsible investment is an important way to ensure our funds are screened for ethical and socially responsible factors.

The table below summarises the responsible investment approach that our main wealth management businesses follow. Socially responsible investment (SRI) funds consider ethical, social and environmental impacts as well as financial returns. Our total SRI funds were $518 million in 2019. This represented 0.32% of total funds under management. You'll find the full list of SRI funds in the **Data Pack**.

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.
JBWere	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. BNZ Investment Services Limited is a signatory to the United Nations Principles for Responsible Investment.

Natural Value

Our Natural Value Strategy helps our customers to better manage natural capital by mitigating risks and harnessing opportunities. Agribusiness is a major priority for NAB. As Australia's largest agribusiness bank by market share[1], we've got a stake in managing the risks and health of our landscape. This is a key part of our Natural Value strategy.

This year, we pledged to help Australia make the necessary land shift to achieve a sustainable future. We announced an Australian-first initiative with ClimateWorks to develop a system for measuring natural capital, including defining a set of national sustainable agriculture metrics. These metrics will quantify the cost and risk benefit to farmers of managing natural resources sustainably.

The partnership aims to improve access to environmental and economic data about sustainable resource management, such as water, soil, biodiversity and other natural resources. These metrics will empower farmers to manage natural farm resources better and access incentives by quantifying benefits to regulators, investors, financiers, supply chains and markets. This improved information should also help farmers in drought where changing climate conditions and

1 June 2019 NAB APRA submission / RBA Banking System.

challenging weather conditions make it difficult to protect natural assets like water and soil that underpin their resilience and productivity. More information about how we're working with rural and regional Australia is in the *Stronger communities* section.

Natural Value research and partnerships

As part of our research focus this year, we worked with partners to run several surveys:

- The Institute of Sustainable Futures surveyed irrigators on the financial implications of water scarcity risks.
- CSIRO and Agforce surveyed QLD graziers on the linkages between land management activities, land condition and business outcomes.
- The FoodAgility Cooperative Research Centre and the Australian Wine and Research Initiative embedded financial metrics for the first time in the Sustainable Wine Australia survey to understand how sustainable management affects financial performance (see case study at right).
- Greening Australia has designed a survey to be launched in Q1 2020 looking at the role of native vegetation in supporting lamb survival.

A new research partnership with CSIRO and the Tasmanian forestry sector kicked off to investigate opportunities to invest in natural capital. We also continued supporting Dairy Australia to investigate natural capital implications for the sector.

Industry engagement was a key focus area. We presented at the Australian Bureau of Agriculture and Resource Economics and Sciences on Natural Capital. We hosted the first Conservation Finance Intensive with Trust for Nature, led a Green Finance Masterclass with tourism operators on the Great Barrier Reef and worked with ClimateWorks to engage with the Australian agri-sector to develop the Sustainable Land Use Futures roadmap.

Climate change strategy

Our Climate Change strategy has four focus areas:

1. 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.

Banks are responding with increasing ambition to the climate change challenge. We ranked eighth on the Autonomous Research Paris-Readiness Index of global banks' climate risk policies[1]. We commenced phase two of the United Nations Environment Program Finance Initiative's pilot on the Task Force on Climate-related Financial Disclosures (TCFD). Our reporting aligns with the TCFD's recommendations. You can read more about this in our Annual Financial Report **here**.

DRIVING LONG-TERM INDUSTRY TRANSFORMATION

About a third of the Australian wine industry has been collecting good environmental metrics for more than a decade. This has been driven by demand in key export markets such as Canada and Europe for local producers to demonstrate environmental standards.

The local industry can point to farms that are environmentally sound, but it has not been able to quantify the link between good sustainable management and business performance. This has made it difficult for vineyards to prepare a business case to improve sustainability. It also means lenders cannot appropriately consider sustainable vineyard management in credit decisions, which constrains investment.

In an Australian-first, a partnership between the Food Agility Cooperative Research Centre, the Australian Wine Research Institute, Queensland University of Technology and NAB aims to help farmers with sustainable practices get better access to finance and to future-proof their businesses from environmental events like drought.

The project will identify links between environmentally sustainable practices and financial performance among Australian wine-grape growers.

If we can link improved sustainability performance to financial outcomes then lenders can support customers better to invest in activities that achieve good environmental and business outcomes. This could drive large scale uptake of sustainable farming practices.

The results of the project are pending and will be shared with the wine sector and agricultural industry more broadly as a leading example of how to link smart environmental investments with business outcomes.

1 Autonomous Research, Global Banks 2019 – Climate Risk: Must do Better.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

This year, we made progress on our climate change strategy and increased the ambition in our commitments.

The Climate Change Commitments below underpin our climate change strategy. They were developed by NAB's Climate Change Working Group.

COMMITMENT	2019 ACHIEVEMENTS	NEW AMBITION
Provide $55 billion in environmental finance by 2025 to assist the low-carbon transition[1]. This includes: • $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.	 $17.5 billion $16.1 billion	Increase NAB's environmental finance commitment from $55 billion to $70 billion by 2025, by increasing our commitment to provide financing for green infrastructure, capital markets and asset finance from $20 billion to $35 billion.
Source 50% of our Australian electricity from renewable energy by 2025 (this commitment was increased from 10% by 2018 in FY2017).	10%[2]	Increase NAB's Renewable Energy commitment from 50% to 100% by 2025 and sign up to the **RE100 initiative**.
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 input[3].	We have included climate-related disclosures in our 2019 Annual Financial Report and 2019 Full Year Investor Presentation **here**.	
Set a science-based GHG emission reduction target for our operations[4].	This year we achieved an 18% 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.	Join the Principles for Responsible Banking Collective Commitment to Climate Action in the first quarter of 2020. This will involve NAB: (a) setting targets to align our lending exposures to support the low-carbon transition and the Paris Agreement and (b) developing sector-specific plans to support our clients in accelerating the low-carbon transition.
Commit to putting a price on carbon[5] and align to the UN Global Compact's business leadership criteria on carbon pricing.	We disclose how we use our internal carbon price in our annual CDP response, which can be downloaded **here**.	
We are committed to transparency and integrated reporting which means we are working to identify, develop and implement new ways to deliver on our commitment to carbon risk disclosure.	• Participated in the UNEP FI TCFD Phase 1 pilot • Responded to 2019 CDP Climate Change Survey • Maintained our National Carbon Offset Standard certification in Australia and will publish our Public Disclosure Summary	Signed up to the **UN Principles for Responsible Banking**. Increased investment in managing climate risk and aligning our portfolio to the Paris Agreement. Undertake further transition risk scenario analysis on coal-related sectors which is already in progress. In addition to the REMIND model used in Phase 1 of the UNEP FI TCFD pilot, we are considering other climate-related scenarios. These include the International Energy Agency's New Policy Scenario and Sustainable Development Scenario, and a 1.5 degrees Celsius scenario from Global Energy Monitor. This work helps us map transition pathways for coal-related sectors.

1 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to Data Pack for more information.
2 NAB has received 1% of the certificates but has contracts and arrangements established to deliver the 10% (through Melbourne Renewable Energy Project and Data Centre Solar).
3 We commenced reporting climate risk metrics for shareholders for the first time in our Half Year Investor Presentation in 2015.
4 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.
5 We first established an internal carbon price in 2010 as part of our approach to carbon neutrality.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
• Governance, conduct and culture
• Customer support and experiences
• **Addressing climate change and environmental sustainability**
• Engaging our people
• Transformation & technology
• Stronger communities
How we act
Assurance
Glossary

ADDRESSING CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Climate change risk

There is growing awareness of climate change as a significant risk to our environment, and a major challenge for the global economy and community. We support a just transition to a low-carbon economy, in line with the Paris Agreement to limit global warming to less than 2 degrees Celsius, striving for 1.5 degrees Celsius above pre-industrial levels. Managing climate change will open up more 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 growth[1] while meeting our regulatory requirements. Climate-related risks and opportunities are integrated into our business strategy and Risk Management Framework, so we can become a more sustainable and resilient business.

This year, we continued our credit risk policy reviews into carbon intensive, climate sensitive and low-carbon sectors. See the case study in the *How we act* section.

Assessing physical risks

The Energy Transitions Hub at the University of Melbourne helped us to geocode data from our mortgage lending portfolio so it could be overlaid with physical climate risk information. Geocoding is a process that converts addresses (like a street address) into coordinates that can pinpoint a property location on a map. This process was developed and piloted this year. The next step is to test this process with other segments of our lending portfolio next year.

After geocoding our Australian retail mortgage portfolio, we overlaid it with cyclone data to assess the potential impact of cyclones on our mortgage portfolio under different climate scenarios. The scenario analysis was done in partnership with the Climate and Energy College in collaboration with the Potsdam Institute for Climate Impact Research. Initial analysis suggests that if climate change is not mitigated and average global temperatures exceed 1.5 degrees Celsius, an increased portion of our Australian retail mortgage portfolio will experience cyclones. The work to refine this methodology is ongoing. Future work will help to understand the implications of how greater cyclone risk could affect probability of default. Following further testing, we will add other overlays of physical hazard data such as flooding, drought, and extreme heat, and apply the approach to other lending portfolio segments.

Read more about this scenario analysis and process, as well as our climate risk management, strategy, governance and performance in our **Annual Financial Report.**

Working together to address climate change

It is important to work with other organisations to collectively address the climate challenge. NAB is involved in the following climate-related projects:

- **IAG and Climate KIC**
  We have been working separately with both IAG and Climate-KIC on climate change adaptation and resilience. These collaborations are focused on identifying adaptation projects and developing a scalable approach to adaptation finance.
- **Energetics**
  We supported the development of a tool to help assess the potential impacts that future changes in climatic conditions may have on the factors that may affect credit risk in the dairy industry.

ENSURING PEOPLE AND COMMUNITIES DON'T GET LEFT BEHIND IN A LOW-CARBON TRANSITION

Regions such as the Latrobe Valley in Victoria, the Hunter Valley in NSW and the Gladstone region in Queensland are traditional mining areas. These are communities that could be hit hard by a shift towards a low-carbon economy if government, business and civil society do not plan for a just transition.

A just transition sets out a path for people and communities to move away from carbon intensive industries. This often means re-skilling and re-deployment programs for workers who were employed in affected industries. This social change can create financial and emotional stress for a community. That's why it's important for government, business, unions and the wider community to work together so that these regional centres can deal with any changes and create new opportunities for local jobs, industries and livelihoods.

Next year, NAB will develop a just transition plan with our customers, government and other stakeholders through the Global Compact Network Australia. We will define our role in supporting a just transition, identifying the most affected sectors, regions and customers. This work has begun in the form of providing transition finance to help organisations move away from carbon intensive activities. See the case study on *Making the low-carbon transition with sustainability-linked loans* earlier in this section.

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

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

HOW ARE WE TRACKING?

$9.4 billion
RENEWABLE ENERGY TRANSACTIONS SINCE 2003

$33.6 billion
ENVIRONMENTAL FINANCING PROVIDED SINCE 2015[1]

PARTICIPATED
IN THE **UNEP FINANCE INITIATIVE** TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES PILOT

SIGNED UP TO UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING

18%
CARBON EMISSION REDUCTION AGAINST 2015 BASELINE

AUSTRALIA'S **#1 BANK**
FOR GLOBAL RENEWABLES TRANSACTIONS[2]

SUSTAINABLE DEVELOPMENT GOALS

TARGETS

- 21% carbon emissions 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 PLANS

Join the Principles for Responsible Banking Collective Commitment to Climate Action

Source 100% of Australian electricity from renewable sources by 2025

Provide $70bn environmental financing by 2025

Develop and roll-out climate change training for employees

LEARN MORE

- Our ESG risk management approach
- Our climate change approach
- Natural Value

1 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to our Data Pack for more information.
2 Ranking based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2019, Value of Deals (database searched on 29 October 2019).

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- **Addressing climate change and environmental sustainability**
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

ENGAGING OUR PEOPLE

Supporting and enabling an inclusive workforce to serve our customers now and in the future

WHY IS IT IMPORTANT?

To serve our customers and community better, we need an engaged, capable and diverse workforce. Strong leadership and a culture that inspires our people to be their best are also important.

Our people need to keep up with changing technology and customer preferences. We can support our people by providing innovative and effective training, and building the right skills to succeed.

The findings of the Royal Commission deeply affected our people, who want to ensure we learn from our mistakes and make the right changes to respond. We are committed to facing these challenges and learning from them – at the same time looking after our most important asset, our people. Information about our Culture Priorities and how we're driving cultural change is in the *Governance, conduct & culture* section.

WHAT ARE WE DOING?

About our people and strategy

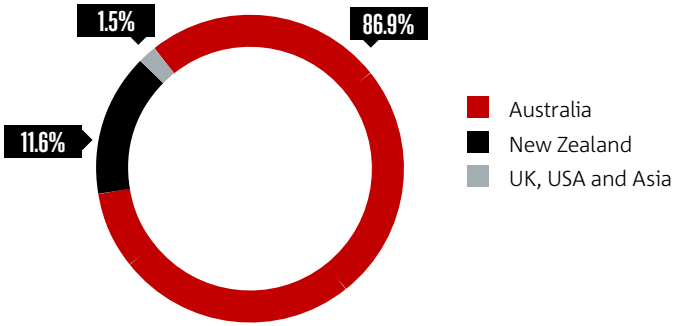
We have an international workforce of more than 34,000 employees[1]. Ninety eight per cent of our people work in Australia and New Zealand, while the remainder are in London, New York and parts of Asia.

Our People Strategy aims to strengthen our business with outstanding leaders, brilliant bankers and a future-ready workforce. It also aims to embed a workplace culture based on five core values aligned to our purpose and vision:

1. **Passion For Customers**
   - Get it right for our customers, every single time
   - Take a stand for our customers
2. **Be Bold**
   - Be exceptional
   - Step in, step up, speak your mind
3. **Win Together**
   - One NAB,One Badge
   - Make it simpler and faster
4. **Respect For People**
   - Show care for everyone
   - Be candid with each other
5. **Do The Right Thing**
   - Act with integrity
   - Be true to your word

A clear set of behaviours is needed to earn back trust in banking. This year, we supported leaders to role model and raise awareness about the values and behaviours that ensure we do the right thing for customers and put their needs before anything else. The focus was on the themes that were most evident in the Royal Commission findings and APRA Self-Assessment: putting the customer first, being disciplined and making things simpler for our people. See the *Governance, conduct and culture* section for more.

EMPLOYEE DISTRIBUTION (%) BY GEOGRAPHIC REGION



WORKFORCE BY CONTRACT TYPE AND GENDER (%) 2019	FEMALE	MALE
Permanent term full-time	28.1	34.8
Permanent term part-time	9.3	1.5
Fixed term full-time	0.5	0.7
Fixed term part-time	0.2	0.1
Casuals	1.5	0.5
External/temporary employees/contractors	7.4	15.4

EMPLOYEE TURNOVER RATE BY GENDER 2019	FEMALE	MALE
Voluntary turnover rate	10.5%	10.8%
Involuntary turnover rate	6.2%	4.1%
Total turnover rate	**16.7%**	**14.9%**

1. Based on number of full-time equivalent employees (FTE) as at 30 September 2019.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- **Engaging our people**
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

Engagement

Engagement underpins employee wellbeing and motivation, and our ability to attract and retain talent. Better engagement translates to better customer outcomes. Our analysis found that Retail Branches and Business Banking Centres with high employee engagement have twice the customer satisfaction of other branches and centres with disengaged employees.

In 2019, our overall engagement score was 54%, flat compared to 2018. We fell short of our long-term aspiration to be in the top quartile in Australia and New Zealand (which was 69% this year). While the result is far from our goal, it is not surprising given this year's challenging events. Employee feedback from our annual engagement survey is summarised below:

Health, safety and wellbeing

We offer a range of tools, resources, services and programs to help manage physical health and mental wellbeing. These include an early intervention program and proactive approach to managing claims, so that employees receive appropriate rehabilitation support.

All employees and their immediate family have access to MyCoach Employee Assistance Program (EAP). This is an independent and confidential counselling service, supporting our people—and, more recently, all Business Banking and Retail customers - during difficult times.

MyCoach EAP was enhanced this year to include a life coaching service for all employees, providing a holistic offering around health, nutrition and wellbeing, and a coaching service for our leaders to help them have difficult conversations with more confidence and capability.

We offer an online health and wellbeing portal to our people, including free behavioural change and evidence-based health programs. By focusing on physical and psychological wellbeing, our people can perform and be resilient in times of change.

Preventing injuries and absenteeism

We are committed to safe and sustainable return-to-work outcomes so that injured employees receive leading treatment and rehabilitation to support their recovery. This has led to fewer lost-time injury claims and kept our lost-time injury frequency rate (LTIFR) stable and low over time.

LTIFR[1]	2019	2018	2017
Australia	0.49	0.75	0.65
New Zealand	1.11	0.24	1.66

We also measure sick, care and bereavement leave. Our people have two days per year of planned sick leave, in addition to the 12 days paid sick leave accrued during the year which means they can support their wellbeing by attending preventative and planned health appointments. Australian employees can also access unlimited domestic and family violence leave. This also can be used to support family or friends who are experiencing domestic violence.

ABSENTEEISM[2]	2019	2018	2017
Australia	8.59	8.28	8.37
New Zealand	6.57	6.29	6.61

Supporting our people through change

In November 2017, we announced workforce changes so that we can be simpler, faster and closer to our customers. This transformation would remove 6000 existing roles, and create 2,000 new jobs by 2020 in the areas of technology, data science and artificial intelligence. So far, 1,045 new FTE roles have been created and 1,816 FTE have been removed.

We know that it is a difficult time for our people as we automate and simplify our business, but we're treating them with care and respect. Our 2016 Enterprise Agreement (EA) sets out employment arrangements for our Australian employees, and underpins our approach as we reshape our workforce.

Our people have a right to freedom of association and collective bargaining. We continued our constructive relationship with the Finance Sector Union (FSU) this year in negotiating a new 2019 enterprise agreement.

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

CBA COVERAGE	2019	2018	2017
Australia	100%	100%	100%
New Zealand	7%	8%	10%

WHERE WE DID WELL

- 74% of our employees experience an inclusive workplace (+2%).
- Our people see increased trust and mutual respect in the organisation (+8%).

WHERE WE CAN IMPROVE

- Senior leader index was 45% indicating that our senior leaders can better connect people to our vision, purpose and strategy.
- There was a nine per cent drop in our score assessing enabling systems, suggesting that NAB systems and processes can be simpler and easier to use.

1 Lost time injuries are defined as a workplace injury resulting in an employee being absent from work for at least one full shift, 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). From 2018, a 37.5-hour working week is used in the calculation for New Zealand. Past results may have been revised upwards due to additional lost time injuries being recorded after the reporting period has ended. Current year results may also be revised as additional lost time injuries are recorded in our system. Any updates will be reflected in future reporting. In line with local reporting requirements, New Zealand LTIFR calculation in 2018 used population of employees who were absent for 5 or more days. This was changed in 2019 to be the same as Australia. Prior year rate has not been restated.

2 Absenteeism represents 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 may have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results may also be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- **Engaging our people**
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- **Engaging our people**
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

Investing in our talent

In responding to feedback from the Royal Commission and APRA Self-Assessment, our ambition is to have outstanding leaders at NAB. More information is in the *Governance, conduct & culture* section.

Building a pipeline of diverse and inclusive leaders for the future and transforming the culture of our business relies on strong talent management practices. We are progressing our approach to set up consistent talent practices related to hiring, development and succession for the top four layers. This year, 265 talent assessments were completed and 60 senior leaders attended enterprise-wide talent development programs.

Succession plans are in place for critical roles and next year, we will focus on career development for bankers, technology roles and critical areas where skills are scarce and demand is high.

Training and development

People who are being developed are more likely to be motivated and engaged. Our training priorities are to build leadership and critical banking skills.

Training highlights this year were:

- Launched the Propel pilot, a tailored training experience for bankers to foster resilience, mindsets and activities that support them in their roles. 300 bankers were part of the first phase in Q3 FY19, with 1,000 more planned to complete the program by December 2019.
- Introduced new Customers Experiencing Vulnerability Framework and Data Breach training for all employees, and worked with the Australian Banking Association to deliver four Banking Code of Practice learning modules.
- Supported the bankers' continuing education on credit skills training, including a new bi-annual assessment that identifies strengths and gaps
- Partnered with LinkedIn Learning to make about 8,000 courses[1] available to our employees, with over 44,000 courses undertaken since June 2018.
- Set up virtual communities of practice on Workplace, our digital social media platform to foster online learning and sharing.

DIVERSITY AND INCLUSION

We know that a diverse and inclusive workforce – one that truly reflects our customers and community – drives innovation, engages our people and builds productivity, resulting in a better experience for our customers.

Strategy and leadership

The overarching focus of our Diversity & Inclusion (D&I) strategy is to foster an inclusive culture. The strategy includes three strategic priorities: gender equality, life stage inclusion and lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion.

The strategy also focuses on cultural inclusion and accessibility, and is enabled by leadership, flexibility and NAB's employee resource groups (ERGs). ERGs are voluntary, employee-led groups that foster a diverse, inclusive workplace. They are: Gender Balance, NABility, NAB Pride and Cultural Inclusion. Our Executive Leadership Team has direct accountability for execution of the strategy.

Seventy four per cent of NAB employees experience an inclusive workplace, a two per cent increase on 2018[2]. Our aim is to reach 77% (or higher), which represents the top quartile of organisations in Australia and New Zealand.

Supporting our people through flexible working

We continue to offer a wide range of flexible working options. The right option depends on a balance between the needs of the customer, business, team and employee. Providing a flexible work environment increases productivity, supports work life balance and helps retain talent.

In 2019, 83% of our people said that they had the flexibility needed to accommodate priorities at work, home and in the community[2].

Gender equality

We have set a bold target to achieve 40-60% gender representation at every business level by 2020[3]. We have missed our interim gender targets for 2019, and although we made some progress (see table on next page), it was not enough to reach our target.

This year's main activities were:

- Increasing senior leadership accountability for achieving NAB's gender equality targets by continuing to include gender diversity in senior leaders performance goals.
- Mandating 50:50 gender representation on recruitment shortlists for all roles at all levels.
- Encouraging participation in our Breakthrough development programs for women.
- Striving to have women remain equally represented during our talent assessment process.

Katherine Fagg was appointed to the Board as a non-executive Director, commencing 16 December 2019. This falls outside the financial year. This brings our female representation at Board level up to 40% .

1 Topics include cloud computing (AWS), finance fundamentals, coding languages, critical thinking, data analytics and emotional intelligence.
2 Source: Employee Engagement Survey conducted by Aon (now known as Kincentric). Inclusion Index is an average score from four selected diversity and inclusion questions.
3 '**Towards 2020: NAB's road to gender equality**' outlines how we plan to achieve gender equality in more detail.

At NAB, we believe in equal pay for work of equal value and closing the gender pay gap. Many factors determine a person's pay including their skills, experience, qualifications, performance and work hours. At an organisational level, when comparing the base salary of all women to men at NAB, our gender pay gap is 21.1%. This is lower than the average pay gap for the financial and insurance services industry at 22.9%[1]. However, it is still not where we want it to be. Our biggest opportunity to reduce the organisational pay gap is to achieve equal gender representation at all levels.

NAB's **2019 Corporate Governance Statement** and '**Towards 2020: NAB's road to gender equality**' have more information about our gender equality activities.

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 accrues long service leave. We encourage non-birth parents to take parental leave. In 2019, 34% of our employees commencing primary carer's leave of more than two weeks were men.

This year we saw an increase in the return to work rate after parental leave (of more than 90 days) from 82.5% in 2018 to 83.2% in 2019. We also partnered with Care Corporate to offer support and resources for employees who have caring responsibilities, such as caring for children, persons with disability or elders.

Gender equality table - our 2020 female representation objectives

FEMALE REPRESENTATION MEASURABLE OBJECTIVE[2]	2018 ACTUAL	2019 ACTUAL	2019 TARGET	2020 TARGET
NAB Board (non-executive directors)	33%	33%	-	40-60%
NAB Group Subsidiary Boards	39%	39%	-	40%
Executive Management (Salary Group 6 & 7)	31%	33%	37%	40%
Senior Management (Salary Group 5)	32%	34%	37%	40%
Management (Salary Group 4)	38%	37%	-	40-60%
Non-management (Salary Group 1 – 3)	57%	55%	-	40-60%
Australian Talent Population[3]	41%	41%	50%	50%
Australian graduate program intake[4]	46%	46%	50%	50%
Total organisation	**52%**	**51%**	**-**	**40-60%**

LGBTI+

We want to create a culture where our LGBTI+ employees aren't defined by their sexual orientation, or their gender identity. This year we achieved Gold Employer Status in the Australian Workplace Equality Index (AWEI). The AWEI is the national benchmark on LGBTI+ workplace in Australia. We committed to a further three years as the Principal Partner of Midsumma Festival and have been supporting the LGBTI+ community and its allies through this partnership since 2013. We have supported other LGBTI+ community events in Australia including the Chillout Festival, Fair Day at Brisbane Pride and Pride Cup Australia.

Accessibility

This year we worked with the Australian Network on Disability to make it easier for our people and customers to engage with us. Our new 'Better Together' Accessibility Action Plan (2019-2020) sets out how we're trying to build an inclusive culture. Anyone can read the Plan **online here**.

The 'Neurodiversity at NAB' Program was a new pilot launched in our Enterprise Security team. It aims to provide meaningful and sustainable employment for people on the autism spectrum.

We also proudly announced our increased support of Special Olympics Australia, to become Principal Partner until 2022. The partnership builds on NAB's role as Presenting Partner of the 2018 Special Olympics National Games hosted in Adelaide.

Cultural Inclusion

Our workplace should reflect the cultural representation of our community. This year, we increased our focus on cultural diversity in leadership. We hosted and were the Exclusive Partner of the 2019 'Board Director Experience' series with the Asian Leadership Project designed for colleagues from culturally diverse backgrounds who are current or aspiring directors.

Our Indigenous employment program continued this year, offering 76 Indigenous Australian traineeships as part of our Reconciliation Action Plan. Read more in the *Stronger communities* section.

NAB's African Australian Inclusion Program celebrated its 10th anniversary this year. The professional program for skilled African-Australians provides six months' paid corporate experience. Since its inception, 465 employees have participated in the program.

Full performance information is in our **Data Pack**.

1 Workplace Gender Equality Agency (WGEA) 2017-2018 benchmark report.
2 NAB's 2020 gender equality targets were set in FY17. '-' denotes no FY19 interim target was set. Calculated using population of permanent full-time and part-time employees. Actuals and targets are stated as at 30 September for each respective year.
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 As at 30 September 2019, 46% of the graduates who have accepted positions in NAB's 2020 Australian graduate program are female.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- **Engaging our people**
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

HOW ARE WE TRACKING?

54%
OVERALL EMPLOYEE ENGAGEMENT

FY19
INTERIM GENDER EQUALITY TARGETS NOT MET

83%
AUSTRALIAN EMPLOYEES RETURN TO WORK AFTER PARENTAL LEAVE

5.5%
AUSTRALIAN MALE EMPLOYEES WHO TOOK PARENTAL LEAVE

465
AFRICAN AUSTRALIAN INCLUSION PROGRAM PARTICIPANTS SINCE INCEPTION

83%
OF OUR PEOPLE WORK FLEXIBLY

SUSTAINABLE DEVELOPMENT GOALS

TARGETS

- Top quartile (>69%) employee engagement
- 95% of high performing employees retained
- Every level 40-60% female representation by 2020
- 30% of Senior Leaders identified as Key Talent

FUTURE PLANS

Achieve our 2020 gender equality targets – 40-60% of either gender represented at every level

Realise progress towards Australia and New Zealand top quartile Inclusion Index (77%)

LEARN MORE

- Our people
- Gender equality
- Workplace accessibility
- Health and wellbeing

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- **Engaging our people**
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

TRANSFORMATION AND TECHNOLOGY

Being a secure, technology enabled, innovative business

WHY IS IT IMPORTANT?

Our customers expect access to banking services in an easy and digitally enabled way whenever it suits them while knowing their data is secure. Strong technology foundations underpin this experience. Our strategy allows us to move faster, change quicker, and be more efficient and resilient for our customers.

Security is critical for our customers. It is one of our biggest business priorities because customers trust us with their data and their money. We've bolstered our efforts to protect customers and their information. This is part of how 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.

WHAT ARE WE DOING?

Technology and resilience

We have continued to implement our technology strategy. The key activities have been accelerating our migration to cloud-based software platforms, insourcing technology, improving system reliability and increasing our security capabilities.

Building in-house technical capability makes us a stronger business and cuts our dependence on outsourcing IT services. We're halfway through insourcing our infrastructure and workplace technology services.

Our people continue to become certified in cloud computing. More than 950 employees have been industry certified in Amazon Web Services (AWS), Microsoft Azure and Google Cloud Platform. This is the most AWS certified people in Australian and New Zealand businesses except Amazon itself.

There were 66 high and critical technology incidents this year in Australia, a 42% drop compared to last year. Ongoing investments to address root causes have driven a long-term decline in high and critical incidents and made our systems more reliable.

Key ways that we bolstered our security systems this year were:

- Launching an insider threat monitoring program which monitors employee misconduct and fraud using NAB systems. This responds to the Royal Commission recommendations about enforcing ethical behaviour standards.
- Improving email security for the nab.com.au domain name. This reduces email-based fraud, scams and phishing attacks targeting our customers with email addresses that look like they're coming from NAB.
- Replacing older identity management and data protection platforms to protect NAB's information and systems.

Tackling financial crime

Up to $2 trillion illegal money is laundered through financial institutions every year; and less than one per cent is frozen or confiscated. We prevent criminal activities such as anti-money laundering and counterterrorism financing, fraud, bribery and corruption, and sanctions and embargoes. Our financial crime approach is based on three principles: vigilance, intelligence and convergence.

You can find out more about how we manage financial crime and uphold the Wolfsberg Group Anti-Money laundering principles **here**.

JULY DATA BREACH INCIDENT

In July 2019, NAB's data protection software detected that a NAB employee had uploaded the personal information of approximately 11,500 customer records to a third party website. This information included the customer name, date of birth, contact details and in some cases, a government-issued identification number, such as a driver's licence number.

The team mobilised quickly after confirming that the upload was unauthorised. Regulators were notified within 72 hours, including the Office of the Australian Information Commission, APRA, ASIC and the United Kingdom Information Commissioner's Office. NAB then began contacting affected customers. We set up a 24/7 hotline for inbound customer calls and acted quickly with over 80% of affected customers contacted through various channels within two business days. We offered each customer compensation to replace government-issued identification, where appropriate. We also offered to cover the cost of a subscription to 12 months of independent fraud monitoring.

The incident prompted a review. We strengthened the controls around our data leakage prevention and detection capabilities, and rolled out additional mandatory training for all NAB staff globally. It covered privacy and data breach practice, procedure and obligations. This event helped review our new data breach playbook, particularly the role each stakeholder plays during a critical incident. Most importantly, the breach reinforced the need for quick, transparent action and how vital it is to manage risks and compensate customers. More information about technology incidents is in the Annual Review, and our Data Pack **here**.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- **Transformation & technology**
- Stronger communities

How we act
Assurance
Glossary

Data security, privacy and management

It is important that we ensure resilient systems and invest in world-class data security systems. This helps to ward off growing cyber security threats, which is one of the top risks facing our business today. Protecting the privacy of our customers' data is critical. This year, we created a privacy operations function, developed global privacy standards, and wrote a data breach playbook. We also rolled out mandatory privacy training to all employees to ensure there is a clear understanding of data privacy policy and good practice. The training reinforces a mindset of protecting our customers' data with as much rigour as we protect their money.

This year, the Office of the Australian Information Commissioner was notified of eight data breaches related to NAB. One was reported by a third party. We responded to nine complaints referred from the Commissioner's office.

Three major breaches of personal data affected NAB customers during the banking financial year. One was caused by human error at NAB following the unauthorised external upload of personal information. This affected approximately 11,500 NAB customers (see case study on previous page). The second major breach was when the PayID New Payments Platform Australia (NPPA) suffered an enumeration attack via another financial institution. This impacted approximately 16,490 NAB customers on the platform including individuals, sole traders, small business owners and organisations. The third significant event occurred via the third party, LMW (formerly LandMark White). This was caused by an exposed application programming interface that was exploited by a malicious attacker. This affected about 17,911 NAB customers.

Other less significant breaches were caused by phishing emails and a phone scam targeting online customers who applied for credit card and personal loan products. These incidents affected 219 NAB credit card and personal loan customers.

Strong data governance practices help organisations better protect and improve the quality of critical data. We also trained over 120 data stewards from every banking division. They are charged with promoting good data practices, resolving data issues and improving data quality across the bank. Improving the quality of our customer's data will help us to better interact and achieve outcomes for our customers. Currently, 15% of customer complaints are data quality related. This year, we launched the Data Guild and the Analytics Guild to create a data community and retain talent in core skill areas. Today, the Data Guild has approximately 380 members, and the Analytics Guild has approximately 1600 members.

Digital innovation

We built new data and technology foundations this year, including an advanced analytics platform, and new reporting tools. The new reporting tools help our people access data more easily and quickly to serve our customers. For example, bankers can access customer details and sales reporting more quickly on mobile digital devices out in the field.

NAB Ventures is our incubator that funds start-ups and fintechs. This helps accelerate our own digital transformation and tap into the latest technologies. Since launching in mid-2016, NAB Ventures has made 14 strategic investments in data management, payments, real estate, and cyber security start ups. Last year we committed to doubling funds available for fintech investment to $100 million.

This year, UBank launched two world firsts to help transform the customer experience. The first was Mia, the world's first digital human in the home loan area. Mia is powered by Artificial Intelligence and can answer common questions from customers about the home loan application process. It is designed to help streamline the customer experience. Since Mia's launch, it has given over 9,200 responses with an accuracy rate of 81%. Mia handles an average five questions per customer interaction and achieves a +25 NPS.

The second was a Green Term Deposit for Consumers, certified by the Climate Bonds Initiative (see the case study in the *Addressing climate change and environmental sustainability* section).

UBank also enhanced the Free2Spend app to improve customers' financial health. Free2Spend is an innovative in-app budgeting tool that helps customers take control of their spending and saving. It uses real-time updates to keep customers on track to hitting their savings goal. UBank customers using Free2Spend have set themselves a combined goal value of $490 million. They're on track to achieving their goals, having already saved $109 million. Ten per cent of UBank transaction account customers are using Free2Spend.

Becoming simpler and faster

NAB products and services should be easy for customers to use and understand. In 2019 we removed 72 products and reduced or removed 185 fees as part of our fee clean-up program. Getting rid of fees such as repeat statement fees, foreign currency charges and legal fees for business customers makes life simpler and easier for our customers.

We have made progress reshaping our workforce to develop the right skills for the future. We reduced 1,816 full-time equivalents (FTE) in 2019. We recruited 1,045 new FTE with new capabilities and insourced activities previously undertaken externally, equivalent to about 637 FTE.

Investing in technology has helped us become more agile for our customers. To be simple, fast and reliable for customers, NAB needs modern technology platforms that are fit for purpose and adaptable. We enhanced frontline technology, including five times faster network speed. We also decommissioned seven legacy platforms to deliver a single, modern reporting platform.

Key activities this year redesigned and improved the customer experiences for our most critical customer experiences such as home lending, business lending and everyday banking. These included redesigning our end-to-end home lending process, and delivering new features in our NAB Mobile Banking and NAB Connect mobile apps. We also launched Apple Pay in May, which has already been adopted by 500,000 customers.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- **Transformation & technology**
- Stronger communities

How we act

Assurance

Glossary

HOW ARE WE TRACKING?

3,000
NAB CLOUD GUILD MEMBERS TRAINED

400+
APPLICATIONS MIGRATED TO THE CLOUD

42%
DROP IN CRITICAL AND HIGH PRIORITY TECHNOLOGY INCIDENTS

3
MAJOR DATA BREACH INCIDENTS

1,816
ROLES EXITED DUE TO NAB'S TRANSFORMATION STRATEGY

1,045
NEW DATA, TECHNOLOGY ROLES CREATED

950+
AMAZON WEB SERVICES, MICROSOFT AZURE AND GOOGLE CLOUD PLATFORM CERTIFIED EMPLOYEES

SUSTAINABLE DEVELOPMENT GOALS

TARGETS

- Be #1 for NPS among major Australian banks
- More than $1 billion in cost savings by 2020

FUTURE PLANS

Deliver our simpler bank changes

LEARN MORE

- Business banking
- Our security approach
- Anti-money laundering

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- **Transformation & technology**
- Stronger communities
How we act
Assurance
Glossary

STRONGER COMMUNITIES

Building a stronger economy and supporting communities

WHY IS IT IMPORTANT?

We've been part of Australia's growth story for the past 160 years. Our success is tied to the people, businesses, and communities who have achieved their goals. Their progress will make our nation better than it is today.

For NAB, this means supporting small businesses, being part of the public debate about what's good for our society and economy, having close relationships with grassroots communities, knowing what matters for rural and regional areas and making sure people feel connected and included. It also means tackling big issues concerning Australia's future, such as affordable housing, supporting Indigenous businesses and building the capacity of the for-purpose sector. For-purpose organisations are non-profits, social enterprises and other organisations with social missions.

WHAT ARE WE DOING?

Community investment

Our Corporate Community Investment (CCI) approach is aligned to two key pillars of our Social Impact strategy: Financial Health and Stronger Communities. Using the London Benchmarking Group (LBG) framework, CCI measures the dollar value of what we contribute to community organisations through donations, partnerships, sponsorships and volunteering[1].

This year we invested $57.1 million in community activities (see chart to the right), a $2.7 million increase from last year. The two main focus areas of our investment are disadvantage/welfare (through our partnership with Good Shepherd) and grassroots sport (through our support of the AFL, AFLW and Special Olympics Australia). For more information, refer to the **Data Pack**.

We partner with experts to address complex societal problems and drive change. Five principles provide a framework for building critical partnerships and managing relationships with the for-purpose sector:

1. We want bold, purpose-led sponsorships and partnerships
2. We value a collaborative partnership for the long term
3. We want to engage our people to create a big impact
4. We want to maximise the value from the partnership
5. We act on issues that matter and create value for the community.

NAB Foundation is our philanthropic arm which supports for-purpose organisations to adopt new and innovative ways to address societal issues. This year's focus was on transferring knowledge and building the capacity of the for-purpose sector. Beyond funding, we provide in-kind support that leverages the skills and resources of the wider NAB Group and focuses on engaging our people with key partners.

2019 VERIFIED LBG AU & NZ

BUILDING THE CAPACITY OF THE FOR-PURPOSE SECTOR

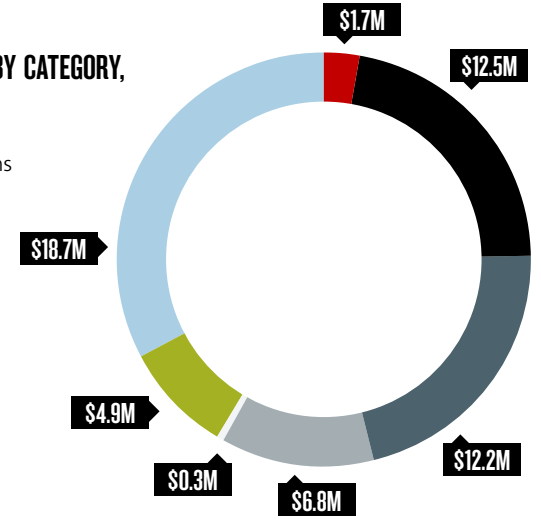
A vibrant for-purpose sector makes sure that people can access the services and support that they need.

We back these important community service organisations with a dedicated national network of community sector bankers. The future of the sector depends on skilled and capable leaders who can deal with large-scale societal challenges. This year, NAB and JB Were offered a series of capacity building programs for Directors and Senior Leaders from the for-purpose sector, including:

- Governance Foundations for Not-for-Profit Directors course in partnership with the Australian Institute of Company Directors. This offered 120 places in five Australian cities.
- 2019 Social Leadership Program: Lifting the Gaze which engaged more than 300 leaders in a week-long event series.
- The Governance for Social Impact course was delivered to more than 100 leaders from Australia's largest for-purpose organisations. It was co-developed and delivered with the Centre for Social Impact.

COMMUNITY INVESTMENT ($M) BY CATEGORY, USING LBG FRAMEWORK

- Charitable gifts and donations
- Community investments
- Commercial initiatives
- In-kind volunteering
- In-kind support
- Management costs
- Foregone fee revenue



1 Refer to Glossary on page 47 for definitions of LBG corporate community investment categories.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- **Stronger communities**

How we act
Assurance
Glossary

Giving back

Research shows there are strong links between a workforce that is productive and engaged in a company's corporate social responsibility program. Providing employees opportunities to make a positive impact on social and environmental issues can increase job satisfaction[1]. Recent NAB research found that our social impact work increases employee pride and decreases voluntary attrition by a factor of 4[2]. This saves NAB up to $44 million per year.

Our people value their opportunities to engage with the community. And with more than 34,000 people, we can make a real difference. Our employees are entitled to two days a year to volunteer with a non-profit organisation of their choice, and in 2019, they contributed 13,464 volunteer days valued at $6.8 million.

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. This year we matched more than $730,000 in donations for these charities. For more information on our volunteering and community investment performance, refer to the **Data Pack**.

BUILDING DEEPER RELATIONSHIPS WITH OUR COMMUNITY PARTNERS

For-purpose organisations play a vital role in the community. These organisations have a strong social mission and provide critical services for communities in need. In three examples below, it is the relationship that increased the social impact, not just the funding.

Infoxchange is a social enterprise that provides technology for social justice in Australia and New Zealand. Our NAB Assist team regularly use the online service Ask Izzy, a website developed by Infoxchange that connects people who are in crisis with services they need right now and nearby. The team participated in skilled volunteering that tested the beta website before Infoxchange launched a new feature, funded by the NAB Foundation. The new feature made it safer and easier for people experiencing domestic and family violence to find help. The NAB Assist team also contributed to an Ask Izzy design workshop to help Infoxchange explore how they can better assist service providers, such as NAB, to support its users at risk of or experiencing domestic and family violence. Infoxchange has run more training and hosted an Ask Izzy drop in centre at NAB to increase digital literacy and understanding about how to use Ask Izzy, and improve our NAB Customer Care team's interactions with customers experiencing vulnerability.

WIRE is a community organisation that offers free support, referral and information for all Victorian women, non-binary and gender-diverse people. WIRE developed a Women & Money toolkit with funding from the NAB Foundation. The toolkit helps finance sector professionals engage more effectively with women, and support customers experiencing family violence and financial abuse. WIRE trained our NAB Customer Care team, running two courses tailored for phone based work, "Dealing with Difficult Calls" and "Financial Abuse in the context of Family Violence". The training gave the NAB Customer Care team more knowledge and confidence to engage in difficult conversations with customers and identify family violence and financial abuse.

Two Good Co is a social enterprise that employs women who have experienced domestic violence and other traumatic events in their Work Work Coaching program. NAB skilled volunteers also worked with this NAB Foundation partner to support the program, which promotes self-belief, positive connections and realising a person's potential through gainful employment. NAB volunteers were mentors and role models for participants. They gave practical advice on resumes, interview techniques and other employment matters. NAB volunteers worked closely with the Work Work program manager who provided training and support to prepare them for working with their partnered participant. It is a big commitment but highly rewarding because of the important impact it can have on these women's lives.

1 2016 Cone Communications Millennial Employee Engagement Study replicated by the NAB People Analytics team.
2 NAB People Analytics research replicated an international study of CSR perceptions and workforce productivity. The estimated $44 million represents the estimated cost of 1% attrition per year.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- **Stronger communities**

How we act
Assurance
Glossary

MAKING A DIFFERENCE THROUGH VOLUNTEERING

Skilled volunteering gives our community partners more than money.

There are three key benefits:

- It leverages the skills and expertise of our employees to drive sustainable social change.
- It provides significant value and builds capacity for our customers and community partners.
- It leads to strong leadership and capability outcomes for our people.

This year we designed unique skilled volunteering programs for our people and community.

For many New Zealanders, being anxious about scams is a barrier to getting online. Thousands of BNZ employees put their skills to good use helping communities and businesses be safer online and avoid scams. 'Scam Savvy' is a week-long event in August where we focus on raising awareness and helping New Zealanders protect themselves from scams and be confident online. This year, BNZers from across the business held Scam Savvy sessions in branches, Partners Centres, in some of our larger customer locations and in the community in locations such as schools, malls, libraries and retirement homes. In 2019, we helped more than 55,000 New Zealanders get Scam Savvy and feel safer online. The purpose built Get Scam Savvy tool helps people learn what some of the common scams are, how to spot them and how to respond.

A team of nine NAB volunteers worked with Launch Housing, an innovative homelessness and housing services provider. Launch Housing's mission is to end homelessness by providing high quality housing, support, education and employment services to thousands of people across 14 sites in metropolitan Melbourne. Launch Housing social enterprise, HomeGround Real Estate is a professional real estate agency offering for-purpose property management services. Any income through fees is reinvested into the community through Launch Housing's work. The NAB volunteers worked with HomeGround Real Estate to develop a plan to scale the social enterprise. This included reviewing tactics on how to improve performance, increase properties under HomeGround's management, how to grow brand awareness through an effective marketing strategy, and expand the model to other cities.

Affordable housing

There is a chronic shortage in appropriate housing for very low to moderate income households in Australia, and shelter for those in crisis. Homelessness is on the rise and one million additional social and affordable homes will be required by 2036[1]. NAB has helped Australians access homes and housing. We provided $61 billion in new home lending to customers this year[2], and worked with organisations that provide social and affordable housing. Affordable housing is housing that is affordable for people on mid to lower incomes and is reasonably adequate in standard and location.

This year, we pledged $2 billion in financing over three years to support the social and affordable housing sector. This will help Australia make an urban shift to support people who need different housing options. We want to play a bigger part in strengthening the building blocks of Australia's housing market, across the housing spectrum.

Our goal is to make a difference by mobilising the investment community behind financial products and structures that will open new pathways to crisis, social, community and low-cost housing. We can play a role by collaborating across the sectors that intersect with this issue – developers, insurers, governments, non-profits, investors, regulators and most importantly, the many Australians who bank with us.

Supporting regional and rural Australia

NAB has strong roots in regional and rural Australia. This is based on longstanding customer relationships and a wide branch network. This year, we announced that we will keep all branches open in regional and rural areas until at least January 2021. This built on our previous commitment to keep branches in drought-affected communities open.

This matters to regional customers and businesses because 2,000 NAB employees are from these communities and almost half of our branch network is in regional and rural Australia - the highest of any major bank. These relationships contribute $2.7 billion in revenue to the Group (26% of total revenue) and make up 40% of our business customers. We deliver banking services to about one million customers in the regions. We are also the biggest small to medium enterprise business and agribank lender by market share[3].

We opened four new banking centres to better serve regional communities this year. The Customer Connect Centres employ specialist bankers with local insights and experience who partner with regional and agribusiness customers to help them to grow their businesses. Small business and agribusiness customers can access bankers through various channels, including phone and email and self-service and digital banking technology. Customers will also experience faster resolution of simple customer queries at the first point of contact. For more complex banking requirements, specialist bankers will be available to provide support. The new Customer Connect hubs are in Toowoomba, Queensland, Bunbury, Western Australia, Bendigo, Victoria, and Tamworth, New South Wales. This means better service and more jobs for these regional communities (see the break out box on the next page for more).

1 Estimating need and costs of social and affordable housing delivery, UNSW and City Futures Research Centre, March 2019.
2 Based on drawdowns (excluding redraws) of our Australian and New Zealand customers.
3 APRA Monthly Authorised Deposit-taking Institution statistics.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- **Stronger communities**

How we act
Assurance
Glossary

SUPPORTING FLOOD AFFECTED CUSTOMERS IN QUEENSLAND

In March this year, torrential rain and floods hit Queensland outback communities. This had a devastating impact on graziers who lost cattle in flood waters and were already dealing with the ongoing drought.

We stepped up relief for regional customers affected, including deferring interest and repayments for up to three years in line with the Australian Government's support package. Our NAB Assist financial hardship team worked closely with these customers to support them through financial challenges. We also supported our local bankers to train them in hardship and wellbeing triggers and offer solutions for unique customer scenarios.

We have committed to helping the flood-affected primary producers in the impacted areas. We will:

- Not foreclose on or force the sale of collateral of existing NAB loans for three years.
- Defer interest and repayments for existing NAB loans for up to three years on a case by case basis.
- Offer a 2.44% rate for new loans for an existing NAB customer and primary producer where the government provides up to 40% of the loan via a restocking grant.
- Only require acquired stock as security for restocking loans.
- Make the $500 million concessional loan scheme announced in February available to customers with existing loans who need extra support to restructure their existing facilities. This scheme offers loans at a reduced rate.

OPENING NEW HUBS IN REGIONAL AUSTRALIA

During the year, we opened four new Customer Connect Centres in regional areas. We're proud to invest in these communities and give our regional customers better service.

TOOWOOMBA CONNECT CENTRE

- We invested about $300,000 in upgrading the centre.
- There are 15 roles at the centre.

BUNBURY CONNECT CENTRE

- We invested $650,000 in the new centre.
- There are two new jobs and nine internal roles that make up the team.

BENDIGO CONNECT CENTRE

- NAB has invested $1 million on the refurbishment of the Bendigo Hub.
- There is a new 20 seat conference room in the retail space for business and community use.
- There is a new 20 seat conference room in the retail space for business and community use.
- It has customer co-working facilities where customers can book meeting rooms, and use Wi-Fi.
- There are 18 new roles in the connect centre.
- The Centre supports 8,000 small business or agri customers across regional Victoria and Tasmania.

TAMWORTH CONNECT CENTRE

- This new centre has created new local job opportunities and attracted new team members from other areas to Tamworth.
- 22 bankers work at the Centre - 17 are existing NAB employees and five are new starters.
- 10 people have moved to Tamworth to work in the Connect Centre.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- **Stronger communities**

How we act
Assurance
Glossary

SUPPORTING INDIGENOUS SUCCESS

Indigenous Australians are two and a half times more likely to be financially excluded[1]. As a bank, we can help close this gap. We want to create a future where Indigenous Australians have the same financial opportunities and resilience as non-Indigenous Australians. The past decade has also seen Indigenous businesses grow by 72%, adding between $2.2-$6.6 billion to Australia's Gross Domestic Product[2].

We launched our eighth Reconciliation Action Plan (RAP) - and fourth with Elevate status - this year which aims to accelerate Indigenous economic participation. The RAP sets targets for microfinance, businesses development, meaningful careers, and creating an inclusive work place. A key stake in the ground was partnering in the Meereng 50 First Australians Procurement Accelerator. It aims to support mature businesses aspiring to develop commercial relationships with major corporate partners. This project helps to achieve our RAP commitments and supports a broader ecosystem for Indigenous business success. In 2019, we have provided more than 6,700 microfinance loans for Indigenous Australians on low incomes, and spent $1.4 million with Indigenous businesses. More information on how we're supporting Indigenous Australians is in the *Customer support and experiences* and *Engaging our people* sections.

HOW ARE WE TRACKING?

$87bn
NEW BUSINESS LENDING IN AUSTRALIA AND NEW ZEALAND[3]

$57m
COMMUNITY INVESTMENT

EMPLOY
2,000
PEOPLE IN REGIONAL COMMUNITIES

$1 IN EVERY $3
LENT TO AUSTRALIAN FARMERS[4]

47%
BRANCHES IN REGIONAL AND RURAL AUSTRALIA

SERVING ABOUT
1 MILLION
REGIONAL CUSTOMERS

$1.4m
SPENT WITH INDIGENOUS BUSINESSES

13,464
VOLUNTEERING DAYS

SUSTAINABLE DEVELOPMENT GOALS

TARGETS

- $2bn investment in affordable housing by 2023

FUTURE PLANS

Be the bank for regional and rural Australia and Indigenous business

Achieve the 18 targets in our 2019-2021 Reconciliation Action Plan

Keep all regional branches open until at least 2021

LEARN MORE

- Our community
- Indigenous Australian support
- NAB Foundation

1 Financial Resilience in Australia 2018 research by the Centre for Social Impact and NAB.
2 Australian Bureau of Statistics 2018 Census data on Indigenous business owner managers.
3 Based on drawdowns (excluding redraws) for home lending, and new and increased (on and off balance sheet) commitments for business lending.
4 June 2019 NAB APRA submission / RBA Banking System.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- **Stronger communities**

How we act
Assurance
Glossary

HOW WE ACT

MAKING GOOD DECISIONS

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

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

- Board Risk Committee (BRC)[1].
- Executive Risk Committee (ERC)[2].
- Group Non-Financial Risk Committee (GNFRC)[3].
- Group Credit and Market Risk Committee (GCMRC)[4].

Information about our Risk Management approach is in the Corporate Governance Statement and **online here**.

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 Learn more about our ESG Risk Management and Principles **here**.

At NAB, ESG risks are managed in an integrated manner as part of our processes for managing risks in our material risk categories[5]. ESG risk assessment is 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 to help our bankers and procurement professionals know which sectors and activities may have a higher inherent exposure to ESG-related risks. It also sets out sectors and activities where we have restricted or no appetite. This list is reviewed and updated to incorporate emerging and changing ESG risks.

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

We give our people tools to help assess and manage ESG risks. This year, we developed two new sets of Principles to guide our bankers in understanding ESG risks related to animal welfare and non-bank financial institutions. See the case study for more details.

We voluntarily sign up to initiatives that help banks set standards and improve ESG risk management practices. These include the UN Global Compact, the Equator Principles and, more recently, the Principles for Responsible Banking. You can see the full list **online here**. And you can read more about our ESG risk management approach **online here**.

DEVELOPING ESG-RELATED PRINCIPLES TO HELP DECISION-MAKING

Our customers represent a wide range of sectors across the economy. Decisions about who we lend to are based on guidance and tools that support bankers to complete the 'Know Your Customer' processes as part of loan origination (onboarding) and annual review processes.

Understanding the risks in our customers' businesses helps to better meet their needs. Two new sets of guiding Principles were developed this year, supporting customers and bankers to manage ESG risk issues. The first helped assess customers whose businesses are involved with animals, including agribusiness. The second was to ensure that we do not indirectly support predatory finance.

Supporting good animal welfare practices

The agricultural sector is a critical industry for Australia and New Zealand. Our customers represent diverse agricultural businesses from primary production to food processing. Animal welfare is an important issue for these customers and the broader community. This is reflected in various laws, industry codes and standards and community expectations.

This year, we developed a set of **Animal Welfare Principles** to guide bankers in assessing our customers' animal welfare practices, and to clarify our role in supporting customers engaged in any form of business involving animals. The Principles define

1 BRC supports the Board with oversight of the NAB Group's risk profile and risk management within the context of the Board determined Risk Appetite Statement and makes recommendations to the Board on current and future risk appetite and particular risks or risk management practices.
2 ERC oversights strategic risks and leads management of risk matters related to risk culture, integrated risk governance processes, and risk strategy and performance.
3 GNFRC supports the CEO and Group Chief Risk Officer to oversee the management of operational, regulatory and compliance risk, which includes conduct and prudential based regulatory risks, and oversight of the Group's Environmental Agenda and performance (including our climate change strategy).
4 GCMRC oversees risk in the context of managing the Group's credit risk portfolio. This includes ESG risk in the context of the Group's credit policy settings.
5 The material risks managed by the Group are: credit risk, operational risk, compliance risk, conduct risk, balance sheet & liquidity risk, market risk, regulatory risk and strategic risk. For more information on these, and other principal risks and uncertainties faced by the Group, refer to our 2019 Annual Financial Report.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

Supporting good animal welfare practices (continued)

good animal welfare practices and outline our expectations that customers will meet required animal welfare regulations, standards and conventions. It sets out the animal-related activities we will not finance. The Principles will be integrated into our ESG risk assessment process, which is part of the credit risk assessment and due diligence process.

The Principles were developed in consultation with several key industry associations and animal welfare organisations including NGOs. The integrity of the agribusiness sector is critical to ensure its sustainability, and we will work with our customers to make ongoing animal welfare improvements.

Enabling better access to finance

Recent research has found that one in five households in Australia have used payday loans in the past three years. There is rising concern that customers in vulnerable situations and small businesses may be exploited through predatory financing practices. This can lead to individuals and business getting trapped in cycles of debt which can result in payment default, compounding to their financial burden.

Good Shepherd and NAB launched a digital microfinance loan, Speckle, in 2016 as a responsible alternative to pay day lending. This prompted a review of our ESG risk credit policy setting which prohibited lending to pay day lenders. The review focused on how to avoid lending to non-bank financial intuitions (NBFIs) involved in predatory financing activities.

To help determine whether a potential or existing customer may be engaging in predatory financing activities, we developed a simple set of five principles and a checklist of questions. Engaging with social NGOs and customers helped to shape the NBFI principles. The customer engagement process showed that the new principles can positively impact on responsible lending practices.

Update on Credit Risk Policy Reviews into carbon intensive, climate sensitive and low-carbon sectors

Carbon intensive, climate sensitive and low-carbon sectors will be affected by the climate change transition in different ways. This impacts how NAB plays a role in funding the transition to a low-carbon economy. This year, we continued our phased review of credit risk policy settings for these sectors. We conducted a further review of the coal sector using transition scenarios to forecast possible future impacts on the coal sector arising from the low-carbon transition. Outcomes of the review process have led us to implement the following credit risk policy settings. Although NAB continues to support existing customers across the mining and energy sectors to facilitate an orderly transition to a low-carbon economy, we will not finance:

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

See the *Addressing climate change and environmental sustainability* section for more details.

We also did more work to build our internal capability to conduct physical climate risk scenario analysis. See the *Addressing climate change and environmental sustainability* section for more information. Further details are also in our **2019 Annual Financial Report**.

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 was updated during the year to reference the new modern slavery requirements we are subject to. We consulted with a number of social NGOs during this process. You can find the Policy on **our website**.

Our 2019 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. This year, we conducted a gap analysis of our current practices against the Australian Modern Slavery Act requirements. We have started to undertake activities necessary to meet the requirements of the Act, with our first report against the Australian modern slavery requirements due next year.

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
Assurance
Glossary

HOW WE ACT

As a major Australian bank, we have a responsibility to work with stakeholders to uphold human rights. That's why we continue to engage in industry dialogue about how to apply the Guiding Principles for Business & Human Rights to banking products and services. This includes being part of industry working groups that are reviewing the Equator Principles (EP4), including giving consideration to proposed changes relating to social impacts and human rights. NAB also became a founding signatory to the United Nations Principles for Responsible Banking which includes human rights-related commitments.

Human rights-related feedback can be provided, or rights holder concerns raised, by contacting our NAB Resolve team. Contact details for this team are on our website. Where issues are raised or identified, appropriate actions will be taken in accordance with our grievance processes – including relevant engagement with customers and rights holders. This year, no modern slavery concerns were raised with us. Three customer discrimination complaints were received.

Employee-related human rights concerns are managed through our employee relations processes or via our Whistleblower Program (see the *Governance, conduct and culture* section).

LEARN MORE

- **Our ESG risk management**
- **Our supply chain**
- **Sustainability Data Pack**

NAB respects the land rights of communities that are, or may be, impacted by our customers and suppliers by including land rights in our approach to ESG risk management, relevant policies and tools. 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 report on our actions to meet Policy commitments. A full list of our actions and progress is in our **Data Pack**.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary

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 2019 Annual Review and the 2019 Sustainability Report and limited assurance that NAB has identified and reported on its Material themes (and that the associated disclosures are complete) within the 2019 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 2019.
- Project Finance (PF) by sector as a proportion (%) of total PF portfolio value, expressed as total committed and uncommitted exposure, as at 30 September 2019.
- Progress towards NAB's Group-wide target to undertake financing activities of $55 billion 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**.

Content indices for the Global Reporting Initiative standards and United Nations Global Compact are available in our **Data Pack**.

ASSURED INDICATOR	SCOPE	ASSURED INDICATOR	SCOPE
Code of Conduct breaches (by category and outcome)	**Australia**	Total number and rate of employee turnover (voluntary/involuntary and by gender)	**Group**
Number of whistle-blower disclosures received under the Whistleblower Policy (inc. partially or fully substantiated, not substantiated and remaining under investigation)	**Australia**	Total retention rate of high performers	**Australia & New Zealand**
Number of data breach notifications sent to the Office of the Australian Information Commissioner (OAIC)	**Australia**	Percentage of critical / material / strategic suppliers that are compliant with Group Supplier Sustainability Principles	**Group**
Net Promoter Score (by segment)	**Australia & New Zealand**	Employee Engagement – current model	**Group**
Total customer complaints (by region and by category - showing percentage change), including total number of substantiated complaints received concerning breaches of customer privacy from regulatory bodies and other outside parties	**Australia & New Zealand**	Ratio of basic salary, female to male (by employment level)	**Group**
Number of critical and high priority technology incidents	**Australia**	Percentage of high risk category suppliers with ESG risk assessments completed	**Australia & New Zealand**
Number of customers assisted experiencing financial hardship	**Australia**	Employee Engagement – Response Rate	**Group**
Cure rates for NAB Assist and NAB Care customer accounts (30 days and 90 days)	**Australia**	Employee engagement – Inclusion index	**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**

About this report
Leadership message
Our snapshot
2019 scorecard
Our approach
How we listen
Material themes
- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act
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.

CO_2-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 (tCO_2-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 organisation, and put discretionary effort into their work.

Energy consumption (direct)

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

Energy consumption (indirect)

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

Energy production (direct)

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

Energy production (indirect)

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

Environmental, Social and Governance (ESG)

Describes the consideration of the environment, social and governance factors that impact on the risk and return profile of a company's operations and investments.

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

Equator Principles (EPs)

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

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

LBG – In-kind support

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

LBG – In-kind volunteering

Refers to the total number and value of time provided by the company to allow 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

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

NAB

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

NAB Group

NAB and its controlled entities (including BNZ).

Natural Capital

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

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

Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (Home Loan @ Bank) and Investors, as well as Small Business ($0.1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & 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.

Key information

Refer to 2019 Sustainability Data Pack for key information on reporting period, organisational boundary, scope, forward-looking statements, estimations and reporting of GHG emissions.

About this report

Leadership message

Our snapshot

2019 scorecard

Our approach

How we listen

Material themes

- Governance, conduct and culture
- Customer support and experiences
- Addressing climate change and environmental sustainability
- Engaging our people
- Transformation & technology
- Stronger communities

How we act

Assurance

Glossary