

C0. Introduction

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C0.1

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### (C0.1) Give a general description and introduction to your organization.

National Australia Bank Limited (NAB) and its related bodies corporate ('NAB Group', 'Group', 'our' or 'we') is a financial services company providing a comprehensive range of financial products and services. The Group's key businesses operate in Australia and NZ. We have branches in Asia, the UK and the US. Our portfolio includes: Business and Private Banking, Personal Banking, Corporate and Institutional Banking, Bank of New Zealand and Wealth Management.

In the 2020 financial year (FY2020), the Group refreshed its Strategy (refer to our 2020 Annual Review pages 10-20, particularly 18-19 for more detail). A key pillar of the refreshed Group Strategy is a long-term sustainable approach which is inclusive of our focus on sustainability (see page 7 of our 2020 Sustainability Report), we are focused on:

- **Commercial responses to society's biggest challenges** which incorporate climate action and sustainable agriculture
- **Resilient and sustainable business practices** which incorporate ESG risk management, reducing our operational carbon footprint and sustainable financing.
- **Innovating for the future** which incorporates natural disaster preparedness, relief and recovery.

The Group's commitment to address climate change sits within this context. The Group is focused on supporting the low-carbon transition and working with communities to ensure they are more resilient to climate change. Key priorities are clean energy and environmental finance to assist the low-carbon transition, a just transition and climate adaptation to help the Group's customers to build resilience to climate change. The Group is developing key metrics to track its performance against each priority area and to measure how the Group is contributing to addressing the overall societal challenge.

The Group identifies and prioritises current and future business opportunities, including those related to climate change (for example, financing low-carbon technology like renewable power generation or water security projects which help deliver resilience to drought). This occurs through strategic planning processes both at a Group and business line level.

In FY2020, the Group's climate change strategy focused on four key areas:

- leadership commitments
- developing climate change knowledge and insights
- supporting the Group's customers through the low-carbon transition
- investing in organisational capability to identify and respond to climate change risks and opportunities.

A long-standing objective of our climate change strategy has been to learn by doing and then incorporate this knowledge into how we [manage environmental, social and governance \(ESG\) risks](#) and provide [products and services](#) to assist our customers.

NAB Group recognises that climate change is one of the most significant challenges impacting the prosperity of our society and economy and it is a source of significant risk and opportunity for the Group. Therefore, the Group is aligning its business to help achieve the temperature goals of the Paris Agreement and supporting a just transition to a net zero emissions economy by 2050. Which is why, in 2019, we became one of 38 banks globally, and the only Australian bank, to sign the Collective Commitment to Climate Action (CCCA) and in FY2020 we committed to work with our customers to align our lending portfolio to net zero emissions by 2050.

Financial regulators agree that climate-related risks are a potential source of systemic financial risk that need to be addressed to ensure the future stability and resilience of the financial system. This is leading to changes in supervisory expectations of banks and to regulatory change.

In addition to responding to relevant regulatory requirements, the Group is working to decarbonise its operations and is committed to playing an active role in addressing climate change by providing innovative products and services that help customers decarbonise and take advantage of low-carbon opportunities. The Group's assessment of climate change-related opportunities has led to a [range of commitments](#) covering the Group's operations, as well as how the Group supports its customers through the low-carbon transition.

In FY2020, we progressed work to deliver on the Collective Commitment to Climate Action. This included estimating the financed emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors. We also committed to work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low-carbon transition plans by 2023.

For more details about our climate change strategy and governance refer to our TCFD disclosures in our [2020 Annual Financial Report](#) (pages 41-49). Further information about our climate action is available in our [2020 Sustainability Report](#) (pages 29-39) and [data pack](#) and on our website [here](#).

### C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	July 1 2019	June 30 2020	No	<Not Applicable>

**C0.3**

**(C0.3) Select the countries/areas for which you will be supplying data.**

Australia  
China  
China, Hong Kong Special Administrative Region  
India  
Indonesia  
Japan  
New Zealand  
Singapore  
United Kingdom of Great Britain and Northern Ireland  
United States of America

**C0.4**

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

AUD

**C0.5**

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

Operational control

**C-FS0.7**

**(C-FS0.7) Which organizational activities does your organization undertake?**

Bank lending (Bank)  
Investing (Asset manager)  
Investing (Asset owner)

**C1. Governance**

**C1.1**

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

**C1.1a**

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

Position of individual(s)	Please explain
Board-level committee	The NAB Group Board retains ultimate oversight for climate change-related matters, including strategy and risk management, supported by the Board Risk & Compliance Committee (BRCC). BRCC has accountability for oversight of NAB Group's risk profile and risk management, including climate risk, within the context of Board determined risk appetite (although ultimate responsibility for risk oversight, risk appetite and risk management rests with the Board). The BRCC refers all matters of significant importance to the Board, making recommendations to the Board concerning the Group's current and future risk appetite, risk management strategy and particular risks or risk management practices, including those related to climate change. The Board and BRCC receive reports on a range of climate change-related issues, strategy and commitments, risks and opportunities and related regulatory change and reporting returns. Discussion of climate-related items by the Board and BRCC provides an opportunity for Board members to discuss climate change risks and opportunities. For FY2020, decisions included review and approval of: (i) NAB Group's FY2020 TCFD disclosures – which are included in the Report of Directors in NAB Group's FY2020 Annual Financial Report and approval of NAB Group: (ii) aligning its business operations and lending portfolio to achieve net zero carbon emissions by 2050; (iii) a target to work closely with 100 of the Group's largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023; and (iv) a commitment to review of the Group's oil and gas financing by September 2021.

C1.1b

(C1.1b) Provide further details on the board’s oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding business plans</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p>	<p>The NAB Group Board retains ultimate oversight for climate change-related matters, which are integrated into business strategy, operations and risk management and which are otherwise part of specific initiatives under the long-term pillar of NAB Group’s strategy and more specifically, the Group’s climate change strategy. The Board directly, or the Board Risk &amp; Compliance Committee (BRCC), receives reports on a range of climate change-related issues, risks and opportunities including progress against NAB Group’s climate change strategy, commitments and initiatives, risk appetite, environmental operational performance (including progress against the Group’s science-based emissions reduction target), carbon neutral status, and concerns from stakeholders. NAB Group’s Board and/or BRCC have climate-related agenda items scheduled in their annual calendars. These include: • updates (at least annually and at times more frequently) on the Group’s climate change strategy and action plans (which includes progress against NAB’s commitment to provide \$70bn in environmental finance by 2025) provided by our Corporate Affairs and key frontline divisional executives. • updates (at least annually and at times more frequently) on climate-related operational performance against targets and commitments, as well as regulatory change and greenhouse gas and energy reporting returns that require noting or approval at Board level before submission to regulators provided by Risk and Corporate Affairs executives. • specific climate risk-related updates (at least semi-annually) that relate to climate risk including risk appetite, risk assessment, scenarios and stress testing provided by Risk executives. • when relevant, consideration of key investments (such as the capital expenditure invested to improve the environmental performance and sustainability of the data centres NAB Group operates and the buildings we occupy) presented by the Executive for Technology and Enterprise Operations. Climate change-related topics have also been included in the Board’s annual development program. In FY2020, the Board made the following key decisions: (i) to align NAB Group’s business operations and lending portfolio to achieve net zero carbon emissions by 2050; (ii) approved a target to work closely with 100 of the Group’s largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023; and (iii) a commitment to review of the Group’s oil and gas financing by September 2021.</p>

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
<p>Chief Risks Officer (CRO)</p> <p><i>The Chief Risk Officer engaged with the Board on at least a quarterly basis on climate-related issues in FY2020. This included: (i) an annual paper on the Group’s climate-related regulatory performance and disclosures including the Group’s TCFD disclosures; (ii) semi-annual (twice yearly) papers updating the Board on climate risk; (iii) climate-related sessions included in the Board’s annual development program; and (iv) climate-related changes to the Group’s risk appetite statement.</i></p>	Risk - CRO reporting line	Both assessing and managing climate-related risks and opportunities	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	Quarterly
<p>Other C-Suite Officer, please specify (Group Executive, Corporate &amp; Institutional Banking)</p> <p><i>The Group Executive, Corporate &amp; Institutional Banking co-sponsors updates on the Group’s Climate Change Strategy to Board. This was part of an annual paper in FY2020.</i></p>	Other, please specify (Divisional reporting line)	Both assessing and managing climate-related risks and opportunities	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p>	Annually

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
<p>Risk committee</p> <p><i>Our Group Non-Financial Risk Committee, Group Credit and Market Risk Committee, and Executive Risk Committee each help oversee aspects of NAB's climate change strategy, risk appetite and management, policies, and performance. These committees each review aspects of climate change-related performance. Climate-related matters were presented to Board via Risk Committees at least four times in FY2020. This included climate-related matters including papers going through to Board or Board Risk &amp; Compliance Committee as part of Board and BRCC's annual agendas. For example, consideration of climate-related risk appetite in the Group's risk appetite statement.</i></p>	<p>CEO reporting line</p>	<p>Both assessing and managing climate-related risks and opportunities</p> <p><i>Papers including climate-related information goes to a Risk Committee on a least a quarterly basis, GNFRRC semi-annually oversight matters including progress against the Group climate change strategy and commitments and regulatory, operational and compliance matters related to climate change. The GCMRC semi-annually oversight credit and market risk matters impacted by climate change including our risk appetite, limits, portfolio exposures and credit policies.</i></p>	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	<p>Quarterly</p>
<p>Other committee, please specify (NAB Group's Climate Change Working Group)</p> <p><i>The Climate Change Working Group (CCWG) reports on its activities through to management and executive and contributes to climate change strategy papers presented to the NAB Board.</i></p>	<p>Other, please specify (Executive Leadership Team and Risk Committee as applicable)</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	<p>Annually</p>
<p>Other C-Suite Officer, please specify (Group Executive, Legal and Commercial Services )</p> <p><i>The Group Executive, Legal and Commercial Services is accountable for taking updates on the Group's Social Impact strategy to the Board (this accountability changed in FY2021 and now sits with the Chief Operating Officer). In FY2019, Board approved a new Social Impact strategy which aims to help address significant social challenges facing our business and community including climate action. The climate action goal is focused on "Working with communities to ensure they are more resilient to climate change and supporting a low-carbon economy." In FY2020, this included updates to the Group's climate action: (i) to align NAB Group's business operations and lending portfolio to achieve net zero carbon emissions by 2050; (ii) include a target to work closely with 100 of the Group's largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023; and (iii) a commitment to review of the Group's oil and gas financing by Sept. 2021.</i></p>	<p>Other, please specify (Divisional reporting line)</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	<p>Annually</p>
<p>Other C-Suite Officer, please specify (GE, Technology &amp; Enterprise Operations (GE, T&amp;EO))</p> <p><i>The GE, T&amp;EO is accountable for NAB's property portfolio, technology operations, Financial Crime Operations and supply chain management. This includes managing risks and opportunities arising from capital works and operational programs that help reduce NAB's energy use, GHG emissions and other environmental impacts and power purchase agreements to help meet NAB's renewable energy targets.</i></p>	<p>Other, please specify (Divisional reporting line)</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our own operations</p>	<p>Annually</p>

C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

The **Group Chief Risk Officer (GCRO)** and **Group Executive (GE), Corporate & Institutional Banking (C&IB)** are Group Executives and Executive Leadership Team (ELT) members, reporting to the **Group Chief Executive Officer (GCEO)**. The GCRO and GE, C&IB have co-sponsored NAB's **Climate Change Working Group (CCWG)** and ensured that the CCWG considers climate change (CC) risks and opportunities in the Group's governance, risk management framework, strategy and metrics and targets. They co-sponsor delivery of NAB's CC strategy and reporting on progress through to Board Risk & Compliance Committee (BRCC) and Board, ensuring NAB considers both risk and strategic opportunities in our CC management. The GCRO and GE, C&IB were selected as co-sponsors because they are accountable for two key areas delivering on NAB's CC strategy (risk and capital financing).

The **GE, Technology & Enterprise Operations (GE, T&EO)** and **GE, Legal & Commercial Services (GE, L&CS)** are Group Executives/ELT members (reporting to GCEO). The GE, T&EO is accountable for NAB's property portfolio, technology operations, Financial Crime Operations and supply chain management. This includes managing risks and opportunities arising from capital works and operational programs that help reduce NAB's energy use, GHG emissions and other environmental impacts and power purchase agreements to help meet NAB's renewable energy targets. The GE, L&CS is accountable for matters including NAB's Social Impact strategy (including key climate change commitments and actions).

The GE, C&IB is **Chair, Group Credit & Market Risk Committee (GCMRC)** and the GE, T&EO is **Chair, Group Non-Financial Risk Committee (GNFRC)**. The GCRO is a member of these committees. The GCMRC and GNFRC support the GCEO and the **Executive Risk Committee (ERC)** in overseeing ESG-related risk and opportunities including management of regulatory, operational and compliance risk and environmental performance, including CC strategy, risks and opportunities. These committees have Group-wide management representation, including Australian Banking Divisions and BNZ, and meet eight times per year. Papers incorporating CC-related matters are tabled to NAB risk committees at least quarterly.

The **GNFRC**: (a) oversees non-financial risk including environmental risks and performance associated with: (i) CC, (ii) natural value, (iii) resource efficiency, targets and offsets, and (iv) voluntary commitments such as carbon neutrality, carbon risk disclosure, CC commitments and Equator Principles; (b) reviews, evaluates and monitors management and prioritisation of environmental risks, controls and opportunities, including those related to CC, natural value, resource efficiency and voluntary commitments; and (c) reviews and endorses environmental matters, including those related to CC, that by legislative or regulatory mandate, require GCEO, BRCC or Board approval. GNFRC makes recommendations to the ERC, ELT, or BRC and Board as required.

Designated employees in key subsidiaries and international branches manage environmental performance locally. Management in Australia and NZ reviews performance regularly, usually monthly. This includes performance related to GHG emissions reduction and our CC strategy.

The **GCMRC** considers climate-related risk appetite/policy, impacts and opportunities in the lending portfolio (credit and market risk). It oversees NAB's Environmental, Social & Governance (ESG) credit risk policies including policy, appetite and settings for climate intensive, low carbon and climate sensitive sectors. The GCMRC considers ESG-related performance and lending exposures on at least a six-monthly basis including climate-related portfolio exposures to resources (including coal, oil and gas) and power generation (fossil fuel and renewable). In FY2019, a cap on NAB Group's thermal coal lending was introduced, along with portfolio transition pathways for thermal coal mining and coal-fired power generation – these are now monitored by GCMRC.

The **ERC**, comprising our ELT and others, meets monthly to discuss risk issues and receives reports on ESG risk, including CC risks, as required. Our ELT also receives updates on social impact commitments, including public commitments related to CC. In FY2020, this included supporting NAB Group aligning its business operations and lending portfolio to achieve net zero carbon emissions by 2050. The ERC also reviews updates to our CC strategy and progress against our climate commitments and, where applicable, endorses them through to the BRCC and Board.

The **CCWG** has Group-wide representation and is responsible for monitoring implementation of NAB's CC strategy and proposing updates to the strategy as required. The CCWG regularly reviews risks and opportunities (including new product development) arising due to climate-related transition and physical risks and makes recommendations to the GNFRC, GCMRC, ERC, the ELT, BRCC and Board with regard to our CC strategy, commitments, and targets.

**C1.3**

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	See 1.3a for responses.

**C1.3a**

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Corporate executive team	Monetary reward	Company performance against a climate-related sustainability index	Key elements of the Group Performance Scorecard (GPS) are cascaded to CEO and Executives in combination with appropriate business unit outcomes. The GPS comprises financial and non-financial measures, overlaid by a qualitative assessment to support any adjustment of the incentive outcome. The qualitative assessment is integral to the outcome and may result in the outcome being adjusted upwards or downwards (including to zero), for risk and quality of performance. This includes consideration of financial, sustainability and environmental matters (including progress towards climate targets). pg 61 of the 2020 Annual Financial Report (AFR) outlines how the GPS and qualitative assessment elements work. Additionally, Long Term Variable Awards (LTVR) for Executives are subject to Board discretion, where the Board may adjust the value of the LTVR award down, or to zero, if it determines under performance in risk, conduct, reputation, values or sustainability measures have occurred (see pg 63 AFR).
Other, please specify (ESG Risk Managers & Enterprise Sustainability Managers)	Monetary reward	Other (please specify) (Supporting the Group in its review of climate change risks and opportunities relating to the Paris Agreement.)	Key personnel in ESG Risk and Enterprise Sustainability roles have specific performance objectives related to supporting the Group in its review of climate change risks and opportunities relating to the Paris Agreement. This includes enacting NAB's Sustainability Action Plan to deliver on external commitments and targets as part of NAB being signatory to the Collective Commitment to Climate Action (CCCA) (refer to pg 29 in NAB's 2020 Sustainability Report). Specific environmental performance targets related to these commitments are also set where applicable.
Other, please specify (Bankers in environmental product areas such as Project Finance and Sustainable Finance.)	Monetary reward	Portfolio/fund alignment to climate-related objectives	Key personnel in customer facing areas (e.g. Sustainable Finance) are rewarded for generation of business which helps our customers to mitigate or adapt to climate change (e.g. financing of renewable energy projects to avoid emissions or arranging and underwriting green bonds) and sales of environmental and climate change related products and services which incentivise customers to reduce emissions or produce more renewable energy (e.g. provision of sustainability linked loans). NAB has set a target to provide \$70bn of environmental financing by 2025.

**C-FS1.4**

**(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?**

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	Yes, as an investment option for some plans offered	This response relates to the Plum Super National Australia Bank Group Superannuation Fund A, a plan within the MLC Super Fund. The Trustee of the MLC Super Fund recognises that climate change is a significant and complex global issue and that as a large investor the Trustee can have an impact through its investment decisions, engagement and proxy voting. The Trustee requires the Portfolio Manager and, in turn, underlying Investment Managers, to ensure that climate change risks are appropriately considered, with other ESG factors, as part of the due diligence for new investments and monitoring for existing investments.

**C2. Risks and opportunities**

**C2.1**

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

**C2.1a**

**(C2.1a) How does your organization define short-, medium- and long-term time horizons?**

	From (years)	To (years)	Comment
Short-term	0	3	This corresponds to the business planning cycle.
Medium-term	3	6	This corresponds to two business planning cycles.
Long-term	6	51	This extends well past two business planning cycles and looks to the longer-term future outside immediate business planning cycles where a variety of future scenarios need to be considered and the future is less certain. We use scenarios to demonstrate how risks and opportunities could evolve over longer time horizons.

**C2.1b**

## (C2.1b) How does your organization define substantive financial or strategic impact on your business?

NAB has an enterprise risk taxonomy to drive consistency in our understanding and management of material risk exposures that can have a substantive financial and/or strategic impact on our business.

Our risk taxonomy classifies risks that could have a material financial and/or non-financial impact on our customers, our Group and people. This taxonomy reflects three key principles – that it: (1) clearly defines where risks may arise/exist across the Group, (2) covers all known material risks arising from our business activities, and (3) helps those accountable to understand the risks for which they are responsible.

We define risk, including climate-related risks, which can have a substantive financial and/or strategic impact on our business in a number of ways. Material risk categories are:

- Defined by key risk management disciplines in a clear manner and demonstrably material today.
- Identified and categorised by analysing our external environment, internal data and relevant prudential standards.

NAB's material risk categories in FY2020 were: credit, operational, compliance, conduct, balance sheet & liquidity, market, regulatory and strategic risk. Climate-related risk may manifest itself across a number of our material risk categories and will potentially be more substantive in some material risk categories rather than others – therefore it is considered in the context of how it impacts our material risk categories.

We assess the comprehensiveness of our material risk categories as part of normal business operations and in response to changes in the business/external environment. Our exposures to these risks are considered in aggregate according to our Conglomerate Group Aggregate Risk Exposure Policy which sets financial thresholds in key areas and which vary across material risk categories. For example, at an aggregated Group level, an event or issue, that gives rise to a change in operational risk risk-weighted assets by  $\geq 10\%$  from the prior period would be considered a substantive financial impact. Additionally, an event that could prevent NAB from effectively executing on its strategy would be considered a substantive strategic impact.

As well as defining material risk categories, we define material risk exposures. These are a comprehensive definition of material risks as they are observed in the business and are categorised by the exposure they have to customers, the Group or our people. NAB uses a mix of qualitative and quantitative (including financial) measures to manage risk, including climate risk. These measures consider the risk likelihood and consequence. Our Operational Risk Profiling Standard Operating Procedures provide this information in the form of likelihood and consequence matrices to enable our people to assess significance of financial and strategic impacts on our business, including those arising from climate change. For example, the consequence of a risk or incident may be defined as substantive/ major due to the number of customers or proportion of operations impacted, or due to the size and length of time that the impact occurs. We regularly monitor risks, including climate-related risks, to detect if these risks are changing over time.

A financial impact arising from climate-related risks would be deemed substantive/major in accordance with NAB's risk management framework and internal policies if the impact was at least \$5m. Reputation risk may also be considered substantive based on the number and type of stakeholders raising concerns – including as they are assessed annually through our materiality process. This engagement process is conducted with internal and external stakeholders to seek their views on material issues facing our business and to guide our disclosures. Further information about this process is in our [2020 Sustainability Report](#) (pgs 9-10). In FY2020, addressing climate change and helping customers transition to a low-carbon economy continued to be a top five priority area stakeholders want us to disclose.

The risk factors section in our [2020 Annual Financial Report](#) (pgs 20-34), highlights that climate change and extreme climate patterns may lead to increasing customer defaults and decrease in the value of collateral, including as a result of the effect of new laws and government policies designed to mitigate climate change, and the impact on certain customer segments as the economy transitions to low carbon technologies. It notes, for example, that parts of Australia are prone to, and have recently experienced, physical climate events such as severe drought conditions and bushfires, notably over summer 2019/2020 (pg25). Further, due to the substantive impact of drought conditions and/or extreme weather events on agri-customers, our [2020 Full Year Investor Presentation](#) (slide 84) notes that NAB's collective provision forward looking adjustment reduced by \$91m to \$89m at 30 September 2020, reflecting easing of drought conditions for the bulk of exposures.

## C2.2

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### (C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

#### Value chain stage(s) covered

Direct operations

#### Risk management process

Integrated into multi-disciplinary company-wide risk management process

#### Frequency of assessment

More than once a year

#### Time horizon(s) covered

Short-term

Medium-term

Long-term

#### Description of process



At a Group level (company level), NAB Group's Risk Management Framework (RMF) supports identifying, measuring, evaluating, mitigating and monitoring of all internal and external sources of material risks. Identification and assessment of ESG risks, including climate change (CC) related risks, are built into the RMF, including risk appetite and policies, risk profiling and assessment, monitoring and reporting. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence. NAB Business lines and support functions are supported by risk advisors and partners, including specialists with CC knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's material risk category requirements. Case study – Physical risk management of floods, fires & cyclones: Through the use of the RMF, NAB has: (i) identified the acute physical risk impacts of floods, bushfires and cyclones to the operational business continuity of NAB premises. (ii) measured and evaluated these risks using risk profiling to understand the likelihood and consequence of such events across both branches and head offices. (iii) mitigated the inherent risk of such events, including: - the development of internal business continuity processes and guidance for staff in relation to flood, bushfire and cyclone events - considered site risk for extreme events or natural disasters in new premises selection - implemented leasing rather than owning buildings; and - ensuring we have adequate insurance coverage. (iv) performed monitoring through reviews of climate-related risks and opportunities associated with our operations, at least annually, and sometimes more than once per year. We review substantive operational risk events (including loss and damage to our branches caused by extreme weather events) when they occur, and collectively on at least an annual basis. During October 2019-January 2020, Australia experienced multiple severe bushfire incidents across multiple states (NSW, Queensland, South Australia, ACT, Victoria and WA). Multiple storm events were also experienced in the same financial year. The above risk identification and mitigation actions identified through applying the RMF helped reduce the financial impact to direct operations to well below what would be considered 'substantial'. We recorded 21 storm events and 8 bushfire events incurring ~\$76k and ~\$4k respectively. While much of the repair cost was landlord funded (where properties are leased), branch fit outs, which is where significant costs can arise, were not required in this year. [end case study]. In addition to acute physical risk management we use scenario planning and economic modelling to: (1) take a forward and longer-term view of potential transition risk events and to understand their impact e.g. impacts of changing carbon regulation, changes in energy markets or physical climate on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. We consider climate-related risks, impacts and opportunities on a short, medium and long-term basis based on environmental scanning and scenario analysis in accordance with the RMF. Given the outcome of our ESG materiality assessment, we understand that our stakeholders expect us to act now on climate change, therefore a key approach underpinning our climate change strategy is to learn by doing and lead by example. This means we are taking action in the short-term (12-36 months) to annually decrease our operational GHG emissions through energy efficiency initiatives and roof top solar installation. We are also taking action to decarbonise our business activities over the medium (3-6 years) to long-term (>6 years) through our science-based emissions reduction target to reduce emissions from our operations by 51% by 2025 (off a 2015 baseline) and through our commitment to RE100 (to buy 100% renewable electricity across our operations globally). Strategically, we look for medium to long-term opportunities to reduce the GHG emissions arising from our business when we make significant changes to our building portfolio. For example, through consolidating operations from multiple low energy efficiency buildings into new energy efficient buildings when buildings come up for lease renewal and purchase of renewable energy. This includes working with landlords to achieve our sustainability and climate-related objectives in the new building design and fit out. Planning and execution of these building portfolio changes can require significant investment and take 3-5 years. Short-term opportunities include changes to the vehicles in our car fleet to reduce emissions when our fleet cars reach the end of their lease. This is governed by our vehicle fleet management policy, which is reviewed regularly (every 1-3 years). Case study – Transition Risk – purchasing renewable energy to meet NAB's 100% renewable electricity sourcing commitment by 2025: Through the use of the RMF, NAB has: (i) identified the transition risk associated with regulatory GHG requirements associated with our operations and changes in the electricity market. (ii) measured and evaluated the opportunity to decarbonise our business over the long term (>6 years) and to support renewable energy providers by contracting to purchase renewable energy. (iii) mitigated this risk by becoming a member of the Melbourne Renewable Energy Project (MREP), NAB is one of 14 companies in Australia's first group energy purchasing model currently sourcing renewable electricity from the 80MW Crowlands Windfarm. \$80 million of non-recourse project financing was provided by the National Australia Bank and another major Australian bank. This activity helped underwrite its construction and has allowed NAB and other consortium members to take more control of their power costs, cut emissions and directly support decarbonisation of the Australian energy grid. This also contributes to reducing our operational contribution to the physical impacts of climate change. (iv) performed monitoring by reviewing progress against our risks, targets and commitments annually and strategically on an annual basis, including the impact from sourcing more renewable energy. Opening in 2019, the Crowlands Windfarm has contributed to NAB's proportion of electricity from renewable sources increasing from 3% in 2019 to 7% in 2020 as part of our commitment to the RE100 initiative.

#### Value chain stage(s) covered

Upstream

#### Risk management process

Integrated into multi-disciplinary company-wide risk management process

#### Frequency of assessment

More than once a year

#### Time horizon(s) covered

Short-term

Medium-term

Long-term

#### Description of process

At a Group level (company level), NAB Group's Risk Management Framework (RMF) supports identifying, measuring, evaluating, mitigating and monitoring on all internal and external sources of material risks. Identification and assessment of ESG risks, including climate change (CC) related risks are built into the RMF, including risk appetite and policies, risk profiling and assessment, monitoring and reporting. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate. We use scenario planning and economic modelling to: (1) take a forward and longer-term view of potential risk events and to understand their impact e.g. impacts of changing carbon regulation, changes in energy markets or physical climate on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence. NAB Business lines and support functions are supported by risk advisors and partners, including specialists with CC knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's material risk category requirements. NAB reviews climate-related risks and opportunities associated with our supply chain (upstream), at least annually, and sometimes more than once per year, if required. From a short-term perspective, we review climate-related risks and opportunities as part of our ESG risk assessment process for on-boarding new suppliers (in the tender and supplier selection process), and annually, when reviewing the ESG performance of material suppliers. This is part of our Supplier Sustainability Program (<https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/gssp-faqs.pdf>) and in accordance with our Group Supplier Sustainability Principles (<https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/gssp.pdf>). We review and assess medium and long-term climate-related risks and opportunities as part of our annual review of our climate change strategy and ambition. We look for opportunities for suppliers to help us manage transition risk (decarbonising and decreasing our regulatory risk from operations) associated with our operations. This may be in terms of the scope of work we require of our facilities managers (to assist us with identifying and implementing energy efficiency initiatives in our building portfolio and with our GHG reporting), the sustainability and climate-related credentials/certifications of the buildings we occupy (e.g. minimum energy efficiency and GHG intensity requirements), and the data we need to support implementation of our carbon neutrality, including the carbon offsets we purchase. We also look for opportunities to reduce physical climate risk when reviewing our building portfolio from a strategic perspective – this includes: (i) considering physical impacts of climate change like extreme weather and flooding when selecting the locations of the buildings we lease when they come up for renewal and (ii) considering the insurance policies we have in place to mitigate physical climate risk and events. From a product and services perspective, in the short, medium and long-term, we consider how suppliers of ESG ratings and assurance services can assist us with the development and assurance of Green Bonds and Sustainability-Linked Loans and other climate-related products and services. This helps us with our annual Green Bond reporting and is considered as part of our strategic assessment of climate-related opportunities as we annually review our climate change strategy.

### Value chain stage(s) covered

Downstream

### Risk management process

Integrated into multi-disciplinary company-wide risk management process

### Frequency of assessment

More than once a year

### Time horizon(s) covered

Short-term

Medium-term

Long-term

### Description of process

At a Group level (company level), NAB Group's Risk Management Framework (RMF) supports identifying, measuring, evaluating, mitigating and monitoring on all internal and external sources of material risks. Identification and assessment of ESG risks, including climate change (CC) related risks are built into the RMF, including risk appetite and policies, risk profiling and assessment, monitoring and reporting. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate. We use stress testing, scenario planning and economic modelling to: (1) take a forward and longer-term view of potential risk events and to understand their impact e.g. impacts of changing carbon regulation, changes in energy markets or physical climate on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence. NAB Business lines and support functions are supported by risk advisors and partners, including specialists with CC knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's material risk category requirements. Downstream climate-related physical and transition risks and opportunities are considered in the short, medium and long-term as part of customer-related risk management processes. As part of credit risk management, assisted by ESG risk assessment, which includes consideration of climate risk, both at a client and portfolio level, we monitor the potential size and scope of climate-related risks within our overall lending portfolio and make changes to risk appetite and ESG risk credit policy settings to manage them. Review of ESG-related exposures, exposure to carbon intensive and low carbon sectors, in our lending portfolio is undertaken on a least a six-monthly basis as part of a semi-annual Risk Committee update. At an individual customer level, climate-related physical and transition risk is considered as part of the credit risk and due diligence processes conducted at on-boarding and as part of regular client review, usually annually (short-term). This includes understanding how customers are identifying, managing and monitoring climate-related physical and transition risks and how these risks may change over the tenor (life) of a loan (short to medium-medium term; typically, 0-6 years). For example, when considering project finance, we will consider a customer's individual exposure to carbon pricing, carbon-related regulatory requirements and policy change and physical risks such as water scarcity and extreme weather events, as well as how they are responding strategically and operationally to these risks over the short, medium and long-term. At a portfolio level, we consider transition risk as part of a phased review of risk appetite for carbon intensive, low carbon and climate sensitive sectors. This is based on a semi-quantitative heat map we developed for our entire lending portfolio looking at physical, transition and liability risks. We are prioritising those areas of our portfolio where the highest level of potential climate-related risks were identified. In FY2019, we completed a portfolio level review of the Group's thermal coal related exposures (both for mining and power generation). Outcomes of this review were transition pathways to decarbonise our lending portfolios for coal fired power generation and thermal coal mining. In addition, a number of policy exclusions were implemented related to this sector. In FY2020, NAB expanded our disclosure on the steps taken to map decarbonisation pathways for our lending portfolio. We estimated the Scope 3 GHG emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors. Case study – decarbonisation pathways: To extend this work, NAB commissioned ClimateWorks Australia to apply two modelled scenarios from its 'Decarbonisation Futures' report to the five selected segments of NAB's Australian lending portfolio. This provides two possible decarbonisation pathways ('1.5°C All-in' and '2°C Innovate') to achieve a net zero emissions 2050 lending portfolio, in alignment with the Paris Agreement. The two low carbon pathways illustrated by these scenarios represent aggregated emissions trajectories for the five segments included in the financed emissions estimate. Summarising the results, in the 2°C scenario some sectors are expected to decarbonise faster than others. Scenarios show that a net zero economy following the 1.5°C scenario achieves net zero emissions 15 years faster than a trajectory which follows the 2°C pathway. These sectoral pathways are now critical as we work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023. In FY2019, we also conducted work to develop a methodology to understand the short, medium and long-term physical risks associated with cyclones under a range of climate scenarios. With University of Melbourne, we developed a process for overlaying lending portfolio data with physical climate data. Cyclone data (wind speeds >64 knots or cyclone category 1 and above) was used to test this overlay process and develop the Group's capability to assess the potential impact of physical climate hazards on segments of its lending portfolio. Wind speeds from cyclone tracks under four different warming levels (1.1°C, 1.5°C, 2°C and 3°C above pre-industrial levels) were selected and analysed by the Climate and Energy College in collaboration with the Potsdam Institute for Climate Impact Research for use as an indicator of the severity and location of future damage due to tropical cyclones. Initial analysis suggested that an increased geographic proportion of the Group's Australian retail mortgage portfolio is likely to experience cyclones under higher warming scenarios. Further work is required to refine this methodology and will include growing the Group's capability to link forecast changes in physical climate impacts such as cyclone frequency, location and severity with possible future changes in probability of default. Following further testing of this approach, the Group will look to add other overlays of physical hazard data such as flooding, drought, and extreme heat, as well as applying the approach to other lending portfolio segments.

## C2.2a

### (C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	NAB Group and its customers are subject to compliance requirements of current climate-related regulation. Changes in the regulatory environment are considered by the Group as part of assessing transition risk. From an operational and compliance risk perspective, in considering how transition risk may impact NAB Group, we review and consider NAB's regulatory obligations within our risk assessment and profiling. NAB Group is subject to a range of climate-related mandatory and voluntary requirements in different jurisdictions. For example, we must comply with the National Greenhouse and Energy Reporting Act in Australia and the Streamlined Energy and Carbon Reporting (SECR) requirements in the UK. NAB Group is subject to these requirements because the energy use and GHG emissions from our building portfolio of bank branches and commercial offices trigger the regulatory thresholds. For example, NAB Group undertakes an annual review, including in FY2020, of the requirements of current regulations to ensure we can continue to comply and that changes in the Group's circumstances do not result in non-compliance. From a credit risk perspective, we include an assessment of customer's capacity to comply with current climate change-related policy and regulatory requirements in our ESG risk assessments, where relevant, particularly for those in energy and carbon intensive sectors such as oil and gas, coal and power generation. In FY2020, we participated in work on UNEP FI's TCFD pilot project Phase 2 to further develop methodologies and processes for implementing TCFD recommendations. This work examined a broad range of scenarios to assist with climate-related scenario analysis and risk assessment – where relevant, in these scenarios we considered how changes in regulatory requirements may impact on customers' credit risk profile.

	Relevance & inclusion	Please explain
Emerging regulation	Relevant, always included	NAB Group considers emerging regulation as part of transition risk assessment. For example, in considering how transition risk may manifest and impact NAB Group, we review and assess the impacts and implications of emerging regulatory requirements on our own operations and /or those of our customers. We provide feedback when invited to regulators through regulatory consultation processes. Consideration of regulatory change is embedded in the Group's risk change process, which requires an assessment of the quantum of change and subsequent risk to the NAB Group arising from regulatory change, such as changes to climate related policy and regulation. For example, from an operational and compliance risk perspective, in FY2020, we reviewed, assessed the impact of, and made a submission related to, proposed changes to the Australian Government's Climate Active program's electricity accounting requirements. We were supportive of Climate Active including a market-based approach as a means of accounting for emissions associated with electricity usage, in addition to the existing location-based approach as this would recognise our purchase of renewable electricity. However, we sought clarification on key aspects of the proposed changes, particularly with respect to how these changes might align to other regulatory energy and GHG reporting requirements such as those NAB is subject to like the National Greenhouse and Energy Reporting requirements. In addition to considering the impact of emerging regulation on NAB Group's own operations, from a credit risk perspective, we include an assessment of customer's capacity to comply with proposed future climate change-related policy and regulatory requirements in our ESG risk assessments, where relevant, particularly for those in energy and carbon intensive sectors such as oil and gas, coal and power generation. We consider the impacts that proposed future climate-related policy and regulatory changes may have on the Group's customers, both at a transaction level and a portfolio level. This is because changes in the regulatory environment may change the risk profile of customers and contribute to an increase in credit risk for individual customers or a portfolio of customers. For example, changing and emerging regulation was a factor considered in the transition risk scenario work and pilot stress testing undertaken as part of the UNEP FI TCFD pilot work we took part in through FY2018, FY2019 and FY2020.
Technology	Relevant, sometimes included	NAB Group includes technology risk, where relevant, in climate-related risk assessments so we can understand the transition risk faced by individual customers and sectors that we bank and how this might impact on credit risk over time. For example, based on our understanding and assessment of industry developments and climate scenarios, NAB Group expects low carbon technologies to displace fossil fuel-based technologies over time and therefore we review this risk to consider and assess the degree to which this may present a risk of stranded assets associated with individual customers and some sectors in our lending portfolio – particularly sectors like oil, gas and coal. NAB Group also factors in the risk that new and emerging technologies may have unproven performance and market acceptance and therefore, we consider this aspect of technology risk in our credit risk and due diligence processes. For example, this is considered as a matter of course when undertaking due diligence processes for project finance and was considered in FY2020, particularly in lending to power generation and waste management projects.
Legal	Relevant, always included	As a bank, NAB Group considers legal and liability risk so we can assess how this risk may affect the Group's operations or the credit risk profile of the customers that we lend to. For example, we have considered the legal opinions of Noel Hutley SC and Sebastian Hartford Davis made available by the Centre for Policy Development in NSW which highlights the importance of directors' consideration of climate risks and opportunities and board-level governance of this issue as part of discharging their duties. In FY2020, our Climate Change Working Group regularly reviewed global climate related news – including details of climate-related litigation. Details about major climate-related litigation and liability risk are also included when relevant in climate risk updates to the Board. Where relevant to our climate-related risk assessments, we track the cases involving climate-linked litigation, monitor trends and follow any cases that may involve our customers so we can assess whether the litigation or liability may impact on the credit risk of a customer. We have found instances of climate change litigation are increasing and are also being joined with human rights issues, particularly in developing countries. Although this varies across jurisdictions, it still appears to be a much greater risk in the US, where there is a higher instance of legal actions and shareholder resolutions being taken against companies in carbon intensive sectors. This is followed by increasing instances in Australia, the UK and the EU. Ongoing review of legal and liability risk helps NAB Group to prioritise key sectors in our lending portfolio for phased risk appetite review. This commenced in FY2017 and is ongoing. In FY2020, we revised our decarbonisation trajectory for lending to thermal coal mining and reported in our FY2020 annual report suite that we now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. We intended to undertake a further review of the Oil & Gas sectors in FY2020, but this was delayed to FY2021 due to COVID. Review of other sectors will follow in subsequent years, as we develop decarbonisation plans for key sectors in our lending portfolio to deliver on the Collective Commitment to Climate Action and our FY2020 commitment to working with our customers to support their implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050.
Market	Relevant, always included	NAB Group monitors market trends associated with climate risk as this can provide opportunities for particular low-carbon products and services that we offer (such as green bonds, green term deposits, financing for renewable energy projects and sustainability-linked loans), as well as impacting on transition risk for our customers – which can affect credit risk associated with these customers and lead to changes in our risk appetite for particular sectors. For example, changes in market risk were factored into work we undertook in FY2018 on the metals and mining, and power generation sectors piloting a transition risk methodology as part of the UNEP FI TCFD pilot. This built on initial heat mapping work we did in FY2017 when we assessed the degree to which carbon intensive sectors and companies that we lend to were facing climate-related market risks. This assessment helped us to prioritise carbon intensive, climate intensive and low carbon sectors for phased risk appetite review. Our review of these sectors commenced with coal mining in (FY2017), followed by oil and gas (FY2018). In FY2019, we reviewed market trends again related to thermal coal and decided NAB will not • finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • take on new-to-bank thermal coal mining customers. We capped thermal coal mining exposures at FY2019 levels and committed to reduce thermal coal mining financing by 50% by 2028, intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. In FY2020, we revised this trajectory giving consideration to current market trends and updated climate scenarios and reported that we now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. We intended to further review the Oil & Gas sector in FY2020, but this was deferred to FY2021 due to COVID. Review of other sectors will follow, as we develop decarbonisation plans for key sectors in our lending portfolio to deliver on the Collective Commitment to Climate Action and our FY2020 commitment to supporting our customers implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050. Reviewing changes in market risk arising from climate change also informs our thinking about where potential stranded assets could arise in our lending portfolio.
Reputation	Relevant, always included	NAB Group considers reputation risk as a factor in climate-related risk assessments. It is important to the Group's social licence to operate, as this can be a factor influencing both our customers' choice of bank and our investors' choice of investment. Reputation is important to NAB Group because our strategic ambition is to serve customers well and help our communities prosper. The trust of our customers and stakeholders is important to the successful execution of this ambition. For example, as a bank, NAB Group considers changing reputation risk associated with our customers as part of our ESG and climate-related risk assessments. This is a standard component of our credit risk and due diligence process and therefore this work was ongoing in FY2020, as in any other year. We regularly receive, including in FY2020, questions from stakeholders (including customers and investors) about our lending portfolio exposure to customers in fossil fuel-related sectors and provide information to respond to these questions in our half and full year results presentations and annual reporting suite (including in FY2020). In considering the reputation risk associated with our customers, we assess both how customer reputation may impact NAB Group by association and the customer's social licence to operate. In FY2020, stakeholder feedback and views, particularly from our annual materiality process (annual ESG-related stakeholder engagement), were considered in the Group's prioritisation of carbon intensive, climate intensive and low carbon sectors for phased risk appetite review. In FY2020, addressing climate change and helping customers transition to a low-carbon economy continued to be a top five priority area stakeholders expect us to act on and want us to disclose. Further detail on the material themes (including Managing Climate Change) from this materiality assessment can be found on p10 of our 2020 Sustainability Report.
Acute physical	Relevant, sometimes included	Where relevant for particular customers and/or sectors, NAB Group considers acute physical climate risk in climate-related and day to day ESG risk assessments as part of our credit risk and due diligence processes. For example, we ask customers if they have undertaken a physical climate-risk assessment and implemented any mitigation or adaptation measures to reduce the likelihood they are impacted by acute physical impacts of climate change. This work was ongoing in FY2020. Depending on the size of a customer's operation, and the sector they are in, NAB Group may also seek information on whether our customers have disaster recovery, business continuity and emergency response plans in place to help them manage the risks associated with extreme weather events. This type of customer planning may reduce the likelihood that they suffer damage and loss because of extreme weather events and in turn reduce the likelihood that these events will impact on their credit risk profile and ability to repay loans the Group provides. This is a factor considered in physical risk scenario analysis we undertook in FY2020 in collaboration with the University of Melbourne and as part of our involvement in the UNEP FI TCFD Phase 2 pilot. Drought is one example of an acute physical risk which can have a material negative impact on the credit profile of NAB's agribusiness customers and which needs monitoring to ensure that customers are acting to build resilience to it. Parts of Australia are prone to, and often experience, extreme physical climate events such as severe drought conditions and bushfires, most recently and notably over summer 2019/2020. Further, due to the substantive impact of drought conditions and/or extreme weather events on agri-customers, our 2020 Full Year Investor Presentation (slide 84) noted that NAB's collective provision forward looking adjustment reduced by \$91m to \$89m at 30 September 2020, reflecting easing of drought conditions for the bulk of exposures. From an operational risk perspective, NAB considers the potential impact of extreme physical climate events like floods, cyclones, hurricanes and bushfires on our operations including assets (buildings) and employees. This is built into our insurance program and our emergency response and business continuity planning.
Chronic physical	Relevant, sometimes included	Where relevant to particular customers and sectors, NAB Group considers chronic physical climate risk in our climate-related and day-to-day ESG risk assessments. In particular, as part of NAB Group's ESG risk assessment process we ask our customers if they have undertaken a physical climate-risk assessment and implemented any mitigation or adaptation measures to reduce the likelihood they are impacted by chronic physical impacts of climate change such as water scarcity, changing temperature, changing sea level and increased risk of sea surge. For example, we seek information from customers in sectors like mining and agribusiness which are critically dependent on water, to understand the degree to which water scarcity and drought may impact their business and the actions they may have taken or plan to take to mitigate this risk. This work was ongoing in FY 2020. For example, the impact of the long-term (chronic) physical impacts of climate change has been factored into the climate risk heat mapping we have conducted on our lending portfolio and operations. We reviewed this work in FY2020 as part of physical risk heat mapping activities conducted in conjunction with UNEP FI TCFD Pilot Phase 2 activities related to physical climate risk analysis, scenario development and stress testing. NAB Group considers financing of infrastructure such as desalination plants provides a risk mitigation option for water supply in drought conditions. This is why we have a number of desalination plant projects in our project finance portfolio.

**(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?**

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	We assess our portfolio exposure to climate-related risks and opportunities in a number of ways: • As part of our annual review of our climate change strategy and commitments, we assess our progress including our commitment to provide a total cumulative flow of new environmental financing from 1 October 2015 of \$70bn by 2025. Where we see a growth in environmental financing opportunities, we have increased our commitment to provide financing to help address climate change. For example, in FY2019, we increased our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion cumulatively by 2025 (from 1 October 2015). • On a semi-annual basis we review our exposures (measured as Exposure at Default) to carbon intensive, climate sensitive and low carbon sectors as part of our portfolio review of ESG risks. This is a quantitative assessment and we are monitoring our exposure over time, particularly to track how we are progressing against our thermal coal-related portfolio transition pathways. • We internally monitor our thermal coal mining exposures against our thermal coal mining cap on a monthly basis and report publicly on our exposure to coal, oil and gas as key segments in our resources portfolio in our half-year and full-year investor presentations. • We have undertaken a semi-quantitative heat mapping of physical, climate and liability risk across the Group's lending portfolio and we are using this analysis to help us prioritise more detailed sectoral reviews of physical and transition risks within our portfolio.
Investing (Asset manager)	No, but we plan to do so in the next two years	All of the external active managers we employ are tasked with evaluating all relevant investment risks and opportunities, including those that relate to climate change. This means, at a holdings specific level, climate change risks are assessed. Additionally, our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing our asset management portfolio's aggregate exposure to climate climate-related risks and opportunities would be considered as part of our approach to implementing the PRI. This will be assessed in the context of our broader approach i.e. working out the optimal way to assess these risks given the role played by our external active managers and the internal investment team. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	No, but we plan to do so in the next two years	The MLC Super Fund Responsible Investment Policy came into effect in March 2020. The Responsible Investment Policy requires the Asset Manager for Directly Managed Investment Options, and, in turn, underlying Investment Managers, to ensure that climate change risks are appropriately considered, with other ESG factors, as part of the due diligence for new investments and monitoring for existing investments. Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing our asset portfolio's exposure to climate climate-related risks and opportunities would be considered as part of our approach implementing the PRI. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes	Other products and services: Arranging and underwriting green and sustainability-linked bonds NAB Group provides sustainable finance in the form of arranging and underwriting green, social and sustainability-linked bonds in Australia and overseas. When we arrange and underwrite these bonds, we consider the underlying ESG risk, including climate risk exposure, of the client for whom we are arranging and underwriting the bond issuance. We conduct an ESG risk assessment for these transactions, which includes forming a view of the client's climate-related risks and opportunities. When arranging and underwriting green or sustainability-linked bonds we ensure they will meet the requirements set out in the International Capital Market Association (ICMA) Green Bond Principles or Sustainability Linked Bond Principles, whichever is applicable. We also review them against the Climate Bonds Standard V3.0 and consider how they contribute towards meeting the United Nations' Sustainable Development Goals.

**C-FS2.2c**

**(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.**

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	• On a semi-annual (6-monthly) basis we review our exposures (measured as Exposure at Default) to carbon intensive, climate sensitive and low carbon sectors as part of our portfolio review of ESG risks. This is a quantitative assessment. We are analysing portfolio data at an industry code level, across the entire lending portfolio, where we have identified that the industry or sector is subject to higher ESG-risks, including climate-related risks. We are monitoring this exposure over time. This helps us to track how we are progressing against our thermal coal mining-related portfolio transition pathway (which is transitioning our portfolio away from thermal coal-related exposures over time) and to track the transition to renewable energy in our power generation portfolio. • We undertake semi-quantitative heat mapping of physical, climate and liability risk across the Group's lending portfolio and are using this analysis to help us prioritise more detailed sectoral reviews of physical and transition risks within our portfolio. This semi-quantitative assessment used a combination of information from industry analysts, customers, climate scenario providers, specialist bankers and internal climate subject matter experts and credit managers to form an internal view of whether each major sector in our portfolio is subject to high, medium or low transition, physical or liability risk. • Our climate-related opportunity assessment is based on a combination of information from industry analysts, customers, climate scenario providers, specialist bankers and internal climate subject matter experts and credit managers to form an internal view of the areas where climate-related opportunities exist. Following this, our first line banking teams consider alignment with Group and divisional strategies and customer needs and conduct an opportunities assessment to quantify and forecast the size of the strategic opportunity. Following a refreshed opportunity assessment in FY2019, we increased our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion by 2025. This is part of our environmental financing commitment to deliver a cumulative total of \$70 billion in environmental financing by 2025 (from 1 October 2015) – we had delivered \$42.5bn at 30 September 2020. We made no change to our environmental financing commitment in FY2020. • In FY2020, we continued our involvement with other UNEP FI member banks on methodologies and processes to implement the TCFD recommendations as part of Phase 2 of the UNEP FI TCFD pilot. The Phase 2 work included examining a range of scenario tools to help increase our understanding of the spectrum of scenarios available and explore the availability of further data sets to assist with climate-related scenario analysis and risk assessment. • In FY2020, we estimated the financed GHG emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors. This recognises the indirect responsibility that arises from our lending and how this lending plays a crucial role in supporting environmental outcomes. This initial quantitative estimate was limited to Australian customers and will be expanded overtime as data availability and methodologies for calculating financed emissions allow. Estimating these attributable financed emissions provides us with an understanding of relative industry sector carbon intensity and supports us in aligning our lending portfolio to the Paris Agreement and understanding the risks and opportunities for decarbonisation associated with our lending portfolio at a sectoral level.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	All of the portfolio	Qualitative	Climate-related risks and opportunities are reviewed for all transactions NAB Group includes in its portfolio of arranged and underwritten green and sustainability-linked bonds. Our qualitative assessment of climate-related risks and opportunities is based on client dialogue and engagement so we can understand each client's climate-related strategy (including plans, commitments, investments, targets, and performance), risk assessment and if available, scenario analysis. We also utilise a combination of information from industry analysts, climate scenario analysis, specialist bankers and internal climate subject matter experts and credit managers to form an internal view of the climate-related risks and opportunities associated with each customer in this portfolio.

**C-FS2.2d**

**(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?**

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	- On a semi-annual (6-monthly) basis we review our exposure (measured as Exposure at Default) to ESG-related risks across our Group lending portfolio. In order to undertake this quantitative assessment of our lending portfolio, we have undertaken a semi-quantitative heat mapping of ESG risks, including water-related risks across the industry sectors in our Group lending portfolio. This semi-quantitative assessment of water-related risk used a combination of information from industry analysts, customers, water-risk tools, climate scenario providers, specialist bankers/credit managers and internal ESG risk subject matter experts to form an internal view of whether each major sector in our portfolio is subject to high, medium or low water risk. This takes into account dependency of availability/quantity and quality and the potential impacts on water availability and quality for other uses (e.g. pollution). Based on this information, we semi-qualitatively assess water risk as high, medium or low as part of our ESG-related sector rating. - First line, customer facing Divisions consider water-related opportunity assessment based on a combination of information from industry analysts, customers, climate scenario providers, specialist bankers/credit managers and internal ESG risk subject matter experts to form an internal view of the areas where water-related opportunities exist. For example, to date we have provided project finance for desalination projects to help improve water security for Australian cities. We have also helped fund water efficient irrigation equipment to reduce water risk in farming operations and water treatment equipment to improve industrial discharge of treated effluent to the environment. - Following opportunity assessment, our first line banking teams consider alignment with Group and divisional strategies and customer needs and conduct an assessment to quantify and forecast the size of the strategic opportunity. Following a refreshed climate-related opportunity assessment in FY2019 (which included consideration of water-security related opportunities), we increased our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion by 2025 (cumulatively from 1 October 2015).
Investing (Asset manager)	Yes	All of the portfolio	Yes, to the extent it applies to the risk of individual companies we invest in. All of the portfolio is assessed (i.e. where there are stocks where water-related risks apply). All external active asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like clean water and sanitation (as well as other environmental risks) and how water risk can impact the long-term prospects for companies in their investment universe. We regularly review our managers' policies and approaches regarding managing environmental risks, which can include water-related risks, and get tailored quarterly reporting from each manager on their ESG related research, company engagement and portfolio decisions. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	Yes	All of the portfolio	Yes, to the extent it applies to the risk of individual companies we invest in. All of the portfolio is assessed (i.e. where there are stocks where water-related risks apply). All external active asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like clean water and sanitation (as well as other environmental risks) and how water risk can impact the long-term prospects for companies in their investment universe. The MLC Super Fund Responsible Investment Policy came into effect in March 2020. The Responsible Investment Policy requires the Asset Manager for Directly Managed Investment Options, and, in turn, underlying Investment Managers, to have sound practices to identify ESG factors and any potential risks and opportunities that may arise in a manner that is relevant to the investment strategy, asset class and investment approach of the investment option concerned. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes	Majority of the portfolio	Other products and services: Arranging and underwriting green and sustainability-linked bonds Water-related risks and opportunities are reviewed for all relevant transactions NAB Group includes in its portfolio of arranged and underwritten green and sustainability-linked bonds. Our qualitative assessment of water risks and opportunities is based on engagement with clients to understand whether they have undertaken any assessment of water-related risks (e.g. water scarcity, pollution or impacts of flooding etc) and opportunities (e.g. for water efficiency and increasing water security). We also utilise a combination of information from relevant industry experts, climate scenario analysis, and internal subject matter experts and credit managers to form an internal view of the water-related risks and opportunities associated with each customer in this portfolio.

**C-FS2.2e**



**(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?**

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	All of the portfolio	- On a semi-annual (6-monthly) basis we review our exposure (measured as Exposure at Default) to ESG-related risks across our Group lending portfolio. In order to undertake this quantitative assessment of our lending portfolio, we have undertaken a semi-quantitative heat mapping of ESG risks, including forest-related risks across the industry sectors in our Group lending portfolio. This semi-quantitative assessment of forest-related risk used a combination of information from industry analysts, customers, the Forest500 benchmark, climate scenario providers, specialist bankers/credit managers and internal ESG risk subject matter experts to form an internal view of whether key sectors in our portfolio are subject to high, medium or low forest-related risk. This takes into account dependency and impacts on forestry-related assets. Based on this information, we semi-qualitatively assess forestry-related risk as high, medium or low as part of our ESG-related sector rating. - First line customer facing discussions consider forestry-related opportunity assessment based on a combination of information from industry analysts, customers, climate scenario providers, specialist bankers/credit managers and internal ESG risk subject matter experts to form an internal view of the areas where forest-related opportunities exist. For example, consideration has been given to how we support carbon farming opportunities within the agricultural sector and to assessing the environmental sustainability of forestry operations we finance. - Following opportunity assessment, our first line banking teams, consider alignment with Group and divisional strategies and customer needs and conduct an assessment to quantify and forecast the size of the strategic opportunity. Following a refreshed climate-related opportunity assessment in FY2019 (which included consideration of carbon farming and forestry-related opportunities), we increased our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion by 2025 (cumulatively from 1 October 2015).
Investing (Asset manager)	Yes	All of the portfolio	Yes, to the extent it applies to the risk of individual companies we invest in. All of the portfolio is assessed (i.e. where there are stocks where forestry-related risks apply). All external active asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like forest-related risks (as well as other environmental risks) and how this can impact the long-term prospects for companies in their investment universe. We regularly review our managers' policies and approaches regarding managing environmental risks, which can include forestry-related risks, and get tailored quarterly reporting from each manager on their ESG related research, company engagement and portfolio decisions. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	Yes	All of the portfolio	Yes, to the extent it applies to the risk of individual companies we invest in. All of the portfolio is assessed (i.e. where there are stocks where forestry-related risks apply). All external active asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like forest-related risks (as well as other environmental risks) and how this can impact the long-term prospects for companies in their investment universe. The MLC Super Fund Responsible Investment Policy came into effect in March 2020. The Responsible Investment Policy requires the Asset Manager for Directly Managed Investment Options, and, in turn, underlying Investment Managers, to have sound practices to identify ESG factors and any potential risks and opportunities that may arise in a manner that is relevant to the investment strategy, asset class and investment approach of the investment option concerned. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes	Minority of the portfolio	Other products and services: Arranging and underwriting green and sustainability-linked bonds Forest-related risks and opportunities are reviewed for all relevant transactions NAB Group includes in its portfolio of arranged and underwritten green and sustainability-linked bonds. Our qualitative assessment of forest-related risks and opportunities is based on engagement with clients to understand the key risks and opportunities. We also utilise a combination of information from relevant industry experts, climate scenario analysis, and internal subject matter experts and credit managers to form an internal view of forest-related risks and opportunities associated with each customer, where relevant, in this portfolio.

**C-FS2.2f**

**(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?**

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	Where it is assessed as relevant, and as required by our ESG-related credit policy and High ESG risk Sensitive Sectors and Areas List, our bankers are required to undertake an ESG risk assessment as part of the credit risk and due diligence process for onboarding and periodic review of a customer relationship. Review of existing customers is risk-based and depends on the size of NAB's exposure and other relevant risks associated with the customer, such as ESG risk. This ESG risk assessment includes assessment of climate, water and forestry-related risks as applicable. As part of the ESG risk assessment process, bankers with Corporate & Institutional customers in relevant sectors, are required to review a customer's climate-related strategy, risk assessment, management, and performance and to identify whether the customer has committed to TCFD-related disclosures, including whether they have undertaken any climate-related scenario analysis. In other Divisions, bankers are similarly required to undertake ESG risk assessment, including assessment of climate-related risks. However, these assessments are tailored to be commensurate with the potential climate-related risk exposure of smaller businesses. The ESG risk assessment helps us understand ESG risks, including climate risk, at a customer level and when considered in a portfolio review, helps us understand climate-related risks at a portfolio level. This in turn may lead to changes in credit policy settings or risk appetite so we can manage our portfolio level climate risk exposure. Additionally, understanding the climate-related risks faced by our customers helps us to identify opportunities to assist our customers in implementing solutions to manage climate risk and adapt and build the resilience to climate change.
Investing (Asset manager)	Yes, for some	As a manager of managers, NAB Wealth does not normally have direct engagement with investee companies, as this is the role of the external asset managers selected by NAB Wealth. This question does not align with our business model, as a manager or managers as it assumes direct engagement with investee companies, which would normally be undertaken on NAB's behalf by the appointed external asset managers. The external asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. Given the importance of climate risk as an ESG risk issue, NAB Wealth includes an explicit climate change section in the regular reporting required from its underlying managers. We expect our managers to analyse ESG risks, including climate risk, proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	Yes, for some	As a manager of managers, NAB Wealth does not normally have direct engagement with investee companies, as this is the role of the external asset managers selected by NAB Wealth. This question does not align with our business model, as a manager or managers as it assumes direct engagement with investee companies, which would normally be undertaken on NAB's behalf by the appointed external asset managers. The external asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. Given the importance of climate risk as an ESG risk issue, NAB Wealth includes an explicit climate change section in the regular reporting required from its underlying managers. We expect our managers to analyse ESG risks, including climate risk, proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes	Other products and services: Arranging and underwriting green and sustainability-linked bonds Where it is assessed as relevant, and as required by our ESG-related credit policy and High ESG risk Sensitive Sectors and Areas List, our bankers are required to undertake an ESG risk assessment as part of the credit risk and due diligence process for onboarding and periodic review of a customer relationship. This includes customers for which NAB Group arranges and underwrites green and sustainability-linked bonds. Review of existing customers is risk-based and depends on the size of NAB's exposure and other relevant risks associated with the customer, such as ESG risk. This ESG risk assessment includes assessment of climate, water and forestry-related risks as applicable. As part of the ESG risk assessment process, bankers with Corporate & Institutional customers in relevant sectors, are required to review a customer's climate-related strategy, risk assessment, management, and performance and to identify whether the customer has committed to TCFD-related disclosures, including whether they have undertaken any climate-related scenario analysis. The ESG risk assessment helps us understand ESG risks, including climate risk, at a customer level and when considered in a portfolio review, helps us understand climate-related risks at a portfolio level. This in turn may lead to changes in credit policy settings or risk appetite so we can manage our portfolio level climate risk exposure. Additionally, understanding the climate-related risks faced by our customers helps us to identify opportunities to assist our customers in implementing solutions to manage climate risk and adapt and build the resilience to climate change.

**C2.3**

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

**C2.3a**

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
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**Primary potential financial impact**

Increased direct costs

**Climate risk type mapped to traditional financial services industry risk classification**

Operational risk

**Company-specific description**

NAB is a bank that operates in a number of geographies which have all experienced extreme weather events over recent years (e.g. Australia, Asia, US, UK and NZ). Increased severity and number of extreme weather events (including extreme floods, cyclones/ typhoons, droughts and snow) can cause damage to NAB's premises, infrastructure and property with resultant costs to refit and repair them. Climate change predictions are for increased frequency and severity of these type of extreme weather events which may mean increased number and/or scale of damage events to NAB property located in higher risk locations (for example Australian locations at higher risk of cyclone and flood events such as coastal and riverine locations in Queensland, NSW and North West Australia). Increased instances of damage are likely to occur, such as the significant damage caused to two NAB branch buildings due to high winds and floods associated with Cyclone Debbie in Queensland/New South Wales in March/April 2017. In the 2020 Financial Year, there were 29 events related to flood/bushfire/cyclones affecting our Australian operations which resulted in limited property damage resulting in temporary branch closures and/or repairs.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

80000

**Potential financial impact figure – maximum (currency)**

4600000

**Explanation of financial impact figure**

The potential maximum financial impact is estimated at \$4.6m based on combined insurance claims for property damage associated with the Nov 2010-Jan 2011 Queensland floods (~\$3.7m) and Jan 2013 Bundaberg floods (~0.9m) – the most significant natural disasters NAB has experienced in recent times. NAB's costs vary depending on the nature and extent of the disaster, but repair/fit-out, management and make good costs per incident are typically in the range of \$90-565k based on the most recent significant flood incidents (FY2017) impacting NAB. Multiple incidents can be experienced in a year, for example in FY2020, 21 storm events and 8 bushfire events resulted in damage repair or site closure costs, however, property damage in this year was not significant. Storm events incurred ~\$76k and bushfire events incurred ~\$4k for a total of ~\$80k. These costs were attributable to property damage in our retail portfolio. While much of the repair cost is landlord funded (where properties are leased), branch fit-outs are paid for by NAB – with some cost potentially recoverable through insurance. Minimum financial impact is therefore given as \$80k based on the FY2020 events. While these costs are not material to NAB's overall business, operational closures can have a significant impact on customers.

**Cost of response to risk**

525000

**Description of response and explanation of cost calculation**

NAB's management method to address extreme weather events is part of NAB's business continuity and crisis management processes and premises selection process. NAB has: (i) developed internal business continuity processes and guidance for staff in relation to extreme events e.g. flood, bushfire and cyclones; and (ii) consideration of site risk for extreme events or natural disasters in new premises selection. NAB's risk is further reduced through leasing rather than owning buildings, and through insurance coverage. NAB Incident response teams manage any response required to such events. In addition, when a branch is closed due to extreme weather or damage, customers can utilise alternative pre-existing banking channels such as internet banking, Bank@Post, or can attend a nearby branch. Business continuity processes and cost of alternative channels is standard business practice and not a separate climate risk related cost. However additional costs can be incurred in relation to certain weather (climate) related events. In such cases, the response required (and therefore the cost) can vary. As a case study, in FY2017, Cyclone Debbie caused extensive damage to our Lismore NSW branch resulting in extended closure. In addition to standard alternative banking channels, a mobile branch ('bank in a box') was trucked to Lismore to provide banking services and additional staff were available to assist flood affected customers with their financial needs. As a result of creating the 'bank in a box', the start-up and ongoing costs for the branch extended closure was reduced, avoiding increased direct costs. 'Bank in a box' was not required for 2020 due to the nature of the events that occurred and the limited damage to our branch network. Should this type of response be required, the cost of management to maintain operations (including diesel and additional security for 'bank in a box' deployment) varies depending on factors such as the extent of damage, length of staff and equipment deployment and security requirements, but is typically between \$125-525k. This includes between \$100k-\$500k for the bank in a box and \$25k incident management costs. We therefore estimate the management cost at ~\$525k.

**Comment**

Consideration of current and future risks and scenarios (including physical climate risks) and enhancing processes to minimise property damage, continue operations and ensure staff and customer safety, as well as managing events that occur, are considered part of our business as usual risk and crisis/business continuity process. As this is the role of our risk teams and specialist crisis management staff that manage a range of risks and crisis events (not just climate events) we have not included any additional staff costs associated with managing events.

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**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
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**Primary potential financial impact**

Increased credit risk

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

NAB is a bank with a large agricultural customer base in Australia and New Zealand (for example, almost 1 in 3 dollars lent to the Australian agricultural sector is lent by NAB and around 5% of Group Exposure at Default (EAD) was related to Agribusiness in the 2020 Financial Year). Changes in precipitation patterns and extreme variability in weather patterns (including floods and droughts, associated wild fires, and induced changes in natural resources) can significantly impact NAB's agricultural customers due to reduced yields or loss of crops and livestock. These climate impacts have the potential to cause significant financial loss and hardship for NAB customers. In the short term this can result in liquidity stress or cash flow issues and in the longer-term increased business failures. This is reflected in increased customer need for short term credit/cash flow management arrangements, as well as increased credit risk and potential bad debts for NAB. Flood and drought cycles are a natural part of the climate – particularly in Australia – and therefore are considered by our customers in managing their businesses. However, history shows that sustained drought periods or more extreme flood events (as appears likely in many areas in Australia based on publicly reported climate modelling) have the potential to lead to significantly higher hardship and default rates than current levels. Other sectors such as mining and resources can also be negatively impacted due to loss of infrastructure or flooding of mines.

**Time horizon**

Short-term



**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

109000000

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

The main financial impact to NAB as a bank is an increase in customer hardship related concerns, any financial assistance measures provided and defaults. Material costs are reported in our financial reporting e.g. in FY2020 results, collective provision forward looking adjustments of \$89m were made to address the impact of extreme weather conditions on our Agri customers due to Australian drought considerations. In addition, financial assistance to customers was made available – this includes: interest holidays, concessional rate loans, grants, and donations. This assistance is typically less than \$20m annually for large scale natural disasters based on individual events since 2011. Refer to <https://www.nab.com.au/about-us/social-impact/customers/natural-disaster-and-crisis-support> for details of recent relief packages and donations. Total impact is therefore estimated as \$109m (collective provision and financial assistance).

**Cost of response to risk**

580000

**Description of response and explanation of cost calculation**

NAB uses a number of methods to reduce likelihood and magnitude of these risks negatively impacting credit risk. NAB (i) assesses industry sectors to understand customer vulnerability with increasing focus on climate impact on natural capital (NAB is a large Agribank) with aim of inclusion of natural capital in credit modelling within the next 2-3 years; (ii) assists customers to manage, adapt and improve resilience to physical climate risks (e.g. agri bankers provide advice about sustainable farming practices); and (iii) NAB's Natural Disaster Relief package is available to customers facing hardship due to natural disasters. Case Study - Natural Disaster Relief: During the spring and summer periods October 2019-January 2020, Australia experienced multiple severe bushfire incidents across multiple states (New South Wales, Queensland, South Australia, ACT, Victoria and Western Australia). Both agri and retail customers were impacted including loss of primary production, employment or housing. NAB has prepared disaster relief measures as part of its risk management framework, which were announced on a state by state basis progressively during this period. Bankers and hardship specialists worked with affected customers to implement appropriate measures such as suspending repayments, waiving fees and restructuring bank facilities. This type of assistance ensured the impact to the credit portfolio was reduced and customers were able to recover. As a bank, considering current and future risks, reassessing credit risk and assisting customers in times of hardship (including natural disasters) is part of business as usual risk and relationship management. Consideration of climate risk is part of this process and not separately costed. However, NAB is working with external research initiatives in relation to climate modelling to assess future risk for our customer portfolio. External costs in 2020 were separately costed at approximately \$580k, this total being made up of research projects (e.g. supporting the Climate Measurement Standards Initiative & CSIRO natural capital research), memberships (e.g. CDP, CCCA, UNEP FI Phase2 pilot project) and modelling (e.g. ClimateWorks partnership to develop a Natural Capital Roadmap).

**Comment**

Hardship assistance may involve concessional rate loans, waiving of fees and charges, donations and grants and other support mechanisms (e.g. customer access to NAB's MyCoach counselling service). Details of support measures for these events are provided via media releases and are available here: <https://www.nab.com.au/about-us/social-impact/customers/natural-disaster-and-crisis-support>.

**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

Market	Changing customer behavior
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**Primary potential financial impact**

Devaluation of collateral and potential for stranded, illiquid assets

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

As a large Australian bank, NAB provides finance to customers in a number of industry sectors which may be impacted as the economy transitions to renewables and lower emission technology options. Two sectors with significant transition risk (due to an increasing amount of renewables being used for power generation) are: (1) fossil fuel-related Power Generation and (2) fossil fuel-related Resources extraction. As at 30 Sept 2020, net Exposure at Default (EAD) for NAB for these sectors was around \$5.51bn (max exposure) – excluding metallurgical coal. Customers in the power generation and resources sectors may be affected due to the declining cost of renewable energy compared to energy generated from fossil fuels. Should affected customers fail to manage transition risk, they may face reduced demand for their products and services, declining asset values, increased costs associated with meeting regulatory requirements in relation to emissions, and increased risk of stranded assets. This is a credit risk for NAB should these customers be unable to meet their credit obligations, where these obligations are secured by collateral which is devalued or 'stranded' as the value of the security will not cover the cost of the finance provided.

**Time horizon**

Long-term

**Likelihood**

Likely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

750000000

**Potential financial impact figure – maximum (currency)**

5510000000

**Explanation of financial impact figure**

As a bank, NAB provides finance to a range of customers in sectors which have high emissions and need to address transition risk to ensure their business models remain sustainable and that they can meet their credit obligations. Two sectors with significant transition risk (due to an increasing amount of renewables being used for power generation), are: (1) fossil fuel-related Power Generation and (2) fossil fuel-related Resources extraction (excl. metallurgical coal). As at 30 Sept 2020, net Exposure at Default (EAD) for these sectors was around \$5.51bn (max exposure), made up of: ~\$2.1bn EAD for fossil fuel-related power generation and ~\$3.41bn of Resources EAD related to Oil & Gas extraction and thermal coal mining (Thermal coal mining exposure is ~\$750m – which has been used as the min. exposure). Public position statements covering risk appetite for power generation, thermal coal, oil, gas and tar sands have been released (refer comment below on Risk 3).

**Cost of response to risk**

580000

**Description of response and explanation of cost calculation**

NAB uses multiple methods to reduce likelihood and magnitude of transition risks negatively impacting credit risk. We monitor our lending portfolio exposure to industry sectors and assess the risk appetite required to manage our exposure. A phased review of NAB's risk appetite for carbon intensive, low carbon and climate sensitive sectors facing higher future risk of physical and transition risk is in progress. This includes resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing and property. Case study – coal mining sector review: Coal mining is a resource sector subject to significant physical and transition risk and NAB has lending portfolio exposure with existing and potentially new coal mining customers. Undertaken during FY19, the coal mining sector review considered a range of factors including: (i) various climate change scenarios for both transition and physical risk; (ii) customer strategies and plans and their alignment to the Paris Agreement 2°C climate goal; (iii) industry trends; (iv) external expert briefings and (v) trends in Group exposures to these sectors. As a result of the coal mining sector review, NAB announced in its 2019 Sustainability Report, it will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions, and thermal coal mining exposures will be capped and be reduced to effectively zero by 2035 (refer comment below on Risk 3). This effectively implements a cap and time-based reduction of this sectoral risk. Internal staff costs associated with assessing and managing current and future credit-related risks and scenarios (including those that are climate-related) is part of business as usual activities and not separately costed. However, NAB is working with external research initiatives in relation to climate modelling to assess future risk for our customer portfolio. External costs in 2020 were separately costed at approximately \$580k, this total being made up of research projects (e.g. supporting the Climate Measurement Standards Initiative & CSIRO natural capital research), memberships (e.g. CDP, CCCA, UNEP FI Phase 2 pilot project) and modelling (e.g. ClimateWorks partnership to develop a Natural Capital Roadmap).

**Comment**

NAB is taking a range of actions to help meet the temperature goals of the Paris Agreement, while supporting security of energy supply in Australia and New Zealand, and working with customers, related suppliers and their employees and communities in which they operate. These measures include: • Providing a target of \$70 billion of environmental finance by 2025 (cumulatively from 1 October 2015). This increased in 2019 from our previous target of \$55 billion. We are Australia's leading arranger of project finance for Australian renewable energy and 19% of our project finance portfolio as at 30 September 2020 was for renewable energy. In addition, renewables now represent 72% of our power generation exposure. • Aligning our business with the temperature goals of the Paris Agreement: to keep global warming to less than two degrees Celsius, striving for no more than 1.5 degrees Celsius above preindustrial levels and supporting a just transition to a net zero emissions economy by 2050. We were the only Australian bank to sign the Collective Commitment to Climate Action, incorporating a range of commitments to align our business with efforts to limit global warming to well-below 2 degrees Celsius, striving for 1.5 degrees Celsius. To achieve this, we have committed to align our lending portfolio with net zero emissions by 2050. • Capping thermal coal mining exposures at 2019 levels, reducing by 50% by 2028 and intended to be effectively zero by 2035 apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. • Continuing to support existing customers across the mining and energy sectors to facilitate an orderly transition to a low-carbon economy, however NAB will not finance: - new thermal coal mining projects or new-to-bank thermal coal mining customers. - oil/tar sands extraction projects. - oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. - new, or material expansions of, coal-fired power generation facilities, unless there is technology in place to materially reduce emissions. • Working closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023. • We joined the RE100 initiative in 2019 and have committed to sourcing 100% renewable electricity by 2025.

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C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

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C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues through access to new and emerging markets

**Company-specific description**

NAB is a bank and our customers are increasingly requesting banking and finance products that support them as the economy transitions to renewables and lower emission technology options, or that are supportive of renewable energy/considered 'green'. This provides an opportunity to develop new offerings to meet this demand and increase our revenue. The ways in which NAB may meet customer demand for appropriate offerings include (i) utilising existing products/ services (such as project finance) to finance 'green' infrastructure as well as (ii) developing new products (such as green bonds and green term deposits) to allow investors and depositors the option of having their funds support renewable energy/green infrastructure development. This demand is reflected in our current environmental financing commitment of \$70bn by 2025 (as a cumulative flow of finance from 1 October 2015) in order to help address climate change and assist the transition to a low carbon economy.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

8900000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

NAB is a bank and in FY2019, NAB increased its most recent environmental financing commitment from \$55bn by 2025\* to \$70bn by 2025\* to help address climate change and assist the transition to a low carbon economy (potential financial impact). Progress against this target for FY2020 was \$8.9bn (subject to rounding). This is comprised of: (i) Approx. \$0.5bn lending for Green Star certified commercial buildings (ii) Approx. \$3.1bn specialised and corporate finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses (iii) \$0bn green term deposits\*\* (iv) \$0bn green bond issuance (v) Approx.\$2.0bn asset finance, advisory activities, and underwriting and arranging (lending and green/sustainability linked bonds) (vi) Approx.\$3.3bn lending to support development of 6 Star residential properties. \*Represents total cumulative new flow environmental financing from 1 Oct 2015. \*\*Green term deposits were recorded in FY20, but rounded to zero for reporting purposes.

**Cost to realize opportunity**

9175000

**Strategy to realize opportunity and explanation of cost calculation**

NAB formed a Climate Change Working Group (CCWG) in late 2016, involving management representatives from across the business. The CCWG meets bi-monthly to monitor initiatives being undertaken by business units (e.g. power purchase agreements for renewable energy, green term deposits and emerging opportunities) – including those related to the environmental financing commitment - and address any road blocks to realising opportunities. For example, this involved monitoring progress on uBank's Green Term Deposit product - the world's first consumer Green Term Deposit certified by the Climate Bonds Initiative, which was launched in March 2019. Reporting on progress against the \$70bn target is undertaken on a six-monthly basis with details disclosed publicly in NAB's investor reporting. Data is reviewed annually by KPMG as part of their assurance of environmental performance data. The costs to realise the opportunity are estimated at \$9.175m annually and made up of internal and external costs. External costs associated with developing these products include bringing NAB issued bond products to market (verification and certification costs and legal fees) and separate costs associated with external assurance for data reporting for our \$70bn target. Internal costs represent NAB employee resources used to investigate and develop these opportunities, and for any new systems needed for implementation of new products. However, these are currently managed as part of business as usual annual budgets and not separately tracked as these 'green' products are largely now considered business as usual. While total costs are not tracked, there are some teams that spend the majority of their time in activities associated with sustainable finance. Salary costs associated with relevant employees in these teams have been estimated and included in the cost total.

**Comment**

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**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Move to more efficient buildings

**Primary potential financial impact**

Reduced indirect (operating) costs

**Company-specific description**

NAB is a large bank with operations in a number of cities – which are spread across multiple buildings, some of which are old and not very energy efficient. Energy efficiency and environmental credentials are key considerations in selection and fit-out of the new buildings NAB occupies. Decisions incorporate energy costs and emissions reductions to help to achieve the Group's emissions reduction targets. Environmental credentials include Green Star and NABERS Energy ratings – these credentials have been applied to the design and development of three new buildings in Sydney and Melbourne during the reporting year. Any higher leasing cost associated with improved environmental credentials is intended to be offset by lower operating costs. This assists with the increased focus on operational expenditure associated with energy and cost savings achieved through energy efficiency programs. Energy costs are less than 0.3% (\$23m) of NAB's operating expenses.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

22000000

**Explanation of financial impact figure**

The overall cost savings associated with NAB's move to more energy efficient buildings are considered confidential. However, NAB's total operating expense for the FY2020 were \$7,304m with energy costs making up less than 0.3% (\$22m) of this amount. Annual cost savings are therefore less than \$22m annually. As an example, our FY20 move into one of our newly designed energy efficiently buildings in Western Sydney is expected to save \$300,000 in avoided energy costs over 12 months when compared with our existing buildings.

**Cost to realize opportunity**

0

**Strategy to realize opportunity and explanation of cost calculation**

The environmental credentials of premises are a key consideration in NAB's selection of main office buildings for lease as this provides for cost and emissions savings. These credentials include Green Star and NABERS Energy ratings. In addition, NAB's design standards for new buildings and fit outs embed energy efficiency requirements. This strategy has driven the design and construction of key new office developments in Sydney and Melbourne due for completion in 2020 and 2021. In Australia buildings over 1000 sq.m are required to be NABERS certified which enables consideration of the buildings' energy efficiency credentials. 70% of NAB's key office buildings in Australia are operating at a 4 Star (or better) NABERS Energy rating and 83% of our key Australian offices are Green Star rated. Any higher leasing costs for NAB associated with better environmental credentials of leased buildings are generally likely offset by lower operating costs. A study of the financial performance of green office buildings by the University of Western Sydney, titled Building Better Returns, indicated rental premiums of 3-5% for Green Star and 5-star NABER Energy rated office buildings. The Australian Government Commercial Building Disclosure website notes that NABERS ratings are associated with reduced operational costs—for every one-star increase in an office building's NABERS Energy rating, there is an estimated 15 per cent saving in energy costs. The lease and fitout cost arrangements for our new buildings are considered commercially sensitive. However, as the NABERS and Green Star selection criteria and energy efficiency requirements are standard requirements for NAB and embedded within existing building selection processes and design requirements, the cost to realise the opportunity is therefore considered to be effectively \$0.

**Comment****Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Energy source

**Primary climate-related opportunity driver**

Use of lower-emission sources of energy

**Primary potential financial impact**

Reduced indirect (operating) costs

**Company-specific description**

NAB is a large bank which operates out of numerous office/branch buildings as well as data centres. The increased use of renewable energy for these buildings (particularly in Australia due to higher purchased energy costs and reducing cost of renewable technologies) will enable reduced energy costs and emissions over time. As the cost of renewable energy technologies decreases, it is increasingly viable for companies such as NAB to pursue their own energy generation and sourcing strategies e.g. increased use of solar PV on premises rooftops and corporate power purchasing agreements from wind and solar farms to assist in reducing operational energy costs. In 2019, NAB expanded its renewable electricity sourcing commitment from 50% to 100% by 2025 and joined RE100. NAB has a strategy to: • increase onsite solar generation (solar panels installed on 73 of NAB's branches, business centres and one data centre with installed capacity of 2,055kW); and • source renewable electricity through power purchasing agreements (NAB is part of an energy purchasing consortium sourcing renewable energy from the 80MW Crowlands Windfarm).

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

690000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

As a bank, NAB's energy costs are less than 0.3% (\$22m) of total operating expenses (\$7,304m) in FY2020. Our renewable strategy is focused on decreasing our emissions and using renewables technologies to assist this and to reduce energy costs. The financial impact is calculated in relation to the generation of solar energy from installed solar panels. This avoided \$690,000 of energy costs in FY2020 representing approximately 3% of total energy costs. No additional financial impact is included for the purchase of renewable electricity from the Crowlands windfarm which replaces existing electricity purchases with a lower emissions alternative.

**Cost to realize opportunity**

**Strategy to realize opportunity and explanation of cost calculation**

In 2019, NAB expanded our renewable electricity sourcing commitment from 50% to 100% by 2025 and joined RE100. As part of this commitment, NAB has a strategy to increase onsite solar generation and to source renewable electricity through power purchasing agreements. Case study – Melbourne Renewable Energy Project (MREP): NAB is one of 14 companies in Australia's first group energy purchasing model currently sourcing renewable electricity from the 80MW Crowlands Windfarm. \$80 million of non-recourse project financing was provided by the National Australia Bank and another major Australian bank. This activity helped to underwrite its construction and has allowed NAB and other consortium members to take more control of their power costs, cut emissions and directly support decarbonisation of the Australian energy grid. Opening in 2019, it has contributed to NAB's proportion of electricity from renewable sources increasing from 3% in 2019 to 7% in 2020 as part of our commitment to the RE100 initiative. The FY2020 cost to realise the opportunity is calculated as \$456k: • \$456k for the cost of sourcing renewable energy certificates generated at the Crowlands Wind Farm from Pacific Hydro • \$0 for installed solar panels. As of September 2019, we have solar panels installed on 73 of NAB's branches, business centres and one data centre with installed capacity of 2,055kW. No new panels were installed in 2020 (energy generation relates to panels installed in prior years at a cost of \$3.2m in those prior years). Any maintenance issues raised with the performance of the solar panels was managed under warranty and there were \$0 additional costs in 2020.

**Comment****C3. Business Strategy****C3.1****(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?**

Yes

**C3.1b****(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?**

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	Yes, in the next two years	No, we do not intend to include it as a scheduled AGM resolution item	NAB Group is in the process of developing a low-carbon transition plan. We have a long-standing commitment to meaningful climate action. In FY2020, we made a commitment to support a just transition to a net zero emissions economy by 2050. Transitioning our operations to renewable energy and working with customers to support their implementation of low-carbon transition plans is part of our strategy to achieve a net zero emissions lending portfolio by 2050. In FY2020, we commenced this process and calculated an initial estimate of the Scope 3 GHG emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors. The coverage of this estimate will be expanded over time. Estimating these emissions provides us with an understanding of relative industry sector carbon intensity and supports us in aligning our lending portfolio to net zero by 2050. NAB Group does not intend to include NAB Group's low-carbon transition plan as a scheduled AGM resolution item. NAB Group, particularly the Board of Directors, encourages transparency and appropriate shareholder discussion and provides shareholders with a range of avenues to raise issues or concerns. The Group has a comprehensive investor relations engagement program, which aims to facilitate regular and extensive engagement between the Board and senior management and investors. Environmental, Social and Governance considerations (including climate risk) regularly form a significant part of this engagement and the Group's progress on such matters is reported through its annual reporting suite of documents including the 2020 Annual Financial Report (pgs 41-49), which contains disclosures aligned to the recommendations of the TCFD as well as its annual results Investor Presentation (slides 43-45), Sustainability Report (pgs 5, 7-8, 10, 29-39) and Sustainability Data Pack. In addition, at each AGM, the Chairman encourages shareholders to ask questions and make comments about the Group's strategy and performance. Shareholders are also invited to submit questions before the AGM, which help NAB Group and the Board of Directors to understand shareholder issues and concerns, and address key areas of shareholder feedback at the Meeting.

**C3.2****(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, qualitative and quantitative

**C3.2a**

**(C3.2a) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios and models applied	Details
<p>IEA Sustainable development scenario IEA NPS Other, please specify (Global Energy Monitors' 1.5°C scenario)</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of changing carbon regulation on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide qualitative and quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. Case study (thermal coal sector review): In FY2019, the Group considered a number of additional climate-related scenarios including the International Energy Agency's New Policies Scenario and Sustainable Development Scenario and a 1.5°C scenario available from Global Energy Monitor. These scenarios were appropriate for NAB as they met the following criteria: • Scenario availability • Output breadth and granularity • Sector coverage • Industry acceptance • Update frequency • Appropriate time horizon (2050 to match public net zero commitment). These scenarios were used to help us understand potential transition pathways for our lending activities across the thermal coal-related sectors (i.e. thermal coal mining and thermal coal-fired power generation) and have helped inform our approach to portfolio alignment with the Paris Agreement goals. The coal mining sector review considered a range of factors including: (i) various climate change scenarios for transition risk; (ii) customer strategies and plans and their alignment to the Paris Agreement temperature goals; (iii) industry trends; (iv) external expert briefings and (v) trends in Group exposures to these sectors. In summary the review highlighted that NAB needed to reduce financing in this sector significantly earlier than 2050. The earlier phase out of coal helps other downstream sectors to decarbonise. This is required for NAB to meet its net zero 2050 lending portfolio commitment. Specifically the results enabled NAB to set ESG-related credit policy setting restrictions on thermal coal-related lending, and strategic announcements that included: - Supporting current coal-fired power generation customers implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. - Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028, intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. After setting initial coal appetite settings in FY19, in FY2020 we reviewed our coal transition pathway against updated IEA climate scenarios and considered changes in transition risks associated with thermal coal mining. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. Additionally, we made a commitment to work with our customers to support their implementation of low-carbon transition plans so we can achieve a net zero emissions lending portfolio by 2050.</p>
<p>Other, please specify (ClimateWorks Australia '1.5°C All-in' and '2°C Innovate' scenarios)</p>	<p>NAB is a signatory to the Collective Commitment to Climate Action (CCCA). The CCCA commits NAB Group to aligning our lending portfolio to net zero carbon emissions by 2050. In 2020, NAB expanded our disclosure on the steps taken to map decarbonisation pathways for our lending portfolio. We estimated the Scope 3 GHG emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors. This recognises the indirect responsibility that arises from our lending and how this lending plays a crucial role in supporting environmental outcomes. This quantitative estimate is limited to Australian customers. Estimating the emissions provides us with an understanding of relative industry sector carbon intensity and supports us in aligning our lending portfolio to the Paris Agreement. This is our first estimate of financed emissions attributable to our lending portfolio, which we will iterate and improve over time. It indicates that we lend approximately \$23,320 to these sectors for every tonne of GHG emissions released to the atmosphere by customers in these segments. Case study – decarbonisation pathways: To extend this work, NAB commissioned ClimateWorks Australia to apply two modelled scenarios from their 'Decarbonisation Futures' report (see Innovation &amp; decarbonisation   solutions project   ClimateWorks Aus (climateworksaustralia.org)) to the five selected segments of NAB's Australian lending portfolio. They provide two decarbonisation pathways ('1.5°C All-in' and '2°C Innovate') to achieve a net zero emissions 2050 lending portfolio, in alignment with the Paris Agreement. The two low carbon pathways illustrated by these scenarios represent aggregated emissions trajectories for the five segments included in the financed emissions estimate. Summarising the results, in the 2°C scenario some sectors are expected to decarbonise faster than others. Scenarios show that a net zero economy following the 1.5°C scenario achieves net zero emissions 15 years faster than a trajectory which follows the 2°C pathway. These sectoral pathways are now critical as we work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023.</p>
<p>RCP 2.6 RCP 4.5</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of physical risks on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide qualitative and quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. Case study: During FY2019, NAB Group worked with the Hub at the University of Melbourne to develop a process to geocode data from the Group's lending portfolio so it could be overlaid with physical climate risk information. Geocoding is a process that converts addresses (like a street address) into coordinates that can pinpoint a property location on a map. This process was developed and piloted in FY2019 using data from the Group's Australian retail mortgage portfolio. The next step is to test this process with other segments of the Group's lending portfolio during the 2021 financial year to ensure the process is repeatable and reliable. This work was delayed in 2020 due to COVID-19 and is expected to be completed in 2021. After geocoding the Group's Australian retail mortgage portfolio, the Hub helped to develop a process for overlaying lending portfolio data with physical climate data. Cyclone data (wind speeds &gt;64 knots or cyclone category 1 and above) was used to test this overlay process and develop the Group's understanding of how to assess the potential impact of physical climate hazards on segments of its lending portfolio under different climate scenarios. Wind speeds from cyclone tracks under four different warming levels (1.1°C, 1.5°C, 2°C and 3°C above pre-industrial levels) were selected and analysed by the Melbourne University Climate and Energy College in collaboration with the Potsdam Institute for Climate Impact Research for use as an indicator of the severity and location of future damage due to tropical cyclones under a changing climate. It was important to use a range of scenarios to help us understand the possible future physical risks due to uncertainties in the climate models. Initial analysis suggests that an increased geographic proportion of the Group's Australian retail mortgage portfolio is likely to experience cyclones under higher warming scenarios. Further work is required to refine this methodology. Future work will include growing the Group's understanding of how to link forecast changes in physical climate impacts such as cyclone frequency, location and severity with possible future changes in probability of default. Following further testing of this approach, the Group will look to add other overlays of physical hazard data such as flooding, drought, and extreme heat, as well as applying the approach to other lending portfolio segments.</p>
<p>Other, please specify (Use of RCP 2.6 and 8.5)</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of physical risks on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. In 2018, we participated in a UNEP FI TCFD pilot of methodologies for climate-related scenario analysis/stress testing which aimed to examine the potential impact of climate change on key segments of bank lending portfolios. Methodology: The advisory and analytics firm, Acclimatise Group Ltd, worked with UNEP FI and the pilot banks on the methodology for physical risk scenarios and stress testing. The pilot group, including NAB, explored three combinations of timeframes and temperature scenarios: 2020s – 2°C and 4°C; 2040s – 2°C; and 2040s – 4°C. The 2°C scenario corresponds to Representative Concentration Pathway (RCP) 2.6 and the 4°C scenario, to RCP 8.5 (the latter being the current trajectory based on present-day emissions). The 2020s and 2040s are centred on the years 2025 and 2045 respectively. We assessed physical risk in two contexts – those where changes in climate are incremental and change slowly over time, and those where extreme events become more frequent and severe. For property, the methodology estimates potential changes in property values and loan-to-value ratios caused by extreme weather events. For other sectors, we estimated the impacts of gradual climate change and extreme events on productivity, revenues and cost of goods sold. This helped to estimate how likely our customers would be to default, and the impact this would have on our loan book. We then performed a borrower level calibration of the pilot methodology for each sub-sector using a small sample of customers and extrapolated this to each sub-sector. During this work, we engaged the insurance sector to build our understanding of the role of insurance in reducing the risk of losses due to physical climate change impacts – now and in the future. To source the data and information needed, we also engaged with Government agencies and universities. We found gaps in the available data and it wasn't always in a compatible format or easy to integrate with bank systems. This made it challenging for us to put climate-related data into the piloted stress testing model. We chose sectors we'd assessed, via a heat mapping process, as having potentially high to medium physical risks to pilot the physical risk methodology – e.g. our Australian agriculture and property exposures. Outcome: The results indicated that more severe physical risks are likely to evolve over longer time horizons and under higher GHG emission scenarios. Therefore, scenarios should project impacts to at least 2040, or further. Based on this work, we expect to see some movement in credit ratings as a result of climate change driven by a range of physical climate risk factors, like occurrence of drought, bushfires and extreme weather events like floods and cyclones. We expect these changes to have more impact over the longer term outside the current business planning cycle, but these impacts are becoming apparent in the short-term, particularly in communities subject to long-term drought. In FY2019, we signed up to participate in UNEP FI's TCFD pilot Phase 2, to extend this work further. We built on the FY2018 experience with the Energy Transitions Hub located at the University of Melbourne to develop a process to geocode data from the Group's Australian lending portfolio so it could be overlaid with physical climate risk information. Methodology details applied to this physical risk scenario analysis were published in a report by UNEP FI and Acclimatise: Navigating a new climate.</p>

**C3.3**



**(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	As a founding signatory of the UN Principles for Responsible Banking (PRB) and the only Australian bank to have joined the UN Collective Commitment to Climate Action (CCCA), we want to show industry leadership in making a positive impact on society. Under Principle "2. Impact and target setting" we will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts. Case study – Environmental Financing: In FY2019, NAB reviewed our progress against our environmental financing commitment and further investigation and research on climate-related opportunities to assist our customers through the provision of products and services to help customers make the low carbon transition or to adapt and build resilience to climate change. As a result, and as part of NAB's new Group Strategy, we increased our environmental finance commitment from \$55 billion to \$70 billion by 2025, and by increasing our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion. We are pursuing these opportunities across our portfolio, from institutional and corporate financing to retail deposits. During FY2020, NAB continued its market-leading role, participating in 12 public green, social and sustainability bond deals, one sustainability linked US Private Placement (USPP), two Climate Bond Certified green loans, and two sustainability-linked loans. This included a range of Australian and global firsts. Since 2015, we have provided \$42.5 billion in environmental financing against our target to help our customers address climate change and support the transition to a low-carbon economy. We also restricted risk appetite/credit policy settings and introduced climate transition pathways for our thermal coal mining and thermal coal-fired power generation lending.
Supply chain and/or value chain	Yes	From a supply chain perspective (upstream in the value chain) in FY2019, NAB reevaluated the opportunity to purchase renewable energy to reduce our operational GHG gas emissions and to support customers building renewable energy projects. As a result of this review and as part of NAB's new Group Strategy, we increased our operational renewable energy consumption commitment from 50% to 100% by 2025 and joined the RE100 initiative. Case study – Melbourne Renewable Energy Project (MREP): NAB is one of 14 companies in Australia's first group energy purchasing model currently sourcing renewable electricity from the 80MW Crowlands Windfarm. \$80 million of non-recourse project financing was provided by the National Australia Bank and another major Australian bank. This activity helped to underwrite its construction and has allowed NAB and other consortium members to take more control of their power costs, cut emissions and directly support decarbonisation of the Australian energy grid. Opening in 2019, it has contributed to NAB's proportion of electricity from renewable sources increasing from 3% in 2019 to 7% in 2020 as part of our commitment to the RE100 initiative. From a customer perspective (downstream in the value chain), in FY2019, following review of our progress against our environmental financing commitment and further investigation and research on climate-related opportunities to assist our customers through the provision of products and services to help customers make the low carbon transition or to adapt and build resilience to climate change, we increased our environmental finance commitment from \$55 billion to \$70 billion by 2025, by increasing our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion (cumulative flow since 1 October 2015). Since 2015, we have provided \$42.5 billion (as at 30 Sept. 2020) in environmental financing to help our customers address climate change and support the transition to a low-carbon economy. We also restricted risk appetite/credit policy settings and introduced climate transition pathways for our thermal coal mining and thermal coal-fired power generation lending.
Investment in R&D	Yes	NAB is a signatory to the Collective Commitment to Climate Action (CCCA). The CCCA commits NAB Group to aligning our lending portfolio to net zero carbon emissions by 2050. In 2020, NAB expanded our disclosure on the steps taken to map decarbonisation pathways for our lending portfolio. We estimated the Scope 3 GHG emissions attributable to NAB in Australia as they relate to our lending to the agricultural, residential mortgages, commercial real estate (office and retail), power generation and resources (including coal, oil and gas) sectors. Case study – decarbonisation pathways: To extend this work, NAB commissioned ClimateWorks Australia to apply two modelled scenarios from their 'Decarbonisation Futures' report (see Innovation & decarbonisation   solutions project   ClimateWorks Aus (climateworksaustralia.org) to the five selected segments of NAB's Australian lending portfolio. They provide two decarbonisation pathways ('1.5°C All-in' and '2°C Innovate') to achieve a net zero emissions 2050 lending portfolio, in alignment with the Paris Agreement. The two low carbon pathways illustrated by these scenarios represent aggregated emissions trajectories for the five segments included in the financed emissions estimate. Summarising the results, in the 2°C scenario some sectors are expected to decarbonise faster than others. Scenarios show that a net zero economy following the 1.5°C scenario achieves net zero emissions 15 years faster than a trajectory which follows the 2°C pathway. These sectoral pathways are now critical as we work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023.
Operations	Yes	Since the 2019 reporting period, aligned with the Principles for Responsible Banking and as part of the targets supporting NAB's new Group Strategy, a new energy reduction target was set to reduce energy use by 30% by 2025 from a 2019 base year. The new target covers 100% of NAB Group's reported gross Scope 1 & 2 energy use across all regions. Case study – improving energy efficiency in operations: During FY20, the program of work to improve energy efficiency across all NAB occupied buildings continued, this included (with estimated annual CO2-e savings in metric tonnes in brackets): - move to purpose built energy efficient buildings (4,633) - lighting upgrades (553) - printer fleet migration (173) - door opening sensors and draught proofing (3) - air conditioning process improvement (5) The above initiatives have contributed to an 11% reduction in energy use since 2019.

**C3.4**

**(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	Direct costs Capital expenditures Provisions or general reserves	Provisions or general reserves: Where relevant, NAB raises forward-looking provisioning adjustments to address targeted sector and idiosyncratic stress events including, for example, climate-related risks. In FY2020, due to the easing of drought conditions for the bulk of exposures, our 2020 Full Year Investor Presentation (slide 84) discloses that NAB had made collective provision forward looking adjustments of \$89m to address impact of extreme weather/drought conditions. Provisions are reviewed periodically, directly impact NAB's profit & loss position, and are part of the Bank's regular financial disclosures (made at least at half and full year). Capital expenditures: Capital expenditure associated with energy efficiency, GHG and water reduction initiatives form a specific environmental capex budget on an annual basis. Initiatives considered for this annual budget are planned 2-3 years in advance providing us with flexibility should initiatives in the current year not proceed. For example in 2020, this capital budget was allocated toward lighting energy efficiency upgrades of \$353K and water efficiency opportunities of \$500K. Direct costs: Costs for meeting our commitment to purchasing 100% renewable energy by 2025 were considered in our decision process to make this commitment through to 2025. We have included detailed modelling of forecast Large Generation Certificate prices in our FY2021 budget planning process.

**C3.4a**

**(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

**C-FS3.6**

**(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?**

Yes, both of the above

## (C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Risk policy Other, please specify (Risk Appetite Statement/Group Environmental Management Policy)	All of the portfolio	NAB's Risk Management Strategy (not public) describes our strategy for managing risk and the key components of our Risk Management Framework (RMF), including at a high level our approach to managing governance and risk associated with ESG issues, including climate-related risk. Further detail is set out in our Group Environmental Policy (available on our website), our ESG-related Credit Policy requirements (not public), and our High Risk ESG Sectors and Sensitive Areas List (not public). These principles, policies, and tools such as ESG Checklists, provide guidance to material risk owners and bankers to help them identify how ESG risk, including climate risk, may manifest in their risk category, portfolio or customer group. The RMS and its supporting frameworks apply to National Australia Bank Limited and its controlled entities (the Group). Additionally, NAB Group's Environmental Management Policy sets the minimum environmental management and stewardship requirements to enable our bankers and colleagues to operate in line with strategy and risk appetite, and manage environmental risk, including climate risk and opportunities. It includes an expectation that NAB Group will provide products and services which support customer adoption of low-carbon and clean technologies and help customers to adapt and build resilience to climate change and manage natural capital risks and opportunities. The Group's Environmental Reporting and Offset Management Policy specifies requirements for managing its environmental finance and operational performance data, information and reporting (both internal and external) to help the Group manage and meet regulatory obligations and voluntary commitments – including (i) a requirements to align the Group's climate-related risk disclosures to the recommendations of the Taskforce on Climate-related Financial Disclosures and (ii) requirements for offset portfolio and renewable energy certificates management and reporting. Our Risk Appetite Statement, High Risk ESG Sectors and Sensitive Areas List and Divisional Credit Appetite Strategies provide guidance to employees, particularly bankers, about NAB Group's risk appetite and policy position with respect to sectors and activities with high ESG risk, including those which are carbon intensive, climate sensitive (like agriculture) and low carbon. Customers in sectors designated as having high inherent ESG risk, including climate risk, require additional risk assessment and due diligence, and in some cases, particular exclusions or prohibitions will apply. A number of these exclusions, including some related to fossil-fuel related sectors (coal, oil and gas) are publicly available on our website, as are our transition pathways to align our thermal coal mining and power generation exposures to the temperature goals of the Paris Agreement. Key exclusions include that NAB Group will not finance: • New thermal coal mining projects or new-to-bank thermal coal mining customers. • Oil/tar sands extraction projects. • Oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. • New or material expansions of coal-fired power generation facilities, unless there is technology in place to materially reduce emissions. Our ESG Credit Risk policy requires that bankers undertake an ESG Risk Assessment including review of customers' climate change strategy, key climate risks and risk management practices, and climate-related transition plans, performance and disclosures. These Credit Policy requirements cover lending activities primarily related to Corporate & Institutional and Business Lending for small-to-medium sized enterprises. References: - Group Environmental Management Policy and Group Environmental Reporting and Offset Management Policy are available here: <a href="https://www.nab.com.au/about-us/social-impact/environmental-environmental-approach">https://www.nab.com.au/about-us/social-impact/environmental-environmental-approach</a> - ESG Risk Management webpage including ESG risk policy settings for fossil fuel-related sectors and activities: <a href="https://www.nab.com.au/about-us/social-impact/shareholders/esg-risk-management">https://www.nab.com.au/about-us/social-impact/shareholders/esg-risk-management</a> - Climate Change webpage include NAB Group's thermal coal mining and power generation transition pathways: <a href="https://www.nab.com.au/about-us/social-impact/environment/climate-change">https://www.nab.com.au/about-us/social-impact/environment/climate-change</a>
Investing (Asset manager)	Investment policy/strategy	All of the portfolio	The MLC Asset Management Services Limited (MSL) Responsible Investment (RI) Policy is publicly available here: <a href="https://www.mlcam.com.au/responsible-investment-policy">https://www.mlcam.com.au/responsible-investment-policy</a> This policy governs MLC's approach to managing portfolios to ensure ESG risk, including climate risk, is appropriately taken into account by all our underlying investment managers. This also includes reference to our policy related to Proxy Voting. The Policy sets out the range of ESG factors that MLC expects to be managed in association with its portfolios. This includes climate change. The policy sets out the three key Principles which describe the approach to managing ESG risk, including climate risk: Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes. Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices. Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest. The RI Policy also sets out MLC Asset Management Services Limited's response to managing climate risk. MSL approaches climate risk from two perspectives. Firstly, from a manager research perspective, we incorporate this risk into our broader ESG risk assessment. Given its importance, we include an explicit climate change section in the regular reporting we require from our underlying managers. We expect our managers to analyse these risks proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Secondly, from an asset allocation perspective, we consider how different types of assets could be impacted in various climate change scenarios. This incorporates an assessment of how climate change risk may differ between regions and markets. For example, we may attach a higher risk premium to regions with a higher exposure to carbon-intensive industries to reflect the increased climate change risk. Climate change is a rapidly developing field in terms of both the science and community expectations and we will continually evolve our approach to managing this risk. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	Sustainable/Responsible Investment Policy	All of the portfolio	The Responsible Investment Policy of NULIS Nominees (Australia) Limited for (MLC Super Fund and MLC Superannuation Fund) which is publicly available here: <a href="https://www.mlc.com.au/content/dam/mlc/documents/governance/nulis-nominees-esg-risk-management-policy.pdf">https://www.mlc.com.au/content/dam/mlc/documents/governance/nulis-nominees-esg-risk-management-policy.pdf</a> This document describes the Trustee's approach to Responsible Investment for NULIS Nominees (Australia) Limited in its capacity as Trustee of the MLC Super Fund and MLC Superannuation Fund ('the Fund'). The Trustee recognises and actively considers the expectations of fund members and broader stakeholders that a responsible approach to investment is adhered to. Appendix 1 to the Policy sets out the range of ESG factors that NULIS expects may be considered in relation to a range of investment types, including but not limited to listed and unlisted equities, fixed interest and property. Where the investment pertains to a company, the Policy notes that ESG factors can arise directly through the entity's own operations, or indirectly through those of its customers and suppliers, or may additionally relate to the industry or regulatory environment in which the company operates. Climate change is included in the list of ESG factors for consideration. The Trustee requires the Investment Consultant, Portfolio Manager and, in turn, underlying Investment Managers, to have sound practices to identify ESG factors and any potential risks and opportunities that may arise in a manner that is relevant to the investment strategy, asset class and investment approach of the investment option concerned. The Trustee will exclude Investment Managers that do not satisfactorily consider ESG factors in their investment process in a manner that is relevant to their investment strategy, asset class and investment approach as they relate to the MLC Super Fund investment options. There are currently no Fund wide exclusions, though future exclusions are to be considered as part of the annual review of the policy. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Other, please specify ((1) Issuing of Green Bonds by National Australia Bank and (2) separately arranging and underwriting Green Bonds on behalf of customers)	All of the portfolio	(1) The NAB SDG Green Bond Framework (the 'Framework') relates to all issuances by National Australia Bank Limited ('NAB') or its related entities of 'green' instruments recognised under the Climate Bonds Standard of the Climate Bonds Initiative ('NAB SDG Green Bonds'). The Framework applies to all issuances of NAB SDG Green Bonds which will seek Programmatic Certification under the Climate Bonds Standard. NAB SDG Green Bonds may include instruments such as use of proceeds bonds (senior unsecured or subordinated), securitised bonds (asset-backed and residential mortgage-backed securities (ABS and RMBS, respectively)), project bonds, loans (syndicated, bilateral or loan facilities) or other instruments, as detailed within the Climate Bonds Standard and may be issued by NAB or its related entities. This Framework is supported by NAB's internal procedures, processes and controls. The NAB SDG Green Bonds Framework is available on our website here: <a href="https://capital.nab.com.au/docs/NAB_SDG_Green_Bond_Framework.pdf">https://capital.nab.com.au/docs/NAB_SDG_Green_Bond_Framework.pdf</a> (2) When NAB is arranging and underwriting Green Bonds on behalf of customers, our policy is that all transactions follow: (a) the issuer's (customer's) sustainability-related Framework; and (b) either an Second-Party opinion aligned to Green Bond Principles /Sustainability-Linked Bond Principles/Social Bond Principles or Climate Bond Standard certification.



**(C-FS3.6b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.**

Type of exclusion policy	Portfolio	Application	Description
Coal	Bank lending	New business/investment for new projects	Although NAB continues to support existing customers across the mining and energy sectors to facilitate an orderly transition to a low-carbon economy, we will not finance new thermal coal mining projects or new-to bank thermal coal mining customers, nor will we finance new or material expansions of coal-fired power generation facilities, unless there is technology in place to materially reduce emissions. The exclusion is based on industry code and analysis of the activities conducted by a customer during our ESG risk assessment process. This Policy came into effect in FY2018. Our exposure to thermal coal mining and coal-fired power is reported for our shareholders and other stakeholders every six months in our Half and Full Year Investor Presentations.
Oil & gas	Bank lending	New business/investment for new projects	Although NAB continues to support existing customers across the mining and energy sectors to facilitate an orderly transition to a low-carbon economy, we will not finance: - Oil/tar sands extraction projects. - Oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. We currently have no exposure (measured as Exposure at Default) to oil and gas activities for oil/tar sands extraction or within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. This Policy came into effect in FY2018.

**C-FS3.7****(C-FS3.7) Are climate-related issues factored into your external asset manager selection process?**

Yes, for all assets managed externally

**C-FS3.7a****(C-FS3.7a) How are climate-related issues factored into your external asset manager selection process?**

	Process for factoring climate-related issues into external asset management selection	Comment
Row 1	Review asset manager's climate-related policies	All external asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like climate change (as well as other environmental risks) and how it can impact the long-term prospects for companies in their investment universe. We have created a bespoke quarterly report, which all of our external managers are required to fill in, which includes reporting on their activity/engagement as it relates to climate change. We expect our managers to analyse these risks proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.

**C4. Targets and performance****C4.1****(C4.1) Did you have an emissions target that was active in the reporting year?**

Absolute target

**C4.1a****(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.****Target reference number**

Abs 1

**Year target was set**

2016

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (location-based)

**Base year**

2015

**Covered emissions in base year (metric tons CO2e)**

150893

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2025

**Targeted reduction from base year (%)**

51

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

73937.57

**Covered emissions in reporting year (metric tons CO2e)**

88491.55

**% of target achieved [auto-calculated]**

81.0877802904876

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

Well-below 2°C aligned

**Please explain (including target coverage)**

2020 was our fifth-year reporting against a medium-term (10 year) science-based target (SBT) for NAB Group's global operations to decrease Scope 1 & 2 Greenhouse Gas (GHG) emissions for our stationary and transport energy. In 2020, we delivered a 41% reduction in Scope 1 & 2 GHG emissions from our 2015 base year for this target. The Science-Based Target Initiative is now urging organisations to align their targets to the more ambitious "well-below 2°C" warming scenario, rather than the previous "2°C only" scenario. As such, in 2020 we revised the Group's science-based target to align with this and included data centre emissions (both in target and in baseline), which were previously excluded due to methodology constraints. This has increased the Group's current emissions reduction target from 21% to 51% by 2025 and will increase our emissions coverage to >99% of our Scope 1 & 2. We plan to achieve the restated target of 51% through (i) the Group's commitment to procure 100% of electricity from renewable sources (zero emissions) by 2025, (ii) the reduction in energy use through decommissioning of the tri-generation unit and (iii) the consolidation of staff into energy efficient buildings. This target was informally reviewed by the Science-based Target Initiative (SBTI), who confirmed it is considered science-based. This target applies the Sectoral Decarbonisation Approach 'Service Buildings' methodology given our emissions largely arise from office building based activities and our bank branches. NAB Group's SBT covers our global Scope 1 and 2 GHG emissions across all GHGs required in the GHG Protocol Corporate Standard.

**Target reference number**

Abs 2

**Year target was set**

2020

**Target coverage**

Country/region

**Scope(s) (or Scope 3 category)**

Scope 3 (upstream)

**Base year**

2019

**Covered emissions in base year (metric tons CO2e)**

4679

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2025

**Targeted reduction from base year (%)**

70

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

1403.7

**Covered emissions in reporting year (metric tons CO2e)**

2918

**% of target achieved [auto-calculated]**

53.7660672304827

**Target status in reporting year**

New

**Is this a science-based target?**

No, but we are reporting another target that is science-based

**Target ambition**

&lt;Not Applicable&gt;

**Please explain (including target coverage)**

NAB's business flights reduction target aims to reduce Scope 3 GHG emissions from business flights by 70% by 2025 from a 2019 baseline of 4,679 tonnes CO2-e. This target applies to New Zealand operations, so it covers 13.5% of the regions where NAB operates. Achievement of this target supports NAB's carbon neutral status and helps us reduce our overall GHG emissions. In 2020, 2,918 tonnes CO2-e were produced from business flights, a 32% reduction from the baseline. Based on this, NAB is currently on track to meet the 2025 reduction target.

**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

Target(s) to increase low-carbon energy consumption or production

Other climate-related target(s)

**C4.2a**

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**(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.**

**Target reference number**

Low 1

**Year target was set**

2019

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: energy carrier**

Electricity

**Target type: activity**

Consumption

**Target type: energy source**

Renewable energy source(s) only

**Metric (target numerator if reporting an intensity target)**

Percentage

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

3

**Target year**

2025

**Figure or percentage in target year**

100

**Figure or percentage in reporting year**

7.3

**% of target achieved [auto-calculated]**

4.43298969072165

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

Yes, achievement of this target contributes towards NAB Group's overarching science-based GHG reduction target (SBT) to reduce Scope 1 and 2 GHG emissions by 51% by 2025, from a 2015 base year.

**Is this target part of an overarching initiative?**

RE100

**Please explain (including target coverage)**

In 2019, NAB set a commitment to source 100% of our Group-wide electricity from renewable sources by 2025. As at 2020, NAB has contributed to this target through the voluntary surrender of Large-Scale renewable energy Certificates (LGC's) in Australia and acquisition of renewable electricity in the UK. We began voluntarily surrendering renewable energy certificates in 2019, with renewable energy accounting for 3% of NAB's Group-wide electricity consumption in the baseline year. In 2020, renewable energy accounts for 7.3% of Group-wide electricity consumption. This target replaces NAB Group's previous renewable energy target of 50% Australian electricity from renewable energy by 2025.

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**C4.2b**

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**(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.**

**Target reference number**

Oth 1

**Year target was set**

2020

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Energy consumption or efficiency	GJ
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**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

759096

**Target year**

2025

**Figure or percentage in target year**

531367.2

**Figure or percentage in reporting year**

675458.71

**% of target achieved [auto-calculated]**

36.7267073817629

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

Yes, achievement of this target contributes towards NAB Group's ten-year science-based GHG emissions reduction target (SBT) to reduce Scope 1 and 2 GHG emissions by 51% by 2025, from a 2015 base year.

**Is this target part of an overarching initiative?**

Science Based Targets initiative

**Please explain (including target coverage)**

NAB's group-wide, medium-term target is to reduce energy use by 30% by 2025 from a 2019 base year (including data centres). Achievement of this target supports NAB's carbon neutral status and help us reduce our overall greenhouse gas (GHG) emissions. In 2020, NAB was on track to meet this 2025 target, reducing our energy use by 11% from 2019. This target covers 100% of NAB's reported Scope 1 & 2 energy use across all regions, net of energy produced through our rooftop solar generation.

**Target reference number**

Oth 2

**Year target was set**

2020

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Waste management	metric tons of waste generated
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**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

1871

**Target year**

2025

**Figure or percentage in target year**

1683.9

**Figure or percentage in reporting year**

1451

**% of target achieved [auto-calculated]**

224.47888829503

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

No, NAB Group's waste target does not contribute to our overarching science-based GHG reduction target (SBT). Waste is a Scope 3 inventory item and NAB Group's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB's group-wide, medium-term waste reduction target is to reduce waste to landfill by 10% by 2025 from a 2020 baseline of 1,871 metric tonnes. This target supports NAB's carbon neutral status and helps us reduce our overall GHG emissions. In 2020, 1,451 metric tonnes of general waste was sent to landfill, a 22% reduction from the baseline. Waste to landfill was driven down, in part, because we were able to increase our diversion of waste to recycling streams. The reduced occupation of our buildings, due to the COVID-19 pandemic, also played a significant role in reducing our waste to landfill. Based on these factors, NAB is currently on track to meet the 2025 reduction target. This target covers 100% of reported waste to landfill (tonnes) generated across all regions where NAB operates.

**Target reference number**

Oth 3

**Year target was set**

2020

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Resource consumption or efficiency	metric tons of paper consumed
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**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

514

**Target year**

2025

**Figure or percentage in target year**

411.2

**Figure or percentage in reporting year**

397

**% of target achieved [auto-calculated]**

113.813229571984

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

No, NAB Group's office paper target does not contribute to our overarching science-based GHG reduction target (SBT). Office paper is a Scope 3 inventory item and NAB Group's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB's group-wide paper reduction target is to reduce office paper by 20% by 2025 from a 2019 baseline of 514 metric tonnes. Achievement of this target supports NAB's carbon neutral status and helps us reduce our overall Scope 3 GHG emissions. In 2020, 397 metric tonnes of office paper was used, a 23% reduction from the baseline. This was mainly driven by an increased number of employees working from home, due to the COVID-19 pandemic, and printing resources not being available. In addition, as a result of the pandemic, significant advances were made in digitisation in 2020. Towards the end of the 2020 reporting year, as the use of DocuSign and other applications became widespread, printing rates and the need for paper reduced. Based on this, NAB is currently on track to meet the 2025 reduction target. This target covers 100% of reported Office paper A3, A4 and A5 usage (t) across regions where NAB operates.

**Target reference number**

Oth 4

**Year target was set**

2020

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Resource consumption or efficiency	Other, please specify (kL of potable water consumed)
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**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

385005

**Target year**

2025

**Figure or percentage in target year**

365755

**Figure or percentage in reporting year**

302660

**% of target achieved [auto-calculated]**

427.766233766234

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

No, NAB Group's water reduction target does not contribute to our overarching science-based GHG reduction target (SBT). Water is a Scope 3 inventory item and NAB Group's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB's group-wide water target is to reduce potable water withdrawal by 5% by 2025 to 365,755 kL from a 2019 base year of 385,005 kL. Achievement of this target supports NAB's carbon neutral status and helps us reduce our overall Scope 3 GHG emissions. In 2020, NAB's potable water use was 302,660 kL, a 21% reduction from the baseline. The decrease in water use, particularly in our commercial buildings, was driven by an increase in the number of employees working from home globally due to the COVID-19 pandemic. This target covers 100% of reported potable water withdrawal (kL) across the regions where NAB operates.

**Target reference number**

Oth 5

**Year target was set**

2020

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Green finance	Green finance raised and facilitated (denominated in currency)
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**Target denominator (intensity targets only)**

&lt;Not Applicable&gt;

**Base year**

2015

**Figure or percentage in base year**

0

**Target year**

2025

**Figure or percentage in target year**

7000000000

**Figure or percentage in reporting year**

4250000000

**% of target achieved [auto-calculated]**

60.7142857142857

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

No, our environmental financing target does not contribute to our overarching science-based GHG reduction target (SBT). The finance provided would reduce customer emissions and is therefore a Scope 3 inventory item. NAB Group's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB Group's environmental financing target is to provide \$70\* billion in environmental financing over 10 years (from 2015-2025) to assist the low carbon transition. This includes: • \$35 billion to support green infrastructure, capital markets and asset finance. • \$35 billion in in new mortgage lending flow for 6-Star residential housing in Australia (new dwellings and significant renovations). This target covers 100% of the identified areas across the regions where NAB operates. \*Represents total cumulative new flow environmental financing from 1 October 2015. This target covers 100% of the identified areas across the regions where NAB Group operates (Refer to 2020 Sustainability data pack – financing tab). • Lending for green commercial buildings: These buildings rate within the top 15% NABERS energy efficiency rating and contribute towards an overall reduction in energy demand. • Specialised lending, corporate and securitisation finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses: This lending includes large-scale renewable energy generation projects, finance for adaptation projects and low emissions transport infrastructure. • Asset finance: customer leased assets that improve energy efficiency or generate renewable energy. • Green term deposits: Customer UBank Green term deposits • Green bonds: The proceeds of green bonds issued and arranged by NAB are used for investments in renewable energy, low-carbon public

transport, low-carbon buildings, energy efficiency and nature-based assets which are eligible under the Climate Bonds Taxonomy and contribute to the sustainable development goals. • Advisory activities, underwriting and arranging: These activities are included when they are related to activities such as renewable energy, low-carbon public transport (e.g. electrified rail), energy efficiency, sustainable agriculture, sustainable water infrastructure and adaptation infrastructure. • Lending to support development of 6-Star Residential properties: This is cumulative lending flow (since 1 October 2015) for construction and significant renovations of homes that meet a minimum NatHERS 6-Star (or equivalent) standard. This supports the low carbon transition in a key segment of Australia's economy and assists in reducing residential energy demand and greenhouse emissions.

**Target reference number**

Oth 6

**Year target was set**

2020

**Target coverage**

Country/region

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

Energy consumption or efficiency	Other, please specify (GJ of vehicle fuel consumed)
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**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

120686

**Target year**

2025

**Figure or percentage in target year**

60343

**Figure or percentage in reporting year**

98785

**% of target achieved [auto-calculated]**

36.2941849096001

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

Yes, achievement of this target contributes towards NAB's ten-year science-based GHG emissions reduction target (SBT) to reduce Scope 1 and 2 GHG emissions by 51% by 2025, from a 2015 base year.

**Is this target part of an overarching initiative?**

Science Based Targets initiative

**Please explain (including target coverage)**

NAB's vehicle fuels reduction target is to reduce vehicle fuel by 50% by 2025 from a 2019 baseline of 120,686 GJ. Achievement of this target supports NAB's carbon neutral status and helps us reduce our overall GHG emissions. In 2020, 98,785 GJ of vehicle fuels were consumed, an 18% reduction from the baseline. Based on this, NAB is currently on track to meet the 2025 reduction target. This reduction in vehicle fuels was mainly driven by travel bans during the last quarter of 2020 due to the COVID-19 pandemic. This target covers 97.7% of the regions where NAB operates as it only applies to Australian and New Zealand operations.

**C4.3**

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

**C4.3a**

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	6	
To be implemented*	0	0
Implementation commenced*	6	4087
Implemented*	5	5367
Not to be implemented	3	

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

**Initiative category & Initiative type**

Energy efficiency in buildings	Other, please specify (Move to purpose built energy efficient building)
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**Estimated annual CO2e savings (metric tonnes CO2e)**

4633

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

949725

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

16-20 years

**Comment**

Employees were moved from several older, energy inefficient buildings and consolidated into a purpose-built energy efficient building. This long-term strategic initiative is estimated to save 4,633 tonnes CO2-e annually. Please note that the zero investment (AUD\$) value indicates that the environmental specific spend cannot be separated from the cost of the underlying core project. Where specific spend cannot be identified, it is not calculated.

**Initiative category & Initiative type**

Energy efficiency in buildings	Lighting
--------------------------------	----------

**Estimated annual CO2e savings (metric tonnes CO2e)**

553

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

633342

**Investment required (unit currency – as specified in C0.4)**

2198919

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Improving energy efficiency through lighting upgrade to LEDs.

**Initiative category & Initiative type**

Other, please specify	Other, please specify (Machine replacement)
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**Estimated annual CO2e savings (metric tonnes CO2e)**

173

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

20952

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback



**Estimated lifetime of the initiative**

3-5 years

**Comment**

Printer fleet migration, to right size, more energy efficient devices. Please note that the zero investment (AUD\$) value indicates that the environmental specific spend cannot be separated from the cost of the underlying core project. Where specific spend cannot be identified, it is not calculated.

**Initiative category & Initiative type**

Energy efficiency in buildings	Draught proofing
--------------------------------	------------------

**Estimated annual CO2e savings (metric tonnes CO2e)**

3

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

450

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Door opening sensors installed at branches to reduce required space conditioning. Please note that the zero investment (AUD\$) value indicates that the environmental specific spend cannot be separated from the cost of the underlying core project. Where specific spend cannot be identified, it is not calculated.

**Initiative category & Initiative type**

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)
--------------------------------	--

**Estimated annual CO2e savings (metric tonnes CO2e)**

5

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

1586

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

No payback

**Estimated lifetime of the initiative**

3-5 years

**Comment**

Afterhours air conditioning process improvement. Please note that the zero investment (AUD\$) value indicates that the environmental specific spend cannot be separated from the cost of the underlying core project. Where specific spend cannot be identified, it is not calculated.

## C4.3c

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

Method	Comment
Dedicated budget for energy efficiency	NAB Group maintains a dedicated budget for energy efficiency, carbon reduction and other environmental initiatives.
Dedicated budget for other emissions reduction activities	NAB Group maintains a dedicated budget for energy efficiency, carbon reduction and other environmental initiatives.
Internal price on carbon	NAB Group includes an internal carbon price in our business case template for environmental capital works. This is used to help drive capital investment in energy efficiency and carbon reduction initiatives.
Other (Environmental standards considered in procurement of goods and services)	NAB Group continues to work with partners and suppliers to ensure that appropriate energy efficiency, carbon reduction and environmental standards are met when procuring goods and services that have a significant impact on our carbon footprint (ie provision of IT and associated energy efficiency requirements; as well as including energy requirements in our office building and branch property design standards).
Internal finance mechanisms	NAB Group considers forecast increases in energy costs in business cases for energy efficiency opportunities and capital works.
Internal incentives/recognition programs	Successful implementation of emissions reduction activities is incorporated in the performance assessment for relevant Property, Environment and Technology employees. Emission and power reduction targets are also incorporated in key Property and Technology services agreements.

**C4.5**

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

**C4.5a**

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.**

**Level of aggregation**

Product

**Description of product/Group of products**

Green bonds (climate bonds)

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product and avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Climate Bonds Taxonomy

**% revenue from low carbon product(s) in the reporting year**

4.28

**% of total portfolio value**

6.6

**Asset classes/ product types**

Investing	Fixed Income
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**Comment**

The percentage revenue figure (4.28%) provided relates to bond products only. It represents the % revenue for arranging/underwriting of green (climate) bonds for customers as a percentage of total bond revenue arranged and underwritten in FY2020. The percentage of total portfolio value (6.6%) relates to bond products only. It represents the portfolio value of green (climate) bonds arranged and underwritten for customers during FY2020, as a percentage of the total bond portfolio value arranged and underwritten during FY2020.

**Level of aggregation**

Product

**Description of product/Group of products**

Climate-related Project Finance - climate adaptation, low carbon and renewable energy

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Low-Carbon Investment (LCI) Registry Taxonomy

**% revenue from low carbon product(s) in the reporting year**

13.6

**% of total portfolio value**

21.98

**Asset classes/ product types**

Bank lending	Project Finance
--------------	-----------------

**Comment**

The taxonomy we use is aligned to the Low-Carbon Investment Registry Taxonomy, but also includes desalination plants powered by renewable energy which have been

constructed as part of an adaptation response to climate change. The percentage revenue figure provided (13.6%) relates to revenue from climate related project finance including (i) adaptation related projects (desalination projects for water security), (ii) low carbon transport projects (e.g. light rail for mass transit), and (iii) renewable energy revenue as a % of total Specialised and Acquisition Finance revenue for FY2020. For % of total portfolio value, 21.98% represents the total share of climate-related project finance as a percentage of the project finance portfolio – expressed as EAD – as at 30 September 2020.

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**Level of aggregation**

Group of products

**Description of product/Group of products**

Customer Statements

**Are these low-carbon product(s) or do they enable avoided emissions?**

Avoided emissions

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (We used the Greenhouse Gas Protocol Scope 3 guidance as a methodology for the basis of our avoided emissions calculation. We also used emissions factors provided by the Environment Protection Authority Victoria, Publication No. 1374.1.)

**% revenue from low carbon product(s) in the reporting year**

0

**% of total portfolio value**

0

**Asset classes/ product types**

Bank lending	Other, please specify (All bank paper statements sent to customers)
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**Comment**

A reverse calculation is applied to NAB Group's customer statements converting the number of online statements into avoided tCO<sub>2</sub>-e. This reverse calculation provides the volume of GHG emissions avoided through the purchase of carbon neutral paper for customer statements. As this is an avoided cost and does not result in revenue, therefore both % revenue and % of total portfolio value fields have been included as 0. We selected 'Bank Lending' as an Asset class/product type because the statements are provided to customers as part of our service to them.

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## C5. Emissions methodology

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### C5.1

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## **(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

### **Scope 1**

#### **Base year start**

July 1 2014

#### **Base year end**

June 30 2015

#### **Base year emissions (metric tons CO2e)**

16544

#### **Comment**

This data is comprised of all of NAB's Group Scope 1 GHG emissions from the 2015 environmental reporting period excluding Great Western Bank (GWB) and the Clydesdale and Yorkshire Banking Group (CYBG) as these entities were divested from the Group after the base year. It has had emissions data applicable to the Wood St office in London added back in, as this site became NAB's London office and housed NAB staff after the divestment of CYBG.

### **Scope 2 (location-based)**

#### **Base year start**

July 1 2014

#### **Base year end**

June 30 2015

#### **Base year emissions (metric tons CO2e)**

134349

#### **Comment**

This data is comprised of all of NAB's Group Scope 2 GHG emissions from the 2015 environmental reporting period excluding Great Western Bank (GWB) and the Clydesdale and Yorkshire Banking Group (CYBG) as these entities were divested from the Group after the base year. It has had emissions data applicable to the Wood St office in London added back in, as this site became NAB's London office and housed NAB staff after the divestment of CYBG.

### **Scope 2 (market-based)**

#### **Base year start**

July 1 2014

#### **Base year end**

June 30 2015

#### **Base year emissions (metric tons CO2e)**

133680

#### **Comment**

NAB purchased Certificates of Origin to represent 100% of Scope 2 UK emissions. Because the Certificate of Origin energy generates no emissions, for our market-based figure we have used a zero emissions factor. For our location-based figure we have used the grid sub-region average factor multiplied by our purchased and consumed electricity.

## **C5.2**

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### **(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.**

Australia - National Greenhouse and Energy Reporting Act

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

IEA CO2 Emissions from Fuel Combustion

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

New Zealand - Guidance for Voluntary, Corporate Greenhouse Gas Reporting

The Climate Registry: General Reporting Protocol

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

The Greenhouse Gas Protocol: Scope 2 Guidance

US EPA Emissions & Generation Resource Integrated Database (eGRID)

Other, please specify (See C5.2a for additional resources used)

## **C5.2a**

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### **(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.**

DBEIS 2020: UK Government Conversion factors from Company Reporting, Refrigerant & other

Australia – National Greenhouse Accounts (NGA) Factors 2019

Australia – EPA Victoria Greenhouse gas (GHG) inventory and management plan 2018-2019

Japan – National Greenhouse Gas Inventory Report of Japan, 2017

Please note: The Department of Environment, Food and Rural Affairs (DEFRA) changed its name to the Department of Business, Energy and Industrial Strategy (DBEIS). As such, references to UK emission factors in any CDP drop down menu selections are referring to DBEIS emission factors.

## C6. Emissions data

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### C6.1

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#### (C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

##### Reporting year

##### Gross global Scope 1 emissions (metric tons CO2e)

16579

##### Start date

<Not Applicable>

##### End date

<Not Applicable>

##### Comment

NAB's Scope 1, gross emissions in 2020 were 16,579 tons CO2-e.

### C6.2

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#### (C6.2) Describe your organization's approach to reporting Scope 2 emissions.

##### Row 1

##### Scope 2, location-based

We are reporting a Scope 2, location-based figure

##### Scope 2, market-based

We are reporting a Scope 2, market-based figure

##### Comment

NAB Group's public reporting uses a location-based methodology as market-based supplier specific emission factors are not available from all our energy retailers at this point in time. For CDP reporting we have determined NAB Group's market-based Scope 2 emissions as per the approach set out in the CDP Technical Note: Accounting of Scope 2 Emissions (2019).

### C6.3

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#### (C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

##### Reporting year

##### Scope 2, location-based

79685

##### Scope 2, market-based (if applicable)

71913

##### Start date

<Not Applicable>

##### End date

<Not Applicable>

##### Comment

Our public reporting uses a location-based methodology currently as market-based supplier specific emission factors are not available from all our energy retailers. For our market-based figure, we have applied zero emissions for electricity that is renewable with certificates under the Large-scale Renewable Energy Target scheme in Australia and the Renewable Energy Certificates of Origin scheme in the UK.

### C6.4

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#### (C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

Yes

### C6.4a

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**(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.**

**Source**

Fugitive gases associated with building-based HVAC for our Asian and New York operations and a JB Were office in New Zealand.

**Relevance of Scope 1 emissions from this source**

Emissions are not relevant

**Relevance of location-based Scope 2 emissions from this source**

No emissions excluded

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

No emissions excluded

**Explain why this source is excluded**

This emissions source is immaterial in relation to our global operations and would not contribute in a meaningful way to emissions reductions. We have a small number of office locations throughout Asia (Singapore, Japan, India, Indonesia and China), one office in New York and a JB Were office in NZ for which we are unable to source data from our landlords on fugitive emissions of ozone depleting substances in respect of air conditioning. Based on the very small proportion of Full Time Equivalent (FTE) employees ( $\leq 1\%$ ) and Net Lettable Area ( $\leq 1\%$ ) that these regions contribute to NAB's portfolio, and given that we understand the volume of Heating, Ventilation and Air Conditioning (HVAC) in our operations where this is calculated (significantly less than 1% of total 2020 GHG emissions), the volume of emissions from HVAC in our offices in Asia, New York and JB Were in New Zealand has been deemed immaterial.

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**Source**

Fugitive gases associated with use of office kitchen refrigerators in New York and a JB Were office in New Zealand.

**Relevance of Scope 1 emissions from this source**

Emissions are not relevant

**Relevance of location-based Scope 2 emissions from this source**

No emissions excluded

**Relevance of market-based Scope 2 emissions from this source (if applicable)**

No emissions excluded

**Explain why this source is excluded**

This emissions source is immaterial in relation to our global operations and would not contribute in a meaningful way to emissions reductions. We have a small number of office locations throughout Asia (Singapore, Japan, India, Indonesia and China), one office in New York and a JB Were office in NZ for which we are unable to source data from our landlords on fugitive emissions of ozone depleting substances in respect of refrigeration. Based on the very small proportion of FTE ( $\leq 1\%$ ) and NLA ( $\leq 1\%$ ) that these regions contribute to NAB's portfolio, and given that we understand the volume of office kitchen refrigerants in our operations where this is calculated (significantly less than 1% of total 2020 GHG emissions), the volume of emissions from office kitchen refrigerants in our offices in New York and JB Were in New Zealand has been deemed immaterial.

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**C6.5**

**(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.**

**Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO<sub>2</sub>e**

36.3

**Emissions calculation methodology**

A4 and A3 paper purchased: Data for the quantity of paper purchased is obtained from our corporate office paper suppliers in reams. This data has a high degree of accuracy and can be reconciled with invoiced data. A conversion factor of 2.5 kg (A4) and 5 kg (A3) per ream is applied to convert the number of reams into tonnes of paper. Paper purchased is segmented into the following categories for calculation of Greenhouse Gas (GHG) emissions: recycled, virgin content, domestic and offshore sources, and certified Carbon Neutral and Carbon Neutral and Recycled (both zero emissions). The methodology and emission factors applied are those published in EPA Victoria Greenhouse gas (GHG) inventory and management plan 2018-2019. A zero emissions factor is applied where paper is certified as carbon neutral by the Government, or another independent and reputable standards body. This resulted in an estimated 831 tCO<sub>2</sub>e that we have avoided through the purchase of carbon neutral paper in Australia and New Zealand.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

In Australia and New Zealand, office paper GHG increased, with a 110% difference between 2010 compared to 2019. This is due to a significant increase in the emission factor for paper in Australia which was updated in 2020. Despite the increase in emissions associated with paper purchases, NAB's paper consumption decreased by 23%. This decrease in consumption is largely due to the availability of supporting technology in our flexible working environment and technology solutions such as Follow-You Printing (print to release). To date, GHG emissions for purchased goods and services have only included emissions from office paper purchased, as this was assessed as relevant under our direct operational control as part of our carbon inventory for our carbon neutral commitment in 2010. In addition, GHG emissions from our office paper is also a required inclusion in our carbon inventory for Australian National Carbon Offset Standard Carbon Neutral certification. Further assessments will be conducted over time on other purchased goods and services to allow us to make informed decisions related to further inclusions of GHG emissions in our carbon inventory.

## Capital goods

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

NAB Group as a financial services provider is not a significant purchaser of capital goods that have material climate change impacts compared to other sectors. NAB leases many of the capital goods it uses such as buildings, cars and photocopiers. The GHG emissions arising from the use of these capital goods are generally accounted for in the calculation of other sources of Scope 1, 2 and 3 GHG emissions that NAB Group currently reports. We also note that it is difficult to obtain relevant activity data and factors to undertake accurate calculation of emissions from capital goods and that there are technical and resource constraints to making these calculations. In addition to the above, the following factors helped to determine that this emission source is not relevant: (i) these GHG emissions are not NAB Group's operational control; (ii) they are immaterial with respect to NAB Group's risk exposure; (iii) stakeholders do not indicate that these emissions are sufficiently important; and (iv) as a result of the above, this information would not materially contribute to business decision making.

## Fuel-and-energy-related activities (not included in Scope 1 or 2)

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

12753

### Emissions calculation methodology

(1) Transmission, extraction and distribution losses from stationary energy (diesel, gas and propane) and electricity: Activity data for electricity and fuel consumption from Scope 1 and 2 GHG emissions sources was utilised for the calculation of this emission source. The activity data has a high degree of accuracy as it is required for Scope 1 and 2 regulatory reporting purposes. Relevant GHG emissions calculation methodologies and appropriate country specific emission factors are applied to the activity data for each emission source. These are set out in guidance provided by the Australian Government in the NGER Determination and National Greenhouse Accounts Factors, by the UK Government in the Department of Business, Energy & Industrial Strategy (DBEIS) Voluntary Reporting Guidelines, by the NZ Government in the New Zealand Guidance for Voluntary, Corporate Greenhouse Reporting and in the Climate Registry: General Reporting Protocol and emission factors as updated. (2) Extraction, production and transportation losses from fuels (diesel, petrol and where relevant, ethanol) associated with our vehicle fleet are also included in our current carbon inventory where a methodology for calculation extraction, production and transportation losses is provided in the published reporting relevant to a country where we have operations. The methodologies and factors we have applied are outlined in the referenced mentioned above for the calculation and distribution losses. (3) Working from home (WFH) emissions are included in NAB's carbon inventory in 2020 due to a significant portion of NAB staff working from home in light of the COVID-19 pandemic. This included Scope 3 emissions from electricity and gas attributed to WFH. The energy use by staff was calculated by multiplying the total number of hours worked at home by the energy loads for their respective climate zones. Information relating to heating and cooling methods and electricity and gas consumption were sourced from the Australian Bureau of Statistics, the Australian Energy Regulator – Electricity and Gas consumption benchmarks for residential customers 2020 and the New Zealand Ministry of Business, Innovation and Employment Quarterly (March 2020).

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

This set of Scope 3 GHG emissions includes the emissions resulting from transmission and distribution losses for electricity and the indirect losses from the extraction, production and transportation of other fuels and energy sources, including vehicle fuels, purchased and used by the NAB Group in the reporting period. In 2020, this also includes Scope 3 emissions from electricity and gas attributed to staff working from home.

## Upstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As a result of the demerger of Clydesdale and Yorkshire Banking Group (CYBG) (February 2016), we no longer have any GHG emissions resulting from supplier travel. Previously this source was only applicable to the NAB UK operations for a small number of key contractors.

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

2372.8

### Emissions calculation methodology

Waste to landfill: Activity data for the calculation of GHG emissions from waste to landfill is collected and provided by NAB Group's corporate waste contractors. Data is not available in all countries where we operate for all office building and branch sites, so we calculate a normalised measure of waste/m<sup>2</sup> of property space occupied from the sample of sites where data is available and extrapolate the sample to estimate waste from the total building portfolio. The activity data provided by our waste contractors is an estimate based on the number of bins they collect from our offices. Once an estimate of the tonnage of waste to landfill data is available, the GHG emissions calculation methodologies and factors provided by NZ Ministry for Environment's Corporate Reporting Guidelines and the Australian National Greenhouse Accounts (NGA) Factors references are applied to calculate GHG emissions. Waste to incineration: Activity data for the calculation of GHG emissions from waste to incineration is collected and provided by NAB Group's corporate waste contractors. Waste to incineration is not performed in all countries. Once the tonnage of waste to incineration data is available, the GHG emissions calculation methodologies and factors provided by DBEIS are applied to calculate GHG emissions. Materials diverted: Activity data for the calculation of GHG emissions from waste diverted is collected and provided by BNZ and London only. Emissions from waste diverted is not performed in all countries. Once the tonnage of waste to diverted data is available, the GHG emissions calculation methodologies and factors provided by MFE – Guidance for Voluntary, Corporate Greenhouse Gas Reporting and DBEIS: UK Government conversion factors for Company Reporting are applied to calculate GHG emissions.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

83

### Please explain

This Scope 3 GHG emissions source includes GHG emissions from waste to landfill only. Although we track materials recycled as one of our activity data sets to determine our rate of diversion of waste from landfill, we do not include recycled materials in our current carbon inventory.

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

26948

### Emissions calculation methodology

1) Air Travel: For air travel in all regions, we use the methodologies and factors described in DBEIS 2020:UK Government conversion factors for Company Reporting for the applicable reporting period. Activity data is sourced from corporate travel providers and reconciled to travel expenditure from our finance system. Where this is a difference, an uplift is applied to activity data to estimate travel booked outside our corporate travel provider. (2) Employee claims for use of personal vehicles for work purposes: For GHG emissions from use of personal vehicles for work purposes we use the methodologies and factors described for vehicles (cars) in DBEIS 2020 for the applicable reporting period. We utilise activity data available from employee claims for reimbursement of expenses for these calculations. The accuracy of the data is reliant on employees filling in claim forms. (3) Hotel Stays: for Hotel Stays, we use the factors described in NZ Guidance for Voluntary, Corporate Greenhouse Gas Reporting (2019). Activity data (no. of nights stayed, segmented by country) is sourced from our corporate travel provider. (4) Business travel – rail (UK only). We use methodologies and factors described in DBEIS 2020 for the relevant reporting period. Rail travel activity data is collected from our corporate travel provider. DBEIS 2020 emission factors are then applied to the activity data. (5) Taxi travel: GHG emissions for taxi travel are calculated from either dollar spend or distance travelled (derived from dollar spend). Emission factors are applied to activity data (either \$ spend for NZ regions or distance travelled in km or miles for other regions). Emission factors are sourced for NZ from the NZ Guidance for Voluntary, Corporate Greenhouse Gas Reporting (2019) or from DBEIS 2020 for the applicable reporting period. (6) Business travel – rental cars: Rental car related emissions are derived from distance travelled provided by the rental car companies. Methodologies and emission factors for vehicles from DBEIS 2020 for the applicable reporting period are applied to the activity data to calculate the relevant GHG emissions.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

This includes GHG emissions from flights, hotel stays, taxi travel, use of rental cars and employee use of private vehicles for work purposes where relevant for all Group operations. It also includes GHG emissions from rail travel for our UK operations.

## Employee commuting

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

27473

### Emissions calculation methodology

In Australia, in 2015, a survey was conducted of staff and their travel modes and distances commuting to and from work. This was extrapolated across the broader population to determine a factor for estimating Employee Commuting GHG per Employee Number. This factor has been updated based on 2020 staff numbers at head office locations. Per person emission factors for various travel modes were determined as follows: (1) Cars: We have applied the factors published by the Australian Bureau of Statistics state average fleet mix, multiplied by the average efficiencies (litres per 100km), multiplied by the appropriate National Greenhouse Gas Accounts factors to arrive at a kgCO<sub>2</sub>-e/person.km travelled: (2) Motorcycles and Ferries: We have applied the factors from the Department of Environment, Food and Rural Affairs (DEFRA) as kgCO<sub>2</sub>-e/person.km travelled. (3) Regional Train and Bus: We have applied the direct emissions (kgCO<sub>2</sub>/person.km) figures published by the EPA Greenhouse Gas Inventory Management Plan (publication 1562) and these figures were then rationed using NGA factors to derive an indirect emissions factor. (4) Metro train (and tram): Direct emissions figures were taken from EPA publication 1562, and were adjusted to represent other States' different electricity grids (and also indirect emissions) by drawing upon the NGA factors.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

### Please explain

Employee commuting is not deemed critical by the broader community and we do not have operational control over this GHG emissions source. We consider employee commuting to be an emissions source that we cannot directly control and therefore it has been excluded from NAB's carbon inventory on this basis. Our Group Environmental Reporting and Offset Management Standard only commits NAB to influencing indirect sources of GHG emissions from suppliers, employees and customers where we have operational control. Consequently, NAB supports our employees in reducing their personal carbon footprint arising from their commute to work through the provision of interest free loans for annual public transport tickets in Australia and the UK. We have also provided an increased number of bicycle facilities (including lockers and showers) to facilitate employees cycling to work.



## Upstream leased assets

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

18841

### Emissions calculation methodology

This GHG emission source category includes GHG emissions from (i) Base-building energy use (diesel, gas) and electricity not under NAB's operational control (Australia only): Activity data is provided by relevant landlords and based on billed energy consumption. Base-building GHG emissions represents our share of emissions from energy use to operate common facilities such as heating, cooling, ventilation and lifts within buildings we occupy. Base-building GHG are calculated based on the proportion of the landlord's energy consumption for these services based on our share of the building occupancy. The Australian emissions factors and methods set out in the calculation GHG emissions from our Scope 1 and 2 GHG emission sources are as described in the version of the National Greenhouse and Energy Reporting (Measurement) Determination 2008 applicable to the 2019-20 reporting period and the applicable version of the Australian National Greenhouse Accounts (NGA) Factors, (ii) associated transmission and distribution losses relating to Base-building energy use; and (iii) energy use emissions from use of Automated Teller Machines (ATM's) for our BNZ business. All remote (not located within BNZ store network) ATM's are held under gross leases so we do not receive electricity charges for operation of these ATM's. For this we do record an estimate of energy usage which is an average provided by NCR who operate the ATM's on our behalf. The methodology applied to calculate emissions associated with energy usage in ATM's was adopted from NZ Guidance for Voluntary Corporate Greenhouse Gas reporting.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

NAB Group leases the majority of its building portfolio and the majority of the GHG emissions from these buildings are considered to be under our operational control and are already accounted for in our Scope 1 and 2 GHG emissions. Where we utilise shared facilities in our building such as lifts, escalators, HVAC etc. as part of the base building operated and controlled by the landlord or the landlord's facilities manager, we account for our share of the emissions associated with these facilities as fuel and energy related activities. We have also included GHG emissions associated with the operation of non-network ATM's for the BNZ operations which are managed on BNZ's behalf.

## Downstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Due to the intangible nature of financial products and services we do not require downstream transportation and distribution of a physical product. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Due to the intangible nature of financial products and services we do not require downstream transportation and distribution of a physical product. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

## Use of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Due to the intangible nature of financial products and services we do not require downstream transportation and distribution of a physical product. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

## End of life treatment of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

Due to the intangible nature of financial products and services we do not require downstream transportation and distribution of a physical product. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

## Downstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

NAB has an immaterial number of downstream leased assets in the form of a small number of buildings that are owned and leased to tenants. The tenancy agreements for these assets give the tenant operational control of the energy use of the asset and the tenant pays the energy bills. Accordingly, for the purposes of our carbon inventory the GHG emissions from these downstream assets are not considered relevant.

## Franchises

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

NAB Group does not have franchises, therefore this emissions source is not relevant.

## Other (upstream)

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

341

### Emissions calculation methodology

Water: Activity data for the calculation of GHG emissions from water is collected and provided by our property services finance services team and is based on billed water use. Our Australian operations contributes to 98% of associated water GHG emissions. Where billed information is not available for applicable sites, we extrapolate water use based on kL/m2. 12% of total water use within Australia during the reported year was extrapolated data. The GHG emissions calculation methodologies and factors are sourced from DEFRA/DBEIS's Voluntary Reporting Guidelines, Water NZ National Performance Review and the Environmental Protection Authority Victoria for the relevant reporting period and are applied to calculate GHG emissions. Wastewater: Activity data for the calculation of GHG emissions from wastewater are collected and provided as per potable water and harvested water activity data calculation method. The GHG emissions calculation methodologies and factor are applied to calculate GHG emissions in line guidance and factor as provided by NZ Guidance for Voluntary, Corporate Greenhouse Gas Reporting (2019).

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

88

### Please explain

This Scope 3 GHG emissions source includes GHG emissions from water from our operations in London, Australia and New Zealand (BNZ).

## Other (downstream)

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

196

### Emissions calculation methodology

Customer Paper Statements: Data for the quantity of customer statements is obtained from our corporate office paper supplier in volume of statements. An average of 3 sheets per statement has been applied to the data. Customer statements are segmented into the following categories for calculation of GHG emissions: domestic recycled (onshore), virgin paper (offshore) and carbon neutral (zero emissions). The methodology applied is a calculation of the number of sheets based on the number of statements sent out, multiplied by the emission factors published in the EPA Victoria, Greenhouse gas (GHG) inventory and management plan 2018-2019. A zero emissions factor is applied where paper is certified as carbon neutral by the Government, or another independent and reputable standards body. This resulted in an estimated 2,409 tCO<sub>2</sub>-e that we have avoided through the purchase of carbon neutral customer statements in Australia and New Zealand.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

This Scope 3 GHG emissions source includes GHG emissions from customer statements from our operations in Australia and New Zealand (BNZ).

## C6.10

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO<sub>2</sub>e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

### Intensity figure

0.0000117639

### Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO<sub>2</sub>e)

96264

### Metric denominator

unit total revenue

### Metric denominator: Unit total

8183000000

### Scope 2 figure used

Location-based

### % change from previous year

11.93

### Direction of change

Decreased

### Reason for change

Emissions intensity per unit of \$AU underlying profit decreased by 11.93% in 2020 compared to 2019. Our underlying profit figure has decreased by 0.30%, while our gross global Scope 1 and 2 GHG emissions have decreased by 12.2% compared to the prior year. The decrease in our Scope 1 & 2 GHG emissions were primarily influenced by COVID-19 impacts. A number of emission reduction activities also took place, including the consolidation of staff in purpose-built energy efficient building, optimising assets within our buildings through the use of lighting and HVAC upgrades and a decrease in vehicle fuel consumption through a decreased in the size of the vehicle fleet. NOTE: We do not use a revenue figure in our financial reporting. On agreement with CDP, NAB is using \$AU of underlying profit instead of revenue as the denominator for the purpose of completing this question although we have selected "unit total revenue" to allow us to perform at the leadership level. Using underlying profit as the denominator allows for meaningful comparison against prior years' financial intensity measures due to the nature of our underlying business activities.

### Intensity figure

2.76

### Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO<sub>2</sub>e)

96264

### Metric denominator

full time equivalent (FTE) employee

### Metric denominator: Unit total

34879

### Scope 2 figure used

Location-based

### % change from previous year

14.75

### Direction of change

Decreased

### Reason for change

Our global gross Scope 1 and 2 GHG emissions per FTE decreased by approximately 14.75% in 2020 compared to 2019. The decrease in metric tonnes CO<sub>2</sub>-e per FTE was largely driven by the gross Scope 1 and 2 GHG emissions figures which have decreased by 12.2%. This was offset by a small (2.99%) increase in FTE across the portfolio. Our Scope 1 & 2 GHG emissions were primarily influenced by COVID-19 impacts. A number of emission reduction activities also took place, including the consolidation of staff in purpose built energy efficient building, optimising assets within our buildings through the use of lighting and HVAC upgrades and a decrease in vehicle fuel consumption through a decrease in the size of the vehicle fleet.

**Intensity figure**

0.13824

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

96264

**Metric denominator**

square meter

**Metric denominator: Unit total**

696362

**Scope 2 figure used**

Location-based

**% change from previous year**

8.91

**Direction of change**

Decreased

**Reason for change**

Our global gross Scope 1 and 2 GHG emissions per metre squared of property occupied decreased by approximately 8.91% in 2020 compared to 2019. This was driven by the 12.2% decrease in Scope 1 and Scope 2 emissions across our global operations coupled with a small (3.62%) decrease in Net Lettable Area (NLA). The decrease in NLA occupied by NAB can be attributed to the continued consolidation of our operations as part of our property strategy. Our Scope 1 & 2 GHG emissions was primarily influenced by COVID-19 impacts. A number of emission reduction activities also took place, including the consolidation of staff in purpose built energy efficient building, optimising assets within our buildings through the use of lighting and HVAC upgrades and a decrease in vehicle fuel consumption through a decrease in the size of the vehicle fleet.

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**C7. Emissions breakdowns**

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**C7.9**

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**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

**C7.9a**

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**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.**

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	4436	Decreased	4	NAB Group's purchase of renewable electricity increased significantly, resulting in a decrease in Scope 2 emissions of 4,436 tCO2-e in 2020 compared with 2019. 2020 was the second year where we surrendered Large Scale renewable energy Certificate's (LGC's). The majority of these certificates are created through NAB's involvement in the Melbourne Renewable Energy Project, whereby Power Purchase Agreements (PPAs) are used to procure renewable energy and in turn, create LGC's. NAB also created and surrendered LGC's from the largest of our rooftop solar systems. This led to an increase in renewable electricity consumption in Australian in 2020. In the UK, there was a decrease in renewable electricity required to be purchased to cover the UK branch's reduced electricity consumption. However, the increase in Australian renewable electricity consumption was greater than the decrease in the UK, leading to an overall increase in Group renewable electricity consumption. Our total Scope 1 and Scope 2 GHG emissions in 2019 were 109,642 tCO2-e. The emissions value (%) calculation is therefore: $-(4,436/109,642)*100 = -4\%$
Other emissions reduction activities	2973	Decreased	2.7	Gross Scope 1 and 2 GHG emissions decreased by 2.7% due to a range of emissions reduction activities including: the consolidation of space in some regions (Asia and UK), a decrease in the number of branches occupied in Australia, improvements to HVAC, lighting and draught proofing, as well as upgrading assets within our buildings through new printing technology. Our total Scope 1 and Scope 2 GHG emissions in 2019 were 109,642 tCO2-e. The reduction calculation is therefore: $-(2,973/109,642)*100 = -2.7\%$
Divestment	0	No change	0	There was no divestment in this reporting period that had a material impact on global GHG emissions
Acquisitions	0	No change	0	There was no acquisition in this reporting period that had a material impact on global GHG emissions.
Mergers	0	No change	0	There were no mergers in this reporting period that had a material impact on global GHG emissions.
Change in output	11328.7	Decreased	10.3	Due to the impacts of the COVID-19 pandemic, many of our commercial buildings and data centres were not occupied in the last quarter of 2020, with staff working from home globally. This resulted in a decrease in Scope 1 and 2 GHG emissions by 8.88% in 2020 compared with 2019. Subsequent travel bans meant that staff were unable to partake in business travel or utilise work use vehicles in the last quarter of 2020. This resulted in a further decrease in group-wide Scope 1 GHG emissions by 1.46% in 2020 compared with 2019. In total, the COVID-19 pandemic resulted in a Group-wide decrease in Scope 1 and 2 GHG emissions by 10.3%. Our total Scope 1 and Scope 2 GHG emissions in 2019 were 109,642 tCO2-e. The reduction calculation is therefore: $-(11,328.7/109,642)*100 = -10.3\%$ . Please note, that as a result of staff working from home, we now calculate Scope 3 working from home emissions. This is discussed elsewhere in this survey.
Change in methodology	2832	Decreased	2.6	Across the Group, changes in electricity-related GHG emission factors had an impact of -2.6% on group-wide Scope 1 and Scope 2 GHG emissions. This was most significant in Victoria, where the Scope 2 electricity-related GHG emission factor decreased by 5%. This resulted in a reduction of 2,505.9 tCO2-e GHG emissions. Tasmania and South Australia also saw 21% and 14% reductions in their emission factors applied to electricity, resulting in a reduction of 188.6 tCO2-e. The majority of the Asian regions (with the exception of Indonesia) all experienced a decrease in emission factors ranging from 1%-11%, although total emissions from these regions have a lower impact on our portfolio. USA also experienced a decrease in the emission factor applied to electricity of 6% but total emissions from this region also have a lower impact on our portfolio. Our total Scope 1 and Scope 2 GHG emissions in 2019 were 109,642 tCO2-e. The reduction calculation is therefore: $-(2,832/109,642)*100 = -2.6\%$ .
Change in boundary	0	No change	0	No changes to the boundary this reporting period.
Change in physical operating conditions	0	No change	0	Other than those created by the COVID-19 pandemic (as discussed above), there were no further changes in physical operating conditions this reporting period.
Unidentified	0	No change	0	No unidentified changes this reporting period.
Other	0	No change	0	No other changes this reporting period.

**C7.9b**

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Location-based

**C8. Energy**

**C8.1**

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

**C8.2**

**(C8.2) Select which energy-related activities your organization has undertaken.**

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

## C8.2a

### (C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	83501	83501
Consumption of purchased or acquired electricity	<Not Applicable>	7598	93992	101590
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	2471	<Not Applicable>	2471
Total energy consumption	<Not Applicable>	10069	177493	187562

## C9. Additional metrics

### C9.1

#### (C9.1) Provide any additional climate-related metrics relevant to your business.

##### Description

Energy usage

##### Metric value

616479

##### Metric numerator

GJ

##### Metric denominator (intensity metric only)

Not applicable

##### % change from previous year

11

##### Direction of change

Decreased

##### Please explain

In 2020, net energy use decreased by 11% (79,200 GJ) since 2019. During the last quarter of 2020 many of our commercial buildings were unoccupied due to the COVID-19 pandemic, leading to significant reductions in energy use. There were also a number of energy efficiency initiatives implemented throughout 2020 that contributed to the reduction in energy use, including improvements to HVAC and lighting, as well as upgrading and optimising assets within our buildings. The consolidation of commercial office space and a decrease in the number of branches occupied in Australia also contributed also played a role.

##### Description

Other, please specify (Office Paper)

##### Metric value

397

##### Metric numerator

metric tonnes

##### Metric denominator (intensity metric only)

Not applicable

##### % change from previous year

22

##### Direction of change

Decreased

##### Please explain

In 2020, paper use decreased by 22% (114 tonnes) when compared to the prior year. Office paper use continues to decrease as our workforce continues to move towards digitisation. As a result of the COVID-19 pandemic, significant advances were made in digitisation in 2020. Towards the end of the 2020 reporting year, as the use of DocuSign and other applications became widespread, printing rates and the need for paper reduced.

##### Description

Other, please specify (Water)

##### Metric value

308912

##### Metric numerator

Water Withdrawal (kL)

##### Metric denominator (intensity metric only)

Not applicable

**% change from previous year**

21

**Direction of change**

Decreased

**Please explain**

Potable water use significantly reduced in 2020, decreasing by 21% (82,138kL) compared to the prior year. Water use decreased in office buildings due to a decrease in building occupancy globally as a result of the COVID-19 pandemic.

**Description**

Waste

**Metric value**

1451

**Metric numerator**

metric tonnes

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

22

**Direction of change**

Decreased

**Please explain**

In 2020, waste to landfill decreased by 22% (420 tonnes) compared to the prior year. Australian waste to landfill decreased, due largely to a decrease in the number of bins collected from our sites as a result of the COVID-19 pandemic. Our United Kingdom (UK) Branch has zero waste to landfill, as all waste is recycled or sent to incineration. All waste in Asia is recycled or diverted from landfill.

**Description**

Other, please specify (Gross GHG emissions )

**Metric value**

157915

**Metric numerator**

metric tonnes CO2-e

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

8

**Direction of change**

Decreased

**Please explain**

In 2020, gross location-based GHG emissions decreased by 8% (13,620 tCO2-e) compared to the prior year. During the last quarter of 2020, many NAB employees were working from home due to the COVID-19 pandemic, leading to large reductions in emissions globally. A number of energy efficiency initiatives implemented in 2020 also contributed to this, including improvements to HVAC and lighting, as well as upgrading and optimising assets within our buildings. The consolidation of our commercial office space and a decrease in the number of branches occupied in Australia also contributed.

**C10. Verification**

**C10.1**

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

**C10.1a**



**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.**

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-NGER GHG Data-Assurance Report.pdf

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/ section reference**

All Scope 1 emissions have Limited-level Assurance (see NAB 2020 GHG and Offset Data SBTI Performance Assurance Report: pg. 1 – specified GHG emissions and offset data inc. Scope 1; pg. 2 – Criteria and Standards used; pg 3 – Procedures performed). Australian Scope 1 emissions reported under the NGER Act have Reasonable-level Assurance, see additional NGER Assurance report attached (NGER Assurance Report: pg. 1 – NGER data inc. Scope 1, Criteria and Standards used).

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

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**C10.1b**

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**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.**

**Scope 2 approach**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-NGER GHG Data-Assurance Report.pdf

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/ section reference**

All Scope 2 emissions have Limited-level Assurance (see NAB 2020 GHG and Offset Data SBTI Performance Assurance Report: pg. 1 – specified GHG emissions and offset data inc. Scope 2; pg. 2 – Criteria and Standards used; pg 3 – Procedures performed). Australian Scope 2 emissions reported under the NGER Act have Reasonable-level Assurance, see additional NGER Assurance report attached (NGER Assurance Report: pg. 1 – NGER data inc. Scope 2, Criteria and Standards used).

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope 2 approach**

Scope 2 market-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-NGER GHG Data-Assurance Report.pdf

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/ section reference**

All Scope 2 emissions have Limited-level Assurance (see NAB 2020 GHG and Offset Data SBTI Performance Assurance Report: pg. 1 – specified GHG emissions and offset data inc. Scope 2; pg. 2 – Criteria and Standards used; pg 3 – Procedures performed). Australian Scope 2 emissions reported under the NGER Act have Reasonable-level Assurance, see additional NGER Assurance report attached (NGER Assurance Report: pg. 1 – NGER data inc. Scope 2, Criteria and Standards used).

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

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**(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.****Scope 3 category**

Scope 3: Purchased goods and services

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

2020-sustainability-data-pack-xlsx.xlsx

**Page/section reference**

NAB's 2020 GHG and Offset Data SBTI Performance Assurance Report is a Limited-level Assurance Report which covers Scope 3 emissions (including paper-related emissions) reported in NAB Group's 2020 Sustainability Data Pack xlsx which is part of NAB Group's 2020 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in NAB Group's 2020 Sustainability Data Pack xlsx file lists the specified Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

**Scope 3 category**

Scope 3: Waste generated in operations

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

2020-sustainability-data-pack-xlsx.xlsx

**Page/section reference**

NAB's 2020 GHG and Offset Data SBTI Performance Assurance Report is a Limited-level Assurance Report which covers Scope 3 emissions (including waste-related emissions) reported in NAB Group's 2020 Sustainability Data Pack xlsx which is part of NAB Group's 2020 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2020 Sustainability Data Pack xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

**Scope 3 category**

Scope 3: Business travel

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

2020-sustainability-data-pack-xlsx.xlsx

**Page/section reference**

NAB's 2020 GHG and Offset Data SBTI Performance Assurance Report is a Limited-level Assurance Report which covers Scope 3 emissions (including travel-related emissions) reported in NAB Group's 2020 Sustainability Data Pack xlsx which is part of NAB Group's 2020 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2020 Sustainability Data Pack xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

**Scope 3 category**

Scope 3: Upstream leased assets

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf  
2020-sustainability-data-pack-xlsx.xlsx

**Page/section reference**

NAB's 2020 GHG and Offset Data SBTI Performance Assurance Report is a Limited-level Assurance Report which covers Scope 3 emissions (including base building related emissions) reported in NAB Group's 2020 Sustainability Data Pack xlsx which is part of NAB Group's 2020 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2020 Sustainability Data Pack xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope 3 category**

Scope 3 (upstream)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf  
2020-sustainability-data-pack-xlsx.xlsx

**Page/section reference**

NAB's 2020 GHG and Offset Data SBTI Performance Assurance Report is a Limited-level Assurance Report which covers Scope 3 emissions (including water and wastewater related emissions) reported in NAB Group's 2020 Sustainability Data Pack xlsx which is part of NAB Group's 2020 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2020 Sustainability Data Pack xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

**Scope 3 category**

Scope 3 (downstream)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf  
2020-sustainability-data-pack-xlsx.xlsx

**Page/section reference**

NAB's 2020 GHG and Offset Data SBTI Performance Assurance Report is a Limited-level Assurance Report which covers Scope 3 emissions (including emissions from customer statements) reported in NAB Group's 2020 Sustainability Data Pack xlsx which is part of NAB Group's 2020 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2020 Sustainability Data Pack xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

**Proportion of reported emissions verified (%)**

100

---

## C10.2

**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

C10.2a

**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C2. Risks and opportunities	Other, please specify ((Environmental finance commitment) NAB's environmental financing commitment is to provide \$70bn in environmental finance by 2025 (between 1 October 2015 -30 September 2025) to assist the low carbon transition.)	ASAE 3000	KPMG conducts limited-level assurance over data points included in NAB's carbon risk and opportunity disclosures. This includes the environmental financing data which is aggregated so NAB can publicly report on its environmental financing commitment, including financing to assist our customers in making the low carbon transition. This data has been used in NAB's CDP responses. References: NAB's 2020 Carbon Risk Disclosures Assurance Report, and "Environmental Finance by lending category table" in the "Financing" tab in the NAB Group's 2020 Sustainability Data Pack.xlsx. NAB 2020-Carbon Risk Disclosures-Assurance Report.pdf 2020-sustainability-data-pack-xlsx.xlsx
C2. Risks and opportunities	Other, please specify (% RE in power generation portfolio - NAB annually reports the % of renewable energy (RE) in its power generation portfolio. This is a strategic opportunity which reduces climate risk. Ref: Q2.3 (Risk), 2.5 (Products & Services and 2.6 (Revenues))	ASAE 3000	KPMG conducts limited assurance over data points included in NAB's carbon risk and opportunity disclosures. This includes the % of renewable energy generation in our power generation book which is publicly reported in our half and full year investor packs, and our Sustainability Report demonstrating how we are helping customers to make the low carbon transition. This data has been used in NAB's CDP responses. NAB 2020-Carbon Risk Disclosures-Assurance Report.pdf
C4. Targets and performance	Progress against emissions reduction target	ISAE 3000 and ISAE 3410	KPMG conducts limited assurance over NAB's progress against its science-based emissions reduction target. Reference: See pages 1-4 of the NAB 2020 GHG and Offset Data SBTI Performance Assurance Report NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf
C6. Emissions data	Other, please specify (This refers to the NAB Group total emissions data.)	ISAE 3000 and ISAE 3410	KPMG conducts limited assurance over NAB's greenhouse gas emissions and offset data. References: NAB 2020 GHG and Offset Data SBTI Performance Assurance Report (see pages 1-4), NAB 2020 climate active public disclosure statement (pg. 4-6) and, section 3 Table 3 (pg. 8-9). NAB 2020-GHG and Offset Data-SBTI Performance-Assurance Report.pdf NAB climate-active-public-disclosure-statement-2019-2020.pdf
C14. Portfolio impact	Other, please specify (Calculation of estimated attributable Scope 3 financed emissions)	ISAE 3000 and ISAE 3410	KPMG conducts limited-level assurance over NAB's greenhouse gas emissions and offset data. Reference: NAB Group Financed Emissions Assurance Report (2020) pages 1-3. NAB 2020_assurance-financed-emissions.pdf

NAB  
2020\_assurance-  
secr.pdf  
NAB 2020-  
Carbon Risk  
Disclosures-  
Assurance  
Report.pdf  
NAB 2020-GHG  
and Offset Data-  
SBTI  
Performance-  
Assurance  
Report.pdf  
2020-  
sustainability-  
data-pack-  
xlsx.xlsx

C11. Carbon pricing

C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

Yes

C11.2a

**(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.**

**Credit origination or credit purchase**

Credit purchase

**Project type**

Geothermal

**Project identification**

Gunung Salak, serial number: 5734-257275298-257294403-VCU-005-APX-ID-1-144-01012015-31122015-0 and 5011-209240966-209246584-VCU-005-APX-ID-1-144-01012015-31122015-0

**Verified to which standard**

VCS (Verified Carbon Standard)

**Number of credits (metric tonnes CO2e)**

24725

**Number of credits (metric tonnes CO2e): Risk adjusted volume**

24725

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

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**Credit origination or credit purchase**

Credit purchase

**Project type**

Solar

**Project identification**

Yongren Ganbala Solar PV, China, serial number: CN-5-1014652231-2-2-0-9291-CN-5-1014691098-2-2-0-9291

**Verified to which standard**

CDM (Clean Development Mechanism)

**Number of credits (metric tonnes CO2e)**

38868

**Number of credits (metric tonnes CO2e): Risk adjusted volume**

38868

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

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**Credit origination or credit purchase**

Credit purchase

**Project type**

Wind

**Project identification**

InfraVest Changbin and Taichung bundled Wind Farms Project, serial number: GS1-1-TW-GS472-12-2014-4605-137623 to 145121, GS1-1-TW-GS472-12-2015-4604-56136 to 68392 and GS1-1-TW-GS472-12-2015-5121-92411 to 124195.

**Verified to which standard**

Gold Standard

**Number of credits (metric tonnes CO2e)**

51541

**Number of credits (metric tonnes CO2e): Risk adjusted volume**

51541

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

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**Credit origination or credit purchase**

Credit purchase

**Project type**

Biomass energy

**Project identification**

National Bio Energy Changtu Biomass Power Plant, China, serial number: GS1-1-CN-GS2503-9-2015-6012-45543 to 69860

**Verified to which standard**

Gold Standard

**Number of credits (metric tonnes CO2e)**

24318

**Number of credits (metric tonnes CO2e): Risk adjusted volume**

24318

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

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**Credit origination or credit purchase**

Credit purchase

**Project type**

Other, please specify (Savanna Burning)

**Project identification**

Southern Aurukun, Savanna burning, serial number: 3,786,101,714-3,786,111,713

**Verified to which standard**

Emissions Reduction Fund of the Australian Government

**Number of credits (metric tonnes CO2e)**

10000

**Number of credits (metric tonnes CO2e): Risk adjusted volume**

10000

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

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## C11.3

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**(C11.3) Does your organization use an internal price on carbon?**

Yes

## C11.3a

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**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

**Objective for implementing an internal carbon price**

Stakeholder expectations

Change internal behavior

Drive energy efficiency

Drive low-carbon investment

Identify and seize low-carbon opportunities

**GHG Scope**

Scope 1

Scope 2

Scope 3

**Application**

A uniform carbon price is applied to each region in which we operate.

**Actual price(s) used (Currency /metric ton)**

15

**Variance of price(s) used**

Average market price as informed through our purchasing processes and the cost of committing NAB to RE100.

**Type of internal carbon price**

Implicit price

Offsets

**Impact & implication**

NAB Group has an internal, implicit cost of carbon which is used in our business cases for capital projects related to energy efficiency, greenhouse gas reduction and renewable energy generation. We assess the viability of projects based on the energy savings, maintenance savings and avoided cost of carbon compared with the cost to invest in the asset. Our internal carbon price is calculated based upon the average price we pay for carbon offsets to maintain our carbon neutral status and also upon the cost of committing NAB to RE100, through which we have committed to increasing our internal renewable energy consumption to 100% by 2025. In 2020, our internal carbon price was factored into investment decisions made around lighting upgrades at NAB's data centres and a large commercial building. The capital investment payback (4 years) was determined based on projected energy cost savings, internal cost of carbon savings and some maintenance cost savings. Our internal carbon price for the 2020 environmental year reporting period was \$15 per tonne. This is informed by our purchases of international and domestic, indigenous voluntary carbon offsets and of renewable energy in 2020.

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## C12. Engagement

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### C12.1

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**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, our customers

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## C12.1a

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### (C12.1a) Provide details of your climate-related supplier engagement strategy.

#### Type of engagement

Innovation & collaboration (changing markets)

#### Details of engagement

Run a campaign to encourage innovation to reduce climate impacts on products and services

#### % of suppliers by number

34.04

#### % total procurement spend (direct and indirect)

7.31

#### % of supplier-related Scope 3 emissions as reported in C6.5

21

#### Rationale for the coverage of your engagement

This data refers to our Scope 3 GHG emissions from base-building energy use (diesel, gas) and electricity not under NAB's operational control. Base-building GHG emissions represent our share of emissions from energy use to operate common facilities such as heating, cooling, ventilation and lifts within buildings we occupy. NAB Group leases the majority of its building portfolio and the majority of the GHG emissions from these buildings are considered by NAB to be under our operational control (as per the definition of operational control in the National Greenhouse and Energy Reporting Act) and are already accounted for in our Scope 1 and 2 GHG emissions. We have regular engagement with our landlords to work together to reduce the energy use and associated generation of Scope 3 GHG emissions for NAB. This includes green lease clauses which require regular engagement between tenant and landlord to focus on reducing the environmental impact of our operations. For our major commercial buildings, we share details on energy efficiency targets (NABERS Ratings).

#### Impact of engagement, including measures of success

Our measure of success is a reduction in our GHG emissions. NAB achieved a 10% (1,816 tCO<sub>2</sub>-e) reduction in Scope 3 Base Building emissions across the Group since 2019. This is in part due to the delivery of energy efficiency initiatives in Australia including the installation of LED lighting and air conditioning upgrades undertaken by our landlords in areas of the building shared with NAB.

#### Comment

-

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#### Type of engagement

Information collection (understanding supplier behavior)

#### Details of engagement

Collect climate change and carbon information at least annually from suppliers

#### % of suppliers by number

1.33

#### % total procurement spend (direct and indirect)

0.02

#### % of supplier-related Scope 3 emissions as reported in C6.5

2

#### Rationale for the coverage of your engagement

NAB engages with our waste providers to reduce our waste to landfill and to improve our diversion to recycling streams. In 2020, NAB's Australian waste generation decreased by 11% from 3,271 tonnes in 2019 to 2,900 tonnes. We also saw that 53% of Australian waste generation in 2020 was diverted from landfill to recycling streams. While waste generation was impacted by COVID-19 and the reduced occupation of our buildings, the high portion of recycling resulted from our engagement with our waste providers to implement additional recycling streams across the business and to provide advice to employees on best practices waste management.

#### Impact of engagement, including measures of success

Our measure of success is a reduction in our GHG emissions. NAB reduced its GHG emissions from Australian landfill waste by 22% since 2019. Waste continues to be a passionate topic among our staff with this being one of the most popular topics for feedback to the Environment team. Some of this feedback is acted upon in conjunction with our waste and recycling suppliers e.g. introduction of disposable coffee cup recycling and reducing waste to landfill and associated Scope 3 GHG emissions.

#### Comment

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#### Type of engagement

Information collection (understanding supplier behavior)

#### Details of engagement

Collect climate change and carbon information at least annually from suppliers

#### % of suppliers by number

0.07

#### % total procurement spend (direct and indirect)

0.47

#### % of supplier-related Scope 3 emissions as reported in C6.5

22

#### Rationale for the coverage of your engagement

Business travel is an important and necessary part of our business and contributes significantly to NAB's Scope 3 emissions. Whilst we travel with a range of service providers in airlines and hotel providers, we engage directly with our travel provider for our Australian business in regard to climate change.

#### Impact of engagement, including measures of success

100% of NAB's Scope 3 emissions generated through our travel provider are offset and in turn, our business is able to remain carbon neutral. Our measure of success is

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therefore, a reduction in our GHG emissions and a reduction in the volume of carbon offsets purchased to maintain carbon neutrality. As travel is a requirement of our business and the geographical reach of our organisation, we have looked at innovative ways to ensure our staff are mindful of the greenhouse gas emissions impact of their travel. Working in conjunction with our travel supplier, we carefully account for our annual travel emissions and report this to the business. Through raising awareness, and because of COVID-19 related travel bans, Group business flights fell by 38% and hotel stays fell by 27% in 2020 since 2019. Despite the large reduction in travel, there was only a small reduction in group-wide Scope 3 travel related emissions (0.01%). This was because the emissions were calculated using emission factors with radiative forcing for the first time in 2020.

#### Comment

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## C12.1b

### (C12.1b) Give details of your climate-related engagement strategy with your customers.

#### Type of engagement

Compliance & onboarding

#### Details of engagement

Climate change considerations are integrated into customer screening processes

#### % of customers by number

100

#### % of customer - related Scope 3 emissions as reported in C6.5

#### Portfolio coverage (total or outstanding)

All of the portfolio

#### Please explain the rationale for selecting this group of customers and scope of engagement

Credit policy requires all bankers to screen credit applications to determine if a customer's industry or activities are included in our High Risk ESG Sectors and Sensitive Areas list. This list incorporates climate change considerations and includes industries and activities that are carbon intensive, low carbon and climate sensitive. Bankers engage with customers as part of the credit application process, which gives them the information required to undertake ESG risk screening. This is particularly relevant for bankers in our Corporate and Institutional Banking (C&IB) Division where we have indicated 100% screening coverage. Our High Risk ESG Sectors and Sensitive Areas list helps our C&IB bankers to know which sectors and activities may have a higher inherent exposure to ESG-related risks, including climate-related risks, and which activities and sectors we are willing to finance. Some sectors: (i) are outside risk appetite. For example, although NAB continues to support existing customers across the mining and energy sectors to facilitate an orderly transition to a low-carbon economy, we will not finance: • New thermal coal mining projects or new-to bank thermal coal mining customers; • Oil/tar sands extraction projects; • Oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge; • New or material expansions of coal-fired power; and generation facilities, unless there is technology in place to materially reduce emissions; and (ii) require additional ESG risk assessment and due diligence as part of the credit risk and due diligence process to help NAB make a decision about financing. The screening process helps us take a risk-based approach to understanding which ESG risks, including climate-related risks, are likely to be present at a customer level and when this data is aggregated, at a portfolio level. It helps determine where more detailed ESG risk assessment is required as part of credit risk assessment and due diligence process so we can manage relevant risks.

#### Impact of engagement, including measures of success

The impact of this engagement is that it helps NAB to quickly determine whether a customer is engaged in a sector or activity that we are willing to finance, and whether or not there are likely to be climate-related risks we need to understand in more detail via ESG risk assessment, as part of our credit risk assessment and due diligence process. This screening is particularly important when we are lending to customers in high emitting or fossil fuel-related sectors, so that we make sure we apply our policy consistently across our customers, including whether it is consistent with risk appetite to reduce thermal coal mining exposure to effectively zero by 2035 and NAB being a signatory to the Collective Commitment to Climate Action (CCCA) which commits NAB Group to aligning its lending portfolio to net zero carbon emissions by 2050. Measures of success include: • ability to quickly identify and categorise customer-related ESG risks, including climate-related risks; • building stronger relationships with our customers through understanding their ESG risks, including climate-related risks, associated with their businesses; and • being able to identify opportunities to help our customers with climate-related solutions which help them mitigate, and adapt and build resilience to climate change. For example, this screening process has helped us identify customers with whom we can engage with to talk about their low carbon transition plans and whether they could integrate their goals and objectives into a sustainability-linked loan. NAB has indicated it will work closely with 100 of its largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023 as part of actions to meet the net zero commitment.

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#### Type of engagement

Information collection (understanding customer behavior)

#### Details of engagement

Collect climate change and carbon information at least annually from long-term customers

#### % of customers by number

19

#### % of customer - related Scope 3 emissions as reported in C6.5

#### Portfolio coverage (total or outstanding)

Minority of the portfolio

#### Please explain the rationale for selecting this group of customers and scope of engagement

When NAB has committed to providing finance and where sensitive sector and activity criteria are triggered during the screening process, our Corporate and Institutional Banking (C&IB) bankers are required to undertake a more detailed ESG risk assessment as part of credit risk assessment and due diligence. ESG risk assessment is typically reviewed by C&IB bankers on an annual basis as a part of customer relationship management and credit risk review. Where customers are involved in carbon intensive, low carbon and climate sensitive sectors, and usually more broadly, we engage with customers and include review of customer's climate-related strategy, risk assessment, management, and performance in our ESG risk assessment process. This also includes review of whether customers have committed to TCFD-related disclosures or undertaken any climate-related scenario analysis, and whether they have established transition plans and announced any climate-related plans and/or commitments. This information is reviewed annually as it changes over time and as our customers act and respond to the transition and physical risks and opportunities arising from climate change. Engaging with customers to gather this information is important as it helps us understand climate-related risks at a customer level, and when aggregated, at a portfolio level. This helps with our climate-risk related reviews of carbon intensive, low carbon and carbon sensitive sectors. Insights from portfolio reviews may in turn lead to changes in credit policy settings or risk appetite so we can manage our portfolio-level climate risk exposure. It also helps us to identify opportunities to assist our customers in implementing solutions to manage climate risk and adapt and build the resilience to climate change. Approximately 19% of C&IB

customers belong to sectors that require this more detailed ESG risk assessment.

**Impact of engagement, including measures of success**

The impact of this engagement is it helps us gather information to assess climate-related risks at a customer level, and when aggregated, at a portfolio level. This helps with our climate-risk related reviews of carbon intensive, low carbon and carbon sensitive sectors. Insights from portfolio reviews may lead to changes in credit policy settings or risk appetite so we can manage our portfolio-level climate risk exposure. It also helps us to identify opportunities to assist our customers in managing climate risk. E.g. in FY2019 we reviewed thermal coal mining generation lending portfolios and based on this review, which included information from our ESG risk assessment process and climate engagement, we announced measures that will reduce NAB's thermal coal exposure over time, including (i) NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions (ii) Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. In FY20, we announced we now expect thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030 (apart from residual performance guarantees) and we will work closely with 100 of our largest GHG emitting customers to support them in developing or improving their low carbon transition plans by 2023. Measures of success include: • understanding and managing customer and portfolio level climate-related risks. Success will be measured over time by achieving our portfolio transition measures e.g. a decrease in thermal coal exposures of 50% by 2026 and effectively zero by 2030 • building stronger relationships with our customers through understanding their ESG risks, including climate-related risks – in particular our 100 largest GHG emitting customers; and • using our understanding of climate-related risks to identify opportunities to help customers with climate-related solutions e.g. meeting our \$70bn by 2025 environmental financing target by providing power sector customers with sustainability-linked loans linked to low carbon transition of their operations and helping customers raise capital through arranging and underwriting green bonds.

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**Type of engagement**

Education/information sharing

**Details of engagement**

Run an engagement campaign to education customers about your climate change performance and strategy

**% of customers by number**

71

**% of customer - related Scope 3 emissions as reported in C6.5**

**Portfolio coverage (total or outstanding)**

Minority of the portfolio

**Please explain the rationale for selecting this group of customers and scope of engagement**

We undertake a range of activities to proactively engage our customers in different industry segments on ESG risk, including climate change, and to share with them information on NAB's strategy and approach to ESG risk, including climate risk. We believe that understanding ESG risks, including climate risk, will help identify opportunities to improve business resilience and profitability. An example of this type of customer-related engagement undertaken by NAB in FY2020, were a series of ESG risk events we held with our Corporate & Institutional Bank clients. We identified that many of these clients across a range of sectors (including government, mining and resources, property, infrastructure, energy and utilities) were interested in learning more about sustainability management – including climate risk management, green finance (including sustainability linked loans which may include climate risk-related criteria) and green/sustainability bonds (including those aligned to the Green Bond Principles and Climate Bonds Standard). To assist these customers, experts from within our ESG and Sustainable Finance teams ran a series of customer events across Australia and New Zealand. 62 customers were invited with attendees from 44 of these – which represents around 71% of invited customers by number. We have used this figure for size of engagement (% of invited customers attending by number).

**Impact of engagement, including measures of success**

We measure the success of this style of customer engagement through seeking feedback from participants on the seminar. Customers provided positive feedback and indicated that they felt more informed about ESG risk, including climate-related sustainable finance.

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C12.3

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

- Direct engagement with policy makers
- Trade associations
- Funding research organizations
- Other

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C12.3a

**(C12.3a) On what issues have you been engaging directly with policy makers?**

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Other, please specify (Climate Active's Electricity Accounting Consultation Paper )	Support	NAB provided a submission to Climate Active in response to an electricity accounting consultation paper. Climate Active is an ongoing partnership between the Australian Government and Australian businesses to drive voluntary climate action. The Climate Active initiative and Climate Active Carbon Neutral Standard supports and guides businesses as they account for and reduce carbon emissions.	Climate Active was consulting on a proposal to include a market-based approach as a means of accounting for emissions associated with electricity usage within the Climate Active Carbon Neutral Standard (in addition to the existing location-based approach). Overall, we were supportive of including a market-based approach as a means of accounting for emissions associated with electricity usage within the Climate Active Carbon Neutral Standard. However, we also sought clarification on some of the questions asked by the Australian Government in the Climate Active consultation paper. These questions covered: how the government would ensure consistency of Climate Active reporting with other Australian government energy and greenhouse reporting requirements; clarification with respect to proposed electricity emissions factors; and further discussion and clarification on the treatment of Small-scale Technology Certificates. We also encourage Climate Active to make the methodology for the change as simple as possible for companies applying the Climate Active Carbon Neutral Standard.
Other, please specify (National Construction Code)	Support	NAB has been a member of a NSW Government led working group and provided insights as an intermediary. The National Construction Code (NCC) sets out the standards for house construction nationally. NAB has been advocating for the inclusion of energy rating schemes into existing properties; currently this is limited to new construction homes only in Australia.	The Council of Australian Governments (COAG) is proposing to the Commonwealth Government include voluntary energy ratings for existing properties in a whole of house methodology at point of sale. These changes are proposed to come into effect in 2025. NAB has been advocating for the inclusion of energy rating schemes into existing properties; currently this is limited to new construction homes only in Australia.
Other, please specify (Federal Government consultation on its Technology Investment Roadmap)	Support	NAB contributed to an industry association's submission in response to the consultation.	The Australian Government released its Technology Investment Roadmap discussion paper for consultation, which sought to accelerate development and commercialisation of new and emerging low emissions technologies. The industry association's submission contended that a well-designed innovation policy was a critical element in an effective and dynamically efficient response to climate change and the need to achieve carbon neutrality of the global economy by 2050. Following the consultation, the Government released a Technology Investment Roadmap Low Emissions Technology Statement.
Other, please specify (Climate Change Authority's 2020 Review of the Emissions Reduction Fund)	Support	NAB contributed to an industry association's submission in response to the Climate Change Authority's consultation paper on the effectiveness of the Emissions Reduction Fund (ERF).	The ERF is an emissions offsets scheme combined with Government purchasing of emission reductions. The Climate Change Authority is required to review the ERF every three years. Following the consultation, the Climate Change Authority made recommendations to enhance environmental integrity and increase abatement, and further secure permanence of carbon stored in vegetation and soil. NAB is supportive of these changes.
Other, please specify (Review of the Federal Environment Protection and Biodiversity Conservation Act 1999)	Support	NAB contributed to an industry association's submission responding to an independent statutory review of the Environment Protection and Biodiversity Conservation Act 1999.	The independent statutory review of the Environment Protection and Biodiversity Conservation Act 1999 included a discussion paper and call for public submissions in response. Following the review, the review team made recommendations to the Australian Government, including recommendations regarding the need for development proposals to consider the effectiveness of avoidance or mitigation measures on nationally protected matters under specific climate change scenarios, and to disclose the full emissions of development. Additionally, the review recommended amendments to the Act to account for cumulative impacts and to build resilience in a changing environment, in the planning process. NAB is supportive of these recommendations.

**C12.3b**

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

**C12.3c**

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

**Trade association**

Business Council for Sustainable Development Australia

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

BCSDA's Climate Action Statement states that BCSD Australia is committed to addressing critical industry issues, sharing best practice and bringing different sectors and stakeholders together to develop a blueprint for action on energy, industry, the built environment, transport, infrastructure, ICT, agriculture, forestry systems and finance that: 1. Meets societal development needs by ensuring adequate provision for basic needs for all people, respecting human rights and creating good and decent jobs for an appropriately qualified labour force; 2. Drives the necessary structural transformation needed to ensure emissions reach net zero in a timeframe supporting achievement of the Paris Agreement goals of limiting temperature rise to well below 2°C and preferably 1.5°C; 3. Builds resilience and adaptation to expected and likely changes in climate; and 4. Provides a framework for disclosure, reporting and accountability. In summary, the statement also advocates for effective implementation of the low carbon transition, through: • Unlocking the potential of Australia's Nationally Determined Contribution (NDC) to drive low-carbon solutions and innovation; and • Contributing to the scale up financial resources to invest in a low-carbon future. It also states that BCSD Australia and its members will contribute to the low carbon transition by: 1. accelerating and scaling up business and finance solutions and action in the transformation of a low-carbon economy; 2. demonstrating leading practice and economically sustainable, competitive commercial solutions to climate challenges; 3. leveraging networks to share, develop and collaborate on solutions within and across sectors; 4. enabling our employees, supply chains, customers and communities to minimise and disclose climate and decarbonisation risks as well as pursue energy efficiency, clean energy, and low carbon solutions; 5. creating awareness to identify, develop and responsibly market technologies, goods and services that are consistent with those required to meet our combined emission reduction commitments; 6. advocating for a just transition for affected communities and industries; and 7. promoting transparency

about the progress being made through the activities of BCSD Australia and its members. Further detail is available on the BSCDA website:  
<https://www.bcsda.org.au/climate-action-statement>

**How have you influenced, or are you attempting to influence their position?**

NAB monitors the engagement opportunities provided by BSCDA and engages in the discussion and submissions when the issues are relevant to our Business.

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**Trade association**

Australian Banking Association (ABA)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The ABA supports the view that climate change is a material, foreseeable, and actionable risk which will present challenges to the Australian economy if action is not taken. The ABA also believes that Banks have a major role to play in the management of physical and transition risks associated with climate change. Given Australia's financial regulators – the RBA, APRA and ASIC – have each separately identified climate change risk as an area requiring immediate policy attention from both regulators and the entities they regulate, the ABA has been increasing focus on climate change and climate change risks.

**How have you influenced, or are you attempting to influence their position?**

NAB is participating in ABA's Corporate Sustainability Working Group which is refreshing ABA's position and advocacy on climate change and climate risk issues.

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**Trade association**

Global Compact Network Australia (GCNA)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The Global Compact Network Australia (GCNA) is the Australian, business-led network of the UN Global Compact. Environment and climate change is listed as a focus area, and of its Ten Principles. Principles 7, 8 and 9 are related to environmental issues including climate change (<https://unglobalcompact.org.au/our-ten-principles/>). The GCNA also has a focus on environment and climate change, with priorities being the Science Based Targets Initiative, just transition and climate change and human rights. In August 2019, produced a discussion paper on planning for a just transition where it identified opportunities and challenges, and discussed governing and financing the transition. ([https://unglobalcompact.org.au/wp-content/uploads/2019/08/2019.08.27\\_Just-Transition-Discussion-Paper-2.pdf](https://unglobalcompact.org.au/wp-content/uploads/2019/08/2019.08.27_Just-Transition-Discussion-Paper-2.pdf)).

**How have you influenced, or are you attempting to influence their position?**

NAB contributes to GCNA's activities and direction in relation to environment and climate change. In FY2020, NAB collaborated with GCNA and delivered a report which details principles that corporate Australia can apply to the societal challenge of a just transition. The report details the regions and people at risk in an unplanned transition to a low-carbon future and provides findings and next steps for corporate Australia to consider.

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**Trade association**

Australian Sustainable Finance Initiative (ASFI)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The Australian Sustainable Finance Initiative (ASFI) has been established to set out a roadmap for realigning the finance sector to support greater social, environmental and economic outcomes for the country. This is as defined in the Paris Agreement, SDGs and other relevant UN human rights obligations and international conventions. The Roadmap outlines a plan to transform Australia's financial system into one that is better prepared to face future risks and shocks such as a changing climate; can meet the current needs of Australians while delivering on long-term needs for a sustainable future; can enhance the financial inclusion and well-being of all Australians, including our most vulnerable; and can direct capital to where it is most needed in delivering a transition to a net zero, resource-efficient and inclusive economy. The Roadmap's vision for Australia is a financial system: • that is sustainable, resilient and stable, and can manage systemic risks and other shocks and strains; • that meets both the present and long-term needs of all Australians, the environment and the economy; • where financial decisions are informed and consider sustainability risks, impacts and opportunities; • that enhances financial inclusion and well-being, and informed choice; and • where capital flows support Australia in delivering on sustainable development goals, including facilitating an orderly transition to a net zero emissions, resource efficient and socially inclusive economy. The ASFI Sustainable Finance Roadmap is available here: <https://static1.squarespace.com/static/5c982bfaa5682794a1f08aa3/t/5fcd70bfe657040d5b08594/1607317288512/Australian+Sustainable+Finance+Roadmap.pdf>

**How have you influenced, or are you attempting to influence their position?**

NAB is represented on the Steering Committee and participated in a number of ASFI technical working groups which collaborated to develop recommendations for the Sustainable Finance Roadmap for Australia, to support the objectives of the Paris Agreement, the SDGs and the Sendai Framework for Disaster Risk Reduction Framework.

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**Trade association**

NZ Bankers Association (NZBA)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

As the voice of NZ's banking industry, the New Zealand Banking Association (NZBA) seeks to shape public policy on non-competitive industry issues. This includes on climate change which is a current regulatory priority for the Association. The NZBA's December 2019 submission on climate-related financial disclosures shows the position it has argued for publicly and includes: - Support for the recommendations of the TCFD - Support for NZ to introduce legislation to adopt a mandatory principles-based disclosure system - NZBA believes that directors' legal obligations in New Zealand result in consideration, identification, management and disclosure of climate-related risks.

**How have you influenced, or are you attempting to influence their position?**

BNZ (NAB Group's major New Zealand subsidiary) contributes to NZ Bankers Association activities and direction in relation to environment and climate change.

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**(C12.3d) Do you publicly disclose a list of all research organizations that you fund?**

Yes

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**C12.3e**

**(C12.3e) Provide details of the other engagement activities that you undertake.**

In FY2020, NAB participated in the **Climate Measurement Standards Initiative** (CMSI) (see <https://climate-kic.org.au/our-projects/cmsi/>). The objectives of the CMSI were to:

- Provide consistent and comparable financial disclosure guidelines under TCFD recommendations for producers and users of such guidelines.
- Develop reference scenarios that provide relevant details on the recommended climate models and climate impacts for extreme events.
- Support wider disclosure of climate change scenarios by the banking, insurance and asset owner sectors in Australia.
- Develop a framework for consideration by regulators, governments and other stakeholders to support the assessment of disclosures and financial stability.
- Present a roadmap for future research and development aligned with disclosure requirements.

The CMSI is a first step to providing Australia a common understanding of financial disclosures regarding future damage to residential and commercial properties by climate-related phenomena.

The project integrated the disciplines of climate science, hazard science, catastrophe modelling and financial modelling to provide a set of open source standards for the disclosure of climate-related physical risks for companies with financial interests in physical assets, including residential and commercial buildings or other infrastructure in Australia.

The reports are available here: <https://www.cmsi.org.au/reports>

NAB also hosted the UNEP Finance Initiative (UNEP FI) / Principles for Responsible Investment (PRI) Sustainable Finance conference in Dec 2019.

Two key additional engagement activities undertaken by our New Zealand subsidiary, BNZ, include:

- Engagement with the **Aotearoa Circle** – The Aotearoa Circle is a unique partnership of public and private sector leaders, unified and committed to the pursuit of sustainable prosperity and reversing the decline of New Zealand's natural resources. One of the key domains or focus areas of the group is climate change action.
- BNZ is a key partner in the development of a **Climate Action Toolbox** – a partnership between private and public sector and not for profits to develop a digital tool aimed at supporting SME's to take climate action.

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**C12.3f**

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

NAB Group is committed to engaging responsibly in climate change policy development. This continues our longstanding approach to constructively engage in the policy development process, where it is relevant to our business. NAB has an internal consultative process aimed to ensure that our direct and indirect activities that influence policy are consistent with the climate change area of focus in our refreshed Group Strategy and with our Climate Change Strategy, as well as being consistent across business divisions and geographies. Under this process, representatives from relevant business units (such as Specialised Finance, Capital Financing Solutions, Advisory and others) and Group functions such as Risk, Corporate Affairs, Government Affairs and Legal meet together (as appropriate) to review policy changes and determine the relevance and impact of those policy changes, as they relate to NAB Group. Formal approval from relevant internal stakeholders is sought prior to the formal submission on proposed regulatory or policy changes.

NAB recognises the role of its industry associations in terms of contribution to public policy and advocacy on issues of importance to NAB's business, customers, shareholders and the community. The diverse membership of some industry associations means there will be a diversity of opinion on particular issues. We may not always share the public views of individual members of an association, or an association as a whole. However, by maintaining membership in our industry associations, NAB can share knowledge and data, and encourage policy advocacy and actions broadly aligned with our own views, including on climate change and the environment. Membership also allows us to advocate within the association for a change in policy and actions to be more aligned with our own views and approach. When an industry association's position on an issue varies significantly from NAB's public position, we raise this directly with the leadership of that association and take this into account at the time of membership renewal. More details about NAB's approach to our industry associations and initiatives can be found [here](#).

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**C12.4**

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**

In mainstream reports, in line with the CDSB framework (as amended to incorporate the TCFD recommendations)

**Status**

Complete

**Attach the document**

NAB 2020-annual-financial-report-pdf.pdf

**Page/Section reference**

NAB 2020 Annual Financial Report page references: TCFD-related disclosures covering governance, strategy, risk management and metrics and targets – refer to pg 43 to 52. Disclosure on Risk Factors (incorporates climate risk) – refer pg 25.

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emissions figures  
Emission targets  
Other, please specify (Climate Finance)

**Comment**

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**Publication**

In mainstream reports

**Status**

Complete

**Attach the document**

NAB 2020 Full Year-investor-presentation.pdf

**Page/Section reference**

NAB 2020 Full Year Investor Presentation, slides as follows: Strategy – Slides 43-44, alignment of reporting to TCFD Risk & opportunities – Slide 44, portfolio exposures to coal mining and renewables, project finance for renewables – Slide 44, Other metrics – Slide 45. Integration into Board development agenda and colleague training – Slide 47.

**Content elements**

Risks & opportunities  
Emissions figures  
Other metrics  
Other, please specify (Climate Finance)

**Comment**

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**Publication**

In other regulatory filings

**Status**

Complete

**Attach the document**

NAB climate-active-public-disclosure-statement-2019-2020.pdf

**Page/Section reference**

NAB climate-active-public-disclosure-statement – 2019-2020: See section 1&2 (pg. 1-7), section 3 (pg. 8-9) and section 4 (pg10).

**Content elements**

Emissions figures

**Comment**

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**Publication**

In voluntary communications

**Status**

Complete

**Attach the document**

NAB 2020-annual-review-pdf.pdf

**Page/Section reference**

NAB 2020 Annual Review page references: pg 9 - progress against our environmental finance commitment; reporting on risk management and TCFD & reporting on climate change and environmental financing to support the low carbon transition (pg18-19); responding to climate impacts for customers (p26-27); managing climate change (pp 2, 28)

**Content elements**

Risks & opportunities  
Emissions figures  
Emission targets  
Other metrics  
Other, please specify (Risk Management and TCFD)

**Comment**

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**Publication**

In voluntary sustainability report

**Status**

Complete

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**Attach the document**

NAB 2020-sustainability-report-pdf.pdf

**Page/Section reference**

NAB 2020 Sustainability Report page references: Snapshot – environmental finance metric (pg4); performance against targets (pg5); Climate action in Group strategy (pg 7); Material theme (climate change) (pp 29-39) covering climate action, customer decarbonisation, sustainable finance, project finance incl. renewable energy, climate risk management, sustainable agriculture, colleague training, partnerships and advocacy, adaptation infrastructure, operational performance, metrics and targets

**Content elements**

Governance  
 Strategy  
 Risks & opportunities  
 Emissions figures  
 Emission targets  
 Other metrics  
 Other, please specify (Climate Finance)

**Comment****Publication**

In voluntary sustainability report

**Status**

Complete

**Attach the document**

2020-sustainability-data-pack-xlsx.xlsx

**Page/Section reference**

NAB 2020 Sustainability Data Pack (part of the NAB 2020 Sustainability Report) references: 'Exposures' tab for reporting on NAB's exposures to (i) the resources sector, including coal, and (ii) the energy sector including renewables. 'Financing' tab for project finance metrics and for reporting on NAB's environmental finance commitment. 'Position', 'GHG Emissions', 'Energy' and 'Other' tabs for reporting on greenhouse gas metrics and targets related to operations

**Content elements**

Emissions figures  
 Emission targets  
 Other metrics  
 Other, please specify (Climate Finance)

**Comment****C-FS12.5****(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?**

	Industry collaboration	Comment
Reporting framework	Climate Disclosure Standards Board (CDSB) Equator Principles Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking	
Industry initiative	UNEP FI Principles for Responsible Banking Climate Bonds Initiative Partner Programme Natural Capital Finance Alliance UNEP FI UNEP FI TCFD Pilot We Mean Business Other, please specify (Australian Sustainable Finance Initiative (Australia), RE100, Climate Leaders Coalition (NZ) (BNZ only), Aotearoa Circle (NZ) (BNZ only))	
Commitment	Collective Commitment to Climate Action	

**C14. Portfolio Impact****C-FS14.1**

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Category 15 "Investment" total absolute emissions Alternative carbon footprinting and/or exposure metrics (as defined by TCFD)	We use a combination of exposure metrics (defined by TCFD) to analyse our portfolio's impact on the climate. 1. In FY2020, we estimated absolute Scope 3 GHG emissions attributable to NAB in Australia as they relate to our lending to the power generation, resources (including coal, oil and gas), agricultural, residential mortgages, and commercial real estate (office and retail) sectors (in order of portfolio carbon intensity). Estimating the emissions provided us with an understanding of relative industry sector carbon intensity for each sector and will support our work developing sectoral decarbonisation plans and meeting our commitment to have a net zero lending portfolio by 2050. This is our first estimate of financed emissions attributable to our lending portfolio, which we will iterate, expand and improve over time 2. We use the amount and percentage of carbon-related assets relative to total assets (as Exposure at Default), as well as the amount of lending and other financing connected with climate-related opportunities, which is recommended for banking by the TCFD. 3. We use the amount and percentage of carbon-related assets relative to total assets as a metric because it provides management, Board and stakeholders with a view of our indirect climate impact in a form that is: • useful for decision-making in a banking context, • consistent with other metrics used to manage portfolio exposures, • easily understood; and • can provide a portfolio view across asset classes. This metric also has the advantage that it does not rely on access to customers' Scope 1 and Scope 2 GHG emissions, so we can readily track the metric with our existing systems and processes. Metrics which require customers' Scope 1 and 2 GHG emissions for calculating climate impact usually require significant additional manual work/time and some degree of estimation, as customer data is not always accessible. 4. We use a carbon footprinting approach to estimate the carbon emissions from our project finance power generation portfolio and to calculate avoided emissions for our Green Bond Portfolio as published in our annual Green Bond Reports – refer <a href="https://capital.nab.com.au/docs/NAB-Green-Bond-Report-2020.pdf">https://capital.nab.com.au/docs/NAB-Green-Bond-Report-2020.pdf</a> . 5. We have also undertaken semi-quantitative heat mapping across our entire lending portfolio to determine the key carbon intensive, low carbon and carbon sensitive sectors.
Investing (Asset manager)	No, but we plan to do so in the next two years	<Not Applicable>	Our Wealth Management Division is considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset management portfolio would be further considered as part of our approach implementing the PRI. There is currently ongoing analysis of the risks and opportunities presented by climate change by our external active managers. Our Wealth Management Division approaches climate change risk from two perspectives. Firstly, from a manager research perspective, we incorporate this risk into our broader ESG risk assessment. Given its importance, we include an explicit climate change section in the regular reporting we require from our underlying managers. We expect our managers to analyse these risks proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Secondly, from an asset allocation perspective, we consider how different types of assets could be impacted in various climate change scenarios. This incorporates an assessment of how climate change risk may differ between regions and markets. For example, we may attach a higher risk premium to regions with a higher exposure to carbon-intensive industries to reflect the increased climate change risk. We have not yet focused on assessing the aggregate carbon footprint of our portfolio given the complexity and ambiguity of calculating this, combined with the fact that our portfolio (given its multi-manager design) is very broadly diversified, and that our ESG policy at the moment emphasises engagement and not exclusions. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	No, but we plan to do so in the next two years	<Not Applicable>	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset management portfolio would be considered as part of our approach implementing the PRI. Our Wealth Management Division approaches climate change risk from two perspectives. Firstly, from a manager research perspective, we incorporate this risk into our broader ESG risk assessment. Given its importance, we include an explicit climate change section in the regular reporting we require from our underlying managers. We expect our managers to analyse these risks proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Secondly, from an asset allocation perspective, we consider how different types of assets could be impacted in various climate change scenarios. This incorporates an assessment of how climate change risk may differ between regions and markets. For example, we may attach a higher risk premium to regions with a higher exposure to carbon-intensive industries to reflect the increased climate change risk. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD)	Other products and services: Project Finance and Green Bond Issuance We use a carbon footprinting approach to: (i) estimate the carbon emissions from our project finance power generation portfolio (as reported on page 32 of our 2020 Sustainability Report and page 3 of our 2020 Equator Principles Report <a href="https://www.nab.com.au/content/dam/nab/rdw/documents/reports/corporate/2020-equator-principles-report.pdf">https://www.nab.com.au/content/dam/nab/rdw/documents/reports/corporate/2020-equator-principles-report.pdf</a> ) and (ii) calculate avoided emissions for renewable energy projects in our Green Bond Portfolio (as published in our annual Green Bond Reports – refer to pages 6-7, NAB 2020 Green Bond Report here: <a href="https://capital.nab.com.au/docs/NAB-Green-Bond-Report-2020.pdf">https://capital.nab.com.au/docs/NAB-Green-Bond-Report-2020.pdf</a> )

C-FS14.1a



## (C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)

### Category 15 (Investments)

#### Evaluation status

Relevant, calculated

#### Scope 3 portfolio emissions (metric tons CO2e)

18437681

#### Portfolio coverage

More than 40% but less than or equal to 50%

#### Percentage calculated using data obtained from client/investees

0

#### Emissions calculation methodology

We applied two approaches to estimating financed emissions based on the availability of data: (i) a bottom-up approach – based primarily on individual company or Commercial Real Estate GHG data (publicly available from company reported information disclosed by the Australian Clean Energy Regulator or reported under the Commercial Building Disclosure Program for the period to 30 June 2019), and (ii) a top-down approach – based on industry level data where bottom-up information was unavailable. The bottom-up approach was applied to estimate the NAB Group's lending exposures associated with power generation, resources (including coal, oil and gas) and commercial real estate (office and retail). Lending exposures associated with residential mortgages and agriculture were estimated via a top-down approach using industry level emissions intensity data. The NAB Group estimated the GHG emissions for the residential mortgages for all states and territories in Australia by applying an average GHG intensity factor per dwelling to the number of dwellings financed by the Group in each state and territory. As a financial institution is often the only provider of a mortgage, the Group attributed the emissions estimated per dwelling to itself in alignment with the Partnership for Carbon Accounting Financials (PCAF) framework. For this reason, a loan to valuation ratio was not applied. Agricultural data availability was low compared to other sectors. NAB Group developed a top-down approach to estimating its attributable financed emissions from agriculture. The Group will work to refine this approach in future estimates as data availability and quality improves. The Group estimated emissions associated with its agribusiness customers by attributing NAB Group with a share of 2018 total emissions disclosed in the National Inventory by Economic Sector relative to the Group's market share for agriculture. To support this approach, the Group applied an average debt-to-equity ratio of 11.2% provided in the survey data published under the Australian Bureau of Agricultural and Resource Economics and Sciences to attribute the Group's share of total sectoral-based emissions relative to EaD. Financed emissions were estimated for the following Australian agricultural sub-sectors: aquaculture, livestock (sheep, beef, poultry, pigs, and dairy), grains, cotton, cropping, horticulture, sugarcane and forestry. We documented our estimation methodology for this attributable financed emissions estimate for our lending portfolio. A more detailed description of the methodology applied to NAB Group's attributable financed emissions estimate is available on our website here: [financed-emission-methodology \(nab.com.au\)](https://www.nab.com.au/financed-emission-methodology). Our methodology was closely aligned to, and where appropriate, followed the Partnership for Carbon Accounting Financials (PCAF) framework. NAB Group is monitoring the development of methodologies for financed emissions estimation and portfolio temperature alignment in order to refine its measurement methodology going forward. Relevant emissions factors were sourced from the NGER Determination applicable to the 2018-2019 reporting period (NGER Determination) and the National Greenhouse Accounts Factors (August 2019).

#### Please explain

NAB Group selected customer segments based on the following criteria for its initial attributable financed emissions estimate: • Materiality of sectoral financing/exposure as a % of NAB Group Exposure at Default (EaD) • Sectoral contribution to greenhouse gas (GHG) emissions • Ready access to good quality company or industry level emissions data which can be applied in the emissions estimation methodology. Our initial financed emissions estimate was restricted to the NAB Group's Australian lending portfolio due to the availability of data for the industry sectors described above. The attributable financed emissions calculation and metric has been chosen, and is being used, to provide a baseline from which to understand climate impact associated with the lending portfolio, and to enable us to monitor decarbonisation of our portfolio over time. The industries selected for this Australian attributable financed emissions estimate were agriculture, residential mortgages, commercial property (office and real estate), power generation and resources (coal, oil and gas). Coverage (48.9%) was calculated based on the percentage (%) of EaD for the Australian customer industry segments included in the attributable financed emissions estimate out of the NAB Group's total portfolio EaD as at 31 August 2020.

## C-FS14.1b

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**(C-FS14.1b) What is your organization's Scope 3 portfolio impact? (Category 15 "Investments" alternative carbon footprinting and/or exposure metrics)**

**Metric type**

(Portfolio) carbon footprint

**Metric unit**

Other, please specify (tonnes CO<sub>2</sub>-e)

**Scope 3 portfolio metric**

23351

**Portfolio coverage**

More than 90% but less than or equal to 100%

**Percentage calculated using data obtained from clients/investees**

100

**Calculation methodology**

We used Australian emissions factors and methods for calculating Scope 1 and 2 GHG emissions as tCO<sub>2</sub>-e as set out in the National Greenhouse and Energy Reporting (NGER) (Measurement) Determination 2008 compilation dated 1 July 2019, including the National Greenhouse and Energy Reporting (Measurement) Amendment (Energy) Determination 2019. 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 customers for their designated generation facilities (assets) and can be matched to the assets we are financing. For the purposes of NGER reporting, 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. We used the Scope 1 and 2 GHG emissions (as tCO<sub>2</sub>-e) publicly reported by the Clean Energy Regulator for Australian power generation assets listed as 'designated generation facilities' which are included in our project finance portfolio. We multiplied these emissions by NAB's participation in financing for each facility as % of debt as at 30 September 2020. We then aggregated NAB's share of Scope 1 and 2 GHG emissions for the portfolio of assets to arrive at a figure for the total tCO<sub>2</sub>-e for the portfolio of power generation assets we project finance in Australia.

**Please explain**

This metric was chosen so we could annually calculate the attributable portfolio carbon footprint for the power generation assets financed as part of NAB's Australian project finance (lending) power generation portfolio. This metric is used to monitor the climate impact or emissions arising from our project financing of power generation facilities in Australia. This has decreased substantially over the past few years and in FY2020 there was only one remaining coal-fired asset (a remotely located co-generation plant) in the Australian project finance power generation portfolio. The emissions figure calculated for our portfolio of Australian designated generation facilities covers around 91% of the Australian power generation assets (measured as MW capacity of the power generation facilities) included in NAB Group's project finance portfolio. Data for the remaining 9% of assets (measured as MW capacity of the power generation facilities) was not available. Coverage was calculated as a % of total installed MW capacity for power generation assets in NAB's project finance power generation portfolio with greenhouse gas emissions data available through the Australian Clean Energy Regulator. NAB's project finance portfolio power generation portfolio has been a key source of financed emissions in the past – this has reduced significantly over the past 6 years as this portfolio has been decarbonised and transitioned to renewable energy and some gas assets.

**Metric type**

Exposure to carbon-related assets

**Metric unit**

Percentage portfolio value

**Scope 3 portfolio metric**

0.7

**Portfolio coverage**

More than 90% but less than or equal to 100%

**Percentage calculated using data obtained from clients/investees**

0

**Calculation methodology**

This metric (Percentage of portfolio value as Exposure at Default) is used to monitor 100% of our exposures assigned to the oil and gas extraction, coal mining and coal and gas-fired and mixed generation industry codes. We calculate the percentage exposure to carbon-related assets in our resources and power generation portfolios as Exposure at Default. This is calculated as: (i) the Exposure at Default value representing lending to customers in the oil and gas extraction and coal mining sectors (assigned to oil, gas and coal industry codes) in our resources portfolio as a percentage of the total resources portfolio value; and (ii) the Exposure at Default value for lending to customers for coal and gas-fired and mixed generation assets (coal, gas and renewables) in our power generation portfolio (assigned industry codes for coal-fired, gas-fired and mixed generation) as a percentage of the total power generation portfolio value.

**Please explain**

This metric is used to monitor climate impact in our lending portfolio as EaD for the resources and power generation portfolios. This metric was chosen so we could monitor how NAB's exposure to these sectors (which are emissions intensive) decreases overtime in line with our commitment to align our portfolio with the goals of the Paris Agreement and the Collective Commitment to Climate Action, particularly to monitor our progress against two portfolio transition pathways we announced as part of our FY2019 reporting. These were as follows: • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. NAB will not take on new-to-bank thermal coal mining customers. • Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. In FY2019, we increased our environmental finance commitment from \$55bn to \$70 bn by 2025 (as a cumulative amount from a starting baseline of 2015) – this was a \$15bn increase in our commitment to support green infrastructure, capital markets and asset finance. In FY2020, we reached a total of: (i) \$23.1 billion against the Group's commitment to provide \$20 billion to support green infrastructure, capital markets and asset finance by 2025; and (ii) \$19.4 billion against the Group's commitment to provide \$35 billion in new mortgage lending flow for 6-Star residential housing in Australia (new dwellings and significant renovations) by 2025.

**C-FS14.1c**

**(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 “Investments” emissions or alternative carbon footprinting and/or exposure metrics)**

NAB Wealth Management (‘NAB Wealth’), which includes subsidiaries undertakes activities both as an asset manager and asset owner (a provider of private-sector pension plans or superannuation), does not currently conduct quantitative climate impact analysis on its portfolio, but this is currently under consideration as part of NAB Wealth’s regular review of its ESG Policy and potential Principles for Responsible Investment (PRI) membership. Assessing the climate impact of NAB Wealth’s asset management portfolio would be considered as part of its approach to implementing the PRI.

NAB Wealth has not historically undertaken quantitative climate impact analysis itself because the focus has been on ensuring managers selected as part of a ‘manager of managers approach’ assess climate change and other environmental risks, engage with management/boards to optimise the long-term viability of the company, and invest/don’t invest accordingly.

NAB Wealth is approaching climate change risk from two perspectives. Firstly, from a manager research perspective, we incorporate this risk into our broader ESG risk assessment. Given its importance, we include an explicit climate change section in the regular reporting we require from our underlying managers. We expect our managers to analyse these risks proactively and engage with companies on aligning their emissions with the targets established in the Paris Agreement. We also assess how managers are analysing climate change risks as part of our ongoing interactions and assessment of their capabilities. Secondly, from an asset allocation perspective, we consider how different types of assets could be impacted in various climate change scenarios. This incorporates an assessment of how climate change risk may differ between regions and markets. For example, we may attach a higher risk premium to regions with a higher exposure to carbon-intensive industries to reflect the increased climate change risk.

Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.

**C-FS14.2**

**(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?**

Scope 3 breakdown	Comment
Row 1 Yes, by industry	1. We provide a breakdown of our exposure to carbon-related assets in our resources and power generation portfolios. This is provided as graphs in our 2020 Full and Half-Year Investor presentations (Slide 44 and slide 47 respectively) and in tables in our 2020 Sustainability Report (pg 17) and 2020 Sustainability Data Pack (refer exposure tab) 2020 Half-Year Investor Presentation: <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/1h20-investor-presentation.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/1h20-investor-presentation.pdf</a> 2020 Full-Year Investor Presentation: <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/fy20-investor-presentation.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/fy20-investor-presentation.pdf</a> 2020 Sustainability Report: <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/sustainability-report-pdf.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/sustainability-report-pdf.pdf</a> 2020 Sustainability Data pack: <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/sustainability-data-pack-xlsx.xlsx">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/sustainability-data-pack-xlsx.xlsx</a> 2. We provide a breakdown of our Australian estimated attributable financed emissions calculation by sector in our 2020 Sustainability Data Pack (refer exposure tab) and pg 30 of our 2020 Sustainability Report ( <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2020-sustainability-report-pdf.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2020-sustainability-report-pdf.pdf</a> ): Agriculture represents 23.9% Residential mortgages represents 45.8% Commercial real estate (office and retail) represents 0.2% Power generation represents 20.5% Resources (including coal, oil and gas) represents 9.6%

**C-FS14.2b**

**(C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.**

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Energy	Exposure to carbon-related assets	Percentage portfolio value	28	We monitor the percentage portfolio of our Power Generation portfolio that is attributed to carbon-related and renewable energy assets. This metric helps us track the transition in our Power Generation lending portfolio to renewable energy. It covers 100% of our Power Generation portfolio. Currently 28% of our power generation portfolio (measured as Exposure at Default) is attributed to non-renewable or mixed power generation. This breaks down further to 13% gas-fired generation, 1% coal-fired generation and 14% mixed generation (lending to gentailers who have a mixture of coal, gas and renewable energy generation assets in their portfolio). Our power generation portfolio now has 72% of its exposure to renewable energy. We are monitoring both the % change and the change in absolute exposures to track how we progress against our portfolio transition pathway which is as follows: "Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions."
Other, please specify (Resources)	Exposure to carbon-related assets	Percentage portfolio value	43	We monitor the percentage of our Resources portfolio, which includes oil and gas, coal, other mining and mining services, that is attributed to carbon-related and non-carbon related assets. This metric helps us track the transition in our resources lending portfolio away from carbon-intensive exposures. It covers 100% of the relevant exposures (coal, oil and gas) in our Resources portfolio. Currently 43% of our Resources portfolio (measured as Exposure at Default) is attributed to carbon-related assets. This includes 14% coal (7% thermal coal and 7% metallurgical coal) and 29% oil and gas exposures. We are monitoring both the % change and the change in absolute exposures to track how we progress against our portfolio transition pathway which is as follows: "Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. NAB will not take on new-to-bank thermal coal mining customers."

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Other, please specify (Attributable financed emissions associated with lending to Australian agriculture)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	4410711	Client level agricultural data availability was low compared to other sectors. Therefore, NAB Group developed a top-down approach to estimating its attributable financed emissions from agriculture. The Group will work to refine this approach in future estimates as data availability and quality improves. The Group estimated emissions associated with its agribusiness customers by attributing NAB Group with a share of 2018 total emissions disclosed in the National Inventory by Economic Sector relative to the Group's market share for agriculture. To support this approach, the Group applied an average debt-to-equity ratio of 11.2% provided in the survey data published under the Australian Bureau of Agricultural and Resource Economics and Sciences to attribute the Group's share of total sectoral-based emissions relative to Exposure at Default (EaD). Financed emissions were estimated for the following Australian agricultural sub-sectors: aquaculture, livestock (sheep, beef, poultry, pigs, and dairy), grains, cotton, cropping, horticulture, sugarcane and forestry. As there was some uncertainty with respect to the estimation of dairy emissions, the NAB Group took a conservative approach and uplifted total emissions by 12% to ensure adequate coverage of dairy sector emissions. The Group's estimate of emissions associated with dairy exposures (at EaD) was based on the following approach: <ul style="list-style-type: none"> <li>Identifying total Australian dairy emissions from Dairy Australia's survey (FY17 Australian Dairy Industry Survey (ADIS));</li> <li>Dividing the Dairy Australia sectoral emissions estimate by the number of dairy farms to get a per farm emissions figure;</li> <li>Multiplying the per farm emissions figure by the number of dairy customers with lending (measured as EaD) provided by the NAB Group. Using this approach, the coverage was 100% of emissions for Australian agriculture associated with the NAB Group were covered. The attributable financed emissions calculation and metric has been chosen, and is being used, to provide a baseline from which to understand climate impact associated with the Australian agribusiness lending portfolio, and to enable us to monitor decarbonisation of our portfolio over time.</li> </ul>
Other, please specify (Attributable financed residential emissions associated with lending to Australian residential mortgages)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	8438011	NAB Group estimated the GHG emissions for residential mortgages for all states and territories in Australia by applying an average GHG intensity factor per dwelling to the number of dwellings financed by the Group in each state and territory. As a financial institution is often the only provider of a mortgage, the Group attributed the emissions estimated per dwelling to itself in alignment with the Partnership for Carbon Accounting Financials (PCAF) framework. For this reason, a loan to valuation ratio was not applied. The steps taken to estimate attributable emissions associated with residential mortgages were as follows: <ul style="list-style-type: none"> <li>Total state and territory based residential energy consumption figures (gas and electricity) were sourced for the residential sector in each state and territory as disclosed in Table F of the Australian Energy Statistics – Australian Energy Update 2020. State and territory electricity and natural gas emissions factors were sourced from the National Greenhouse Accounts Factors (August 2019).</li> <li>Total state and territory based residential GHG emissions were then calculated by applying the emissions factors to total residential energy consumption.</li> <li>The total 2020 number of dwellings for each state and territory was estimated by applying a correction factor of 5% to the number of dwellings reported by the Australian Bureau of Statistics (ABS) in the 2016 ABS census based on population growth per state and territory.</li> <li>The total emissions for each state and territory were then divided by the estimated number of dwellings per state and territory to provide an estimate emissions per dwelling figure for each state and territory.</li> <li>The emissions per dwelling for each state and territory were then multiplied by the total number of Group mortgages for each state and territory to estimate the attributable financed emissions relevant to the Group's Australian residential mortgages by state or territory.</li> <li>The state and territory GHG dwelling-related emissions totals attributable to the Group's financing were then aggregated to provide a total figure attributable to the Group's Australian residential mortgage portfolio. Using this approach, the coverage was 100% of emissions for Australian residential mortgages associated with NAB Group. This metric has been chosen, and is being used, to provide a baseline for monitoring portfolio decarbonisation.</li> </ul>
Other, please specify (Attributable financed emissions associated with lending to Australian Commercial Real Estate (Office and Retail))	Total carbon absolute emissions (CO2e)	Metric tons CO2e	30759	NAB Group calculated emissions for commercial real estate (office and retail) based upon actual reported emissions under the Commercial Building Disclosure Program for the period to 30 June 2019. Where commercial real estate (office and retail) emissions were not available for financed buildings, an average state NABERS emissions intensity factor per sqm was sourced from the National Australian Built Environment Rating System (NABERS), and emissions were calculated from the building area to estimate emissions for the remaining 28% of commercial real estate (office and retail) exposures. These emissions were attributed to the Group in proportion to NAB Group's Exposure at Default (EaD) as a share of the relevant global facility limit as at 31 August 2020. Using this approach, the coverage was 100% of emissions associated with Australian commercial real estate (office and retail) lending portfolio, and to enable us to monitor decarbonisation of our portfolio over time.
Other, please specify (Attributable financed emissions associated with lending to Australian Power Generation)	Total carbon absolute emissions (CO2e)	Metric tons CO2e	3785394	The Group estimated Australian emissions for Power Generation based upon actual emissions reported to, and disclosed by, the Clean Energy Regulator under the NGER Act and the NGER Determination. These emissions were attributed to NAB Group in proportion to the Group's Exposure at Default (EaD) as at 31 August 2020 to the relevant customer as a percentage of that customer's total listed market capitalisation as at 22 October 2020. For unlisted companies or special purpose vehicles where market capitalisation was not available, the Group's share of the global facility limit as at 31 August 2020 (measured as total committed exposure) was used to attribute the proportion of financed emissions. Using this approach, the coverage of our Power Generation portfolio was 50%. 50% of NAB Group's power generation customers in Australia had reported NGER emissions and company valuations to allow calculation of estimated financed emissions attributable to the Group. For the balance of Power Generation customers, where the NGER emissions, market capitalisation or global facility limits were unavailable these were excluded from the assessment. Each customer is assigned an ANZSIC code based on their primary business activity. As such, estimated customer emissions and sector-specific emissions estimates are applied to each customer's EaD with the assumption that the emissions are 100% attributable to the assigned primary business activity. Customer EaD includes: <ul style="list-style-type: none"> <li>Any on-balance sheet loans and lines of credit with unknown use of proceeds to businesses, non-profits, and any other structure of organisation.</li> <li>Revolving credit and overdraft facilities and business loans secured by real estate, such as commercial real estate-secured lines of credit.</li> <li>Business loans, short-term debt and line of credit. The attributable financed emissions calculation and metric has been chosen, and is being used, to provide a baseline from which to understand climate impact associated with the Power Generation lending portfolio, and to enable us to monitor decarbonisation of our portfolio over time.</li> </ul>
Other, please specify (Attributable financed emissions associated with lending to Australian Resources (including coal, oil and gas))	Total carbon absolute emissions (CO2e)	Metric tons CO2e	1722807	The Group estimated Australian emissions for Resources based upon actual emissions reported to, and disclosed by, the Clean Energy Regulator under the NGER Act and the NGER Determination. These emissions were attributed to NAB Group in proportion to the Group's Exposure at Default (EaD) as at 31 August 2020 to the relevant customer as a percentage of that customer's total listed market capitalisation as at 22 October 2020. For unlisted companies or special purpose vehicles where market capitalisation was not available, the Group's share of the global facility limit as at 31 August 2020 (measured as total committed exposure) was used to attribute the proportion of financed emissions. Using this approach, the coverage of our Resources portfolio was 56%. 56% of NAB Group's Resources customers in Australia (including coal, oil and gas customers) had reported NGER emissions and company valuations to allow calculation of estimated financed emissions attributable to the Group. For the balance of Resources customers, where the NGER emissions, market capitalisation or global facility limits were unavailable these were excluded from the assessment. Each customer is assigned an ANZSIC code based on their primary business activity. As such, estimated customer emissions and sector-specific emissions estimates are applied to each customer's EaD with the assumption that the emissions are 100% attributable to the assigned primary business activity. Customer EaD includes: <ul style="list-style-type: none"> <li>Any on-balance sheet loans and lines of credit with unknown use of proceeds to businesses, non-profits, and any other structure of organisation.</li> <li>Revolving credit and overdraft facilities and business loans secured by real estate, such as commercial real estate-secured lines of credit.</li> <li>Business loans, short-term debt and line of credit. The attributable financed emissions calculation and metric has been chosen, and is being used, to provide a baseline from which to understand climate impact associated with the Resources lending portfolio, and to enable us to monitor decarbonisation of our portfolio over time.</li> </ul>

C-FS14.3

**(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?**

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	NAB has become a signatory to the Principles for Responsible Banking and the associated Collective Commitment to Climate Action. The Collective Commitment to Climate Action sets out how banks will align their services and lending with the objectives of the Paris Agreement. It requires that signatories: • align their portfolios to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius; • take concrete action, within a year of joining, and use their products, services and client relationships to facilitate the economic transition required to achieve climate neutrality; • be publicly accountable for their impact and progress on these commitments. We have also established two sector portfolio transition pathways to commence aligning our portfolio to the goals of the Paris Agreement (limit global warming to well-below 2, striving for 1.5 degrees Celsius). These are as follows: • Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. NAB will not take on new-to-bank thermal coal mining customers. Additionally, in FY2020 we committed working with our customers to support their implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050. In particular, we made a commitment to work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023. In FY2020, we had planned to undertake a review of the oil and gas sector but this was deferred until FY2021, alongside work to develop portfolio decarbonisation plans for further sectors.
Investing (Asset manager)	No, but we plan to do so in the next two years	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset management portfolio and taking actions to align our asset management portfolio to a well-below 2-degree world would be considered as part of our approach implementing the PRI. There is currently ongoing analysis of the risks and opportunities presented by climate change by our external active managers. We have not yet focused on assessing the aggregate carbon footprint of our portfolio given the complexity and ambiguity of calculating this, combined with the fact that our portfolio (given its multi-manager design) is very broadly diversified, and that our ESG policy at the moment emphasises engagement and not exclusions. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Investing (Asset owner)	No, but we plan to do so in the next two years	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset portfolio as an asset owner and taking actions to align our asset management portfolio to a well-below 2-degree world would be considered as part of our approach implementing the PRI. Please note: On 31 May 2021, NAB completed the sale of its MLC Wealth business to IOOF Holdings Ltd. Given NAB owned MLC Wealth during FY2020 NAB has included the impact of the MLC Wealth business in its survey responses for this year.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes	Other products and services: Project Finance and Green Bond Issuance In FY2020, NAB committed working with our customers to support their implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050. This commitment applies to the whole lending portfolio regardless of product. In particular, we made a commitment to work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023. Our Green Bond issuance is a key area of finance that is aligning NAB's funding to a well-below 2 degree world.

**C-FS14.3a**

**(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?**

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	Currently, NAB assesses the alignment of customer's business strategies in sectors that are designated as potentially high ESG risk on our High ESG risk sensitive sectors and areas list (usually these are corporate & institutional banking clients in carbon intensive, carbon sensitive and low carbon sectors). In particular, we are reviewing customers' alignment with the Paris Agreement goals (and their strategies and plans to get there) as part of our climate-related sectoral reviews – so we can understand the climate risk impacts in key sectors or our lending portfolio and to help us make decisions about the portfolio transition pathways we put in place for key sectors within our lending portfolio and changes to risk appetite and policy that may be implemented as an outcome of our climate-related sectoral review. Our review of the thermal coal mining and coal-fired power sectors led to two sectoral transition pathways and a tightening of our risk appetite as follows: • supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from holding residual performance guarantees to rehabilitate existing coal assets. We now expect our thermal coal mining exposure to reduce by 50% by 2026, and to be effectively zero by 2030. NAB will not take on new-to-bank thermal coal mining customers. Additionally, in FY2020 we committed working with our customers to support their implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050. In particular, we committed to work closely with 100 of our largest greenhouse gas emitting customers by 2023 to support their low carbon transition plans . We also review the alignment of customer's business strategies part of engagement and discussion related to establishing metrics as part of sustainability linked loans.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes, for some	Other products and services: Project Finance and Green Bond Underwriting and Arranging NAB assesses the alignment of customer's business strategies in sectors that are designated as potentially high ESG risk on our High ESG risk sensitive sectors and areas list (usually these are corporate & institutional banking clients in carbon intensive, carbon sensitive and low carbon sectors) – this includes customers for whom we provide project finance and arrange and underwrite green bonds. In particular, we are reviewing customers' alignment with the Paris Agreement goals (and their strategies and plans to get there) as part of our climate-related sectoral reviews – so we can understand the climate risk impacts in key sectors of our lending portfolio and to help us make decisions about the portfolio transition pathways we put in place for key sectors within our lending portfolio and changes to risk appetite and policy that may be implemented as an outcome of our climate-related sectoral review. Additionally, in FY2020, we committed working with our customers to support their implementation of low-carbon transition plans so we achieve a net zero emissions lending portfolio by 2050. In particular, we made a commitment to work closely with 100 of our largest greenhouse gas emitting customers to support them in developing or improving their low carbon transition plans by 2023.

C-FS14.3b

**(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?**

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	Yes, for some	Where appropriate for Corporate & Institutional Banking customers and particularly as part of engagement to establish a sustainability-linked loan facility, we will encourage customers to consider setting a science-based emissions reduction target.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Yes, for some	Other products and services: Arranging and underwriting Green and Sustainability Linked Bonds Where appropriate for Corporate & Institutional Banking customers and particularly as part of engagement to establish a sustainability-linked bond facility, we will encourage customers to consider setting a science-based emissions reduction target.

C15. Signoff

C-FI

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

C15.1

**(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

	Job title	Corresponding job category
Row 1	Group Chief Executive Officer and Managing Director	Chief Executive Officer (CEO)

Submit your response

**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

**Please confirm below**

I have read and accept the applicable Terms