



**SUSTAINABILITY  
REPORT  
2017**

**DIG DEEPER**

**TWO  
GOOD  
CO.**

**Renee Borg**  
Cook and Trainer, Two Good  
NAB Foundation Grant Recipient

---

<b>ABOUT THIS REPORT</b>	<b>3</b>
<b>2017 AT A GLANCE</b>	<b>4</b>
<b>A MESSAGE FROM THE CEO</b>	<b>5</b>
<b>OUR APPROACH</b>	<b>6</b>
<b>OUR CUSTOMERS</b>	<b>13</b>
<b>OUR PEOPLE</b>	<b>33</b>
<b>OUR COMMUNITY</b>	<b>45</b>
<b>OUR SUPPLY CHAIN</b>	<b>51</b>
<b>OUR ENVIRONMENT</b>	<b>55</b>
<b>INDEX TABLES AND ASSURANCE</b>	<b>70</b>
<b>KEY INFORMATION</b>	<b>82</b>
<b>GLOSSARY</b>	<b>84</b>



Emma Nicholas  
Owner, Miinot Gelato  
NAB Microenterprise customer

We back the bold who  
move Australia forward.

## ABOUT THIS REPORT



David & Eleanor Attala  
Owners, Kenz Designs  
NAB Microenterprise customer

Our Sustainability Report is designed to show how we seek to create positive societal impact.

Our Sustainability Report details NAB's Corporate Responsibility (CR) strategy and performance over the past financial year (1 October 2016 – 30 September 2017)<sup>1</sup>. It includes, where appropriate, events after the financial reporting period, but before the publication of this report. We suggest reading it with our [2017 Annual Review](#).

This year, in response to stakeholder feedback, we continued to improve our disclosures by:

- Restructuring the report to align data with the group (e.g. customer) most impacted by the relevant theme (e.g. financial hardship assistance)
- Presenting more of our data visually
- Focusing on the issues most important to our business and stakeholders.

This report focuses on NAB's CR strategy, and the outcomes of our annual materiality assessment (described on page 8). We've used these outcomes to select the key metrics for this report and our 2017 Annual Review, and to inform the scope of our independent assurance (described on page 81). These outcomes will help focus our action now and in the future, and effectively describe how we create and preserve value for all of our stakeholders.

We've used the Global Reporting Initiative (GRI) G4 Sustainability Reporting guidelines again this year to inform our reporting. You can find a full GRI index on pages 70-72. In 2018, we will transition our reporting to align to the GRI Standards.

Throughout this report, we've tried to avoid jargon as much as possible – but if you do come across any terms that you don't understand, just refer to the Glossary on pages 84-86. You can also find important information about the terms, scope and coverage of this report on page 82.

And finally, if you have any questions about our approach, or you'd like to see something else included in this report, you can email us at [corporate.responsibility@nab.com.au](mailto:corporate.responsibility@nab.com.au).

<sup>1</sup> Environmental reporting year runs from 1 July – 30 June, in line with the National Greenhouse and Energy Reporting Act 2007 (Cth).

# 2017 AT A GLANCE

## VISION

Our vision is to be Australia and New Zealand's most respected bank.

- 1 Information is presented on a continuing operations basis including prior period restatements. A definition of cash return on equity is available in the Glossary on page 84-86.
- 2 Net Promoter, Net Promoter Score and NPS are registered trademarks of Bain & Company Inc., Satmetrix Systems Inc. and Fred Reichheld. Source: Roy Morgan Research 6 month moving AFI advocacy, DBM (BFSM) 6 month moving AFI advocacy as at 30 September 2017. September 2016 NPS performance has been restated to reflect the change in priority segments. The previous priority segments were Mortgage customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m). Refer to Glossary and definitions on page 84-86 for definition of NAB's priority segments.
- 3 2017 Employee Engagement survey, conducted by Aon Hewitt. Change in provider means year-on-year data is not directly comparable however analysis indicates that our engagement score has decreased.
- 4 Represents total cumulative new flow of environmental financing from 1 October 2015, see page 58 for detail on this measure.

## STRATEGIC OBJECTIVES

Generating attractive returns:

**14.0%** cash return on equity<sup>1</sup>  
30 basis points decrease from 2016

Our customers are advocates:

**-13** priority segments net promoter score<sup>2</sup>  
improvement from -15 in 2016 (#1 of majors)

Our people are engaged:

**59%** Group employee engagement<sup>3</sup>  
below target of top quartile performance: 67%

## OUR CORPORATE RESPONSIBILITY FOCUS AREAS

**513,000+**

Australians on low incomes supported with microfinance products and services in partnership with Good Shepherd Microfinance

**14,000+**

employees directly involved in corporate responsibility activities (such as volunteering or employment recruitment programs)

**\$13.4BN+**

in financing to help address climate change and support the transition to a low carbon economy<sup>4</sup>

## A MESSAGE FROM THE CEO

**Banking is about people. It's about how we support our customers and meaningfully contribute to making their lives better.**

At NAB we know we owe our success to the people, businesses, and communities who we have supported and partnered with for almost 160 years. That success brings with it a responsibility to make a significant and positive contribution in return.

As part of our commitment to listening and acting, throughout 2017 we have sought more feedback than ever before from our customers, people and shareholders.

This year, 60 of NAB's senior leaders travelled across Australia to talk to our customers and people about how we can better support them. In June, our Board met in Mildura, the second consecutive year we've held one of our Board meetings in regional Australia – a commitment we'll continue to uphold.

In these engagements, our customers told us they want banking to be simpler and easier. We've responded, including by being the first major bank to significantly overhaul our business loan standard form contract. They're now written in plain English, with one-third of terms and conditions discarded – benefiting 130,000 business owners.

As part of our Customer Pain Points program, in 2017 we have addressed the issues behind over 200 common complaints – continuing efforts to improve the customer experience.

And, NAB still remains the only major bank to have a transaction account with no monthly account service fee, saving customers around \$5 every month. While we know we haven't always got things right, we are intent on being a better bank for all our customers.

But it is in the times when things are really tough that I am particularly proud of our efforts.

Through NAB's partnership with Good Shepherd Microfinance we have supported over 500,000 people with microfinance products and services since 2005. These loans are helping people on low incomes to access affordable finance for important items such as fridges or washing machines. In September, we pledged to quadruple our annual target for new microfinance loans to 100,000 within two years as part of our commitment to improve the financial wellbeing of our customers and the community.

We also continue to help through NAB Assist, our dedicated service for customers facing financial difficulty. 97% of customers helped through NAB Assist are back up-to-date with their payments within 90 days. We have achieved a 15% reduction in Financial Ombudsman Service complaints year-on-year, and now have the best result among peers in three of the four major categories.

Our NAB Foundation grants are supporting organisations that are tackling societal issues important to our customers and the community. We're providing grants to organisations addressing domestic and family violence,

delivering financial resilience initiatives and supporting regional communities and the unique environmental issues impacting them.

These actions reflect NAB at its best.

In March this year we also launched the first social bond to specifically promote workplace gender equality. The bond enables institutional investors to support Australian organisations that champion women and equality in a positive way.

We've backed a love of sport in our community, as the inaugural sponsor of the AFL Women's League and through supporting more than 180,000 young Auskickers to help nurture their passion for Aussie Rules.

Our climate change commitments have been updated as part of our ongoing support of the low carbon transition. These changes include increasing our environmental financing commitment from \$18 billion by 2022 to \$55 billion by 2025 and committing to source 50% of our Australian electricity from renewable projects by 2025.

I am also pleased to confirm NAB reaffirms its support of the 10 principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. We remain committed to incorporating the Global Compact and its principles within our business strategy, culture and day-to-day company operations. We also commit to engaging in collaborative projects that contribute towards advancing the Sustainable Development Goals, and reporting on our progress.

These actions are made possible by NAB's people, bankers who are skilled, passionate, and wholly dedicated to helping our customers in some of the most important decisions of their lives.

At NAB, we are motivated by our clear vision and our purpose: to be Australia and New Zealand's most respected bank and to back the bold who move Australia forward.

There's great opportunity for all in our country's future. We take seriously our job in backing people and businesses, growing confidence, supporting communities in new and different ways – to create a better Australia.

**Andrew Thorburn**  
CEO



# OUR APPROACH

Our goal is to make a positive and lasting impact in the lives of our customers, people, shareholders and communities, and our environment. This is crucial to achieve our vision to become Australia and New Zealand's most respected bank.

To achieve that vision, we know that we need to understand and meet the expectations of all the people we serve, and this starts with getting the basics right.

We have a genuine drive to achieve our vision, which is reflected in our strategic objectives to:

- **Turn our customers into advocates** – measured through Net Promoter Score
- **Engage our people** – measured through Employee Engagement
- **Generate attractive returns** – measured through Total Shareholder Return and Return on Equity.

In this report, we'll show how we've sought to understand and fulfil stakeholder expectations in 2017. We'll address the processes that are at the core of our organisation – including how we manage risk, design our products and engage our stakeholders – while showing how our values inform our decisions.

## SOCIAL IMPACT

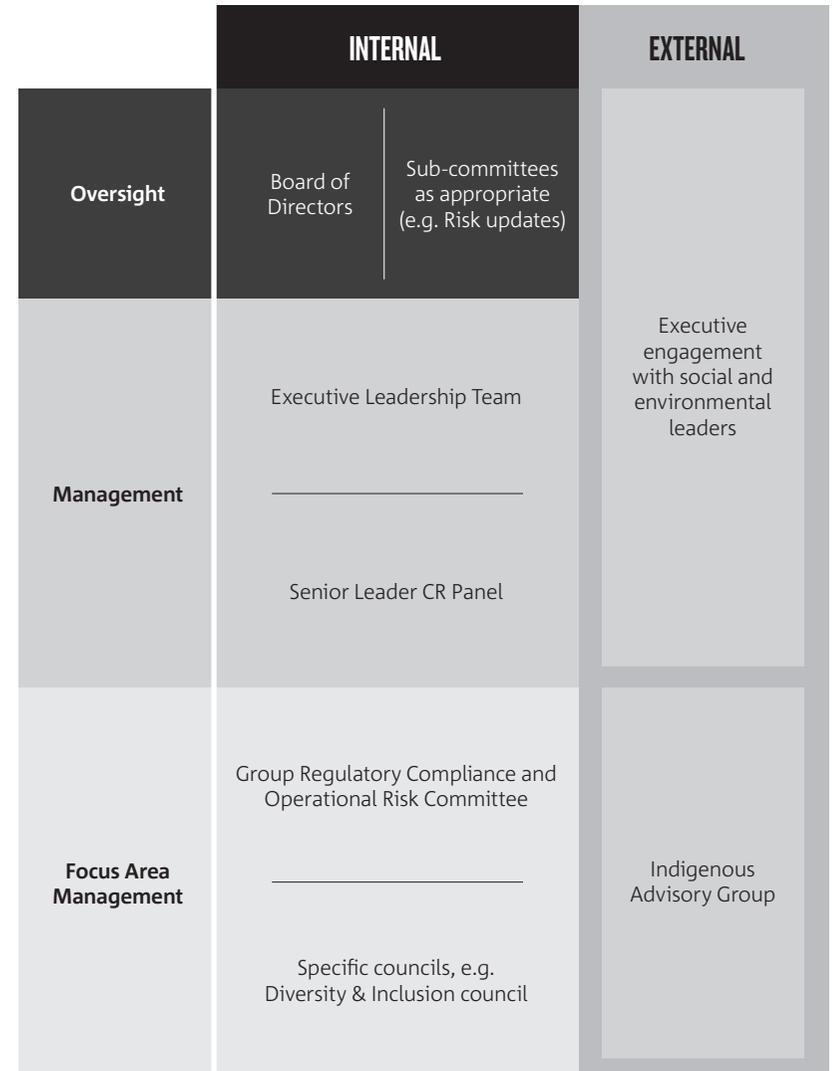
We know how important it is to act responsibly and inclusively, and to lead the way in social innovation. Today, this means evolving the way we approach community investment into a combination of philanthropy, Corporate Responsibility, and leveraging our core assets and expertise to create Shared Value.

By aligning our Corporate Responsibility strategy with our core business operations, we're generating real change. We aim to put our customers at the centre of everything we do, and use our strengths as a bank, a major employer and an active member of the community to:

- Help people access fair and affordable financial services. Our goal is to assist Australians and New Zealanders in building financial resilience – making it easier to bounce back from financial shock
- Work with our partners to help build stronger and more connected communities by addressing major social issues. These include gender equality, domestic and family violence and supporting Indigenous success
- Address climate change risks and the opportunities arising from the low carbon transition, and minimise our environmental impact by adopting a sustainable approach to managing our business – and helping our customers do the same.

## CORPORATE RESPONSIBILITY GOVERNANCE

Oversight of CR rests with the NAB Board, who are provided with updates at least bi-annually on CR performance and environmental, social and governance (ESG) risks, and other CR-related matters as appropriate.



**ESG RISK MANAGEMENT**

Our ESG Risk Principles provide an overarching framework to integrate ESG risk considerations into our day-to-day decision-making. They are aligned to our values and vision. ESG risk is not managed as a separate risk category but is integrated across our material risks<sup>1</sup>. For example, operational risk (across our business operations and purchasing decisions) and our credit risk assessment and due diligence processes.

**OUR ESG RISK PRINCIPLES**

<b>ENVIRONMENTAL RESPONSIBILITY</b>	<p><b>1</b> We will:</p> <ul style="list-style-type: none"> <li>• consume resources responsibly</li> <li>• look for opportunities to minimise both the direct and indirect negative environmental risk and impacts from our operations, products and services</li> <li>• give consideration to reducing the indirect environmental risks that may arise from relationships with customers and suppliers.</li> </ul>
<b>SOCIAL RESPONSIBILITY</b>	<p><b>2</b> We will encourage diversity and support and respect the protection of internationally proclaimed human rights and labour standards and will not knowingly engage in business in situations where we could be complicit in human rights abuses.</p> <p><b>3</b> We are committed to providing inclusive, fair and responsible products and services.</p>
<b>GOVERNANCE RESPONSIBILITY</b>	<p><b>4</b> We will conduct ourselves with honesty and integrity.</p> <p><b>5</b> We will work against bribery, corruption, extortion, money laundering and other financial crime.</p> <p><b>6</b> We will meet the voluntary standards and principles we have committed to uphold, comply with regulatory requirements in the jurisdictions in which we operate, and take legal compliance into account in making decisions about customers and suppliers.</p>

**STAKEHOLDER ENGAGEMENT**

Maintaining an open and constructive dialogue with stakeholders is essential for our business. It's how we understand community expectations, identify issues and discover opportunities to improve.

**Regular engagement**

We engage with a wide range of stakeholders – including advocacy organisations, non-government organisations (NGOs), not-for-profits (NFPs) and ESG analysts, with their input and feedback forming a critical part of the decision-making process at NAB.

The responsibility to engage stakeholders is shared across the organisation. We have dedicated teams looking at how we interact with customers, employees, investors and analysts, government, industry associations, NGOs, NFPs and community organisations, unions, and the media. These teams manage relationships with key stakeholders to help us understand and address their concerns effectively.

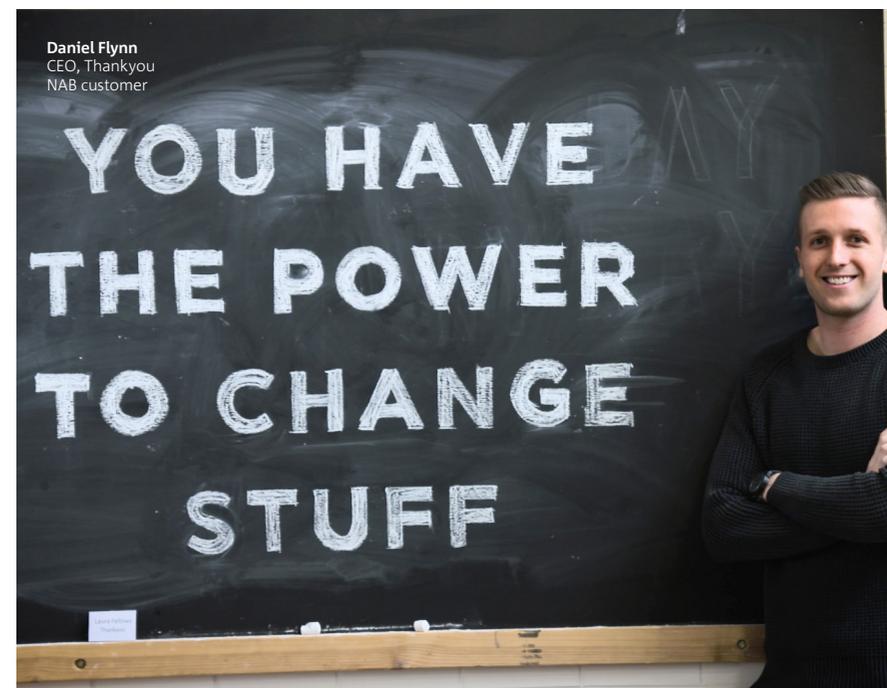
Our engagement includes a combination of informal engagement with leaders from a range of social and environmental backgrounds, and our formal Indigenous Advisory Group which provides strategic guidance on NAB's engagement with Aboriginal and Torres Strait Islander people and on NAB's Reconciliation Action Plan.

We've strengthened our relationship with different consumer advocacy organisations – particularly in response to the Sedgwick Review, which was focused on retail banking remuneration, as well as other matters such as provision of credit cards used in gambling transactions, financing of major tobacco companies and the Federal Government's bank tax.

We continue to work with advocacy and shareholder organisations to gain a deeper understanding of concerns regarding different environmental issues, including carbon risk disclosure, climate scenario testing, financing the fossil fuel industry (particularly coal mining and infrastructure) and the economic value of the Great Barrier Reef region to Australia.

Throughout the year, we've also continued to consult a range of stakeholders to improve our approach to human rights and improper land acquisition.

Collaboration is important for us, and we continue to play an active role in a number of industry bodies – including the United Nations Global Compact Network Australia, United Nations Environment Program Finance Initiative (UNEP FI), the Natural Capital Finance Alliance, Green Building Council of Australia, Sustainable Business Australia, Clean Energy Council and the Australian Business and Biodiversity Initiative. You can find out more on our [website](#).



<sup>1</sup> The material risks managed by the Group are: credit risk, operational risk, compliance risk, conduct risk, balance sheet & liquidity risk, market risk, regulatory risk and strategic risk. For more information on these, and other principal risks and uncertainties faced by the Group, refer to pages 11-18 and 111-136 in the 2017 Annual Financial Report.

**MATERIALITY ASSESSMENT**

Each year we conduct a formal materiality assessment to help us understand the ESG themes that are most important in creating value for our customers, employees, shareholders and community.

In 2017, our materiality process identified seven major themes that are important to stakeholders and aligned with our ability to deliver our strategy. The process is summarised in the adjacent diagram. The prioritised themes remain largely consistent with materiality assessments from previous years.

In response to stakeholder feedback received through our assessment, the 2016 theme of 'responsible lending practices' has been split into two components:

- Positive customer outcomes
- Environmental and social impacts and risks of our products and services.

Through the assessment, our stakeholders have told us that trust in institutions – especially banks in Australia – has continued to fall. This is reflected in the diagram opposite, which outlines the importance of having a values-aligned culture and prioritising positive customer outcomes.

This distinction will help provide clearer disclosures in each of these areas.

The table on the next page outlines each material theme, summarises its importance and how we're responding.



MATERIAL THEMES

MATERIAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	HOW WE'RE RESPONDING	PERFORMANCE
<b>Values-aligned culture</b>	<p>The culture of Australia's banking industry continues to face scrutiny from a range of groups – particularly in relation to indicators such as employee engagement, Code of Conduct breaches and customer experience.</p> <p>NAB's Board and management teams have focused on culture and conduct this year. And we remain committed to bringing our purpose and values to life throughout the business.</p>	<ul style="list-style-type: none"> <li>We conducted research into our culture, and found that our loyal, determined and customer-centric workforce is one of our strengths – though there's still more to do.</li> <li>We progressed industry initiatives announced by the Australian Bankers' Association (ABA) in 2016 to improve trust and accountability across the banking sector.</li> <li>Our values are embedded within our performance management system. We've introduced monthly performance conversations for all employees – which means our people receive regular feedback and coaching on how they live our values, not just what they have achieved.</li> <li>We strengthened NAB's Whistleblower Program, reflecting the ABA's commitment to 'ensure the highest standards of whistle-blower protections by ensuring there is a robust and trusted framework for escalating concerns'.</li> </ul>	<p>59% Employee engagement.<sup>1</sup></p> <p>83% Employee engagement survey response rate.<sup>1</sup></p> <p>76% Alignment to values<sup>2</sup> score.</p> <p>77% Employees comfortable to raise concerns through NAB's Whistleblower program.<sup>1</sup></p> <p>1,613 Code of Conduct breaches (Australia).</p>
<b>Positive customer outcomes</b>	<p>Our stakeholders are interested in the policies and processes we have in place to make sure the loans we provide suit the needs of our customers, and their ability to make repayments – balancing economic growth with sound risk management.</p>	<ul style="list-style-type: none"> <li>We apply a loan serviceability threshold of 7.25% floor interest rate or 2.25% buffer plus borrower rate, whichever is greater.</li> <li>Our NAB Assist team continues to help customers experiencing hardship get back on their feet.</li> <li>NAB Check-in is a new, customised twice-yearly communication with tips and tools to support our customers throughout their financial journey – whether they're buying, selling, saving or investing.</li> </ul>	<p>-13 Australian priority segments Net Promoter Score.<sup>3</sup></p> <p>97% of customers who experience financial difficulty and enter NAB Assist are up to date within 90 days (Australia).</p> <p>2,417 Financial Ombudsman complaints.</p>
<b>Information management and security</b>	<p>Our priority is to keep our customers' information and money secure. We do this by investing in people and technology, so we can continue to monitor and manage threats.</p> <p>This remains a top priority for all stakeholders involved in our assessment – central to our role as a trusted provider.</p>	<ul style="list-style-type: none"> <li>Our security team provides customers with regular insights into the simple measures they can take to protect themselves and their information.</li> <li>In 2017, NAB shared insights on the current cyber threat landscape with its small and medium business customers and corporate customers.</li> <li>We regularly publish articles on cyber security for our business customers on the NAB Business Research and Insights blog.</li> </ul>	<p>All employees offered mandatory information security training.</p> <p>73% registered internet banking customers that are active users.</p> <p>15 complaints relating to privacy.</p>
<b>Environmental and social impacts and risks of products and services</b>	<p>Our stakeholders expect us to understand and manage the environmental and social risks and impacts associated with our products.</p> <p>In regards to this theme in 2017, discussion with investors was largely centred on risks and opportunities associated with climate change.</p>	<ul style="list-style-type: none"> <li>We maintained our position as the leading project financier of renewable energy projects in Australia.<sup>4</sup></li> <li>We rolled out ESG risk training for Business Bank Credit Managers and bankers in Australia, and Modern Slavery training across the NAB Group.</li> <li>We continue to drive innovative investments through green and social bonds.</li> <li>BNZ developed a Responsible Investment Policy which excludes investments in companies that are involved in the production of cluster munitions, anti-personnel mines, nuclear weapons and tobacco or tobacco products from its international equity holdings. It also became a signatory to a statement supporting the tobacco control ambitions of the World Health Organisation.</li> <li>We incorporated an ESG screen into our fast-track small business lending product.</li> </ul>	<p>6,561 MW of installed renewable energy supported by project finance.</p> <p>\$2.2bn+ in green, social, sustainability or social benefit bonds issued or arranged during the year.</p> <p>\$597m in Socially Responsible Investments (Australia).</p>

1 Source: Employee Engagement Survey conducted by Aon Hewitt.

2 Alignment to values is a measure of the response to the question "My everyday work is guided by the organisation's values/behaviours".

3 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. For more information about NPS and our priority segments, refer to the Glossary on pages 84-86.

4 Data Source: Thomson Reuters: Project Finance International 2006-2017 Asia Pacific Initial Mandated Lead Arrangers League Tables - MidYear 2017 US\$ Project Allocation, NAB ranking against four major Australian banks – cumulative volume as at 30 June 2017.

MATERIAL THEMES

MATERIAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	HOW WE'RE RESPONDING	PERFORMANCE
<p><b>Governance</b></p>	<p>Maintaining a high standard of governance at NAB is always a priority for our stakeholders, especially our investors.</p> <p>Our stakeholders expect that we continue to monitor and assess the composition and performance of our Board – and seek more information on how our governance frameworks and processes can help to embed a values-aligned culture and support ethical conduct.</p>	<ul style="list-style-type: none"> <li>• We expanded disclosure in our 2017 Corporate Governance Statement, providing greater transparency on the collective skills of our NAB Board.</li> <li>• Annual Board performance assessment, including review of director capacity, was conducted in 2017.</li> <li>• We will once again give shareholders the opportunity to submit questions prior to our Annual General Meeting. This will allow the Board to address areas of interest or concern.</li> <li>• Further information on NAB’s approach to governance is available in our 2017 Corporate Governance Statement.</li> </ul>	<p>A Board with a strong mix of skills, experience and diversity with:</p> <ul style="list-style-type: none"> <li>• 25% female non-executive directors. In November 2017, we announced that Ann Sherry had been appointed to the Board, lifting the Board's gender diversity to 33%.</li> <li>• Non-executive director tenure profile: 1-3 years (37%), 3-6 years (37%), 6+ years (25%).</li> </ul>
<p><b>Improving the customer experience</b></p>	<p>Our stakeholders expect us to get the basics right for our customers, listening to their feedback and resolving complaints if we don't get it right. Using innovation to meet changing customer needs is becoming more and more important.</p>	<ul style="list-style-type: none"> <li>• We launched five redesigned ‘customer journeys’ to improve key experiences such as: opening a new account for everyday personal banking, planning for retirement or needing assistance with a business account.</li> <li>• We've launched the How We're Listening website, which provides our customers information on the pain points we're focusing on each month and transparently reports on our progress to improve anything that's delivering a poor customer experience.</li> <li>• Our NAB Labs team is driving customer-led design methodology throughout the business.</li> </ul>	<p>-13 Australian priority segments Net Promoter Score.<sup>1</sup></p> <p>225,011 complaints received.</p> <p>42% of complaints resolved at first point of contact (Australia).</p> <p>215 ‘Customer Pain Points’ addressed, improving over 24 million customer interactions (Australia).</p>
<p><b>Transparency and disclosure</b></p>	<p>Our operations have a big impact on the economies and societies in which we work so we're expected to be transparent in our operations, profitability and impacts. This year, requests for transparency have focused on:</p> <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Responsible lending and positive customer outcomes</li> <li>• Conduct.</li> </ul>	<ul style="list-style-type: none"> <li>• We've sought to provide greater information on how NAB's business aligns to the Paris Agreement to limit global warming to less than two degrees above pre-industrial levels . See the Climate Change section on pages 56-60.</li> <li>• We've provided additional information on the changes made to our product design, information and credit application processes to support positive customer outcomes, see page 16.</li> <li>• We've sought to provide further clarity on how NAB sets expectations relating to employee conduct, and if breaches occur, how they are managed, see page 35.</li> <li>• As a signatory to the Voluntary Tax Transparency Code, we published our first Tax Transparency Report, available on our <a href="#">website</a>.</li> <li>• NAB was awarded A- for its 2017 CDP climate change submission. This identifies NAB to be operating at 'Leadership' level in its corporate response to climate change. Further information is available on page 59.</li> </ul>	<p>Improved disclosure as measured through ESG assessments conducted by external third parties and stakeholder feedback.</p> <p>Publication of the Tax Transparency Report for the year ended 30 September 2016.</p> <p>Disclosure of conduct breaches and relevant outcomes.</p> <p>Disclosure of relevant policies and principles (e.g. human rights, political donations, ESG risk, supplier sustainability).</p>

1 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. For more information about NPS and our priority segments, refer to the Glossary on pages 84-86.

**ADDITIONAL THEMES OF IMPORTANCE**

The materiality assessment identified seven high-priority material themes for inclusion in our CR reporting which we've listed in the previous table across pages 9-10. The materiality assessment (and on-going stakeholder engagement) has also highlighted several areas of importance to specific stakeholders, including our employees, customers, investors and NGOs. These additional topics have been listed below, along with our performance.

ADDITIONAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	HOW WE'RE RESPONDING	PERFORMANCE
<p><b>Financial inclusion and resilience</b></p>	<p>For over 14 years, NAB has played a significant role in supporting financial inclusion in Australia. This is primarily delivered through our partnership with Good Shepherd Microfinance.</p> <p>Our stakeholders value our work to provide financial products and services to those excluded from mainstream finance. We also support existing customers in times of hardship.</p>	<ul style="list-style-type: none"> <li>• We've continued to grow our microfinance offering in partnership with Good Shepherd Microfinance; focusing on providing more Australians and New Zealanders with access to financial products and services.</li> <li>• We launched a pilot online Microfinance lending platform – called 'Speckle'<sup>1</sup></li> <li>• We celebrated five years of 'Good Money' stores, and opened three new stores across Queensland and Victoria.</li> <li>• We piloted a 'Hardship Bond' to assist customers having difficulty making repayments through incentivising debt reduction.</li> </ul>	<p>64,000+ Australians and New Zealanders assisted with microfinance products and services.</p> <p>\$28.6 million in microfinance loans.</p> <p>19,652 customers given financial hardship assistance (Australia).</p>
<p><b>Diversity &amp; inclusion</b></p>	<p>We're expected to support a diverse and inclusive workforce, reflective of the communities in which we operate.</p> <p>This is viewed as critical to help:</p> <ul style="list-style-type: none"> <li>• Support employees to reach their potential</li> <li>• Build relationships with our customers</li> <li>• Encourage innovation in the organisation.</li> </ul> <p>Gender equality (particularly at a management and Board level) continues to be a focus of discussion with stakeholders regarding NAB's ESG performance.</p>	<ul style="list-style-type: none"> <li>• The NAB Board approved the Diversity &amp; Inclusion Strategy for 2017-2020. It's aligned to the business strategy in order to drive an impactful and integrated approach. The priority of the strategy remains focused on inclusion with three imperatives:                             <ul style="list-style-type: none"> <li>– Gender equality</li> <li>– Life stage equality</li> <li>– Lesbian, gay, bisexual, transgender and intersex (LGBTI) inclusion.</li> </ul>                             These imperatives are supported by key enablers: leadership, flexibility and our employee-led resource groups.                         </li> <li>• We committed to achieve gender equality by having 40% - 60% of either gender represented at all levels of the business by 2020.</li> </ul>	<p>4/5 of our 2017 gender diversity targets achieved.</p> <p>86 Indigenous Australians recruited through our employment programs.</p> <p>73% Inclusion index<sup>2</sup></p>
<p><b>Human rights</b></p>	<p>Our approach to human rights is based on the principle of doing business in a way that respects the rights and dignity of people, and avoids involvement in human rights abuses, while complying with applicable legal requirements.</p>	<ul style="list-style-type: none"> <li>• We've refreshed our Human Rights Policy.</li> <li>• We've incorporated a module on Modern Slavery as part of training for all employees, updated our Group Supplier Sustainability Principles to strengthen requirements around labour rights and modern slavery, and prepared and published our 2017 Modern Slavery Act statement.</li> <li>• We've continued to engage with customers on the issue of improper land acquisition and will publish our 2017 Improper Land Acquisition Policy Statement progress report on our <a href="#">website</a> in December 2017.</li> </ul>	<p>100% of new and re-contracted suppliers in high ESG risk sensitive sectors have undergone an ESG risk assessment.</p> <p>NAB's performance and disclosure against the UN Guiding Principles on Human Rights is available on pages 75-77.</p>

1 In partnership with Good Shepherd Microfinance. The pilot has been launched in Victoria and Tasmania, and is expected to launch nationally in 2018.

2 As measured in 2017 Employee Engagement Survey conducted by Aon Hewitt. Inclusion index is a score of a range of questions assessing how employees feel about whether diverse perspectives, different input are valued, and if people are treated with trust and mutual respect.

ADDITIONAL THEMES OF IMPORTANCE

ADDITIONAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	HOW WE'RE RESPONDING	PERFORMANCE
<p><b>Climate change</b></p>	<p>Regulators, ESG analysts, investors and benchmarking initiatives (like the Dow Jones Sustainability Index (DJSI) and CDP) continue to request disclosure of information relating to how we are changing our business to align with the low carbon transition. They seek information on:</p> <ul style="list-style-type: none"> <li>• Products and services that assist in the development of low-carbon technologies and renewable energy</li> <li>• Lending book exposure to carbon risk in carbon intensive sectors</li> <li>• Changes to exposures over time</li> <li>• Our greenhouse gas emissions and energy use.</li> </ul>	<ul style="list-style-type: none"> <li>• We increased our environmental financing commitment from \$18bn by 2022 to \$55bn by 2025 (between 1 October 2015 – 30 September 2025).</li> <li>• We increased our commitment to source NAB's Australian electricity needs from renewable energy from 10% by 2018, to 50% by 2025.</li> <li>• We commenced a phased review of the Group's risk appetite for carbon intensive, low carbon and climate sensitive sectors. Refer to page 57.</li> <li>• We also committed to:             <ul style="list-style-type: none"> <li>– Play an active role to address climate change, by seeking to innovate across all of our key sectors and markets and supporting low carbon opportunities for our customers</li> <li>– Participate in the UNEP FI pilot of Recommendations of the Taskforce on Climate-related Financial Disclosures.</li> </ul> </li> </ul>	<p>\$13.42bn environmental financing target progress.<sup>1</sup></p> <p>58.2% of NAB's electricity generation portfolio (measured as exposure at default) finances renewable energy generation.</p> <p>7% reduction in GHG emissions against our science-based emissions reduction target since 1 October 2015.</p> <p>5% reduction in energy use since 2015.</p> <p>1,345 kW of installed solar capacity across 38 of our buildings.<sup>2</sup></p>
<p><b>Biodiversity loss &amp; ecosystem degradation</b></p>	<p>Being a responsible lender, we're expected to manage our own natural capital risks. We also need to consider biodiversity loss and ecosystem services degradation.</p> <p>When it comes to minimising our direct environmental footprint, we aim to lead by example, including through sustainable sourcing certification where appropriate.</p>	<ul style="list-style-type: none"> <li>• We've progressed multiyear research with CSIRO, demonstrating links between natural capital management and financial performance in the grazing sector.</li> <li>• We continued to participate in the Natural Capital Finance Alliance's work, including as Chair of Working Group 3. We also supported the Australian consultation process for the Finance Sector Supplement to the Natural Capital Coalition's Natural Capital Protocol.</li> <li>• We require office paper used in Australia to come from certified responsible sources, recycled stock and, where possible, manufacturers should be ISO14001 certified. Additionally, uncoated paper (office paper) should be National Carbon Offset Standard (NCOS) certified carbon neutral.</li> </ul>	<p>8% reduction in waste to landfill since 2015.</p> <p>54% of waste diverted from landfill.</p> <p>20% reduction in office paper use since 2015.</p> <p>3% reduction in water use since 2015.</p> <p>54% customers receiving online only statements.</p>
<p><b>Resource scarcity</b></p>	<p>We receive requests and feedback from a range of stakeholders regarding the way we manage resource use. These stakeholders include customers, investment analysts, and benchmarking initiatives like the DJSI, and environmental NGOs.</p> <p>They expect us to show leadership in minimising our use of resources and using them responsibly.</p>	<ul style="list-style-type: none"> <li>• We are on track to meet all of our 2020-2025 environmental performance targets. See our results on page 65.</li> <li>• See the 'Resource Scarcity' section on pages 62-69 for more on our performance.</li> <li>• We moved into our new workplace in Brisbane, NAB Place, and are seeking to achieve a 6 Star Green Star Interiors V1.1 signifying 'world leadership'.</li> </ul>	<p>5% reduction in energy use since 2015.</p> <p>54% of waste diverted from landfill.</p> <p>20% reduction in office paper use since 2015.</p> <p>3% reduction in water use since 2015.</p>

1 Total cumulative flow of new environmental finance from 1 October 2015 – 30 September 2017.

2 Total installed solar capacity as at 30 September 2017.

# OUR CUSTOMERS

## ABOUT OUR CUSTOMERS

We understand that life is about more than money and we are committed to helping our customers achieve their goals. Our customers' success defines our success.

### 9M+

mobile internet banking  
logins per week (Australia)

### \$394BN+

in deposits

### \$500BN+

in lending

### 19,000+

customers provided financial  
hardship assistance (Australia)

### 27,000+

microfinance products  
provided



**Mayken**  
Microfinance customer  
Good Shepherd Microfinance  
in partnership with NAB

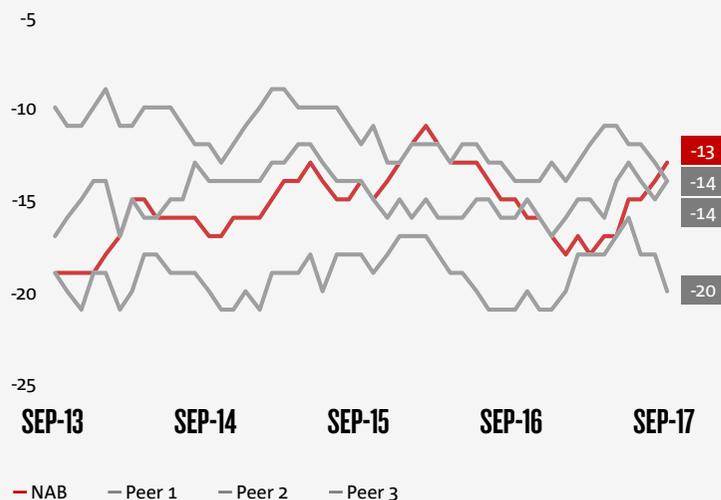
# 9.4M

customers

**CUSTOMER ADVOCACY**

We're making it easier for customers to share their feedback, compliments and complaints – with more ways to connect with us than ever before. We regularly assess customer feedback data (including customer advocacy) to identify areas we need to improve.

**2017 PRIORITY SEGMENT NPS<sup>1,2</sup> AUSTRALIA**



**NET PROMOTER SYSTEM**

**Australia**

In 2017, the average Net Promoter Score<sup>1</sup> of our priority segments<sup>2</sup> increased to -13, two points ahead of our starting position, and the highest of the major banks.

The individual segments had a mixed performance:

- Small Business (-16) and Investors (-16) were relatively stable compared to 2016
- Medium Business NPS increased from -8 (2016) to +3 (2017), driven by product and service improvements including Virtual Banker and mobile NAB Connect and banker relief teams to provide continuity of service to customers when their bankers are on leave
- Home Owners NPS decreased from -20 (2016) to -23 (2017), impacted by challenges in service and fulfilment.

We are actively re-designing customer journeys (see page 17 of the 2017 Annual Review). We've also launched new NPS measures to give more of our employees access to customer feedback, so that they can work to improve the customer experience.

Feedback from the Net Promoter System is reviewed by our teams weekly to drive focus and change.

**New Zealand**

This year, amongst retail customers, BNZ NPS has remained stable: we're currently ranked second in the market<sup>3</sup>. In our key priority segment Retail Wealth<sup>4</sup>, NPS and our market ranking is stable year on year. BNZ is currently ranked third in the Retail Wealth segment.

Within the BNZ Partners segment (businesses with an annual turnover of NZ \$1m - \$150m) BNZ's NPS and ranking has also remained stable compared to the end of last financial year.

Within BNZ's Small Business segment (businesses with an annual turnover of under NZ \$1m) NPS has remained relatively stable. It's now ranked third in the market. Our priority segment SME (businesses with an annual turnover of under NZ \$20m) NPS is stable, but our ranking has fallen to third.

1 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.  
 2 Priority segments Net Promoter Score (NPS) is a simple average of the NPS of four priority segments: NAB defined Home Owners and Investors, as well as Small Business (\$100k-<\$5m) and Medium Business (\$5m-<\$50m). Refer to the Glossary for definitions of the priority segments. September 2016 NPS performance has been restated to reflect the change in priority segments. The 2016 priority segments were Mortgage Customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m).  
 3 Source: Camorra Research Retail Market Monitor; TNS Business Finance Monitor. Retail data is on a 6-month roll. Partners (annual turnover of NZ\$1m - NZ\$150m), SME (annual turnover of <NZ\$20m) and Small Business (annual turnover of <NZ\$1m) data is on a 12-month roll. Data correct as of 13 October 2017.  
 4 Retail Wealth is defined as customers age 30+ that meet one of the following criteria:  
 • Household income > 150k (before tax)  
 • Personal income > 100k (before tax)  
 • Deposits > 100k

**Listening and acting**

We want the best outcomes for our customers because their success is our success. We'll seek to strengthen our business by ensuring we're always open, transparent and serious about issues that impact our customers.

Customer feedback is important. It gives us insight into how we can improve our processes, and address concerns.

Our commitment is that the employee who receives a complaint is responsible for resolving it. We're pleased to see an improvement in the levels of first point of contact resolution of our complaints across the business, and for each of our priority segments. Complex complaints are escalated through one of our specialist complaint management functions such as NAB Resolve or MLC Resolve.

**Percentage of complaints resolved at first point of contact**

BUSINESS SEGMENT	2017	2016
Home Owners	38%	32%
Investors	42%	35%
Small Business	41%	32%
Medium Business	31%	24%
<b>All customers</b>	<b>42%</b>	<b>33%</b>

In Australia, the number of complaints we received increased by 7.9% this year. Feedback relating to fees and charges continues to be the highest contributor. It's important to note that the cause of these complaints is usually related to a process or product, rather than the actual fee itself.

We're focused on understanding and addressing these complaints, not just on a customer-by-customer basis, but by improving the processes that cause problems.

In September 2017, NAB began sharing some of the improvements we have made to our products and services. We launched a [website](#) outlining what our customers have told us and how we're listening to them, as well as a summary of what we're working on, so our customers can see how committed we are to improving their experience with us.

So far this year, we have addressed more than 200 Customer Pain Points, and look forward to continuing to make banking better for our customers.

Additionally, our ongoing focus on improvement is reflected in a sustained reduction in complaints escalating to the Financial Ombudsman Service (FOS), though we know we still have work to do. The adjacent table outlines FOS complaints for our highest volume consumer product categories.

One focus next year is to ensure our readiness for the introduction of the new Australian Financial Complaints Authority (AFCA) on 1 July 2018.

**Independent customer advocate**

Since July 2016, NAB customers have been able to access the Independent Customer Advocate (ICA) to review their closed complaints. The ICA has also carried out wider thematic reviews, with their recommendations driving improvements for NAB customers.

This role is an important part of our work to restore customer trust and confidence in banking by ensuring fair outcomes for customers when things go wrong and by raising the voice of the customer throughout NAB.

The ICA has carried out 22 full reviews for customers throughout 2017. They've also carried out various thematic reviews, which have led to process changes, advice on remediation programs, and provided a consumer perspective into NAB's response to external reviews – including the Sedgwick Review into product sales commissions.

**FOS – Complaints comparison**

PRODUCT SEGMENT	NAB		PEER 1		PEER 2		PEER 3	
	2017	2016	2017	2016	2017	2016	2017	2016
Deposits (1st of major banks)	2.0	2.1	2.9	1.9	2.4	2.3	3.1	3.4
Credit cards (1st of major banks)	5.0	6.7	8.0	5.7	10.1	12.7	12.8	13.2
Housing finance (1st of major banks)	23.7	22.6	30.1	21.7	29.0	32.1	23.9	19.7

**Source:** 2017 FOS Comparison tables. Data shows the likelihood of a dispute going to FOS per 100,000 accounts held by each major Australian bank, across four product categories. Peers figures do not include subsidiary brands. 1st position denotes fewest disputes going to FOS.

## PRIORITISING POSITIVE CUSTOMER OUTCOMES

We strive to provide the best possible products and services by taking the customer's individual situation, requirements and objectives into account whether it's to help manage cash flow, purchase a home, or invest in their future.

Our responsible lending practices are delivered to our customers through our bankers and brokers, who are equipped with tools that ensure our customers have simple to access and easy to understand information about all of our consumer lending products.

### Simpler, transparent product information and advice

- Overhauled NAB's existing business standard loan form contract for over 130,000 Australian business owners, through simpler contractual clauses, plain English and a major reduction in document length.
- Improved information about NAB Personal Loans on our website so that it's simpler, easier to understand, and more useful for customers. This includes providing more information to customers on how they can improve their credit history, and understand a credit report.
- Increased communications regarding credit card product conditions, particularly in relation to, and following the end of, promotional offer periods. This includes direct communications, information on our website, and in advertising material.
- Improved NAB Property Reports through automation, instantly sending reports to customers so they can make a fully informed decision.
- BNZ's home loan repayment tool means customers can increase their home loan payments from their living room. So far, customers who've used this tool stand to save \$273m and take 63,000 years off their home loans. On average, a customer using this home loan repayment tool has taken four years and ten months off their home loan.

- BNZ have helped reduce the number of customers going into unarranged overdraft. Customers who find themselves in an unarranged overdraft are prompted to register for free text and email account notifications. BNZ also introduced a grace period, providing customers until 11.45pm the following day to clear the unarranged overdraft with no fee charged.

### Credit assessment and pricing

- Introduced Loan to Income limits when assessing a prospective borrower's application, to ensure that our customers can buy a home and have the ability to live appropriately within their means.
- Incorporated enhanced bureau data to make more informed personal loan lending decisions for new to bank customers.
- Increased the minimum percentage repayment used for serviceability assessments on credit cards to tighten credit assessment.
- Supported first-home buyers entering the market, with favourable pricing for principal and interest first home borrowers.
- Committed to commence the roll out of Comprehensive Credit Reporting (CCR) in February 2018. CCR will provide a more complete picture of a customer's situation, increasing lenders' ability to match the provision of credit to a customer's individual needs. Currently, an Australian's credit report contains only 'negative' information such as payment defaults, credit enquiries and bankruptcies. Under CCR, positive credit

information will be added – including accounts that have been opened, credit limits on those accounts, and details of monthly payments made. NAB is phasing its roll out of CCR, commencing with personal loans, credit cards and overdrafts, to ensure it is a smooth transition for customers.

### Product development

We conduct an annual mandatory product review to ensure our products continue to be fit for purpose, and are meeting our customer and commercial needs. The review assesses the effectiveness of our controls across a range of risks (e.g. conduct risk, operational risk, Anti-Money Laundering (AML)) to ensure products are operating as designed.

Our Product Approval Checklist identifies scalable requirements (including customer and banker testing) needed to make sure we have a clearly defined customer value proposition built into our product design. A customer suitability assessment (product complexity vs. customer sophistication) is completed for significant changes to a product (e.g. features, jurisdiction, distribution channel, customer segment).

Our Enterprise Product Committee is the approval body for changes that materially impact a product's risk profile or where the external environment heightens the risk associated with the product.

At our 2017 Results Announcement, we committed to simplify the customer experience, targeting to half the number of products we provide, within the next 3-5 years.<sup>1</sup>

<sup>1</sup> Refer to Key Information on page 82 for a full explanation of forward-looking statements.

## INFORMATION SECURITY AND MANAGEMENT

We continue to invest in technology, operations and people. This helps to ensure customer data and information is protected and used appropriately.

### Cyber security

Our Chief Information Security Officer (CISO) manages NAB's information security program, providing cyber security updates to our Executive Leadership Team and Board. All NAB employees are responsible for protecting our customer and corporate information, and regularly complete training that covers the changing cyber threat landscape.

The security of our customers' funds and data is extremely important to us. We focus on making customers' digital interactions as convenient and secure as possible, and continue to invest in enhancing product and service security.

We provide regular insights from our expert security team on measures customers can take to protect themselves online and keep their information secure.

We provide information to our customers on the latest security threats on our [website](#), and via our social media channels. Our tips and advice help customers stay safe online.

We also run seminars for our business customers. These cover the latest cyber security threats and trends targeting businesses. They also provide advice on how businesses (of any size) can manage cyber security risk.

NAB actively supports the Federal Government's Cyber Security Strategy to improve Australian's cyber capability and proudly supports Stay Smart Online Week.

A range of initiatives have taken place in New Zealand throughout 2017. These include:

- Collaboration across BNZ is helping to mitigate risk to customers – with marketing teams working to keep our customers safe through educational emails
- Information Security teams have run security awareness presentations for our customers in Small Business, Retail and Institutional Banking. These presentations are complemented by the Keep Yourself Safe Online brochure developed for BNZ customers during 2016
- Following large-scale persistent phishing attacks early in 2017, BNZ has improved their processes, resulting in faster responses for compromised customers.

### Privacy management

Trust underpins NAB's relationship with its customers and employees. Our internal personal information governance and management protocols are an important part of maintaining that trust. It's a framework that includes a Chief Privacy Officer and Privacy Office, ongoing employee training, compliance monitoring, and customer communications detailing our privacy solutions – as well as our commitment to privacy protections.

The Privacy Office is part of NAB's Group Governance and Legal team and works with other teams with operational oversight of information management, including Risk, Compliance and Regulatory Affairs. The Privacy Office provides legal advice and support, specifically on products and projects that concern personal information, customer queries and complaints, and policy development.

NAB supports the Office of the Australian Information Commissioner's (OAIC) voluntary approach to data breach notifications, and informs customers when incidents involving their privacy occur.

In 2017, NAB received 15 complaints from the OAIC. Of those, the OAIC declined to further investigate eight, while five are still being considered.

### Managing financial crime

We're committed to protecting NAB and our customers, meeting our legal and regulatory requirements in the areas of financial crime. This includes anti-money laundering and counter-terrorism financing, fraud, bribery and corruption, and sanctions and embargoes.

We publish information on our policies and processes designed to lessen opportunities for financial crime, and our adoption of, and commitment to the Wolfsberg Group AML Principles and Questionnaire on our [website](#).

**HARDSHIP ASSISTANCE**

We back our customers through good times and bad. NAB Assist, our team dedicated to supporting customers in financial difficulty, has continued to evolve and drive great results for our customers and our business.

In 2017, our customers faced an economy in transition, while underemployment and long-term unemployment reached historic highs<sup>1</sup>. Our financial resilience research has identified that only one in three Australians are financially secure<sup>2</sup>, and natural disasters continue to impact our communities across Australia and New Zealand.

To assist our customers experiencing financial vulnerability, NAB Assist tailors options to best assist our individual customer’s needs from payment arrangements through to hardship options like reduced payment arrangements, moratoriums, or longer-term solutions.

We have identified that some of our financially vulnerable customers are also managing personal issues. These include mental illness, gambling addiction, substance abuse, homelessness and family violence. Our team constantly reviews the causes of hardship in order to understand how we, or our partners, can better assist.

To do so, we have maintained our partnership with Uniting Kildonan and their ‘CareRing’ Program to provide customers with a holistic approach to remediate both financial and social issues. We have also continued to provide Family Violence Assistance Grants to those who need to escape violent relationships and homes.

**Building awareness**

To back our customers in financial difficulty, it’s critical we help customers in a timely manner. NAB Assist has begun a countrywide awareness campaign to educate customers about the support available from their financial institutions in times of need.

**Hardship Bond**

This year, we commenced a ‘Hardship Bond’ program to support customers at risk of financial exclusion by incentivising them to repay their debts. The Hardship Bond is between the bank and the customer, where the customer receives 25% of their repayments to use as they wish, providing they meet their agreed repayments.

Initial performance results of the program have shown that, as at 30 September, 98% of customers had chosen to put their 25% refund towards the repayment of their owing debt.

**Building capability – our customers and our people**

NAB Assist’s approach is one based on Shared Value, aiming to provide a holistic approach to return a customer back to sustainable financial health. In turn, this generates greater benefits for NAB. Our approach also invests in long-term capabilities of our customers.

The ‘CareRing’ program provides customers with tools for their future such as financial counselling. The financial counselling service educates our customers on finance management, increasing financial resilience and helping customers to obtain money management skills to move forward.

NAB Assist’s approach requires our people to be empowered to make the right decisions and do the right thing for our customers. We have implemented training that provides our people with the support and capabilities they need to deliver great customer outcomes.

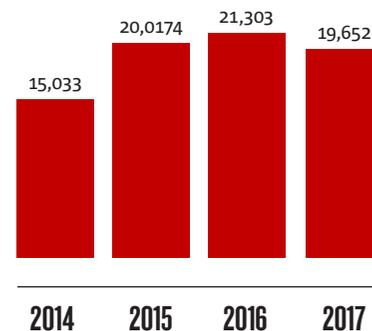
**Results**

Pleasingly, our work is paying off. 90% of our customers dealing with financial difficulty return back to regular repayments within 30 days and 97% are back to financial health within 90 days.

Importantly, our customers are our biggest advocates. NAB Assist consistently experiences an NPS of above +60, with the dedicated hardship team receiving an average NPS of +69.<sup>3</sup>

Since the changes NAB Assist made in 2014 to drive better customer outcomes, the number of NAB Assist hardship-related complaints lodged with the FOS significantly reduced – by 89%. We have also set a goal to continue to have the lowest number of complaints referred to FOS.<sup>4</sup>

**NUMBER OF CUSTOMERS PROVIDED FINANCIAL HARDSHIP ASSISTANCE**



**NAB ASSIST IN ACTION**

Homelessness, inability to put food on the table for her family and a child with severe chronic medical issues are only a few things Sarah has faced.

Sarah has been a long-standing customer with NAB, across many products, including a home loan. In February, 2017, Sarah’s family hit an all-time low when her youngest child’s health deteriorated requiring more medical attention. In combination with other stresses, their household could not cover the costs of additional medical care.

When Sarah started to miss her repayments, NAB Assist got in touch. In listening to Sarah, the advisor could see Sarah was facing a number of non-financial issues that were significantly impacting her financial situation.

The advisor referred Sarah to our ‘CareRing’ program, which provided her with a number of support services including financial counselling, a home energy visit, assistance regarding mental health and advocacy for utility concessions due to her child’s medical condition.

From this, Sarah now feels more empowered with her finances; her utility company waived her electricity debt and provided concessions for electricity and gas; giving Sarah much needed breathing space and the opportunity to get back on track.

Sarah’s family still need time to recover, but they now know food will be on the table for dinner.

Sarah is just one of the 19,652 customers and their families we supported in 2017.

If you’re finding things tough, please reach out to us:

**Phone: 1800 701 599**

**Website**

1 Australian Bureau of Statistics, 6291.0.55.001 – Labour Force Australia, Detailed, Aug 2017.

2 Financial Resilience in Australia, Centre for Social Impact and NAB.

3 Refers to Operational NPS, which is derived from surveys sent by NAB to NAB customers who have recently gone through the respective experiences (e.g. received hardship assistance).

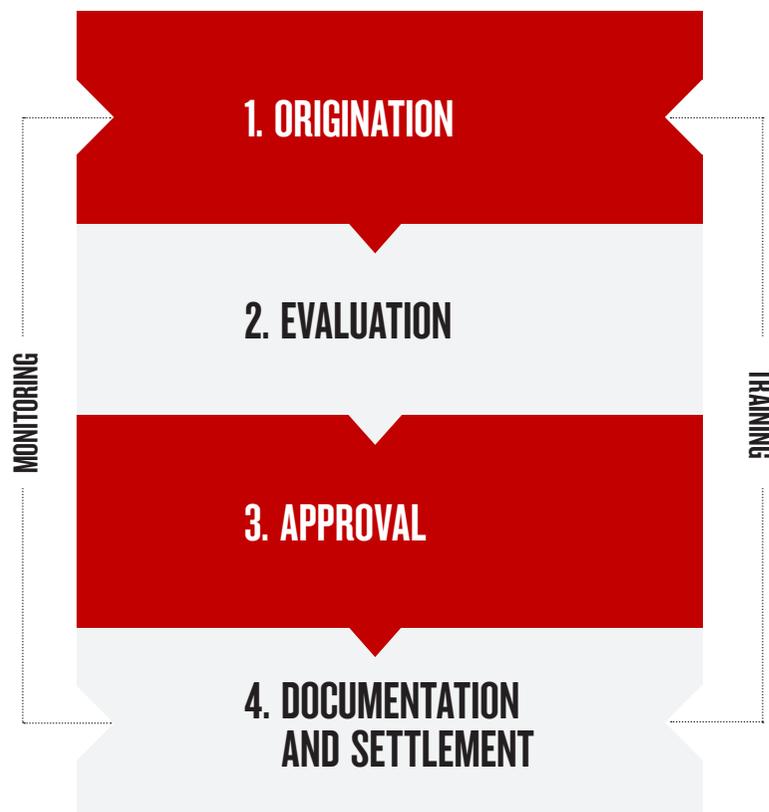
4 Refers to lowest absolute number of financial difficulty complaints of the four major Australian banks accepted by the Financial Ombudsman Service.

**MANAGING THE ESG RISKS OF OUR PRODUCTS AND SERVICES**

**Managing ESG Risk**

We consider NAB’s exposure to ESG risk arising from our provision of financial products and services at both a lending portfolio and an individual customer level, where appropriate. At the customer level, ESG risk is assessed on a case-by-case basis, as part of credit risk assessment and due diligence processes. For our existing customers in identified high risk sectors, we undertake a regular review of their credit and ESG risk.

**CREDIT RISK ASSESSMENT AND DUE DILIGENCE PROCESSES**



**ORIGINATION**

At origination, our bankers may identify potential material ESG factors associated with the customer and/or project, sector and the country of the project. This is assisted by screening against an internal ‘High Risk ESG sensitive sectors and sensitive areas’ list, which is reviewed regularly.

**EVALUATION**

Credit risk assessment and due diligence is carried out. This includes assessment and identification of material risk issues that incorporates ESG risk assessment.

ESG risk assessment is a qualitative assessment, which considers the materiality of the ESG risks, in addition to the size, type, tenor and complexity of the transaction being considered. As a result of our association with a customer and their activities, we also consider whether there is any risk to our reputation.

**APPROVAL**

Lending approval is only given where risk (including ESG risk where appropriate) has been effectively evaluated, appropriately mitigated and accepted as being within NAB’s risk appetite. This happens in accordance with NAB’s Delegated Credit Authority framework. In some cases, transactions may be escalated for discussion of ESG and reputation-related risk at various management and risk committees, prior to any final decision being made on whether NAB will approve or decline lending.

**DOCUMENTATION AND SETTLEMENT**

During documentation and settlement, the customer may be subject to conditions and covenants to address legal obligations, comply with the Equator Principles, and/or monitor and manage specified ESG risks against agreed performance measures.

**MONITORING**

This can include regular reviews of the customer’s compliance with any agreed conditions and covenants incorporated into lending documentation (which may also include ESG requirements). A customer’s failure to comply with lending terms and conditions can result in NAB exiting the relationship.

On top of monitoring ESG risks at a customer level, our Group Credit and Market Risk Committee receives a six-monthly update on ESG risk. This provides information on emerging ESG risks and trends, as well as updates on NAB’s exposure to ESG risks.

**TRAINING**

As part of our approach to managing ESG risk we provide bankers with access to various expertise, information, training and tools.

**Supporting our customers in addressing environmental risk**

We're actively helping our customers meet their environmental objectives by providing products and services that support investment in clean and renewable energy, energy efficient practices and other environmental goals.

We have a number of dedicated teams who support these efforts – including our:

- Capital Markets & Advisory team – who recognise the issues facing our customers, communities and the environment in which we operate and continue to develop a range of environmental financing solutions to support our customers, including arranging green and sustainability bonds. The team also provides financial advisory services to customers in support of listed and unlisted capital raisings, mergers and acquisitions across renewable energy, infrastructure, real estate, agriculture and natural resources sectors
- Specialised Finance team – who provide project finance<sup>1</sup> and asset finance<sup>2</sup> solutions to customers across a number of key industry sectors – specifically larger-scale infrastructure<sup>3</sup>, energy<sup>4</sup> and natural resource<sup>5</sup> projects, and renewable energy
- Agribusiness team – who tailor finance and banking solutions for our agribusiness customers – including the first stage post-farmgate processing sector. We have an Agribusiness team in every state, in 111 locations across Australia
- Equipment Finance Team – who in partnership with the Clean Energy Finance Corporation encourage customers to invest in the most energy efficient technology available by subsidising interest rates for eligible equipment.

1 Project finance is a method of financing in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the lending exposure.

2 Asset finance typically covers lending to industry-specific vehicles, plant and equipment.

3 Large-scale infrastructure includes national critical projects such as Public Private Partnerships in areas of education, health, social housing, justice, water and roads.

4 Energy projects include traditional power projects, energy distribution and transmission. Renewable projects are a key focus for the team and include such sectors as wind, solar and geothermal power.

5 Natural resource projects include selected mining and mining-related infrastructure.

**Lending book exposure to industry sectors and activities**

As a major bank in the Australian financial system, NAB's lending book reflects key industries represented in the Australian economy. This is illustrated in the table opposite showing a breakdown of our lending portfolio by level 1 ANZSIC industry classification.

As part of our ESG risk management framework, we monitor our lending portfolio exposure to industry sectors and activities that may have higher ESG risks. We report on this information regularly to a range of frontline division and executive level risk committees, and where relevant, to Board Risk Committee and Board.

This year, we have reviewed our risk appetite for a number of sectors on our sensitive sectors and activities list. These reviews covered both social and environmental risk areas.

As part of this work, we began a phased review of NAB's risk appetite for carbon intensive, low carbon and climate sensitive sectors. This includes resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing, and property. Further information on this is available on page 57, in the Climate Change section. We have also continued to expand our disclosures on a range of sectors in our full and half year results presentations and in this Sustainability Report.

NAB Group's lending exposure to major tobacco companies equates to less than 0.009% of exposure at default (EAD) as at 30 September 2017. This is comprised of small exposures in Australia and the UK.

Agribusiness is a key sector we're working on as part of our Natural Value strategy. Data on this sector is also provided on page 22. For further information on our Natural Value strategy and work, see page 61.

On the following page we have provided a number of graphs that provide information on our exposure to the resources, power generation and agribusiness sectors.

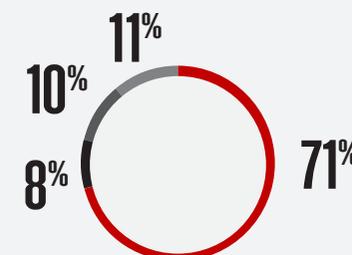
This year we have also added information on our exposure to power transmission and distribution and retail only energy businesses.

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

INDUSTRY	2017	2016	2015	2014	2013
Accommodation, Cafes, Pubs and Restaurants	9,344	9,101	10,167	10,523	10,409
Agriculture Forestry, Fishing and Mining	53,450	50,115	51,706	47,822	46,731
Property and Business Services	19,403	18,396	19,072	17,214	15,973
Commercial Property	75,751	74,517	71,505	68,739	69,836
Construction	10,296	10,170	9,990	10,230	10,475
Finance and Insurance	257,227	236,803	268,401	216,965	166,008
Manufacturing	19,779	20,160	23,622	23,648	22,250
Personal	17,404	17,775	20,167	19,715	19,763
Residential Mortgage	378,207	362,872	395,775	363,556	336,552
Retail and Wholesale trade	30,598	30,934	32,791	31,550	30,522
Transport and Storage	21,147	19,526	19,651	17,505	16,771
Other	81,665	77,375	83,818	80,263	68,570
<b>Total</b>	<b>974,271</b>	<b>927,744</b>	<b>1,006,665</b>	<b>907,730</b>	<b>813,860</b>

**GROUP EXPOSURE AT DEFAULT BY REGION (%)**

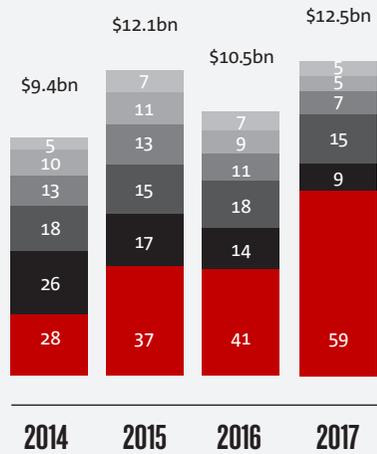
- Australia
- United Kingdom
- New Zealand
- Other



**INDUSTRIES OF INTEREST<sup>1</sup>**

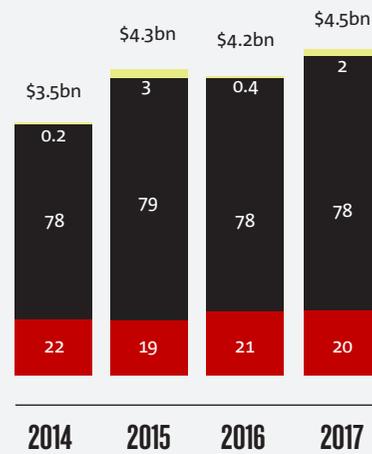
**RESOURCES EXPOSURE AT DEFAULT  
BREAKDOWN BY SECTOR (%)**

- Gold Ore Mining
- Coal Mining<sup>2</sup>
- Iron Ore Mining
- Other Mining
- Mining Services
- Oil & Gas<sup>3</sup>



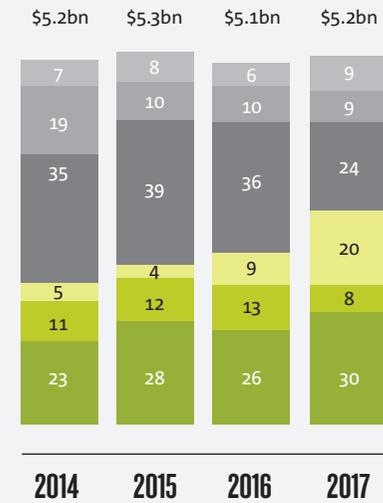
**POWER TRANSMISSION, DISTRIBUTION,  
& ENERGY RETAIL EXPOSURE AT DEFAULT (%)**

- Retail
- Distribution
- Transmission



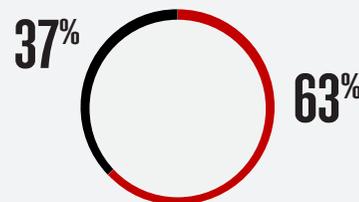
**ELECTRICITY GENERATION BY FUEL SOURCE  
EXPOSURE AT DEFAULT BREAKDOWN (%)**

- Gas
- Coal
- Mixed Fuel
- Other/Mixed Renewable
- Hydro
- Wind



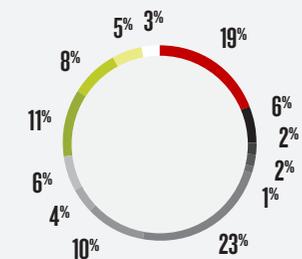
**GROUP AGRICULTURAL, FORESTRY AND FISHING BY REGION  
(%) EXPOSURE AT DEFAULT (\$40.9bn)**

- Australia
- New Zealand



**AUSTRALIAN AGRICULTURAL, FORESTRY AND FISHING  
BY SECTOR EXPOSURE AT DEFAULT (\$25.8bn)**

- Beef 19%
- Sheep/Beef 6%
- Sheep 2%
- Other Livestock 2%
- Poultry 1%
- Mixed 23%
- Services 10%
- Forestry and fishing 4%
- Dairy 6%
- Grain 11%
- Other crop and grain 8%
- Cotton 5%
- Vegetables 3%



1 All figures as at 30 September.  
 2 As at 30 September 2017, Coal Mining is comprised of 83% thermal coal exposure and 16% metallurgical coal, with the remaining balance of 1% primarily for peat cutting.  
 3 Oil & Gas extraction exposure is largely to Liquefied Natural Gas projects and investment grade customers (91%).  
 4 Prepared in accordance with NAB's methodology (based upon the 1993 ANZSIC codes). 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.

**PROJECT FINANCE**

**Our project finance (PF) portfolio plays a significant role in supporting the growth of Australia and New Zealand.**

At 30 September 2017, PF represented 1.5% of total NAB Group Exposure at Default. As at 30 September 2017, of the deals in our PF portfolio that we applied Equator Principles (EPs) to, 97.2% were in designated countries and 2.8% were in non-designated countries.<sup>1</sup> In 2017, we closed 34 new PF transactions, refinanced five existing transactions, and removed six transactions from our loan book. While transactions can be declined at any stage of negotiation or due diligence, none were declined in 2017 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 6,561 MW. Having arranged \$6.2 billion<sup>2</sup> worth of loans since 2003, we continue to be the leading arranger (by market share<sup>3</sup>) of PF to the Australian renewable energy sector.

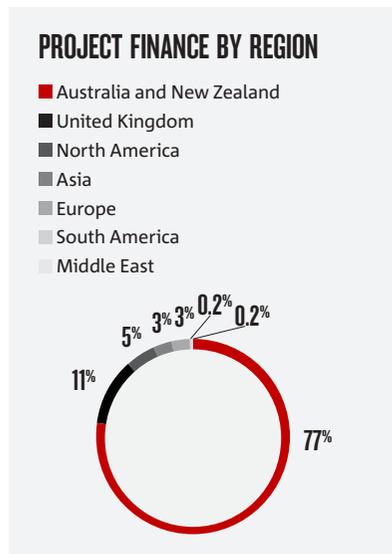
This year, our estimated<sup>4</sup> share of the total Scope 1 and 2 greenhouse gas (GHG) emissions from the Australian designated power generation assets<sup>5</sup> we finance (as a percentage of debt at September 2017) in our PF portfolio is around 1,726,175 tCO<sub>2</sub>-e (2,655,650 tCO<sub>2</sub>-e in 2016).

Our PF activities are a critical element of our commitment to provide finance to help address climate change and support the low carbon transition. In 2017, we financed an additional 4,017 MW of installed renewable energy generation capacity through renewable energy projects – including finance for wind and solar assets in Australia and the UK. See the ‘Climate change’ section on pages 56-60 for more information.

NAB has been a signatory to the EPs since October 2007. We take these principles into consideration when undertaking relevant project-related transactions.

Our 2017 Equator Principles Report will be up on our [website](#) in January 2018.

**Note:** PF by region as a percentage of total portfolio value, expressed as exposure at default, as at 30 September 2017.



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

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

**Project finance deals by Equator Principles Categories (as at 30 September 2017)**

EQUATOR PRINCIPLE CATEGORY	NUMBER OF PROJECTS	PROJECTS AS A % OF TOTAL PORTFOLIO VALUE
A	3	8
B	67	48
C	25	20
Pre-EP adoption (pre-September 2007)	16	8
Project finance post EPs III to which the EPs do not apply	30	15

1 Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.  
 2 Amount includes new transactions and re-financing.  
 3 Data Source: Thomson Reuters: Project Finance International 2006-2017 Asia Pacific Initial Mandated Lead Arrangers League Tables - MidYear 2017 US\$ Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2017.  
 4 As these GHG emissions are not generated directly by NAB, we have relied on the public information disclosed by the Australian Clean Energy Regulator, which is information reported by designated generation facilities for the purpose of National Greenhouse and Energy Reporting. Our methodology involved identifying the reported Scope 1 and 2 GHG emissions associated with each generation facility we project finance in Australia. We then multiplied these emissions by NAB’s participation in financing for each facility as % of debt as at 30 September 2017. We then aggregated our share of Scope 1 and 2 GHG emissions to get the total tCO<sub>2</sub>-e for the portfolio of power generation assets we project finance in Australia.  
 5 Designated generation facilities are facilities where the principal activity is electricity generation and where the facility is not part of a vertically-integrated production process. The emissions figure calculated for our project finance portfolio of Australian designated generation facilities covers 97.9% of the Australian power generation assets (measured as MW capacity of the power generation facilities) included in NAB’s project finance portfolio. Data for the remaining 2.1% of assets (measured as MW capacity of the power generation facilities) was not available.  
 6 Coal-fired power represents 1% and gas-fired power 5%.

## PROJECT FINANCE CASE STUDIES

In 2017, we continued to provide financial support to the development of important infrastructure and energy projects, including the following:

### Bungala Solar Farm – Australia

NAB is providing project finance for the first two stages of the Bungala Solar Farm. This is aligned to our environmental financing commitment (refer page 58). Post completion, this will be Australia's largest solar farm to date.

The project is located in South Australia, north east of Port Augusta, and once completed will have a generation capacity of up to 300 MW. The project is expected to generate around 570 GWh of renewable energy each year, which is sufficient to power around 82,000 homes and avoid 520,000 tonnes of CO<sub>2</sub>-e.

The solar farm is being built on land leased from the Bungala Aboriginal Corporation, providing significant economic benefits to the local Indigenous community.

As part of NAB's due diligence and credit risk assessment process we considered a range of social and environmental aspects of the proposed solar farm development. These included community engagement and consultation and available complaints and grievance mechanisms. We also considered heritage values,

Indigenous community engagement and economic benefits, governance performance, environmental management policies, processes, approvals and requirements including potential for impacts on ecology, biodiversity and land management, contribution to climate change mitigation and requirements of the EPs.

The project has been rated as an EPs Category B project.

### CPV Fairview Energy Centre

The USA has increased investment in efficient gas-fired power generation in its power generation mix to assist with short to medium term reduction in GHG emissions and to provide a flexible back up to intermittent renewable energy generation resources.

In 2017, NAB was a coordinating lead arranger and the swap coordinating bank for the project financing of the CPV Fairview Energy Centre. CPV Fairview is a greenfield 1,050 MW combined cycle gas-fired power station development located in Jackson Township, Pennsylvania, USA. The plant will provide energy into the PJM (Pennsylvania-New Jersey-Maryland Interconnection) market, the largest deregulated energy market in the US covering 13 states and over 60 million people. The power station is expected to generate enough electricity to power over 1 million homes and businesses and will replace coal-based generation.

CPV Fairview will combine the most advanced generation technology available with a natural gas/ethane fuel blend and state-of-the-art emissions controls, to be one of the cleanest, most efficient conventional generation facilities in Pennsylvania. The Power Station will conserve natural resources by utilising industrial water from the Cambria Somerset Authority (CSA) for non-contact cooling purposes. After cycling through the plant multiple times, the water will be treated and returned to the CSA via a pipeline for further use for industrial processes.

CPV Fairview will utilise a site that was historically used as a petroleum storage terminal and salvage operation, redeveloping and remediating any possible contamination found. During the due diligence and credit risk assessment we considered a range of social and environmental matters including community engagement, consultation and complaints processes, environmental management, noise controls, GHG emissions, wetlands protection, water and air quality permits, land development, and the requirements of the EPs.

The banking syndicate financing this project, including NAB, will monitor social and environmental performance through the final planning, construction and commissioning phases of the project in accordance with EPs requirements. The project has been rated as an EPs Category B project. Further information on the project is available at [CPVFairview.com](http://CPVFairview.com).

### Ausgrid

In addition to providing project finance for greenfield projects, NAB provides and arranges financing for existing infrastructure such as hospitals, schools, roads, electricity transmission and distribution, rail, ports and airports.

In late 2016, NAB participated in the acquisition financing for Ausgrid and in 2017 led its initial capital markets issuances. Ausgrid is a core infrastructure asset in NSW which is now part owned by AustralianSuper and IFM Investors under a long-term lease from the NSW Government. Ausgrid delivers electricity to more than 1.7 million homes and businesses across Sydney, the Central Coast and the Hunter regions.

As part of NAB's due diligence and credit risk assessment process, we undertook an ESG risk assessment which included consideration of a range of social and environmental aspects of transmission and distribution system operations and management such as stakeholder engagement, occupational health and safety, people practices and policies, industrial relations, and environmental management including management land and biodiversity, contaminated sites and extreme weather events such as bushfires.

1 EPs apply to new/greenfield projects or expansion or upgrade of an existing project where changes in scale or scope may create significant environmental and social risks and impacts, or significantly change the nature or degree of an existing impact.

**RESPONSIBLE INVESTMENT**

We know how important it is to manage ESG issues through investment. It's why our wealth management businesses incorporate ESG factors in a way that's relevant to the services they offer.

There are a number of brands that make up our Australian wealth management business – including MLC, JBWere and Plum.

Socially Responsible Investment (SRI) funds need to have a diversified portfolio of assets that support the Australian Ethical Charter – or a fund manager who screens for ethical and socially responsible investments.

The MLC brand<sup>1</sup> represents a range of investment products and services.

- The MLC multi-manager business researches and selects leading investment managers to look after assets on behalf of our customers. An important part of this assessment and selection process is to understand potential managers' ESG credentials.
- MLC offers hundreds of investment options to customers, because we know that everybody has different ideas about how their money should be managed. We have options that are managed by the MLC multi-manager business, as well as a large number of externally managed products. SRI funds are also included in these choices.

NULIS Nominees (Australia), responsible for NAB superannuation funds, has an Investment Governance Policy. This Policy incorporates ESG Risk Management, which covers investment strategies for directly managed MySuper investment options. ESG factors are considered in MySuper investment decisions in line with this policy.

During the year, we've continued to invest in risk and data analytics capabilities to assist with the monitoring and management of portfolios. Using MSCI data, these tools provide visibility of ESG risk, and specific carbon-related risks, from an individual holding level through to a portfolio view.

MLC Super again responded to the Asset Owners Disclosure Project climate change survey maintaining a BBB rating year on year and achieving a global ranking of #35 in 2017.

**JBWere**

JBWere has developed a coherent and considered SRI framework for the benefit of its clients, incorporating three core pillars:

- Integration of ESG factors
- Screening based on ethical, moral or religious beliefs (ethical investing)
- Impact investment.

In 2017, JBWere established a partnership with Morgan Stanley Capital International (MSCI) and developed a framework to incorporate the research of MSCI ESG Research analysts into JBWere's investment research and portfolio construction process.

**BNZ**

It is important to us that we align our investment decisions with our customers' beliefs and attitudes towards responsible investment.

We have developed a responsible investment policy which allows for the exclusion of investments in companies that are involved in the manufacture of cluster munitions, anti-personnel mines, nuclear weapons and tobacco or tobacco products. BNZ also became a signatory to a statement supporting the tobacco control ambitions of the World Health Organisation.

<b>SOCIALLY RESPONSIBLE INVESTMENT (SRI)</b>	<b>2017</b>	<b>2016</b>
AMP Capital Investors Sustainable Future Australian Share Fund – Class A	0.39	0.60
AMP Capital Investors Responsible Investment Leaders International Share Fund - Class A	2.87	3.88
Australian Ethical Smaller Companies Trust Class B	9.73	6.67
Australian Ethical Larger Companies Trust - Class B	0.50	0.49
BT Ethical Share Fund	8.50	8.39
Hunter Hall Australian Value Trust - Class B Units	1.16	2.22
Hunter Hall Global Ethical Trust - Class B Units	6.90	9.91
Hunter Hall Value Growth Trust	20.16	48.39
Hunter Hall Global Deep Green Trust	0.01	0.01
Hunter Hall Global Value Share	3.20	0.14
Perpetual Wholesale Ethical SRI Fund	499.58	447.43
Generation Wholesale Global Share Fund	35.10	19.95
Alphinity Wholesale Socially Responsible Share Fund	2.35	2.56
Australian Ethical Balanced Trust	1.21	1.28
Candriam Sustainable Global Equity	3.05	New
Russell Australian Responsible Investment ETF	0.29	New
Robeco Emerging Conservative Equity Fund	2.34	0.8
<b>Total SRI Funds (\$m)</b>	<b>597</b>	<b>553</b>
<b>Total funds under management (\$m)</b>	<b>152,219</b>	<b>144,030</b>
<b>SRI funds as a percentage of total funds under management</b>	<b>0.39</b>	<b>0.38</b>

1 In 2016, NAB sold 80% of NAB Wealth's life insurance business (MLC) to Nippon Life.

**BUILDING THE MARKET FOR IMPACT INVESTMENT**

We're committed to supporting the growth of impact investing in Australia. We do this because we believe we can deliver innovative financial solutions that help our customers, community partners and governments build strong Australian communities. Impact Investing demonstrates NAB's Shared Value approach in action.

The gap between demand for welfare services and what governments can provide is growing. We believe that accepting the current arrangement will disadvantage the economy and our prosperity in the future.

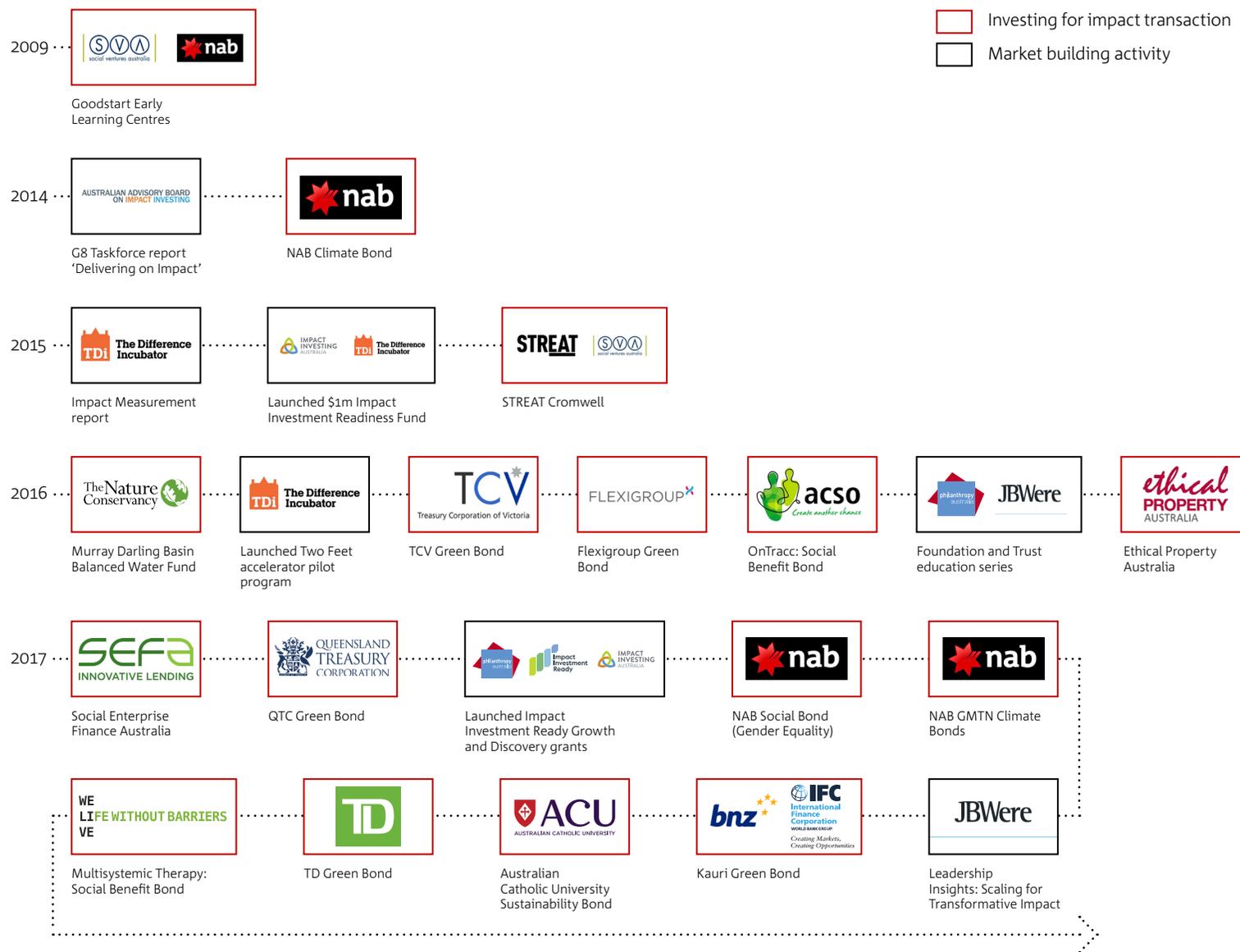
Currently, investors have limited options to invest in line with their social and economic values. By creating new investment products, NAB offers investors greater choice about where they direct their money.

In 2014, we committed to building the foundations of the impact investing market in Australia. We then launched the world's first bank-issued climate bond that invested in solar and wind generation – enough to power around 730,000 average Australian households annually.

The adjacent timeline summarises the evolution of our investment products that help investors back strong communities. There is growing demand for these products and in 2017 we issued or arranged over \$2.2 billion in green, social, sustainability and social impact bonds.

Key highlights this year include:

- Social Bond (Gender Equality): First bond globally to specifically promote workplace gender equality
- NAB GMTN Climate Bonds: First offshore green bond by an Australian financial institution
- The BNZ Capital Markets team arranged the first Green Kauri bond launched in the New Zealand market
- Aligning our activities, product and investment opportunities towards the UN Sustainable Development Goals.



### DEVELOPING AND SUPPORTING MICROFINANCE PROGRAMS

Since 2003, we've been working with Good Shepherd Microfinance and Federal and State governments to provide access to basic financial products to people on low incomes.

#### What we do and how we do it

We've committed \$130 million in capital to support the provision of microfinance loans across Australia as well as NZ\$60 million in New Zealand.

This capital is provided to community organisations assisting customers on low incomes. Most is used to provide 'circular community credit', where one borrower's repayments are made available to someone else in the community.

We provide a number of products to support people on low incomes:

- NILS: No Interest Loan up to \$1,500 (Australia) or NZ\$1,000 (New Zealand) for essential goods and services
- StepUP: Low Interest Loan up to \$3,000 (Australia) or NZ\$5,000 (New Zealand) for essential goods and services
- AddsUP (Australia only): Matched Savings Plan for eligible customers who have successfully repaid a NILS or StepUP loan
- Microenterprise loans (Australia only): Unsecured business loan for people with low incomes, as well as a mentoring and training program.

These products are available through a network of 400 community organisations across Australian and New Zealand.

Our 'Good Money' initiative also offers financial counselling and microfinance products and services in high street locations.

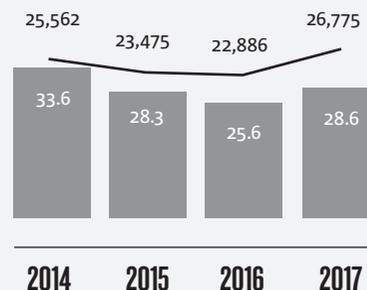
#### Progress this year

In 2017, we saw significant progress in our work to build financial resilience:

- Our partnership with Good Shepherd Microfinance has now helped over 513,000 Australians on low incomes since 2005.
- Across Australia and New Zealand, we provided more than 27,000 loans with a value of over \$29 million.
- We've committed to work with Good Shepherd Microfinance to increase the reach of our programs from around 26,000 people a year, to 100,000 a year, by 2019.
- Good Money, our high street community finance stores, celebrated five years of operation. We now have seven stores across Victoria, South Australia and Queensland, with new stores in Cairns, the Gold Coast and Morwell. Since we launched the first Good Money store, the network has had more than 35,000 customer interactions.
- Supported by additional funding in the 2016 New Zealand budget, BNZ and Good Shepherd New Zealand have extended the reach of their Community Finance partnership to thirteen sites across New Zealand.

### MICROFINANCE LOANS – AUSTRALIA

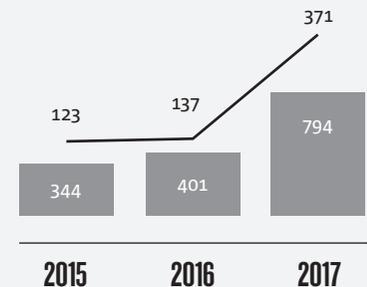
■ Value of loans provided (\$m)  
— Number of loans provided



Note: Refers to numbers of loans (NILS, StepUP, Microenterprise and CDFI products) provided annually.

### MICROFINANCE LOANS – NEW ZEALAND

■ Value of loans provided (\$NZ,000)  
— Number of loans provided



Note: Refers to numbers of loans (NILS and StepUP) provided each year.

### STEPUP IN ACTION

**For Mayken, a car means so much more than a way of getting from A to B.**

After escaping a ten-year relationship of financial, emotional and psychological abuse, Mayken found herself with nothing but a suitcase of clothes and some basics to furnish a flat for her and her son.

Determined to build a better life, Mayken found part-time work and started a Bachelor of Business. However she found it difficult to study, and keep on top of the rest of her responsibilities.

She was spending hours each day on public transport – travelling between work, university, her son's baseball practice and the supermarket. Mayken knew she needed a car but couldn't get a loan from a bank. She thought her only option would be to drop out of university and work fulltime to afford the car.

But another option presented itself when Mayken's social worker told her about Good Money. Her application for a StepUP loan was successful, and she was able to buy the car she needed without sacrificing her plans for the future.

**INNOVATING FOR IMPACT**

This year, we refined our existing microfinance programs to prepare the portfolio for future growth.

With NAB's support, Good Shepherd Microfinance piloted a new online loan product in Victoria and Tasmania, called 'Speckle'.

Speckle was designed to help people on low and moderate incomes bounce back from financial shock. The product is expected to launch nationally in 2018.

We supported Good Shepherd Microfinance to change the way the NILS network operates to expand the reach of key services and products. Using a demographic and geographic analysis, we were able to design a more efficient, sustainable and customer-focused delivery model.

We took a human-centred design approach with our Microenterprise

Loan Program, engaging customers and business mentors to explore their needs so we could design improvements in response. The new program will be released in 2018, and features better processing times, further improvements to responsible lending practices and an exceptional mentoring experience.

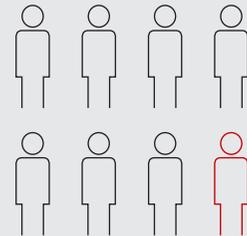
We conducted market research and client interviews as part of a review of the AddsUP matched savings program. This review will continue into next year, and the findings will help us grow the program to give more people on low incomes the chance to create a savings buffer.

We also engaged EY to assure NAB's progress on the Financial Inclusion Action Plan we launched in 2016.

For a different perspective we invited Katy Davis, Managing Director of leading US behavioural science consultancy ideas42, to share her insights into how behavioural economics can help improve the financial health of consumers while delivering returns for businesses.

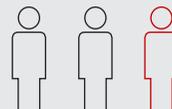
**BUILDING FINANCIAL RESILIENCE**

We partnered with the Centre for Social Impact (CSI) again this year, to measure the financial inclusion and resilience of adults in Australia in 2016. By comparing these findings with those from the year before, we can understand what's changed.



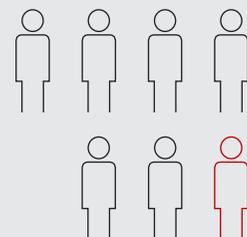
**1 IN 8 PEOPLE**

experienced severe or high financial stress and vulnerability



**1 IN 3 PEOPLE**

are financially secure



**1 IN 7 PEOPLE**

have no savings at all

**28.9%**

paid more than the minimum home loan repayments

**51.6%**

follow a budget

**25.6%**

reported having no access to any form of credit

Supported by NAB, Good Shepherd Microfinance this year piloted in Victoria and Tasmania a new online small loan product, Speckle, which helps those on low and moderate incomes to bounce back from financial shocks.

## FINANCIAL CAPABILITY

Through our daily interactions with customers, we can help customers reach their goals and focus on what's really important in life. For many, this starts with building financial capability and confidence.

We're looking to add real value to the lives of our customers – offering fairer products, as well as specialised help, guidance and advice. This section covers the work we're doing to build financial capability for our customers, our people and communities.

## PERSONAL CUSTOMERS

### Online learning

Our [Learn website](#) gives customers access to helpful articles covering:

- Money basics – the fundamentals of budgeting, saving, borrowing and investing
- Life events – with tips to help manage finances through life's expected and unexpected events
- Banking tips – advice on comparing products and services, and keeping information secure

We are continuing to invest in digital solutions to help our customers get in control of their finances.

### Scam Savvy

BNZ continues to help New Zealanders avoid financial scams through our Scam Savvy training initiative. This year we delivered 19 sessions to a range of groups, including two as part of 'Closed for Good'.

### Volunteer projects

Through BNZ's 'Closed for Good' initiative, our employees have continued to volunteer their time to a range of financial literacy projects. From teaching school kids the basics of 'spend, save and give', to equipping prisoners with the skills to manage their finances upon release.

Find more on NAB and BNZ's volunteer programs on page 46.

## SUPPORTING SMALL BUSINESS

### Business Tips

This online portal offers tools, tips, guides and resources to help people improve the finances of their business.

### Research and insights

A free online hub with detailed economic and industry research – including reports on housing markets, agricultural sector conditions and regional areas of Australia.

### The Village

The Village is our way of supporting business and community customers with a co-working space for them to work, connect with their clients, be part of a community, and learn from leaders. Since opening The Village in Docklands, Victoria in 2014, we've had over 2,000 business customers use the space. In September 2017, we opened our second site in Geelong, Victoria, showing our commitment to the Geelong community.

The Village is primarily utilised by small businesses. In a survey conducted earlier this year by members, 68% of respondents said that they feel less isolated because of The Village, and 60% believed that The Village helps them to maintain a healthy work/life balance.

### Business development

BNZ continues to support The Icehouse, a business enabler that helps owner managers, entrepreneurs and leaders, drive the growth and success of their business through knowledge, connection and investment. BNZ through their joint scholarship awards, sponsored 10 business bank customers to lift their capability and aspiration through leadership and professional development programs at The Icehouse.

**A PROACTIVE APPROACH TO INDUSTRY REFORM**

We constantly work to improve our business and we recognise the importance of industry-wide action. In April 2016 the Australian Bankers' Association (ABA) announced a range of reforms to make banking better for customers. We take a proactive approach to these and have implemented nearly all of the reforms, many ahead of time.

**The ABA Initiatives**

**Initiative 1:** A review of **incentives** (product-based commissions and payments) in Retail and Small Business (Sedgwick Review)

**Initiative 2:** Making things better for **customers**:

1. introduction of independent customer advocate
2. external dispute resolution
3. customer remediation
4. last resort compensation

**Initiative 3:** **Whistleblower** reform

**Initiative 4:** Introduction of Conduct Background Check **Protocol** and Register

**Initiative 5:** Review of Banking **Code** of Practice

**Initiative 6:** Supporting **ASIC** as a strong regulator through:

1. "user pays" funding model
2. improved breach reporting

<b>Deadlines</b>	<p><b>Mar 2017 – Customers</b> Appoint independent customer advocate.</p> <p><b>Jul 2017 – Whistleblower</b> Ensure highest standard of whistleblower protection, policies and framework.</p> <p><b>Jul 2017 – Protocol</b> Adopt/implement banking industry conduct background check protocol.</p>	<p><b>July 2017 – Strong ASIC</b> Introduction of ASIC Industry funding model.</p> <p><b>Dec 2017 – Incentives</b> Develop overarching principles on remuneration and benefits.</p> <p><b>Dec 2017 – Code</b> Industry to redraft Code of Banking Practice.</p>	<p><b>Dec 2018 (anticipated) – Code</b> Implement redrafted Code of Banking Practice.</p>	<p><b>2020 – Incentives</b> Implement full suite of Sedgwick remuneration and incentive reforms: removal of product sales targets and commissions, variable reward based on a range of factors.</p>	
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2020</b>	
<b>What we've done</b>	<p><b>Jul 2016 – Customers</b> Appointed Customer Advocate for NAB.</p> <p><b>Sept 2016 – Protocol</b> Signed up to the Financial Advice Recruitment and Termination Reference Checking and Information Sharing Protocol.</p> <p><b>Sept 2016 – Whistleblower</b> Appointed Head of Whistleblower Programme.</p>	<p><b>Oct 2016 – Incentives</b> Enterprise Agreement moved away from performance based pay and product targets for fixed remuneration increases. Small business bankers moved to a more customer focused incentive plan.</p> <p><b>Dec 2016 – Whistleblower</b> Appointed Executive Whistleblower Champion.</p>	<p><b>Jan 2017 – Incentives</b> Committed to all Sedgwick final recommendations.</p> <p><b>Feb 2017 – Whistleblower</b> Refreshed Whistleblower Policy and Procedures. Protection extended to former employees. Established independent reporting channel. NAB fully compliant with ABA principles.</p> <p><b>Apr 2017 – Whistleblower</b> Appointed and trained whistleblower champions in Retail.</p> <p><b>May 2017 – Incentives</b> Endorsed new Incentive Plan Principles.</p>	<p><b>Jun 2017 – Incentives</b> Incorporated intent and principles of Sedgwick Report into Remuneration Policy.</p> <p><b>Jul 2017 – Protocol</b> Implemented Banking Industry Conduct Background Check Protocol.</p> <p><b>Aug 2017 – Incentives</b> Aligned performance plans to Sedgwick principles so ≤33% of objectives are based on financial measures.</p> <p><b>Oct 2017 – Incentives</b> Moved managers in Retail and Direct to Group STI and away from product sales based incentive plan.</p>	

## CUSTOMERS – NUMBERS

CUSTOMER INFORMATION	2017	2016	2015
Number of customers (millions) <sup>1</sup>	9.4	9.3	-
Number of branches and business banking centres <sup>2</sup>	977	1,017	1,044
Number of ATMs	3,491	3,472	3,518
CUSTOMER ADVOCACY – NET PROMOTER SCORE <sup>4</sup>	2017	2016	2015
<b>Australia<sup>5</sup></b>			
Home Owners	-23	-20	-13
Investors	-16	-17	-16
Small Business (\$0.1m-<\$5m)	-16	-16	-20
Medium Business (\$5m-<\$50m)	+3	-8	-7
Priority segments NPS	-13	-15	-14
<b>New Zealand<sup>6</sup></b>			
Retail wealth customers	+20	+21	+14
SME customers	-2	0	-3

CUSTOMER COMPLAINTS	2017	2016	2015
Australia - Total number of customer complaints	212,081	196,597	180,481
New Zealand – Total number of customer complaints	12,930	15,769	17,250
Total customer complaints	225,011	212,366	250,525
Total number of complaints referred by customers to ombudsmen/ external dispute resolution bodies	2,403	2,437	7,813
Total number of complaints referred to Privacy Commissioner	15	14	15

ONLINE USAGE	2017	2016	2015
<b>Australia</b>			
% of registered internet banking customers that are active users	74%	73%	74%
<b>New Zealand</b>			
% of registered internet banking customers that are active users <sup>3</sup>	65%	65%	-

1 Methodology to collect total number of customers has been updated. 2016 data has been restated.

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

3 Definition of 'active' updated to refer to transacting within a 30-day period.

4 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

5 For a definition of NPS and NAB's priority segments, refer to the Glossary on pages 84-86. Historic NPS performance has been restated to reflect the change in priority segments. The previous priority segments were Mortgage customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m).

6 Source: Camorra Research Retail Market Monitor; TNS Business Finance Monitor. Retail data is on a 6-month roll, SME (annual turnover of <NZ\$20m) data is on a 12-month roll. Data correct as of 13 October 2017. Retail Wealth is defined as customers age 30+ that meet one of the following criteria: (A) Household income > 150k (before tax), (B) Personal income > 100k (before tax), (C) Deposits > 100k.

7 In partnership with Good Shepherd Microfinance since 2005.

**CUSTOMERS – NUMBERS**

<b>FINANCIAL INCLUSION</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Australia<sup>1</sup></b>			
Cumulative number of Australians on low incomes, assisted with microfinance products/services	513,941	449,844	394,277
Number of Australians on low incomes assisted with microfinance products/services	64,097	55,567	58,343
Number of microfinance loans written	26,775	22,886	23,475
Value of microfinance loans written (\$m)	28.6	25.6	28.3
Number of microfinance loans written since inception	176,834	150,059	127,173
Value of microfinance loans written since inception (\$m)	220.6	192.0	166.4
Value of AddsUP accounts savings matched – cumulative (\$m)	1.5	1.2	0.9
Value of NILS loans provided – cumulative (\$m)	133.7	112.3	93.7
Value of StepUP loans provided – cumulative (\$m)	50.6	44.4	38.3
Value of Microenterprise loans provided – cumulative (\$m)	28.5	28.0	27.5
Number of AddsUP accounts matched – cumulative	3,017	2,446	1,750
Number of NILS loans provided – cumulative	153,750	129,417	108,821
Number of StepUP loans provided – cumulative	17,504	15,387	13,294
Number of Microenterprise loans provided – cumulative	1,884	1,854	1,818
Number of customers assisted through Good Money stores	TBC	6,204	7,012

<b>FINANCIAL INCLUSION</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>New Zealand<sup>1</sup></b>			
Number of NILS loans provided – cumulative	307	88	42
Number of StepUP loans provided – cumulative	327	175	84
Total number of microfinance loans provided – cumulative	634	263	126
Total value of microfinance loans provided – cumulative (NZ\$m)	1.5	0.8	0.4

<b>FINANCIAL HARDSHIP ASSISTANCE</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Number of customers who received hardship assistance	19,652	21,303	20,174
Cure rate (percentage of customers with accounts back on track with repayments 30 days after receiving assistance)	90%	88%	86%
Cure rate (percentage of customers with accounts back on track with repayments 90 days after receiving assistance)	97%	93%	90%

<sup>1</sup> In partnership with Good Shepherd New Zealand, cumulative data since 2014

# OUR PEOPLE

We have a global workforce with more than 33,000 employees. Our focus on talent, leadership, performance, capability and culture creates a workplace that's focused on becoming Australia and New Zealand's most respected bank.

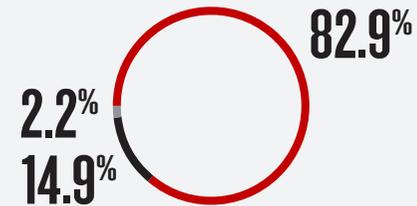


**Paige Brown**  
NAB employee & Indigenous internship participant

We want to be as good with people as we are with money.

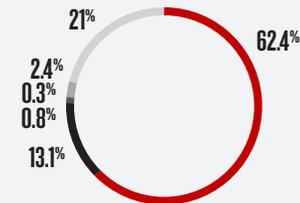
## EMPLOYEE DISTRIBUTION (%) BY GEOGRAPHIC REGION

- Australia
- New Zealand
- UK, USA & Asia



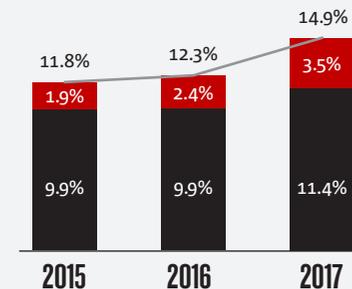
## EMPLOYEE DISTRIBUTION (%) BY EMPLOYMENT TYPE

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



## GROUP EMPLOYEE TURNOVER RATE (%) BY EXIT TYPE

- Involuntary turnover
- Voluntary turnover
- Total turnover



Source: Internal. Distribution by region includes permanent population only, employment type based on headcount as at 30 September 2017. Turnover is calculated as the number of employee exits (by type) divided by the average permanent headcount for 1 October 2016 – 30 September 2017.

**\$4.3BN**

in salaries and superannuation paid

**COMMITTED**

to gender equality (40% - 60% of either gender represented) at all levels of the business, from our executives down, by 2020

**1.4M HOURS**

of training completed

## VALUES-ALIGNED CULTURE

Culture is a major driver of performance, and can make a business stand out in a crowded market. NAB's aspirational culture is articulated through our purpose, vision, values and brand.

We continue to evolve our culture to accelerate the execution of our strategy and deliver exceptional customer experiences. 2017 has been a pivotal year in the refinement of NAB's culture. We started by conducting extensive quantitative and qualitative research into our current culture.

All five of our values are strategically important. They are: Passion for Customers, Be Bold, Respect for People, Win Together and Do the Right Thing.

During the year, we tweaked one of our five values: Will to Win has become Win Together to amplify the importance of collaboration in delivering exceptional customer experiences.

One of our strategic objectives is to have the highest customer advocacy (measured through NPS) amongst major bank peers. Customer feedback is critical to achieve this – it's shared at weekly huddles throughout the organisation, where we discuss what our customers need and make changes to meet those needs.

Our values are integrated into our performance management system – which means our employees are rewarded for living our values, not just for what they have achieved. We've introduced monthly performance conversations across the business, to review what we're achieving, and how.

We are also enhancing our capability in ethical decision-making to ensure we equip our leaders to make purpose and values-based decisions and build teams who are confident to speak up.

## MANAGING AN ENGAGED WORKFORCE

Employee engagement is a lead indicator of organisational performance and one of the ways we formally listen to our people is through our annual employee engagement survey.

This year, we appointed a new survey provider, Aon Hewitt, to enable us to benchmark our performance against a range of companies of different types and industries, including a group of companies with which we can be closely compared. We are confident that we are comparing ourselves with the right group of companies and our objective is to be in the top quartile for employee engagement.

In 2017, NAB's overall engagement score was 59%<sup>1</sup> (compared to the top quartile benchmark of 67%), demonstrating we have more work to do. As we have changed survey providers, including changes to questions and response scales, year-on-year performance data is not directly comparable; however the data from our 2017 survey does indicate a decline in engagement.

Our people are telling us that there are a number of areas in which we are doing well:

- Our people leaders (how leaders individually coach, communicate and lead)
- Empowerment
- Careers and development inside NAB
- Our commitment to inclusion and corporate responsibility.

Pleasingly, NAB achieved top quartile performance in the above areas.

We will continue to drive performance in these areas and will now focus on responding to the areas that our people have identified as challenges, including:

- Reputation: how people feel that we are seen in the community
- Enablement (making it easy for our people to get the job done, and giving them the right tools to do that).

Moving forward, we'll use more frequent pulse surveys of our people, coach and invest further in our leaders to reach our objective of being in the top quartile for engagement.

## RE-SHAPING OUR WORKFORCE

On 2 November 2017, we released our 2017 results. As a part of this, we provided an update on the acceleration of our strategy and how we are positioning our business for long-term success. This includes reshaping our workforce to enable us to continue to deliver for our customers. By 2020, we expect to create up to 2,000 new jobs (including deepening capability in digital, technology, data science and artificial intelligence) while about 6,000 roles will be impacted as we further automate and simplify our business. This will result in a net reduction in our workforce, currently targeted at approximately 4,000 by the end of 2020.<sup>2</sup>

Throughout this process we will treat our people with care and respect, and equip them for the future through our career transition program 'The Bridge'. This offering will provide market-leading career and wellbeing services for people leaving NAB, including:

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

Overall, we will be significantly increasing our investment per individual to ensure they are set up for a future outside of NAB.

<sup>1</sup> In 2016, NAB's engagement survey was conducted by a different provider, Right Management. While Aon Hewitt's methodology is not directly comparable with last year's survey, analysis indicates that our 2017 engagement score has decreased.

<sup>2</sup> Refer to Key Information on page 82 for a full explanation of forward-looking statements.

## CODE OF CONDUCT

Our Code of Conduct (Code) clearly states the standards of responsibility and ethical conduct we expect from our people. All NAB employees must comply with this Code.

In April 2017, we introduced a revised Code based on our values – emphasising the importance of making the right decisions and behaving in a way that builds respect and trust in our organisation. Importantly, the updated Code introduces our new independent FairCall Service – which employees can use to report concerns about the behaviour of anyone at NAB. The Code also clearly outlines NAB's support and protection for people who disclose this type of information.

As in previous years, our people have completed mandatory compliance learning on the revised code, with refreshed content, scenarios and assessments.

### Managing and disclosing breaches

Conduct issues are managed in accordance with our Employee Conduct Management policy. Suspected breaches of the Code are taken seriously and handled impartially, confidentially, and in a timely manner.

Where misconduct has occurred, appropriate disciplinary or remedial action is taken.

We address non-adherence to our Code. During 2017, 1,613 disciplinary outcomes were applied by our People Leaders in consultation with our Workplace Relations team. Of these outcomes, 1,306 resulted in a formal warning, counselling or other remedial actions and in 307 cases the employee exited NAB.

The majority of these breaches deal with issues such as inappropriate workplace behaviour and conduct that isn't consistent with our values.

The increase in total breaches reported in 2017 was largely driven by a number of instances of incorrectly completed beneficiary nomination forms (for customer superannuation) in our Financial Planning business.

## WHISTLEBLOWER PROGRAM

We encourage our people to speak up with confidence, and are committed to protecting those who report wrongdoing. In 2017, we made some improvements to help facilitate this – including:

- Implementing an independent reporting channel (KPMG's FairCall)
- Revising our Whistleblower Protection Policy. The updated policy is easier to read, more accessible and fully aligned to the Australian Bankers' Association Principles
- Raising awareness. The Whistleblower intranet page had a significant increase in visitors this year – from 200 per month in FY16, to 416 per month in FY17
- Piloting Whistleblower Champions in NAB Retail, who raise awareness of the program
- Increasing the strategic focus of the Whistleblower Committee – generating insights about emerging issues or risks, and identifying areas for improvement.

During the year, the Whistleblower program received 87 disclosures under the Whistleblower Protection Policy. Of these, 26 were partially or fully substantiated, 48 disclosures were not substantiated, and 13 remain under investigation.

We also measure the level of confidence our people have in our Whistleblower program as a part of our annual Employee Engagement survey. In 2017, 77% of our people said that they would feel comfortable using NAB's Whistleblower program if they had a concern about suspected or known cases of wrongdoing<sup>1</sup>.

## INDUSTRIAL RELATIONS

In Australia, successive enterprise agreements have been successfully negotiated with the Finance Sector Union (FSU). The NAB Enterprise Agreement 2016 (Agreement) gained overwhelming support from our employees based in Australia, and came into effect in October 2016.

The Agreement still has many of the conditions from previous Agreements and includes guaranteed pay increases for Group 1 and 2 employees as long as they meet conduct requirements.

Other conditions have been updated and improved – for example, those relating to parental leave, sick leave and retrenchment payments.

The Agreement continues to recognise the benefit of a mutually co-operative relationship between NAB and the FSU, including associated provisions.

In rare cases where a dispute that applies to the Agreement can't be resolved, we've provided for arbitration by an independent industrial tribunal.

<sup>1</sup> As measured in NAB's 2017 Employee Engagement Survey, conducted by Aon Hewitt.

## PERFORMANCE AND REMUNERATION

We're committed to attracting, retaining and motivating our employees through a strong performance and reward framework.

Performance conversations are at the heart of our strategy to engage with and motivate our people. Focused Performance Plans and aligned stretch goals, combined with quality feedback and coaching helps us achieve this – giving our people clarity on their goals and the support they need to reach them.

We recognise employees for the great things they do every day. Acknowledging and celebrating achievements, as well as behaviours that reflect our values, ensures our people always feel respected and appreciated.

NAB recognises accomplishments in many ways, including our peer-to-peer recognition program, NAB Recognise, which rewards employees who role model the NAB values through demonstrated behaviours.

The banking industry in Australia has continued to face heightened scrutiny from a broad range of stakeholders in 2017. We work hard to make sure our incentive programs don't drive inappropriate customer outcomes.

Over the past five years, we've made significant progress in moving away from rewarding our people for product sales and from commission-based payment incentives – focusing instead on service, quality and risk management.

We continue to review our incentive programs. In 2017, we closed or changed a number of existing product-based plans.

We're also committed to implementing the recommendations made in the Australian Banking Association's Sedgwick Review – which addressed product-based incentives. As a result, more than 700 NAB retail staff were moved from a product-based sales incentive plan to our Group incentive plan by 1 October 2017. This new plan is based on Group performance measures, and supported by balanced Performance Plans.

Performance plans outlining goals and expectations across the business have been aligned to the Sedgwick principles and have no more than 33% of objectives based on financial measures.

We have also agreed new incentive plan principles that apply across the Enterprise. Changes ensure that incentive plans:

- Do not reward pursuit of sales or financial outcomes ahead of quality services and outcomes for customers
- Support ethical behaviour and appropriate conduct of participants
- Promote individual performance without encouraging inappropriate risk-taking
- Support gender pay equity principles.

## CAPABILITY

In 2017, we focused on making learning easier and more accessible, to help our people develop the skills to succeed now and in the future.

Over 1.4 million training hours were provided in 2017, a few key changes to our capability offering are outlined below:

- Our new induction program, 'Welcome to NAB' provides clarity around expectations and gives new employees the support they need to succeed. Over 700 new employees have attended the event, and it has an 80% course advocacy rating.
- We've refreshed our leadership offering, including our Leadership Ready program. Our leaders have participated in an average of 130 hours of classroom learning, applied learning and coaching/ feedback sessions.
- We've updated our Business Performance learning portfolio to deliver better behaviours, in line with our strategy. Our Diploma of Leadership and Management now has an operational excellence focus, and returns productivity benefits to our business of over \$100,000 for every participant.
- We continue to build capabilities that allow us to deliver better customer experiences. For example, our 'Advanced Customer Assessments' for Senior Business & Private Bankers has delivered technical credit capability for cash flow lending – with an emphasis on using more sophisticated financial information, risk management evaluation, industry, business and competitor analysis.

- BNZ launched 'Digital gurus', a program to lift the overall digital literacy of our workforce and, in turn, our customers. Over 1,500 employees have enrolled in the program to date.

We're currently in the process of changing our costing approach for training, and moving towards a measurement model that recognises a holistic return on investment, which will inform future disclosures. Average training spend per employee is no longer a measure we utilise to measure the effectiveness of our training.

## LEADERSHIP

NAB's approach to leadership aims to build world class leaders who:

- Create an inclusive workplace
- Build the right culture
- Fully engage our people so that they can outperform for our customers.

Refreshed leadership expectations have been communicated to all of our 4,500 people leaders, and new assessment and development programs introduced for our top 300 Senior Leaders.

All 1,000 of our Senior Managers will participate in our Leadership Matters program to further build capability.

In addition, over 350 of these Senior Managers will participate in a contemporary development experience aimed at identifying current capability and future potential – informing their development to progress into more senior roles.

These programs aim to differentiate NAB as having the best talent in the financial services industry and to enable us to accelerate the development of our most talented senior leaders through world class learning experiences.

One way we measure leadership effectiveness is through the People Leader Index in NAB's Employee Engagement Survey, with NAB achieving above top quartile scores on measures including People Leaders holding teams accountable for performance, and acting with integrity.

For BNZ, the Leadership Edge system ensures our 700 leaders are working towards the performance and outcomes needed to deliver commercial performance. This continued focus has earned BNZ the top decile health scores for direction, accountability, and a trusting and open culture with supportive and challenging leaders.

## DIVERSE AND INCLUSIVE WORKFORCE

In late 2016, NAB's Board approved the Diversity & Inclusion (D&I) Strategy for 2017-2020. Inclusion remains at the heart of the strategy, with three strategic priorities: gender equality, life stage equality, and lesbian, gay, bisexual, transgender and intersex (LGBTI) inclusion.

We've also maintained a focus on cultural inclusion and improving accessibility for our people and customers. We're enabling inclusion through leadership, flexibility and NAB's employee-led resource groups.

### Accessible for our people and customers

Our [Accessibility Action Plan](#) outlines our commitment to continually improve access for our people and customers. NABility, an employee resource group, aims to create an environment that supports and engages employees with accessibility needs, while driving awareness, education and understanding throughout the business.

### We're out and proud

We're committed to creating a culture in which our LGBTI employees aren't defined by their sexual orientation, or their gender identity.

Our Pride@NAB employee resource group provides a support network for employees who identify as LGBTI.

We're proud of our community contributions, including sponsoring the Midsumma Festival since 2015, participating in the Brisbane Pride Fair Day and Yarra Ranges Football League Pride Cup (regional AFL). In 2017, we signed up as a major partner of Australia's largest regional LGBTI event, Chillout Festival.

BNZ earned its first Rainbow Tick certification following an in-depth external audit, recognising the level of engagement and support provided to our people and the community. We were proud to hear that every employee who was interviewed as part of the audit said they wouldn't hesitate to recommend BNZ as an employer to young LGBTI people.

### Supporting new parents

We offer comprehensive support for employees embarking on the journey into parenthood. This includes 12 weeks' paid primary carer's leave, regardless of gender, and up to 40 weeks of unpaid primary carer's leave that accumulates superannuation contributions and counts towards long service leave.

This supportive environment means that we consistently have a high rate of employees return to work after taking parental leave. In Australia in 2017, 85.9% of employees returned from parental leave.

### Supporting mature age employees

We appreciate the life and industry experience our employees over 50 bring to the workplace. For those approaching retirement, we offer a wide range of flexible working options to support their transition.

### Cultural inclusion

Our areas of operation in Australia and New Zealand represent individuals from all over the world, and our workforce is no different.

This year, we've continued to invest in attracting diverse talent through our Indigenous Australian and African-Australian employment programs. More information on our employment pathways is available on page 48.

In New Zealand, we updated our SAP database to provide new fields for our people to share information about their unique identities – including their ethnic and cultural identities.

### Working flexibly

We strive to provide a flexible working environment that accommodates the needs of our people, our customers and our business. Giving our employees access to flexible working options can improve productivity, and help them find a more sustainable work/life balance.

In 2017, our employee engagement survey told us that 84% of employees feel that they have the flexibility needed to accommodate their priorities at work, at home and in the community. In addition, 82% of our workforce utilise NAB's remote access services.

## GENDER EQUALITY

Throughout our business, from entry level roles to our executives, we are committed to every level having 40%-60% of either gender represented by 2020. [‘Towards 2020: NAB’s road to gender equality’](#) goes into detail about this commitment, and outlines how we plan to reach it.

In 2017, the NAB Board approved new measurable objectives for achieving gender diversity over the next three years, aligned with an overall commitment to achieve gender equality at every level of the business from the executive level down by 2020. This includes changing the way we report progress against our objectives, which will lead to greater transparency at all levels.

The first table on this page outlines our new measurable objectives – and how we’ve performed against them this year. The second table shows how we performed in the final year of our previous objectives. And on the following page there’s a summary of elements of our plan to achieve gender equality.

### OUR 2020 OBJECTIVES

MEASURABLE OBJECTIVE <sup>1</sup>	2017 ACTUAL	2018	2019	2020
NAB Board (non-executive directors) <sup>2</sup>	25%	-	-	30%
NAB Group Subsidiary Boards	39%	-	-	40%
Executive Management (Salary Groups 6 & 7) <sup>3</sup>	31%	35%	37%	40%
Senior Management (Salary Group 5)	30%	34%	37%	40%
Management (Salary Group 4)	38%	-	-	40% - 60%
Non-management (Salary Groups 1 – 3)	59%	-	-	40% - 60%
Australian talent population <sup>4</sup>	59%	50%	50%	50%
Australian graduate program intake <sup>5</sup>	56%	50%	50%	50%
<b>Total organisation</b>	<b>54%</b>	<b>-</b>	<b>-</b>	<b>40% - 60%</b>

### OUR 2017 OBJECTIVES

MEASURABLE OBJECTIVE	2016	2017 TARGET	2017 ACTUAL
NAB Board (including executive directors)	27%	-	22%
NAB Board (non-executive directors) <sup>2</sup>	30%	30%	25%
NAB Group subsidiary Boards	39%	35%	39%
Executive management <sup>6</sup>	38%	35%	39%
Australian talent population <sup>4</sup>	54%	50%	59%
Australian graduate program intake <sup>5</sup>	43%	50%	56%
<b>Total organisation</b>	<b>54%</b>	<b>-</b>	<b>54%</b>

1 These targets are enterprise targets, include operational and non-operational employees but exclude fixed term contractors and casuals.

2 The target is to increase the number of female non-executive directors on the NAB Board as vacancies and circumstances allow, with the aim of achieving representation of at least 30% by the target date. The appointment in November 2017 of a new female non-executive director will lift the percentage of women on the NAB Board to 33%.

3 The definition of ‘Executive Management’ adopted for the measurable objectives for FY18, FY19 and FY20 is different to the definition adopted for the measurable objectives for FY17 (and defined footnote 6). For the measurable objectives for FY18, FY19 and FY20, Executive Management positions are all employees within the NAB Group’s remuneration bands (also known as Salary Groups) 6 & 7.

4 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. Last year, we reported Talent on the basis of identification against evidence-based criteria without formalised assessment. All direct reports of the Executive Leadership Team (ELT) have undergone assessment, and Talent selection decisions have been made. Two divisions have completed assessment and Talent selection for the next layer down (those reporting into direct reports of ELT), with remaining divisions participating in this exercise at this layer over the next 15 months. We will have a completed Group 5 Talent population by January 2018. Australian Talent population numbers as at 30 September 2017 only reflect a small portion of the population due to the flow of assessment and Talent selection, and should not be taken as a final reflection of numbers over the next 12 months.

5 As at 30 September 2017, 56% of the graduates who have accepted positions in NAB’s 2018 Australian graduate program are female.

6 For the measurable objectives for FY17, the Executive Management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members’ direct reports and their direct reports. Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data. As at 30 September 2017, the proportion of females on the Executive Leadership Team was 27%.

### Leadership commitment

Andrew Thorburn (the NAB Group CEO) continues his roles as a member of Male Champions of Change, and a Workplace Gender Equality Agency Pay Equity Ambassador – reaffirming his commitment to advance gender equality in the Australian business.

Senior leaders across NAB are held accountable for their progress towards gender equality. In 2017, an Enterprise Diversity & Inclusion Steering Committee was established to support our D&I Strategy. The Committee, led by two members of the Executive Leadership Team provides a voice for inclusion at NAB and removes barriers that might promote inequality.

Our leaders have taken a 'Panel Pledge' – so any time they're invited to be involved in or sponsor a panel or conference, they'll ask about the organiser's efforts to ensure women are represented.

### Talent acquisition

We want to be an organisation that does more than attract, retain and develop the best people – we want everyone who works at NAB to feel included and valued as well.

We strive towards a minimum of 40% female representation on shortlists for management roles – regardless of whether candidates are sourced internally or externally. Where possible, interview panels that comprise of both men and women will make hiring decisions.

### Career development

We support and encourage women to perform at their best and reach their full potential. Through a range of targeted programs and practices, we're breaking down gender barriers, and helping our female employees progress and grow.

This year, 20 of our high performing senior women participated in Championing You, a program led by our CEO. Over a 6 month period, the NAB CEO and other Executive Leaders actively engaged with our senior women to better understand systemic barriers to gender equality.

We actively encourage our talented senior women to join the NAB Group subsidiary and not-for-profit boards – and through our NAB Board Ready Program, we help equip them with the skills they need to hold these positions. The program was designed by NAB women for NAB women, and aims to educate and prepare our female leaders to become company directors.

In 2017 we launched Breakthrough – a suite of development programs designed for women at every stage of their career. It aims to equip our female employees with the skills, knowledge and tools they need to transition into senior roles.

Connecting Women is a resource group run by our employees. Its goal is to create an inclusive workplace where women can grow their careers as leaders at NAB. With a presence in all major states and global offices, Connecting Women helps to engage our people and actively support female leaders across the business.

### Pay Equity

We're committed to equal pay for work of equal value. We regularly review gender pay equity, and we're committed to:

- Managing gender representation at all levels
- Conducting regular pay reviews across like roles and the organisation as a whole
- Setting variable reward targets for gender consistency and alignment
- Making sure annual remuneration recommendations for specific roles are kept gender neutral
- Examining performance outcomes on a yearly basis to spot any potential gender bias.

There are many factors that go into determining a person's pay - including their skills, experience, qualifications, performance and hours of work. The Workplace Gender Equality Agency's analysis (2015-2016) indicates that the gender differential in base salaries at NAB has reduced from 25.6% to 24.2%.<sup>1</sup>

In late 2017, our CEO and his fellow Male Champions of Change members released the 'Closing the gender pay gap' report, which shares the insights and a variety of tools that could help organisations shift the dial on pay equity.



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

**HEALTH, SAFETY AND WELLBEING**

Managing safety and supporting the health and wellbeing of our people is essential, and will help us create an environment in which our people can bring their best and be resilient in times of change.

**Prevention, early intervention and lost time injury frequency rate**

We encourage our people to report work-related and non-work related injury/illness. This enables us to respond to hazards in a timely manner and provides an important source of data to highlight the main causes and impacts of incidents so we can prevent them in the future.

Early reporting is essential as it allow us to implement our best practice, early intervention model.

Our team of health management specialists provide tailored support to employees and their people leaders, helping them manage personal or work-related injury and illness and minimise the impact on our customers. This approach results in significantly fewer lost time injury claims and has enabled our lost time injury frequency rate (LTIFR) to remain stable and low over time.

LTIFR <sup>1</sup>	2017	2016	2015
Australia	0.50	0.98	1.24
New Zealand	1.55	1.09	1.48

**Absenteeism**

In addition to compensation claims, we also measure sick, carer’s and bereavement leave. This unplanned absence data provides insight into the health and wellbeing of our organisation.

As part of our initiative to create a healthier, more engaged workforce, we recognise the importance of using annual leave to take a break from work.

Promoting work-life balance, and giving our people a clear understanding of what’s expected from them at work, is all part of developing a workplace that supports our people’s wellbeing.

Our people leaders are also given guidance on how to manage performance, incorporate flexible working arrangements, provide role clarity, and develop their people.

ABSENTEEISM <sup>2</sup>	2017	2016	2015
Australia	8.18	7.91	7.46
New Zealand	6.61	7.17	6.51

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

PEOPLE<sup>1</sup> – NUMBERS

OUR WORKFORCE (%)	2017		2016	
	Female	Male	Female	Male
Permanent term full-time	29	34	29	33
Permanent term part-time	12	2	12	1
Fixed term full-time	0.4	0.5	0.7	0.6
Fixed term part-time	0.2	0.1	0.1	0
Casuals	2	1	2	0.4
External/temporary employees/contractors	7	14	7	14

PERMANENT WORKFORCE, GENDER (%) BY EMPLOYMENT LEVEL	2017		2016	
	Female	Male	Female	Male
Group 7 (Executive Leadership Team)	27	73	30	70
Group 6 (Executive General Managers)	31	69	29	71
Group 5 (Head of functions)	30	70	29	71
Group 4 (Managers)	38	62	37	63
Group 3 (Consultants/Junior management)	44	56	45	55
Group 2 (Analyst/Team Leader)	59	41	59	41
Group 1 (Team member/officer)	70	30	72	28
Total workforce	54	46	54	46

PERMANENT WORKFORCE, BY TENURE AND GENDER (%)	2017		2016	
	Female	Male	Female	Male
<1 year	5	6	6	5
1 year	5	5	5	5
2 – 3 years	9	8	8	7
4 – 5 years	6	5	7	6
6 – 10 years	13	11	12	11
11 – 15 years	7	5	6	4
16 – 20 years	4	2	4	2
21+ years	6	5	6	5

PERMANENT WORKFORCE, BY AGE AND GENDER (%)	2017		2016	
	Female	Male	Female	Male
<25	3	3	4	3
25 – 34	17	15	17	15
35 – 44	16	14	16	14
45 – 54	12	10	12	10
55+	6	4	6	4

PERMANENT WORKFORCE, AGE PROFILE	2017		2016	
	Female	Male	Female	Male
Average age	40.2	39.6	39.8	39.4
% of workforce over 50 <sup>2</sup>	11	8	10	8

1 Workforce data is as at 30 September unless otherwise stated, due to rounding, percentage figures in tables may not appear to total 100%.

2 2016 data has been restated to show the percentage of employees over 50 as a proportion of the total workforce.

EMPLOYEE ENGAGEMENT <sup>1</sup>	2017
Response rate	83%
Employee engagement <sup>2</sup>	59%
Alignment to our values score <sup>3</sup>	76%
Inclusion index <sup>4</sup>	73%

CONDUCT AND WHISTLEBLOWING	2017	2016	2015
<b>Australia</b>			
Number of breaches of our Code of Conduct <sup>5</sup>	1,613	1,138	870
Number of whistle-blower disclosures received under the Whistleblower Policy <sup>6</sup>	87	108	98

EMPLOYEE TURNOVER <sup>7</sup>	2017	2016	2015
Employee voluntary turnover rate	11.4%	9.9%	9.9%
Employee involuntary turnover rate	3.5%	2.4%	1.9%
Employee total turnover rate	14.9%	12.3%	11.8%

HIGH PERFORMER RETENTION <sup>8</sup>	2017	2016	2015
<b>Australia</b>			
Retention of high performing employees	92%	94%	95%
Voluntary turnover of high performing employees	7%	5%	5%
<b>New Zealand</b>			
Retention of high performing employees	94%	DNR	DNR
Voluntary turnover of high performing employees	5%	DNR	DNR

PARENTAL LEAVE – RETURN TO WORK	2017		2016	
<b>Australia</b>				
	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>
Total number of employees entitled to parental leave	15,532	13,458	14,204	11,967
Total number of employees who took parental leave	824	27	847	28
Total number of employees who returned to work after parental leave ended	711	20	735	27
Return to work rate (from primary carers leave, long service leave and parental leave)	86%	74%	87%	96%
Total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work	650	23	674	5
Total number of employees who returned to work after parental leave ended who were still employed two years after their return to work	604	3	653	0

1 2017 Employee Engagement Survey conducted by Aon Hewitt.

2 The percentage of employees at NAB that are strong advocates (SAY), demonstrate a commitment to the Bank (STAY) and exerts discretionary effort (STRIVE). Due to a change in provider, NAB is unable to provide directly comparable historical figures, however analysis indicates that our 2017 engagement score has decreased.

3 Alignment to values is a measure of the response to the question "My everyday work is guided by the organisation's values/behaviours".

4 Inclusion index is gauge of how inclusive and respectful our workforce feels to our employees.

5 The increase in the number of recorded breaches of our Code of Conduct reflects the introduction of the Employee Conduct Management Policy in 2015 which has seen matters handled more effectively by our leaders in consultation with the Workplace Relations Team with a focus on consistent application of consequences. In 2017, 343 breaches are attributable to one particular issue relating to the incorrect completion of forms and where appropriate disciplinary action was consistently applied following a thorough investigation.

6 Number of disclosures received under the Whistleblower Policy, incorporating disclosures fully, partially or not substantiated, and disclosures still under review.

7 Number of all employees who exited the bank each year (voluntarily, involuntarily, or total), as a percentage of the average permanent headcount for each respective year.

8 Refers to the percentage of total employees identified as 'high performers' in the previous performance year that remain employed at 30 September of the current performance year.

REMUNERATION – BASIC SALARY FEMALE TO MALE RATIO <sup>1</sup>	2017	2016
<b>Australia</b>		
Group 7 (Executive Leadership Team)	0.69	0.69
Group 6 (Executive General Managers)	0.91	0.88
Group 5 (Head of functions)	0.94	0.92
Group 4 (Managers)	0.96	0.96
Group 3 (Consultants/Junior management)	0.97	0.97
Group 2 (Analyst/Team Leader)	1.01	1.01
Group 1 (Team member/officer)	1.00	1.00
<b>New Zealand</b>		
Group 7 (Executive Leadership Team)	N/A	N/A
Group 6 (Executive General Managers)	1.22	1.33
Group 5 (Head of functions)	1.01	0.98
Group 4 (Managers)	0.94	0.95
Group 3 (Consultants/Junior management)	0.94	0.95
Group 2 (Analyst/Team Leader)	0.95	0.95
Group 1 (Team member/officer)	1.00	0.99

REMUNERATION – BASIC SALARY FEMALE TO MALE RATIO	2017	2016
<b>Asia</b>		
Group 7 (Executive Leadership Team)	N/A	N/A
Group 6 (Executive General Managers)	N/A	N/A
Group 5 (Head of functions)	1.06	0.99
Group 4 (Managers)	0.88	0.90
Group 3 (Consultants/Junior management)	1.04	1.01
Group 2 (Analyst/Team Leader)	1.05	1.09
Group 1 (Team member/officer)	1.17	0.81

PERFORMANCE RELATED COMPENSATION AS A PERCENTAGE OF TOTAL COMPENSATION	2017	2016
Group 7 (Executive Leadership Team)	52	49
Group 6 (Executive General Managers)	43	44
Group 5 (Head of functions)	31	35
Group 4 (Managers)	21	22
Group 3 (Consultants/Junior management)	12	14
Group 2 (Analyst/Team Leader)	7	8
Group 1 (Team member/officer)	3	4

<sup>1</sup> Average remuneration calculated as: total of all remuneration (annualised for part time employees) divided by the actual number of employees within each employment level, by gender. Ratio is calculated as average female remuneration divided by average male remuneration per employment level.

EMPLOYMENT PATHWAY AND DEVELOPMENT PROGRAMS	2017	2016	2015
<b>Indigenous Employment</b>			
School-based trainees	56	51	44
Full-time trainees	19	19	24
Interns	11	18	12
Central recruitment	1	3	16
Trainees graduating to permanent employment	20	35	18
<b>African-Australian Inclusion Program</b>			
Number of female participants	11	38	8
Number of male participants	21	47	15
Cumulative number of female participants	124	113	75
Cumulative number of male participants	176	155	108
Total cumulative number of participants	300	268	183

WORKPLACE RELATIONS	2017	2016	2015
<b>Employees covered by collective bargaining agreements</b>			
Australia (%)	100	100	100
New Zealand (%)	8	10	10
<b>Number of consultations/negotiations with trade unions over organisational change (restructures outsourcing, etc.)</b>			
Australia	149	264	225
New Zealand	0	0	18

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

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

3 Figure includes online training, compliance training and internal classroom training. It does not include coaching or training conducted by external providers.

HEALTH, SAFETY AND WELLBEING	2017	2016	2015
<b>Lost time injury frequency rate<sup>1</sup></b>			
Australia	0.50	0.98	1.24
New Zealand	1.55	1.09	1.48
<b>Absenteeism<sup>2</sup></b>			
Australia	8.18	7.91	7.46
New Zealand	6.61	7.17	6.51
<b>Total days lost due to work-related stress</b>			
Australia	4,116	5,380	4,530

REMOTE ACCESS SERVICES	2017	2016	2015
Number of employees with remote access to NAB's systems	27,672	29,165	30,102
Percentage of employees with remote access to NAB's systems	82	81	70

CAPABILITY AND TRAINING – AUSTRALIA <sup>3</sup>	2017		2016	
Average training hours per employee by level	Female	Male	Female	Male
Group 7 (Executive Leadership Team)	9	4	16	5
Group 6 (Executive General Managers)	15	21	9	12
Group 5 (Head of functions)	27	40	17	23
Group 4 (Managers)	27	41	29	30
Group 3 (Consultants/Junior management)	42	44	40	38
Group 2 (Analyst/Team Leader)	55	56	56	63
Group 1 (Team member/officer)	49	74	72	73

## OUR COMMUNITY

We invest in the industries, infrastructure and businesses that form the backbone of our communities. Our aim is to build stronger, more connected communities by helping address the issues that matter to them.

These issues include gender equality, domestic and family violence and supporting Indigenous success.

**\$44.6M**

total community investment

**\$1.4M**

awarded through refreshed NAB Foundation

**180,000+**

kids involved in Auskick

**16,000+**

volunteer days contributed by employees

**19,000+**

customers provided financial hardship assistance

**100+**

recruited through inclusive employment programs



**Kayla Milaudi**  
NAB employee and volunteer

We aim to make a positive and sustainable contribution to the people, businesses and communities we owe our success to.

**NAB'S COMMUNITY INVESTMENT**

We invest in the community in many ways – from how we manage our operations, through to our giving and volunteering activities.

In 2017, NAB invested \$44.6 million in the community.

This investment included one-off or short-term donations and long-term support for programs. Some of our contributions are delivered in-kind, such as our employer-supported volunteering. Others are financial, and range from charitable gifts and donations, to community partnerships and sponsorships.

We manage and track our community investments across eight categories – using the London Benchmarking Group's (LBG) methodology, with some small variations from the Australian Benchmarking Group. See the Glossary on pages 84-86 for more information on how these LBG categories are defined.

This year's investment represents an 8.6% decrease compared with 2016. This is largely due to a reduction in employee volunteer participation, and a reduction in the management costs associated with NAB's community investment. The table below sets out NAB's community investment over time, including re-statements of prior years to reflect continuing operations only.

**COMMUNITY INVESTMENT BY CATEGORY (\$M)**

CATEGORY	2017	2016	2015
Charitable gifts and donations	1.7	1.8	2.2
In-kind volunteering	6.4	8.9	9.9
In-kind support	0.3	0.1	0.2
Forgone revenue	14.6	14.9	18.3
Community investments	9.7	10.1	10.7
Commercial initiatives	8.8	8.5	8.5
Management costs	3.1	4.6	4.5
<b>Total</b>	<b>44.6</b>	<b>48.8</b>	<b>54.4</b>

The majority of NAB's community investment is made up of our investment in our microfinance programs (including investments in the program and products, and the forgone revenue of our microfinance programs). The community impact of our sponsorships – such as supporting grassroots sport through AFL Auskick and Football Federation Australia agreements – is also significant. In addition, the value of our employees' time on volunteer leave continues to be a significant proportion of our overall investment.

**VOLUNTEERING AND GIVING**

All of our employees are entitled to at least two days every year to volunteer with a not-for-profit organisation of their choice. In 2017, our employees contributed 16,115 days of volunteering to our communities.

**Australia**

Our Australian-based employees contributed 11,407 days of volunteering. These ranged from assisting animal hospitals, donating blood and supporting refugee homework clubs – to taking skilled opportunities in building business continuity and creating crisis management plans for not-for-profit organisations.

This year, there was a reduction in volunteering days completed from 17,818 in 2016. This mostly applied to general volunteering, and we're working on new ways to engage our employees in volunteering and continue to deliver value in our communities through NAB's volunteering program. Our goal is to increase the number of days completed by 50% in 2018.

**Workplace giving**

In Australia, our employees are encouraged to support their charity of choice through our workplace giving program.

We match employee donations up to \$1,200 per employee, per financial year. More than 550 not-for-profit organisations are recipients of regular donations from our employees.

This year, our employees donated close to \$1 million, with matching by NAB bringing the total contribution to around \$2 million to charities across Australia.

**New Zealand**

On 23rd August 2017, BNZ was 'Closed for Good' – an annual initiative which saw more than 3,000 of our people head out into communities around New Zealand to volunteer on more than 550 projects. This was the eighth year of Closed for Good, and it remains New Zealand's single largest day of corporate volunteering.

A key highlight of the day was our work with 'I Got Your Back Pack' – a not-for-profit organisation that provides emergency backpacks to people who have left unsafe domestic relationships. The packs include essential items such as toiletries, nappies, snacks, a water bottle, toys and books. Once the packs are made up, they're shipped to refuges around the country.

Through Closed for Good, we were able to collect enough items to fill more than a year's worth of backpacks. On the day, our employees were joined by Kiwi celebrities, MPs and industry leaders, all keen to get involved.

Since 2010, BNZ has been principal partner of Plunket – New Zealand's largest provider of support services for the development, health and wellbeing of children under 5. The support BNZ has provided over the last year has included:

- The BNZ Baby Bundle – a package especially for Plunket families, as well as a website with helpful resources and videos
- Support for 40 Plunket centres as part of Closed for Good
- Donating Payclip devices to assist with cashless fundraising
- Providing wet weather jackets for front line Plunket employees.

**LOCAL SPONSORSHIP FUND**

The Local Sponsorship Fund gives our people the opportunity to engage and support their communities through local sponsorship.

It empowers local employees to identify and support events, causes and organisations that are meaningful to them and their community. The Local Sponsorship Fund is in its tenth consecutive year and supports around 100 initiatives annually.

## NAB FOUNDATION

The NAB Foundation is an important example of how we're evolving philanthropy at NAB. This year, we revised the mandate of the NAB Foundation so that it can now deliver grants to a wider range of organisations, including not-for-profit organisations and for-profit social enterprises.

We also aligned our granting program with the societal areas that NAB is focusing on. Two categories of grant funding are available:

- **Seed**  
To build, test or pilot innovative ideas or help organisations get started through core operations and capacity building.
- **Thrive**  
To help initiatives or organisations move into the next stage of development by becoming sustainable, scaling up or collaborating.

We continue to offer grants, support advocacy and communication activities, provide capacity building, offer skilled volunteering and mentoring support, and look for impact investment opportunities that deliver both a financial return and positive social outcome.

This year, we:

- Provided six grants, worth a total of \$1.4 million, to organisations driving innovative, scalable, solutions in domestic and family violence prevention and intervention and in building financial capability
- Opened applications for our Environmental Wellbeing: 'Sustainable Regions' grant.

For more information on the NAB Foundation, visit our [website](#).

## ADDRESSING DOMESTIC AND FAMILY VIOLENCE

For too long, domestic and family violence has been a silent issue. We're committed to playing an active role in raising awareness and providing critical support to see the end of domestic and family violence in the community.

We know that we have a duty to help keep employees safe from domestic and family violence, and we are continuously working on ways to do this. We continue to offer our people leave under our Domestic & Family Violence policy and our employees can also access emergency financial relief through the Dibbs and Massie Foundation.

The NAB Domestic & Family Violence Assistance Grant is available to customers who want to leave violent domestic and family situations, but don't have the financial means to do so. The grant has three parts:

- Emotional support and connection to specialist services (through CareRing)
- An independent transaction account to help the customer take a crucial step towards financial independence
- Up to \$2,500 to cover reasonable expenses to safely leave the relationship. Typically, this payment covers bond and rent for a new home.

32 grants have been provided to date.

## TWO GOOD CO

Two Good Co was awarded a NAB Foundation Grant in June to help them scale their impact.

The social-enterprise operates on a 'buy-one, give-one' model, where customers who wish to support domestic violence victims can buy a lunch for themselves, with the funds covering the cost of an extra lunch to be delivered to a shelter.

In addition to providing great meals, Two Good aims to employ women from domestic violence shelters, helping them rebuild their lives and their confidence. Thanks to a recent partnership with TAFE NSW, Two Good can now provide free accredited training for their employees, to help them develop their skills and increase their employability.

The not-for-profit currently provides more than 250 meals every week to 10 domestic violence shelters across Sydney and Melbourne, and will be using the grant to upgrade their IT platform and expand their operations.

<http://www.twogood.com.au/>



## **PATHWAYS TO EMPLOYMENT**

Different people have different barriers to gaining employment. These barriers can limit our ability to employ the most talented people in the market – which is why we've designed a number of programs to overcome these issues.

### **Indigenous employment**

We have a range of programs designed to bring Indigenous Australians into our workforce.

These include:

- School-based traineeships
- Full-time traineeships
- Internships

We also invest in the career development of our Indigenous Australian employees through NAB's Emerging Leaders Program, and the pilot Emerging Indigenous Executive Leadership program (EIELP).

EIELP is a partnership of 11 organisations across the business, government and community sectors to bring more Indigenous Australians into senior leadership roles. EIELP provides executive-level leadership development for high performing Indigenous managers and is delivered by the Australian Graduate School of Management.

### **African-Australian Inclusion Program**

This program provides African-Australians with six months of Australian corporate work experience. This year, we celebrated our 300th participant in the program since it began in 2009.

Since the program began, over 80% of graduates have secured ongoing employment and over 50% of graduates are employed with NAB.

### **TupuToa**

BNZ continues its partnership with TupuToa (The Māori and Pasifika Pathways Program). This program helps BNZ identify, develop and support high potential Māori and Pasifika tertiary students and early career graduates to fulfil their career aspirations and become leaders in New Zealand and around the world.

This year, BNZ has significantly increased the number of internship opportunities provided across several business units.

For more information about how we're supporting a strong and inclusive workforce, see page 37.

## **PROGRESSING OUR RECONCILIATION ACTION PLAN**

NAB's 2015-2017 Reconciliation Action Plan (RAP) promotes and celebrates the success stories of thousands of Indigenous Australians. NAB's seventh RAP (the third at Elevate<sup>1</sup> level) builds on our long-term commitment to establish meaningful relationships with Indigenous Australians – based on respect, trust, transparency, and creating shared value, with targets set over three years.

2017 marks the final year of our first three-year RAP, and we're proud of what's been accomplished across these three years:

- In partnership with Good Shepherd Microfinance, over 16,000 Indigenous Australians have received safe and affordable microfinance products to the value of over \$15 million<sup>2</sup>.
- NAB currently employs over 200 Indigenous Australians.
- Throughout our business, we have spent more than 1.4 million on goods and services from Indigenous businesses.

Our 2017 RAP scorecard will be published in early 2018.

As we work on the next iteration of our RAP, we'll continue to focus on building financial resilience and providing meaningful employment opportunities.

## **GRASSROOTS TO GRAND FINALS**

### **Australian Football League**

For over a decade, we've been committed to not just sponsoring footy – but growing it. Each year, our support provides over 180,000 young kids across the country with the opportunity to get active and learn and develop fundamental footy skills.

In 2016, NAB announced a three-year deal as the naming rights sponsor for the newly established NAB AFL Women's Competition (AFLW). We're proud to be giving more women a chance to participate in one of our country's favourite sports, and to be providing a pathway for women to reach an elite level.

### **Football Federation Australia**

From the muddy boots of the ALDI MiniRoos to the global Caltex Socceroos and Westfield Matildas, we're committed to growing Australian football.

The NAB Golden Goals initiative provides \$2,500 to any grassroots club that scores against a Hyundai A-League Club as part of the Westfield FFA Cup.

The NAB Young Footballer of the Year program supports young football talent in the Hyundai A-League and Westfield W-League. It recognises the value that junior clubs make to the community and

the development of young players. The award includes a \$10,000 personal investment portfolio and a NAB Private Client Manager to assist with meeting their financial goals, as well as assistance to the nominees' junior clubs.

Learn more about our sponsorships, and the activities we support, on our [website](#).

1 An Elevate RAP is for organisations with a long, successful history in the Reconciliation Action Plan Program.

2 NILS and StepUp Loan data follows Good Shepherd Microfinance's financial year (1 July 2016- 30 June 2017).

## NATURAL DISASTER AND CRISIS SUPPORT

We aim to maintain social unity by supporting the community in times of need. Whether it's natural disasters, prolonged drought conditions or other crises we recognise our role as part of the community and endeavour to help where we can.

As a bank, we create value by facilitating the flow of money – which is critical in times of need. This allows us to provide support through:

- In-branch donations
- Dedicated donation options in Internet Banking
- Cash grants to impacted communities and aid organisations.

This year, we provided over \$500,000 in donations to support communities recovering from cyclones, flooding and bushfires across Queensland and New South Wales, and towards the Bourke Street Fund to support bereaved families and those injured as a result of the Bourke Street incident.

In addition, our dedicated financial hardship team has a number of specific processes in place to help our customers get back on track after a crisis. Depending on the nature of the event, our team will ensure hardship specialists are on the ground to suspend loan repayments and fees wherever necessary, as well as providing access to support and counselling by making NAB's Employee Assistance Program available to customers.

## KAIKOURA EARTHQUAKE

On November 14, 2016, New Zealand experienced a significant earthquake that impacted the regions surrounding Kaikoura and Wellington.

A text alert woke teams in the middle of the night, and a well-rehearsed incident management process was fully operational by 5am. By 6am a bank-wide email had been sent to all BNZ employees to update them with the known details, and within 24 hours we had business continuity plans in motion with critical systems, processes and services operating as normal and critical teams working out of alternate sites.

BNZ also announced it would provide financial flexibility and support to affected customers – including the opportunity to restructure loans without incurring fees, suspend loan payments, access term deposits early and easily increase overdraft or credit card limits.

In addition, our employees have been given access to ongoing trauma support through our Employee Assistance Program. We've also offered our clients interim facilities to assist with any remediation works pending insurance or compensation claims.

Approximately 1,500 employees were displaced from our Harbour Quays building following the quake, and moved into temporary office space within three months. As the property owner continues to assess the full extent of the damage, and piece together remediation plans, we've now consolidated our temporary sites into four buildings within the Wellington CBD.

## COMMUNITY – NUMBERS

COMMUNITY INVESTMENT – (\$M) BY CATEGORY	2017	2016	2015
Charitable gifts and donations	1.7	1.8	2.2
In-kind volunteering	6.4	8.9	9.9
In-kind support	0.3	0.1	0.2
Foregone revenues and interest paid	14.6	14.9	18.3
Community investments	9.7	10.1	10.7
Commercial initiatives	8.8	8.5	8.5
Management costs	3.1	4.6	4.5
<b>Total community investment</b>	<b>44.6</b>	<b>48.8</b>	<b>54.4</b>

BREAKDOWN OF INVESTMENT <sup>1</sup> BY FOCUS AREA (%)	2017	2016	2015
Arts and culture	1	2	2
Disadvantage/social welfare	35	33	12
Education and young people	2	6	28
Emergency relief	3	1	3
Enterprise and economic development	5	11	4
Environment and bio-diversity	2	1	2
Health and medical research	6	6	6
Sport	40	33	32
Other issues	6	8	11

COMMUNITY INVESTMENT – (\$M) BY REGION	2017	2016	2015
Australia	36.0	40.1	45.9
New Zealand	8.1	8.3	8.3
USA, UK and Asia	0.4	0.4	0.2

VOLUNTEERING	2017	2016	2015
Number of days	16,115	23,065	26,204
Value of contribution (\$m)	6.4	8.9	9.9
<b>Australia</b>			
% of employees who took volunteer leave <sup>2</sup>	28	39	43
Number of skilled volunteer days	999	2,065	2,074

1 Calculation based on 'cash investment' as other areas (e.g. volunteering) are difficult to classify towards a certain focus area.

2 Calculated as total number of employees who took any amount of volunteer leave divided by total number of employees as at 30 September.

## OUR SUPPLY CHAIN

At NAB, we consider our supply chain to be an extension of our own operations. This is why we work actively with our suppliers and contractors to go beyond contract requirements and deliver the best outcomes for NAB, the supplier and the communities in which we operate.

The strength and quality of our suppliers play a key role in delivering our strategy.



Wayne Denning  
CEO, Carbon Media  
NAB Indigenous supplier

# \$4.2BN

spend with all suppliers

## 90%

material suppliers compliant  
with Group Supplier  
Sustainability Principles

## 2017 SUPPLIER AWARD WINNERS

Uniting Kildonan  
Henry Davis York  
King & Wood Mallesons  
Cushman & Wakefield

## 100%

of targeted supply chain ESG  
risk assessments completed

## \$525,000+

spend with Indigenous  
Australian businesses

## RESPONSIBLE SPENDING

Our supply chain extends to more than 1,800 contracted suppliers, who provided us with over \$4.2 billion worth of goods and services this year.

Our procurement professionals are responsible for buying goods and services for the NAB Group within their region and category specialisation. This year they negotiated 764 new supply contracts with new and existing suppliers.

Our procurement teams work closely with relationship managers who are responsible for day-to-day operations across three broad categories: Technology Services, Business Services, and Professional Services, along with other strategic projects.

One of the benefits of having a large sourcing footprint – as well as supply partners spanning a range of jurisdictions, sizes and industry sectors – is that our decisions can have a significant positive impact on our environment and community.

Our [Group Supplier Sustainability Principles \(GSSPs\)](#) set out our expectations for suppliers who provide goods or services to us. The GSSPs cover areas such as workforce policies, human rights, environmental management and workplace health and safety.

This year, we've improved our ability to monitor, understand and disclose ESG risks in the supply chain by:

- Updating our GSSPs to strengthen requirements around labour rights and modern slavery
- Playing an active role in the Cleaning Accountability Framework's Advisory Group – to support responsible cleaning services and drive recognition of best-practice labour and cleaning standards
- Incorporating modern slavery as a topic in the ESG section of our mandatory annual risk awareness training
- Investigating a new adverse media monitoring tool for use in our ESG risk assessment process
- Continuing to support industry accreditations such as Fair Trade, Roundtable on Sustainable Palm Oil, and Forest Stewardship Council (FSC®) through our purchasing activity.

### Progress against targets

Our 2020 supplier sustainability targets are to have:

- 90% of material suppliers compliant with our GSSPs
- 100% of new/re-contracted suppliers in sensitive sectors assessed for ESG Risks each year.<sup>1</sup>

We've conducted ESG risk assessments on 100% of new/re-contracted suppliers in sensitive sectors meeting this target in 2017. With 90% of our material suppliers compliant with our GSSPs we are also on track to meet this 2020 target.

NAB's Procurement Policy and Outsourcing and Offshoring Policy both act as global reference points for our procurement practices. These policies clearly outline the approach we take to procurement and supply chain risk. For more information about this, see our [website](#).

## DIVERSITY IN THE SUPPLY CHAIN

Our 'Supplier Diversity' program continues to help us build sustainable enterprises, and support communities through our purchasing activities.

Our approach is based on:

- Increasing direct and indirect spend
- Building supplier capability
- Finding opportunities to engage diverse suppliers through our Tier 1 supply partners.<sup>2</sup>

By including these suppliers in our supply chain, we're increasing their exposure to corporate procurement – creating employment and training opportunities, and encouraging social and financial inclusion.

We're now supporting more than 40 diverse suppliers through our supply chain, and have spent over \$723,000 with these suppliers in 2017 alone.<sup>3</sup>

In 2017, we continued to deliver on our RAP commitments – we spent over \$525,000 with Indigenous organisations. We also sponsored Supply Nation's Connect 2017 Annual Indigenous Business Tradeshow networking lounges to help start conversations leading to real business outcomes for Indigenous businesses. We hosted a side event for Indigenous suppliers; providing guidance on how best to engage with businesses like NAB.

Supplier diversity and inclusion are values that we expect our supply chain partners to share as well. By developing strong relationships with our supply partners, we've benefited from their industry knowledge. They help us identify other diverse supplier opportunities, and deliver on our commitment to promote a diverse and inclusive workforce.

We continue to use the accredited Australian Disability Enterprise Waverley Industries, to provide sorting, checking and packaging for our internal plastic envelopes. They've provided this service for the past five years – helping us avoid reprinting new envelopes, and bringing us closer to our waste reduction target.

This year, Workwear Group (our uniform supplier) has made all male and female styles within the Retail Wardrobe available to eligible employees through their online platform – offering gender-neutral styles where possible. They've also developed a NAB Retail Hijab that complements the current range. From a sustainability perspective, they've introduced recycled polyester to their ladies suiting fabric, and FSC approved packaging to reduce waste.

For more details on our supplier diversity program, visit our [website](#).

1 NAB's high ESG risk sensitive sectors suppliers are those suppliers who have been designated as potentially high risk because they fall within the following sectors: cleaning, security and print and promotional goods. This target relates to our Tier 1 suppliers only. We continue to conduct ESG assessments on high ESG risk sensitive sectors suppliers across Tier 2 of our supply chain as well as evergreen contracts. An evergreen contract is a contract that automatically renews after the expiry date. The contract would roll over periodically until one of the parties defaults or gives notice to terminate the contract.

2 Tier 1 suppliers provide products and services directly to NAB, and may manage relationships with Tier 2 suppliers.

3 Diverse suppliers include businesses that have at least 50% ownership by Indigenous people, people with a disability, women and social enterprises.

**WORKING WITH OUR SUPPLY CHAIN**

As a major bank in Australia, we're in a position to back Australian suppliers. And we do – with simpler contracts, fast access to credit online and by signing the Australian Supplier Payment Code, which provides more certainty around payment times.

The Australian Supplier Payment Code is an industry-led initiative that ensures small business suppliers are paid within 30 days of issuing a correct invoice.

**PARTNERSHIPS TO DRIVE POSITIVE CHANGE**

Our stakeholders and suppliers are increasingly interested in our supply chain ESG risk. We've responded by expanding our internal supply chain ESG risk mitigation processes to undertake assessments on suppliers in both high and medium risk categories. This goes beyond our public target, which focuses on high-risk sectors only.

To drive positive change in the cleaning sector, we're members of the Cleaning Accountability Framework Advisory Group – an organisation working to develop an industry-wide standard for the commercial cleaning and property services sector (relating to the fair payment and treatment of workers).

**SUPPLIER AWARDS**

We know that the strength and quality of our partnerships play a key role in helping us achieve our vision. Our 8th annual supplier awards recognised the suppliers who have been a part of our success and excelled in areas important to us.

We thank all our suppliers and recognise outstanding delivery in the fields of Customer Excellence, Diversity, Inclusion and Sustainability, Innovation & Transformation and Service Excellence.

The excellence provided by these suppliers demonstrates the true partnerships we've developed and the broad range of services provided to drive NAB's performance and customer advocacy.

Examples include:

- Exceptional service delivery that Cushman & Wakefield provided in Far North Queensland when Cyclone Debbie devastated homes and businesses by providing on the ground support to have NAB branches open, ready and safe for customers to access.
- Uniting Kildonan's support to customers experiencing financial hardship directly through their CareRing program, and also training and advising NAB staff so they better understand the needs of those customers.

**2017 SUPPLIER AWARD WINNERS AND FINALISTS**

<b>Customer Excellence</b>	Winner:	Uniting Kildonan
	Finalists:	Recoveries Corporation Group Visa Worldwide Pty Ltd
<b>Diversity, Inclusion and Sustainability</b>	Winner:	Henry Davis York
	Finalists:	Wise Foundation Cushman & Wakefield
<b>Innovation and Transformation</b>	Winner:	King & Wood Mallesons
	Finalists:	Visa Worldwide Pty Ltd Quantum
<b>Service excellence</b>	Winner:	Cushman & Wakefield
	Finalists:	Fraedom Pty Ltd Wellcom Group

## SUPPLY CHAIN – NUMBERS

	2017	2016	2015
Spend on all suppliers (\$m) <sup>1</sup>	4,198	4,167 <sup>2</sup>	5,836
Number of contracted suppliers	1,841	1,761	1,746
Number of material suppliers	50	56	94
Percentage of material suppliers that are signatories to GSSPs	90%	91%	47%
Percentage of ESG risk assessments completed for new/recontracted high ESG risk sensitive sector suppliers <sup>3</sup>	100%	33%	N/A
Number of supply contracts entered into in the reporting period	764	682	482
Number of diverse suppliers <sup>4</sup> engaged	41	68	15
Spend with diverse suppliers	723,600	895,625	221,547

In 2017, our total supplier spend increased slightly, as did the number of our contracted suppliers.

The number of New Zealand suppliers classified as material decreased due to the reclassification of Material Suppliers which were not classified as Strategic Regulatory under the RBNZ/APRA classification.

Our total spend with diverse suppliers, and number of diverse suppliers engaged, reduced in 2017. This reduction allows us to focus on building deeper relationships with our Indigenous Australian supplier base. We're pleased to have met our 2017 RAP commitment to spend over \$1.2 million with Australian Indigenous suppliers over three years.

1 Total spend across all suppliers is based on 11 months of data with one month estimated due to timing of reporting. All other data is as of 31 August 2017.

2. 2016 Spend data for Australia has been adjusted in 2017 to exclude spend on broker, introducer and commission payments on the basis that these are sales incentives and not external supplier payments.

3. The 2017 data aligns to the new 2020 supply chain target "100% of new/re-contracted suppliers in sensitive sectors assessed for ESG Risks each year." This is a group wide metric for Tier 1 contracts that excludes evergreen contracts. The 2016 data aligns to NAB's previous supply chain target "to undertake ESG risk assessments on 75% of our designated high ESG risk category Australian suppliers." This metric was for Australia only, and included evergreen and Tier 2 contracts, as well as contracts that were not new nor coming up for renewal in FY16.

4. NAB's Supplier Diversity program was established in 2012 to increase the proportion of NAB's purchases that are made with Indigenous owned, minority-owned and women-owned businesses and disability and social enterprises.

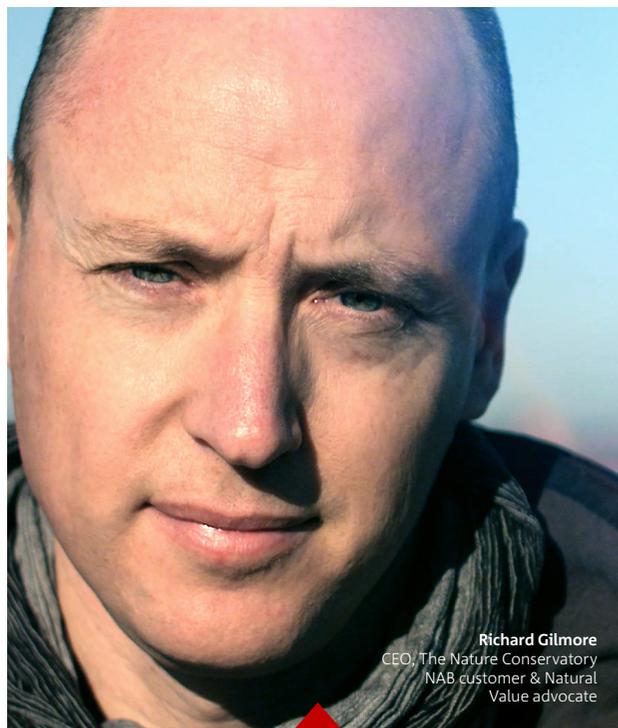
# OUR ENVIRONMENT

A prosperous economy and societal wellbeing is dependent on a healthy planet. We aim to be effective environmental stewards, so that our use of natural capital assets – and our business – remains sustainable.

## OUR ENVIRONMENTAL AGENDA

Our Environmental Agenda focuses on three key issues:

- **Climate change** – Increasing impact of climate change and climate-related policy on our business, our customers and the communities in which we operate.
- **Resource scarcity** – Increasing competition for finite resources has the potential to limit economic growth and business operations.
- **Natural Value** – Increasing pressure on the natural capital (environmental assets and services) that underpins our economic system could impact future asset and business value.



**Richard Gilmore**  
CEO, The Nature Conservancy  
NAB customer & Natural  
Value advocate

We're committed to understanding and managing the environmental aspects and impacts of our business.

## \$13.4BN

in financing to help address climate change and support the low carbon transition<sup>1</sup>

## 58%

proportion of electricity generation financing invested in renewables

## #1

leading arranger of project finance to renewable energy in Australia<sup>2</sup>

## 400,655 kL

water use

## 752,397 GJ

energy use

## 185,898 tCO<sub>2</sub>e

gross greenhouse gas emission

<sup>1</sup> Cumulative aggregate total financing from 1 October 2015.

<sup>2</sup> Source: Thomson Reuters Project Finance International 2006-2017 Asia-Pacific Initial Mandated Lead Arrangers League Tables – Mid Year 2017 US\$ Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2017.

## CLIMATE CHANGE

NAB recognises that climate change is a significant risk and a major challenge for the global economy and society. We support the transition to a low carbon economy, consistent with the global agreement reached in Paris to limit global warming to less than 2 degrees above pre-industrial levels (the Paris Agreement).

As a global provider of financial products and services, we seek to play a key role in financing the low carbon transition and green growth,<sup>1</sup> in addition to responding to regulatory requirements.

Recognising the impact of climate change on our business, customers and the community, we are building consideration of climate change into the NAB Group's strategy and risk management framework, which is consistent with our goal of long-term value creation. We are focused on actively helping our customers through this transition.

## CLIMATE CHANGE GOVERNANCE

Our Board retains ultimate oversight for ESG risks, including climate change, which is one of three designated focus areas in our Environmental Agenda – in addition to Natural Value and resource scarcity.

The Board receives regular reports on a range of climate-change related issues including progress against the NAB Group's climate change strategy, commitments and initiatives, environmental operational performance, carbon neutral status, and concerns from stakeholders. The Board also receives updates on regulatory change and greenhouse and energy reporting returns that require noting by the Board before submission to regulators.

Our Executive Leadership Team (ELT) and risk committees<sup>2</sup> have a day to day role in governance, strategy and risk management oversight related to our management of climate risk and opportunities. Further information on risk management is provided on page 57.

In late 2016, a Climate Change Working Group (CCWG) was formed with management representatives from across the business, to review the key risks and opportunities facing our business and customers arising from the Paris Agreement. The CCWG reports on its work to various risk committees and via our Group Risk Return Management Committee (GRRMC) or directly via the ELT to Board.

Our climate change strategy and recommendations of the CCWG have been reviewed and endorsed by our ELT and our leadership commitments have been reviewed and approved by the Board.

## OUR STRATEGY

During the 2017 financial year, our CCWG refreshed the NAB Group's climate change strategy. Considerations included further opportunities to reduce our own carbon footprint, assisting customers through the low carbon transition and helping them to adapt and build resilience to the physical impacts of climate change.

Current and future business opportunities, including those related to climate change (for example financing clean technology), are identified and prioritised through strategic planning processes both at a NAB Group and business line level.

We anticipate the global low carbon transition will see structural changes in energy markets, with fossil fuel-based energy use materially declining over time, and increased use of renewable energy. This will be reflected in the make-up of our loan book and investment portfolio over time.

An orderly approach to the low carbon transition is critical to ensure communities have access to secure, reliable and affordable energy and to support economic growth. It is also important to build capability to be adaptive and agile in our response to climate change, continuously monitoring and responding to emerging risks and opportunities.

With this in mind, our climate change strategy is focused on the following four areas:

- Leadership commitments
- Developing climate change knowledge and insights
- Supporting our customers through the low-carbon transition
- Investing in organisational capability to identify and respond to climate change risks and opportunities.

The following pages will detail our work to date in these areas.

## OUR CLIMATE LEADERSHIP COMMITMENTS

- 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, which we started in the half year reporting of 2015.
- Set a science-based GHG emission reduction target for our operations (our target was set in 2016), to reduce GHG emissions by 21% by 30th June 2025, from a 2015 base year (see page 65 for further details). 2017 is the second year we have reported on this target.
- Undertake environmental financing activities of AUD \$55 billion in two key areas – (i) green infrastructure, capital markets and asset finance and (ii) 6 Star mortgages – over the ten years to September 2025 to help address climate change and support the transition to a low carbon economy (this was increased from \$18 to \$55 billion in 2017 – see further detail on page 58).
- Source 50% of our Australian electricity requirements from renewable energy sources by 2025 (increased from 10% by 2018) (see page 59 for further information).
- Engage responsibly on climate policy (see page 60 for further details).
- Commit to putting a price on carbon and align to the UN Global Compact's business leadership criteria on carbon pricing. We established an internal carbon price in 2010 as part of our approach to carbon neutrality and we disclose how we use our internal carbon price in our annual CDP response, which can be downloaded [here](#).
- Play an active role in addressing climate change through seeking to innovate across key sectors and markets and supporting low carbon opportunities for our customers (new commitment).

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

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

### 1. Leadership commitments

We're committed to understanding and managing climate change risks and opportunities, and helping our customers in the transition to a low carbon economy.

On this basis, the CCWG reviewed NAB's climate change commitments and recommended that they be refreshed and strengthened in three key areas having regard to emerging climate change related opportunities. We have committed to:

- Increase our current environmental financing commitment from \$18 billion by 2022, to \$55 billion by 2025<sup>1</sup> to assist the low carbon transition. This includes:
    - \$20 billion to support green infrastructure, capital markets and asset finance.
    - \$35 billion in new mortgage lending for 6 Star residential housing in Australia.
- This target is detailed on the following page.
- Increase our sourcing of Australian electricity from renewable energy sources from 10% by 2018, to 50% by 2025.
  - Play an active role in addressing climate change through seeking to innovate across key sectors and markets and supporting low carbon opportunities for our customers.

We have integrated these commitments into NAB's business strategy. We will use our experience in clean energy financing and Natural Value to provide innovative, low-carbon solutions for customers across our key sectors and markets. Further details on all of our climate change commitments can be found on our [website](#).

### 2. Developing climate change knowledge and insights

We work in collaboration with other organisations in climate-related research initiatives and leveraging our Natural Value strategy as a key vehicle to help address climate change mitigation and adaptation. In 2017, we started new climate-focused collaborations including:

- A project with Lucsan Capital, Dairy Australia and the University of Melbourne to pilot climate risk analytics software used to predict the impact of climate risk on the food supply chain
- Engagement in a new Energy Transitions Hub led by University of Melbourne and Australian National University to examine the pathways to achieving a zero-carbon global economy
- A UNEP FI pilot project with 15 other UNEP FI member banks to test recommendations made by the Financial Stability Board's (FSB) Taskforce on Climate-related Financial Disclosures (TCFD). This project aims to develop climate change scenarios and stress test participating bank loan portfolio and will help us to further deliver on our commitment to carbon-related disclosure.

### 3. Supporting our customers through the low carbon transition

Through understanding approaches relating to mitigation and adaptation, our customers can make the most of opportunities and build resilience in the face of the physical and transition risks arising from climate change.

To support our customers, we are innovating and expanding our provision of climate-related products and services. For example, we're supporting our agribusiness customers through our Natural Value strategy to manage considerations like soil health and water scarcity which supports business success and climate resilience.

We have also developed a position as a leading issuer and arranger of Green, Social and Sustainability Bonds in Australia and New Zealand.

In 2017, we won the Global Capital Sustainable & Responsible Capital Markets Award 2017 for Asia Pacific Green/SRI Bond Deal of the year, and we arranged Australia's first sustainability bond. We continue our focus on providing project finance to renewable energy projects.

Further information on our environmental products and services is available on our [website](#).

### 4. Investing in organisational capability to identify and respond to climate change risks and opportunities

This includes investment in data management to support customer insights and in monitoring of the low carbon transition, training and engagement of our people, further improvements in the energy and greenhouse performance of our building portfolio and an increase in our production of solar energy.

#### Climate risk management

ESG Risks, including climate change, are identified, measured, monitored, reported and overseen in accordance with the our Risk Management Framework (as described in NAB's Risk Management Strategy).

Our Group Regulatory, Compliance and Operational Risk Committee has oversight of these risks, the Group's environmental performance and Environmental Agenda, including climate change. Our Group Credit and Market Risk Committee has oversight of matters related to credit risk. Matters are escalated to the other risk committees including first line Division risk committees, GRRMC, Board Committees and Board as required.

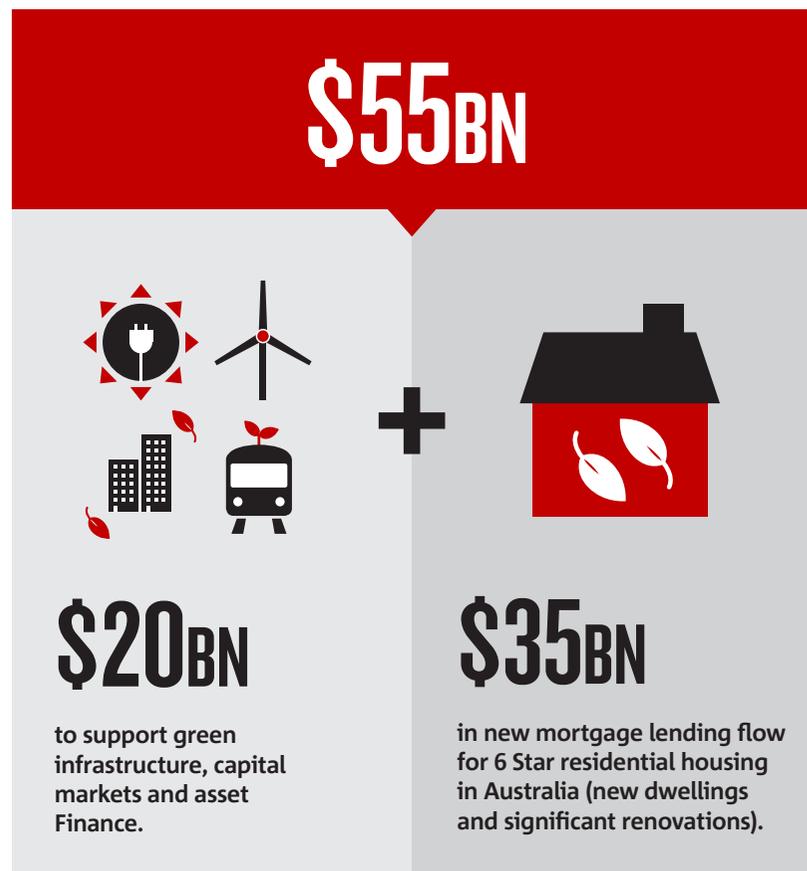
In the 2017 financial year, our CCWG made recommendations that are being integrated into risk appetite and activities, and the NAB Group's business strategy. As a part of the analysis to inform this work, we used the Bank of England's categories of physical, transition and liability risk for our internal climate change risk assessment process to review the risks faced by NAB and our customers as a result of climate change. Key risk actions arising from the CCWG's work were to:

- Participate in UNEP FI's pilot project to test recommendations made by the FSB's TCFD
- Undertake a phased review of the NAB Group's risk appetite for carbon intensive, low carbon and climate sensitive sectors. This includes resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing, and property.

**OUR ENVIRONMENTAL FINANCING COMMITMENT**

This year we have increased our environmental financing commitment from \$18bn by 2022, to \$55bn by 2025<sup>1</sup> in order to help address climate change and assist the low carbon transition.

This includes:



1 Represents total cumulative new flow environmental financing from 1 October 2015.  
 2 In the 2017 financial year, we tightened our requirements for commercial buildings included in our environmental financing commitment from ≥ 5Star to ≥ 6Star GreenStar rating to reflect the improving performance of commercial buildings and ensure the lending captured in NAB's financing reflects higher performing buildings in the market.  
 3 Along with new home construction, this amount includes residential financing provided for activities where the identified purpose is 'Construction'. This typically includes major renovation activity in which the borrower undertakes a progressive drawdown of the loan amount. For major renovations, State building requirements for such construction activity generally require the overall home to meet a 6-star energy rating.

**LENDING CATEGORY**

ENVIRONMENTAL FINANCE CATEGORY	TOTAL <sup>1</sup>
<p><b>Lending for Green Star certified commercial buildings</b></p> <p>Our support for 6 Star<sup>2</sup> Green Star certified commercial buildings contributes towards the overall reduction in energy demand. Improving building performance is widely regarded as one of the most cost-effective opportunities to deliver energy and greenhouse gas emission reductions.</p>	\$0.2bn
<p><b>Specialised and corporate finance for projects that reduce emissions assist with climate change adaptation and lending to other low carbon businesses</b></p> <p>Lending for large-scale renewable energy generation projects (e.g. wind and solar farms), finance for adaptation projects such as desalination and water recycling plants and water efficiency initiatives, and low emissions transport infrastructure.</p> <p>This category also includes finance for low carbon businesses such as renewable energy retailers, providers of solar and energy storage systems and solar installers.</p>	\$2.3bn
<p><b>Green bonds</b></p> <p>The proceeds of green bonds issued and arranged by NAB are used for investments in renewable energy, low-carbon public transport (electrified rail), energy efficiency, sustainable agriculture, sustainable water infrastructure, and adaptation infrastructure.</p>	\$2.1bn
<p><b>Asset finance</b></p> <p>We provide finance for our customers to lease assets that improve energy efficiency or generate renewable energy.</p>	\$0.1bn
<p><b>Advisory activities, underwriting and arranging</b></p> <p>The advisory, underwriting and arranging activities included in our environmental financing commitment related to renewable energy, low-carbon public transport (electrified rail), energy efficiency, sustainable agriculture, sustainable water infrastructure, and adaptation infrastructure.</p>	\$0.2bn
<p><b>Progress towards 2025 target of \$20 billion</b></p>	<b>\$4.9bn</b>
<p><b>Lending to support development of 6 Star Residential properties<sup>3</sup></b></p> <p>By providing lending to construction, and significant renovation, of homes to a 6-Star standard we are supporting the low carbon transition in a key segment of Australia's economy and we are assisting in reducing residential energy demand and greenhouse emissions.</p>	\$8.5bn
<p><b>Progress towards 2025 target of \$35 billion</b></p>	<b>\$8.5bn</b>
<p><b>Progress towards aggregated 2025 target of \$55 billion</b></p>	<b>\$13.4bn</b>

## TARGET AND METRICS

In addition to our environmental financing commitment, we are monitoring exposure to both carbon intensive and low carbon sectors. We disclose this information in this report (see page 22), and on a half-yearly basis through our investor presentations, see page 35 of our NAB's 2017 Full Year Results Presentation.

### Carbon risk disclosure

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. To do this, we're collaborating with other financial institutions in Australia and around the world. In 2017, we:

- Commenced our participation in UNEP FI's pilot project
- Continued to collaborate with our Australian banking peers on disclosing information on carbon-related risk exposure for financial institutions as part of the Australian Portfolio Carbon Working Group<sup>1</sup>
- Continued to expand our disclosures on lending to the agricultural, energy and natural resources sectors, including:
  - Exposure to the resources sector including coal mining and exposure to power generation (see page 22)

- Financing for renewable energy generation, 6 Star GreenStar commercial buildings, climate adaptation, energy efficiency, low carbon assets and infrastructure and 6 Star residential properties (see page 58)
- Green bond issuing, advisory, underwriting and arranging (see page 58).

We report on operational metrics including our:

- Science-based emissions reduction target and energy reduction target (see page 65)
- Production and use of renewable electricity for our operations in Australia and the UK (see highlight box on this page).

This year NAB was awarded an A- for its CDP<sup>2</sup> climate change submission. This identifies NAB to be operating at Leadership level in its corporate response to climate change and recognises NAB's actions to cut emissions, mitigate climate risks and support the transition to the low-carbon economy, in the last reporting year. 2418 companies responded to the CDP climate change questionnaire in 2017, and of these responding companies that were scored, 20% of corporates reached the leadership scoring level (A- and A companies). Companies who reached Leadership level scoring have shown high scores in all other scoring levels, and have disclosed particular actions that are recognized as best practice in environmental stewardship. [A copy of our 2017 CDP submission is available on our website.](#)

### Purchasing carbon offsets

This year, we purchased carbon offsets for 2018 (and beyond) from projects with co-benefits that align with our vision – to be Australia and New Zealand's most respected bank.

This included having 78% of our 2017 carbon offset allocation made up of offsets generated from renewable energy projects.

We continued to use a Supply Nation certified supplier for Australian carbon offsets in the Aboriginal Carbon Fund. This demonstrates an alignment with both our Environmental Agenda and our Reconciliation Action Plan. These offsets (which will be banked for use in future years) are Australian Carbon Credit Units generated from the off-season burning of savannah land in North Queensland. In addition to helping meet our carbon neutral commitment, the purchase will also provide a range of co-benefits – including connecting Indigenous youth with traditional land management practices, providing employment opportunities and revenue for the local Kowanyama community, and reducing the length and severity of seasonal bushfires in the region.

We've maintained our National Carbon Offset Standard certification in Australia, and we have also maintained an internal carbon price that informs our investment in energy efficiency initiatives.

### Renewable energy generation

To minimise our dependency on grid supplied electricity and our carbon emissions, we have installed solar panels on 37 of our branches and Business Banking Centres, with a cumulative installed solar capacity of 714kW (as at 30 September 2017).

We've also partnered with AGL to install over 2,200 solar panels on our Knox data centre. This installation will generate approximately 794 MWh of renewable electricity each year.

We also plan to use the Large-Scale Generation Certificates (renewable energy certificates) that this system generates to help meet our commitment to source 10% of our Australian electricity from new renewable sources by 2018.

We will source the balance of this 10% through Australia's first renewable energy buyers group, the Melbourne Renewable Energy Project. This project will enable us to source new (and additional) renewable energy from a utility scale renewable energy project in regional Victoria.

In November 2017 we set a new commitment to source 50% of our Australian electricity from renewable energy sources by 2025.

<sup>1</sup> In 2016, the four major Australian banks (ANZ, CBA, NAB and Westpac) formed the Australian Portfolio Carbon Working Group, an informal, collaborative working group recognised by UNEP FI.

<sup>2</sup> CDP is a non-profit global environmental disclosure platform.

## CLIMATE CHANGE-RELATED ENGAGEMENT

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

We have an internal consultative process to ensure that any direct and indirect activities that influence policy are consistent with the climate change area of focus in our Environmental Agenda, as well as being consistent across business divisions and geographies.

Under this process, representatives from relevant business units and Group functions meet to review policy changes and determine the relevance and impact of those changes, as they relate to NAB Group. Formal approval from relevant internal stakeholders is sought prior to the submission of a formal written response to proposed regulatory or policy changes.

### Policy engagement

In 2017, we engaged in the following climate change policy-related activities:

- Responding with a submission to the Australian Government's Department of the Environment and Energy's review of Australia's climate change policies
- Responding to the Department of the Environment and Energy's consultation paper on the draft National Carbon Offset Standards for Buildings and Precincts
- Participating in a banking round table with the Australian Energy Market Operator
- We completed a climate change survey of UK-based banks conducted by the UK Prudential Regulatory Authority.

### Industry engagement

We also participated in a range of climate change related industry activities, including:

- Presenting at the Clean Energy Council's Clean Energy Summit on financing the clean energy transition
- Presenting at the Carbon Market's Institute's Australian Emissions Reduction Summit. We shared our experiences in sourcing carbon offsets as a National Carbon Offset Standard Carbon Neutral Program member

- Participating in the Department of Energy and Environment's National Carbon Offset Standard Carbon Neutral Network meetings and workshops
- Briefing members of the House of Representatives Standing Committee on Infrastructure, Transport and Cities Inquiry into the Australian Government's Role in the Development of Cities
- Presenting at the Green Building Council of Australia's annual Victorian members evening on transforming the built environment to net zero emissions by 2050
- Presenting at the 2017 Ecocity World Summit in Melbourne on renewable energy purchasing
- Participated in the Asia Pacific Loan Market Association (APLMA) Green Loan Working Group and Green Bond panel for APLMA Young Leaders in Sydney
- Member of the Australian Securitisation Forum and leading discussion on development of green securitisations in Australia
- Presenting at the Finance & Treasury Association 2016 Conference on Innovative Funding Techniques, specifically green bonds.

## NATURAL VALUE

Our business-wide Natural Value strategy progressed well in 2017. We have maintained our focus on agribusiness customers, as agribusiness depends significantly on natural capital.

In 2015, we announced that we consider natural capital when undertaking a credit risk assessment. We also announced that we're investigating how to appropriately include consideration of natural capital-related risk in our credit models. This builds on our commitment as a signatory to the Natural Capital Declaration. To meet this goal, we've focused on the following areas:

### Building awareness

- We have continued to present on Natural Value, and our reliance on natural capital at a range of conferences, including the Australian Bureau of Agricultural and Resource Economics annual conference.
- NAB's leaders champion the importance of natural capital to Australia's future, with our Chairman and CEO each discussing natural capital in presentations throughout the year.
- We continued to participate in the Natural Capital Finance Alliance's work to support global collaboration on natural capital frameworks and tools. Our support includes participating as Chair of Working Group 3, and supporting the Australian consultation process for the Finance Sector Supplement to the Natural Capital Coalition's Natural Capital Protocol.

### Building employee capability

- Our agribusiness Natural Value champions' network continues to build awareness and capability within our agribusiness team.
- 20 Agribusiness bankers participated in an Earthwatch tour across Tasmania to build their understanding of natural capital risks and opportunities. This included learning from leading sustainable farmers and experts from CSIRO, Government and Universities.

### Investing in research

- We were a founding partner of the Food Agility Cooperative Research Centre. The centre brings 54 partners together in order to commercialise digital solutions across the Agribusiness supply chain and will enhance our ability to provide deeper insights for our customers. This allows our customers to be more productive while reducing risk and is a key component of our Natural Value strategy.
- Working with CSIRO, we progressed our multi-year research to investigate the linkages between natural capital and financial performance. This work is becoming increasingly important, as we move towards the development of frameworks and systems to measure and integrate natural capital into our credit risk frameworks.
- We have developed and funded research with Greening Australia to explore biodiversity and farm financial performance.
- We supported Lucsan to successfully obtain a federal government grant to pilot Lucsan's climate risk technology in the dairy industry.

- Developing a water risk assessment framework to support our credit risk models in partnership with The Yield and the Institute for Sustainable Futures.

### Backing our customers

- Over \$150 million in discounted finance has been provided to NAB customers for renewable energy assets, or assets that improve energy efficiency. This is part of an overall commitment of \$300 million.
- We authored and launched an Agtech White Paper which scoped the market opportunity for Australian Agtech, and conducted follow-up customer research. Our key finding was that 1 in 4 customers do not use Agtech solutions on their farms, highlighting the opportunity for NAB to support our customers to take advantage of Agtech.
- We piloted the cloud-based Farm accounting package, 'Figured', in which BNZ have an equity stake. Figured plays a key role in improving farm practices through consistent benchmarking.

**RESOURCE SCARCITY**

We maintain a strong focus on resource efficiency. Increasing competition for finite resources has the potential to limit economic growth and business operations. Reducing our resource use not only reduces our environmental dependencies and impacts, but also enables us to reduce our operating costs.

Our environmental performance targets align to our Environmental Agenda focus areas and help us measure progress towards achieving environmental objectives. This is the second year of reporting for our 2020/2025 environmental sustainability performance targets. All of these targets are on track to be achieved (see page 65 of this report for further detail).

Our GHG emissions and energy reduction targets are underpinned by a focus on energy efficiency and clean energy. The tables on the following pages summarise the opportunities we investigated in 2017, and provide examples of the types of initiatives we've implemented. A number of projects have been completed since 30 June 2017. These include the 631kW solar panel installation at our Knox data centre - installation of solar on an additional eleven branches and completion our new Brisbane workplace – NAB Place.

**Minimising the environmental dependencies and impacts of our business**

Ensuring our buildings run as efficiently as possible continues to be a priority. We're working towards this by aligning to high standards of environmental performance. 76% of our key office buildings in Australian are operating at a 4 Star (or better) NABERS Energy rating and 75% of our key Australian offices are Green Star rated. In Asia, our Singapore and Hong Kong head offices are LEED Platinum certified, as is one of our main Australian data centres. This data centre was the first in Australia to achieve both NABERS Energy Infrastructure, and IT ratings this year.

We're applying the lessons learned from the successful design of our offices to the design of our new Sydney offices, due for completion in 2020.

In August, we moved into NAB Place, our new workplace in Brisbane. We are registered to certify as Green Star Interiors v1.1 and are targeting a rating in 2018. We are seeking to achieve a 6 Star Green Star Interiors V1.1 signifying 'world leadership' for this fit-out. NAB Place has been designed to achieve strong Indoor Environment Quality outcomes for our people.

These include:

- Carbon dioxide monitoring, to reduce indoor air pollutants
- Providing nearly 1,000 plants to deliver a connection to nature, and improve air quality
- Designing our workplace to ensure that most work settings and meeting rooms are provided with natural light and views of the outdoors
- Ensuring that the majority of cabinetwork and workstations are FSC or Programme for the Endorsement of Forest Certification (PEFC) certified.

We're also ensuring that any office fit-outs we no longer require are re-used or recycled. We moved over 500 monitors and monitor arms to our new sites plus nearly 1,000 chairs to new and existing sites. We also took specialised equipment from our commercial kitchen (oven and commercial microwave) and reinstalled them in one of our commercial kitchens in Sydney. We're also reusing small items like crockery, cutlery and whitegoods across our Queensland branch network.

Our Airlie Beach branch was extensively damaged by Cyclone Debbie and needed a full fit-out in a short space of time. To meet our business needs, we reused an entire fit-out from another branch to avoid sending these materials to landfill.

**SUMMARY OF EMISSIONS REDUCTION AND RENEWABLE ENERGY OPPORTUNITIES INVESTIGATED ACROSS AUSTRALIA – AS AT 30 JUNE 2017**

STAGE OF DEVELOPMENT	TOTAL NUMBER OF PROJECTS	TOTAL ESTIMATED ANNUAL CO <sub>2</sub> -e (TONNES)
Under investigation	1	46
To be implemented	13	9,886
Implementation commenced	6	2,573
Implemented	892	105,348
Not to be implemented	333	35,080
<b>Total</b>	<b>1,245</b>	<b>152,934</b>

**EXAMPLES OF ENERGY EFFICIENCY AND RENEWABLE ENERGY MEASURES IMPLEMENTED IN AUSTRALIA IN 2017**

ACTIVITY TYPE	DESCRIPTION OF ACTIVITY	ESTIMATED ANNUAL CO <sub>2</sub> -e SAVINGS (METRIC TONNES CO <sub>2</sub> -e)	INVESTMENT (\$AUD)	ANNUAL SAVINGS (\$AUD)	ESTIMATED PAYBACK PERIOD (YEARS)	ESTIMATED LIFETIME OF THE INITIATIVE (YEARS)
Energy efficiency: Building services	Improving energy efficiency across our buildings, including, improvements to HVAC and lighting and cooling as well as powering down sites when not in use	773	\$381,710	\$110,132	4	7-10 years
Energy efficiency: Processes	Data Centre technology upgrades to storage compression	375	\$0	\$41,744	0	3-5 years
Low carbon energy installation	Installing solar panel on our branches	695	\$476,752	\$181,135	3	10 years

**Recycling**

Improving our recycling rates is also a priority, from the recycling of e-waste with our technology partners, to the recycling of organic waste by our employees. We recycle organic waste at six of our Australian office buildings. This year we introduced commingled recycling to another 26 branches and business centres, increasing the number of branches and business centres with commingled recycling to 54.

We're also improving the recycling options available to our employees, as well as raising awareness of how and why we re-use and recycle. BNZ has addressed this by installing soft plastics recycling at its head office at 80 Queen Street, Auckland. This enables employees to put soft plastics (plastic bags, courier bags, plastic wrap etc.) into bins for recycling, rather than sending them to landfill. Across the Group we've continued to raise employee awareness around waste through new bins and signage, intranet articles and activities such as supporting National Recycling Week.

**Deforestation**

Deforestation is a significant global contributor to climate change and ecosystem degradation, particularly in developing countries. With that in mind (and in order to implement our understanding of natural capital risk and dependencies from our work under the Natural Capital Declaration), we've continued to identify and eliminate potential drivers of deforestation in our supply chain.

We are still one of the largest Fair Trade endorsed workplaces globally. This covers the tea, coffee, sugar and cocoa used in our offices and branches across Australia and New Zealand. We also continue to purchase biscuits that are certified by the Roundtable on Sustainable Palm Oil (RSPO).

We recognise that we depend on forest resources as a consequence of our paper use in our offices, especially for publications and customer statements. We've focused on decreasing our consumption of paper where we can.

This has been done by digitising paper-based processes and application forms, introducing 'bring your own device' (BYOD), and rolling out an increasing range of 'default online' or 'online only' customer correspondence.

When we need to use paper, our Sustainable Paper Guidelines, covering operations in Australia, outline that it should come from certified responsible sources, recycled stock and, where possible, manufacturers should be ISO14001 certified. Additionally, uncoated paper (office paper) should be National Carbon Offset Standard (NCOS) certified carbon neutral.

After a successful initiative last year encouraging our retail customers to switch to online statements, BNZ did the same this year with business banking customers. We improved our online banking platform to enable these customers to view their statements online and then ran a campaign to encourage them to switch off their paper statements.

Over 35 per cent of those customers opted to switch to viewing statements online only – resulting in 2,262 less statements needing to be printed each month.

Data on our paper use and online customer statements transition to online only can be found on page 65 of this report.

## ENVIRONMENT – NUMBERS

Environmental Statement of Position for the Group<sup>1</sup>

INDICATOR	UNITS	2017	2016	2015	2014	2013
Employee numbers <sup>2</sup>	FTE	34,167	44,054	43,203	42,480	42,993
Property space occupied <sup>2</sup>	m <sup>2</sup>	758,449	1,007,087	1,031,640	1,075,345	1,079,403
Total operating expense <sup>3</sup>	\$m	(7,635)	(7,438)	(9,899)	(9,987)	(8,410)
Underlying profit <sup>3,4</sup>	\$m	10,260	9,995	9,399	8,534	10,153
Water use (estimate) <sup>5</sup>	kL	400,655	492,153 <sup>6</sup>	616,295 <sup>6</sup>	656,838	686,234
Waste to landfill (estimate) <sup>5</sup>	tonnes	2,305	2,419	2,850	3,548	3,388
A3 & A4 office paper purchased	tonnes	716	966	1,156	1,306	1,440
Net energy consumption	GJ	752,397	865,217	1,083,881	1,117,629	1,102,678
Gross GHG emissions	tCO <sub>2</sub> -e	185,898	232,100	276,584	297,691	311,024

**Energy:** Net energy use decreased by 13% (112,820 GJ). This was primarily due to divestment of Great Western Bank (GWB) and demerger of Clydesdale Yorkshire Banking Group PLC (CYBG) in the 2016 reporting year. Other factors influencing energy use include:

- A 4% (4,357 GJ) decrease in BNZ energy use, mainly due to the closure of our Harbour Quays building due to the earthquake, store closures and reduced hours. The reduction is also partly due to increases in energy efficient technology rolled out across branches, installation of LED lighting across BNZ office buildings, and technology and signage lighting upgrades in New Zealand
- A 1% increase in Australian energy use, due to higher gas use at the Knox Data Centre (the tri-generation plant was offline for three months in 2016, resulting in lower than usual gas use)
- Delivery of 5,456 GJ of energy efficiency initiatives in Australia including installation of LED lighting, and air conditioning and information technology data storage upgrades.

**Emissions:** GHG emissions (net of renewable energy) decreased by 15% (33,574 tCO<sub>2</sub>-e). This was mainly due to the tri-generation plant being operational for the entire reporting period, a decrease in business travel related emissions, implementation of energy efficiency initiatives including solar, and lighting upgrades in our Australian and New Zealand businesses.

After a reduction of 553 tCO<sub>2</sub>-e in gross GHG emissions (due to purchasing accredited renewable electricity in the UK), 185,344 tCO<sub>2</sub>-e of carbon offsets have been retired to maintain the Group's carbon neutral status.

**Waste:** Waste generation (combined waste to landfill and recycled materials) decreased by 18% (1,111 tonnes). 54% of waste generated was diverted from landfill. Australia and New Zealand waste to landfill has decreased. Our United Kingdom (UK) Branch has zero waste to landfill, as all waste is recycled or sent to incineration. Our branches in Asia have achieved small decreases in waste generation.

**Paper:** Office paper use continues to decrease due to the continued impact of flexible working environments, and technology solutions such as Follow You Printing. Our paper use decreased by 26% when compared to the prior year.

**Water:** Potable water use decreased by 19% compared to the prior year. This decrease is mainly attributable to the divestment of GWB and the demerger of CYBG. Water use decreased in Australian office buildings due to a focus on reducing after-hours air conditioning and improved landlord building management practices.

1 KPMG has provided assurance on specified GHG emissions and offset data presented in this Sustainability Report.

2 The values shown for 'Employee numbers' and 'Property space occupied' shown in the Environmental Statement of Position for the Group (and elsewhere in this document) represent an annual average of FTE and m<sup>2</sup> respectively across the period from 1 July to 30 June each year.

3 These numbers correspond to NAB's financial year, ending 30 September. Prior period financial and environmental information has not been restated to exclude discontinued operations. Please refer to note 41 in NAB's 2017 Annual Financial Report for further information on discontinued operations.

4 Use of Underlying Profit as a metric (rather than measures of profit or economic activity) for normalisation of our environmental performance data allows for meaningful comparison to prior years' data and to financial intensity measures used in our CDP disclosures due to the nature of our underlying business activities. Please refer to page 6 of NAB's 2017 Full Year Results Announcement (available at [www.nab.com.au](http://www.nab.com.au)) for a more detailed explanation of the elements comprising the Underlying Profit.

5 2013 - 2017 water use and waste to landfill numbers include United States, Australia, United Kingdom and New Zealand.

6 Historical water use from our New Zealand business operations has been restated to include additional water use.

## Environmental Performance Targets

MEASURE	2015 BASELINE	TARGET	TARGET DATE	2017 ACTUAL	2017 REDUCTION	STATUS
Science-based GHG emissions (tCO <sub>2</sub> -e) <sup>1</sup>	87,565	▼ 21%	2025	81,021	▼ 7%	On track
Energy Use (GJ)	791,456,	▼ 5%	2020	752,397	▼ 5%	On track
Office Paper (tonnes)	892	▼ 10%	2020	716	▼ 20%	On track
Customer eStatements (proportion online only)	34%	▲ to 50%	2020	54%	54%	On track
Water Use (Potable Water Withdrawal) (kL)	405,642 <sup>2</sup>	▼ 10%	2020	394,482	▼ 3%	On track
Waste to Landfill (tonnes)	2,518	▼ 5%	2020	2,305	▼ 8%	On track
Data Centre PUE (Power Usage Effectiveness) <sup>3</sup>	1.4-1.6	≤1.5	2020	1.48	1.48	On track

## Performance against targets

2017 is the second year reporting against our current environmental performance targets. All of our environmental performance targets are on track to be achieved. This year, we progressed towards our 2025 science-based GHG emissions target, delivering a 7% reduction from our 2015 base year.

We are progressing well towards our 2020 targets.

1 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.

2 Our potable water use baseline has been restated to include additional water use from our BNZ business operations.

3 Target applies to all Australian data centres only. Actual PUE figure reported (not percentage reduction).

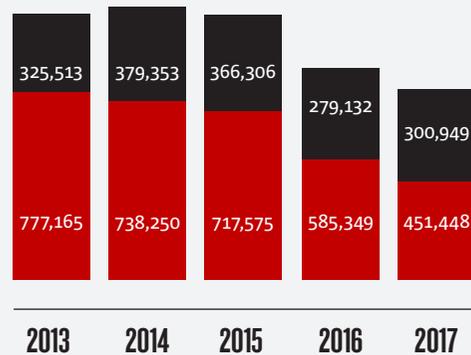
**Direct and indirect energy consumption and production**

Our global energy consumption and production data is presented below. We produce electricity through our tri-generation plant, solar panels installed on our buildings, and energy purchased from the grid.

(GJ)	2017	2016	2015	2014	2013
Direct energy consumption	300,949	279,132	366,306	379,353	325,513
Indirect energy consumption <sup>1</sup>	507,317	621,377	760,321	782,136	801,593
<b>Gross energy consumption</b>	<b>808,266</b>	<b>900,509</b>	<b>1,126,627</b>	<b>1,161,489</b>	<b>1,127,106</b>
Indirect energy production (tri-generation and solar PV) <sup>2</sup>	(55,869)	(36,028)	(42,746)	(43,886)	(24,428)
<b>Net energy consumption</b>	<b>752,397</b>	<b>864,481</b>	<b>1,083,881</b>	<b>1,117,603</b>	<b>1,102,678</b>

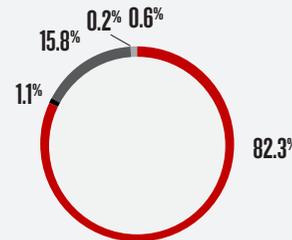
**NET DIRECT AND INDIRECT ENERGY CONSUMPTION(GJ)**

■ Direct energy consumption  
■ Indirect energy consumption



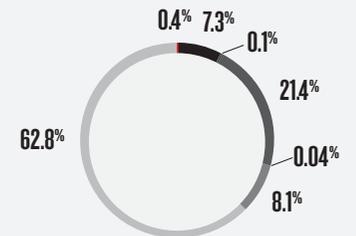
**NET ENERGY CONSUMPTION BY REGION (%)**

■ Australia 82.3%  
■ United Kingdom 1.1%  
■ New Zealand 15.8%  
■ USA 0.2%  
■ Asia 0.6%



**NET ENERGY CONSUMPTION BY FUEL TYPE (%)<sup>3</sup>**

■ Diesel (building energy) 0.4%  
■ Diesel (transport energy) 7.3%  
■ Ethanol blend 0.1%  
■ Gas 21.4%  
■ Oil and grease 0.04%  
■ Petrol 8.1%  
■ Electricity consumption 62.8%



1 Solar contributes the following GJ to indirect energy consumption: 2017 – 2,333 GJ; 2016 – 736 GJ, 2015 – 218GJ and 2014 – 26GJ.

2 There is a variance between the energy production (indirect) figures included in this report and the energy produced reported under NGERs for our Australian operations. This is due to NAB's Australian solar production not meeting the threshold for inclusion in NGER reporting. Unless otherwise stated, solar has been included within our energy reporting in this document.

3 Due to rounding, percentage figures in graphs may not appear to total 100%.

## GHG emissions by activity

(tCO <sub>2</sub> -e GHG EMISSIONS)	% CHANGE FROM PRIOR YEAR	2017	2016	2015	2014	2013
<b>Scope 1</b>						
Building-based refrigerants - HVAC, refrigerators	▲ 5%	1,443	1,380	1,675	1,610	1,790
Business travel <sup>1</sup> - vehicle fleet and status-use vehicles (UK only)	▼ 4%	8,597	8,909	8,742	8,251	8,370
Stationary energy - combustion of fuel: diesel, gas, propane	▲ 16%	9,146	7,874	12,430	13,446	10,509
Vehicle air conditioning refrigerant <sup>2</sup>	▼ 9%	190	210	205	174	179
<b>Total Scope 1</b>	<b>▼ 5%</b>	<b>19,376</b>	<b>18,373</b>	<b>23,052</b>	<b>23,481</b>	<b>20,848</b>
<b>Scope 2</b>						
Stationary energy - electricity (Scope 2)	▼ 21%	103,936	131,658	162,029	168,982	177,540
<b>Scope 3</b>						
A4 and A3 paper purchased	▼ 77%	49	210	380	491	599
Base-building energy - combustion of fuel: diesel, gas (AUS only)	▼ 11%	1,946	2,188	1,623	1,069	1,388
Base-building energy - electricity (AUS & NZ only)	▼ 11%	16,971	18,994	20,531	28,424	31,802
Business travel - Air travel <sup>3</sup>	▼ 29%	18,975	26,600	28,217	29,040	31,145
Business travel – Hotel stays	▼ 39%	3,082	5,072	5,234	4,909	4,638
Other business travel <sup>4</sup>	▼ 33%	3,014	4,524	5,571	6,451	7,523
Transmission losses - base-building energy: diesel, gas, electricity (AUS & NZ only)	▼ 16%	2,215	2,638	2,953	4,487	4,873
Transmission losses - stationary energy: diesel, gas, propane, electricity	▼ 30%	12,749	18,333	23,902	26,556	27,006
Waste to landfill	▼ 10%	2,693	2,994	3,062	3,776	3,633
Waste to incineration	NA	266	NR	NR	NR	NR
Water use - estimate	▼ 11%	463	517	30	25	29
Paper Statements (Non Carbon Neutral) (New Zealand only)	NA	163	NR	NR	NR	NR
<b>Total Scope 3</b>	<b>▼ 24%</b>	<b>62,585</b>	<b>82,070<sup>5</sup></b>	<b>91,503</b>	<b>105,228</b>	<b>112,636</b>
Gross GHG emissions (Scope 1, 2 and 3) prior to renewable energy purchase	▼ 20%	185,898	232,100 <sup>5</sup>	276,584	297,691	311,024
Renewable electricity purchased	▼ 96%	(553)	(13,182)	(20,644)	(23,193)	(22,614)
Carbon offsets retired	▼ 15%	(185,344)	(218,918) <sup>5</sup>	(255,940)	(274,498)	(288,410)
Net GHG emissions (carbon neutral)	0	0	0	0	0	0

**Note:** This table presents our greenhouse gas emissions using a location-based emission factors. Market-based supplier specific emission factors are not available from our energy retailers at this point in time but we have presented the renewable energy produced and purchased.

1 Business travel includes work-use vehicle fleet and status-use vehicles (UK only).

2 Vehicle air conditioning includes work-use vehicle fleet and status-use vehicles (UK only).

3 Business travel air –2017, 2016, 2015, 2014 and 2013 air travel includes DEFRA's required distance uplift (but excludes radiative forcing).

4 Other business travel includes employee vehicles, ferries (2016 and prior - UK only), rail (UK and Japan), rental cars, status use vehicles (2016 and prior - UK only), taxi use, work use vehicles and supplier vehicles (2016 and prior - UK only).

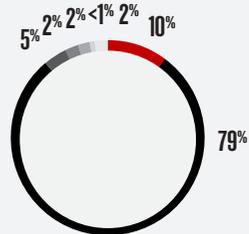
5 Our 2016 GHG emissions have been restated to include emissions associated with our water use from our Australian business operations. This is in alignment with our requirements of the National Carbon Offset Standard (NCOS) carbon neutral certification.

### GHG EMISSIONS

Building energy related GHG emissions are the main contributor to the GHG emissions generated across our businesses. Our data centres are a large generator of building energy related GHG emissions. As such, carbon dioxide is the main gas type released as part of our global GHG emissions, within our building portfolio.

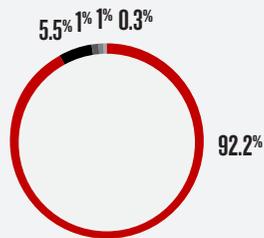
#### GHG EMISSIONS BY SOURCE (%)<sup>1</sup>

- Air travel
- Building energy use
- Business travel
- Hotel stays
- Other business travel
- Refrigerants
- Other



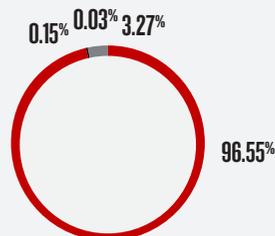
#### GHG EMISSIONS BY REGION (%)

- Australia
- United Kingdom
- New Zealand
- Asia
- USA



#### GHG EMISSIONS BY GAS TYPE (%)

- Carbon dioxide 96.55%
- Nitrous oxide 0.15%
- Methane 0.03%
- Other gases (including HFCs) 3.27%



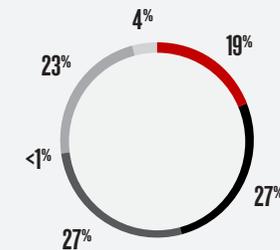
### CARBON OFFSETS

185,344 tCO<sub>2</sub>-e of offsets have been retired to cover our 2017 GHG emissions, after accounting for the reduction in GHG emissions due to our purchase of renewable electricity in the UK (equivalent to a reduction of 553 tCO<sub>2</sub>-e). Additionally, in 2017 we retired 185,344 tCO<sub>2</sub>-e of carbon offsets to cover our forecast 2018 GHG emissions.

Our requirements for purchasing quality carbon offsets and managing our offset portfolio are documented in our Group Environmental Reporting & Offset Management Policy, available on our website. The portfolio diversity and quality requirements outlined in this Policy were adhered to for our 2017 and 2018 offset allocations.

#### OFFSET PORTFOLIO BY PROJECT TYPE FOR ACTUAL 2017 GHG EMISSIONS (%)<sup>1</sup>

- Forestry
- Geothermal RE
- Hydropower RE
- Solar RE
- Wind RE
- Savanna burning



<sup>1</sup> Due to rounding, percentage figures in graphs may not appear to total 100%.

Other environmental performance indicators

OTHER ENVIRONMENTAL INDICATORS	UNITS	% CHANGE FROM PRIOR YEAR	2017	2016	2015	2014	2013
Office paper purchased (A3 and A4)	tonnes	▼ 26%	716	966	1,156	1,306	1,440
Office paper purchased (A3 and A4) per FTE	kg/FTE	▼ 8%	20	22	27	31	33
Online statements	monthly count	▲ 56%	5,211,439	3,340,448	2,723,800	2,611,426	1,941,678
Printed statements <sup>1</sup>	monthly count	▼ 8%	4,408,847	4,790,202	5,320,926	5,390,149	4,977,386
Online only statements (percentage) <sup>1</sup>	%	54% <sup>2,3</sup>	54%	41%	34%	33%	28%
Materials recycled/diverted from landfill	tonnes	▼ 27%	2,705	3,714	4,801	6,031	5,544
Waste generated	tonnes	▼ 18%	5,022	6,133	7,651	9,579	8,932
Waste to landfill per FTE	kg/FTE	▲ 19%	65	55	66	84	79
Waste diverted from landfill (percentage)	%	54% <sup>3</sup>	54%	61%	63%	63%	62%
Water use	kL	▼ 19%	400,655	492,153 <sup>4</sup>	616,295 <sup>4</sup>	656,838	686,234
Work use vehicles	number	▼ 7%	1,816	1,947	1,843	1,738	1,697
Work use vehicles fuel use	'kL	▼ 3%	3,440	3,529	3,454	3,337	3,439
Air travel	'000 kms	▼ 3%	137,836	142,319	139,273	144,722	141,177
Hotel stays	nights	▼ 38%	63,085	101,149	105,896	94,493	87,661

Paper consumption

Our A3 & A4 office paper in Australia and New Zealand is certified in order to ensure paper pulp is sourced from sustainably managed forestry. 93% of our Australian business' office paper is 100% recycled, and 98% is certified carbon neutral. 92% of our New Zealand business' office paper is also certified carbon neutral.

Trade effluent discharge

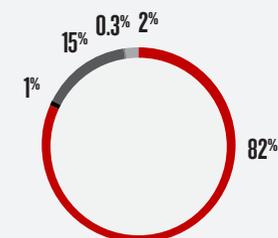
In Australia, we have Trade Waste Consents for the discharge of trade effluent from grease traps and cooling towers at our larger facilities. In 2017, we continued to operate our facilities to the satisfaction of the relevant water authorities. We have not received (nor have pending) any fines or penalties for trade waste non-compliance.

Environmental compliance

The NAB Group is subject to a range of environmental regulatory requirements in the countries we operate in. For more information regarding our environmental regulatory obligations and compliance, see page 25 of the NAB Annual Financial Report. During the 2017 environmental reporting period the NAB Group was not subject to any material environmental fines or penalties, and there were no significant spills from any NAB Group facility.

PAPER PURCHASED BY GEOGRAPHY (%)

- Australia
- United Kingdom
- New Zealand
- USA
- Asia



1 Customer statement data is as at June.

2 Our overall performance against our customer statements target differs by 1% from our target performance due to the restatement of the 2013 target baseline to exclude Great Western Bank, which was divested in 2015.

3 As these indicators are a percentage outcome, the 'Change' value is equal to the 2017 actual result.

4 Our potable water use has been restated to include water use from our New Zealand operations.

# INDEX TABLES AND ASSURANCE

## GRI INDEX

### General Standard Disclosures

SECTION	PROFILE DISCLOSURE	DESCRIPTION	PUBLICATION	PAGE
Strategy and analysis	G4-1	Statement from the Chairman and the CEO	Annual Review	6-7
Organisational profile	G4-3	Name of the organisation	Annual Review	36
	G4-4	Primary brands, products, and/or services	Annual Review	9
	G4-5	Location of the organisation's headquarters	Annual Review	33
	G4-6	Countries where the organisation operates	Annual Review	9
	G4-7	Nature of ownership and legal form	Annual Financial Report	103
	G4-8	Markets served	Annual Review	9
	G4-9	Scale of the organisation	Annual Review	9
	G4-10	Workforce characteristic	Sustainability Report	41
	G4-11	Employees covered by collective bargaining agreements	Sustainability Report	44
	G4-12	Organisation's supply chain	Sustainability Report	51
	G4-13	Changes in the organisation's size, structure, ownership, or its supply chain	Results Announcement	81
	G4-14	Precautionary approach to risk management	Annual Review	25
	G4-15	Externally developed charters, principles, or other initiatives to which the organisation subscribes	<a href="#">Website</a>	
	G4-16	Memberships in associations	<a href="#">Website</a>	
	Identified material aspects and	G4-17	Entities included in the organisation's consolidated financial statements	Annual Financial Report

SECTION	PROFILE DISCLOSURE	DESCRIPTION	PUBLICATION	PAGE
Boundaries	G4-18	Process for defining the report content and the Aspect Boundaries	Sustainability Report	8
	G4-19	Material Aspects identified in defining report content	Sustainability Report	8-12
	G4-20	Aspect Boundary for material Aspect within the organisation	Sustainability Report	73
	G4-21	Aspect Boundary for material Aspect outside the organisation	Sustainability Report	73
	G4-22	Restatements of information provided in previous reports	Sustainability Report	82
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Sustainability Report	82
Stakeholder engagement	G4-24	Stakeholder groups engaged by the organisation	Sustainability Report	79-80
	G4-25	Identification and selection of stakeholders to engage	Sustainability Report	79-80
	G4-26	Organisation's approach to stakeholder engagement	Sustainability Report	7
	G4-27	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report	8-12
Report profile	G4-28	Reporting period	Sustainability Report	3
	G4-29	Date of most recent previous report	<a href="#">Website</a>	
	G4-30	Reporting cycle	Sustainability Report	3
	G4-31	Contact point for questions regarding the report	Sustainability Report	3
	G4-32	GRI Content Index	Sustainability Report	70-72
	G4-33	External assurance	Sustainability Report	81
	G4-34	Governance structure of the organisation	Annual Review	28
G4-56	Organisation's values, principles, standards and norms of behaviour	Annual Review	9	

## Specific Standard Disclosures

ASPECT	PROFILE DISCLOSURE	DESCRIPTION	PUBLICATION	PAGE	EXTERNAL ASSURANCE <sup>1</sup>
<b>Customer service and satisfaction</b>					
Product and service labelling	G4-PR5	Results of surveys measuring customer satisfaction	Sustainability Report	14	Ernst & Young — Net Promoter Score (priority segments) (Australia and New Zealand).
Grievance mechanisms for impacts on society	G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	Sustainability Report	76	Ernst & Young — Total customer complaints (by region and by category — showing percentage change) (Australia and New Zealand).
<b>Customer security</b>					
Customer privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Sustainability Report	15	
<b>Responsible finance (lending)</b>					
Product portfolio	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Sustainability Report	21	
Product portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Sustainability Report	27	
Product portfolio	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability Report	58	Ernst & Young — Number and dollar value of microfinance loans written (by type) (Australia and New Zealand).
Product portfolio	FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainability Report	19, 25	
Product portfolio	FS1	Policies with specific environmental and social components applied to business lines	Sustainability Report	19-20	

<sup>1</sup> Refers to the relevant measures for which external assurance has been provided by either Ernst & Young or KPMG. See 'Assurance' on page xx for further information.

Materiality Matrix Content Table

MATERIAL ASPECTS	EMPLOYEES	CUSTOMERS	SOCIETY & THE WORLD AROUND US	OWNERS AND INVESTORS
Improving the customer experience				
Product and Service Labelling Grievance Mechanisms for Impacts on Society	●	●	●	●
Information security and management				
Customer Privacy	●	●	●	●
Environmental and social impacts of products and services				
Product Portfolio	●	●	●	●
Values-aligned culture				
This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the report	●	●	●	●
Transparency and disclosure				
This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the report		●	●	●
Good governance processes				
This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the report	●	●	●	●
Positive customer outcomes				
Customer Health and Safety	●	●	●	●

**UNITED NATIONS GLOBAL COMPACT (COP TABLE)****HUMAN RIGHTS**

	Description of principle	Location of disclosure
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	2017 Sustainability Report (pages 75-76) <a href="#">Website – Human Rights</a>
Principle 2	Make sure that they are not complicit in human rights abuses	2015-2017 Reconciliation Action Plan

**LABOUR**

	Description of principle	Location of disclosure
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	2017 Sustainability Report (page 35) <a href="#">Website – Human Rights</a>
Principle 4	The elimination of all forms of forced and compulsory labour	<a href="#">Website – Supply chain management</a>
Principle 5	The effective abolition of child labour	
Principle 6	The elimination of discrimination in respect of employment and occupation	

**ENVIRONMENT**

	Description of principle	Location of disclosure
Principle 7	Businesses should support a precautionary approach to environmental challenges	2017 Sustainability Report (pages 55-69) <a href="#">Website – Environment</a>
Principle 8	Undertake initiatives to promote greater environmental responsibility	<a href="#">2016 CDP Submission</a>
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	<a href="#">Website – ESG Risk</a>

**ANTI-CORRUPTION**

	Description of principle	Location of disclosure
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	2017 Sustainability Report (page 17) <a href="#">Website – Code of Conduct</a> <a href="#">Website – Managing Financial Crime</a>

**HUMAN RIGHTS**

**UNITED NATIONS GUIDING PRINCIPLES – SALIENT ISSUES**

Our approach to human rights is based on the principle of doing business in a way that respects the rights and dignity of people, and avoids involvement in human rights abuses, while complying with applicable legal requirements.

We understand that human rights issues can arise not only in our own operations, but also via interactions with external parties – in particular customer interactions, financing and investments, and our supply chain. Salient human rights issues may occur in relation to any of these areas, and in a range of geographies where NAB operates or has business relationships.

Salient human rights issues are identified through our internal risk management processes, engagement with civil society and other stakeholders and through our materiality assessment process (refer page 8). We also engage in industry, government and civil society seminars, roundtables and working groups in relation to human rights and particular issues such as modern slavery.

Further details on how we are addressing our salient human rights issues are incorporated throughout this report as outlined in the table below.

SALIENT HUMAN RIGHTS ISSUE	2017 SUSTAINABILITY REPORT (OR OTHER) LOCATION	REFERENCE
Freedom of association and collective bargaining	Industrial relations	Page 35
Fair, equitable, diverse, inclusive and flexible employment practices	Diverse and inclusive workforce	Page 37
	Pathways to employment	Page 48
Anti-discrimination, harassment and bullying	Code of Conduct	Page 35
	Developing and supporting microfinance programs	Page 27
Financial resilience and inclusion	Financial capability	Page 29
	Hardship assistance	Page 18
	Natural disaster and crisis support	Page 49
Health, safety, security and wellbeing	Health, safety and wellbeing	Page 40
	Addressing domestic and family violence	Page 47
Accessible products, services, technology and buildings	Accessible for our people and customers	Page 37
	2017-2018 Accessibility Action Plan	<a href="#">Website</a>
Financial crime	Managing financial crime	Page 17 <a href="#">Website</a>
Privacy, information security and data protection	Information security and management	Page 17
Forced labour, slavery and servitude and child labour	2017 Modern Slavery Act Statement	<a href="#">Website</a> Page 76

SALIENT HUMAN RIGHTS ISSUE	2017 SUSTAINABILITY REPORT (OR OTHER) LOCATION	REFERENCE
Indigenous rights and inclusion	Pathways to employment	Page 48
	Progressing our Reconciliation Action Plan	Page 48
	Diversity in the supply chain	Page 52
Improper land acquisition/land grabbing	Improper Land Acquisition Policy Statement progress report	<a href="#">Website</a>

HUMAN RIGHTS IN BUSINESS RELATIONSHIPS	PUBLICATION	REFERENCE
Human rights in the supply chain	Responsible spending	Page 52
	Diversity in the supply chain	Page 52
Human rights in financing	Managing the environmental and social risks of our products and services	Pages 19-24
Human rights in investments	Responsible investment	Page 25
		<a href="#">Website</a>

PERFORMANCE INDICATORS	PUBLICATION	REFERENCE
Measures	Customers - Numbers	Page 31-32
	Gender equality	Page 38
	People - Numbers	Page 41-44
	Supply Chain - Numbers	Page 54

### MANAGING HUMAN RIGHTS

Risk management processes are in place to identify, assess, mitigate and monitor potential risk areas (including human rights). This includes the use of our ‘High Risk ESG sectors and sensitive areas list’, to determine customers and suppliers that may have a higher risk of ESG issues, and where additional review and/or due diligence is required. Human Rights training is incorporated within Risk Awareness training as well as specific People-related training (for example, Code of Conduct and Health & Safety).

Grievance mechanisms are in place to allow employees, customers and others to raise human rights related concerns. See diagram below.

These mechanisms are part of our existing complaint/dispute resolution processes, and include employee dispute processes, NAB/MLC/BNZ Resolve functions, independent customer advocate functions and the Whistleblower Program. Where grievances or concerns are raised, we investigate and address them as appropriate.

This may include engagement with customers and other stakeholders.

As we use existing mechanisms for the receipt of grievances, during the year we have focused on building the capability of our employees to recognise potential human rights issues.

During 2017 we have:

- Refreshed our Human Rights Policy
- Transitioned our Whistleblower reporting channel from an internally operated reporting channel to an independent reporting channel (see page 35)
- Played an active role in the Cleaning Accountability Framework’s Advisory Group (see page 53)
- Published our 2017 Modern Slavery Act Statement which sets out actions we have taken during the year to endeavour to keep our business operations and supply chain free from slavery and human trafficking

- Incorporated a module on Modern Slavery as part of human rights training for all employees. Employees are able to raise any concerns via the Whistleblower Program
- Provided a response to the Australian Government’s consultation process on the proposed Australian Modern Slavery Act and reporting requirements
- Participated in various multi-sector forums on human rights, modern slavery, and the development of a Modern Slavery Act and associated reporting requirement, in Australia
- Participated in financial sector dialogue on application of the Guiding Principles for Business and Human Rights to banking products and services.

We have engaged with the following stakeholders on human rights issues/ concerns during the year:

- **BankTrack and Public Eye:** engaged on a BankTrack report entitled ‘Human Rights Impact Briefing: Banks and Dirty Diesel’ produced in cooperation with Swiss NGO, Public Eye.
- **Oxfam:** continued engagement on NAB’s Human Rights Policy and Improper Land Acquisition policy, including discussion on our progress against the Progress Report.
- **Uniting Church of Australia:** engagement on improper land acquisition and the financing of companies with alleged human rights abuses.

### EXTERNAL GRIEVANCE PROCESS



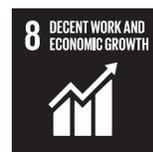
**UNITED NATIONS GUIDING PRINCIPLES – INDEX**

SECTION OF THE FRAMEWORK	LOCATION ADDRESSED
Policy commitment	<a href="#">Website – Human Rights</a> <a href="#">Human Rights Policy</a>
Embedding respect	<a href="#">Website – Human Rights</a> <a href="#">Website – ESG Risk</a> <a href="#">Website – Supply chain management</a> <a href="#">Human Rights Policy</a> 2017 Sustainability Report (page 75)
Statement of salient issues	<a href="#">Website – Human Rights</a> 2017 Sustainability Report (page 75)
Explanation of salient issues	<a href="#">Website – Human Rights</a> 2017 Sustainability Report (page 75)
Geographical focus (if any)	Not applicable
Additional severe impacts (if any)	Not applicable
Specific Policies	<a href="#">Website – Human Rights</a> <a href="#">Improper Land Acquisition Policy</a>
Stakeholder Engagement	<a href="#">Website – Human Rights</a> 2017 Sustainability Report (page 7, 76, 79-80)
Assessing impacts	<a href="#">Website – Human Rights</a>
Integrating Findings and Taking Action	<a href="#">Website – Human Rights</a> 2017 Sustainability Report (page 76)
Tracking Performance	<a href="#">Website – Human Rights</a> 2017 Sustainability Report (page 75)
Remediation	<a href="#">Human Rights Policy</a> <a href="#">Website – Human Rights</a> <a href="#">Website – Contact Us</a> 2017 Sustainability Report (page 76)

**UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS**

As a member of the United Nations Global Compact, we are committed to driving progress towards the Sustainable Development Goals (SDGs.)

We have provided a high-level summary of how we are driving progress, and we are continuing to work improve reporting against the SDGs.

	<p>We are working to provide greater transparency of how our business impacts the SDGs, from our employment practices, our supplier choices, the industries we finance and the financial innovations we can drive.</p>		<p>Access to finance – pages 27-28 Financial capability – page 29 Hardship assistance – page 18</p>		<p>Natural Value – page 61 <a href="#">Website – Agribusiness</a></p>		<p>Healthy workforce – page 40 <a href="#">Website – NAB Health</a> <a href="#">Website – NAB Foundation</a></p>
	<p>Financial capability – page 29 <a href="#">Website – Education banking</a> <a href="#">Website – Impact investment</a></p>		<p>Diversity and inclusion – page 38 Domestic and family violence – page 47 <a href="#">Website –Diverse and inclusive society</a></p>		<p><a href="#">Website – ESG Risk Management</a> <a href="#">Website – Natural Value</a></p>		<p>Climate change – pages 56-60 Impact Investment – page 26 <a href="#">Website – Clean Energy Financing</a></p>
	<p>2017 Annual Review – page 11 Our people – pages 33-44 Investor Presentation – page 33</p>		<p>Project financing – pages 23-24 <a href="#">Website –Backing Australian Business</a></p>		<p>Our community – pages 45-50 Progressing our Reconciliation Action Plan – page 48 <a href="#">Website – Corporate Responsibility</a></p>		<p>Project financing – pages 23-24 Climate change – pages 56-60 <a href="#">Website – Impact investment</a></p>
	<p>Resource scarcity – pages 62-63 <a href="#">Website – ESG Risk management</a></p>		<p>Climate change – pages 56-60 <a href="#">Website – Climate change commitments</a></p>		<p>Natural Value – page 61 <a href="#">Website – ESG Risk Management</a> <a href="#">Website –Impact Investment</a></p>		<p>Natural Value – page 61 <a href="#">Website – ESG Risk Management</a> <a href="#">Website –Impact Investment</a></p>
	<p>2017 Corporate Governance Statement <a href="#">Website – Corporate Governance</a></p>		<p><a href="#">Website – Initiatives, commitments and recognition</a></p>				

**STAKEHOLDER ENGAGEMENT**

The following table outlines our engagement with major stakeholder groups, relevant methods of engagement and major issues of discussion during 2017.

STAKEHOLDERS	ENGAGEMENT ACTIVITIES	ISSUES OF INTEREST
Customers	Consumer advocate meetings with senior leadership Customer feedback channels (in-branch, email, contact centre, social media) Market research – customer satisfaction and experience surveys and focus groups	<ul style="list-style-type: none"> <li>• Affordability of banking, fees and interest</li> <li>• Customer-focused vs. sale-driven remuneration</li> <li>• Financial hardship</li> <li>• Climate change, including lending to fossil fuels</li> <li>• Industry regulation</li> <li>• Financial education and literacy</li> <li>• Transparency and disclosure</li> <li>• Financing of and investment in major tobacco companies</li> <li>• Information management and security</li> </ul>
Employees	Regular surveys Annual employee engagement survey Intranet articles and commentary Employee feedback groups Confidential alert lines	<ul style="list-style-type: none"> <li>• Employee engagement</li> <li>• Ethics and business conduct</li> <li>• Customer experience</li> <li>• Information management and security</li> <li>• Diversity and inclusion</li> <li>• Innovation</li> <li>• Corporate citizenship</li> <li>• Health, safety and wellbeing</li> <li>• Performance and reward management</li> <li>• Capability and personal development</li> </ul>
Shareholders (including institutional investors)	Annual General Meeting Investor presentations Analyst briefings Participation in surveys Direct engagement with leadership Round tables	<ul style="list-style-type: none"> <li>• Conduct and culture</li> <li>• Reputation of banking sector</li> <li>• Responsible lending practices (suitability of products for customer needs)</li> <li>• Climate change, including lending to fossil fuels and carbon risk disclosure</li> <li>• Remuneration (Executive level and sales incentives for all employees)</li> <li>• Information management and security</li> <li>• Provision of credit cards for use in gambling transactions</li> <li>• Exposure to companies with a negative social impact (i.e. gambling, fossil fuels, tobacco) and military equipment</li> <li>• Financial inclusion and resilience</li> <li>• Employee engagement</li> </ul>
Suppliers	Supplier forums Regular meetings and briefings Ongoing relationship management Industry forums	<ul style="list-style-type: none"> <li>• Responsible sourcing</li> <li>• Offshoring and onshoring</li> <li>• Diversity and inclusion</li> <li>• Resource efficiency</li> <li>• Off-shoring and outsourcing</li> <li>• Managing our exposure to ESG risks</li> <li>• Sustainable sourcing</li> </ul>

**STAKEHOLDER ENGAGEMENT**

STAKEHOLDERS	ENGAGEMENT ACTIVITIES	ISSUES OF INTEREST
Community partners	Meetings Surveys Interviews NFP customer support Employee volunteering and giving	<ul style="list-style-type: none"> <li>• Financial resilience</li> <li>• Domestic and family violence</li> <li>• Climate change and sustainability</li> <li>• Indigenous Australia</li> <li>• Health</li> <li>• Homelessness</li> <li>• Animal welfare</li> <li>• Physical and intellectual disabilities</li> </ul>
Government and regulators	Regular meetings and briefings Participation in consultation process Focus groups Roundtables Workshops	<ul style="list-style-type: none"> <li>• Responsible sales practices (suitability of products for customer needs)</li> <li>• Investor and foreign home lending</li> <li>• Financial crime management</li> <li>• Executive accountability</li> <li>• Bank industry taxation</li> <li>• Modern Slavery</li> <li>• Social Impact Investing</li> <li>• Data availability and use</li> <li>• Financial hardship</li> </ul>
Media	Briefings/interviews Press releases NAB news website	<ul style="list-style-type: none"> <li>• Conduct and culture</li> <li>• Customer experience</li> <li>• Business performance</li> <li>• Lending policies and procedures</li> <li>• Economic environment</li> <li>• Policy and regulatory environment</li> <li>• Technology incidents</li> <li>• Climate change, including lending to fossil fuels and carbon risk disclosure</li> </ul>
Advocacy organisations	Regular meetings and briefings Customer feedback channels Corporate.Responsibility@nab.com.au	<ul style="list-style-type: none"> <li>• Responsible sales practices (including suitability of products and product fees and managing ESG risks)</li> <li>• Climate change including:                             <ul style="list-style-type: none"> <li>– Financing of renewables</li> <li>– Financing of fossil fuel companies</li> <li>– Financing infrastructure associated with mining developments</li> </ul> </li> <li>• Human rights including                             <ul style="list-style-type: none"> <li>– Improper land acquisition</li> <li>– Marriage equality</li> <li>– Financing of offshore detention centres</li> </ul> </li> <li>• Executive remuneration</li> <li>• Industry regulation</li> <li>• Financing of and investment in major tobacco companies</li> </ul>

**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 2017 Annual Review and the 2017 Sustainability Report and limited-level assurance that NAB has identified and reported on its material themes (and that the associated disclosures are complete) within the 2017 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 the NAB Group and the NAB Group's science-based emissions reduction target performance.
- 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 2017.
- Project Finance (PF) by sector as a proportion (%) of total PF portfolio value, expressed as EAD, as at 30 September 2017.
- Cumulative environmental financing (from 1 October 2015) to address climate change and support the low carbon transition.

The metrics (other than environmental metrics) covered by external assurance are listed below and were compiled by taking into account NAB's business-wide reporting priorities and feedback we received through our annual materiality assessment. The assurance statements provided by Ernst & Young and KPMG are available on our [website](#).

INDICATOR	SCOPE	INDICATOR	SCOPE
Code of Conduct breaches (by category and outcome)	Australia	Total retention rate of high performers	Australia & New Zealand
Number of branches and business banking centres	Group	Percentage of critical / material / strategic suppliers that are compliant with Group Supplier Sustainability Principles	Group
Number of ATMs	Group	Employee Engagement - current model	Group
Net Promoter Score (by segment)	Australia & New Zealand	Ratio of basic salary, female to male (by employment level)	Group
Total customer complaints (by region and by category - showing percentage change)	Australia & New Zealand	Percentage of high risk sensitive sector suppliers with ESG risk assessments completed	Group
Share of active users for Retail Internet Banking usage	Australia & New Zealand	Employee Engagement - Response Rate	Group
Number of customers assisted experiencing financial hardship	Australia	Employee engagement - Inclusion index	Group
Cure rates for NAB Assist and NAB Care customer accounts (30 days and 90 days)	Australia	Employee Engagement - Values score	Group
Cumulative number of Australians on low income assisted with products / services	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)	Group	Return to work rate (from primary carer's leave, long service leave and parental leave)	Australia
Female representation in total workforce	Group	LTIFR - including total days lost due to stress	Australia & New Zealand
Female representation in Executive Management	Group	Absenteeism	Australia & New Zealand
Percentage of total workforce over 50	Group	Community Investment (by dollar value, Region, type, focus area) Group	Group
Total number and rate of employee turnover (voluntary/involuntary and by gender)	Group		

# KEY INFORMATION

## REPORTING PERIOD

The 2017 Sustainability Report has been prepared based on NAB's financial reporting year (1 October to 30 September), unless otherwise stated. Of note, environmental operational performance data is prepared based on NAB Group's environmental reporting year from 1 July to 30 June. The environmental reporting year aligns with regulatory reporting requirements in Australia, where the majority of NAB's GHG emissions currently occur.

## ORGANISATIONAL BOUNDARY

Performance data and metrics are reported at a NAB Group level, unless otherwise stated. Information is presented on a continuing operations basis, with the exception of environmental operational performance data prepared based on NAB Group's environmental reporting year from 1 July to 30 June. Data within the NAB Numbers tables for prior periods has been restated in the Customer, People and Community sections to exclude discontinued operations. Workforce data refers to all NAB Group employees as at 30 September. Refer to Glossary on page 84-86 for a definition of continuing operations and discontinued operations. NAB has used an operational control-based approach to establishing its organisational reporting boundary for environmental performance data. In Australia, with respect to the boundary for reporting of relevant Scope 1 and 2 GHG emissions, our organisational boundary meets the requirements of the National Greenhouse and Energy

Reporting Act 2007 (Cth). In the UK, the organisational boundary for NAB's relevant Scope 1 and 2 GHG emissions meets the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme (UK).

## GEOGRAPHIC SCOPE

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

## PRIOR YEAR STATEMENTS

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

## BASELINE FOR 2020-2025 ENVIRONMENTAL PERFORMANCE TARGETS

The baseline data for the NAB Group's 2020 - 2025 environmental performance targets is the performance data from the 2015 environmental reporting year. The baseline for 2015 includes consumption from our continuing operations (excludes CYBG).

## FORWARD-LOOKING STATEMENTS

This report contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on such forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Pages 16 and 34 of this report describe certain initiatives relating to the Group's strategic agenda ("Program"), including certain forward-looking statements. These statements are subject to a number of risks, assumptions and qualifications, including:

- (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost

of the Program may vary as plans are developed and third parties engaged;

- (2) the Group's ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed);
- (3) the Group's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan);
- (4) the Group's ability to meet its internal net FTE reduction targets;
- (5) the Group's ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives;
- (6) there being no significant change in the Group's financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group's ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour;

- (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; and

- (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group's Annual Financial Report for the 2017 financial year, which will be available at [www.nab.com.au](http://www.nab.com.au) on 14 November 2017.

## ESTIMATION

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

## REPORTING OF GHG EMISSIONS

All GHG emissions figures reported as part of the NAB Group's environmental performance are in tonnes of carbon dioxide equivalents (tCO<sub>2</sub>-e) and include the main GHGs covered in the Kyoto Protocol – carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O), perfluorocarbons (PFCs) and hydrofluorocarbons (HFCs), as relevant. The NAB Group does not have emissions of sulphur hexafluoride (SF<sub>6</sub>). Our Environmental Reporting and Offset Management Policy sets out the decision framework we have used to establish which Scope 3 GHG emissions are included in our carbon inventory.

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

# GLOSSARY

## ANZSIC

Australia and New Zealand Standard Industry Classification.

## 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.

## CASH RETURN ON EQUITY

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

## CEFC

Clean Energy Finance Corporation.

## CONTINUING OPERATIONS

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

## CO<sub>2</sub>-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<sub>2</sub>-e) of carbon dioxide equivalent to enable consistent comparison and measurement.

## CYBG

CYBG PLC.

## 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.

## DOW JONES SUSTAINABILITY INDEX (DJSI)

The DJSI is a series of indexes that are comprised of companies classified as best-in-class through an assessment conducted by RobecoSAM.

## 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](#).

## EPs CATEGORY A

Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented.

## EPs CATEGORY B

Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

## EPs CATEGORY C

Projects with minimal or no social or environmental impacts.

## 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.

**FOLLOW YOU PRINTING**

A cloud printing system which allows employees to send their printing jobs to be printed from any of the 'Follow-you printers' located across our offices.

**FTE**

Full Time Equivalent. A measure for reporting employee numbers, converts the total number of employees (headcount) into its full time equivalent. For example, two employees: one working three days a week and one working two days a week would equal one FTE.

**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.

**HVAC**

Heating, ventilation and air conditioning.

**LONDON BENCHMARKING GROUP (LBG)**

Global model to measure Corporate Community Investment.

**LBG – CHARITABLE GIFTS AND DONATIONS**

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

**LBG – COMMERCIAL INITIATIVES**

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

**LBG – COMMUNITY INVESTMENT**

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

**LBG – FORGONE REVENUE**

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

**LBG – IN-KIND SUPPORT**

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

**LBG – IN-KIND VOLUNTEERING**

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

**LBG – MANAGEMENT COSTS**

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

**MATERIALITY ASSESSMENT**

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

**MATERIAL SUPPLIER (AUS)**

A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Group's business operations or its ability to manage risks effectively.

**MATERIAL SUPPLIER (BNZ)**

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

**NAB**

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

**NAB GROUP**

NAB and its controlled entities (including BNZ).

**NATURAL CAPITAL**

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

**NATURAL VALUE**

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

**NATURAL CAPITAL FINANCE ALLIANCE**

A statement by financial institutions that recognises that Natural Capital poses significant risks and opportunities. The declaration has been endorsed by 30 global financial institutions to date and is also supported by 38 NGOs and Associations. Signatories have committed to implementing natural capital considerations into their businesses and to collaborate in developing shared tools and industry standards by 2020.

The Declaration was convened by the Global Canopy Programme and the United Nations Environment Programme Finance Initiative.

**NET PROMOTER SCORE (NPS)**

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').

**PRIORITY SEGMENTS NPS**

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

**NPS – HOME OWNER**

NAB defined Home Owner segment. Australian Population Aged 14+, six month moving average reported as at 30 September. Source: Roy Morgan Research.

**NPS – INVESTOR**

NAB defined Investor segment. Australian Population Aged 14+, six month moving average reported as at 30 September. Source: Roy Morgan Research.

**NPS – SMALL BUSINESS**

NAB defined Small Business segment (turnover \$0.1m-<\$5m) combines weighted results for the Lower (turnover \$0.1m-<\$1m) & Higher (turnover \$1m-<\$5m) Small Business sub-segments, using a 50:50 weighting approach. This metric does not reflect the relative size of these segments as per the ABS business population.

**NPS – MEDIUM BUSINESS**

Business customers segment with a turnover between \$5m-<\$50m. Source DBM BFSM Research.

**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 from 1 October 2016 to 30 September 2017 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.