



National  
Australia  
Bank

The more we look ...

the more we see what really matters

Dig Deeper 2014



# Introduction

This *Dig Deeper* paper delves into NAB's Corporate Responsibility (CR) performance over the past financial year (1 October 2013 – 30 September 2014) and is to be read alongside NAB's fifth integrated Annual Review (the *2014 Annual Review*).

We have evolved our approach to reporting, moving away from the issues and stakeholder-based approach (customer, people, environment, community and supply chain) that we have used over the past five years, towards a format with a stronger focus on materiality and greater alignment to our *Wealth of Opportunity* story and how it can help to deliver sustainable, satisfactory shareholder returns.

We are now reporting against the three focus areas of NAB's *Wealth of Opportunity* anchored by our five-year business-wide commitments published in our *2013 Annual Review*. We have supplemented this to respond to the matters that arose from our annual Materiality Review (described on page 4). The outcomes of our 2014 Materiality Review and our business-wide commitments guided the selection of key metrics included in both this paper and the *2014 Annual Review* and inform the scope of our independent assurance (detailed on page 69).

The outcome of our annual Materiality Review also helps to inform our future strategic planning.


This approach ensures that we remain committed to action and that we continue to effectively describe how we create and sustain value for all of our stakeholders. It also demonstrates our advancement in the application of the International Integrated Reporting Committee (IIRC) framework.

More detail on *Wealth of Opportunity* can be found on our website: [cr.nab.com.au](http://cr.nab.com.au)

## How to read this report

This year we've identified 15 reporting priorities across the three pillars of *Wealth of Opportunity*:

1. Healthy relationship with money
2. Prosperous communities
3. Future focused nation

We have used the Global Reporting Initiative (GRI) G4 Sustainability Reporting guidelines to guide our report this year. A full GRI Index is available on pages 51–52 of this report. GRI references can be found throughout when you see this 

## Healthy relationship with money

Providing quality products and services and building financial capability

Access to inclusive banking

Easing financial hardship

Helping customers and employees prepare for retirement

Responsible lending and spending

## Prosperous communities

Our investment in the community

Creating a culture of giving and volunteering

Supporting a thriving not-for-profit sector

Supporting businesses that tie communities together

Creating a more diverse and inclusive workforce and society

Strengthening our workforce

## Future focused nation

Future-proofing our business

Leading conversations on operating in a resource-constrained world

Addressing the big issues that matter to communities

Embracing the changing digital and technological landscape

# How we performed in 2014

This year, there is much to celebrate, but there are also a number of challenges and opportunities that lie ahead.

## \$8m

### We're creating new business opportunities

Over \$8 million in new customer leads through The Village, our custom-built space in Melbourne for customers to connect, learn and work.



### We're continuing work to reduce the impact in our supply chain

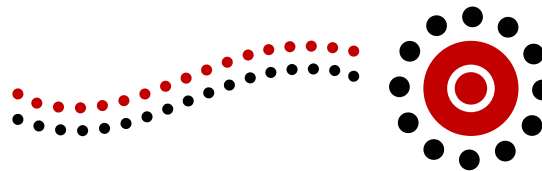
32% of our material suppliers are signatories to the NAB Group Supplier Sustainability Principles. We're targeting to achieve 90% by 30 September 2016.

### We're working to improve the engagement of our people and drive an enhanced customer experience

Achieved an overall employee engagement score of 69%,<sup>1</sup> which is a 1 percentage point increase from 2013. However, we have some further work to do such as fostering performance, enhancing leadership and agility and organisation advocacy.

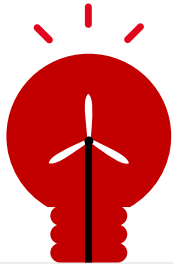
### We're making an impact in our communities

Our programs are having an impact. For example, our Indigenous traineeship programs are delivering up to \$3.14 in social return for every \$1 invested and improving confidence, self-esteem and communication skills for Indigenous participants.



### We're continuing to improve the environmental efficiency of our operations

Our data centre in Melbourne is one of the most sustainable enterprise data centres in Australia and was the first in Australia to be US Green Building Council LEED Platinum certified. Our head office at 800 Bourke Street, Melbourne is the first building to be rated under the Green Star Performance tool.<sup>2</sup>



### We're investing in business

We're still Australia's leading business bank by lending market share.



<sup>1</sup> In 2014 we changed the provider for our engagement survey. To provide the trends analysis, comparable questions were included. Under the new Right Management methodology, our employee engagement score was 42%.

<sup>2</sup> The rating was awarded to The GPT Group (the building owner) in October 2014, following extensive collaboration between NAB and The GPT Group to improve the operational performance of the building.

## Our approach to Corporate Responsibility (CR)

Our approach to CR aims to make a positive and sustainable impact in the lives of our customers, people, communities and on the environment in which we operate. This underpins a strong and sustainable business for our shareholders and creates shared value for stakeholders. Our approach is centred around:

- Customers – getting the fundamentals right
- Employees – being a good employer, through investing in the skills and capabilities of our employees
- Addressing our broader responsibility to society – by supporting communities, managing our environmental impact and dependencies and having a positive impact through our supply chain.

We are focused on leveraging our purpose, culture and CR approach to build world-class customer relationships, engage with our people, mitigate risk, identify new revenue opportunities and enhance our reputation. We believe this will contribute to sustainable, satisfactory returns for our shareholders.

## Creating value through our Corporate Responsibility agenda

### Resource Efficiency

- > Drives efficient use of resources

### Reputation

- > Protects and enhances reputation

### Regulation

- > Places the business ahead of the regulatory curve
- > Positions the business to shape the regulatory agenda

### Relationships

- > Improves customer engagement, retention and attraction
- > Boosts employee engagement and attracts and retains talent
- > Drives constructive stakeholder dialogue on difficult issues

## Sustainable shareholder returns

### Revenue

- > Improves the identification of opportunities in the emerging green and social marketplaces

### Risk

- > Drives the identification, assessment and management of risk, including environment, social and governance (ESG) risks

## Understanding the issues that matter to our stakeholders

We know that maintaining an open and constructive dialogue and continually engaging with our many and varied stakeholders is integral to our success. Through our engagement we are able to understand the expectations of the communities we operate within, identify issues and opportunities and in so doing encourage innovation. Ongoing engagement helps us to identify opportunities to improve our business and create new products and services for our customers.

Our key stakeholders are:

- customers
- NAB employees and contractors
- investors (shareholders, fund managers and superannuation funds)
- analysts
- industry bodies, associations, regulators and government
- suppliers
- broader community including non-government organisations (NGOs) and NAB's community partners
- media

Accountability for stakeholder engagement is shared across the organisation. Individual relationship managers within NAB aim to ensure ongoing engagement and relationships with key stakeholder groups. At NAB Group level, we have teams responsible for engagement with customers, employees, investors and analysts, government, industry associations and initiatives, not-for-profits and community organisations, unions and the media. Each of these teams manage relationships with key stakeholders, so we can understand issues of concern and ensure that we are taking appropriate action to effectively address them.

### Our 2014 business issues\*

- Ethics and business conduct
- Transparency and disclosure
- Affordability of banking
- Access to inclusive banking
- Transparency of products and services
- Customer service and satisfaction
- Responsible credit practices
- Customer financial hardship
- Responsible investment (wealth)
- Responsible finance (lending)
- Financial crime
- Customer security and safety
- Innovation
- Financial education and literacy
- Health, safety and wellbeing
- Investment in human capital
- Staff turnover
- Performance and reward management
- Workplace relations
- Diversity and inclusion
- Values-aligned culture
- Stakeholder engagement/relationships
- Community investment
- Social inclusion
- Disaster relief management
- Education
- Environmental impact of operations
- Managing exposure to environmental risk
- Responsiveness to environmental market opportunities
- Sustainable sourcing
- Responsible procurement practices
- Outsourcing

\* issues highlighted in red have been identified as material this year

## About our Materiality Review

Each year we formally engage with a wide range of stakeholders to understand the issues that are of importance to them, those that have a current or future impact on NAB's performance and competitive position, and which may ultimately impact shareholder returns. Our Materiality Review provides us with a snapshot of the priority issues facing our business at a certain point in time.

In 2014 the issues identified as most important to stakeholders and those with greatest impact on the business were:

G4-27

- ethics and business conduct
- transparency and disclosure
- customer service and satisfaction
- customer financial hardship
- staff turnover
- performance and reward management
- values-aligned culture.

We define these issues as 'material issues', which are then used to support our strategic planning and guide the inclusions within our integrated annual reporting suite (this document, alongside our *2014 Annual Review*).

This year we engaged with over 50 organisations and 60 individuals in our 2014 Materiality Review. The forms of engagement included stakeholder surveys, the hosting of internal workshops as well as interviews with customers, employees, associations, community partners, not-for-profits, suppliers, investors and analysts across Australia. Our Materiality Review also included an increased focus on one-on-one stakeholder interviews to deepen the conversation. We enlisted the services of KPMG to provide an independent perspective, validation over the process and ensure that NAB's materiality process is in line with global best practice.

G4-25

## Our approach > Understanding the issues that matter to our stakeholders

As shown in the table below, throughout the year we use a number of methods to generate effective dialogue with our stakeholders and ensure that our understanding of the material issues reflects current thinking.

Stakeholder group	Types of engagement activities	Issues of interest	Stakeholder group	Types of engagement activities	Issues of interest
Customers	<ul style="list-style-type: none"> <li>Consumer advocate meetings with senior leadership</li> <li>Customer feedback channels</li> <li>Market research – customer satisfaction and experience surveys and focus groups</li> </ul>	<ul style="list-style-type: none"> <li>Customer service and satisfaction</li> <li>Customer security</li> <li>Financial hardship</li> <li>Financial education and literacy</li> <li>Employment opportunities for the disadvantaged</li> <li>Financial inclusion</li> <li>Service quality</li> <li>Industry regulation</li> <li>Affordability of banking</li> </ul>	Media	<ul style="list-style-type: none"> <li>Briefings/interviews</li> <li>Press releases</li> <li>NAB news website</li> <li>National Press Club sponsorship</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and business conduct</li> <li>Products and services</li> <li>Responsible finance (lending and investment)</li> <li>Innovation</li> <li>Diversity and inclusion</li> <li>Community investment</li> <li>Customer service and satisfaction</li> <li>Industry regulation</li> </ul>
Shareholders and the investment community	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Investor presentations</li> <li>Analyst briefings</li> <li>Participation in surveys</li> <li>Meetings</li> <li>Round tables</li> </ul>	<ul style="list-style-type: none"> <li>Customer service and satisfaction</li> <li>Transparency and disclosure</li> <li>Responsible lending</li> <li>Responsible procurement practices</li> <li>Sustainable sourcing</li> <li>Governance</li> <li>Environmental, social and governance (ESG) risk management, including carbon risk</li> <li>Employee engagement</li> <li>Diversity and inclusion</li> <li>Our Environmental Agenda</li> </ul>	Government affairs	<ul style="list-style-type: none"> <li>Regular meetings and briefings</li> <li>Participation in consultation process</li> </ul>	<ul style="list-style-type: none"> <li>Microfinance</li> <li>Indigenous employment and housing</li> <li>Impact investment</li> <li>Natural capital and environmental regulatory change/policy</li> </ul>
Employees and contractors	<ul style="list-style-type: none"> <li>Regular surveys</li> <li>Employee engagement survey</li> <li>Intranet</li> <li>Staff TV</li> <li>Employee feedback groups</li> <li>Confidential alert lines</li> <li>Internal social media</li> </ul>	<ul style="list-style-type: none"> <li>Performance and reward management</li> <li>Investment in human capital</li> <li>Staff turnover</li> <li>Customer service and satisfaction</li> <li>Values-aligned culture</li> <li>Ethics and business conduct</li> <li>Health, safety and wellbeing</li> <li>Diversity and inclusion</li> <li>Access and retention of skilled staff</li> <li>Innovation</li> <li>Financial crime</li> <li>Customer security and safety</li> <li>Transparency and disclosure</li> <li>Employee engagement</li> <li>Talent and culture</li> <li>Our Environmental Agenda</li> </ul>	Regulators	<ul style="list-style-type: none"> <li>Regular meetings and briefings</li> <li>Focus groups</li> <li>Participation in consultation process</li> </ul>	<ul style="list-style-type: none"> <li>Customer hardship</li> <li>Financial literacy</li> <li>Responsible lending</li> <li>Environmental performance</li> </ul>
			Suppliers	<ul style="list-style-type: none"> <li>Supplier forums</li> <li>Regular meetings and briefings</li> <li>Ongoing relationship management</li> <li>Industry forums</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and inclusion</li> <li>Resource efficiency</li> <li>Off-shoring and outsourcing</li> <li>Managing our exposure to ESG risks</li> <li>Sustainable sourcing</li> </ul>
			Not-for-profit (NFP) organisation	<ul style="list-style-type: none"> <li>Surveys</li> <li>Interviews</li> <li>NFP customer support</li> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Employment opportunities for those marginalised in society</li> <li>Financial hardship</li> <li>Financial education and literacy</li> <li>Financial inclusion</li> <li>Increased donor competition</li> <li>Mental health support</li> <li>Products and services</li> <li>Regulatory insecurity</li> <li>Resource efficiency</li> <li>Responsible lending</li> <li>ESG risk management</li> <li>Indigenous employment and housing</li> </ul>
			Community partners	<ul style="list-style-type: none"> <li>Surveys</li> <li>Interviews</li> <li>Community partner customer support</li> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Employment opportunities for those marginalised in society</li> <li>Financial hardship</li> <li>Financial education and literacy</li> <li>Financial inclusion</li> <li>Mental health support</li> <li>Products and services</li> <li>Resource efficiency</li> </ul>

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G4-26

## Our approach > Understanding the issues that matter to our stakeholders

Insight obtained from various forums and regular interaction with our stakeholders overlays the annual Materiality Review referred to above (details listed below).

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### **Advisory Council on Corporate Responsibility (ACCR)**

– co-chaired by Dr Chris Sarra, founder of Stronger Smarter Institute and NAB's CEO, the ACCR comprises a range of experienced internal and external advisors who help guide NAB's CR strategy and activities through strategic advice and feedback. The ACCR meets three times a year.

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### **Indigenous Advisory Group (IAG)**

– co-chaired by Dr Chris Sarra and Danny Gilbert, a NAB Non-executive Director, the IAG comprises a range of Indigenous leaders and internal advisors who provide strategic advice and feedback in relation to NAB's engagement with Aboriginal and Torres Strait Islander people and the Reconciliation Action Plan (RAP).

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### **CEO Consumer Briefing**

– chaired by NAB's CEO, the Executive Leadership Team and senior representatives from consumer advocacy groups meet annually to discuss current and emerging issues impacting organisations.

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### **Regular engagement**

– We value constructive feedback and engagement with a wide range of stakeholders, including NGOs and ESG analysts, and we take on board their feedback, information and analysis to assist in the determination of 'materiality' to NAB.

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As an example of our engagement this year, Oxfam approached the four major banks in Australia as part of Oxfam's campaign to raise awareness on the issue of improper land acquisition in the soft commodities sector and supply chains. NAB engaged with, and responded to, Oxfam within the limitations of customer privacy and confidentiality requirements. Our engagement included providing information about NAB's approach to ESG risk management and the development of a public policy statement on improper land acquisition, which is now available on our [website](#).

## Our approach > 2014 material issues

### 2014 material issues

Material issue	Stakeholder feedback	Key performance indicator
<b>Transparency and disclosure</b>	Our stakeholders are looking for transparency and clarity on NAB's approach to the management of environmental, social and governance (ESG) matters. Our stakeholders have told us that they consider NAB's disclosure on its approach to ESG issues to be as important as NAB's management of these issues.	<ul style="list-style-type: none"> <li>Improved disclosure as measured through benchmarking scores and stakeholder feedback</li> </ul>
Our 2014 performance	We recognise the importance of transparency and disclosure on ESG matters and we take on board the feedback that we receive from our stakeholders. We remain committed to increasing disclosure about our policies and processes through publications such as our <i>2014 Annual Review</i> , our <i>2014 Dig Deeper</i> paper and information available on our website. We also respond to requests for information from key stakeholders such as ESG analysts. For example, this year NAB responded to the Dow Jones Sustainability Index (DJSI), FTSE4Good, CDP, Ethisphere and Sustainalytics among others. Based on feedback on our most recent DJSI submission, we will address proposed improvements on key measures in the year ahead. See the ' <a href="#">Responsible Lending and Spending</a> ' section of this <i>Dig Deeper</i> paper for details on how we responded to advocacy campaign activity this year relating to our management of ESG matters.	
<b>Values-aligned culture</b>	Creating a culture for our employees to develop and thrive has a direct impact on customer experience and NAB's long-term success. We need to continue supporting our people to achieve their goals and in turn strengthen our customer experience.	<ul style="list-style-type: none"> <li>Engagement score in annual employee survey</li> <li>% employee survey response rate to annual employee survey</li> <li>Length of tenure</li> <li>Retention of high-performing employees</li> <li>Total number of employees returning to work after parental leave</li> <li>Total retention rate of Group Talent Pool (AUS only)</li> </ul>
Our 2014 performance	We realise the important role a strong culture has in enabling our people to thrive and contribute to an enhanced customer experience. We have continued to build on our culture and purpose of 'doing the right thing', ensuring our employees are proud to work at NAB. Details on how we are strengthening our workforce and helping our people to prosper is found on pages 34–40 of this document. Also see NAB numbers for our performance against KPIs.	
<b>Ethics and business conduct</b>	Our stakeholders expect NAB to conduct itself fairly and ethically. They consider this to be a fundamental part of our strategic direction, and integral to our success.	<ul style="list-style-type: none"> <li>Code of Conduct breaches</li> <li>Whistleblower disclosures</li> </ul>
Our 2014 performance	We believe that operating in an ethical manner is our day-to-day responsibility and is simply the right thing to do. We continue to publish our Code of Conduct and approach to whistleblowing as well as the number of breaches that have occurred. For further details refer to page 40 and our <a href="#">website</a> .	
<b>Customer financial hardship</b>	Our stakeholders expect that we will provide appropriate products and financial guidance for those facing financial challenges.	<ul style="list-style-type: none"> <li>Number of customers experiencing financial hardship assisted</li> <li>Number of microfinance loans written</li> </ul>
Our 2014 performance	We share our stakeholders' desire to ensure that customers facing hardship are appropriately supported. We see the opportunity to help our customers have a healthy relationship with money. The work that we have undertaken this year to support customers facing hardship is detailed on page 17.	



## Our approach > 2014 material issues

### 2014 material issues (continued)

Material issue	Stakeholder feedback	Key performance indicator
<b>Performance reward management</b>	<b>Our stakeholders are interested in understanding NAB's remuneration structure and expect that we have in place a fair and equitable pay scale for all employees. There is continued interest in transparency of how individual performance impacts remuneration.</b>	<ul style="list-style-type: none"> <li>• Ratio of basic salary, female to male</li> </ul>
Our 2014 performance	<p>Refer to page 40 for details of the wage arrangements provided under our new enterprise agreement. We recognise the importance of gender pay equity and NAB's CEO is a Pay Equity Ambassador for the Australian Workplace Gender Equality Agency. Our gender pay ratios on page 31 of this paper show improvements in Australia, which is pleasing, given the work completed on reviewing gender pay equity across NAB.</p> <p>A key objective of our Reward Framework is to deliver market competitive remuneration which is linked to both company and individual performance. Incentives are structured to align with reasonable shareholder returns and sound risk management practice. Section 2 of the Remuneration Report in the <i>2014 Annual Financial Review</i> provides information on the linkages between performance and executive remuneration outcomes for 2014. Details include the average of the senior executives' short term incentive (STI) payment (including cash and deferred amounts) as a percentage of their STI target, and its relationship to the NAB Group's cash earnings and ROE over the last five years, as well as the long term incentive (LTI) vesting outcomes during 2014 including the lapsing of 100% of the 2011 LTI grant as a result of performance hurdles not being met.</p> <p>The changes to our Reward Framework (detailed on page 39 of this paper) are intended to (i) provide all NAB employees with focused scorecard objectives aligned to the key objectives of their Performance Unit, as well as (ii) assist employee understanding of what is expected of them, and how they are performing against expectations.</p>	
<b>Staff turnover</b>	<b>Our stakeholders expect us to continue to provide sufficient support to employees who leave the organisation and manage any impact that turnover has on the business. When discussing the matter of turnover with our stakeholders this year they also drew a link between employee engagement and the customer experience and expect NAB to continue to invest in its workforce to retain talent and increase employee engagement.</b>	<ul style="list-style-type: none"> <li>• Employee engagement (Right Management model)</li> <li>• Retention of high-performing employees</li> <li>• Total number and rate of employee turnover</li> <li>• Total rate of voluntary turnover</li> <li>• Total rate of involuntary turnover</li> </ul>
Our 2014 performance	<p>We strive to redeploy our people within the business where possible and are actively taking steps to better understand and address some of our key drivers of voluntary turnover. Turnover overall has reduced from 2013 and we have seen this improvement across all age brackets and genders. More details can be found on page 35. We acknowledge the connection our stakeholders make between employee engagement and the customer experience. We believe that engaged employees are more productive, foster greater customer loyalty and drive profitability. We monitor the engagement of our people through NAB's annual 'Speak Up, Step Up' survey. Our 2014 survey results are detailed on page 35 of this paper. We are committed to retaining the best talent in our organisation which will continue to make a positive contribution to our customers' experience. Details on our investment in leadership, talent, training and development can be found on pages 36–37 of this paper. Also see NAB numbers for our performance against KPIs.</p>	
<b>Customer service and satisfaction</b>	<b>Our stakeholders want us to develop products that meet the changing needs and demographics of our community. We need to keep the customer at the centre of what we do and ensure our employees are equipped to fully meet customer requirements.</b>	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Business banking customer satisfaction</li> <li>• Personal banking customer satisfaction</li> <li>• Institutional relationship banking survey (Peter Lee Associates)</li> <li>• Number of stores and business banking centres</li> <li>• Number of ATMs</li> <li>• Total customer complaints</li> </ul>
Our 2014 performance	<p>For details about how NAB is providing quality products and services, and for our 2014 customer satisfaction and complaints performance, see pages 11–14.</p>	

## Our approach > 2014 material issues

### Other important issues

The Materiality Review identified seven high-priority material issues for inclusion in our CR reporting as detailed in the table across pages 7–8. In addition to this, we consider the issues of responsible lending and environmental risk and performance in our reporting. These issues are particularly important to specific stakeholders including customers, investors and NGOs, as well as being material to NAB. As such, three additional issues are detailed below along with our performance against these material environmental issues.

During 2014, we responded to numerous queries from stakeholders asking us about how we are managing environmental and social issues, particularly fossil fuels, financed emissions and land rights. Refer to page 18 for further details. We are required to meet certain environmental regulatory requirements and we rely on a robust regulatory framework to provide adequate standards of environmental protection when we are lending to customers. We complement this through our commitments to voluntary initiatives such as the Equator Principles, the UN Global Compact and the Natural Capital Declaration. We also participate in national and international dialogue with our industry peers and regulators as environmental policy and regulation evolve. Refer to the section

[‘Leading the conversations on operating in a resource-constrained world’](#) for examples of our involvement in industry initiatives. NAB’s own ESG policies are applied in addition to the minimum regulatory framework when making lending decisions.

Insights obtained through engagement with our stakeholders reinforce the importance of responding to the key focus areas in our Environmental Agenda (refer to page 42 for more detail). Our environmental performance targets have been developed to align to the focus areas in our Environmental Agenda in recognition of their inter-linked nature. Our performance against our environmental targets is provided on page 61.

### Contact us

We value the opportunity to engage with our stakeholders. Feel free to contact us at [corporate.responsibility@nab.com.au](mailto:corporate.responsibility@nab.com.au)

### Other important issues

Material issue	Stakeholder feedback	Key performance indicator
<b>Biodiversity and ecosystem services degradation</b>	Our stakeholders expect us to manage our own natural capital risks while also considering biodiversity and ecosystem degradation as part of responsible lending. Stakeholders also expect us to engage with our customers to help them improve their management of these issues. We believe we need to lead by example and ensure our direct footprint is minimised, while also drawing on our own learning to support our customers in managing biodiversity and ecosystem degradation issues.	<ul style="list-style-type: none"> <li>• Diversion of waste from landfill [%]</li> <li>• Office paper consumed [tonnes]</li> <li>• Water consumption [kL]</li> <li>• Increase in the proportion of customers receiving online statements [%]</li> </ul>
Our 2014 performance	For details on our performance including progress against our Natural Value Strategy, refer to pages 48–49.	
<b>Climate change</b>	There is continuing interest from regulators, ESG analysts and benchmarking initiatives (like the DJSI and CDP) in relation to our energy usage and GHG emissions. There is also interest from stakeholders in two other key areas: (i) products and services that support energy efficiency and lower emissions to assist the transition to cleaner technologies and renewable energy sources; and (ii) lending book exposure to carbon risk through carbon intensive sectors.	<ul style="list-style-type: none"> <li>• Stationary energy consumption [GJ (gigajoule)]</li> <li>• Stationary energy-related GHG emissions [tCO<sub>2</sub>-e]</li> <li>• Improved disclosure of carbon risk</li> <li>• Continued investment in renewable energy</li> </ul>
Our 2014 performance	For details on our performance including our investment in renewable energy, refer to pages 20, 43 and 47. Please note that subsequent to 30 September 2014, NAB included an enhanced breakdown of exposure by geography and industry (as Exposure at Default) in the NAB Group’s 2014 Full Year Results Investor Presentation, and we have made a commitment to expand our disclosure of <a href="#">carbon risk reporting</a> .	
<b>Resource scarcity</b>	We receive information requests and feedback from a range of stakeholders in relation to how we responsibly manage resource usage. This includes customers and investment analysts and benchmarking initiatives like the DJSI.	<ul style="list-style-type: none"> <li>• Diversion of waste from landfill [%]</li> <li>• Office paper consumed [tonnes]</li> <li>• Water consumption [kL]</li> <li>• Increase in the proportion of customers receiving online statements [%]</li> </ul>
Our 2014 performance	For details on our performance refer to pages 61–67.	

# Healthy relationship with money

Whether you're an individual or organisation, having a healthy relationship with money is essential. We're committed to ensuring that all people have the confidence to manage their finances, are supported in times of hardship, and have access to fair, affordable finance. And for us as a business, and for many of our customers, it's about how we use our money responsibly to generate good returns for others.

## Guiding our thinking about having a healthy relationship with money

Providing quality products and services and building financial capability and confidence

Improving access to fair and affordable banking

Supporting those facing financial hardship

Helping prepare customers and employees for retirement

Ensuring that environmental, social and governance considerations inform our spending and lending

# 40%

of Australian hardship claims are resolved in one day

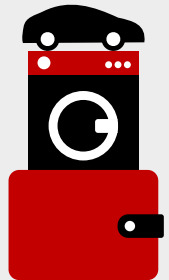
# 15,000

customers assisted through NAB Care this year

# 145,000

microfinance products, impacting the lives of more than 335,000 Australians since 2005<sup>1</sup>

**A new microfinance** program was launched in New Zealand



# 15,000

customers assisted through NAB Care this year

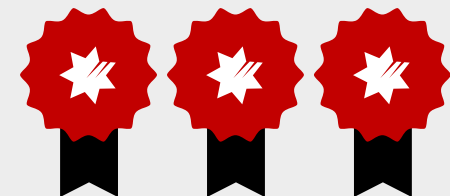
**Published our fourth** annual report into financial exclusion in Australia



# 82.1%

**customer satisfaction** 0.4% increase since 2013 and only 1.7% behind the leader of the major four Australian banks

**NAB Group is the largest Fairtrade** accredited workplace in the world – a title we've proudly held since 2009



<sup>1</sup> In partnership with Good Shepherd Microfinance.

<sup>2</sup> Roy Morgan Research, September 2014, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average.

Customer satisfaction is based on customers who answered very/fairly satisfied. Increase in customer satisfaction is from September 2013 to September 2014.

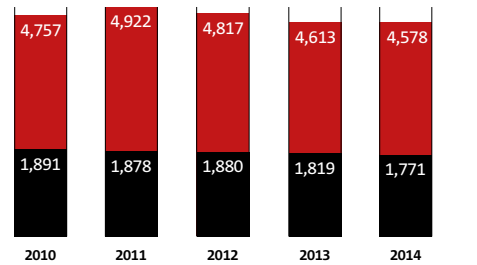
## Providing quality products and services and building financial capability

### About our customers

We provide banking and wealth management services to over 12.7 million customers across Australia, New Zealand, Asia, the UK and the US. We support our customers through our 1,771 stores and business banking centres globally and we connect with them through call centres and social media.

We can strengthen our customer relationships by listening to our customers and providing fair products and services that respond to their banking needs. See page 5 of our 2014 Annual Review, which details some of the new products and services we've brought to our customers this year.

Services for customers (NAB Group)



- Number of stores and business banking centres
- Number of ATMs

Note: The 2014 decrease in store and business banking centre numbers was primarily driven by consolidation within the UK and US. The decrease in ATMs is a result of changes within the Redi ATM network. (Redi is our ATM partner)

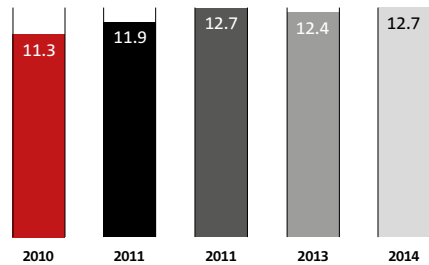
### Connecting with our customers

We are focused on ensuring that our customers can easily connect with us and share their feedback, compliments and complaints. We are engaging with our customers in new ways such as through social media and other online channels. This is giving customers the opportunity to connect with us how and when they like.

Customer feedback, including customer satisfaction, and the data it generates, is continually assessed to identify areas for product development and process improvement across all of our brands. In particular we are focusing on mitigating the root causes of customer complaints. Improving the customer experience is incorporated into employees' individual performance scorecards.

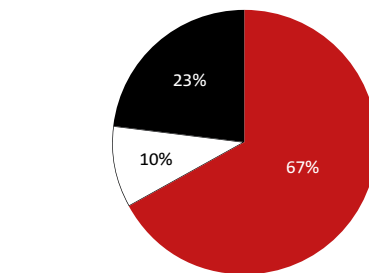
Customer experience specialists are embedded within the business and collaborate across the enterprise using a customer-centric design methodology to help manage change and create better products, services and experiences for customers.

Customer numbers (NAB Group) (millions)



Note: Customers for each business unit are compiled separately. As such, a customer may be included in these figures more than once if they are a customer of more than one Group business.

Distribution of customers by geography



- Australia (including US)
- UK
- NZ

Note: Excludes Asia, which represents less than 1% of total customer numbers.

Healthy relationship with money > Providing quality products and services and building financial capability

**Our customer satisfaction results**

G4-PR5

**Australia**

We monitor customer performance using a combination of internal and external surveys. Insight derived from these surveys is used to improve our customers' experiences by targeting the way we continuously improve our products and services, aligning them customers' needs.

**Personal Banking**

In 2014 we maintained our strong customer satisfaction rating of above 80% for customers considering us their Main Financial Institution (MFI) in the benchmark Roy Morgan Research survey. We improved our score over the year, up 0.4% to 82.1% and 1.7% behind the leader of the major four Australian banks based on the Roy Morgan Research survey. The difference in customer satisfaction scores observed in the last three months among the major four Australian banks is the narrowest recorded since 2000.

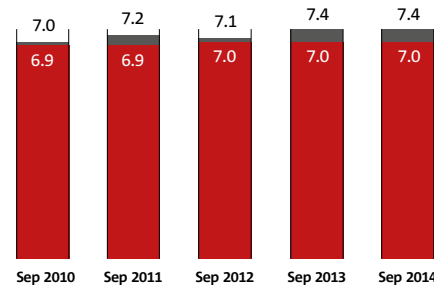
We continue to deliver value for our customers, including through fee-free classic banking. NAB has had the lowest Standard Variable Rate of the major Australian banks over the last five years. NAB winning the *Financial Review's* 2014 Smart Investor 'Bank of the Year 2014' award recognises our focus on delivering the best products, services and customer experience.

**Business and Institutional Banking**

Our customer satisfaction performance for business customers in the DBM *Business Financial Services Monitor* report for September 2014 has remained relatively stable across the four categories surveyed. While Institutional Banking customer satisfaction remained steady, we were pleased to be recognised as market leaders across a number of categories in the Peter Lee Associates 2014 survey.<sup>1</sup>

**Customer satisfaction**

Micro business (\$0-\$1m turnover) average ratings

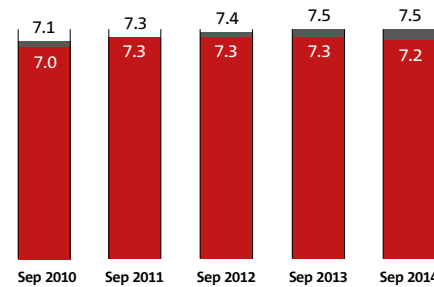


● NAB  
● Other Combined Majors MFI

Source: DBM *Business Financial Services Monitor*, September 2010 to September 2014, six-month rolling averages – Micro Business (Turnover \$0m-\$1m). Overall satisfaction with main financial institution (MFI) based on a scale from 0-10.

**Customer satisfaction**

Medium business (\$5-\$50m turnover) average ratings

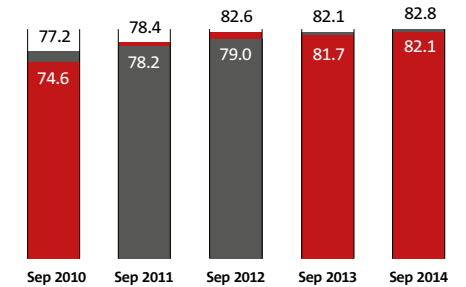


● NAB  
● Other Combined Majors MFI

Source: DBM *Business Financial Services Monitor*, September 2010 to September 2014, six-month rolling averages – Medium Business (Turnover \$5m-\$50m). Overall satisfaction with main financial institution (MFI) based on a scale from 0-10.

**Personal banking customer satisfaction**

Very or fairly satisfied (%) average ratings

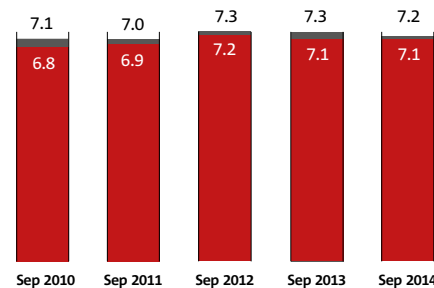


● NAB  
● Weighted average of the other three majors

Source: Roy Morgan Research, September 2010-2014. *Australian Main Financial Institution personal customers, population aged 14+*, six-month rolling average. Customer satisfaction is based on customers who answered very/fairly satisfied, NAB compared with the other three Australian major banks (ANZ, CBA, WBC).

**Customer satisfaction**

Small business (\$1-\$5m turnover) average ratings

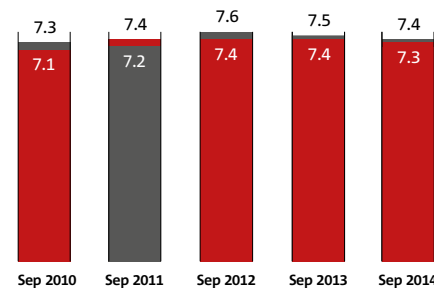


● NAB  
● Other Combined Majors MFI

Source: DBM *Business Financial Services Monitor*, September 2010 to September 2014, six-month rolling averages – Small Business (Turnover \$1m-\$5m). Overall satisfaction with main financial institution (MFI) based on a scale from 0-10.

**Customer satisfaction**

Large business (\$50m + turnover) average ratings



● NAB  
● Other Combined Majors MFI

Source: DBM *Business Financial Services Monitor*, September 2010 to September 2014, six-month rolling averages – Large Business (Turnover \$50m+). Overall satisfaction with main financial institution (MFI) based on a scale from 0-10.

**Wealth/MLC**

This year MLC's satisfaction score increased 2% to 69%, but remains below the aspirational target of 80. Personal Super, Business Super, Investments and Retirement Income scores all increased on the back of improved market returns, while Insurance remained steady.

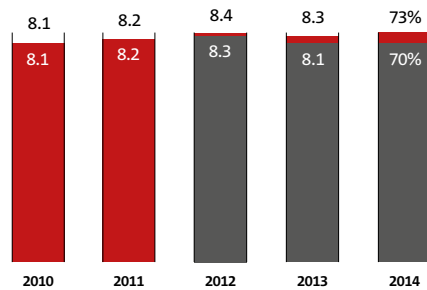
1 Identified as equal number one for: Property development financing, Best advice on use of interest rate risk management and Provision of Agent Services – Overall Service Quality, Peter Lee Associates 2014, Large Corporate and Institutional Relationship Banking Survey, Australia. Ranked against the other three Australian major banks.

## Healthy relationship with money > Providing quality products and services and building financial capability

### New Zealand

BNZ has introduced a new way of measuring customer satisfaction across all three of its markets (Retail, Small Business and Partners). Although this change in methodology means that results aren't directly comparable to previous years, customer satisfaction has largely remained steady across all three markets. Similarly, BNZ maintains its customer satisfaction levels above the market average for Retail, Small Business and Partners.

#### BNZ retail customer satisfaction

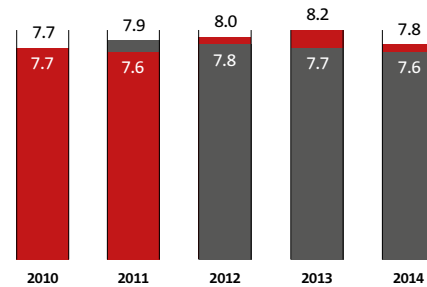


● BNZ  
● Market average

Sources:  
2014 'Voice of Customer' surveys conducted by Camorra.  
2012 and 2013 'Voice of Customer' surveys were conducted by TNS as part of the Brand and 'Voice of Customer' Tracker.  
2010 and 2011 'Voice of Customer' surveys were conducted by Gandar Associates.  
2010-2013: Overall satisfaction with main bank based on a scale of 1-10, where 1 is extremely dissatisfied and 10 is extremely satisfied. Market average based on six major banks: ANZ, BNZ, Kiwibank, Westpac and National Bank.  
2014: Overall satisfaction with main bank based on a scale of 1-5, where 1 is Poor and 5 is Excellent. Top 2 box is reported. Market average is based on five major banks: ANZ, ASB, BNZ, Kiwibank and Westpac.

#### BNZ small business customer satisfaction

Turnover less than NZ\$1 million

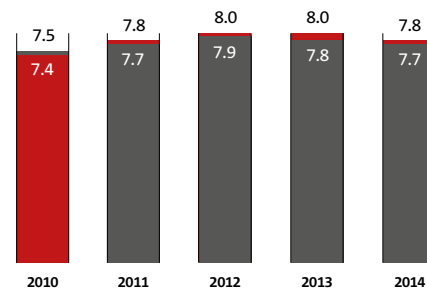


● BNZ  
● Market average

Sources:  
2014 'Voice of Customer' surveys conducted by TNS as part of the Business Finance Monitor.  
2012 and 2013 'Voice of Customer' surveys were conducted by TNS as part of the Brand and 'Voice of Customer' Tracker.  
2010 and 2011 'Voice of Customer' surveys were conducted by Gandar Associates.  
Overall satisfaction with main bank based on a scale of 1-10, where 1 is extremely dissatisfied and 10 is extremely satisfied.  
2010-2013: Market average based on six major banks: ANZ, ASB, BNZ, Kiwibank, Westpac and National Bank.  
2014: Market average is based on four major banks: ANZ, ASB, BNZ and Westpac.

#### BNZ partners' customer satisfaction

Turnover equal to or greater than NZ\$1 million



● BNZ  
● Market average

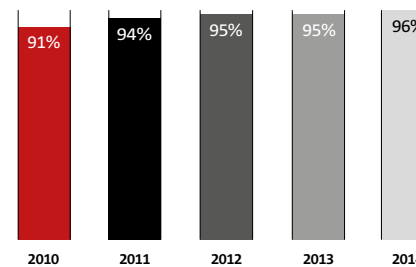
### United Kingdom

In the UK we use the Net Promoter Score (NPS) to monitor both personal and business customer recommendation. The NPS scores for Clydesdale and Yorkshire Bank (CYB) are calculated using GfK NOP's Financial Research Survey model and provide insight on our overall market performance. We also conduct our own customer surveys to improve our understanding of our customer base.

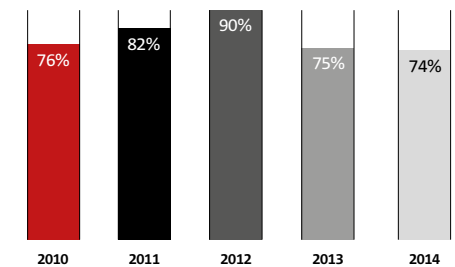
This year saw a statistically significant increase in NPS for our personal banking business (up to 42% from 31% in 2013) and a small decline numerically (although not statistically significant) in our business and private banking business (down from -21% in 2013 to -24% in 2014).

#### Clydesdale and Yorkshire Bank CEA survey

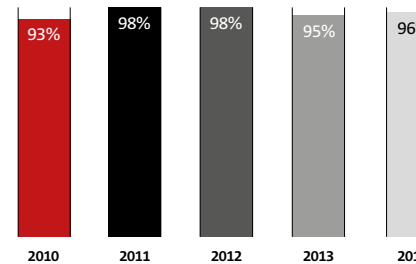
Counter service (good or very good)



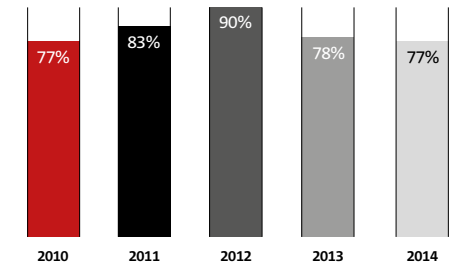
Using provider for future financial needs



Advisor service (good or very good)



Recommend likely or very likely



Notes:  
2010 - Online methodology used, however customers were invited to participate via letter rather than by personal invitation during branch visit.  
2013 - Telephone survey now undertaken.

## Healthy relationship with money > Providing quality products and services and building financial capability

### Complaints

Customer feedback offers us key insights into how we can improve our processes and address customer concerns. It comes to us in person, phone, email and increasingly through social media channels such as Facebook and Twitter. All complaints are handled through our Internal Dispute Resolution Process, which aims to either resolve each one right there and then or through our specialist complaint management functions, such as NAB Resolve and MLC Resolve in Australia.

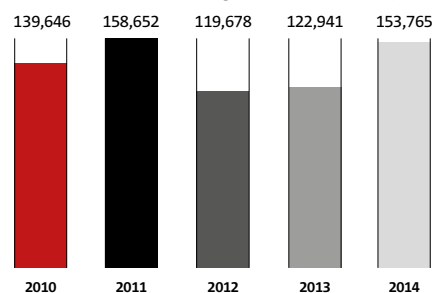
G4-S011

#### Australia

This year we have seen Australian region complaint volumes rise by 25.1% when compared to 2013. Complaints relating to fees and charges continue to be the highest contributor. However, the root cause of these issues is often linked back to process or product concerns, rather than the fees themselves. This feedback provides us with valuable insight into process improvement opportunities.

The increase in overall complaint volume is not entirely unexpected as our focus in 2014 was on improving first-point-of-contact resolution and increasing complaint capture.

Total number of complaints (Australia)



We have made several key process changes and introduced greater staff enablement, which has resulted in an uplift in recorded complaints, particularly relating to credit card fee and interest charges (up 64.5% on 2013). This increase in complaint capture provides richer data, which is now being used to better target resources for improvement, as well as support and education for both employees and customers on the key products and services that cause concern.

#### New Zealand

There was a reduction in overall reported complaint numbers across BNZ. The transition to the Salesforce CRM system has contributed to this reduction, as was predicted. The changes to categorisation mean that some issues previously reported as complaints are now captured as enquiries. Salesforce CRM supports improved bank-wide analysis and root-cause identification.

#### United Kingdom

Clydesdale and Yorkshire Bank has experienced a 10% decrease in complaints when compared to the 39,879 in financial year 2012–13. Payment Protection Insurance continues to dominate complaints volumes (44%) followed (as with previous years) by servicing as well as charges and interest. Clydesdale & Yorkshire Bank's Complaints Transformation Program was instigated to continue to enhance our delivery of fair outcomes and a consistent and prompt response for customers to improve the overall complaint experience. As part of this program we have introduced improved policy and processes, supported by staff training and coaching, to continue to provide customers with fair, consistent and cohesive complaint handling.

### Providing customers with help, guidance and advice

Our [Help, Guidance and Advice](#) online portal aims to help customers understand basic money management and provides guidance and advice to customers to enable them to confidently manage their finances.

Our engagement with the Australian Bankers' Association and the Financial Literacy Board highlighted the need for more advice, 'coaching' and online tools. Consequently we've expanded our online Help, Guidance and Advice section to include information and tools on the following:

- *Money Basics* explains the fundamentals of budgeting, saving, borrowing and investing.
- *Life Events* covers the expected and the unexpected.
- *Banking Tips* lets customers compare banking products to work out how to make the most of their banking set up.
- *Business Tips* offers the tools, tips, guides and resources to help people improve their business.

F5-16

### Building financial capability and confidence

We're actively building our customers' financial capability and confidence so they can enjoy a healthy relationship with money. We believe that this commitment allows us to add real value by providing fairer and high-quality products along with specialised help, guidance and advice.

As part of ASIC's MoneySmart Week we launched a range of financial knowledge sessions to discuss the common issues our people face in managing their money. Presented by NAB's expert financial planners and bankers, these seminars showed NAB employees how they can get more from their money and take advantage of a range of financial benefits.

Complaint description (Australia) %	2012	2013	2014
Interest, fees and charges	62	56	56
Mortgages	5	6	6
Consumer deposits	5	6	8
Credit cards	5	6	6
Branch/outlet	3	4	4
All other banking complaints	18	20	18
All wealth complaints	2	2	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Money Tracker is a visual and interactive money management tool that's integrated into NAB Internet Banking and helps customers both set and manage their budgets and savings goals. Money Tracker automatically assigns transactions to categories, which are then available for customers to view as an easy-to-read interactive chart, displaying their transactions across all of their accounts for the period they specify. Money Tracker also gives customers the ability to plan ahead by viewing their projected savings while comparing their income and expenses by category.

We continue to engage with key stakeholders to help better our understanding of how we can have an impact on people's money management skills. For example, we engage with consumer advocacy groups through our CEO Consumer Briefing and our community partners such as Good Shepherd Microfinance. We use this insight to inform and develop appropriate programs.

Our new \$20 Boss Program engages young people in money matters (see the ['Investing in our communities'](#) section for more information) and we work actively with the Indigenous community, building their confidence and knowledge in money management through our Indigenous Money Mentor (IMM) Program (see details in the ['Access to Inclusive Banking'](#) section). We know that we need an industry approach to improving financial capability and we were proud to be a Gold Sponsor of ASIC MoneySmart Week again this year.

We believe we have an important role to play in addressing this issue of financial exclusion. That's why we've proudly partnered with Good Shepherd Microfinance for over 11 years, giving people on low incomes access to financial resources, education and microfinance products. In keeping with our focus, we launched a new public information campaign 'Stop small problems getting big' in September to increase awareness of microfinance solutions available. Since the campaign launched it has driven more than 33,000 website visits, 1,150 enquiries and also had strong engagement through social media. An analysis of media coverage generated by PR activity around the launch showed it reached a cumulative audience of 4,255,077 people, with an advertising value of more than \$500,000, far exceeding our expectations.

Find out more at [goodloans.org.au](http://goodloans.org.au)

## Access to inclusive banking

### Addressing financial exclusion

More than three million Australians are either partially or fully excluded from accessing mainstream financial services.<sup>1</sup> Economic circumstances are not the sole cause of exclusion, as disability, geographic isolation and natural disasters also create pockets of disadvantage.

Financial exclusion is a complex issue and we are committed to delivering a range of safe and affordable personal and business microfinance programs in partnership with the community sector and government. We aim to ensure that all those marginalised from mainstream finance and banking have access to fair and affordable financial services.

Addressing financial exclusion has clear social and economic imperatives. Ensuring access to safe and affordable finance for the financially vulnerable not only has personal and community benefits, but significant economic benefits through increased workforce participation and reduced reliance on welfare.

NAB has many initiatives in place to address financial exclusion, including our microfinance program in Australia and the BNZ community finance program, which was launched in New Zealand this year. Our sixth Reconciliation Action Plan (RAP) provides a framework to encourage financial inclusion in Indigenous communities, including our IMM Program. Our Accessibility Action Plan aims to ensure that customers with special needs are not excluded; and we are upgrading our UK ATM network for the visually impaired.

<sup>1</sup> Connolly C, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2014, for National Australia Bank.

FS-13

### 2014 highlights

- Our Australian microfinance programs are continuing to have a real impact on the most vulnerable in society. In partnership with Good Shepherd Microfinance, we have delivered 145,000 microfinance products, impacting on the lives of more than 335,000 people. In keeping with our goals to educate customers and take a proactive approach to preventing financial exclusion, we launched a new public information campaign 'Stop small problems getting big' to increase awareness of microfinance solutions available. (See breakout box for more information).
- In February 2014, NAB and Good Shepherd Microfinance welcomed the Victorian Government's announcement to continue its funding support (\$1.7 million) of three Good Money stores in Dandenong, Collingwood and Geelong for a further year. These stores have been developed to provide access to small amounts of credit for basic household items through the No Interest Loan Scheme and StepUp Loan Program. This was followed by a \$3.6 million commitment from South Australian Premier The Hon. Jay Weatherill to support increasing the reach of microfinance in South Australia, including the state's first Good Money store in Salisbury. Good Money brings microfinance products and assistance to people on low incomes in a retail setting, designed to compete more directly with fringe lenders. Our work with the Victorian Government and Good Shepherd Microfinance on Good Money was recognised with a 'Highly Commended' award in the Community Category at the 2014 MoneySmart Week Awards.

FS-14

- In May 2014, we joined forces with the New Zealand Government to create a community finance partnership. BNZ has committed to offer interest-free and low-interest loans over five years to New Zealanders on low incomes in the initial pilot, with BNZ providing capital, the government contributing to operating costs, and Good Shepherd NZ providing the framework for the community workers. During the pilot phase this is The Salvation Army.
- In May 2014, a Social Return on Investment study on the No Interest Loan Scheme (NILS) was released showing that 82% of borrowers experienced an improvement in economic outcomes, 47% improved their financial capabilities and 42% who had previously used fringe credit stopped after accessing a NILS loan.
- Through our IMM Program we have assisted 1,007 Indigenous clients in 2014 and our research shows that the program continues to have a lasting impact: a Social Return on Investment study in 2013 shows that the program creates \$4.20 in social value for every dollar invested. With the current level of investment in the program, the total value created is expected to be \$1,886,000 each year. The research also shows that the program is delivering significant social value and flow-on benefits, with customers stating that increased financial capability gained through the IMM Program has resulted in an improved standard of living and improved family relationships.

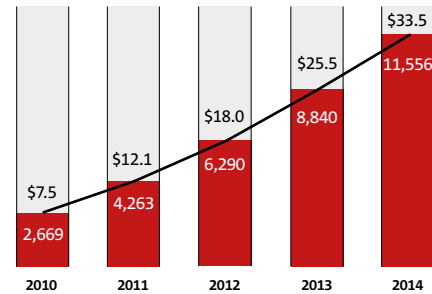


## Healthy relationship with money > Access to inclusive banking

- In January 2014, we implemented a new process in our NAB stores and Business Banking Centres to accept Indigenous Community ID cards, such as the Larrakia Nation and Tangentyre Council cards, as valid forms of identification. This was in response to the challenges that many people in Indigenous communities face, especially in remote locations, to obtain identity documents that meet Anti-Money Laundering requirements, leading to financial exclusion and hardship.
- Clydesdale and Yorkshire Bank are working with the British Bankers' Association (BBA) to examine how vulnerability affects different customers depending on their circumstances. The BBA then intends to review and publish best practice guidelines for the financial services industry, such as the Dementia Friendly Financial Services protocol, which was published earlier this year. The Clydesdale and Yorkshire Bank are establishing a project team from across their business to contribute to this work and progress actions.

### Total microfinance loans written (cumulative)

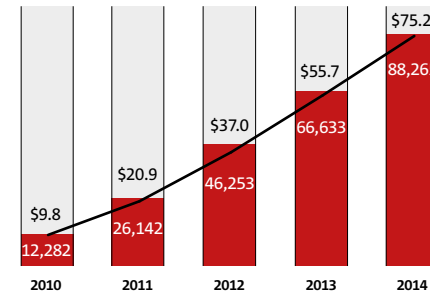
#### StepUP loans



● Number of loans ● Value of loans (\$m)

**StepUP Loans** – Personal loans up to \$3000 for people on low incomes, with an interest rate of 5.99%. Loans can be used for assets such as whitegoods and second hand cars.

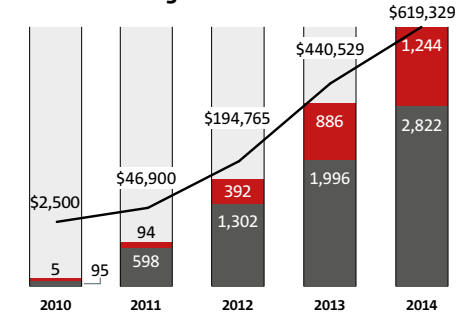
#### No Interest Loan Scheme (NILS)



● Number of loans ● Value of loans (\$m)

**No Interest Loans Scheme (NILS)** – Personal loans up to \$1,200 for people on low incomes, with no interest or fees. Loans can be used for assets such as whitegoods and furniture.

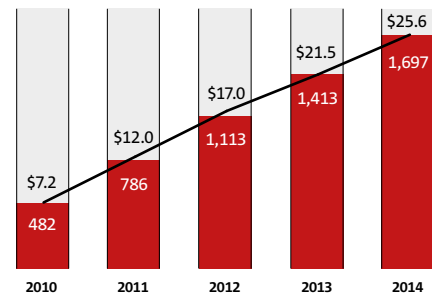
#### AddsUP savings accounts



● Number of accounts matched  
 ● Number of accounts opened  
 ● Value of accounts matched

**AddsUP Savings Accounts** – A matched savings scheme for people on low incomes who have successfully paid off one of NAB's microfinance loans. Once an eligible participant has saved \$500, it is then matched by NAB dollar-for-dollar.

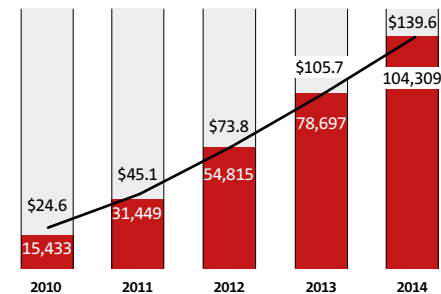
#### Microenterprise loans



● Number of loans ● Value of loans (\$m)

**Microenterprise Loans** – Unsecured business loans between \$500–\$20,000 for entrepreneurs who are unable to access mainstream business finance, coupled with business training and mentoring. With a fixed rate of 5.99% pa, loans can be used to help start up or support an existing business of five or fewer employees.

#### Total of microfinance loans provided<sup>1</sup>



● Number of loans ● Value of loans (\$m)

<sup>1</sup> Loan numbers only include loans utilising NAB capital. Cumulative loan numbers in partnership with Good Shepherd Microfinance including loans not utilising NAB capital is 145,000.

### Key findings of the *Measuring Financial Exclusion<sup>1</sup> in Australia* report:

In 2014, we released our fourth annual report into measuring the issue of financial exclusion in Australia with The Centre for Social Impact and for the first time, looked at the issues from a global perspective.

- More than three million adult Australians don't have access to a moderate amount of credit, a basic transaction account or don't have general insurance.
- Of these financially excluded Australians, 36% are young people aged 18 to 24 and more than 44% are in employment.
- In 2013, more people accessed transaction accounts and general insurance than in previous years, but fewer people accessed a moderate amount of credit.
- 181,000 (1%) of Australian adults were fully excluded, meaning they had no financial services products.
- 2,859,000 (15.9%) adults were severely excluded, meaning they only had one financial services product.

### Indigenous home ownership

We know that home ownership is important to many Australians. Only 37% of Indigenous Australians own their own homes, compared to 70% of non-Indigenous Australians. NAB is undertaking a range of initiatives to promote Indigenous home ownership in partnership with Indigenous Business Australia (IBA).

The Indigenous home lending market presents both social and commercial opportunities for NAB. While the commercial benefits are modest, the social benefits are high, therefore Indigenous home lending will continue to be a priority for NAB well into the future.

We have developed programs to increase Indigenous access to home loans by:

- building financial capability, through NAB's IMM Program
- refinancing IBA customers into mainstream banking products
- establishing split home loan options in partnership with IBA
- investigating a Social Impact Investment funding solution.

These initiatives form a key part of NAB's 2014 Reconciliation Action Plan (RAP – detailed on page 24), launched by the Prime Minister Tony Abbott in February 2014. Our RAP remains the only independently assured Reconciliation Action Plan in Australia, and one of only a few recognised by Reconciliation Australia with 'Elevate' status.

### Easing financial hardship

#### Supporting Australian customers facing hardship

Now in its fifth year, our Australian financial hardship team, NAB Care has been working to improve the way we support customers in financial distress and make it easier for them to get back on their feet. In 2014, we assisted 15,000 customers, which led to a 20% reduction in loan defaults. Nearly half of these cases were resolved within one day. NAB Care has been so successful that 40% of clients now voluntarily seek advice before a collections event, saving NAB \$7.2 million to date.

FS-13

FS-14

#### 2014 highlights

- We introduced a method of assisting customers that ensures that our most vulnerable customers receive a tailored assistance package at the initial point of contact, reducing the approval timeframe from 21 days to one day.
- We introduced flexible repayment options, working with customers to create greater flexibility.
- We continued to run regular 'immersion sessions', which financial counsellors and representatives from the Financial Ombudsman Service attend and they provide feedback; to further strengthen our services.

#### Mental health and financial stress

We recognise that financial hardship can be a contributor or consequence of mental health issues and that those facing financial hardship or awaiting decisions on claims for income protection or disability support payments are among those most at risk. In addition to offering customised financial solutions, NAB Care includes coordinated access to mental health support services. During the year, we partnered with Lifeline to provide training to all NAB Care employees to recognise and manage financial hardship among customers.

This year, as part of our continued focus on improving our customers' experience, our NAB Collections team became NAB Assist.

This team will continue to simplify and enhance the experience of customers through such initiatives as first-call resolution – where some of our most vulnerable customers seeking financial hardship relief are provided with on-the-spot assistance. We will also continue to provide flexible payment arrangements for others to ensure that our customers are back on their feet as soon as possible.

NAB Assist is also capturing instant customer feedback to gauge the effectiveness of each conversation from the customer's viewpoint and in real time so we can adjust our approach accordingly.

This year NAB Assist (formerly NAB Collections) worked with Kildonan Uniting Care to improve the way we communicate with vulnerable customers. This ensures that our employees have the appropriate support and training to engage customers facing financial hardship with empathy and respect. More than half of the NAB Care team is now trained in this approach and the remainder will be trained by early 2015.

We are also focused on the mental health of our employees, in particular on early intervention, injury prevention and support for return to work. We have made a number of tools available for employees facing mental health challenges, including Mynd.Health@NAB, managerAssist® and the Employee Assistance Program (EAP). More details are available in the section '[Strengthening our workforce](#)'.

<sup>1</sup> Financial exclusion is measured by and refers to a lack of 'product ownership' levels across three services – a transaction account, general insurance and a credit card (as a proxy for access to credit). Full report and methodology found on our [website](#).

## Hardship assistance following natural disasters

We remain committed to offering practical assistance, including hardship relief and relief to customers, employees and other residents in regions affected by natural disasters. We enacted our Natural Disaster Relief Framework in 2014 and our work is detailed in the section [‘Assisting communities impacted by natural disasters’](#).

## Helping customers and employees prepare for retirement

Our aim is to help our customers and our employees prepare for a better retirement, strengthen their financial capability and for us to provide leading products, services and advice.

To see what we are doing to support customers in preparing for retirement, see pages 19–20 of the *2014 Annual Review*.

We are providing our employees with the support that they need as they transition through the various life stages, including through our award-winning MyFuture Program.<sup>1</sup> See the section [‘Creating a more diverse and inclusive workforce and society’](#) for more details.

## Responsible lending and spending

We recognise that businesses today face many social and environmental challenges, including issues such as human rights, climate change and natural capital loss and degradation. To assist in managing these issues we have developed a set of Environmental, Social and Governance (ESG) Risk Principles which provide an overarching framework for integrating ESG risk considerations into our day-to-day decision-making.

This year, we have seen increasing awareness of a range of ESG risk issues across key segments of the economy, business, the community and non-government organisations (NGOs). We have engaged with stakeholders to inform our understanding of key environmental and social issues and improve our risk management and business decision-making.

We continue to closely monitor potential ESG risks arising in key sectors such as mining (particularly coal mining) and agriculture. Due to the inherent social and environmental risk of these industries, they have been included as sensitive sectors in our ESG risk management framework for some time. We have increased our focus on these and other sectors in response to growing concerns from our customers, investors and NGOs. This year, we experienced increased interest in the matter of climate change, the impacts of port infrastructure development on the Great Barrier Reef and land acquisition practices that may impact on the land rights and other human rights of people, including Indigenous people, particularly in developing countries.

### Responsible lending

We consider NAB’s exposure to ESG risk at both a lending portfolio and an individual client level, where appropriate. At the client level, ESG risk is assessed on a case-by-case basis as part of the credit risk assessment process. This includes our assessment of ESG risks associated with particular sectors and activities. For example, as a significant banker to the agricultural sector, we are committed to investing in this industry to enable the production of food and other soft commodities needed by all communities. But we also believe that this should be done in a responsible way, ensuring long-term sustainability. We incorporate ESG risk into our credit risk assessment and due diligence process to help us achieve this goal.

We are also a signatory to the Equator Principles (EPs) and we take the EP requirements into consideration when lending for the purpose of financing specific

### Engaging with others on ESG matters

This year we have engaged with NGOs, industry experts, academics and investor groups to inform our understanding of ESG issues and improve our risk management and business decision-making. Examples include:

- engaging in ongoing dialogue with Oxfam Australia in relation to the issue of improper land acquisition
- hosting an information briefing of senior management representatives and relevant bankers by Ben Caldecott, a visiting guest speaker from the University of Oxford’s Stranded Assets Programme, who gave a presentation on environment-related factors changing China’s demand for coal and what this may mean for Australian coal assets
- conducting meetings and webinars with NGOs, industry representatives and investor groups (including 350.org Australia, Market Forces, Greenpeace, Australian Youth Climate Change Coalition and the Australasian Centre for Corporate Responsibility) to understand their concerns about carbon risk, financing of the fossil fuel industry, particularly coal mining and infrastructure, and concerns relating to the Great Barrier Reef.

projects (see the project financing section on page 20). Reports covering NAB’s lending book exposure to industry sectors and potentially higher ESG risk sensitivities are made on a regular basis at an executive and Board level.

We recognise the growing demand for disclosure of information by financial institutions, including banks, to assist investors and other stakeholders to understand carbon risk in lending and investment portfolios.

We believe that to meet this need it is important to have reliable and standardised information on which to base carbon risk exposure reporting, and agreed industry standards to account for and report on such exposures. At the current time there is limited reliable or standardised information available on which to base carbon risk exposure reporting; and agreed industry standards for the accounting, reporting or disclosure of carbon risk exposure arising from finance, including financed emissions, have yet to be developed.

Consistent with our commitment to transparency and integrated reporting, we are committed to identifying, developing and implementing ways to improve disclosure on carbon risk exposure through collaboration with other financial institutions in Australia and internationally. We have provided an enhanced breakdown of exposures by geography and industry, including coal mining exposures (as Exposure at Default) in the NAB Group’s *2014 Full Year Results Investor Presentation*, and in the pie charts on page 19. We continue to provide a breakdown by geography and sector of our project finance portfolio in our Equator Principles reporting.

Furthermore, we are committed to:

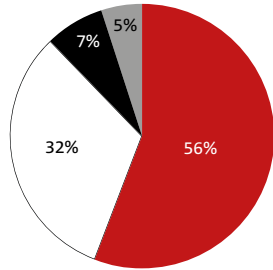
- expanding disclosure of carbon risk exposure in NAB Group’s Full Year 2015 results reporting, taking stakeholder input into account;
- continuing our participation in the United Nations Environment Program Finance Initiative (UNEP FI) Greenhouse Gas Protocol Financed Emissions Initiative to assist the development of reliable and standardised reporting on carbon-related risk exposure for financial institutions; and
- collaborating with our Australian banking peers to pilot disclosure methodologies and approaches that can feed into UNEP FI Greenhouse Gas Protocol Financed Emissions Initiative to advance these processes in a timely manner.

<sup>1</sup> 2011 Diversity@Work Employment and Inclusion of Mature Age Workers Award and AARP Best Employer for Workers Over 50 (International) Award.

## Healthy relationship with money > Responsible lending and spending

### Agriculture, forestry and fishing exposures

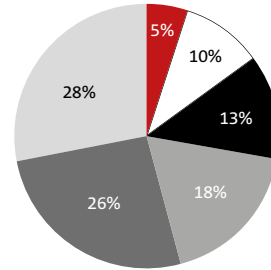
Exposure at Default  
\$38.1b September 2014



● Australia  
○ NZ  
● UK  
● US

### Mining exposures

Exposure at Default  
\$9.5b September 2014



● Gold mining  
○ Coal mining  
● Iron ore mining  
● Other mining  
● Mining services  
● Oil and gas

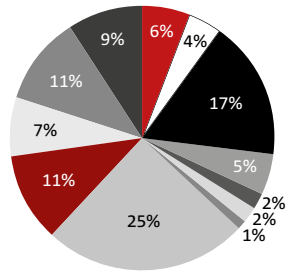
### NAB's response to Oxfam's 2014 *Banking on Shaky Ground* report

In 2014, Oxfam raised the issue of improper land acquisition or 'land grabbing' with the four major Australian banks. Oxfam published their report, *Banking on Shaky Ground* in April 2014 to raise awareness of the issue with the general community.

NAB committed to publishing a policy statement to help our stakeholders understand our views on improper land acquisition and to provide more detail on how NAB manages social risk issues, which is available on our [website](#). We reaffirmed to our stakeholders that we consider the practice of improper land acquisition to be unacceptable.

### Australian agricultural exposures

Exposure at Default  
\$20.5b September 2014

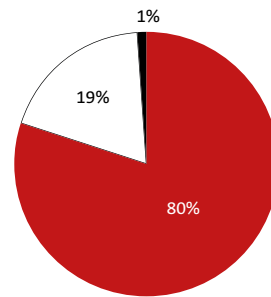


● Cotton  
○ Vegetables  
● Beef  
● Sheep/beef  
● Sheep  
● Other livestock  
● Poultry  
● Mixed  
● Services  
● Dairy  
● Grain  
● Other crop and grain

- Highly diversified portfolio by geography and type
- Strong Agri banking network with over 600 specialist bankers

### Agriculture portfolio asset quality<sup>1</sup>

Australian agricultural portfolio – September 2014



● Fully secured  
○ Partially secured  
● Unsecured

<sup>1</sup> Fully secured is where the loan amount is less than 100% of the bank extended value of security; partially secured is where the loan amount is greater than 100% of the bank extended value of security; unsecured is where no security is held and negative pledge arrangements are normally in place. Bank extended value is calculated as a discount to market value based on the nature of the underlying security.

### Advancing our Natural Value Strategy in our lending

In 2014, we furthered our thinking about how we can incorporate natural capital risks into our credit risk settings and processes. While we recognise this will be challenging, this builds on our commitment to the Natural Capital Declaration, to which we were the first Australian bank to become a signatory. We are exploring the links between the good management of natural capital assets, financial performance and business resilience. This work will support our Natural Value Strategy and broader Environmental Agenda (detailed in the section '[Future-proofing our business](#)'). Our end goal is to ensure appropriate pricing of natural capital risks, in the same way we price other types of risk.

## Healthy relationship with money > Responsible lending and spending

### Project financing

NAB has been a signatory to the Equator Principles (EPs) since October 2007 and we take the EP requirements into consideration when financing specific projects. When potential projects occur in non-designated countries<sup>1</sup> (as defined in the EPs), this includes applying International Finance Corporation (IFC) Performance Standards.<sup>2</sup> Standards 5 (Land Acquisition and Involuntary Resettlement) and 7 (Indigenous Peoples) when we are considering the issue of land rights when financing projects.

NAB's global project finance portfolio helps large customers to invest in infrastructure projects. In 2013–14, global project finance represented 2% of our gross loans and advances, including acceptances. As at 30 September 2014, our project finance portfolio lending to both designated and non-designated countries<sup>3</sup> was as follows: 96% in designated and 4% in non-designated countries.

In 2014, we closed 14 new project finance transactions, refinanced 13 existing deals, and 17 deals were removed from our loan book. Although deals can be declined at any stage in negotiation or due diligence, none were declined in 2014 specifically on the basis of social or environmental risks or issues.

In 2012, NAB made a public commitment to continue to make a significant investment in renewable energy through project finance. In 2014, we continued to deliver on this commitment, by financing an additional net 167 MW of renewable energy generation projects, taking our total MW financed from 2,914 MW in 2013 to 3,081 MW in 2014. This included finance for a geothermal power station in Indonesia and arranging the refinancing for a portfolio of wind farms in the UK. Having arranged \$1.87 billion worth of loans over the last eight years, we continue to be the leading arranger (by market share) of renewable energy in Australia.<sup>4</sup> Since 2000, we have provided project finance for approximately 65% of Australian utility-scale renewable energy projects.<sup>5</sup>

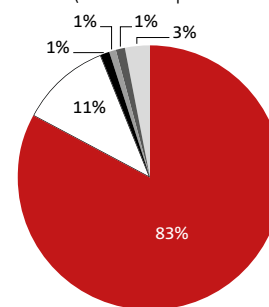
In 2014, we will produce our first standalone Equator Principles' (EPs) report to ensure we satisfy all reporting requirements of EPs III.<sup>6</sup> Our 2014 EPs report will be made available on our website by the end of December 2014.

Further information on the EPs can also be found at [can be found here](#).

### Project finance deals by Equator Principles categories

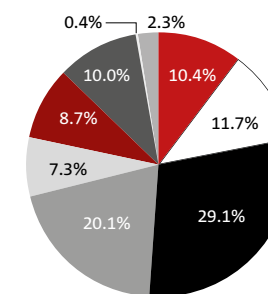
Equator Principles category	Number of projects	Projects as a % of total portfolio value
A	6	12
B	51	53
C	25	19
Pre-EP adoption (pre-September 2007)	24	16
<b>Total</b>	<b>106</b>	<b>100</b>

### Project finance by region as a % of total portfolio value (as at 30 September 2014)



- Australia and NZ
- UK
- Europe
- North America
- Middle East
- Asia

### Project finance by sector as a % of total portfolio value (as at 30 September 2014)



- Energy (renewable)
- Energy (coal and gas-fired)
- Infrastructure (road, rail, airports, ports, pipelines and telecommunication)
- Water treatment infrastructure
- Social infrastructure (schools, hospitals, prisons, public buildings)
- Mining and refining (metals and coal)
- Oil and gas
- Waste management
- Other

1 See <http://www.equator-principles.com/index.php/ep3/designated-countries>

2 See [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/publications/publications\\_handbook\\_pps](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_pps)

3 Non-Designated Countries are those countries not found on the list of Designated Countries at <http://www.equator-principles.com/index.php/ep3/324>

4 Project Finance International 2006–2014 APAC Mandated Lead Arranger League Tables US\$ Project Allocation, NAB analysis ranking against four major banks – cumulative volume as at 30 June 2014.

5 ESAA (Energy Supply Association of Australia) Electricity Gas Australia 2014, Appendix 1 Power Stations in Australia 2012–13 and represents NAB % (by deal).

6 Equator Principles, third edition.

## Responsible spending

As a global organisation, we have more than 1,700 contracted suppliers providing us with over \$5.2 billion worth of goods and services annually. We know our sourcing decisions can have an impact on the environment and the communities in which we live and work.

Globally, our procurement professionals are responsible for our procurement and sourcing activities. They procure goods and services for the NAB Group within their region and category specialisation and they work closely with a team of relationship managers across the business who are responsible for the day-to-day operational aspects. In Australia, the UK and New Zealand, our procurement professionals manage specific categories such as Technology Services, Business Services or Professional Services and manage strategic projects.

Our supply chain partners haven't changed significantly over the last year. Our supply partners range in size and jurisdiction, from multinational companies that provide us with technology services (networks and computers) and property management services (facilities management) to smaller, local organisations that provide us with services such as recruitment, payroll, print management and catering. They also operate in different locations around the world. Some of these local businesses have been engaged as a result of relationships established through our Supplier Diversity Program. Further information on how we're supporting diverse businesses can be located in the section '[Creating a more diverse and inclusive workforce and society](#)'.

G4-12

G4-13

Managing ESG risks is vital in enabling us to manage potential business risks such as credit, reputation and operational risks. We are taking action to reduce the likelihood of adverse environmental and social impacts arising as a result of our purchasing decisions. For example, in 2014, one of NAB and BNZ's training service providers was in the media for withholding clients' payroll and superannuation contributions. While we don't procure these services from the supplier, we still conducted a thorough review of our contract with them and increased our controls.

### Respectful supply chain partnerships

We believe in the fair treatment of our supply chain partners throughout the entire procurement process. This ranges from robust governance and supplier selection processes, to negotiating contracts that we believe are fair and reasonable and ensuring that we recompense suppliers appropriately and within contractual terms and conditions. NAB's Procurement Policy and Outsourcing Standard act as global reference points for our procurement practices, clearly articulating our approach to procurement and sourcing.

Outsourcing allows us to focus on our core business while capitalising on the specific expertise of our supply chain partners. NAB's Outsourcing Standard requires that we appropriately manage all risks arising from outsourcing arrangements. We endeavour to outsource only to suppliers with sound social and environmental performance, proven capability and a demonstrable track record in the relevant services. Further information about NAB's approach to outsourcing can be found on our [website](#).

### What we are doing to improve the impact of our supply chain:

- Across the NAB Group, we are working with our supply chain partners to achieve a target of 90% of our material suppliers<sup>1</sup> as signatories to NAB's Group Supplier Sustainability Principles by 30 September 2016.
- For the last five years, NAB has been the largest Fairtrade-accredited workplace in the world. Our purchase of soft commodities such as coffee, tea, sugar and cocoa helps support farmers, workers and communities in developing countries like Tanzania, Guatemala and Sri Lanka improve their living and working conditions.
- Our supplier of Australian uniforms is a signatory to the [Ethical Trading Initiative](#), which works to promote respect for workers' rights around the globe.
- In Australia, our Sustainable Paper Guidelines stipulate that paper we procure must come from certified responsible sources, recycled stock and, where possible, manufacturers should be ISO14001 certified. Additionally, uncoated paper (office paper) should be carbon neutral. Across NAB's global operations, our office paper supply is expected to come from responsibly managed, preferably certified sources.

<sup>1</sup> For full definition of 'material suppliers' see page 60.

# Prosperous communities

Investing and lending not only have the power to deliver financial returns, but also to help communities thrive. By investing in local organisations – big and small – we can turn places into communities and create good social and financial returns for everyone. This means investing in industries, infrastructure and businesses that are at the heart of communities. We also encourage our people to seek out opportunities to get involved in the community.

## Guiding on thinking about creating more prosperous communities

Supporting and investing in organisations and infrastructure that tie communities together

Supporting the small businesses at the heart of communities

Supporting a thriving not-for-profit sector through banking and in-kind value

Encouraging a culture of giving and volunteering

Supporting a more diverse and inclusive society and workforce

Providing support for communities impacted by natural disasters

# \$67.6m

invested in the community in 2014

In 2014 our business lending market share was 22.8%<sup>1</sup> and we maintained our position as the leading business bank in Australia by lending market share

# 22.8%

**Set up the BNZ Future Hub** in 2013 to assist Cantabrians with their earthquake recovery and rebuild

# \$20 Boss

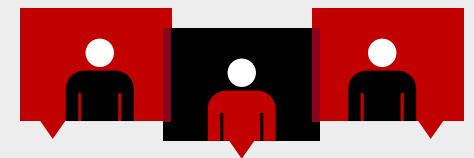
Launched the \$20 Boss pilot program – building the financial, business and entrepreneurial skills of young Australians

**Quadrupled our spend** with diverse suppliers (through our Supplier Diversity Program) compared with 2013 spend

**Published our sixth** Reconciliation Action Plan

# \$6.93m

invested in grants and programs, aimed at improving mental health outcomes for all Australians through the MLC Foundation over the past seven years



<sup>1</sup> APRA Banking System, September 2014.

## Our investment in the community

Banks have a unique role in helping to build more prosperous communities. By investing in the organisations and industries that tie communities together – and supporting initiatives focused on financial and social inclusion, young people, and encouraging a spirit of giving and volunteering – we can help communities to thrive.

As we invest, we remain focused on ensuring that our programs and partnerships are having a lasting impact, and as such we are committed to ongoing leadership in the areas of social and economic impact investment, measurement and reporting.

**In 2014, NAB invested \$67.6 million in the community.**

Our investments encompass all forms of support, from short-term donations to longer-term capacity-building programs. Some contributions are delivered in-kind, while others are financial. They range from charitable gifts and donations to community partnerships, in-kind support, employer-supported volunteering and community sponsorships.

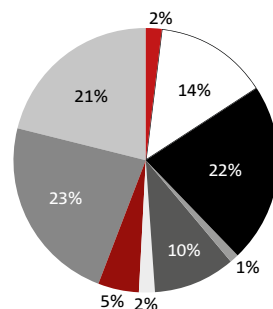
We use eight categories to manage and track our community investment. They are all (with the exception of foregone fees and interest) derived from the London Benchmarking Group's methodologies, with some small variations adopted from the Australian Benchmarking Group.

### Our community investment

	2010	2011	2012	2013	2014
Total community investment (\$m)	61.9	72.2	55.7	66.5	67.6
Community investment as a % of statutory net profit before tax	1.03	0.98	0.89	0.87	0.87

#### Community investment cash spend

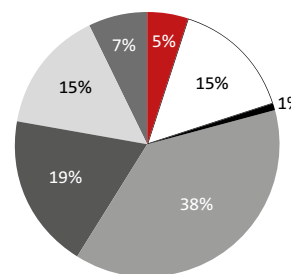
% breakdown by focus area



- Arts and culture
- Disadvantage/welfare
- Education and young people (including financial literacy)
- Emergency relief
- Enterprise and economic development
- Environment and bio-diversity
- Health and medical research
- Sport
- Other areas

#### Community investment

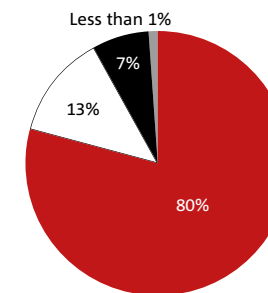
% breakdown by category



- Charitable gifts and donations
- In-kind volunteering
- In-kind support
- Foregone revenues and interest paid (foregone)
- Community investment (community sponsorships)
- Management costs
- Commercial initiatives (community sponsorships)

#### Community investment<sup>1</sup>

% breakdown by region



- Australia (including US)
- New Zealand
- UK
- Asia

<sup>1</sup> Due to rounding, percentages will not equate to 100%.



## Prosperous communities > Our investment in the community

### Community investment by category (\$m)

Category	2010	2011	2012	2013	2014
Charitable gifts and donations	8.7	18.7	3.6	6.6	3.7
In-kind volunteering	6.4	8.0	8.9	8.5	10.3
In-kind support	0.7	0.6	0.3	0.1	0.3
Foregone revenues and interest paid (foregone)	17.9	17.2	17.5	28.0	25.9
Community investment	12.9	12.3	12.5	10.6	12.5
Commercial initiatives (community sponsorships)	11.8	10.1	9.4	9.3	10.1
Management costs	3.5	5.3	3.5	3.4	4.8
<b>Total</b>	<b>61.9</b>	<b>72.2</b>	<b>55.7</b>	<b>66.5</b>	<b>67.6</b>

## Investing in our communities

### Financial inclusion

NAB plays an active role in assisting individuals who are marginalised from mainstream finance and banking in accessing fair and affordable financial services. We are delivering a range of safe and affordable personal and business microfinance programs in partnership with the community sector and government. Our work to address the issue of financial exclusion is covered in detail in the section [‘Access to inclusive banking’](#).

### Social inclusion

NAB plays an important role to play in fostering a more inclusive society and we are focused on addressing social exclusion in our communities and promoting social inclusion within our organisation. See the [‘Creating a more diverse and inclusive workforce and society’](#) section for more information. This includes our progress against NAB’s Reconciliation Action Plan (RAP) and details of our African Australian Inclusion Program (AAIP).

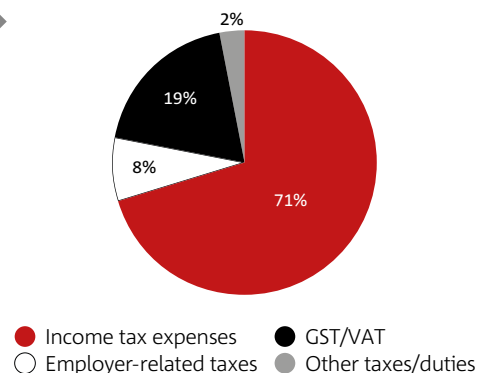
Our contribution to the economy goes beyond our Corporate Community Investment as detailed above. See page 11 of our *2014 Annual Review* for more information on our economic contribution.

### Our tax contribution

In 2014, the NAB Group paid \$2.696 billion in income and employer-related taxes globally. The NAB Group also generated other tax contributions totalling more than \$0.744 billion. In addition, the NAB Group indirectly contributed \$2.115 billion in GST/VAT and withholding taxes, collected on behalf of and paid to revenue authorities.

NAB remains committed to providing transparency of its total annual tax contributions made to governments. We view tax transparency and disclosure as an essential element of good governance. NAB continues to maintain a conservative risk posture in relation to its global tax affairs. More detail on our tax contribution can be found on our website.

### Total taxes paid by NAB Group % breakdown of taxes



### Progress against our sixth Reconciliation Action Plan (RAP)

NAB remains committed to addressing the issues of employment, financial inclusion, cultural understanding and business development for Indigenous communities.

Our RAP, which is one of a select few to receive the elite ‘Elevate’ status from Reconciliation Australia, is now in its sixth year. As our programs mature, we are challenging ourselves to explore new opportunities to create prosperity for Indigenous Australians. In 2014, we introduced a new focus area of our RAP – Innovation – which aims to ensure we are leading the discussion on a number of important issues including Indigenous home ownership and superannuation. NAB’s Indigenous Advisory Group is playing a key role in guiding the direction of this.

### 2014 Reconciliation Action Plan activity

In 2014, NAB assisted more than 1,007 Indigenous Australians to build financial capability and provided more than 4,000 people with access to microfinance products and services.

NAB currently employs more than 185 Indigenous Australians across the organisation. In 2014, we

recruited over 70 Indigenous trainees (over 380 since the program was launched), and 10 Indigenous interns (21 since the program’s inception). We also undertook a Social Return on Investment study to quantify the social and economic impacts experienced by school-based and full-time trainees in our Indigenous employment programs.

The study found that every dollar invested in school-based trainees created \$2.71 in social and economic value. For full-time trainees, every dollar invested created \$3.14 in social and economic value.

NAB’s Indigenous traineeship programs deliver significant financial value through the increased employability and earning potential of participants, as well as providing social value such as improved self-esteem and communication skills.

As part of our commitment to improve our understanding of, and respect for, Indigenous culture, we developed and launched a new online cross-cultural training program. In 2014, 605 NAB employees completed the training, well above our RAP target of 300.

## Prosperous communities > Our investment in the community

### Young people

Investing in young people is essential to help address the issue of youth unemployment in Australia and build future prosperity. Our programs focus on supporting young people to be work ready, socially minded and to have a healthy relationship with money.

#### Work Inspiration

As the founding corporate champion of Work Inspiration in Australia, we are supporting young people to be better prepared for work and life beyond school. We have the skills, resources and relationships within the community to support young people's access to the learning experiences and opportunities they need to gain employability skills.

In 2014, 300 NAB employees mentored 400 students in 55 schools across Australia. We partnered with six local councils and 10 business customers or prospects to deliver joint Work Inspiration programs.

#### High Resolves

The High Resolves Program is arming high school students with confidence and skills while increasing their awareness and appreciation of community issues and the leadership role they can play in addressing them. In 2014, NAB supported High Resolves to deliver its Global Citizenship Program to 18,000 students across 115 Australian schools.

#### \$20 Boss

In 2014, NAB partnered with the Foundation for Young Australians (FYA) and the Victorian Government to pilot a new program, \$20 Boss. This program aims to help young people start their own business and develop money management skills.

NAB has contributed funding to the program, where students are provided with \$20 each to start their own small business and have two months to develop their ideas, generate revenue and donate some of the proceeds to a local community organisation or their school.

### NAB Schools First Program

In 2013, we made a decision to end our involvement in the NAB Schools First Program to focus more on helping young people build their financial confidence. After five years and more than \$20 million in awards, we are proud to have handed over the intellectual property to our program partners, the FYA and the Australian Council for Educational Research.

#### The Alannah and Madeline Foundation (AMF)

NAB has been a proud partner of AMF since 2003. AMF is a national charity that acts to protect children from the devastating impact of violence. In 2013, together with AMF, we developed Say Something, an anti-bullying campaign that was developed to stimulate the right conversations and raise awareness of these issues. Since its launch, Say Something has received more views than any other campaign on NAB's YouTube channel, with the number of views at the end of 2014 totalling 435,000. Furthermore, it was posted virally from Upworthy (a social media-sharing website with 7 million followers). It received over 35,800 likes, 14,800 shares, over 1,000 comments on Facebook alone – and over 250,000 YouTube views. We also play an active role in the Better Buddies Program in Australian primary schools and continue to support many other fundraising initiatives.



### Health and wellbeing

#### Mental health

A key focus for NAB is improving mental health outcomes for Australians – an issue directly related to our business, and a significant issue for our customers and our people. On average 14% of new income protection insurance claims in our business are related to mental illness.

The MLC Community Foundation's primary focus is mental health and in the past seven years it has invested \$6.93 million in grants and programs, including over \$2.86 million of philanthropic capital to Lifeline Australia. An impact study in 2013 quantified that for every dollar invested in Lifeline's Online Crisis Support Chat service, there is a social return value of \$8.40. It was noted that the greatest value was derived from intervening and preventing suicide.

The NAB Care team continues to assist customers by providing customised solutions for those experiencing financial difficulties, including coordinated support for those experiencing mental health challenges. More information on our NAB Care team can be found on page 17.

We provide tailored training to our employees to help build personal resilience and to specific business units to ensure mental health considerations are taken into account when dealing with customers. We are also:

- collaborating with our banking industry peers to develop mental health training guidelines for employees in customer-facing roles
- collaborating with our insurance industry peers to develop mental health training for customers who have life insurance. This training is being developed following moves by the insurance industry regulator to raise mental health awareness and boost support for frontline staff
- developing a centralised reporting system to capture incidents of customers threatening self-harm. This will provide more accurate data and assist the industry to create effective and targeted support strategies.

For our employees, Mynd.Health@NAB provides a range of tools and resources to increase understanding of mental health issues. More information on our approach to health and wellbeing in the workplace is detailed in the section '[Strengthening our workforce](#)'.

#### Wellbeing

As a long-standing partner of the Australian Football League (AFL), NAB continues to play a genuine role in growing the game, from grassroots to the elite level and have done so for over 10 years.

Over 170,000 young boys and girls across the country participate in NAB AFL Auskick each year. Auskick gives kids a fun, safe introduction to Australia's game. But it's about more than just promoting 'footy'; it's about encouraging a healthy lifestyle, developing social skills, helping to build a stronger social fabric and develop family and non-family support networks.

Every season, we select 22 NAB AFL 'Auskick of the Year' nominees who take part in a three-day Toyota AFL Grand Final experience.

We support the future stars of Australian football in more ways than one. The NAB AFL Rising Star Program provides talented young players with a pathway to a career in football. The pathway culminates in the NAB AFL Rising Star Award, which acknowledges the year's most outstanding up-and-coming player.

We want to encourage communities to incorporate health and fitness activities into their lives throughout the year. So we're delighted to bring footy back in the off-season through the NAB Challenge. The NAB Challenge takes elite footy to every corner of the country, so everyone in Australia can be inspired by the action first-hand.

## Creating a culture of giving and volunteering

NAB's involvement in the community is a source of great pride for our employees and rewards them with opportunities to engage in causes that are meaningful to them. Our community engagement program actively encourages staff to volunteer, make donations and become involved in the community.

### Encouraging volunteering

At NAB, we are enabling our people to be able to contribute to the community projects they care about. While an estimated 6.1 million<sup>1</sup> Australians get involved in volunteer work each year, the single biggest barrier is finding the time. That's why, since 1998, we've given each of our employees a minimum of two days leave each year to volunteer and contribute to their communities. In May 2014, we announced our mission to deliver one million volunteering hours by 2018, generating \$50 million in value to communities.

In 2014 we have been focused on using our volunteering program to strengthen and build world-class customer relationships. In Australia, we are doing this by enabling some of our frontline employees to undertake volunteering opportunities with their customers. We are also providing more opportunities for our employees to undertake volunteering placements with our not-for-profit customers.

NAB is taking a leadership role in bringing stakeholders together to discuss and overcome the hurdles to volunteering. This year we partnered with Victoria's volunteering peak body, Volunteering Victoria, to run a four-part event series canvassing the views of community organisations on the challenges and opportunities of volunteering. We also discussed how to drive innovation through volunteering, volunteering and employee engagement, and creating impact through team volunteering.

### Extended volunteering opportunities

**Earthwatch:** NAB employees can spend 10 days working with a team of Earthwatch scientists learning about natural value and returning with new knowledge and skills to support NAB's Environmental Agenda (detailed on page 42). This year we extended the program by adding a natural capital conceptual framework onto the core program of work. In addition to supporting scientists in measuring the state of the mangroves in the Daintree, the team explored the impacts and dependencies that our customers in the region have on the ecosystem services that the mangroves provide. For example, mangroves provide storm water protection services that mitigate damage caused by natural disasters such as cyclones. This model has helped Earthwatch to develop a new framework and enhance its partnerships with other major organisations. In 2014, 20 NAB employees participated in the Earthwatch Program. This, along with participation in World Environment Day tree planting, saw over 1,800 Australian employees volunteer for environmental activities.

**Kimberley Indigenous secondments:** As part of our RAP we provide our people with the opportunity to spend six weeks in remote communities in the Kimberley, Western Australia, working on secondment in Indigenous organisations on social and economic development projects. In 2014, 25 employees undertook a secondment through this program.

### Volunteering data

Category	2011	2012	2013	2014
Number of days (Group)	25,633	26,254	22,679	<b>27,750</b>
Number of hours (Group)	198,656	203,469	175,762	<b>215,062</b>
% change on previous year (Group)	+23.7	+2.4	-13.6	<b>+22.4</b>
Value of contribution (Group) (\$m)	8.0	8.9	8.5	<b>10.3</b>
% of employees who took volunteer leave (Australia)	41.3	44.5	44.7	<b>52.0</b>
Number of skilled volunteering days (Australia)	1,335	1,490	1,916	<b>1,940</b>

### Regional volunteering highlights

- In New Zealand, BNZ held its fifth annual Closed for Good day on 4 September 2014. In New Zealand's biggest day of corporate volunteering, BNZ offices and stores around the country were shut for the day, as over 3,100 employees undertook skilled and unskilled work on projects submitted by community groups.
- Our Clydesdale and Yorkshire Bank (CYB) employees are also keen participants in bank-initiated volunteering activities. CYB employees are entitled to at least two days paid leave a year for such projects, which include everything from beach cleanups, gardening, and school visits to mentoring young people and fundraising. CYB employees are also supported to volunteer in their own time for their favourite charities and community groups through the Employee Volunteer Grant Program. This year we awarded 294 groups up to GBP£500 each, distributing a total of £143,923.79 in grants.

## Environmental engagement activities

We encourage our people to engage in activities that make a positive contribution to the environment in line with our Environmental Agenda.

Across our operations, our approach to engaging employees on the environment differs. In Asia and Australia, we have Green Champion networks. These networks help individuals who are particularly passionate about the environment to come together to assist NAB in becoming a more efficient and environmentally conscious place to work. Our Green Champions often act as volunteers to support and promote environmental initiatives and ideas within their local region or business unit.

In Australia, we also have an active Natural Value Champions network. This network is focused on building engagement and awareness among agribusiness bankers, analysts and credit managers of the importance of natural capital considerations in agribusiness – both in terms of risks (related to water, energy, soil health and waste management), and opportunities to help our farming customers and build better customer relationships.

This year in New Zealand, as part of BNZ's Closed for Good initiative, more than 670 employees undertook approximately 55 environmental projects ranging from the reforestation of a former tip site, to maintenance of a kiwi centre, to helping remove pests from an area being converted into a wildlife sanctuary. Various other environmentally focused volunteering initiatives were also carried out during 2014; for example, around 100 BNZ employees volunteered their time with Kiwis for Kiwi and got involved in projects across New Zealand including the monitoring of kiwi numbers to maintaining kiwi habitats. The BNZ Markets team also continued their engagement with the Kauri 2000 Trust visiting the Coromandel to plant the kauri seedlings BNZ provided as part of our kauri bond offer.

<sup>1</sup> ABS Study on the Volunteering Australia [website](#).

This year, BNZ conducted an environmental survey asking employees about their interest in environmental issues. The survey results show that 90% of BNZ employees would feel more favourable about BNZ as an employer if it were to become more actively involved in addressing environmental issues. Interestingly, 79% of employees (frontline and corporate office) consider environmental issues to be relevant to their day-to-day jobs.

## Encouraging a culture of giving

Launched in February 2007, our **Workplace Giving Program** continues to encourage employees to make regular donations directly from their salaries to Australian registered charities. NAB then matches these donations to the value of \$1,200 per employee annually. In 2014, over \$2 million was invested in our communities through donations from employees and matching contributions from NAB. These donations provided support to over 520 charities.

**Community Grants Program:** We see the opportunities that community and charitable organisations deliver every day and we're focused on playing a part in helping our not-for-profit customers make an impact. This was the first year of the NAB Community Grants Program, which saw 135 applications received and 19 not-for-profit NAB customers being awarded a grant across three categories:

1. Three High Impact grants (\$100,000 each) were awarded for collaborative initiatives that collectively addressed a shared social issue.
2. Eleven Social Impact grants (\$50,000 each) were awarded for stand-alone initiatives delivering material social value.
3. Two fully sponsored Social Return on Investment studies (\$50,000 each) were awarded.

A fourth award category was also introduced called the Employees Choice Awards. These awards saw more than 1,000 votes being cast by NAB employees and three grants being awarded for \$50,000, \$35,000 and \$15,000.

**Local sponsorship fund:** NAB provides a Local Sponsorship Fund to empower employees to engage and support their communities through local sponsorship. In addition to this, the program aims to amplify NAB's brand presence and maximise commercial opportunities. Frontline staff in retail, business and agribusiness can offer up to \$5,000 to support local projects that meet business objectives, provide commercial opportunities and bring NAB to life within their communities. In 2014, we have funded local initiatives to the value of \$364,600 engaging with hundreds of thousands of Australians.

**Help the Hospices:** In the UK, we continue to focus our efforts on volunteering, workplace giving and fundraising for our charity partner Help the Hospices. Since this partnership was launched in 2008, we've given over £3.7 million to Help the Hospices to support their work and assist local hospices across England and Scotland.

**Spirit of the Community Awards:** In 2013, Clydesdale and Yorkshire Bank launched the Spirit of the Community Awards to acknowledge the vital support that charities and community groups give to their local communities. The awards focus on education, employability and the environment. Over 250 applications were received in 2014, and we gave 24 awards to groups across England and Scotland totalling GBP£150,000.

## Assisting communities impacted by natural disasters

NAB has a long history of supporting communities impacted by natural disasters and other extreme events through our Natural Disaster Relief Framework. We respond with donations, cash grants, suspending loan repayments and waiving fees for customers impacted. We also offer financial and other support for employees.

In 2014, we provided support to communities affected by bushfires in New South Wales, Western Australia and Victoria, and by cyclones in Western Australia and the Philippines, as well as storms in New Zealand – contributing and facilitating donations of over \$533,500. We have helped our customers – and their communities – rebuild their lives through our direct contribution and through support provided by the dedicated NAB Care team.

## BNZ Future Hub

After the 2010 and 2011 Christchurch earthquakes, in August 2013 there existed a situation of uncertainty and frustration in Canterbury, where less than 20% of NZ\$40 billion insurance claims had been settled. BNZ responded by establishing the Future Hub, a dedicated team at a physical outlet to provide assistance to Cantabrians (including those relocated anywhere in New Zealand). The Future Hub co-locates residential banking specialists with an earthquake support team. In partnership with other industry experts such as CERA's Residential Advisory Service, insurance experts from IAG, AON and EQC, independent legal professionals, chartered accountants and a project management firm, the Future Hub provides a one-stop shop for Cantabrians dealing with earthquake-related issues. Since its establishment, the Future Hub has helped more than 2,900 New Zealanders, 400 being non-BNZ customers.

BNZ offered a financial relief package to affected farmers following storms in New Zealand's Northland in mid-2014. The package included access to NZ\$10,000 in emergency funding at a special discounted rate of 6% as well as temporary overdrafts of up to NZ\$100,000 at a special discounted rate of 6% and no application fees. To date we have provided three packages, totalling NZ\$230,000.

## Supporting a thriving not-for-profit sector

NAB supports our community sector clients with a specialised business unit, NAB Education and Community Business. We have specialised not-for-profit relationship managers in every Australian state, supported by specialists in transactional services, investment banking, property and other areas of NAB to create solutions for community organisations' immediate needs and long-term objectives.

We have a focus on building and sharing best practice and innovation, such as developing impact investment solutions, supporting social media capability, consulting on environmental opportunities and making it easy for donors to give.

NAB Education and Community Business works closely with the NAB Corporate Responsibility team to build the capacity of not-for-profit organisations, particularly through leveraging the professional skills of our workforce. We provide our not-for-profit customers with:

- access to our leading Employee Volunteering Program
- matched donations through NAB's Workplace Giving Program
- opportunities to communicate directly with NAB employees through internal communication channels and face-to-face engagement at NAB premises
- thought leadership through special events, market insights and research such as the bi-annual NAB Charitable Giving Index (see more on page 28)
- access to NAB learning and development facilities and event spaces
- access to The Village, our custom-built space in Melbourne for customers to connect, learn and work
- the opportunity to apply for a NAB Community Grant.

## Deepening our relationships through community investment

We are using our skills, resources and our investment in communities to strengthen and deepen our relationships with customers. For example, we encourage our Australian employees to undertake volunteering opportunities alongside NAB customers as well as spending volunteer time with our not-for-profit customers. In New Zealand, BNZ's established nationwide network of Partner Centres is utilised by customers including community groups for their meetings, events and training. This is helping community groups to reduce their operational costs and add value to their business engagements. The Partner Centres are providing an invaluable alternative to a direct financial contribution and are having positive environmental benefits, with video conference facilities reducing the need for cross-country travel.

We also remain committed to supporting the Indigenous business sector. Our innovative annual Reconciliation Action Plan (detailed on page 24) aims to play a role in developing positive and sustainable change in areas such as building supplier capacity and creating new employment opportunities.

We also provide customers with leading-edge services and insight, including through our state-of-the-art Social Media Command Centre (SMCC). The SMCC has created value for not-for-profit customers through the Tiger Pistol facility and by holding regular tours of the SMCC for customers and clients, sharing our knowledge and experience in social media engagement.

Each year we host a variety of thought leadership events relevant to the not-for-profit sector. We provide our not-for-profit customers with the half-yearly NAB Charitable Giving Index (see breakout box), a state-based report detailing the breakdown of philanthropic giving. We also support customers in understanding the emerging fields of impact investment and impact measurement.

The depth and commitment of our community engagements are seen as important factors for new customers when they choose to bank with NAB.

### Publication of the NAB Charitable Giving Index

The not-for-profit sector plays a vital role in shaping opportunities for our communities. By producing the NAB Charitable Giving Index we support these efforts with invaluable insights to help the community sector succeed and prosper. Not only does the NAB Index help our community partners and not-for-profit customers understand their own audiences and identify potential opportunities, it also allows them to focus on what they do best. There was an 8% increase in donations in the year to February 2014 and donations have increased by 19% since December 2010 despite uncertain economic conditions and anxiety about the cost of living.

According to the Index, the causes and charities Australians are most passionate about are:

- humanitarian services charities (32.7% of all donations)
- medical research and services charities (11.5% of all donations)
- health and disability charities (12.1% of all donations)
- community service and children/family charities (11% of all donations)
- cancer charities (9.6% of all donations)
- animals and environment (8.1% of all donations).

### Tiger Pistol

In 2013, we introduced an innovative solution called Tiger Pistol to provide a donation facility for not-for-profit organisations through their Facebook accounts. This year, Vision Australia collected donations for the 2013 Carols by Candlelight event via Tiger Pistol, which resulted in \$50,000 being collected. It also increased the number of likes to Vision Australia's Facebook page and awareness of their organisation.

## Supporting businesses that tie communities together

As Australia's leading business bank by lending market share, we are committed to supporting the industries and businesses that tie communities together. The table below shows our business banking footprint.

### The Village

The Village is a dynamic, professional and relaxed new space for business customers of all sizes and community partners to collaborate, connect with clients, meet like-minded people, work and learn. The space was designed by leading architects Woods Bagot and opened in February 2014 in NAB's office at 700 Bourke Street, Melbourne. The Village has resulted in over \$8 million of new business leads, with 22% of new members starting a banking relationship with NAB in order to join The Village community. Membership has grown at around 100 people per month since the launch and now has more than 1,000 members, with 25% of members from outside metropolitan Melbourne, including regional areas.

### Business footings<sup>1</sup>

Category	% of business customers	% of business footings <sup>2</sup>
Accommodation, cafes, pubs and restaurants	3.1	2.6
Agriculture, hunting, forestry and fishing	7.2	8.8
Construction	6.7	3.1
Education	1.2	1.7
Electricity and gas and water supply	0.4	1.4
Finance and insurance	11.2	26.0
Government administration and defence	0.3	3.3
Health and community services	7.9	3.6
Manufacturing	4.4	5.0
Mining	0.6	2.1
Property, renting and business services	37.4	29.2
Transport, storage and communications	3.0	3.5
Wholesale and retail trade, repairs	11.2	7.2
Recreational, personal and community service activity	5.4	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Excludes US and Asia. Business footings refer to the combined total of deposit and lending volumes. Customers are classified by their respective Australian and New Zealand Industrial Classification (ANZSIC) codes.

<sup>2</sup> Due to rounding, percentages will not equate to 100%.

## Supporting small business

We know that small businesses are vital to our economy. In Australia, they are the largest employer group and their hard work and entrepreneurship provide the nation with countless jobs and services. NAB is proudly committed to the prosperity of small businesses and we currently lend to small business more than any other Australian bank.<sup>1</sup> Through our customers and many government, industry and community partnerships we understand, advocate for and support the needs of small business. Our small business loan approval rate is high because we take the time to discuss customers' needs before they submit an application. We take pride in helping small business grow and bring their ideas to life. And we're focused on understanding their needs and providing them with the expertise and support of our small business specialist bankers.

Our national network of small business bankers has the authority to make local decisions when a customer needs it and their advice also extends to our customers' personal banking needs. Additional support includes our innovative Microenterprise loan program, access to work spaces such as The Village, small business seminars and a growing suite of products and services.

### Helping small businesses See More, Not Less

Our priority is to help small businesses succeed.

In FY14, we were proud to launch the 'See More, Not Less' campaign designed to drive business confidence, including small business confidence. The aim was to encourage Australian businesses to feel optimistic about their future and to reconnect with their entrepreneurial spirit, business acumen, passion and courage.

### NAB Small Business Festival Victoria

NAB was pleased to support Victoria's small business community by sponsoring the Victorian Government Small Business Festival Victoria for a fourth consecutive year. The festival exposed small business owners to industry thought leaders, specialised services, knowledge and skills to help their businesses to be successful.

### Small Business Development Conference

NAB was proud to sponsor the 2014 Small Business Development Conference, which was jointly delivered by BEC Australia, Business Innovation and Incubation Australia, and the National NEIS Association.

The annual event celebrated its twentieth year in 2014. The program provided a mixture of keynote speakers, workshops, panels and best-practice presentations designed to provide professional development for all those involved in providing assistance to small business. The conference is an event where delegates can find inspiration and motivation by listening to entrepreneurs sharing their success, leaders in their field discussing best practice and reflecting on new ideas in the context of their own work.

### Microenterprise Loans

Now in its seventh year, the Microenterprise loan program supports small businesses finding it hard to access mainstream finance. A not-for-profit program, it provides eligible low-income earners with unsecured business loans of up to \$20,000, coupled with training and business mentoring. Loans are dispersed in the form of a credit card with a fixed rate of 5.99%.

Since its inception we've issued over 1,500 loans, totalling more than \$25.6 million, including 284 loans worth \$4.1 million in 2014.

The program partners with a variety of organisations to provide training and small business advice to loan recipients, covering business acumen and networking.

In 2014 we premiered the NAB Microenterprise loans awards as part of the Small Business Development Conference. The award program recognises microenterprise business loan recipients who have experienced success and highlights their business achievements since receiving the loan. Businesses are rewarded with a \$2,000 grant to further enhance their enterprise. Three awards were provided, respectively, to the female entrepreneur of the year, young entrepreneur of the year and best business success story.

These partners mentor and help applicants develop business plans and provide them with business skills training and advice during the first year of business. Our partners are the New Enterprise Incentive Scheme, Business Enterprise Centres, Indigenous Business Australia, Small Business Incubators, Enterprise Learning Centre and Rosemount Good Shepherd.

### Our small business products and services

#### Leading the payment revolution with BNZ

Rolled out this year by BNZ Small Business, PayClip enables anyone in small business to accept card payments, anytime and anywhere, by turning their smartphone or tablet into a card terminal. After downloading a free app, small business owners can process payments on the spot wherever they have 3G, 4G, or Wi-Fi data coverage. This innovative and portable payment method improves cash flow and eliminates the need to chase unpaid invoices as payments are usually in the nominated BNZ account by the next business day. In 2014, we received the CANSTAR Innovation Excellence award for PayClip. BNZ also won the CANSTAR Best Value Small Business Bank for the fourth year running.

### WorldPay Zinc

In the UK we launched WorldPay Zinc, a tool designed to help sole traders and small business customers take debit and credit card payments on the move. With pay-as-you-go pricing, WorldPay Zinc is helping these customers grow their business – by increasing sales, taking payments on the spot and reducing the chasing of late payments. WorldPay Zinc is supplied by our partner, WorldPay.

### Supporting social enterprise

#### Difference Incubator

In 2013, we became a sponsor for [The Difference Incubator](#), an organisation providing support and training to social enterprises to ensure they're 'investment ready'. We see the work that they do as very important to the development of the impact investment market in Australia.

#### The MLC Community Foundation Social Impact Grants Program

The MLC Community Foundation has been a proud supporter of Lifeline since 2008, in the form of long-term grants that have reached \$2.6 million. The MLC Community Foundation offers a social impact grants program based around the HOPE mental health theory of change:

- Help understand the brain to develop new treatment strategies
- Open collaboration, which creates collective impact
- Power of innovation, reaches out to those in need and
- Enterprise solutions, provides employment for people with long-term mental health issues.

<sup>1</sup> DBM *Business Financial Services Monitor*, August 2013 – July 2014 12-month roll. Small business segment is defined as those with an annual turnover of \$0 –<\$5m. Lending market share is based on the total lending footings held at the bank, divided by the total lending footings held at banks reporting to APRA. The '2nd Ranked Bank' is the nearest big four competitor. Differences are not tested for statistical significance.

Through the MLC Community Foundation Social Impact Grant Program, we have assisted MadCap Cafe. The cafe was established in 2008 by Ermha, a long-standing community mental health organisation, to train, employ and transition people who live with a mental illness into the open employment market or to recommence studies. Over the past two years, the MLC Foundation has provided \$100,000 in grants to MadCap.

### Supplier Diversity Program

In Australia, our Supplier Diversity Program supports sustainable enterprises (including social enterprises) and communities. See page 32 for more information on this program.

## Creating a more diverse and inclusive workforce and society

It is important that we create a culture that enables our employees to give their very best, feel valued, and have the opportunity to perform and grow. Diversity and inclusion lie at the heart of this culture.

We recognise the value that unique backgrounds, capabilities and life experiences can provide and we want to continue to embrace these differences so that we can be innovative for our customers, better serve the community and drive sustainable and satisfactory shareholder returns.

This year we have refreshed our diversity and inclusion strategy, building on our existing priorities of gender equity, mature age and flexibility and elevating the focus on inclusion so that we can harness these differences and ensure that everyone can be their best at work.

We updated our Diversity and Inclusion policy to reflect the ASX *Corporate Governance Principles and Recommendations* (3rd edition), which recognises that diversity not only includes gender diversity but also matters of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

Accountability for the delivery of the diversity and inclusion strategy lies with the Executive Leadership Team, which regularly briefs NAB's Board on progress.

### Life stage

People from different generations have different needs and expectations of their workplace. We seek to respond to these needs with differentiated employee value propositions for each of the life stages including supporting mature-age team members and those parents transitioning in and out of parental leave.

We understand that attracting and retaining mature age workers is a competitive advantage. People who bring more than 55 years of life experience and 40 years of industry expertise to work are an asset to our business. Nineteen percent of employees across the Group are 50 years of age or over.

Since 2010, we have been offering the award-winning<sup>1</sup> MyFuture workshops to Australian employees, and more than 1,290 employees have participated. These workshops provide mature-age employees with an opportunity to explore their preparedness for their future with regards to career, flexibility, health, finances, relationships and the transition to retirement. MyFuture encourages our employees to remain in the workforce longer so we retain business knowledge, expertise and maintain strong customer relationships. After its success in Australia, we have now extended the program to New Zealand, with BNZ piloting its own workshop in 2014.

### Gender equity

We are committed to building strong female representation at all levels within the NAB Group and we've set a number of measurable objectives to:

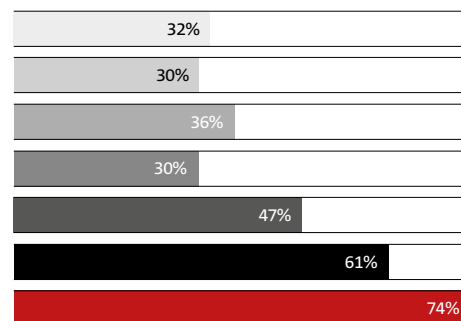
- increase the proportion of women in executive management positions
- increase the proportion of women on NAB Group subsidiary boards

<sup>1</sup> 2011 Diversity@Work Employment and Inclusion of Mature Age Workers Award and AARP Best Employer for Workers Over 50 (International) Award.

- increase the proportion of female non-executive directors on the NAB Board
- target a 50/50 gender balance in the Australian Graduate Program intake
- seek an even representation of women and men in NAB's core Australian talent development programs.

For further details including our gender diversity targets and our performance against them, see the Corporate Governance section of the *2014 Annual Financial Report*.

### Female representation on Group subsidiaries and per employment level (NAB Group) % 2014



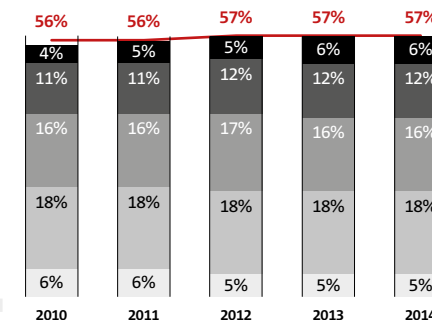
- Group subsidiary boards
- Executive management
- Senior management
- Managers and senior consultants
- Junior management
- Customer support
- Operational support

Note: This information represents the proportion of women in each of our Group-wide employment levels. Data is based on our 'permanent population' only (excludes casual employees and contractors).

Executive management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members' direct reports and their direct reports. Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in this employment level.

### Workforce profile (NAB Group)

% female

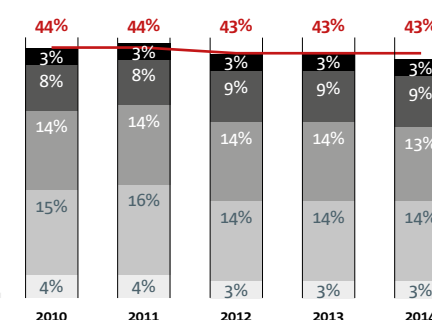


Ages:

- <25
- 25-34
- 35-44
- 45-54
- 55+
- Total

### Workforce profile (NAB Group)

% male



Ages:

- <25
- 25-34
- 35-44
- 45-54
- 55+
- Total

Note: This information represents the number of employees in each age bracket as a percentage of the total number of employees in the Group as at 30 September 2014. Data is based on headcount of 'permanent population' employees only (excludes casual employees and contractors).

## Prosperous communities > Creating a more diverse and inclusive workforce and society

### Basic remuneration ratio (female to male)

Employment level	Australia	NZ	UK
Executive management	0.83	0.99	0.83
Senior management	0.86	0.88	0.82
Managers and specialist experts	0.93	0.92	0.85
Junior management	0.96	1.01	0.95
Customer support	1.00	0.99	0.93
Operational support	0.98	1.15	1.07

The above ratios are based on the sum of all fixed remuneration (excluding superannuation and any bonus payments) per employee level, divided by the sum of full-time equivalent employees per employee level.

Executive Leadership Team positions (also known as senior executive positions) are those held by NAB's Executive Leadership Team members, Executive Leadership Team members' direct reports, and their direct reports. Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data.

The Executive Leadership Team has been excluded from calculations, given its small sample size. See the Remuneration Report in our 2014 Annual Financial Report for details of each Executive Leadership Team member's remuneration.

#### G4-LA13

In addition to setting gender diversity targets, we are the only major Australian bank to have conducted gender pay equity audits in conjunction with the Finance Sector Union (FSU) to investigate possible causes of, or barriers to, equal pay. Our Enterprise Agreement also includes a commitment to reviewing remuneration of those employees who return from parental leave in Australia.

We continue to monitor and remain committed to fair and equitable remuneration consistent with our market and performance remuneration framework. In September 2014, our CEO became a Pay Equity Ambassador for the Australian Workplace Gender Equality Agency as part of their national awareness and education campaign to eliminate gender bias in performance, talent management and pay decisions. In July 2014, BNZ received a bronze award for best practice as an equal pay employer at the inaugural YWCA Equal Pay Awards.

Our aim is for all employees, in all locations, to have equitable access to the same opportunities.

NAB has several initiatives to support and promote gender balance:

**NAB Board Ready:** This is an Australian program designed to educate and prepare women in management positions to become directors of NAB Group companies. The program focuses on building confidence and providing the training and development needed to successfully pursue positions on NAB Group subsidiary boards, as well as not-for-profit boards. In 2014, 257 women participated in the program, which brings the total number of participants to over 900 since the program was formally launched in 2011. Female representation on NAB Group subsidiary boards has increased from 14% (2010) to 32% (2014) since the implementation of the Board Ready Program.

**Recruitment:** We strive to ensure that a mix of men and women are short-listed for all executive management roles and that hiring decisions are made by interview panels comprised of both men and women where possible.

**Realise and Senior Realise program:** These programs aim to equip female employees with the skills, knowledge and tools to transition into more senior and executive management roles. A virtual Realise program is also offered to support employees in regional Australia and offshore, and has included participants from our Japan, Singapore, India and Hong Kong offices. It covers topics such as building a career path, enhancing business relationships, empowering leadership and maintaining life balance. A total of 961 women have completed the Realise program in Australia since 2011. In New Zealand, where it's in its third year, 57 women have attended.

For the second year, a tailored Realise program has been extended to not-for-profit and business customers, which 46 women have now attended.

**Women on Boards:** In the UK we became a corporate subscriber to Women on Boards UK, which offers a range of benefits to our female employees. Over 146 female employees have signed up as members and our first workshop gave 28 senior employees an insight into building their profile for potential board directorships.

**Workforce Diversity Study:** In February 2014, BNZ released a [study](#) into the business case for investing in workforce diversity. The report underscores our belief that diversity is not about political correctness, but delivers distinct competitive advantages. This followed the United Nations presenting BNZ with the inaugural Women's Empowerment Principles Benchmarking for Change Award in 2013, for its comprehensive approach to increasing women's representation at the middle to senior leadership and management levels. BNZ also won the UN Women's National Committee's Aotearoa New White Camellia 'Supreme Award' in 2014.

### The NAB Australian Business Diversity Index

In August 2014, NAB released an important new contribution to Australia's diversity debate. One of Australia's most respected economic indicators, the NAB Quarterly Business Survey, now includes a Diversity Index launched in partnership with the Diversity Council Australia. The index measures the business sector's assessment of diversity levels. The NAB Australian Business Diversity Index will help the community understand how important it is to include a mix of ages, gender, ethnicity, members of the lesbian, gay, bisexual and transgender communities and people with disabilities in the workforce.

The research shows strong intent within the business community for gender diversity. While Australian business is broadly gender diverse, it's not at senior levels. Of the respondents to the survey only 23.8% of executive management teams are women. Within the ASX 300 the number of executive roles held by women is only 15%.

Key insights include:

- Approximately 30% of Australian businesses scored themselves 'high' in terms of overall diversity. Conversely almost 20% rated 'low'.
- Diversity was highest for gender, age, race and ethnicity, and lowest for disability.
- Recreational, personal services and hospitality industry companies had the highest diversity index score, with manufacturing companies having the lowest. However, for ASX 300 companies, overall diversity was highest in retail and lowest overall in wholesale companies.
- Recruitment, advancement and talent retention were the key drivers of diversity for all Australian companies.
- Australian businesses that responded to the survey achieved a gender diversity score of 71.9, while the ASX 300 companies scored 78.3.



## Prosperous communities > Creating a more diverse and inclusive workforce and society

### Inclusion

It is important that we foster an inclusive culture that enables our people to thrive.

We do this in many ways, including supporting disability and enhancing accessibility, establishing employee resource groups, understanding cultural ethnicity and ensuring our supply chain reflects our communities.

We promote a respect for human rights throughout our workplace and among our suppliers and customers.

### Improving accessibility

NAB values individual differences and we promote a culture of respect for others, which includes supporting the needs of people with disability.

In 2014 the Australian Network on Disability reviewed our progress against our Australian-based 'Accessibility Action Plan 2012–2014'. They recognised significant progress in the objectives outlined in the plan.

We continue to improve accessibility across our regions and in 2014 we undertook a number of initiatives:

- We are improving both our internal technology services in Australia and our customer-facing online channels, products and services using the Web Content Accessibility Guidelines (WCAG) v2.0 level AA guidelines.
- We are upgrading our Clydesdale and Yorkshire Bank's ATMs for the visually impaired and introducing a new web chat service for general enquires in the UK.
- We are adding 'text to speech' and 'high contrast' features to our BNZ ATMs for our customers who are visually impaired.

### Promoting diversity with our suppliers

NAB seeks to promote diversity in our supply chain through our Australian Supplier Diversity Program. Through the program, which began in 2012, we are working to build sustainable enterprises and support communities through the power of purchasing. Incorporating diverse suppliers (businesses owned by women, Indigenous people, people with disability and social enterprises) into our supply chain helps increase their exposure to corporate procurement while creating employment and training opportunities, sustainable growth and social and financial inclusion.

Our approach to supplier diversity focuses on facilitating introductions between our national Tier 1<sup>1</sup> suppliers with potential Tier 2<sup>2</sup> diverse suppliers, who generally only have local or regional reach. Recently, we facilitated three introductions:

- We introduced Yaru Water (an Indigenous business) to our Tier 1 catering supplier.
- We introduced Waverley Industries (an Australian Disability Enterprise), to our Tier 1 print management supplier.
- We introduced Pacific Services Group Holdings (an Indigenous business) to one of our Tier 1 property management suppliers.

All of these introductions have resulted in commercial outcomes between these organisations. Through our supply chain, we have supported more than 18 diverse suppliers, quadrupling our 2013 spend with diverse suppliers in 2014.

Given that engagement of diverse suppliers is typically through our Tier 1 suppliers, capturing spend data has been challenging. In 2014, we developed a reporting process in Australia to track both our direct and indirect spend, as well as an introduction tracker that will further enable us to track the success of our introduction program and the degree to which introductions are translating into tangible commercial outcomes for diverse suppliers. These changes will increase the robustness of the Supplier Diversity Program and allow us to better track our progress.

Building on the success of our Procurement Awareness workshops in 2013, we delivered three more workshops across Australia for Supply Nation-certified Indigenous businesses to increase their capability and understanding of corporate procurement processes and expectations. We also continued to support Supply Nation by sponsoring their annual Connect event and by sending a delegate to speak on procurement trends in Australia. Supply Nation's Connect event provides the opportunity to create links and build relationships between member organisations and certified Indigenous suppliers. We also facilitated six introductions with Supply Nation certified Indigenous businesses, exceeding our Reconciliation Action Plan (detailed on page 24) target of five.

### Promoting inclusion via our employee networks

**Clydesdale and Yorkshire Banks (CYB):** We run three employee network groups to encourage diversity in our UK business. Vibrant, which supports our lesbian, gay, bisexual and transgender employees, was recognised as the Stonewall Scottish Employee Network Group of the Year in 2014. Enable is a network for people living with injury, ill health or disability, run by people with disabilities. And Women in CYB runs regular events at least every two months with guest speakers from the business and the occasional external guest speaker.

**BNZ:** We run a variety of formal and informal employee network groups to foster diversity and inclusiveness, including the BNZ Women's Network, which hosts events and networking opportunities, and the Pasifika and Indian communities, which utilise social networking tools within the intranet site to stay connected and share insights, experiences and ideas.

**Connecting Women:** Our Australian employee-led group for women and men, Connecting Women, hosts events and networking opportunities. Connecting Women showcases the stories of NAB employees to peers within the bank, the financial services industry and the broader community. It aims to empower women and help drive them further in their careers.

### Good Cycles

NAB supports its employees to be healthy and use more sustainable forms of travel. For example, we provide our employees with the opportunity to ride their bicycle to work by providing approximately 2,000 bike racks and change room facilities at most of our larger office buildings. To further expand the benefits, NAB developed a partnership with Good Cycles, a social enterprise mobile bicycle repair company. A not-for-profit organisation, Good Cycles provides training, employment and direct ongoing support to people who might otherwise struggle to find work opportunities. The organisation operates teams of mobile bike mechanics across Melbourne who repair bikes in offices, universities and public spaces while their profits go to helping disadvantaged people in the community. To extend the partnership, NAB has provided Good Cycles with a workshop pro bono in our 700 Bourke Street, Melbourne office for them to perform repairs on site.

**NABility:** Our Australian employee network that advocates for people with disabilities and shares a commitment to support their colleagues and customers with disabilities.

**Pride@NAB:** Our lesbian, gay, bisexual, transgender and intersex (LGBTI) Australian employee network. We were the major sponsor of the 2014 Midsumma Festival, which is Victoria's premier festival for the LGBTI community, and participated in the Fair Day at Brisbane Pride.

<sup>1</sup> Tier 1 suppliers refers to suppliers that contract directly with NAB.

<sup>2</sup> Tier 2 suppliers refers to suppliers that contract via a Tier 1 supplier to provide goods or services to NAB.

## Prosperous communities > Creating a more diverse and inclusive workforce and society

**Women in Financial Services Forum:** A collaboration between BNZ and the Financial Services Institute of Australasia, which was set up to influence debate and engage industry leadership. It offers a program of events and other initiatives and aims to encourage greater female representation within senior positions in the broader financial services industry.

### Enabling diversity and inclusion through flexibility

Providing flexible working arrangements is important to us and is recognised as part of our Diversity and Inclusion policy. We are creating a flexible working environment to accommodate the diverse needs of our customers and our people.

Enabling flexibility in the way our people work can lead to greater job enjoyment and higher productivity, and contributes to a strong quality of life outside of work. Employees seek flexibility for many reasons including studying, caring for family, taking a career break or volunteering.

### Additional leave that supports flexibility and inclusion

NAB offers various types of leave for our people to help in times of need, including carer's leave, domestic leave, sick leave and parental leave.

During 2014, we launched a newsletter for employees on parental leave in Australia, *Keeping in Touch*. It gives people leaders a way to connect with those on parental leave and ensures our people understand the tools and processes we have to support them when they return to work.

Carer's leave is available to Australian employees to take time off work to look after those family members requiring care. Employees may take leave on full pay up to 10 days per calendar year to attend to family, carer's needs or personal emergencies. If an employee has used all their paid carer's leave, they may access accrued sick leave for the same purpose. In the event that accrued sick leave has also been used, the employee may take up to two days of unpaid carer's leave, in accordance with our Enterprise Agreement.

**Domestic leave:** In New Zealand, domestic leave may be taken when a permanent employee's partner or dependant is ill and the employee needs to stay home and care for them, or when there are important family or personal needs. Employees may take a maximum of 10 days' paid domestic leave per year. People Leaders have the discretion to provide further unpaid domestic leave if required. In the UK employees who have successfully completed their probationary period can request a maximum of two days' paid leave for planned life events such as a child's first day at school. Up to three days' leave is available for unplanned events such as the illness of a dependant or a domestic emergency. In addition, employees may apply for flexible working including term-time working, career breaks or unpaid leave.

**Parental leave:** We provide comprehensive family support and childcare programs to assist our employees. Eligible employees in Australia are entitled to 12 months' primary carer's leave of which 12 weeks are paid by NAB. NAB's paid parental leave is in addition to the Australian government's Paid Parental Leave scheme. Further, NAB provides that up to 40 weeks of unpaid parental leave are recognised as service for the purposes of long service leave accrual, and superannuation contributions are made on the unpaid portion of primary carer's leave, also up to 40 weeks. On returning from parental leave, employees receive a remuneration review to ensure the terms of NAB's Enterprise Agreement have been applied. In 2014, in Australia 87% of employees returned to work after taking primary carer's leave. This is a 7% increase from 2013, and well above 2006's rate of 65%.

We have childcare facilities and arrangements at or near major office locations in Australia, allowing employees to be near their children while working. We have corporate childcare discount arrangements with selected childcare centres across Australia and also offer a \$1,500 NAB Family Day Care Grant. An employee's family day care provider can apply for the Family Day Care Grant for the purpose of setting up or extending their day care facility.

In the UK, parents with a child under the age of five, a child with a disability under the age of 18, or an adopted child under the age 18 can take up to a total of 18 weeks unpaid parental leave per child to be used by the time the child is 18 years of age. This enables parents to take a maximum of four weeks leave, from the 18 weeks, in any one year in relation to each individual child. In addition to this, parental leave employees may apply for unpaid leave or a career break to help them meet their caring responsibilities.

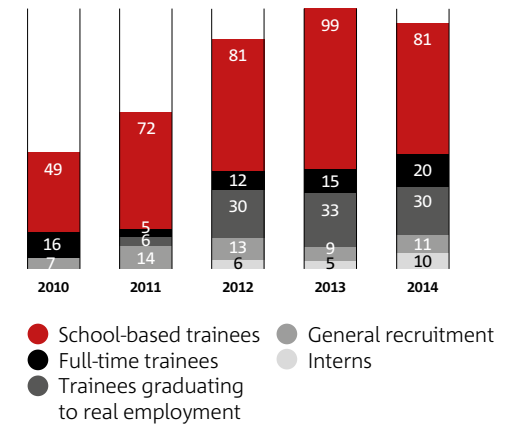
### Providing pathways to employment

We continue to promote cultural diversity in our workforce and strive to create career opportunities and we are seeing great talent coming through the business thanks to the success of our Indigenous Employment programs and our award-winning African Australian Inclusion Program (AAIP).<sup>1</sup>

### Our Indigenous Employment Program

Our Indigenous Employment programs are designed to provide opportunities that result in meaningful careers in banking. We offer school-based traineeships for years 10–12 and full-time traineeships for candidates who have completed Year 12 and are interested in a career in financial services. We also have general recruitment opportunities available for Aboriginal and Torres Strait Islander potential employees. In partnership with Career Trackers, we offer internships to university students aimed at securing ourselves as the employer of choice for Indigenous talent. The challenge now is to harness that talent further. This year we launched an Emerging Leaders Program aiming to identify and invest in the career development of aspiring future leaders. The program is a partnership between NAB and AFL SportsReady.

### Indigenous recruitment at NAB



In 2014, our Indigenous employee numbers increased by 16%. We recruited over 70 trainees, bringing the total number to over 380 since the program launched in 2009. We also oversaw the completion of 10 Indigenous university internships – 21 since the program's inception. Our commitment to ongoing jobs remains as strong as ever with 30 Indigenous employees graduating from their traineeships to ongoing employment.

<sup>1</sup> The AAIP received the Cross Cultural Management Award by the Australian Human Resources Industry (AHRI) in 2012.

### Respecting human rights

We promote a culture of respect for human rights in our workforce and in all of our business relationships, through a number of key programs and initiatives. NAB has committed to uphold a number of protocols addressing human rights, such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights. NAB is also a signatory to the UN Global Compact. Our People policies and ESG Risk Principles emphasise the requirement for all employees to respect human rights and to take care to ensure that we're not complicit in human rights abuses.

We also incorporate human rights within our risk assessment and due diligence processes in supply chain relationships and lending.

We are in the process of developing a Human Rights Framework that will apply across all of our operations and which will map how the NAB Group addresses human rights in its policies, practices and business operations. This will be published in 2015. For further examples of how we are integrating ESG risks, including human rights into our processes see the ['Responsible Lending and Spending'](#) section.

### NAB's African Australian Inclusion Program

Our AAIP creates opportunities for skilled African Australians whose contribution to Australian society may otherwise have been lost – through unemployment, under-employment or employment outside of their field of study. In partnership with Jesuit Social Services, this program provides skilled African Australians with a six-month paid work placement at NAB. This year, 24 placements were completed. Among the 115 who have graduated since the program began, over 80% have secured ongoing employment either at NAB or externally in their chosen field.

### BNZ cadetships

This year BNZ offered 14 Māori cadetships, delivered in partnership with Te Puni Kōkiri. The cadets took on roles within BNZ supported by a dedicated local mentor. The aim of the program is to provide relevant, quality training to cadets over a six-month period. 2014 was the first year that the cadetships have been offered, aimed at building Māori capability and specialist skills within BNZ and communities across New Zealand, as well as encouraging more future Māori leaders into the banking and finance sector.

### Domestic violence

Domestic violence is a blight on our community. NAB believes we must all take concerted action to ensure that those affected feel confident and supported at work. We have introduced a formal Domestic Violence Policy and we are one of only a handful of Australian employers to do so. Our policy is designed to develop a better support structure within NAB to encourage victims of domestic violence to come forward to their employer and seek assistance.

When assisting an employee who has suffered domestic violence:

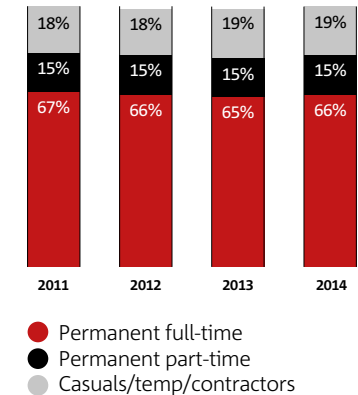
- our People Leaders must always contact Workplace Relations to consider if any workplace changes need to be made, including consulting with security services where appropriate
- we offer leave if an employee needs to seek medical or legal assistance, or for court appearances, counselling, and/or relocation. The amount of leave will be determined by individual circumstances and in consultation between the employee, People Leader and Workplace Relations.

We believe the Australian business community needs to show greater leadership. If any further justification were needed, domestic violence also has real economic costs, in loss of productivity and employee turnover.

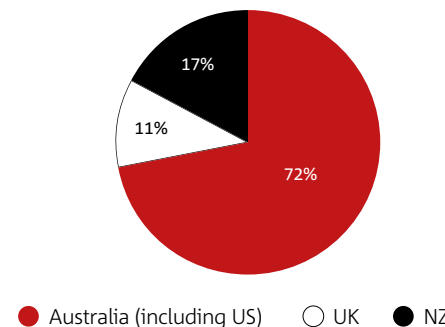
### Strengthening our workforce

We play a significant role in the lives of our 42,000-plus employees. Our focus on leadership, culture and capability creates a workplace that's focused on what matters to our people, creating opportunities for them and always looking at the bigger picture.

### Group workforce composition by employee type



### Employee distribution by region



Refers to the number of full-time equivalent employees in each region as a percentage of all full-time equivalent employees in the Group.

### Engaging our people

Engaged employees are considered to be more productive, foster greater customer loyalty and drive profitability. They also tend to stay for longer. We monitor our people's engagement levels through our annual 'Speak Up, Step Up' survey (SUSU survey). This year management of the survey was transferred to a new provider, Right Management. This move will provide us with following benefits:

- real-time reporting – with results received the week after the survey closes
- a more dynamic and intuitive reporting suite
- more flexibility to consolidate other employee surveys
- a better employee experience in completing the survey
- engagement measured by how engaged people are with both us and their jobs
- global high-performing and financial services benchmarks.

## Prosperous communities > Strengthening our workforce

The SUSU survey provides us with a measure on culture and several diversity and demographic measures, that is, ethnicity, sexual orientation, health and wellbeing.

In 2014, our enterprise-wide engagement score using the Right Management model was two percentage points above the global financial services benchmark as set by Right Management.

In the future, we have work to do in growing performance, enhancing leadership and agility and advocating for the organisation. However, we remain strong in relationships with our People Leaders, career and personal growth and the alignment of roles to our strategy. These results tell us much and will be incorporated in our People Leaders' KPIs, which also incorporate diversity metrics. People Leaders will now develop action plans with the support of an action-planning toolkit, with each People Leader measured on the quality of their action plans.

### Managing employee turnover

With more than 42,000 employees worldwide, it is inevitable that employee numbers will fluctuate in different parts of the business. This is due to completion of different programs and our continued focus on efficiency. We strive to redeploy our people within the business where possible and are actively taking steps to better understand and address some of our key drivers of voluntary turnover.

Turnover overall has reduced from 2013 and we have seen this improvement across all age brackets and genders. There are a number of factors that contribute to employee turnover including, but not limited to, an increased focus on organisational stability following the structural changes of 2013, an increase in activities seeking to impact on employee engagement and an increased focus on retention of talent.<sup>2</sup>

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### 2014 SUSU survey engagement results

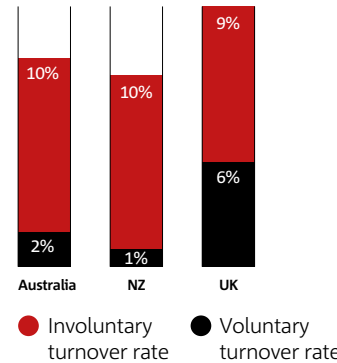
	Our 2014 results comparative to 2013 engagement model <sup>1</sup> %		2014 Right Management model results %		
	Engagement	Enablement	Overall engagement	Job engagement	Organisation engagement
NAB Group result	69 (+1)	63 (-1)	42	55	52

<sup>1</sup> In 2014 we changed the provider of our engagement survey, which significantly changed the way we measure engagement. The new model measures engagement via how engaged employees are with their job or role as well as how engaged they are with the organisation. Employees need to answer favourably to all 8 items to be considered engaged. In previous years, the engagement score was calculated by averaging across 4 to 5 engagement questions. To provide the trends, indicated above, we included comparable questions. In 2015 we will continue to use the Right Management Model.

<sup>2</sup> NAB has a policy with respect to significant organisational change. In each business as part of our collective agreements, there are minimum notice periods and commitments to consult employees regarding significant organisational change prior to the implementation of that change.

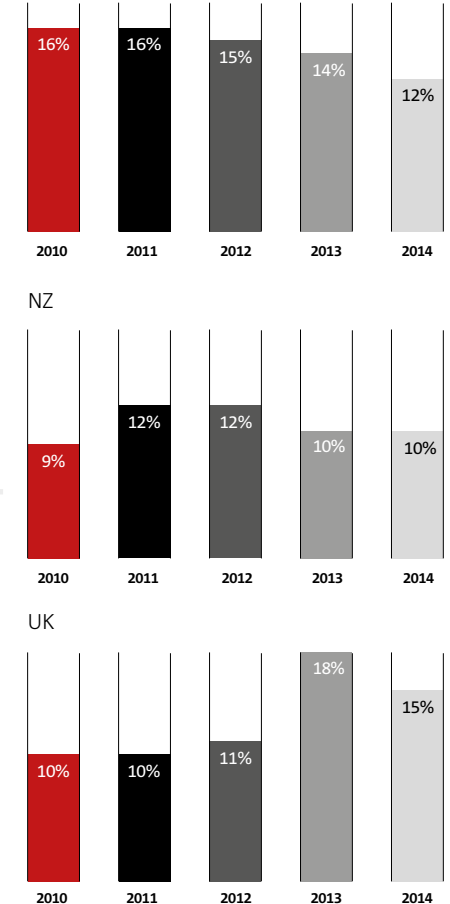
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### Employee turnover by region voluntary and involuntary % breakdown



Involuntary turnover refers to all exits which have been initiated by the employer (such as dismissals). Voluntary turnover refers to all exits which have been initiated by the employee (such as resignations). Calculated as a percentage of average permanent headcount from 1 October 2013 to 30 September 2014.

### Total employee turnover rate % by region



## NAB's leadership agenda

Leadership is integral to our strategy and remains a key priority. Our aim is to embed leadership into NAB's culture to make our leaders more effective through our People Leader Fundamentals (PLFs) and to drive our expectations of leaders at NAB.

Improving the effectiveness of our leaders is a constant focus and this year's efforts included a number of strategies:

- We provided our 3,800 People Leaders with access to leadership development. Of our People Leaders, 86% completed the PLF online learning module. In Australia, we launched a People Leader virtual induction program for all new People Leaders, and since inception 649 new leaders have attended the new program.
- We delivered world-class intensive leadership development programs. Overall, 791 of our leaders attended one of our face-to-face leadership programs in 2014.
- We developed our leaders' coaching capability which involved extensive learning resources, for example, podcasts of role plays, coaching awareness workshops and learning programs.
  - By the end of 2014, over 600 of our People Leaders participated in an intensive Coaching in Leadership development program.
  - More than 3,000 people participated in short workshops to increase their understanding and skills in using coaching in their leadership approach.
- Our team of Executive Coaches was refreshed with exceptional external coaches.
- The rigour of how we engage, utilise and monitor coaching outcomes was increased. This strongly aligns our coaching panel to our leadership strategy and signals our commitment to support senior leaders with targeted development.

Initiatives to support our People Leaders development have been driven both within divisions and at a Group level. These initiatives have included:

- Multiple divisional and enterprise initiatives to maintain a strong dialogue around people leadership, such as People Leader Upskilling sessions, People Leader Fundamentals (PLF) and PLF working groups.
- We now track People Leader effectiveness in leading teams for performance and people engagement. In 2014, the People Leader Index derived from our SUSU survey indicated that 75% of responses were favourable in relation to People Leader effectiveness. Employees also reported a 1.4% improvement in People Leaders' effectiveness in managing underperformance from 2013 to 2014 (56.7% to 58.1%).

We expect everyone to demonstrate leadership at all levels of NAB. Our Enterprise Leadership Principles (ELPs) Workspace encourages high-quality thinking around being a leader at NAB.

We have established a Leadership Effectiveness Forum of Divisional and Centres of Excellence (CoE) representatives and created a Leadership Dashboard measuring key metrics and we have increased governance and oversight of leadership effectiveness. The Dashboard and a People Leadership Index also help us track our progress towards improved leadership effectiveness.

With a compelling strategy around leadership at NAB now in place we are now able to 'reset' our leadership culture to better lift performance and demonstrate the role of senior leadership in achieving strong sustained employee performance.

We plan to increase our focus on leadership through continued dialogue with our people and more leadership development over the next year. Scalability and training current leaders to coach our future leaders about everyday challenges remains critical. Cultural change will be driven through people leadership and improved recruitment and development of leaders. All this will align our leadership development programs to provide clear leadership expectations and career pathways.

## Nurturing and retaining talent

Our talent management process helps prepare our high-performing employees for 'senior leadership' positions. Creating this deep pool of senior leaders is critical as they will go on to shape our strategy, inspire teams and deliver results.

We want to create senior leaders who are well prepared for complex, strategic leadership roles across functions. We aim to do this through the use of a rigorous end-to-end talent management process grounded in clearly defined leadership expectations and assessment, accelerated development pathways, meaningful succession planning and cross-functional resourcing forums. In 2012, we identified 620 high-potential leaders for the NAB Group Talent Pool. In 2013, we reduced this to 399 to better align with leadership opportunities and to provide more opportunity for the business to get to know their talent. Of those that were participating in the NAB Group Talent Pool as of 1 October 2013, 92.0% are still with NAB.

The value proposition of our Group Talent Pool is:

- Self Insight – Assessment of current capabilities, development needs and time to reflect on future leadership goals

- Accelerated Growth – More quality targeted development to help talent become ready for more complex leadership challenges more quickly
- Enterprise Connection – Opportunities to build networks and increase enterprise visibility.

To assist with our diversity goals at the executive level, we aim for equal representation of males and females on talent programs. In 2013, 50% of those who completed the new Accelerate program were females.

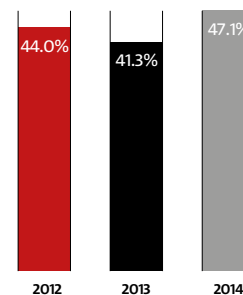
### Accelerate

This year we redesigned Accelerate, our flagship talent program offered to employees within the Group Talent Pool across NAB's global operations. It now delivers a better transformational leadership development experience with greater commercial impact and business alignment. The program is a unique journey that aims to develop strategic, commercial and leadership capability to help participants influence NAB's strategic agenda and commercial results. It teaches senior leaders how to role-model leadership and positively impact our culture. Since the redesign, Accelerate's commercial projects have delivered revenue uplift in excess of \$16 million and influenced better products and experiences for thousands of NAB customers. Feedback on the program's enhanced strategic alignment has been exceptionally positive.

Key benefits of redesigning Accelerate include:

- significant personal transformation
- better capacity to navigate ambiguity and change complex systems
- bigger Group-wide networks
- a unique Group-wide perspective on commercial strategy
- greater ability to drive business transformation.

### Female representation in core talent programs



## Investing in training and development

Investment in training and development is critical to delivering our business strategy as well as contributing to employee engagement and helping people realise their potential. Further, the regulatory environment we operate in requires assurance that employees have appropriate training and accreditation to perform roles effectively. In 2014, more than \$24 million was invested in training and development activities in the Australian region.

During 2014, we centralised our learning and development (capability) teams to create a more consistent experience across the organisation and prioritise training and development activities based on business priorities. The NAB Academy supports our people, customers and community partners by providing access to high-quality training facilities and innovative learning solutions. The priorities of the NAB Academy are focused on developing great leaders and developing our workforce, and utilising our NAB Academy sites and products and services to differentiate NAB in the market.

In 2014, we reviewed our training programs in line with our business strategy, which, combined with a trend toward online learning, led to a decrease in the total days of employee training. Every employee in the Australian region participated in an average of more than four days' formal training including training in products and services, credit risk and regulatory change and leadership development. Our focus has also been on supporting employees to deliver NAB's business transformation and ensuring we develop the right skills to realise business benefits.

Online and virtual learning is predicted to continue to grow in the next three to five years as employees work flexibly and innovative technology such as business simulations help to measure learning outcomes.

Additional trends over the next two to three years are expected to include:

- continued increase in online learning and social learning

- continued focus on measuring learning outcomes and return on investment
- shorter, more frequent learning interventions
- greater accessibility to learning solutions outside metro areas (e.g. virtual classrooms)
- increased digital capability of our workforce.

Our learning focus in 2015 will have continued emphasis on helping our people to be 'job ready' and building capability for the future. Through our capability strategy we will:

- drive performance by prioritising the development of the most critical capabilities to support our business strategy
- cultivate a learning mindset in our workforce by creating an environment where our people and leaders proactively embrace and drive learning
- keep our business and customers safe by providing clarity and confidence in our risk and compliance programs, ensuring they drive business growth and satisfy regulators
- build customer satisfaction by developing product and service expertise that encourages collaboration for the benefit of the customer.

Our career development portal will continue to provide online tools for individual career development supported by robust coaching and mentoring activities. And our learning activities will support the trend toward shorter training 'bytes', increasing accessibility through online and virtual classrooms and using social and experiential learning.

## Providing a healthy and safe workplace

Effective management of health, safety and wellbeing risk in our workplace is not only required by law but essential for helping our employees realise their potential and achieve peak performance. Our focus is on creating a safe, healthy and productive working environment for those who work for, do business in, and visit NAB.

Getting this right also helps us to achieve:

- a reduction in the impact and severity of injury/illness, workers compensation claims and the associated human and financial costs
- a reduction in unscheduled absence due to injury/illness
- increased productivity and capacity to serve our customers
- continuous improvement in our compliance with regulatory and legal obligations.

### Early intervention

We have a robust system in place to capture information about physical and psychological risk in our workplace. Across NAB's operations we adopt an 'equity of access' approach in that our employees are actively encouraged to report injury or illness and utilise our internal team of specialists. In NAB we operate an early intervention model for all 'injuries or illnesses' whether work-related or not.

As a result of a targeted and strategic approach to raising employee awareness of the need to report incidents, numbers of reported incidents has steadily increased over the past five years. This increase is a positive sign – the more we know and the earlier we know it, the more effectively we are able to respond and provide support and assistance.

### Lost time injury frequency rate

Despite the increase in reported incidents, the lost time injury frequency rate (LTIFR) has stayed stable and low. An additional benefit of the increase in incident reporting is that it provides better data to inform our risk-profiling activities in which the main causes of incidents and their impacts are highlighted. This information is used in the development of plans to systematically eliminate or mitigate physical and psychological risk in our workplace. This approach enables us to minimise the human and financial impact of incidents or hazards.

### Lost time injury frequency rate

Number of work-related lost time injuries per millions hours worked	2010	2011	2012	2013	2014
Australia	1.91	1.45	1.55	1.05	0.86
NZ	1.23	1.43	0.95	1.17	1.69
UK	0.81	0.63	0.60	0.53	0.45

#### Australia and New Zealand

Lost time injuries are defined as a workplace injury resulting in an employee being absent from work for at least one full day, and for which the employee receives workers compensation.

LTIFR = Lost time injuries × 1,000,000 hours worked ÷ (average annual full-time equivalent employees × 40-hour working week × 46 weeks per year). In Australia, past results have been revised upwards due to additional lost time injuries being recorded after the reporting period has ended. Current year results are also likely to be revised as additional lost time injuries are recorded in our system. Any updates will be reflected in future reporting.

#### United Kingdom

Lost time injuries are defined as workplace injuries which result in an employee being absent from work for over seven days as per the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

LTIFR = Lost time injuries × 1,000,000 hours worked ÷ (month end full-time equivalent employees × working days in the month × 7 hours). Prior to 2012 lost time injuries were classified as injuries resulting in an employee being absent for over three days. From 2012, lost time injuries refer to employees being absent from work for over seven days. This may contribute to the decrease in LTIFR seen over this period.

We have excluded information relating to our employees in Asia, as they represent less than 1% of our total workforce.

## Prosperous communities > Strengthening our workforce

Examples include the provision of guidelines and tools to support our flexible working practices and enable our people to work safely wherever they may be. In Australia there is a requirement to report all customer aggression incidents so that debriefing with a trauma counsellor (psychologist) can be offered to those employees involved. There are also targeted manual handling and slips/trips/falls programs.

### Absenteeism

As well as days lost due to workers compensation claims, in Australia we measure other types of unplanned absenteeism. This includes sick leave, carer's leave and bereavement leave. These measures are normally calculated as average days lost per full-time equivalent employee.

Unplanned absence data provides an indicator of the health and wellbeing of the organisation. Any material movement in unplanned absence data is further investigated and analysed as to possible cause.

The rate of unplanned absence in Australia has remained relatively consistent. Over the past 12 months in Australia, we've continued our focus on employees taking a break from work and using their annual leave. This ongoing initiative aims to create a healthier, more engaged workforce that's well rested and aware of the importance of taking time away from work.

### Supporting the mental health and wellbeing of our people, customers and communities

In recent years it has become evident that, consistent with greater community awareness of mental health issues and NAB's focus on mental health and wellbeing, there is an increasing need to support our employees, their families and the community in understanding and managing mental health issues.

At NAB we place a priority on the wellbeing of our people; we want to ensure that they are engaged and productive, and in good health when they are at work. All employees have access to a range of tools, resources and training to improve their wellbeing.

These include:

- the My Health and Wellbeing online portal, which offers access to a wide range of interactive health tools and information, online health assessment and online behavioural change programs to help monitor and manage their own health
- access to Real Time Health, which provides an extensive online video database of patient and carer experiences and addresses a broad range of illnesses such as anxiety disorders, depression and mental health in families
- the MYnd.Health@NAB portal designed to provide our people with access to a range of tools, resources, services and programs to increase understanding of mental health conditions and build personal resilience
- the Employee Assist Program (EAP), which is available in a number of regions to all employees and their immediate families; this service offers free short-term face-to-face telephone or online

counselling to assist in resolving personal or work-related issues that may be affecting them. In Australia, on average 6.6% of our employee population use the EAP each year, 65% of which use it for personal counselling and 35% for work issues

- the managerAssist® Program, which provides our People Leaders with telephone coaching support to manage difficult and complex people issues
- training programs, which help employees raise their knowledge of health topics, including mental health and how to build personal resilience and emotional intelligence. Examples include training to help customer-facing employees deal with aggressive customers or customers who have mental ill health
- access to employee-paid lunchtime meditation, yoga, pilates and other fitness classes at many of our major buildings in Australia.

In supporting our customers and community, in Australia we take the following measures:

- We provide tangible and sustainable support to Australian communities through the MLC Community Foundation. Established in 2008, the Foundation invests in key areas of need and employee interest, with a primary focus on mental health, by listening, understanding, sharing and backing community organisations to fulfil their aspirations.
- We have a vision to provide leadership to reduce the impact of depression and anxiety in our small and medium-sized business customers. Through awareness and education, our business banking division is running a pilot (October – December 2014) to promote Heads Up to approximately 1,000 business banking customers in regional New South Wales, ACT and Victoria. Heads Up was developed by the Mentally Healthy Workplace Alliance and beyondblue, and is all about supporting Australian businesses to create more mentally healthy workplaces by providing free tools and resources to take action.
- We provide tailored training to our NAB Care employees to help build personal resilience and to ensure mental health considerations are taken into account when dealing with customers. We are also collaborating with our banking and insurance industry peers to develop mental health training for employees who work with customers.

In keeping with what we know about developing mentally healthy workplaces and in order to develop a more engaged and resilient workforce, we actively promote work-life balance and the provision of clear understanding of work expectations. People Leaders are provided a framework in which to operate that includes how to manage performance, how to incorporate flexible working arrangements and how to provide role clarity and guidance when developing their people.

### Absenteeism

Average unscheduled absence days per FTE	2010	2011	2012	2013	2014
Australia	6.88	7.34	7.31	7.32	7.33
NZ	4.81	4.26	4.49	4.24	6.09
UK	7.34	7.75	7.46	8.84	7.55

#### Australia

Absenteeism is calculated as total unscheduled absence days divided by average number of full-time equivalent employees (excluding casuals) for the year. In Australia, past results have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results are also likely to be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

#### New Zealand

Absenteeism is calculated as total unscheduled absence days divided by average number of full-time equivalent employees for the year.

#### United Kingdom

Absenteeism is calculated as total unscheduled absence days divided by average number of full-time equivalent employees (excluding casuals) for the year. In the UK, our system does not account for part-time employees when calculating absence days and therefore a manual adjustment is applied to unscheduled absence days for this region.

We have excluded information relating to our employees in Asia, as they represent less than 1% of our total workforce.

### The future

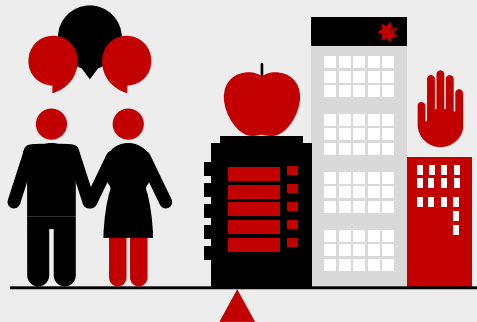
We have prioritised three key commitments to help us to achieve our health, safety and wellbeing goals:

**Wellbeing:** To support each other as we take responsibility for our physical and psychological wellbeing in order to realise potential and sustain peak performance.

**Leadership commitment:** To foster a culture of shared responsibility for health, safety and wellbeing.

**Excellence in risk management:** To work together to eliminate or minimise identified health, safety and wellbeing risks in a cycle of continuous improvement and in accordance with our legal obligations.

Our people have access to a range of tools, resources and training to increase their capability and empower them to actively manage their own health and wellbeing.



### Our approach to performance and remuneration

NAB recognises the need to motivate, attract and retain employees to deliver sustainable business performance. The key objectives of our remuneration framework are to:

- deliver market-competitive remuneration to attract and retain the highest-quality talent
- link employee remuneration to both NAB's performance and individual performance
- provide incentives that align with sustainable satisfactory shareholder returns and sound risk management practice.

As part of our simplification strategy, NAB is introducing a streamlined reward framework to support our focus on performance and complement the new Performance Unit framework. These changes are effective for the 2015 performance year.

#### Our new Performance Unit framework

The Performance Unit framework focuses on making execution, discipline and high performance a part of NAB's DNA. The key objectives are to build trust and to realise commercial outcomes from collaboration to ultimately improve our performance.

The new framework will measure the progressive improvement of Performance Units (PUs) across these nine enterprise key performance indicators:

- 1 Risk management
- 2 Business excellence
- 3 Employee engagement
- 4 Customer advocacy
- 5 Shareholder returns
- 6 Diversity and inclusion
- 7 Enterprise collaboration
- 8 Customer needs met
- 9 Internal and external impact.

#### Changes to our reward framework

The key changes to our reward framework are:

- removal of the bell curve and relative performance assessment
- simplification of employee scorecard objectives to be focused and aligned to their Performance Unit objectives
- introduction of a simplified three-point performance rating scale – Exceeded expectations, Met expectations, Not met expectations.

#### What hasn't changed

- Our enterprise behaviours of being authentic and respectful, working together and creating value through excellence.
- Our focus on People Leader fundamentals to provide a clear path to success for our people.
- Clear linkages between performance and incentive outcomes.

With the changes to the reward framework, we will help our people be their best, as they will be able to clearly understand what is expected of them, how they are performing and how their contribution will be recognised.

### Setting scorecards to maximise performance

We expect all employees to have scorecards developed with their People Leader, aligned to their Performance Unit objectives and monitored through regular performance conversations. We have embedded a NAB-wide set of behaviours and compliance requirements into our core processes and programs. These behaviours support overall NAB objectives, including the culture and reputation we aspire to. These behaviours ask us to always be authentic and respectful, to work together and to create value through excellence. Both 'what is achieved' (via scorecard performance) and 'how it is achieved' (via assessment of behaviours) are equally important and together form the annual performance rating which ensures incentive outcomes are appropriately linked to performance.

G4-LA11



## Prosperous communities > Strengthening our workforce

### Workplace relations

Our people are able to join and be represented by a union without suffering from any form of discrimination or prejudice. We continue to endeavour to comply with all relevant freedom of association legislation, regulatory requirements and ILO Conventions 87 and 98.

In the three largest regions in which we operate, our people are represented by the following unions:

- Australia – Finance Sector Union
- New Zealand – First Union
- United Kingdom – Unite.

Our Global Unions Engagement Agreement recognises the three unions as key stakeholders in our business and the unions' right to collective bargaining and freedom of association within NAB.

### NAB's new enterprise agreement

Our new enterprise agreement was supported by a high percentage of employees. It provides consistent terms and conditions of employment for all our people. Specifically it provides wage certainty for Groups 1 and 2 and new processes for Group 3 (extending to level 4) when the new seven-level classification structure is implemented in 2015. Wage and remuneration certainty reduces employee uncertainty. We have maintained our market- and performance-based approach to remuneration.

The extension of flexible part-time employment across the organisation and more flexibility in rostered days off management offers greater flexibility and productivity for business operations.

NAB's enterprise agreement seven-level classification structure includes financial planners. The new remuneration initiatives for financial planners have already attracted some very positive media coverage. Initiatives such as our unique Domestic Violence Support policy and pay equity will enhance our reputation in the wider community and position us as an employer of choice.

### Creating a culture of doing the right thing

NAB's culture of 'doing the right thing' guides our approach to business and our Code of Conduct emphasises that 'how' our people go about their work is as important as 'what' they do. NAB's Code of Conduct clearly states the standards of responsibility and ethical conduct expected from our people. NAB Codes of Conduct across regions are underpinned by the belief that all customers and employees must be treated with dignity and respect.

Maintaining professional and ethical conduct at all times (including compliance with the Code of Conduct) is the responsibility of every employee, as well as everyone working on our behalf, including contractors, consultants and directors.

All new employees have to complete a compliance training program within 90 days of starting with us, and our annual Code of Conduct 'e-learn' reminds our people of their obligations under the Code of Conduct.

G4-56

In Australia in October 2013 we launched a substantially revised and refreshed version of our Code of Conduct. During February and March 2014, all of our Australian-based people confirmed their commitment to it by completing an e-learning program. Country-specific awareness and e-learning programs operate in our other regions.

Potential breaches of the Code are investigated fully. Depending on the severity, breaches can result in disciplinary outcomes including termination of employment.

For further information on our Codes of Conduct, corporate governance and key NAB policies, please see the Corporate Governance section of our website at: [nabgroup.com.au](http://nabgroup.com.au).

### NAB's Whistleblower Program

Our core behaviours encourage our people to speak up and have open and honest conversations. Our Codes of Conduct, compliance standards and policies guide everything we do on a daily basis.

We do not tolerate any known or suspected incidents of illegal, unacceptable or undesirable conduct by our employees. Our Group Whistleblower Policy is applicable to all of our employees. It operates alongside the normal communication channels that exist for raising concerns between employees and People Leaders without fear of consequence.

#### Our Code of Conduct in action

In May 2014, a former NAB employee was arrested and charged over serious allegations relating to insider trading following an investigation by the Australian Federal Police and the Australian Securities and Investments Commission. NAB's CEO confirmed that no NAB money or system was involved, nor was any other NAB employee. However, the behaviour was in clear breach of NAB's Code of Conduct and the individual's employment with NAB was terminated.

### Employees covered by collective bargaining agreements

% of employees in each region covered by collective bargaining agreements	2010	2011	2012	2013	2014
Australia	100	100	100	100	100
NZ	18	12	13	12	11
UK	86	88	96	96	96

G4-11

# Future focused nation

By understanding the big picture and planning ahead, we can future-proof our operations and supply chain, and provide products and services that help our customers to do the same. It means valuing the environment that sustains us and contributing to conversations about the issues that affect society.

## Guiding our thinking on keeping a focus on the future

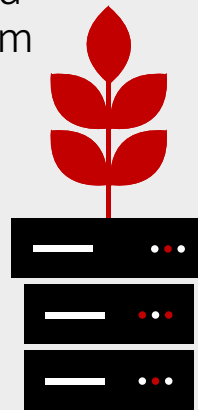
Future-proofing our business and leading by example to improve the efficiency and resilience of our operations and supply chain

Leading the conversations about operating in a resource-constrained world and working with customers, industry and stakeholders to build resilient and profitable businesses

Addressing the big issues that matter to communities

Embracing the changing digital and technological landscape and providing a more innovative integrated experience for our customers and employees.

**Continued to lead** in sustainable building design and operational performance, with our new data centre being the first in Australia to be certified LEED Platinum

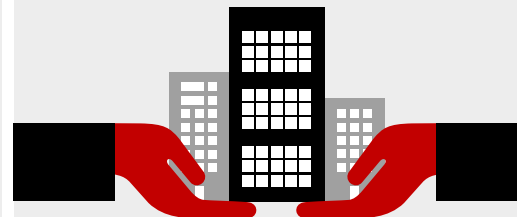


**Updated our Group Supplier Sustainability Principles to reflect our evolving sustainability and diversity and inclusion agenda**

# \$1.87b

worth of loans arranged for renewable energy over the last eight years and we continue to be the leading arranger (by market share) of renewable energy in Australia<sup>1</sup>

**Continued to support** the development of the Australian Business and Biodiversity Initiative (ABBI)



**Funded two new Environmental Upgrade Agreements for commercial office buildings in 2014**

# \$1m

in funding announced to boost impact investment opportunities and address the significant growing social and environmental challenges facing Australia



## Future-proofing our business

We recognise that a healthy environment underpins a resilient and healthy economy and society and that addressing these issues is part of future-proofing our business.

We believe it is important to ensure that our operations are efficient and resilient, to prepare ourselves for future environment challenges. We are committed to supporting our customers by providing products and services that help them do the same, as well as leading the industry in research and innovation.

In 2014 we have:

- reframed the way our Environmental Agenda addresses our three key areas of focus and ensured it closely aligns to our organisational purpose and priorities
- continued to integrate environmental sustainability into the way we do business. Our digitisation strategy and the new products and services we are developing to assist our customers demonstrate this
- continued to apply best practice standards to the design and operation of our building portfolio, and to engage in industry initiatives to quantify the benefits to our people of (and recognise excellence in) sustainable building design
- continued to apply best practice standards when working with our supply chain partners to ensure environmental impacts and dependencies are considered in the goods and services provided to NAB.

### Our Environmental Agenda focuses on the following issues:

#### Climate change

Increasing impact of climate change and climate-related policy on business resulting in increased need for climate finance.

#### Resource scarcity

Increasing competition for finite resources has the potential to constrain economic growth and business operations.

#### Natural value

Increasing pressure on natural capital (environmental assets and services) that underpins our economic system could impact future asset and business value.

To future-proof our business, we aim to play a leading role in the transition to a sustainable economy, where:

- environmental impacts are minimised
- environmental assets and services (natural capital) are valued and accounted for and used wisely
- environmental risks are understood and opportunities captured to achieve positive outcomes for customers, business and environment
- capital flows are enabled to facilitate transition.

To enable us to transition to a sustainable economy we are:

- rethinking our products and services in order to better help our customers manage environmental challenges and opportunities
- minimising the environmental impacts and dependencies of our operations and value chain to improve the efficiency and resilience of our business
- leading the big conversations on these issues through collaboration with others and leveraging our relationships
- building the capability for the success of our business, our customers, our suppliers and our communities. This includes taking part in the development of new ways to account for, value and report on natural capital and environmental performance.

Our Environmental Agenda is underpinned by our fundamentals – having the right culture, risk management, appropriate disclosure of information and the efficient management of our business to reduce waste and minimise our environmental impact.



## Measuring improvements in the efficiency and resilience of our business

Our environmental targets help us to measure our progress towards achieving our environmental objectives. This year marks the end of the first year of our 2014–16 Group environmental performance targets (see Group reduction targets table on page 61 of NAB numbers). Our targets are aligned to our Environmental Agenda's three areas of focus. Performance against all six targets is trending as forecast for 2014. Five of the six Group targets are trending towards meeting our 2016 targets. For the sixth target we saw an expected increase in our stationary energy-related greenhouse gas (GHG) emissions.

2014 was a year of significant transformation across the NAB Group. In Australia, we have been temporarily operating three data centres since early 2013 as we transition to our new LEED Platinum certified data centre. Our tri-generation plant was also operational for the majority of the year, which increased our stationary energy (gas) use in Australia, but reduced associated emissions due to switching away from grid-supplied electricity. We also transitioned from six older buildings between July and December 2013 into our new building at 700 Bourke Street, Melbourne which has a Six Star Green Star Design rating. This meant that we were operating both the old and new buildings for some months, resulting in higher energy use. In the UK and US we saw a reduction in our stationary energy use as the property portfolios we occupy decreased in size. Energy efficiency measures in New Zealand further decreased our energy use.

Operating three data centres and transitioning to 700 Bourke Street meant that our stationary energy-related GHG emissions have increased as expected. We are forecasting that our Australian stationary energy-related GHG emissions will decrease significantly as we complete the transition out of our old data centre in 2015. An increase in emissions intensity of the energy mix and the associated emission factors in

New Zealand, the US and the UK negatively impacted NAB Group's GHG emissions, causing GHG emissions to increase, despite underlying energy efficiency improvements in New Zealand and reducing portfolio sizes in the US and UK.

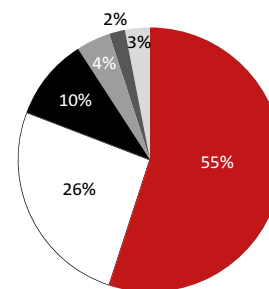
Further information on our environmental performance is provided in the section '[NAB numbers](#)', and in the 2014 Environmental Performance data report on our [website](#). The report includes the breakdown of our environmental performance data by geography.

## Addressing the challenge of climate change

We anticipate that the physical impacts of climate change and climate-related policy will have a growing impact on our business. We recognise that we have an important role to play in reducing the GHG emissions associated with our business, as well as assisting others through the provision of climate finance. Increasing energy efficiency and decreasing GHG emissions continues to be a focus in each of the geographies in which we operate. This helps us ensure we minimise our GHG emissions footprint, so that it is aligned to NAB's broader business excellence focus and has the benefit of reducing our operating costs. Additionally, taking action in these areas helps us understand the challenges faced by our customers and suppliers, so we can share our knowledge and integrate what we learn from what we do into our products and services.

We recognise that in order to provide our customers with the best possible service, our customers' demand for digital banking services, and therefore our data processing, will continue to increase. Around 32% of our global building-related GHG emissions are from our data centres (see the pie chart). To mitigate the environmental impacts associated with meeting this demand, we are transforming our technology infrastructure and consolidating our data processing activities into two purpose-built data centres in Australia.

2014 Group GHG emissions by emissions source (%)



- Building energy use
- Data centres
- Air travel
- Other
- Hotel stays
- Car fleet

In May 2014, our new data centre was the first in Australia to achieve the US Green Building Council's LEED Platinum certification.<sup>1</sup> The new air-cooled data centre uses significantly less energy and 98% less water than the average across our existing data centres and is integral to achieving NAB's technology transformation objectives.

In addition to the work undertaken on our data centres, we continued to focus on improving the energy efficiency and environmental sustainability of our building portfolios – both in the large office buildings and the retail stores we occupy. The tables at the bottom of this page and page 44 provide further data and information on our energy efficiency program. In 2014, we implemented \$2.0m of energy efficiency initiatives in Australia alone, with additional investment across the Group. We expect these Australian initiatives to result in an estimated \$1.4m in ongoing energy savings and reductions of around 7,900 tonnes of GHG emissions per annum.

During the year, our Hong Kong Hysan Place office building obtained the LEED Platinum certification and applications were submitted for the LEED and Greenmark certification for our Singapore Asia Square office building. The environmentally sustainable design features of these buildings have improved the energy efficiency of our Asian-based office space.

Summary of 2014 energy efficiency opportunities investigated across the NAB Group<sup>2</sup>

Stage of development	Total number of projects	Total estimated annual CO <sub>2</sub> -e savings (tonnes)
Under investigation	11	Not applicable
To be implemented	6	19
Implementation commenced	3	24
Implemented	8	1,089
Not to be implemented	8	Not applicable
<b>Totals</b>	<b>36</b>	<b>1,132</b>

<sup>1</sup> Australia currently has no rating system for data centres.

<sup>2</sup> The energy efficiency opportunities reported in this table are for NAB's Australian, New Zealand and the UK operations only.

## Future focused nation > Future-proofing our business

### Examples of energy efficiency opportunities that were implemented in the 2014 environmental reporting year<sup>1</sup>

Activity type	Description of activity	Estimated annual CO <sub>2</sub> -e savings (metric tonnes CO <sub>2</sub> -e)	Investment (\$AUD)	Annual savings (\$AUD)	Payback period (years)	Estimated lifetime of the initiative (years)
Energy efficiency: Building fabric	700 Bourke Street consolidation	4,334	Not available	\$691,855	Not available	15
Energy efficiency: Processes	Data centre consolidation	1,079	\$30,000	\$82,000	0.4	10
Energy efficiency: Building services	800 Bourke Street LED lighting upgrade	734	\$1,211,018	\$332,030	3.6	10
Energy efficiency: Equipment	Server upgrade	755	Not available	\$38,865	Not available	10
Energy efficiency: Building services	Implementation of retail energy efficiency works	327	\$351,167	\$178,167	2.0	10
Energy efficiency: Building fabric	Solar reflective roof paint	140	\$40,047	\$20,915	1.9	10
Energy efficiency: Building services	Automatic meter reading system	137	\$97,173	\$50,386	1.9	10
<b>Total</b>		<b>7,506</b>	<b>\$1,729,405</b>	<b>\$1,394,218</b>		

We have implemented a number of changes in our office environments with the goal of improving operational energy efficiency. Changes have included the introduction of building controls and sensor lighting, automatic computer shut-down and upgrades to office equipment, such as our printers. We have also continued our focus on innovation initiatives, including the application of solar reflective building paint and piloting the installation of solar photovoltaic (PV) technology in stores as we continue to look for further ways to integrate clean and alternative technology into our operations and decrease our dependency on fossil fuel consumption. We believe ongoing investigation into clean technology is important to identify innovative and cost-effective ways to reduce energy use and GHG emissions – innovations that we can roll out more widely across our building portfolio.

The environmental impact of our operations is most influenced by the buildings we occupy and the technology equipment we use within them. One of the most significant things we can do to reduce the environmental impact of our operations is to construct less, and operate a smaller property portfolio as efficiently as we can. Through our workspace@nab program in Australia, we now operate at a ratio of 12 people to every 10 desks, knowing that at any point in time, a certain number of our people will be in meetings, out of the office, with customers, or on leave. This means that we're operating a property portfolio smaller than it would be if we provided one desk for every employee,

significantly reducing the space we need to heat, cool and provide lighting for.

In New Zealand, BNZ is piloting flexible workspace@BNZ with 10% of our BNZ office buildings now using this model. The workspace has a ratio of 12 people to 10 desks and has led to an increase in utilisation of our space as well as a 30% reduction of space required per person. Surveys undertaken by employees pre and post occupation of the new spaces have shown a perceived increase of productivity of 2.9%.

<sup>1</sup> Refer to NAB numbers page 53 for a definition of our environmental reporting year.

## Resource scarcity and natural value

We recognise that globally there is increasing competition for scarce and finite resources, and this has the potential to constrain economic growth and business operations. As the issue of resource scarcity becomes more apparent, responsible businesses are recognising the need to better manage and account for natural capital. Maximising resource efficiency and reducing our dependency on natural capital are key considerations for our business as we work towards achieving our resource efficiency targets for water, waste and paper.

In a circular economy products do not quickly become waste, but are reused and recycled to extract their maximum value. With this in mind, we are focused on reducing the waste we produce and increasing our recycling rates, so we send less waste to landfill. Where possible, we are also implementing other resource conservation initiatives across the NAB Group, such as installing water efficient fittings, harvesting rainwater at our main Australian data centre and having a black water treatment plant installed at 700 Bourke Street, Melbourne. We are also working to close the loop by buying recycled products, including 100% recycled, carbon neutral office paper in Australia. In New Zealand, 64% of all office paper purchased is carbon neutral, and a further 23% is recycled content paper.

Paper is a key natural resource that we use on a daily basis for communicating with each other and providing information to our customers. Our business is committed to simplifying and digitising our processes in order to improve our customers' experience, reduce our resource use and deliver cost savings by reducing physical print and postage and other logistics requirements (see the ['Simplify and digitise'](#) section on page 14 of our *2014 Annual Review*).

In Australia, we are working towards no physical movement of cheques by 2017, and no paper flow through our retail network by 2018. Across NAB's global operations we have been focused on increasing customer take-up of online statements. This is one of our resource environmental performance targets (see the Targets table on page 61 of NAB numbers).

Across NAB's global operations we continue to deploy better technology, including Follow Me Printing to minimise office paper waste. In Australia alone, this has helped us to reduce paper consumption by around 40% per person between 2009 and 2013, and a further 12% in 2014. In New Zealand, improved technology has helped us to reduce office paper consumption by around 29.5% per person between 2008 and 2013, and a further 1.2% in 2014. In Asia, we have seen the introduction of a new initiative whereby our Sales and Marketing team is now using iPads for client presentations, which has helped them to reduce paper consumption associated with sales activities.

While we remain focused on reducing our consumption of materials, we also recognise that we cannot entirely avoid the creation of waste. This can be in the form of general office waste, such as paper and kitchen waste, in addition to e-waste and office equipment and furniture. We are identifying an increasing number of recycling opportunities to reduce our waste to landfill. The majority of our technology equipment in Australia is refurbished and redistributed. In 2014, over 25,000 pieces of equipment were recycled or refreshed for reuse. Rather than purchase new office chairs for our building at 700 Bourke Street, 3,500 chairs from other buildings were refreshed and reused.

We also recycle co-mingled waste (glass, aluminium and plastic) in all our geographies, are a signatory to the FluoroCycle initiative in Australia and avoid the disposal of fluorescent light tubes in landfill. In the UK, secondary sorting of waste occurs after it leaves our offices through our Principal Waste Manager's

This year, BNZ provided various incentives to customers in the form of donations to Plunket (who provide support services for young children and their parents), prizes and FlyBuys points to encourage them to make the switch from hardcopy statements to e-statements. This resulted in 75,000 statement groups being switched to online statements.

approved 59 Service Providers at their individual treatment facilities. This has helped us to generally achieve recycling rates of around 85% or above in the UK.

Relying on information provided by waste contractors and landlords makes it difficult to access waste data in all countries in which we operate, with the exception of the UK. In Australia and New Zealand, we have been undertaking waste assessments to help us better understand our waste streams, particularly the way our employees are using our office recycling facilities. Engaging our employees to improve our recycling rates will continue to be a key focus for us.

## Future-proofing our supply chain

Future-proofing our business also means improving the efficiency and resilience of our supply chain. NAB introduced its Supplier Sustainability Program and Group Supplier Sustainability Principles (GSSPs) in 2009 in Australia to mitigate potential supply chain sustainability risks, improve our supply chain efficiency and resilience, and deliver positive outcomes through our procurement and sourcing activities. The GSSPs specify the minimum sustainability requirements for suppliers providing goods and services to our business. In 2012, the Program and Principles were extended across the Group and we are now working to include the GSSPs into our material<sup>1</sup> contracts at contract inception, or as part of contract renewal in each

geography in which we operate. In 2014, we refreshed our GSSPs to reflect our evolving sustainability and diversity and inclusion agenda, as well as external best practice. These will be effective in early 2015, following engagement with our supply chain partners.

In 2013, we established a target to have 90% of our material suppliers as signatories to the GSSPs by 30 September 2016. During the year, we engaged with our material suppliers on the importance and benefits of becoming signatories. For example, in New Zealand, we arranged a workshop between compliant and non-compliant suppliers to increase awareness of the benefits of implementing GSSPs, such as reduced operational costs. On 31 August 2014, we had 32% of material suppliers as signatories. We don't anticipate any issues achieving the target as a result of planned contract renewals and targeted engagement.

As part of our Group Supplier Sustainability Program, we aim to work with our supply chain partners to improve their sustainability performance. In 2014, we completed 10 collaboration initiatives and are working through another 28 potential initiatives. Our main technology service agreements include challenging energy efficiency objectives. During the year, one of our material technology suppliers delivered an Energy Efficiency Plan outlining opportunities to improve the energy and GHG emissions efficiency of the products and services they provide to us.

We are working with our logistics partners on initiatives to further digitise our processes to reduce paper use and logistics-related GHG emissions. In Australia and New Zealand, we reviewed our use of couriers, resulting in a rationalisation of several courier runs and savings of over 10,000 kilometres and 3,000 tonnes of GHG emissions this year in New Zealand alone.

<sup>1</sup> Refer to NAB numbers page 60 for definitions of 'material' supplier used by each region.

## Future focused nation > Future-proofing our business

We continue to focus our attention on supplier sustainability controls and compliance monitoring. Across our Australian and New Zealand operations, we conducted 15 desktop assessments, comparing supplier performance against our GSSPs. In Australia, we conducted two more on-site supplier sustainability assessments as part of our pilot. Robust findings, such as enhanced processes to manage contingent labour, were recommended to participating suppliers as a result of this process, however, we continue to look at innovative ways to engage our supply chain partners. We are currently exploring technology solutions such as a supplier exchange tool, which enables the sharing of suppliers' sustainability frameworks and performance information with buyer members when the supplier grants permission. Benefits include reduced compliance time for the suppliers while providing the buyer with a mechanism to better track and manage supply chain sustainability risks and opportunities.

### Building capacity in the supply chain

In September 2014, NAB hosted its fifth annual Supplier Awards event in Australia. This prestigious event provides an opportunity to raise our supply chain partners' awareness around resource efficiency and resilience. This year, our keynote speaker presented a powerful case for shared value – linking competitive advantage with corporate responsibility – providing best practice examples and challenging our supply chain partners to consider how they could implement shared value. Over 200 supply chain partners and employees attended the event, which officially recognised excellence in our supply chain over the past year across four categories: Environmental Sustainability, Innovation, Product and Service Excellence, and Supplier Diversity.

During the year, we conducted a number of capacity-building initiatives for our supply chain partners. We provided expertise and guidance directly to our major partners on paper and waste reduction opportunities and shared how we categorise our procurement portfolio at a product or service level. We also influenced the sustainable supply chain industry in Australia by speaking at a number of events. Further information on how we're building capacity and supporting diverse businesses can be located in the ['Creating a more diverse and inclusive workforce and society'](#) section.

The winner of the Environmental Sustainability Award at NAB's annual Supplier Awards event was Digital Realty, in recognition of its collaborative approach and contribution to NAB's operational efficiency. Digital Realty developed and owns NAB's new air-cooled data centre, which is one of the most sustainable enterprise data centres in Australia. It uses significantly less energy and 98% less water than the average water use across our existing data centres. The facility is integral to assisting NAB to achieve its technology transformation objectives by improving efficiency and consolidating multiple, smaller data centres into this new purpose-built facility.

### Helping our customers manage environmental risks and opportunities

Understanding that a healthy environment underpins a resilient and healthy economy and society is fundamental to how NAB is thinking about assisting its customers so they can future-proof their own business and become more profitable over the longer term.

We have a number of specific customer-facing teams that are helping customers to address their environmental objectives. In Australia, these include our:

- **Environmental Finance team** who provide environmental finance advisory services to NAB's corporate and institutional customers. The team has been active in the Australian environmental financing market for the past eight years. The Environmental Finance team covers three core areas: Energy Efficiency, Renewable Power (including distributed generation) and Carbon Pricing. Services include debt structuring and arranging energy and climate-focused projects, project feasibility studies, risk management strategies, offset project development and Environmental Upgrade Agreement funding.

- **Specialised Finance team** who provide project finance<sup>1</sup> and asset finance solutions to NAB's customers across a number of key industry sectors, specifically to larger-scale infrastructure,<sup>2</sup> energy<sup>3</sup> and natural resource<sup>4</sup> projects.
- **Agribusiness team** who provide specialised finance and banking solutions to our Agribusiness customers across all related industries including the first stage post-farmgate processing sector. Our team is located in every state and is on the ground in 110 locations.

### Helping our customers to future-proof their businesses

The transition to a low-carbon, resource-efficient economy in which our natural assets are valued and managed sustainably will require the scaling-up of private-sector investment in clean technology applications and systems for natural capital management around the world, both in developed and developing economies. From power generation and energy efficiency measures to transport infrastructure and smart agricultural practices, significant investment in existing and new technologies will be necessary.

Mitigating climate change requires changing the way we use energy – and how we invest in energy development. Renewable energy and energy efficiency technologies promise significant potential for reducing GHG emissions and protecting the environment, provided they are appropriately financed.

Alongside measures to reduce the demand for emissions-intensive goods and services, significant stock of public and private infrastructure will also need to be replaced or modified. This provides an opportunity to invest in the technology, physical plant and equipment and infrastructure that will deliver emissions reduction outcomes.

Many of our agricultural customers recognise the natural capital risks and opportunities they face both now and in the future, and they are being proactive in their response. We consider that this recognition will continue to grow over time, and as the Australian market leader in agricultural banking,<sup>5</sup> and a thought leader on natural value, we have a leadership role to play (see pages 48–49 for more information).

Likewise, many case studies from around the world illustrate that farmers and businesses that understand and invest in their natural capital assets reap benefits including improved security of supply, profitability and/or increased business resilience (more consistent yields and profits over time).

Given this context, it is clear why climate change, resource scarcity and natural value are key areas of focus in both NAB's Environmental Agenda and the services we provide for our customers. NAB continues to develop ideas for how capital markets can best support the significant infrastructure demands of a lower carbon economy.

1 Project finance is a method of financing in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the lending exposure. Asset finance typically covers lending to industry-specific vehicles, plant and equipment.  
2 Large-scale infrastructure includes national critical projects such as Public Private Partnerships in areas of education, health, social housing, justice, water and roads.

3 Energy projects include traditional power projects, energy distribution and transmission. Renewable projects are a key focus for the team and include such sectors as wind, solar and geothermal power.  
4 Natural resource projects are arranged across selected mining and mining-related infrastructure.  
5 RBA Banking System/NAB APRA submissions September 2014 (June 2014 data).

## Improving the sustainability of Australia's commercial building stock

In 2014, NAB funded two new Environmental Upgrade Agreements (EUA) for commercial office buildings. The first was the upgrade of a Sydney CBD commercial office building. The \$2 million EUA was the first ever with tenant cost pass-through in a multi-tenanted building, and built off the success of the 10 Valentine Avenue EUA in Parramatta, which closed in 2013. This cost pass-through allowed the benefits of the energy efficiency upgrade to be shared between the owner and the tenants, breaking the split-incentive and bringing forward the investment in building improvements. The upgrade increased the building's NABERS energy rating from 1 to 4 stars. The second EUA was the \$700,000 upgrade of St James Hall, 169 Phillip Street, Sydney, for the Anglican Church Property Trust on behalf of the Parish of St James. This EUA featured a cost pass-through of a portion of the EUA charges to multiple tenants occupying the 15-storey commercial building.

NAB has now funded six of the seven privately funded EUAs to date, with a total investment of \$12.5 million and collective operational savings of \$0.6 million per annum for the buildings involved as a result of energy and maintenance efficiencies.

Additionally, in February 2014, the funding vehicle NAB uses for delivering EUAs, The Australian Environmental Upgrade Fund (TAEUF), successfully secured an additional tranche of financing from the Clean Energy Finance Corporation. This additional capital will accelerate the upgrade of Australia's building stock to improve its energy efficiency and continues to place NAB at the forefront of EUA development in the Australian market.

Both the Victorian and South Australian state governments are now in the process of legislating for EUAs in their respective states.

This will dramatically increase the geographic areas<sup>1</sup> where EUA finance will be available to commercial building owners in the future.

In New Zealand, BNZ has worked with the government agency EECA (the Energy Efficiency and Conservation Authority), to develop a product to assist home owners in the Canterbury area to meet the costs of insulation. This product addresses a need highlighted by EECA and helps encourage home owners to insulate when they take out a new loan. The home loan offer, delivered in conjunction with Mitre 10 and the PinkFit network, was announced in September 2014 and is open to any new residential lending in the Canterbury region.

## Project finance for renewable energy and natural resources

In 2014, NAB continued to support the infrastructure demands of a lower carbon economy by financing two key renewable energy transactions. They were:

- 1 Sarulla Geothermal Power Plant in Indonesia – Upon completion, this will be Indonesia's largest single-contract geothermal power project.<sup>2</sup> It has a nominal installed capacity of approximately 330MW. NAB was lead environmental bank and this transaction was subject to and met the Equator Principles requirements.
- 2 Infinis operational wind refinancing – This transaction was awarded *Project Finance Magazine's* European Onshore Wind Deal of the Year 2013 and involved the refinancing of a portfolio of 16 onshore operational wind farms in the UK, representing an installed capacity of 274MW. NAB structured and led the financing.

1 To date, EUAs have been available through the following councils: Melbourne, Sydney, North Sydney, Parramatta, Newcastle and Lake Macquarie.

2 As reported by the Asian Development Bank, 29 September 2014.

NAB was joint debt advisor, mandated lead arranger and transactional bank to the Roy Hill Project.

This is the world's largest mining project finance transaction and entails funding a greenfield integrated iron ore project (in the Pilbara region of Western Australia), which includes the development of an open-pit mine, processing plant, dedicated railway and port facilities.

Following ramp-up, the project will be capable of producing 55 million tonnes per year of premium lump and fines iron ore products for export. NAB's due diligence included an assessment of the project under the requirements of the Equator Principles. This included independent reports from expert environmental consultants, presentations by the company and site visits by NAB's Technical Services Group.

The environmental due diligence included ground and surface water investigations, verification of environmental compliance and approvals and a range of extensive environmental impact assessments to evaluate key areas and proper management of areas of cultural significance. The lead environmental consultant for the project helped to ensure that the project could meet requirements consistent with Equator Principles and IFC Performance Standards 1 to 8.

Matters to be managed at the mine site include ground disturbance and clearing, impact on dependant ecosystems due to dewatering and management of saline groundwater. Environmental Protection Authority (EPA) approvals granted for the project are subject to the implementation of a range of specific conditions and commitments by the project.

Additionally, a major natural resources project finance transaction that closed in 2014 was the Roy Hill Project owned by Hancock Prospecting (70%), Marubeni Corporation of Japan (15%), POSCO of South Korea (12.5%) and China Steel Corporation (2.5%). See box at left for further detail.

Further information on project finance and the Equator Principles is provided in the '[Responsible lending and spending](#)' section and our *Equator Principles* report is available on our website: [nab.com.au](http://nab.com.au).

## Working on natural value with agribusiness

Our Agribusiness team recognises the importance of consideration of natural capital risks and opportunities in customer relationships. With increased climate variability, water scarcity, soil health challenges and energy risks, the agricultural sector has many natural capital challenges to manage if it is to be successful, resilient and sustainable over the longer term. NAB can play a key role in supporting customers' management of these risks, strengthening their business resilience and profitability.

We are finding that our commitment to natural value is important to, and welcomed by, a whole range of customers.

Our Natural Value Strategy is a clear example of a shared value initiative that is the right thing to do and is good for business. In 2014, we focused on gaining customer insights and building tools and resources for our agribusiness bankers. We also started to look at potential product and services offerings and other ways to add value for our customers.



- Joining Sense-T's Pathways to Market project, which is collecting data and developing new technologies to track food from paddock to plate. The project will also investigate how farmers manage natural capital assets, developing new ways to account for natural capital and supporting farmers to make informed production and investment decisions. Based at the University of Tasmania, Sense-T is creating an economy-wide sensor network, using real-time data, new sensing technology and smart phone applications to make farming more efficient and sustainable.
- Participating in, and presenting at, various agricultural conferences and public events. These included the regional ABARES conference in Launceston, in which we participated to raise awareness of the importance of natural capital considerations in agribusinesses, and to deepen our connections with customers and agribusiness experts working on this issue.
- Completing a natural capital valuation pilot with a wine-producing customer to understand the value of their water risk management initiatives. We also explored the link between best practice water management and the customer's financial outcomes. This is particularly important work for the many agricultural businesses that face increasing risk of water scarcity themselves.
- sponsoring a sustainable farming project in Canterbury, New Zealand's largest and most complex irrigation region. The project comprises four catchment groups and aims to encourage local farmers to adopt good farm management practices and environment plans.

## Climate change

We continued our involvement with the Climate Change Advisory Group of UNEP FI by helping develop a report focused on 'demystifying' private climate finance and its role in mitigating and adapting to climate change. Funded by the Australian and Swiss governments, the report aims to be the first in a series of contributions to the multilateral negotiations on climate finance, the Green Climate Fund and its Private Sector Facility. We also participated in UNEP FI Climate Finance workshops held as side events during the United Nations Framework Convention on Climate Change Conference of the Parties in Warsaw.

BNZ also attended a meeting held by the New Zealand Ministry of Foreign Affairs and Trade (MFAT) and New Zealand's Climate Change Ambassador as they consulted on climate finance and its practical application in the Pacific and beyond.

We continued our participation in the UNEP FI/World Resources Institute (WRI) project to develop guidance for the finance sector on the calculation and disclosure of financed emissions. This work has followed the publication of the WRI's Scope 3 GHG emissions standard. Development of the finance sector guidance is in part a response to questions from stakeholders, including investors, about asset and lending portfolio exposure to carbon risk.

For further information on NAB Group's commitment to carbon risk disclosure see our [website](#).

Additionally in 2014, NAB was the major sponsor of the Australian Clean Energy Council's 2014 Clean Energy Week conference – Australia's biggest event for the renewable energy and energy efficiency industry. During the conference, NAB presented on the challenges and opportunities in financing renewable energy projects in Australia.

## Resource scarcity

We continue to engage with industry to recognise excellence in sustainable building design. Through our work with the Green Building Council of Australia we are contributing to the development of the Green Star Interiors Volume Certification process. This aims to simplify the process of certifying tenancies with similar or even repeated designs like our retail stores. By using components that are easily recyclable or reusable for subsequent fit-outs, the amount of waste we generate can be significantly reduced.

We also collaborated with the University of Sydney and University of Technology Sydney in an Australian-owned Indoor Environment Quality assessment system to assess how aspects, including lighting, air quality and connection to the outdoors, at our new 700 Bourke Street premises affect the wellbeing and productivity of our people. We plan to use these findings to inform the design of future office fit-outs.

## Transition to a sustainable economy

In 2014, we hosted our second workshop run by the Monash Sustainability Institute, which is the lead Australian focal point for the Sustainable Development Solutions Network (SDSN). The workshop is part of a three-year process, which commenced in 2013, to discuss and define how Sustainable Development Goals (SDGs) and targets can apply in Australia and the Asia-Pacific region. The aim of this work is to ultimately feed into the United Nations negotiations on new universal SDGs to apply to all countries from 2016 and to contribute to their successful implementation. A third workshop is planned for 2015. Further information on the SDSN can be found [here](#).

We continued collaborating with the Victorian Branch of the United Nations Association of Australia and hosted events aimed at creating a business dialogue in relation to Australia's Energy Future, Social Impact Investment, Gender Equity, Adaptation and Disaster Risk Reduction, Global Food Security and Sustainable Agriculture, and Natural Capital and Supply Chain Sustainability.

## Addressing the big issues that matter to communities

As a financial institution, we know we play an important role in advancing issues and challenges in relation to sustainable development.

## Creating Shared Value

In 2014, we continued our focus on better understanding and applying the concept of Creating Shared Value (CSV) to our business. We believe businesses can create measurable commercial returns by simultaneously advancing the economic and social outcomes. In 2014, we sponsored the global FSG and Shared Value Initiative report, *Banking on Shared Value*, which articulates a new role for banks in society. Our Fair Value agenda and our NAB Care team were featured as case studies and we continue to develop new initiatives and evolve others through a shared value lens, including in the areas of mental health, education and Natural Value.

NAB has also become a founding member of the Shared Value Project, the leading representative organisation for companies and individuals creating shared value in Australia, and the exclusive Regional Partner of the Shared Value Initiative.

In 2014, New Zealand's Sustainable Business Council launched a working group on water to address the World Business Council on Sustainable Development's Action 2020 water target. BNZ, along with other corporates and the Ministry for the Environment, participated in initial meetings of this group.

During the year, BNZ also took an active thought leadership role related to New Zealand's rural water quality. Activities included:

- becoming a member of the Canterbury Primary Sector Policy Group representing primary sector interest in new policy and good management practice
- meeting with commissioners and other Environment Canterbury (ECan) employees to discuss water quality policy

This year, we documented over 30 customer case studies across different agricultural industries and regions to highlight different natural capital risks and opportunities. The case studies have been compiled into a resource for bankers and 13 of these customers have been featured in our 2015 Agribusiness Calendar.

Feedback from our customers about the value they see in NAB's Natural Value Strategy is positive. Through integrating natural capital questions into our annual Agribusiness Customer Survey, we have learned that the top three natural capital concerns raised by our customers are soil health, water scarcity and energy costs. Around three quarters of respondents, particularly in horticulture, have already made business changes as a result of natural resource sustainability.

To better understand natural capital and broader sustainability drivers, challenges and opportunities for key industry sectors, we have started a series of agribusiness workshops. As an example, the first workshop in September 2014 brought together dairy industry representatives and NAB's agribusiness dairy specialists. It sought to understand the best investments dairy farmers can make for financial and natural capital returns and to identify available tools to help them benchmark their performance and highlight areas for improvement.

Also in 2014, NAB completed a pilot of a solar photovoltaic (PV) asset finance product to demonstrate the benefits of installing solar PV on farms to generate electricity. This product has been tailored for roll-out to our agribusiness customers and will support investment in solar PV on farms to help our customers reduce their energy costs over time. Our Agribusiness Natural Value Champions were instrumental in driving the pilot, helped refine the product model and identified customers who could benefit from the product.

Further information on our natural value strategy is available on the following pages.

### Taupo Beef

Water quality is an issue in New Zealand, which has led to councils imposing 'nitrogen leaching caps' in specific areas to protect waterways and lakes. Lake Taupo is one such area.

Mike and Sharon Barton have been farming on the shores of Lake Taupo for over 10 years, but in more recent times have faced the challenge of finding a different way to farm in order to maintain and improve profitability while working within the local 'nitrogen leaching cap'. They spent a lot of time thinking about this challenge. They talked to a range of stakeholders including chefs and restaurants and came up with the 'Taupo Beef' concept. This allowed them to market test their belief that people are prepared to pay a premium for sustainable products, such as beef grown on a farm that manages nitrogen well and protects the environment (in this case, the lake). To achieve both an environmental benefit and a positive business outcome, the Bartons needed to be able to put a process in place to verify that the beef was actually grown in a way that protects the lake's water quality. This is a win-win for the environment and the profitability of the farm, as the product is in high demand from customers.

## Leading the conversations on operating in a resource-constrained world

NAB has an important role to play in leading the big conversations on the environmental challenges we all face. Our Environmental Agenda (shown in the section '[Future-proofing our business](#)') sets out the challenges as we see them, including climate change, resource scarcity and increased pressure on natural capital, which underpins our economy. Addressing these challenges is part of making the transition to a more sustainable economy.

This year, we have been involved in a range of activities that will help to build understanding of these environmental challenges and increase capacity to address them. In order to address these challenges we need to:

- engage with and understand the views of a broad range of stakeholders
- collaborate with others to take action
- take a long-term revenue-protection perspective.

## Natural Value

NAB is currently Australia's only financial institution, and one of 66 organisations globally, that are signatories to, or supporters of, the Natural Capital Declaration (NCD). The NCD commits us to:

- building an understanding of the impacts and dependencies of natural capital relevant to our customers, operations and supply chains
- supporting the integration of natural capital considerations into the decision-making process of all financial products and services
- working towards building a global consensus for the integration of natural capital into private sector accounting and decision-making
- collaborating with other stakeholders to build a global consensus around the development of Integrated Reporting, which includes reporting on natural capital-related risks and opportunities.

NAB is involved with business and industry in a number of initiatives aimed at raising awareness of the economic importance of strong natural capital management.

This year, NAB's Natural Value thought-leadership initiatives included:

- Continuing to support the development of the Australian Business and Biodiversity Initiative (ABBI) in partnership with the Federal Department of Environment, Sustainable Business Australia, Fauna & Flora International (FFI) and KPMG. A range of government, business and not-for-profit organisations have joined up since ABBI's terms of reference were prepared in early 2014. NAB sponsored the *Australian Natural Capital Risk Materiality Report*, which will be published towards the end of the 2014 calendar year. Producing the report has been a collaborative initiative between a number of ABBI signatories – NAB, KPMG, FFI and the University of Melbourne's Sustainable Society Institute. Addressing biodiversity loss and ecosystem services degradation requires collaboration across government, business and civil society and ABBI is an important vehicle to support this.
- Chairing the Natural Capital Declaration (NCD) Working Group 3 and participating in the Natural Capital Coalition's global process to develop a Natural Capital Protocol (NCP). NCD Working Group 3 plans to develop a Finance Sector Supplement to complement the NCP. NAB is also participating in a project under Working Group 2 looking at how natural capital risks are integrated into credit risk assessment processes. We hope this will help us work towards better pricing of natural capital risks in credit risk assessments. We are also the Chair of the UNEP Finance Initiative (UNEP FI) Ecosystems Management Advisory Committee.

## Focus on social impact

It is important that the investments we are making are having a long-term, sustained impact on the community. We continued to demonstrate leadership in the measurement of social impact through our programs and partnership, using models such as Social Return on Investment (SROI). SROI is a principles-based method for measuring non-financial value relative to resources invested. It can be used to evaluate the impact on stakeholders and identify ways to improve performance. (More detail can be found in the section '[Prosperous Communities](#)' and on our [website](#)).

In addition we know that NAB can lead the way in demonstrating that access to capital can increase the impact that the community sector and social-purpose organisations can deliver for our people and communities to prosper.

In 2014 we announced a \$1 million fund to boost impact investment opportunities. The NAB Impact Investment Grants Program builds on our belief that the finance sector should play a major role in addressing the significant growing social and environmental challenges facing Australia.

We want to build the capability and capacity of Australia's impact investment market. Impact investments intentionally target specific societal and/or environmental objectives along with a financial return and measure the achievement of both. We believe impact investment provides an opportunity for cross-sector collaboration in addressing Australia's growing social issues.

NAB currently supports impact investment in Australia through:

- our \$1 million NAB Impact Investment Grants Program
- supporting customers to develop appropriate financial solutions for maximising impact
- participating in the Australia Advisory Board and working groups that will implement the recommendations from the G8 Taskforce Australian Sector report aimed at further developing impact investment in Australia
- NAB-owned JB Were co-authoring *IMPACT-Australia* and contributing to place-based impact investment in Australia
- our ongoing work with leading organisations like Impact Investing Australia, The Difference Incubator and The Centre for Social Impact.

The MLC Community Foundation reserves a portion of its corpus<sup>2</sup> to be invested in impact investments. Impact investments deploy additional capital resources in support of financial returns and social outcomes. In the case of the MLC Community Foundation the social outcome is aligned with the mission of improving mental health outcomes.

We see the potential opportunity in developing the Australian impact investment market, which is expected to grow to \$32 billion by 2022.<sup>1</sup> NAB is the founding Anchor Partner of [Impact Investing Australia](#) and we are working with them, and other like-minded organisations, to develop the market for impact investing in Australia and to deliver better outcomes for society. Importantly, this partnership also aligns well with our commitment to build prosperous communities and future-proof our nation.

## Advancing the public agenda

We also know that we can make a significant contribution by contributing to public discussion on the issues that matter.

In Australia, there are a number of discussions and reviews under way that have a direct impact on how we do business and we are playing an active role in contributing to policy development.

NAB has been an active participant during the consultation phase of the Financial System Inquiry (FSI). We have made two submissions as well as contributing to the Australian Bankers' Association submissions. The FSI report is due in November 2014 and is expected to make recommendations to the government as to how best to position the financial system for the next decade. The themes of the FSI are systemic stability, funding the economy and supporting Australia's superannuation system.

We have contributed to a number of initiatives, which help us to advance our Environmental Agenda; these are detailed in the section '[Leading the conversations on operating in a resource-constrained world](#)'.

## Embracing the changing digital and technological landscape

We're responding to customer demand for more digital banking options with new technologies, products and services, particularly those offering greater customer self-service. See page 14 of our *2014 Annual Review* for more on our digitisation and simplification strategy.

## Protecting our customers

NAB is committed to keeping our customers safe. NAB Financial Crime Services works with relevant law enforcement authorities to shut down fraud, with NAB's fraud detection system alerting suspicious activity on customer accounts within seconds, 24 hours a day, seven days a week.

NAB educates customers about the possibility of online fraud and ways to protect themselves against these threats. We provide a free six-month licence for security software for our customers, as well as regular security alerts regarding current cyber security threats.

This year we once again partnered with the Australian Government for Stay Smart Online Week and National Fraud Awareness Week to raise public awareness of online fraud.

Through various media appearances, NAB continued to advise customers to be aware of the practical steps they can take to protect their personal and financial information.

NAB also conducted financial crime education sessions for customers, including the Northern Territory Government.

### Stay Smart Online

NAB was a proud sponsor of Stay Smart Online Week in 2014. This is an initiative of the Federal Government, held in partnership with industry, community and consumer organisations. NAB promoted messages on cyber security with a key focus on educating the public on the simple ways they can stay safe when interacting and transacting online.

<sup>1</sup> Addis, R., McLeod, J. and Raine, A., *IMPACT-Australia: Investment for social and economic benefit*, March 2013.

## GRI index > General standard disclosures

The following table has been provided to help the reader in locating content within this *Dig Deeper* paper, and is organised and presented in accordance with the GRI G4 Framework, using the 'Core' option. Each indicator is followed by reference to the appropriate pages in the *2014 Annual Review*, *2014 Dig Deeper* paper, NAB's website, or other publicly available sources and whether or not the relevant information has been externally assured.

### General standard disclosures

Section	Profile disclosure	Description	Publication	Page	External assurance <sup>1</sup>	Section	Profile disclosure	Description	Publication	Page	External assurance <sup>1</sup>
Strategy and analysis	G4-1	Statement from the Chairman and the CEO	AR	6–8			G4-21	Aspect boundary for material aspect outside the organisation	DD	52	
Organisational profile	G4-3	Name of the organisation	AR	9			G4-22	Restatements of information provided in previous reports	DD	53	
	G4-4	Primary brands, products, and/or services	AR	10			G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	DD	53	
	G4-5	Location of the organisation's headquarters	AR	38			Stakeholder engagement	G4-24	Stakeholder groups engaged by the organisation	DD	5
	G4-6	Countries where the organisation operates	AR	10		G4-25		Identification and selection of stakeholders to engage	DD	4	
	G4-7	Nature of ownership and legal form	AFR	54–55		G4-26		Organisation's approach to stakeholder engagement	DD	5	
	G4-8	Markets served	AR	10		G4-27		Key topics and concerns that have been raised through stakeholder engagement	DD	4	
	G4-9	Scale of the organisation	AR	10		Report profile		G4-28	Reporting period	DD	53
	G4-10	Workforce characteristic	DD	30–34, 56			G4-29	Date of most recent previous report	DD	53	
	G4-11	Employees covered by collective bargaining agreements	DD	40			G4-30	Reporting cycle	DD	53	
		G4-12	Organisation's supply chain	DD	21		G4-31	Contact point for questions regarding the report	AR	38	
		G4-13	Changes in the organisation's size, structure, ownership, or its supply chain	AR DD	10, 12 21		G4-32	GRI Content Index	DD	51–52	
	G4-14	Precautionary approach to risk management	AR	23		G4-33	External assurance	DD	39–40		
	G4-15	Externally developed charters, principles, or other initiatives to which the organisation subscribes	<a href="#">WEB</a>			Governance	G4-34	Governance structure of the organisation	AR	29	
	G4-16	Memberships in associations	<a href="#">WEB</a>			Ethics and integrity	G4-56	Organisation's values, principles, standards and norms of behavior	AR	22–34	
Identified material aspects and boundaries	G4-17	Entities included in the organisation's consolidated financial statements	AR	35, 37					DD	40	
	G4-18	Process for defining the report content and the aspect boundaries	DD	1, 4–5, 52–53							
	G4-19	Material aspects identified in defining report content	DD	4–5, 52–53							
	G4-20	Aspect boundary for material aspect within the organisation	DD	52							

<sup>1</sup> Note: These are metrics that are included within NAB's external assurance program. External Assurance statement can be found on page 39 of the *2014 Annual Review*.

Key:  
AR = [2014 Annual Review](#)  
DD = *2014 Dig Deeper* paper

AFR = [2014 Annual Financial Review](#)  
WEB = [nab.com.au](http://nab.com.au)

GRI index > General standard disclosures > Materiality matrix aspect boundary

Specific standard disclosures

Aspect	Profile disclosure	Description	Publication	Page	External assurance <sup>1</sup>
<b>Customer service and satisfaction</b>					
Product and service labelling	G4-PR5	Results of surveys measuring customer satisfaction	DD	12	•
Grievance mechanisms for impacts on society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	DD <a href="#">WEB</a>	14	•
<b>Customer financial hardship</b>					
Local communities	FS13	Access points in low-populated or economically disadvantaged areas by type	DD	15, 17	
Local communities	FS14	Initiatives to improve access to financial services for disadvantaged people	DD	15, 17	
<b>Performance and reward management</b>					
Training and education	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	DD	39, 40	
Equal remuneration for women and men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	DD	31	•
<b>Staff turnover</b>					
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	DD	35, 56	•
Employment	G4-LA3	Return to work and retention rates after parental leave, by gender	AR DD	39 56, 57	•
Labor/management relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	DD	35	
Labor practices grievance mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	<a href="#">WEB</a>		

Key:

AR = [2014 Annual Review](#)

AFR = [2014 Annual Financial Review](#)

DD = 2014 Dig Deeper paper

WEB = [nab.com.au](#)

<sup>1</sup> Note: These are metrics that are included within NAB's external assurance program. External Assurance statement can be found on page 39 of the 2014 Annual Review.

In accordance with the GRI G4 Framework, the following table reports our material aspects, and details where they have made a material impact within and outside of the organisation.

Materiality matrix aspect boundary

Material aspects	Material impact			
	Employees	Customers	Society and the world around us	Owners and investors
<b>Customer service and satisfaction</b>				
• Customer privacy	•	•		•
• Product and service labelling	•	•		•
• Grievance mechanisms for impacts on society		•	•	•
<b>Customer financial hardship</b>				
• Local communities		•	•	•
• Product and service labelling	•	•		•
<b>Performance and reward management</b>				
• Training and education	•	•		•
• Equal remuneration for women and men	•	•		•
<b>Staff turnover</b>				
• Employment	•	•	•	•
• Labor/ management relations	•	•		•
• Labor practices grievance mechanisms	•	•		•
<b>Ethics and business conduct</b>				
This issue arose during the materiality process and is dealt with in the table in page 7 of this paper	•	•		•
<b>Transparency and disclosure</b>				
This issue arose during the materiality process and is dealt with in the table in page 7 of this paper		•	•	•
<b>Values-aligned culture</b>				
This issue arose during the materiality process and is dealt with in the table in page 7 of this paper	•	•		•

## NAB numbers > Reporting approach

Key information in respect of NAB numbers unless otherwise stated.

<b>Reporting period</b>	The 2014 <i>Dig Deeper</i> paper has been prepared based on a 1 October to 30 September reporting year, NAB's financial reporting year, unless otherwise stated. Of note, environmental operational performance data is prepared based on NAB Group's environmental reporting year from 1 July to 30 June. The environmental reporting year aligns with regulatory reporting requirements in the Australian geography, where the majority of NAB's GHG emissions currently occur.	<b>Forward-looking statements</b>	This report contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.
<b>Organisational boundary</b>	Performance data and metrics are reported at a NAB Group level, unless otherwise stated. NAB has used an operational control-based approach to establishing its organisational reporting boundary for environmental performance data. In Australia, with respect to the boundary for reporting of relevant Scope 1 and 2 greenhouse gas (GHG) emissions, our organisational boundary meets the requirements of the <i>National Greenhouse and Energy Reporting Act 2007</i> (Cth). In the UK, the organisational boundary for NAB's relevant Scope 1 and 2 GHG emissions meets the requirements of the <i>Carbon Reduction Commitment Energy Efficiency Scheme</i> (UK).		Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NAB, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.
<b>Geographic scope</b>	Corporate Responsibility (CR) performance data has been reported for NAB Group's operations in Australia, New Zealand, the United Kingdom (UK), Asia and the US, where data of a reasonable quality is available, or a reasonable estimate can be made, unless otherwise stated. CR performance data, including environmental performance data, currently excludes a small office in Canada, from which GHG emissions are considered to be immaterial.	<b>Estimation</b>	Where complete information is not available, estimates have been made by extrapolation from known activity data or by applying an uplift based on reconciliation between systems that collect activity data and NAB's financial reporting systems. Estimates are noted where relevant within this <i>Dig Deeper</i> paper.
<b>Prior year statements</b>	Where relevant and/or applicable, prior period figures have been restated when more accurate data becomes available or when there have been material changes to the methodologies for data calculation and estimation.		Across the Group, where there is evidence that a proportion of activity data relevant to the calculation of a GHG emissions source is generated outside corporate systems, an uplift factor is applied to account for this additional business activity. This is to ensure that we do not underestimate our GHG emissions. The uplift factor is calculated based on a reconciliation of activity data in corporate systems compared to another data source e.g. expenditure data. Uplift factors have been applied to data from Australia, New Zealand and the UK. <sup>1</sup>
<b>Certain definitions</b>	References to 'we', 'our', 'us', 'nab', 'NAB', the 'National', 'National Australia Bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'NAB Group' or 'Group' refers to National Australia Bank Limited and its controlled entities. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Forward-looking statements, including targets, are not guarantees of future performance. All figures quoted in the 2014 <i>Dig Deeper</i> paper are in Australian dollars, unless otherwise stated. The abbreviations \$m and \$b represent millions and thousands of millions (i.e. billions) of Australian dollars respectively, unless a specific currency is stated. Any discrepancies between totals and sums of components in tables contained within the 2014 <i>Dig Deeper</i> paper are due to rounding.	<b>Reporting of GHG emissions</b>	All GHG emissions figures reported as part of the Group's environmental performance are in tonnes of carbon dioxide equivalents (tCO <sub>2</sub> -e) and include the main GHGs covered in the Kyoto Protocol – carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ) and nitrous oxide (N <sub>2</sub> O), perfluorocarbons (PFCs) and hydrofluorocarbons (HFCs), as relevant. The NAB Group does not have emissions of sulphur hexafluoride (SF <sub>6</sub> ). <a href="#">Our Environmental Reporting and Offset Management Standard</a> sets out the decision framework we have used to establish which Scope 3 GHG emissions are included in our carbon inventory. Further information on the methodologies and approaches used by NAB Group to prepare its environmental performance data, particularly energy and greenhouse gas data, is available on our <a href="#">website</a> .
<b>Baseline for 2014–2016 environmental performance targets</b>	The baseline data for the NAB Group's environmental performance targets is the performance data from the 2013 environmental reporting year.		

<sup>1</sup> Refer to the 2014 Regional Environmental Performance Summary and our [website](#) for further information on the uplift factors we have applied to data calculated for the 2014 environmental reporting year.

## NAB numbers > Customer

### Customer

Customer information	Units	2014	2013	2012
Number of customers	\$m	12.7	12.4	12.7
Number of stores and business banking centres		1,771	1,819	1,880
Number of ATMs		4,578	4,613	4,817

Customer satisfaction	Units	2014	2013	2012
<i>Australia</i>				
Personal banking customer satisfaction <sup>1</sup>	%	82.1	81.7	82.6
Microbusiness customer satisfaction <sup>2</sup>		7.0	7.0	7.0
Small business customer satisfaction <sup>2</sup>		7.1	7.1	7.2
Medium business customer satisfaction <sup>2</sup>		7.2	7.3	7.3
Large business customer satisfaction <sup>2</sup>		7.3	7.4	7.4
Institutional relationship banking survey <sup>3</sup>		47	47	48
Wealth customer satisfaction		69	67	65
<i>New Zealand</i>				
Retail customer satisfaction <sup>4</sup>		73%	8.3	8.4
Small business customer satisfaction		7.8	8.2	8.0
Partners customer satisfaction		7.8	8.0	8.0
<i>United Kingdom</i>				
Counter service (CEA Survey)	%	96	95	95
Using provider for future financial needs (CEA Survey)	%	74	75	90
Adviser service (CEA Survey)	%	96	95	98
Recommend likely or very likely (CEA Survey)	%	77	78	90

Customer complaints	Units	2014	2013	2012
Total customer complaints		209,829	192,342	212,804
Total number of complaints referred by customers to ombudsmen/external dispute resolution bodies		6,897	10,891	7,429
Total number of complaints referred to Privacy Commissioner		728	43	0
<i>Australia</i>				
Total customer complaints		153,765	122,941	119,678
<i>New Zealand</i>				
Total customer complaints		20,154	29,459	29,313
<i>United Kingdom</i>				
Total customer complaints		35,849	39,879	63,754

Hardship assistance	Units	2014	2013	2012
<i>Australia</i>				
Number of customers assisted experiencing financial hardship		15,033	13,029	NR

Microfinance	Units	2014	2013	2012
<i>Australia</i>				
Number of low-income Australians assisted with products/services (Mission 1 million)		70,622	60,233	62,944
Number of microfinance loans written		25,612	23,882	23,366
\$ value of microfinance loans written	\$m	33.9	31.9	28.7
Number of microfinance loans written since inception (cumulative)		104,309	78,697	54,815
\$ value of microfinance loans written since inception (cumulative)	\$m	139.6	105.7	73.8
Total number of clients assisted through Indigenous Money Mentor program		1,007	1,158	1,907
Total \$ value of AddsUP accounts matched (cumulative)	\$m	619,329	440,529	194,765
Total \$ value of NILS loans provided (cumulative)	\$m	75.2	55.7	37.0
Total \$ value of StepUP loans provided (cumulative)	\$m	33.5	25.5	18.0
Total \$ value of Microenterprise loans provided (cumulative)	\$m	25.6	21.5	17.0
Total clients assisted by Good Money stores		6,404	4,503	479
Total number of AddsUP accounts matched		1,244	886	392
Total number of AddsUP accounts opened		2,882	1,996	1,302
Total number of NILS loans provided (cumulative)		88,265	66,633	46,253
Total number of StepUP loans provided (cumulative)		11,556	8,840	6,290
Total number of Microenterprise loans provided		1,697	1,413	1,113

Key:  
NR = not reported.

1 Roy Morgan Research, September 2012 – September 2014, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied.

2 DBM Business Financial Services Monitor September 2012 to September 2014, six-month rolling average. Overall satisfaction with Main Financial Institution based on scale 0–10 (extremely dissatisfied – extremely satisfied). Segments based on annual turnover (Micro \$0 – <\$1m; Small \$1m – <\$5m; Medium \$5m – <\$50m; Large \$50m+).

3 Peter Lee Associates 2014 Large Corporate and Institutional Relationship Banking Survey Australia. Based on average point score of overall satisfaction with bank service.

4 Change in methodology for FY14, results from prior years not directly comparable.

## NAB numbers > Customer

### Customer (continued)

Online and digital	Units	2014	2013	2012
<i>Australia</i>				
% of customers that are active users of internet banking	%	49.6	51.8	NR

Socially responsible investment	Units	2014	2013	2012
Total value of socially responsible investment (SRI) funds under management				
	\$m	419	382	268
<i>Australia</i>				
Socially responsible investment (% of total funds under management)	%	0.31	0.30	0.26
Total funds under management (FUM)	\$m	136,616	122,776	104,667

Business footings	Units	2014	2013	2012
Accommodation, cafes, pubs and restaurants	%	2.6	3.0	2.9
Agriculture, hunting, forestry and fishing	%	8.8	9.2	8.4
Construction	%	3.1	3.4	3.3
Education	%	1.7	1.8	1.7
Electricity and gas and water supply	%	1.4	1.3	1.3
Finance and insurance	%	26.0	19.8	21.8
Government administration and defence	%	3.3	3.4	3.4
Health and community services, social work	%	3.6	3.8	3.4
Manufacturing	%	5.0	5.2	5.0
Mining	%	2.1	2.8	3.0
Property, renting and business services	%	29.2	31.9	32.0
Transport, storage and communications	%	3.5	3.9	3.5
Wholesale and retail trade, repairs	%	7.2	8.0	7.2
Recreational, personal and community service activity	%	2.6	2.6	3.0

Key:  
NR = not reported.

Business footings (continued)	Units	2014	2013	2012
<i>Australia</i>				
Accommodation, cafes, pubs and restaurants	%	2.6	2.8	2.7
Agriculture, hunting, forestry and fishing	%	6.3	6.7	6.4
Construction	%	3.3	3.6	3.4
Education	%	1.5	1.5	1.6
Electricity and gas and water supply	%	1.5	1.3	1.4
Financed and insurance	%	26.6	21.9	24.5
Government administration and defence	%	3.6	3.6	3.7
Health and community services, social work	%	3.6	3.6	3.3
Manufacturing	%	4.6	4.8	4.6
Mining	%	2.6	3.2	3.4
Property, renting and business services	%	30.4	32.7	31.3
Transport, storage and communications	%	3.6	3.9	3.6
Wholesale and retail trade, repairs	%	7.2	7.9	7.7
Recreational, personal and community service activity	%	2.5	2.7	2.4

Project finance	Units	2014	2013	2012
Energy (renewable)	%	10.4	12.5	10.8



## NAB numbers > People

### People

Employment level	2014				2013			
	Female	%	Male	%	Female	%	Male	%
Executive management <sup>1</sup>	164	30.5	373	69.5	157	30.5	357	69.5
Senior management	720	36.3	1,264	63.7	611	31.4	1,337	68.6
Managers and senior consultants	1,777	30.4	4,074	69.6	1,463	29.2	3,540	70.8
Junior management	4,230	47.2	4,736	52.8	4,085	45.7	4,847	54.3
Customer support	6,913	60.9	4,439	39.1	6,232	60.0	4,151	40.0
Operational support	11,306	74.1	3,954	25.9	12,062	74.7	4,083	25.3
Total workforce (headcount)	25,110	57.1	18,840	42.9	24,610	57.3	18,315	42.7

Employment type	2014				2013			
	Female	%	Male	%	Female	%	Male	%
Permanent full-time	17,487	40.0	18,091	41.0	17,138	39.9	17,567	40.9
Permanent part-time	7,623	17.0	748	2.0	7,473	17.4	748	1.7
Casuals/temp/contractors	3,931	9.0	6,382	15.0	3,986	9.3	6,226	14.5

Workforce tenure	2014			
	Female	%	Male	%
<1 year	4,907	9.0	5,229	10.0
1 year	2,923	5.0	3,224	6.0
2 – 3 years	4,403	8.0	4,612	8.0
4 – 5 years	3,098	6.0	2,852	5.0
6 – 10 years	5,534	10.0	4,498	8.0
11 – 15 years	2,896	5.0	1,795	3.0
16 – 20 years	2,118	4.0	878	2.0
21+ years	3,162	6.0	2,133	4.0

Key:  
NR = not reported.

<sup>1</sup> Executive management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members' direct reports, and their direct reports. Note: Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data.

Age profile	2014			
	Female	%	Male	%
<25	2,029	5.0	1,275	3.0
25 – 34	7,898	18.0	6,321	14.0
35 – 44	7,106	16.0	5,902	13.0
45 – 54	5,439	12.0	3,912	9.0
55+	2,638	6.0	1,429	3.0

Age profile	Units	2014	2013	2012
Average age of total workforce		39	39	39
% of total workforce over 50	%	19	18	17

Employee engagement	Units	2014	2013	2012
Group engagement score (Right Management) <sup>2</sup>	%	42	NR	NR
Group response rate	%	85	79	NR

Attrition	Units	2014	2013	2012
Employee voluntary turnover rate <sup>3</sup>	%	10	11	10
Employee involuntary turnover rate	%	3	4	4
Employee turnover rate <sup>4</sup>	%	13	15	14
Retention of 'Group Talent Pool'	%	92	NR	NR
<i>Australia</i>				
Retention of high performing employees <sup>5</sup>	%	95	95	NR
Voluntary attrition of high performing employees	%	5	5	NR
Retention of 'Group Talent Pool'	%	92.5	NR	NR
Return to work rate for employees following primary carer's leave (and any consecutive extended leave – e.g. long service leave)	%	87.3	80.3	82.8

<sup>2</sup> 'Speak Up, Step Up' survey conducted by Right Management, April 2014. The Right Model (E8) measures employees' commitment, advocacy, satisfaction and pride in both their job (4 questions) and in the organisation (4 questions). Employees need to answer favourably to all 8 items to be considered engaged. Information on historical data can be found in our *Dig Deeper* paper.

<sup>3</sup> Number of all employees who exited the bank each year, as a percentage of the average permanent headcount for each respective year

<sup>4</sup> Number of all employees who voluntarily exited the bank each year, as a percentage of the average permanent headcount for each respective year.

<sup>5</sup> The percentage of employees recognised as high performing during their 2013 performance review that remain employed at 30 September 2014.

## NAB numbers > People

### People (continued)

Attrition (2014)	Units	Female	Male
<i>Australia</i>			
Total number of employees who were entitled to parental leave		13,561	11,265
Total number of employees who took parental leave		853	5
Total number of employees who returned to work after parental leave ended		745	4
Total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work		642	6
Total number of employees who returned to work after parental leave ended who were still employed 2 years after their return to work		583	5
Return to work and retention rates of employees who took parental leave	%	87.3	80.0

Indigenous employment <sup>1</sup>	2014	2013	2012
<i>Australia</i>			
Number of Indigenous employees – School-based trainees	81	99	81
Number of Indigenous employees – Full-time trainees	20	15	12
Number of Indigenous employees – Trainees graduating to permanent	30	33	30
Number of Indigenous employees – Central recruitment	11	9	13
Number of Indigenous employees – Interns	10	5	6

Percentage of basic salary – female to male (2014)	Female	Male	%
<i>Australia</i>			
Executive management	\$305,500	\$368,222	83
Senior management	\$179,178	\$207,573	86
Managers and specialist experts	\$140,651	\$150,518	93
Junior management	\$102,240	\$106,117	96
Customer support	\$78,092	\$78,064	100
Operational support	\$56,206	\$57,262	98
<i>New Zealand</i>			
Executive management	\$234,256	\$237,555	99
Senior management	\$147,251	\$166,961	88
Managers and specialist experts	\$141,117	\$153,425	92
Junior management	\$109,754	\$108,133	101
Customer support	\$73,733	\$74,322	99
Operational support	\$63,633	\$55,361	115

Percentage of basic salary – female to male (2014)	Female	Male	%
<i>United Kingdom</i>			
Executive management	\$210,500	\$254,489	83
Senior management	\$128,628	\$157,676	82
Managers and specialist experts	\$109,412	\$128,270	85
Junior management	\$63,155	\$66,824	95
Customer support	\$45,577	\$48,772	93
Operational support	\$32,256	\$30,064	107
<i>Asia</i>			
Executive management	\$595,000	\$434,829	137
Senior management	\$209,916	\$292,225	72
Managers and specialist experts	\$138,801	\$179,992	77
Junior management	\$83,717	\$80,056	105
Customer support	\$50,687	\$43,114	118
Operational support	\$29,892	\$24,309	123

Performance-related compensation as a percentage of total compensation	Units	2014
Executive management	%	37
Senior management	%	24
Managers and specialist experts	%	16
Junior management	%	9
Customer support	%	5
Operational support	%	2

African Australian Inclusion Program (AAIP) <sup>2</sup>	Units	2014	2013	2012
<i>Australia</i>				
Participants in African Australian Inclusion Program who have secured ongoing employment in their field	%	87	95	65
Number of graduates – Male		13	23	10
Number of graduates – Female		11	15	7

1. 2013 Indigenous employment figures have been restated to better distinguish between recruitment and employment.

2. AAIP figures have been restated to reflect graduates in the financial year, rather than the calendar year.

## NAB numbers > People

### People (continued)

Employee programs	Units	2014	2013	2012
<i>Australia</i>				
Number of participants in MyFuture workshops (People Leader and employee streams)		67	183	221
Number of participants in Realise program		961	742	492
Number of participants in the Board Ready program		257	293	NR

LTIFR	2014	2013	2012
Australia	0.86	1.05	1.55
New Zealand	1.69	1.17	0.95
United Kingdom	0.45	0.53	0.60

Absenteeism	2014	2013	2012
Australia	7.33	7.32	7.31
New Zealand	6.09	4.24	4.49
UK	7.55	8.84	7.46

Total lost days due to work-related stress	2014	2013	2012
Australia	5,147	4,880	NR

Remote access services	Units	2014	2013	2012
Number of employees with remote access to NAB Group's Corporate systems (through RAS Tokens, or other equivalent solutions)		26,647	16,153	18,408
Percentage of employees (headcount) with remote access to NAB Group's Corporate systems (through RAS Tokens, or other equivalent solutions)	%	61	39	43

Key:  
NR = not reported.

Training (2014)	Units	Female	Male
<i>Australia</i>			
Number of training hours completed (by level)			
Group 4	hrs	52,445	151,578
Group 3	hrs	212,219	117,133
Group 2	hrs	117,914	101,473
Group 1	hrs	198,767	105,929
Total	hrs	581,345	476,113
Average training hours per employee (by level)			
Group 4	hrs	28	38
Group 3	hrs	73	33
Group 2	hrs	29	38
Group 1	hrs	29	38
Total	hrs	158	147
Total training spend (by level)			
Group 4	\$m	1.64	3.42
Group 3	\$m	2.49	3.01
Group 2	\$m	3.55	2.32
Group 1	\$m	5.93	2.41
Total	\$m	13.61	11.17

Average amount spent per FTE on training and development	Units	2014	2013
Australia	\$	859	1,235

Workplace relations	Units	2014	2013	2012
Employees covered by collective bargaining agreements				
Australia	%	100	100	100
New Zealand	%	11	12	13
United Kingdom	%	96	96	96
Number of consultations with employees regarding organisational changes				
Australia		107	NR	NR
Number of consultations/negotiations with trade unions over organisational changes (e.g. restructuring, outsourcing)				
Australia		107	NR	NR
United Kingdom		47	NR	NR

## NAB numbers > Community

### Community

	Units	2014	2013	2012
Total community investment	\$m	<b>67.6</b>	66.5	55.7
Community investment as a % of statutory net profit before tax	%	<b>0.87</b>	0.87	0.89

Community investment cash spend – % breakdown by focus area <sup>1</sup>	Units	2014	2013	2012
Arts and culture	%	<b>2</b>	2	2
Disadvantage/welfare	%	<b>14</b>	15	10
Education and young people (including financial literacy)	%	<b>22</b>	23	37
Emergency relief	%	<b>1</b>	3	< 1
Enterprise and economic development	%	<b>10</b>	3	9
Environment and bio-diversity	%	<b>2</b>	3	3
Health and medical research	%	<b>5</b>	11	5
Sport	%	<b>23</b>	21	23
Issues that matter to us	%	<b>21</b>	19	11

Total CCI breakdown – % by category <sup>1</sup>	Units	2014	2013	2012
Charitable gifts and donations	%	<b>5</b>	10	6
In-kind volunteering	%	<b>15</b>	13	16
In-kind support	%	<b>1</b>	< 1	1
Foregone revenues and interest paid (foregone)	%	<b>38</b>	42	31
Community investment	%	<b>19</b>	16	23
Commercial initiatives (community sponsorships)	%	<b>15</b>	14	17
Management costs	%	<b>7</b>	5	6

Community investment – % breakdown by region <sup>1</sup>	Units	2014	2013	2012
Australia (including US)	%	<b>80</b>	83	74
New Zealand	%	<b>13</b>	10	15
UK	%	<b>7</b>	7	11
Asia	%	<b>&lt; 1</b>	< 1	< 1

Key:  
NR = not reported.

<sup>1</sup> Due to rounding, percentages will not equate to 100%.

Community investment by category	Units	2014	2013	2012
Charitable gifts and donations	\$m	<b>3.7</b>	6.6	3.6
In-kind volunteering	\$m	<b>10.3</b>	8.5	8.9
In-kind support	\$m	<b>0.3</b>	0.1	0.3
Foregone revenues and interest paid (foregone)	\$m	<b>25.9</b>	28	17.5
Community investment	\$m	<b>12.5</b>	10.6	12.5
Commercial initiatives (community sponsorships)	\$m	<b>10.1</b>	9.3	9.4
Management costs	\$m	<b>4.8</b>	3.4	3.5

Total taxes borne by NAB Group – % breakdown of taxes	Units	2014	2013	2012
Income tax expenses	%	<b>71</b>	71	64
Employer-related taxes	%	<b>8</b>	15	7
GST/VAT	%	<b>19</b>	10	27
Other taxes/duties	%	<b>2</b>	4	2

Volunteering data	Units	2014	2013	2012
Number of days	days	<b>27,750</b>	22,679	26,254
% change on previous year	%	<b>22.4</b>	-13.6	2.4
Value of contribution	\$m	<b>10.3</b>	8.5	8.9
<i>Australia</i>				
% of employees who took volunteer leave	%	<b>52.0</b>	44.7	44.5
Number of skilled volunteering days	days	<b>2,010</b>	1,916	1,490

Impact evaluations completed	Units	2014	2013	2012
Number of impact evaluations completed on NAB Programs		<b>3</b>	3	NR

## NAB numbers > Supply chain

### Supply chain

	Units	2014	2013	2012
Spend on all suppliers <sup>1</sup>	\$bn	5,269	4,919	4,769
Number of contracted suppliers		1,787	2,009	NR
Number of material suppliers <sup>2</sup>		90	186	NR
Percentage of material suppliers that are signatories to GSSPs <sup>2</sup>	%	32	44	NR
Number of supply contracts entered into in the reporting period		555	592	966
Number of Sustainability Action Plans – new or in progress		28	18	NR
Number of Sustainability Action Plans – completed		10	15	NR
Number of diverse suppliers engaged <sup>3</sup>		8	8	NR

Key:

NR = not reported

1 Total spend across all suppliers is based on 11 months of data with one month estimated due to timing of reporting. All other data is as of 31 August 2014.

2 In New Zealand, we conducted a review of the classifications in our supply chain in 2014 and a number of our Strategic suppliers were reclassified as a result. The figures reported in total number of material suppliers and the percentage of material suppliers that are signatories to GSSPs have been impacted as a result.

3 See page 32 for details about our Supplier Diversity Program.

#### Definitions of 'material' supplier in each of our operating regions

For our reporting purposes, Category 1 suppliers in the UK and Strategic suppliers in New Zealand are considered equivalent to the definition of Material supplier in the other regions.

**Category 1 supplier (UK)** – A supplier that supports a critical process that has the potential, if disrupted, to have significant impact on the UK's business operations, or is reported to the Financial Conduct Authority as a material outsourced or service contract.

**Material supplier (AUS)** – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on Group's business operations or its ability to manage risks effectively.

**Material supplier (GWB)** – A supplier with significant spend (over \$1,000,000 USD) whose activity, if interrupted, could impact on business operations.

**Material supplier (nab Hong Kong)** – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Hong Kong's business operations or its ability to manage risks effectively. (This definition will not be used to determine whether an arrangement with a third party supplier is considered outsourcing as this has to be determined by the Hong Kong Monetary Authority rule which may change from time to time.)

**Material supplier (nab Singapore)** – A supplier that performs an outsourcing activity which, in the event of a service failure or security breach, has the potential, to materially impact NAB Singapore's business operations, reputation, profitability or adversely affect NAB Singapore's ability to manage risks and comply with applicable laws and regulations or which involves customer information and, in the event of any unauthorised access or disclosure, loss or theft of customer information, may materially impact NAB Singapore's customers.

**Material supplier (nab Japan)** – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Japan's business operations or its ability to manage risks effectively.

**Material supplier (nab India)** – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB India's business operations, reputation, profitability or its ability to manage risks effectively.

**Material supplier (nab China)** – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB China's business operations or its ability to meet local regulatory requirements and the services supplied cannot be quickly replicated in house under business continuity arrangements.

**Strategic supplier (BNZ)** – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on BNZ's business operations or ability to manage risks effectively or that their spend is so significant that they require careful monitoring.

## NAB numbers > Environmental performance summary

### Environmental performance summary<sup>1,2</sup>

Statement of position for the Group							
Indicator	Notes	Units	2014	2013	2012	2011	2010
Employee numbers <sup>3</sup>		FTE	42,480	42,993	44,054	45,153	41,003
Property space occupied		m <sup>2</sup>	1,075,345	1,079,403	1,101,213	1,133,042	1,116,256
Total operating expense <sup>4,5</sup>		\$m	(10,180)	(8,410)	(7,828)	(7,974)	(7,862)
Underlying profit <sup>4,5,6</sup>		\$m	8,733	10,153	10,396	9,620	8,776
Water consumption (estimate) <sup>7</sup>	5	kL	656,838	686,234	679,287	722,590	632,998
Waste to landfill (estimate) <sup>7</sup>	4	tonnes	3,530	3,367	3,528	3,786	3,514
A3 and A4 office paper purchased	4	tonnes	1,306	1,440	1,538	1,687	1,803
Net energy consumption	1	GJ	1,117,629	1,102,678	1,139,452	1,144,975	1,115,506
Gross GHG emissions	2	tCO <sub>2</sub> -e	297,680	311,010	305,558	319,090	319,157

Summary of Group greenhouse gas emissions						
(tCO <sub>2</sub> -e GHG emissions)	Notes	2014	2013	2012	2011	2010
Total Scope 1 GHG emissions	2	23,481	20,848	25,460	25,551	22,084
Total Scope 2 GHG emissions	2	168,982	177,540	170,857	172,990	185,590
<b>Gross Scope 1 and 2 GHG emissions</b>		<b>192,463</b>	<b>198,388</b>	<b>196,317</b>	<b>198,541</b>	<b>207,674</b>
Total Scope 3 emissions	2, 4, 5	105,217	112,622	109,241	120,549	111,483
<b>Gross GHG emissions</b>		<b>297,680</b>	<b>311,010</b>	<b>305,558</b>	<b>319,090</b>	<b>319,157</b>
Renewable electricity (RE)	3	(23,193)	(22,614)	(27,431) <sup>8</sup>	(21,970)	(27,068)
Voluntary carbon offsets retired (offsets)	3	(274,487)	(288,396)	(278,127) <sup>8</sup>	(297,120)	(42,040)
<b>Net GHG emissions (after RE and offsets)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,049</b>

Please refer to our [website](#) for a PDF containing a regional breakdown of our environmental performance data and details of the methodologies we have used to calculate our data.

#### Environmental compliance

NAB Group is subject to a range of environmental regulatory requirements in the countries where we operate. Please refer to page 28 of NAB's *Annual*

*Financial Report* for further information regarding our environmental regulatory obligations and compliance.

During the 2014 environmental reporting period:

- NAB Group was not subject to any material environmental fines or penalties; and
- there were no significant spills from any Group storage facility.

Group reduction targets (against a 2013 baseline by 30 June 2016)						
(tCO <sub>2</sub> -e GHG emissions)	Notes	Units	2013 baseline	2014 actuals	% change from baseline	Status
5% reduction building energy emissions <sup>9,10</sup>	2	tCO <sub>2</sub> -e	204,079	205,944	0.9	*
5% reduction in energy use <sup>9,10,11</sup>	1	GJ	967,127	940,866	-2.7	✓
Increase waste diverted from landfill to 75% <sup>12</sup>	4	%	62	63	1.6	~*
10% reduction in office paper consumption	4	tonnes	1,440	1,306	-9.3	✓
5% reduction in water consumption	5	kL	686,234	656,838	-4.3	✓
Increase proportion of customers receiving online statements to 30% <sup>13</sup> (as at 30 June each year)	4	%	28	33	17.9	✓

Key:

- ✓ = trending towards reduction target
- ~ = progress is slow
- \* = trending as forecast

- 1 Unless otherwise stated, all environmental data in this *Dig Deeper* paper is reported for the period 1 July to 30 June and all graphs portraying environmental data represent NAB Group-wide data from internal sources. In this *Dig Deeper* paper, 'United States' and 'US' refers to the combined environmental performance and data from our New York branch and Great Western Bank operations. 'Asia' refers to the combined environmental performance and data across Japan, Hong Kong, China, India, Singapore and Indonesia.
- 2 KPMG has provided assurance on current and historical specified GHG emissions and offset data presented in this *Dig Deeper* paper.
- 3 Employee numbers in this table, and used for normalisation of activity and GHG emissions data in the subsequent notes to the environmental performance summary, are based on a monthly average number of employees across the period 1 July to 30 June each year.
- 4 These numbers correspond to the financial year ending 30 September.
- 5 2013 comparatives were restated in 2014 to include payment protection insurance provision charges in operating expenses for cash earnings purposes and for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies of the 2014 Results Announcements and the *2014 Annual Financial Report*.
- 6 Use of Underlying Profit as a metric (rather than measures of profit or economic activity) for normalisation of our environmental performance data allows for meaningful comparison to prior years' data and to financial intensity measures used in our CDP disclosures due to the nature of our underlying business activities. Please refer to page 2 of NAB's *2014 Full Year Results Announcement* (available at our [website](#)) for a more detailed explanation of the elements comprising the Underlying Profit.
- 7 2014, 2013, 2012 and 2011 water consumption and waste to landfill data includes United States, Australia, United Kingdom and New Zealand. 2010 data includes Australia, United Kingdom and New Zealand only.

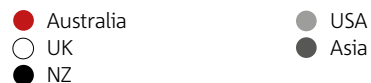
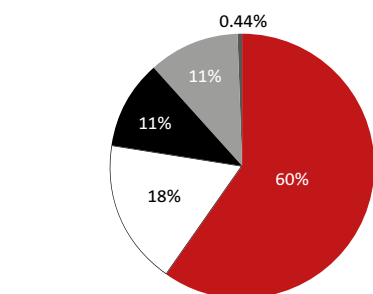
- 8 In 2013, we were required to restate all prior year GHG emissions from electricity using DEFRA emission factors. This required us to also restate calculations for UK offsetting activities arising from our purchase of certified renewable electricity (RE) in the UK. During the review of our 2014 data, it was identified that the required adjustment to our 2013 offset amount for RE and offsets in the UK had not been made. Consequently, in 2014 we have made corrections by reducing our 2013 avoided emissions from RE by 189 tCO<sub>2</sub>-e and retiring an additional 189 offsets.
- 9 Our 2013 baseline for energy consumption and GHG emissions has been adjusted to reflect normal operating conditions (full operation of the Australian tri-generation plant).
- 10 Our targets for GHG emissions from stationary energy in buildings and energy use in buildings are developed by aggregating emissions or energy use from the following sources: Australia – electricity consumption, diesel and gas use; New Zealand – electricity consumption and gas use; UK – electricity consumption and gas use; US – electricity consumption from GWB operations; and Asia – electricity consumption.
- 11 An increase in GHG emissions was forecast in 2014. Refer to Note 2, page 63 for a discussion on our performance against this target. In 2015, we will investigate a separate intensity target for our data centres given the significantly different operating profile of this property type compared with our retail and office building portfolios.
- 12 Achieving our waste diversion target is highly dependent on employee behaviour change and continues to be a challenge for our business.
- 13 Customer statements data is for the Australian, New Zealand and US operations only. We plan to review, and possibly increase, this target in 2015.

## NAB numbers > Group energy consumption and production

### Note 1: Group energy consumption and production

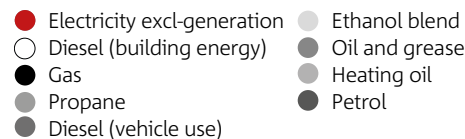
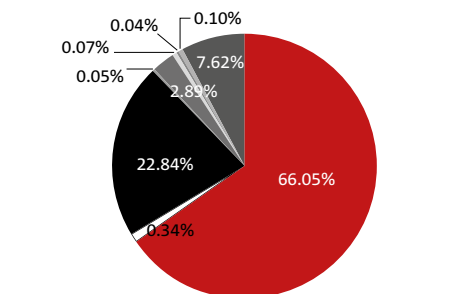
Direct and indirect energy consumption and production					
(GJ)	2014	2013	2012	2011	2010
Direct energy consumption (combustion of fuels)	379,353	325,513	390,083	389,190	325,333
Indirect energy consumption (electricity)	782,136	801,593	797,595	804,296	808,679
<b>Gross energy consumption</b>	<b>1,161,489</b>	<b>1,127,106</b>	<b>1,187,678</b>	<b>1,193,486</b>	<b>1,134,012</b>
Indirect energy production (tri-generation) (electricity production)	(43,860)	(24,428)	(48,226)	(48,511)	(18,506)
<b>Net energy consumption</b>	<b>1,117,629</b>	<b>1,102,678</b>	<b>1,139,452</b>	<b>1,144,975</b>	<b>1,115,506</b>

#### Net energy consumption by region (%)



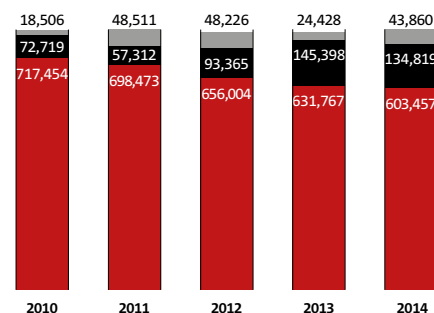
- Direct energy consumption refers to energy from fuel used in buildings for heating and back-up power generation, as well as fuel used in our vehicle fleet.
- Indirect energy consumption refers to electricity consumption, from the grid supply, and from tri-generation.

#### 2014 net energy consumption by fuel type (%)



- Indirect energy production refers to electricity generated through tri-generation.
- Net energy consumption refers to gross energy consumption minus indirect energy production.

#### Indirect energy consumption mix (GJ)



- Grid electricity supply
- Renewable electricity
- Tri-generation supply

NAB Group's net energy consumption from buildings and vehicles in 2014 was 1,117,629 GJ. This was an increase of around 1.3% compared with 2013.

The key reasons for this increase were:

- a 17% increase in direct energy consumption in Australia as gas use increased. This was due to the tri-generation plant at our main data centre coming back online and being operational for close to a full year. The tri-generation plant uses gas on-site to generate electricity, heating and cooling. This increases gas use and reduces our use of more GHG emissions intensive grid-supplied electricity; and
- an 11% increase in direct energy consumption (gas use) in the US due to increased demand for heating in buildings. This increased heating demand was the result of an exceptionally cold and snowy winter across most of the US.

A 3% decrease in vehicle fuel use across the Group partially offset the increase in fuel consumption from our building portfolio and was primarily due to the ongoing transition to hybrid vehicles in Australia and a 21% reduction in the size of the UK work-use vehicle fleet.

NAB Group indirect energy consumption (electricity use) decreased by 2.5% compared with 2013. In Australia, electricity use has decreased by around 4% across the portfolio due to the switch in energy source (from electricity to gas) that resulted from the operation of our data centre tri-generation plant for close to the full year. Electricity consumption decreased in New Zealand by 8.5% due to the implementation of energy efficiency measures including improved programming of building energy systems. In the UK and US, electricity consumption decreased by 7.3% and 6.2% respectively due to a reduction in property portfolio size. Continued business growth contributed to a 5% increase in electricity consumption across our Asian business. This growth in energy consumption in Asia was less than forecast due to our move into new sustainably designed office premises.

Our UK operations continued to purchase certified renewable electricity under the UK Renewable Energy Guarantee of Origin (REGO) Scheme. 37,450 MWh of renewable electricity was purchased in 2014.

At the Group level, indirect energy intensity decreased in 2014 compared with 2013. Energy intensity per square meter of property space occupied decreased from 0.72 GJ/m<sup>2</sup> to 0.69 GJ/m<sup>2</sup> in 2014. Net energy intensity per FTE increased from 25.65 GJ/FTE to 26.30 GJ/FTE. This increase was expected given full operation of the tri-generation plant, which also resulted in an 80% increase in electricity production.

#### Performance against target

We have a target to reduce NAB Group energy consumption by 5% by 2016 against a 2013 baseline. This year, we have achieved a reduction of 2.7% from our 2013 base year in targeted energy sources. We are currently progressing well towards meeting the target. Our performance against target is shown in the Group reduction targets table on page 61.

## NAB numbers > Gross Group GHG emissions by activity

### Note 2: Gross Group GHG emissions by activity

(tCO <sub>2</sub> -e GHG emissions)	% change from prior year	2014	2013	2012	2011	2010
<b>Scope 1</b>						
Building-based refrigerants – HVAC, refrigerators	-10	1,610	1,790	2,822	2,977	2,624
Business travel – status-use vehicle fleet (UK only)	-16	281	334	453	438	472
Business travel – work-use vehicle fleet: diesel, petrol, ethanol	-1	7,970	8,036	8,355	8,177	8,868
Stationary energy – combustion of fuel: diesel, gas, propane	28	13,446	10,509	13,624	13,772	9,935
Status-use vehicle fleet – air conditioning refrigerant (UK only)	-18	23	28	47	39	40
Work-use vehicle fleet – air conditioning refrigerant	0	151	151	159	148	145
<b>Total Scope 1</b>	13	<b>23,481</b>	20,848	25,460	25,551	22,084
<b>Scope 2</b>						
Stationary energy – electricity (total Scope 2) <sup>1</sup>	-5	168,982	177,540	170,857	172,990	185,590
<b>Scope 3</b>						
A4 and A3 paper purchased	-18	491	599	634	756	3,506
Base-building energy – combustion of fuel: diesel, gas, propane (Aust. only)	-23	1,069	1,388	1,652	1,398	1,546
Base-building energy – electricity (Aust. and NZ only)	-11	28,424	31,802	32,996	32,905	34,185
Business travel – air <sup>2</sup>	-7	29,040	31,145	27,808	37,026	30,874
Business travel – employee vehicle: work purpose claims	-18	3,520	4,315	3,925	4,659	4,224
Business travel – ferry (UK only)	-82	0.05	0.28	0.17	0.10	0.15
Business travel – hotel stays <sup>1</sup>	6	4,909	4,638	4,352	5,048	3,445
Business travel – rail (UK only)	18	306	252	199	377	224
Business travel – rental cars	-19	459	565	585	628	468
Business travel – status-use vehicle fleet (UK only)	-19	86	106	125	110	NR
Business travel – taxi use	-10	1,504	1,668	1,689	1,911	1,349
Business travel – work-use vehicles fleet: diesel, petrol, ethanol	-7	398	430	470	455	397
Business travel – supplier	-5	178	187	272	603	253
Transmission losses – base-building energy: diesel, gas, propane, electricity (Aust. and NZ only)	-8	4,487	4,873	4,938	4,908	4,656
Transmission losses – stationary energy: diesel, gas, propane, electricity	-2	26,556	27,006	25,722	25,618	22,234
Waste to landfill	4	3,765	3,619	3,833	4,112	4,092
Water consumption – estimate (UK only)	-14	25	29	41	34	31
<b>Total Scope 3</b>	-7	<b>105,217</b>	<b>112,622</b>	<b>109,241</b>	<b>120,549</b>	<b>111,483</b>
<b>Gross GHG emissions (total of Scopes 1, 2 and 3)</b>	-4.3	<b>297,680</b>	<b>311,010</b>	<b>305,558</b>	<b>319,090</b>	<b>319,157</b>

#### Key:

NR = not reported. Status-use vehicle emissions were first reported in 2011.

1 GHG emissions were re-stated in 2013 for all prior years wherever DEFRA electricity GHG emission factors have been applied. This is in accordance with the advice set out by DEFRA in 2013 reporting guidance. DEFRA electricity GHG emissions factors have changed from a five-year rolling average to a single average for a particular year. As a result the following inventory items were restated in 2013: (i) Emissions from electricity (indirect energy) in the UK and Asia; and (ii) Emissions from hotel stays – Our hotel stays emissions calculation tool uses electricity emission factors derived from DEFRA. These factors are applied across the Group, thus the change to DEFRA factors impacts hotel stays data reported in all regions and has also resulted in restatement of our Scope 3 GHG emissions total for the relevant prior years.

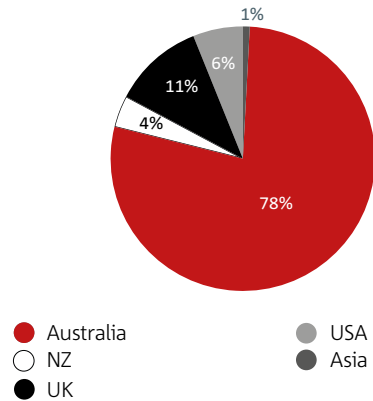
2 Business travel – air: 2014 and 2013 air travel includes DEFRA's required distance uplift (but excludes radiative forcing). GHG emissions from air travel in years prior to 2013 exclude both distance uplift and radiative forcing.



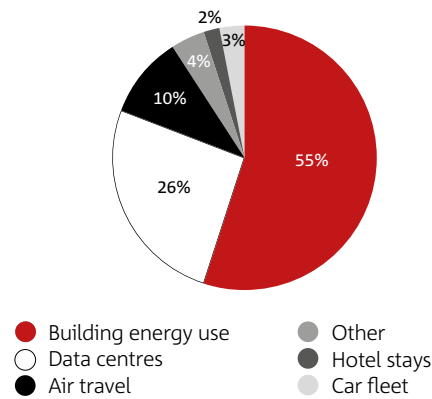
## NAB numbers > Gross Group GHG emissions by activity

### Note 2: Gross Group GHG emissions by activity (cont.)

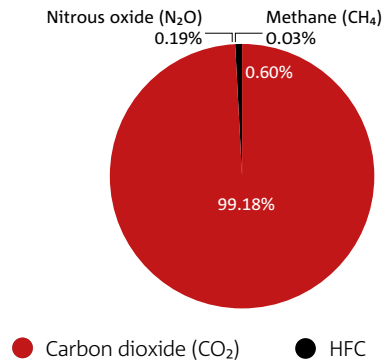
#### 2014 Gross Group GHG emissions by region (%)



#### 2014 Group GHG emissions by emissions source (%)



#### 2014 GHG emissions by gas type (%)



NAB Group's gross GHG emissions in 2014 were 297,680 tCO<sub>2</sub>-e. This represents a 4% decrease in GHG emissions compared with 2013. The key reasons for this were:

- a 4% decrease in emissions related to building-based energy use in Australia primarily due to the gas-fired tri-generation plant coming back online and being almost fully operational;
- a 6% decrease in Group-wide business travel, particularly in the Australia, New Zealand and the US businesses; and
- a 10% decrease in fugitive GHG emissions from building-based refrigerants. This was primarily due to the phase out of refrigerants with higher Global Warming Potentials and some small improvements in data quality.

Electricity-related emissions increased in New Zealand by around 17%, despite a decrease in underlying energy consumption. This was due to a significant increase in emission factors for grid supplied electricity as a result of a lower proportion of energy being generated from renewable sources in the New Zealand electricity grid due to drought. Emission factor changes in the UK and Asia also contributed to increased emissions.

The net GHG emissions from our operations in 2014 were 274,487 tCO<sub>2</sub>-e. This net result is 8% lower than our gross GHG emissions due to the purchase of 37,450 MWh of certified renewable electricity in the UK.

Our Australian operations contribute around 78% of NAB Group's GHG emissions (see pie chart). The next biggest contributors are our operations in the UK and the USA.

Building-related energy use (stationary energy) is the largest combined source of GHG emissions across NAB Group (around 81% of total emissions), including energy use in our data centres, which represents 26% of NAB Group's total GHG emissions. The next most

significant source of GHG emissions are the indirect GHG emissions we generate as a result of air travel (10%). This is represented in the pie chart opposite.

Around 99.2% of NAB Group's emissions are carbon dioxide due to direct or indirect combustion of fossil fuels. A small proportion (0.6%) of emissions result from our use of refrigerants in cars, building cooling systems and kitchen refrigerators. This is illustrated in the pie chart opposite.

#### Performance against target

Our 2014 to 2016 GHG emissions reduction target is to reduce the Group's stationary energy-related GHG emissions by 5% by 2016 against a 2013 baseline. This year, our stationary energy-related GHG emissions increased marginally, by 0.9%. This was primarily due to a 2% increase in Australian emissions because we were:

- operating three, instead of two, data centres as we transition out of an old data centre; and
- transitioning from six less energy efficient commercial office buildings into one new energy efficient office building. The office building transition occurred over July to December 2013 and during this time we were occupying both the old buildings and our new building. This resulted in higher than usual GHG emissions.

Australian stationary energy-related GHG emissions are forecast to decrease significantly as these changes take effect.

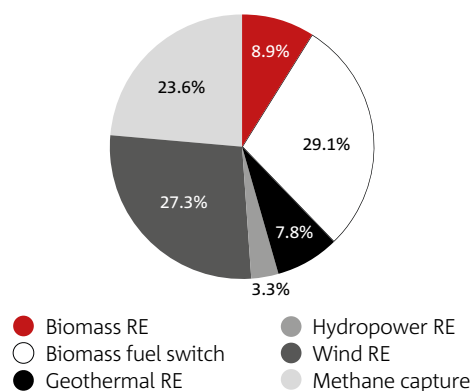
Our performance against target is shown in the Group reduction targets table on page 61.

## NAB numbers > Offsetting activities

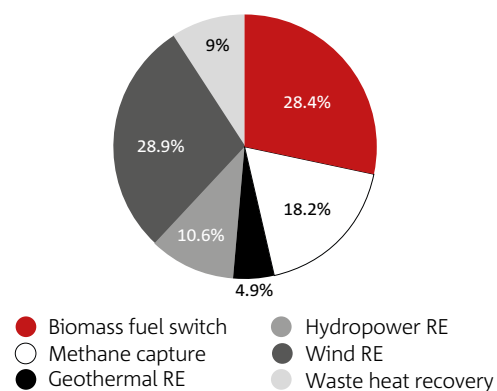
### Note 3: Offsetting activities

(tCO <sub>2</sub> -e emissions)	2014	2013	2012 <sup>1</sup>	2011	2010
Gross GHG emissions	297,680	311,010	305,558	319,090	319,157
Certified renewable electricity <sup>1,2</sup>	(23,193)	(22,614)	(27,431)	(21,970)	(27,068)
Voluntary carbon offsets <sup>1</sup>	(274,487)	(288,396)	(278,127)	(297,120)	(42,040)
Net emissions	0	0	0	0	250,049

#### Offset portfolio by project type for actual 2014 GHG emissions (%)



#### Offset portfolio by project type for forecast 2015 GHG emissions (%)



Key:  
RE = Renewable Energy Generation

<sup>1</sup> Refer to footnote 8 on page 61.

<sup>2</sup> Our UK operations buy government certified renewable electricity under the UK government Renewable Energy Guarantee of Origin (REGO) Scheme.

A total of 274,487 tCO<sub>2</sub>-e of offsets have been retired to cover group-wide net GHG emissions for the 2014 reporting period, after accounting for the reduction in GHG emissions due to our purchase of renewable electricity in the UK (equivalent to a reduction of 23,193 tCO<sub>2</sub>-e). Additionally, in 2014 we retired 278,048 tCO<sub>2</sub>-e of carbon offsets to cover our expected 2015 GHG emissions across the Group.

Our requirements for the purchase of quality carbon offsets and the management of our offset portfolio are documented in our *Environmental Reporting and Offsets Management Standard*. The portfolio diversity and quality requirements outlined in this Standard were adhered to for our 2014 and 2015 offset allocations.

Our forward purchasing model for carbon offsets mean we then calculate our forecast GHG emissions for the 2015 year based on the actual GHG reported in our 2014 carbon inventory and include adjustments for key activities planned for 2015. We regularly review our forecast GHG emissions for the year against our allocated carbon offsets and reallocate from our pool of surplus retired offsets, if necessary.

Additionally, a full reconciliation between actual versus forecast emissions is conducted at the end of the future reporting period. Should a shortfall or surplus occur, we reallocate additional retired offsets from our retired pool for the period or reallocate surplus offsets back to the retired pool to be used for future periods. In 2013, we retired 300,245 tCO<sub>2</sub>-e of carbon offsets to cover our expected 2014 GHG emissions. Following year the year end reconciliation process, we determined we had retired 25,758 tCO<sub>2</sub>-e of offsets in excess of our 2014 needs. Subsequently, we reallocated 25,758 tCO<sub>2</sub>-e of offsets from our 2014 forecast allocation to our pool of surplus retired offsets. This then left a remaining total allocation of 274,487 tCO<sub>2</sub>-e of retired offsets allocated to 2014, offsetting our organisational carbon inventory to zero.

## NAB numbers > Paper, customer statements, waste and recycling

### Note 4: Paper consumption, office, customer and waste to landfill and recycling

Group A3 and A4 office paper purchased		Units	2014	2013	2012	2011	2010
Total A3 & A4 office paper purchased	tonnes		1,306	1,440	1,538	1,687	1,803
A3 & A4 office paper purchased containing recycled content	%		67	22	15	27	26
A3 & A4 carbon neutral certified office paper	%		68	65	67	0.26	0.05
Total A3 & A4 office paper purchased per FTE	kg/FTE		31	33	35	37	44

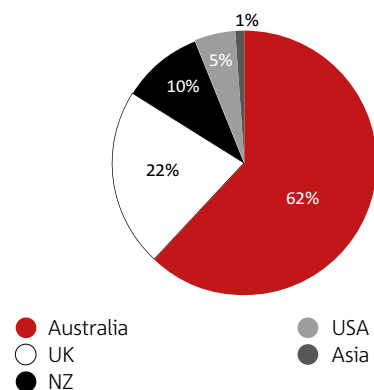
Total purchase of A3 and A4 office paper decreased across the NAB Group by 9% in 2014 compared with 2013. Paper purchased per FTE has dropped from 33kg to 31kg per FTE. This decrease in paper consumption was mainly due to extension of Follow Me Print and flexible working (including Wi-Fi) in our largest offices in Australia. Our New Zealand business has also implemented a range of paper saving measures, including installation of multi-function devices that detect blank pages and avoid unnecessary printing, and enhances employee ability to use Wi-Fi, which reduces the need to print.

Across the NAB Group, A3 and A4 office paper purchased is either ECF, PCF or TCF<sup>1</sup> bleached pulp fibre. In addition, our A3 and A4 office paper purchased is certified, to ensure paper pulp is sourced from sustainably managed forests. 99% of our Australian operations' office paper is 100% recycled content and certified carbon neutral. In New Zealand, 23% of office paper is 100% recycled content and 64% is certified carbon neutral.

### Performance against target

We are on track to achieve our 2016 target of a 10% reduction in office paper from our 2013 baseline year. Our performance against target is shown in the Group reduction targets table on page 61.

### Paper purchased by geography in 2014 (%)



### Customer statements (as at 30 June 2014)<sup>2,3</sup>

	2014	2013
Electronic statements	2,611,426	1,941,678
Printed statements	5,390,149	4,977,386
% electronic statements	33	28

As at 30 June 2014, 32% of our Australian customers, 38% of New Zealand customers and 20% of our US customers chose to receive online only statements. In New Zealand, we ran an initiative to donate \$5 to Plunket (a provider of child health services) for every customer that elected to only receive online statements. This resulted in a combined increase, from 28 to 33% of customers across Australia, NZ and the US, that are receiving their statements online in 2014.

### Performance against target

The proportion of our customers receiving online only statements increased by 17.9% from 28% in 2013 to 33% in 2014. This means that we have exceeded our 2016 target to transition up to 30% of customers to online only statements. We will be reviewing this target in 2015 with a view to increasing it in 2015. Our performance against target is shown in the Group reduction targets table on page 61.

### Waste to landfill and recycling<sup>4</sup>

Tonnes (estimate)	2014	2013	2012	2011	2010
Paper collected and recycled	4,585	4,455	3,797	4,084	4,502
Other waste recycled	1,464	1,111	1,013	626	414
Sub-total materials recycled/diverted from landfill	6,049	5,566	4,810	4,710	4,916
Waste to landfill	3,530	3,367	3,528	3,786	3,514
Total waste generated	9,579	8,933	8,338	8,496	8,430
Total waste to landfill per FTE (kg/FTE)	83	78	80	84	86
% waste diverted from landfill (estimate)	63	62	58	55	58

Total estimated waste generated across the NAB Group increased by around 7% in 2014 compared with 2013. In Australia, there was an increase of around 8% in estimated waste to landfill and an 18% increase in recycled materials. This increase was anticipated given there was a transition of 16,000 people across our Melbourne building portfolio. Most of these people moved into flexible working environments with limited storage resulting in extra waste as they cleaned out their offices. Our UK operations also experienced a 6% increase in waste to landfill and an increase in recycled materials of around 3%. The key driver for this was also building relocations that took place during the year, which also increased recycling rates. Improved data quality has also contributed to the increase we

have recorded in our waste to landfill data. The trend of increased waste generation has been marginally offset by a decrease in waste to landfill in the US. Our US operations experienced a decrease in both waste to landfill and recycled materials of around 11% due to the closure of some branches.

### Performance against target

We have set a target to increase the proportion of waste diverted from landfill (or recycled) to 75% by 2016, from a 2013 baseline year. We anticipate that with a more stable operating profile in 2015 and 2016, improved measurement and an increased focus on encouraging the right recycling behaviours, this target should be achieved.

<sup>1</sup> Refer to Glossary on page 68 for the definition of these acronyms.

<sup>2</sup> This was a new key performance indicator established in 2013 to track our target to increase the proportion of customers receiving online statements.

<sup>3</sup> Customer statement data is only for Australian, NZ and US operations.

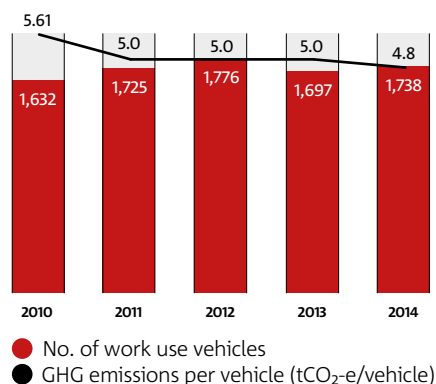
<sup>4</sup> Total waste to landfill and recycling data includes measured and extrapolated data.

## NAB numbers > Transport and travel, water and trade effluent

### Note 5: Transport and travel, water and trade effluent

Transport and travel		Units	2014	2013	2012	2011	2010
Work use vehicles	number		1,738	1,697	1,776	1,725	1,632
Fuel consumption – work use vehicles <sup>1</sup>	kL		3,337	3,439	3,603	3,536	3,804
Total air travel <sup>2</sup>	'000 pkms		144,722	141,177	136,591	160,916	145,159
Hotel stays	nights		94,493	87,661	89,309	100,146	81,673

### Work use vehicles – GHG intensity



Group vehicle fuel consumption decreased by 3% compared with 2013, despite a 2.4% increase in work use vehicle numbers. This decrease in fuel consumption was largely driven by our ongoing transition to more fuel efficient vehicles in our Australian and New Zealand operations. In Australia, hybrid vehicles now represent 68% of the total vehicle fleet, while in New Zealand around 38% of the vehicle fleet consists of fuel efficient diesel vehicles.

Business-related travel emissions across the Group have decreased by around 6%. Group air travel has marginally increased by around 2% compared to 2013. This increase was mainly due to continued growth of Asian operations (which increased on its own by more than 30% compared to the prior year). Hotel stays increased in line with air travel.

Water consumption		2014	2013	2012	2011	2010
(Kilolitres estimate)						
Potable water consumption		649,314	681,909	677,670	722,590	632,998
Rainwater harvested <sup>3</sup>		7,524	4,325	1,617	NR	NR
Total water consumption		656,838	686,234	679,287	722,590	632,998

Key:  
NR = not reported. NAB commenced rainwater harvesting in 2012.

NAB Group's reported water consumption decreased by 4.8% in 2014 compared to 2013. Around 4% of this decrease was due to property portfolio consolidation in Melbourne as employees moved into our new water efficient building. Our New Zealand operations also reported a reduction of around 13% in water consumption. This was achieved by working with a service provider to improve the quality of water data received and a continued focus on water saving initiatives, such as installation of water efficient dishwashers. Branch closures in the UK have contributed to a decrease of around 16% in reported UK water consumption.

Our Australian and New Zealand businesses continue to harvest water. This year, we have achieved a significant increase in harvested water in Australia as a result of a full 12 months collection from additional harvesting capacity installed in 2013 and good rainfall. The key use for our harvested water is in our tri-generation plant's cooling towers.

### Performance against target

The Group's reported water consumption decreased by 4.8% in 2014 compared to 2013, this is a reduction close to our 2016 target of 5%. Additional water reduction initiatives are planned for 2015 to deliver the savings required to achieve our 2016 target.

### Trade effluent

In Australia, NAB has a number of licenses for the discharge of trade effluent from grease traps and cooling towers at our data center and some large office buildings. In 2014, we have continued to operate within the terms specified in our discharge licenses.

1 Fuel consumption in the UK is derived from recorded distance travelled and vehicle efficiency information provided by our UK fleet manager as our UK operations do not use fuel cards.  
 2 The unit for air travel is pkms (passenger km travelled). These numbers represent our raw data and do not include uplift calculations applied prior to calculation of GHG emissions. Uplift has been applied to Australian and New Zealand air travel to account for travel bookings made outside agreed corporate travel providers.  
 3 Water harvesting commenced in 2012.

## Environmental glossary

### Biodiversity

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

### Business as usual

An estimate of the future pattern of GHG emissions, which assumes that there will be no major changes in attitudes and priorities of governments, business and the community.

### Carbon footprint

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

### Carbon inventory

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

### Carbon offset

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

### Closing the loop

A concept associated with a ‘circular economy’ where resource use is part of a renewable cycle rather than a ‘take, make, dispose’ model. It incorporates renewable energy, resource efficiency and waste which is prevented, breaks down harmlessly or is reused – thus closing the resource usage loop.

### CO<sub>2</sub>-e (carbon dioxide equivalent)

The common unit of measure for the expression of Greenhouse Gas emissions. Each unit of greenhouse gas has a different global warming potential. Therefore all greenhouse gases are converted back to tonnes (tCO<sub>2</sub>-e) of carbon dioxide equivalent to enable consistent comparison and measurement.

### Certified Emission Reduction (CER)

The tradable instrument under the Kyoto Protocol’s Clean Development Mechanism.

### ECF, PCF or TCF

Elementally chlorine free, processed chlorine free or totally chlorine free. An environmentally preferable process that uses chlorine dioxide for the bleaching of wood pulp. It doesn’t use elemental chlorine gas during the bleaching process and prevents the formation of dioxins and dioxin-like compounds, which are carcinogenic compounds.

### Ecosystem

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

### Ecosystem services

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

1. provisioning – such as the production of food and water;
2. regulating – such as the control of climate and disease;
3. supporting – such as nutrient cycles and crop pollination; and
4. cultural – such as spiritual and recreational benefits.

### Environmental, Social and Governance (ESG)

Describes the consideration of the Environment, Social and Governance (ESG) factors that impact on the risk and return profile of a company’s operations and investments. ESG risk incorporates the three main areas of concern that have developed as the central factors in measuring the sustainability and ethical impact of a company’s operations. They can arise directly through a company’s own operations, or indirectly through customers and suppliers. ESG issues include managing the company’s carbon footprint, addressing diversity, human rights and financial inclusion and ensuring there are systems in place to ensure accountability.

### Equator Principles (EPs)

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

### FTE

Full Time Equivalent. A measure for reporting employee numbers.

### Greenhouse gas (GHG) emissions

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

### Natural Capital

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

### Natural Value

(Otherwise known as natural capital accounting) is the recognition of the contribution that biodiversity and ecosystem goods and services have on economic sustainability.

### Natural Capital Declaration (NCD)

A statement by financial institutions that recognises that Natural Value poses significant risks and opportunities. The Declaration has been endorsed by 28 global financial institutions to date and is also supported by 38 various NGOs and Associations. Signatories have committed to implementing natural capital considerations into their businesses and to collaborate in developing shared tools and industry standards by 2020. The Declaration has been convened by United Nations Environment Programme Finance Initiative’s (UNEP FI) Global Canopy Programme and The Centre for Sustainability Studies, Guetulo Vargas Foundation. Refer to [website](#).

### Renewable energy

Energy taken from sources that are renewable, for example wind, water, solar and geothermal energy.

### Scope 1 GHG emissions

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

- combustion of fuel in boilers, furnace or generators that are owned or controlled by the reporting company
- generation of electricity, steam or heat in equipment that is owned or controlled by the reporting company
- business travel in vehicles such as company cars or corporate jets that are owned or controlled by the reporting company

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

### Scope 2 GHG emissions

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

### Scope 3 GHG emissions

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

- business travel in non-company owned or controlled vehicles, such as rental cars, employee cars, rail and commercial planes
- combustion of fuel in boilers or furnaces not owned or controlled by the reporting company
- employee commuting in vehicles not owned or controlled by the reporting company, such as light rail, rail, buses and employees’ cars
- third-party production or manufacture of materials and resources used by the reporting company, such as furniture, paper and equipment
- indirect losses resulting from the transmission of electricity and other fuels.

### Spill

Accidental release of a hazardous substance that can affect human health, land, vegetation, water bodies, ground water and property.

### Trade effluent

Waste water discharged from industrial and commercial operations to the sewerage system. This may include waste water discharged from cooling towers, boiler systems, grease traps in kitchen and canteens.

### Tri-generation

a process in which fuel is combusted to generate electricity, with waste heat being utilised to provide heating and cooling.

## External assurance

To provide our stakeholders with a greater level of confidence in our reporting, we engage Ernst & Young to provide limited assurance over key metrics included in the *2014 Annual Review* and this *Dig Deeper* paper and limited-level assurance that NAB has identified and reported on its material topics and that the associated disclosures are complete within the *2014 Annual Review*. Additionally, KPMG provide reasonable assurance over our Australian National Greenhouse and Energy Reporting (NGER) data (Scope 1 and 2 emissions) and limited assurance over our other energy and greenhouse gas (GHG) emissions data for our carbon inventory.

The metrics (other than environmental metrics) covered by external assurance are listed below. These metrics were compiled taking into account NAB's business-wide commitments and feedback we received through our annual Materiality Review. A full copy of Ernst & Young's Independent Review is [available online](#). The assurance statements provided by KPMG are [available online](#).

Key metrics (other than environmental metrics) covered by external assurance	
1	Code of Conduct breaches (includes discrimination incidences) (Group)
2	Customer satisfaction (by region and business segment) (Australia only)
3	Personal banking customer satisfaction (Australia only)
4	Business banking customer satisfaction – across 4 customer segments (Australia only)
5	Institutional relationship banking survey (Peter Lee Associates) (Australia only)
6	Number of stores and business banking centres (Group)
7	Number of ATMs (by accessibility type) (Group)
8	Total customer complaints (by region and by category – showing percentage change) (Australia only)
9	Number of customers assisted experiencing financial hardship (Australia only)
10	Cumulative number of low-income Australians assisted with products/services (Australia only)
11	Number and dollar value of microfinance loans written (by type) (Australia only)
12	Project financing as a percentage of total project finance portfolio (by sector) (Group)
13	Percentage of customers that are active users of internet banking (Australia only)
14	Business footings (by sector) (Australia only)
15	Total group engagement score (Right model) (Group)
16	Total retention of employees by volunteer completion (Australia only)
17	Total retention rate of 'Group Talent Pool' (Australia only)
18	Total retention rate of 'High Performers (4A, 5B, 5A)' (Australia only)
19	Total workforce (by FTE, headcount, age group, gender, employment type) (Group)
20	Female representation in total workforce (Group)
21	Female representation in executive management (Group)
22	Percentage of total workforce over 50 (Group)
23	Female representation on Group subsidiary boards (Group)
24	Total number and rate of employee turnover (by region, voluntary/involuntary, age and gender) (Group)
25	Total rate of voluntary turnover (Group)
26	Total rate of involuntary turnover (Group)
27	Ratio of basic salary, female to male (by employment level) (Group)
28	Return to work rate (by region) (Australia)
29	Community investment (by dollar value, region, type, focus area) (Group)
30	Forgone revenue on Community Fee Saver accounts (Australia only)
31	Number of Community Fee Saver accounts (Australia only)
32	Value of donations facilitated by NAB internet banking platform (value and percentage change) (Australia only)
33	Value of NAB's Workplace Giving Program (Australia only)
34	Number and dollar value of volunteering days (skilled and general) (Group)
35	Cumulative number and dollar value of volunteering hours (Australia)
36	Critical/material/strategic suppliers that are signatories to Supplier Sustainability Principles (global) (%)