

C0. Introduction

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C0.1

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

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

In FY2019, we launched a new Social Impact Strategy which aims to help address significant social challenges facing our business and community. It sets goals for what we seek to achieve by 2030, in line with the United Nations' Sustainable Development Goals (SDGs). Each Social Impact goal is paired with relevant SDGs where we can make a difference to the societal challenge. This means focusing our resources on where we can have the biggest impact and linking our Social Impact Strategy to NAB's broader ambition and responsibilities. We've set out four goals that we're tackling to drive positive change. These goals include: financial health, stronger communities, banking on nature and climate action.

With respect to climate action, we are focused on 'Working with communities to ensure they are more resilient to climate change', and 'supporting a low-carbon economy'. Our priorities are clean energy, a just transition to a low-carbon economy and climate adaptation. We are developing key metrics to track our performance against each priority area and to measure how we are contributing to addressing the overall societal challenge.

We recognise that climate change is a significant risk and a major challenge for the global economy and society. Climate change is now viewed as a systemic financial risk which is being incorporated into prudential supervisory frameworks. We support the transition to a low carbon economy and are seeking to manage our portfolio to align with the temperature goals of the Paris Agreement.

In FY2019, we made a number of commitments to help drive Australia towards a sustainable future. This was part of our participation in the Australian National Outlook (ANO) project, a multi-stakeholder collaboration with CSIRO and other organisations. The ANO mapped a sustainable path for Australia to reach its social and economic potential in 2060. This path is based on five key land, energy, culture, urban and industry shifts that government, business and the wider community must make together. We made key commitments to support the required land, urban, industry and energy shifts including launching a partnership with ClimateWorks Australia to develop sustainable agriculture metrics to improve natural asset management and increasing our environmental financing commitment from \$55 billion to \$70 billion by 2025. We will set further targets to drive these shifts and help put Australia on a path to realising a future with a positive outlook. In FY2019, we also became founding signatories to the Principles for Responsible Banking (PRB) and the PRB's Collective Commitment to Climate Action.

We also announced a number of actions to help meet the goals of the Paris Agreement including:

- Increasing our commitment to provide environmental finance from \$55 billion to a targeted \$70 billion by 2025.
- Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions.
- Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers.
- Increasing our internal renewable energy consumption commitment from 50% to 100% by 2025 and joining the RE100 initiative.

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

Our climate change strategy focuses on the following four areas:

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

For more details about our climate change strategy and governance refer to our TCFD disclosures in our [2019 Annual Financial Report](#) (pages 35-39). Further information about our climate action is available on our website [here](#).

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## C0.2

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

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	October 1 2018	September 30 2019	No	<Not Applicable>

**C0.3**

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

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

**C0.4**

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

AUD

**C0.5**

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

Operational control

**C-FS0.7**

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

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

**C1. Governance**

**C1.1**

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

Yes

**C1.1a**

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

Position of individual(s)	Please explain
Board-level committee	The NAB Group Board retains ultimate oversight for climate change-related matters supported by the Board Risk Committee (BRC)*. BRC has accountability for oversight of NAB Group's risk profile and risk management, including climate risk, within the context of Board determined risk appetite (although ultimate responsibility for risk oversight, risk appetite and risk management rests with the Board). The BRC refers all matters of significant importance to the Board, making recommendations to the Board concerning the Group's current and future risk appetite, risk management strategy and particular risks or risk management practices, including those related to climate change. The Board and BRC receive reports on a range of climate change-related issues, risks and opportunities and related regulatory change and reporting returns. Discussion of climate-related items by the Board and BRC provides an opportunity for Board members to discuss climate change risks and opportunities. For FY2019, decisions included review and approval of NAB Group's TCFD disclosures – which are included in the Report of Directors in NAB Group's Annual Financial Report and NAB Group becoming a signatory to the Collective Commitment to Climate Action. *Please note, the name Board Risk Committee has changed to Board Risk & Compliance Committee in FY2020.

C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Monitoring implementation and performance of objectives</p> <p>Overseeing major capital expenditures, acquisitions and divestitures</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p>	<p>The NAB Group Board retains ultimate oversight for climate change-related matters, which are integrated into business strategy, operations and risk management and which are otherwise part of specific initiatives under NAB Group’s climate change strategy and the climate change pillar of NAB’s Social Impact Strategy. The Board directly, or the Board Risk Committee (BRC), receives reports on a range of climate change related issues, risks and opportunities including progress against NAB Group’s climate change strategy, commitments and initiatives, risk appetite, environmental operational performance (including progress against the Group’s science-based emissions reduction target), carbon neutral status, and concerns from stakeholders. NAB Group’s Board and/or BRC receive updates (at least annually and at times more frequently) on climate-related regulatory change and greenhouse gas and energy reporting returns that require noting or approval at Board level before submission to regulators. The Board and/or BRC may also receive reports related to climate change matters that relate to risk appetite, scenarios and stress testing. NAB Group’s Climate Change Working Group (CCWG) reports on its activities through to management and executive and contributes to climate change strategy papers presented to the NAB Group Board. Key risks and opportunities identified as part of work by the CCWG are being integrated into risk appetite, policies, controls and processes, and business strategy and investments (such as the capital expenditure invested to improve the environmental performance and sustainability of the data centres NAB Group operates and the buildings we occupy). In FY2019, the Group reviewed and increased the level of ambition in its public climate change-related commitments. This included Increasing our environmental financing commitment from \$55 billion to \$70 billion by 2025, increasing our internal renewable energy objective from 50% to 100% by 2025 and signing up to the RE100 initiative. The Board also approved updates to NAB Group’s climate change-related credit risk policy settings related to thermal coal mining and thermal coal-fired power. This included the following: • Supporting current coal-fired power generation customers implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB Group will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB Group will not take on new-to-bank thermal coal mining customers.</p>

C1.2

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

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Risks Officer (CRO)	Risk - CRO reporting line	Both assessing and managing climate-related risks and opportunities	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	Annually
Other C-Suite Officer, please specify (Group Executive, Corporate & Institutional Banking)	Other, please specify (Divisional reporting line)	Both assessing and managing climate-related risks and opportunities	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p>	Half-yearly

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
<p>Risk committee</p> <p><i>Our Group Non-Financial Risk Committee, Group Credit and Market Risk Committee, and Executive Risk Committee each help oversee aspects of NAB's climate change strategy, risk appetite and management, policies, and performance. These committees each review aspects of climate change-related performance on a semi-annual (half-yearly) basis, which is included in papers going through to Board or Board Risk Committee as part of Board and BRC's annual agendas.</i></p>	<p>CEO reporting line</p>	<p>Both assessing and managing climate-related risks and opportunities</p> <p><i>Papers including climate-related information goes to a Risk Committee on a least a quarterly basis, GNFRC semi-annually oversees matters including progress against the Group climate change strategy and commitments and regulatory, operational and compliance matters related to climate change. The GCMRC semi-annually oversees credit and market risk matters impacted by climate change including our risk appetite, limits, portfolio exposures and credit policies.</i></p>	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	<p>Half-yearly</p>
<p>Other committee, please specify (NAB Group's Climate Change Working Group)</p> <p><i>The Climate Change Working Group (CCWG) reports on its activities through to management and executive and contributes to climate change strategy papers presented to the NAB Board.</i></p>	<p>Other, please specify (Executive Leadership Team and Risk Committee as applicable)</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	<p>Annually</p>
<p>Other C-Suite Officer, please specify (Group Executive, Legal and Commercial Services )</p> <p><i>The Group Executive, Legal and Commercial Services is accountable for taking NAB's Social Impact (formerly Corporate Responsibility) Strategy to the Board. In FY2019, the Board approved a new Social Impact Strategy which aims to help address significant social challenges facing our business and community in four key areas: financial health, stronger communities, banking on nature and climate action. The climate action goal is focused on "Working with communities to ensure they are more resilient to climate change, and supporting a low-carbon economy."</i></p>	<p>Other, please specify (Divisional reporting line)</p>	<p>Both assessing and managing climate-related risks and opportunities</p>	<p>Risks and opportunities related to our bank lending activities</p> <p>Risks and opportunities related to our other products and services</p> <p>Risks and opportunities related to our own operations</p>	<p>Annually</p>

C1.2a

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

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

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

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

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

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

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

The **ERC**, comprising our ELT and others, meets monthly to discuss risk issues and receives reports on ESG risk, including CC risks, as required. Our ELT also receives updates on social impact (formerly corporate responsibility) commitments, including public commitments related to CC. In FY2019, this included supporting increased ambition for a few of our climate commitments and signing up to Collective Commitment to Climate Action. The ERC also reviews updates to our CC strategy and progress against our climate commitments and, where applicable, endorses them through to the BRC and Board.

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

### C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

### C1.3a

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

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Corporate executive team	Monetary reward	Company performance against a climate-related sustainability index	Executive compensation is subject to the One NAB Score, which is a measure of the Group's performance over the financial year. The Board determines the One NAB Score based on the achievement of performance measures set by the Board at the beginning of the financial year. These include risk-adjusted financial and non-financial measures which support the Group's longer-term strategy. The final One NAB Score is subject to Board discretion considering qualitative matters such as the quality of the financial results, management of risk, reputation, shareholder expectations, sustainability and the environment (including consideration of global sustainability ratings). Refer to p.49-51 of the 2019 Annual Financial Report for an overview of the executive remuneration framework and how the One NAB Score and Board discretion elements work. 20% of each executive's individual variable reward is also based on an assessment of their risk management (see p.53), which includes the areas of risk culture and responsible lending.
Environment/Sustainability manager	Monetary reward	Emissions reduction target	For Environment/Sustainability managers with responsibility for Property and Technology functions, meeting environmental reduction targets for greenhouse gas (GHG) emissions and energy is a key part of their performance and these measures are included in their performance plans. Additionally, performance plans will include resource efficiency/ reduction targets, some of which, such as paper and waste, will contribute to a reduction in our Scope 3 emissions.
Other, please specify (ESG Risk Managers & CR Managers)	Monetary reward	Other (please specify) (Supporting the Group in its review of climate change risks and opportunities relating to the Paris Agreement.)	Key personnel in Risk and Social Impact (formerly Corporate Responsibility) roles have specific performance objectives related to supporting the Group in its review of climate change risks and opportunities relating to the Paris Agreement. This includes supporting NAB's Climate Change Working Group (refer to pg 27 in NAB's 2019 Sustainability Report and p36 in the 2019 Annual Financial Report) and working with business areas on portfolio targets to align to Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050 (refer to pg 21 in NAB's 2019 Sustainability Report).
Other, please specify (Bankers in environmental product areas such as Project Finance and Sustainable Finance.))	Monetary reward	Portfolio/fund alignment to climate-related objectives	Key personnel in customer facing areas are rewarded for generation of business which helps our customers to mitigate or adapt to climate change (e.g. financing of renewable energy projects to avoid emissions or arranging and underwriting green bonds) and sales of environmental and climate change-related products and services which incentivise customers to reduce emissions or produce more renewable energy (e.g. provision of sustainability-linked loans). NAB has set a target to provide \$70bn environmental financing by 2025.
All employees	Non-monetary reward	Behavior change related indicator	NAB offers a range of non-monetary rewards to employees supporting low carbon behaviours such as interest free loans for annual public transport tickets. Additionally, employees are given the opportunity to win prizes for participating in workplace competitions and engagement programs aimed at reducing our workplace resource consumption and carbon footprint. A recent competition related to behavioural changes gave the chance to win a UBank Green Term Deposit.

**C-FS1.4**

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

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

**C2. Risks and opportunities**

**C2.1**

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

Yes

**C2.1a**

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

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

**C2.1b**

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

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

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

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

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

The material risk categories used by NAB in FY2019 were: credit, operational, compliance, conduct, balance sheet & liquidity, market, regulatory and strategic risk. Climate-related risk may manifest itself across a number of our material risk categories and will potentially be more substantive in some material risk categories rather than others – therefore it is considered in the context of how it impacts our material risk categories.

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

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

A financial impact arising from climate-related risks would be deemed substantive/major in accordance with NAB's risk management framework and internal policies if the impact was at least \$5m. Reputation risk may also be considered substantive based on the number and type of stakeholders raising concerns – including as they are assessed annually through our materiality process. This engagement process is conducted with internal and external stakeholders to seek their views on material issues facing our business and to guide our disclosures. Further information about this process is in our 2019 Sustainability Report (pg 10). In FY2019, stakeholders told us that how we act on climate change and show leadership in environmental sustainability is one of six priority areas they want us to disclose.

The risk factors section in our 2019 Annual Financial Report pg 20, highlights that climate change and extreme climate patterns may lead to increasing customer defaults and decrease in the value of collateral, including as a result of the effect of new laws and government policies designed to mitigate climate change, and the impact on certain customer segments as the economy transitions to renewable and low-emission technology. It notes, as an example, the impacts of severe drought conditions experienced in parts of eastern Australia in FY2019. Further, due to the substantive forecast impact of these drought conditions and/or extreme weather events on agri-customers, our 2019 Full Year Investor Presentation (slide 81) discloses that NAB had made collective provision forward looking adjustments of \$180m to address the impact of extreme weather/drought conditions in NSW and southern QLD.

## **C2.2**

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

#### **Value chain stage(s) covered**

Direct operations

#### **Risk management process**

Integrated into multi-disciplinary company-wide risk management process

#### **Frequency of assessment**

Annually

#### **Time horizon(s) covered**

Short-term

Medium-term

Long-term

#### **Description of process**

At a Group level (company level), NAB Group's Risk Management Framework (RMF) supports identifying, measuring, evaluating, mitigating and monitoring on all internal and external sources of material risks. Identification and assessment of ESG risks, including climate change (CC) related risks, are built into the RMF, including risk appetite and policies, risk profiling and assessment, monitoring and reporting. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate. We use scenario planning and economic modelling to: (1) take a forward and longer-term view of potential risk events and to understand their impact e.g. impacts of changing carbon regulation, changes in energy markets or physical



climate on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence. NAB Business lines and support functions are supported by risk advisors and partners, including specialists with CC knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's material risk category requirements. NAB reviews climate-related risks and opportunities associated with our operations, at least annually, and sometimes more than once per year. We review substantive operational risk events, including those related to climate change (such as loss and damage to our branches caused by extreme weather events) when they occur, and collectively on at least an annual basis. This means we can ensure we have appropriate insurance coverage for physical climate risk events, where required. We consider climate-related risks, impacts and opportunities on a short, medium and long-term basis based on environmental scanning and scenario analysis in accordance with our risk management process. Given the outcome of our ESG materiality assessment, we understand that our people and stakeholders expect us to act now on climate change, therefore a key approach underpinning our climate change strategy, is to learn by doing and lead by example. This means we are taking action in the short-term (12-36 months) to annually decrease our operational GHG emissions through energy efficiency initiatives and roof top solar installation. The helps us reduce transition risk associated with regulatory GHG requirements associated with our operations and changes in the electricity market. We are also taking action to decarbonise our business activities over the medium (3-6 years) to long-term (>6 years) through our science-based emissions reduction target to reduce emissions from our operations by 21% by 2025 (off a 2015 baseline; in H1 2020 this has been increased to 51% by 2025) and through our new commitment to RE100 – In FY2019, we increased our commitment to buy renewable electricity from 50 to 100% across our operations globally. This provides us with an opportunity to decarbonise our business and to support renewable energy providers by contracting to purchase renewable energy from them. In taking these actions, we are also contributing to reducing our operational contribution to the physical impacts of climate change. We review progress against our targets and commitments annually and strategically on an annual basis. Strategically, we look for medium to long-term opportunities to reduce the GHG emissions arising from our business when we make significant changes to our building portfolio. For example, through consolidating operations from multiple low energy efficiency buildings into new energy efficient buildings when buildings come up for lease renewal. This includes working with landlords to achieve our sustainability and climate-related objectives in the new building design and fit out. Planning and execution of these building portfolio changes can require significant investment and take 3-5 years. Short-term opportunities include changes to the vehicles in our car fleet to reduce emissions when our fleet cars reach the end of their lease. This is governed by our vehicle fleet management policy, which is reviewed regularly (every 1-3 years).

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**Value chain stage(s) covered**

Upstream

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

**Frequency of assessment**

Annually

**Time horizon(s) covered**

Short-term

Medium-term

Long-term

**Description of process**

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

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**Value chain stage(s) covered**

Downstream

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

**Frequency of assessment**

More than once a year

**Time horizon(s) covered**

Short-term

Medium-term

Long-term

**Description of process**

At a Group level (company level), NAB Group's Risk Management Framework (RMF) supports identifying, measuring, evaluating, mitigating and monitoring on all internal and external sources of material risks. Identification and assessment of ESG risks, including climate change (CC) related risks are built into the RMF, including risk appetite and policies, risk profiling and assessment, monitoring and reporting. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate. We use stress testing, scenario planning and economic modelling

to: (1) take a forward and longer-term view of potential risk events and to understand their impact e.g. impacts of changing carbon regulation, changes in energy markets or physical climate on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence. NAB Business lines and support functions are supported by risk advisors and partners, including specialists with CC knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's material risk category requirements. Downstream climate-related physical and transition risks and opportunities are considered in the short, medium and long-term as part of customer-related risk management processes. As part of credit risk management, assisted by ESG risk assessment, which includes consideration of climate risk, both at a client and portfolio level, we monitor the potential size and scope of climate-related risks within our overall lending portfolio and make changes to risk appetite and ESG risk credit policy settings to manage them. Review of ESG-related exposures, exposure to carbon intensive and low carbon sectors, in our lending portfolio is undertaken on a least a six-monthly basis as part of a semi-annual Risk Committee update. At an individual customer level, climate-related physical and transition risk is considered as part of the credit risk and due diligence processes conducted at on-boarding and as part of regular client review, usually annually (short-term). This includes understanding how customers are identifying, managing and monitoring climate-related physical and transition risks and how these risks may change over the tenor (life) of a loan (short to medium-medium term; typically, 0-6 years). For example, when considering project finance, we will consider a customer's individual exposure to carbon pricing, carbon-related regulatory requirements and policy change and physical risks such as water scarcity and extreme weather events, as well as how they are responding strategically and operationally to these risks over the short, medium and long-term. At a portfolio level, we consider transition risk as part of a phased review of risk appetite for carbon intensive, low carbon and climate sensitive sectors. This is based on a semi-quantitative heat map we developed for our entire lending portfolio looking at physical, transition and liability risks. We are prioritising those areas of our portfolio where the highest level of potential climate-related risks were identified. In FY2019, we completed a portfolio level review of the Group's thermal coal related exposures (both for mining and power generation). Outcomes of this review included NAB committing to:

- Support current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. We also communicated changes to our credit risk policy including that NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions.
- Cap thermal coal mining exposures at FY2019 levels and reduce thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. We also communicated changes to our credit risk policy including that NAB will not take on new-to-bank thermal coal mining customers. Our thermal coal-related review considered short, medium and long-term impacts of transition risk on our thermal-related coal mining and power generation customer portfolios out to 2050 using scenarios provided by International Energy Agency and Global Energy Monitor. Further details are available in our TCFD-related disclosures pgs 35-39 of our 2019 Annual Financial Report. In FY2019, we also conducted work to develop a methodology so we can understand the short, medium and long-term physical risks associated with cyclones under a range of climate scenarios. With the help of the Energy Transition Hub located at the University of Melbourne, we developed a process for overlaying lending portfolio data with physical climate data. Cyclone data (wind speeds >64 knots or cyclone category 1 and above) was used to test this overlay process and develop the Group's understanding of how to assess the potential impact of physical climate hazards on segments of its lending portfolio under different climate scenarios. Wind speeds from cyclone tracks under four different warming levels (1.2oC, 1.5oC, 2oC and 3oC above pre-industrial levels) were selected and analysed by the Climate and Energy College in collaboration with the Potsdam Institute for Climate Impact Research for use as an indicator of the severity and location of future damage due to tropical cyclones under a changing climate. Initial analysis suggested that an increased geographic proportion of the Group's Australian retail mortgage portfolio is likely to experience cyclones under higher warming scenarios. Further work is required to refine this methodology. Future work will include growing the Group's understanding of how to link forecast changes in physical climate impacts such as cyclone frequency, location and severity with possible future changes in probability of default. Following further testing of this approach, the Group will look to add other overlays of physical hazard data such as flooding, drought, and extreme heat, as well as applying the approach to other lending portfolio segments.

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## C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	NAB Group is subject to compliance requirements of current climate-related regulation. Changes in the regulatory environment are considered by the Group as part of assessing transition risk. In considering how transition risk may impact NAB Group, we review and consider NAB's obligations within our risk assessment and profiling. For example, NAB Group is subject to a range of mandatory and voluntary requirements. We must comply with the National Greenhouse and Energy Reporting Act in Australia and the Streamlined Energy and Carbon Reporting (SECR) requirements in the UK. NAB Group is subject to these requirements because the energy use and GHG emissions from our building portfolio of bank branches and commercial offices trigger the regulatory thresholds. For example, NAB Group annually reviews, including in FY2019, the requirements of these current regulations to ensure we can continue to comply and that changes in the Group's circumstances do not result in non-compliance. Additionally, when considering transition risk impacting NAB Group customers, we include an assessment of customer's capacity to comply and meet current climate change-related policy and regulatory requirements in our ESG risk assessments, where relevant, particularly for energy and carbon intensive businesses. In FY2019, we commenced work on the UNEP FI TCFD pilot Phase 2 pilot project to further develop methodologies and processes for implementing TCFD recommendations. This work examines a broader range of scenarios to assist with climate-related scenario analysis and risk assessment.
Emerging regulation	Relevant, always included	NAB Group considers emerging regulation as part of transition risk assessment. For example, in considering how transition risk may manifest and impact NAB Group, we review and assess the impacts and implications of emerging regulatory requirements and provide feedback when invited to regulators through regulatory consultation processes. For example, in FY2019, we reviewed the potential impact of changes in climate-related reporting requirements in the UK to understand how we will be impacted by the change from the Carbon Reduction Commitment Energy Efficiency Scheme to the new Streamlined Energy and Carbon Reporting (SECR) regulations which took effect in 2019 for reporting in FY2020. Consideration of regulatory change is embedded in the Group's risk change process, which requires an assessment of the quantum of change and subsequent risk to the NAB Group arising from regulatory change, such as changes to climate related policy and regulation. In addition to considering the impact of emerging regulation on NAB Group's own operations, we consider the impacts this may have on the Group's customers, both at a transaction level and a portfolio level, this is because changes in the regulatory environment may change the risk profile of customers and contribute to an increase in credit risk for individual customers or a portfolio of customers. For example, changing and emerging regulation was a factor being considered in the transition risk scenario development and stress testing we are undertaking as part of the UNEP FI TCFD pilot work we did through FY2018 and FY2019.
Technology	Relevant, sometimes included	NAB Group includes technology risk, where relevant, in climate-related risk assessments so we can understand the transition risk faced by individual customers and sectors that we bank. For example, based on our assessment, NAB Group expects low carbon technologies to displace fossil fuel-based technologies over time and therefore we review this risk to consider and assess the degree to which this may present a risk of stranded assets associated with individual customers and some sectors in our lending portfolio. NAB Group also factors in the risk that new and emerging technologies may have unproven performance and market acceptance and therefore, we consider this aspect of technology risk in our credit risk and due diligence processes. For example, this is considered as a matter of course when undertaking due diligence processes for project finance and was considered in FY2019.
Legal	Relevant, always included	As a bank, NAB Group considers legal and liability risk so we can understand whether this risk could affect the Group's operations or the credit risk profile of the customers that we lend to. For example, we have considered the legal opinion of Noel Hutley SC and Sebastian Hartford Davison made available by the Centre for Policy Development in NSW which highlights the importance of directors' consideration of climate risks and opportunities and board-level governance of this issue. Climate risk-related reporting, which includes risks and opportunities is presented to our Board. Where relevant in our climate-related risk assessments, we track the cases involving climate-linked litigation, monitor trends and follow any cases that may involve our customers. In FY2019, our Climate Change Working Group regularly reviewed global climate related news - including details of climate-related litigation and details are also included in our semi-annual climate risk update to the Board. We have found instances of climate change litigation are increasing and are also being joined with human rights issues, particularly in developing countries. Although this varies across jurisdictions, it still appears to be a greater risk in the US, where there is a higher instance of legal actions and shareholder resolutions being taken against companies in carbon intensive sectors. This is also increasing in the UK, Europe and Australia. Ongoing review of legal and liability risk helps us prioritise the carbon intensive, climate sensitive and low carbon sectors for inclusion in phased risk appetite review. Our phased review of these sectors commenced in FY2017 with the coal mining sector. We reviewed oil and gas in FY2018. The outcome of our climate risk review of the oil and gas sector led to a change in our ESG risk credit policy settings. In FY2019, ongoing review of the sector led to further tightening of our appetite in relation to coal. Of note: • NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. Review of other sectors will follow in subsequent years.
Market	Relevant, always included	NAB Group monitors market trends associated with climate risk as this can provide opportunities for particular low-carbon products and services that we offer (such as green bonds, green term deposits and financing for renewable energy projects), as well as impacting on transition risk for our customers – which can affect credit risk associated with these customers and lead to changes in our risk appetite for particular sectors. For example, changes in market risk were factored into work we undertook in FY2018 on the metals and mining, and power generation sectors to pilot the transition risk methodology as part of the UNEP FI TCFD pilot. This built on the heat mapping work we did in FY2017 when we assessed the degree to which carbon intensive sectors and companies that we lend to were facing climate-related market risks. This assessment helped the Group to prioritise carbon intensive, climate intensive and low carbon sectors for our phased risk appetite review. NAB Group's phased review of these sectors commenced in FY2017 with the coal mining sector. We reviewed oil and gas in FY2018. Further review and changes to appetite in relation to coal mining and coal fired power took place in 2019. Of note: • NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. Other sectors will follow in subsequent years. Reviewing changes in market risk arising from climate change also informs our thinking about where potential stranded assets could arise in our lending portfolio.
Reputation	Relevant, always included	NAB Group considers reputation risk as a factor in climate-related risk assessments, in relation to the Group's social licence to operate, as this can be a factor influencing both our customers' choice of bank and our investors' choice of investment. Reputation is important to NAB Group because our vision is to be Australia's leading bank, trusted by customers for exceptional service. For example, as a bank, NAB Group considers changing reputation risk associated with our customers as part of our ESG and climate-related risk assessments. This is a standard component of our credit risk and due diligence process and therefore this work was ongoing in FY2019, as in any other year. We regularly receive, including in FY2019, questions from stakeholders (including customers and investors) about our lending portfolio exposure to customers in fossil fuel-related sectors and provide information to respond to these questions in our half and full year results presentations and annual reporting suite. In considering the reputation risk associated with our customers, we assess both how customer reputation may impact NAB Group by association and the customer's social licence to operate. In FY2019, stakeholder feedback and views, particularly from our annual materiality process (annual ESG-related stakeholder engagement), were considered in the Group's prioritisation of carbon intensive, climate intensive and low carbon sectors for phased risk appetite review. Details of our material themes (including Addressing Climate Change and Environmental Sustainability) from this materiality assessment can be found on p10 of our 2019 Sustainability Report.
Acute physical	Relevant, sometimes included	Where relevant for particular customers and/or sectors, NAB Group considers acute physical climate risk in climate-related and day to day ESG risk assessments. For example, we ask customers if they have undertaken a physical climate-risk assessment and implemented any mitigation or adaptation measures to reduce the likelihood they are impacted by extreme physical impacts of climate change. This work was ongoing in FY2019. Depending on the size of a customer's operation, and the sector they are in, NAB Group may also seek information on whether our customers have disaster recovery, business continuity and emergency response plans in place to help them manage the risks associated with extreme weather events. This type of customer planning may reduce the likelihood that they suffer damage and loss because of extreme weather events and in turn reduce the likelihood that these events will impact on their credit risk profile and ability to repay loans the Group provides. This is a factor considered in the physical risk scenario development and stress testing work we undertook in FY2019 as part of our involvement in the UNEP FI TCFD Phase 2 pilot. Drought is one example of an acute physical risk which can have a material negative impact on the credit profile of a customer and which needs monitoring to ensure that customers are acting to build resilience to it. For example, in our financial reporting for 2019 collective provision forward looking adjustments of \$180m were made to address the impact of extreme weather conditions on our Agri customers due to Australian drought considerations.
Chronic physical	Relevant, sometimes included	Where relevant to particular customers and sectors, NAB Group considers chronic physical climate risk in our climate-related and day-to-day ESG risk assessments. In particular, as part of NAB Group's ESG risk assessment we ask our customers if they have undertaken a physical climate-risk assessment and implemented any mitigation or adaptation measures to reduce the likelihood they are impacted by chronic physical impacts of climate change such as water scarcity, changing temperature, changing sea level and increased risk of sea surge. For example, we seek information from customers in sectors like mining and agribusiness which are critically dependent on water, to understand the degree to which water scarcity and drought may impact their business and the actions they may have taken or plan to take to mitigate this risk. This work was ongoing in FY 2019. The impact of the long-term (chronic) physical impacts of climate change was factored into the risk heat mapping we completed in FY2018 and work we undertook in FY2019 in relation to physical climate risk scenario development and stress testing for the UNEP FI TCFD pilot. NAB Group considers financing of infrastructure such as desalination plants provides a risk mitigation option for water supply in drought conditions. This is why we have a number of desalination plant projects in our project finance portfolio.

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	We assess our portfolio exposure to climate-related risks and opportunities in a number of ways: - As part of our annual review of our climate change strategy and commitments, we assess our progress against the environmental financing opportunities we have identified, and where appropriate and additional opportunities have been identified, we have increased our commitment to provide financing to help address climate change. For example, we increased our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion. - On a semi-annual basis we review our exposures (measured as Exposure at Default) to carbon intensive, climate sensitive and low carbon sectors as part of our portfolio review of ESG risks. This is a quantitative assessment and we are monitoring our exposure over time, particularly to track how we are progressing against our thermal coal-related portfolio transition pathways. - We have undertaken a semi-quantitative heat mapping of physical, climate and liability risk across the Group's lending portfolio and we are using this analysis to help us prioritise more detailed sectoral reviews of physical and transition risks within our portfolio.
Investing (Asset manager)	No, but we plan to do so in the next two years	All of the external active managers we employ are tasked with evaluating all relevant investment risks and opportunities, including those that relate to climate change. This means, at a holdings specific level, climate change risks are assessed. Additionally, our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing our asset management portfolio's aggregate exposure to climate climate-related risks and opportunities would be considered as part of our approach to implementing the PRI. This will be assessed in the context of our broader approach i.e. working out the optimal way to assess these risks given the role played by our external active managers and the internal investment team.
Investing (Asset owner)	No, but we plan to do so in the next two years	The MLC Super Fund Responsible Investment Policy came into effect in March 2020. The Responsible Investment Policy requires the Asset Manager for Directly Managed Investment Options, and, in turn, underlying Investment Managers, to ensure that climate change risks are appropriately considered, with other ESG factors, as part of the due diligence for new investments and monitoring for existing investments. Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing our asset portfolio's exposure to climate climate-related risks and opportunities would be considered as part of our approach implementing the PRI.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

**C-FS2.2c**

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	- On a semi-annual (6-monthly) basis we review our exposures (measured as Exposure at Default) to carbon intensive, climate sensitive and low carbon sectors as part of our portfolio review of ESG risks. This is a quantitative assessment. We are analysing portfolio data at an industry code level, across the entire lending portfolio, where we have identified that the industry or sector is subject to higher ESG-risks, including climate-related risks. We are monitoring this exposure over time. This helps us to track how we are progressing against our thermal coal-related portfolio transition pathway (which is transitioning our portfolio away from coal-related exposures over time) and to track the transition to renewable energy in our power generation portfolio. - We have undertaken a semi-quantitative heat mapping of physical, climate and liability risk across the Group's lending portfolio and we are using this analysis to help us prioritise more detailed sectoral reviews of physical and transition risks within our portfolio. This semi-quantitative assessment used a combination of information from industry analysts, customers, climate scenario providers, specialist bankers and internal climate subject matter experts and credit managers to form an internal view of whether each major sector in our portfolio is subject to high, medium or low transition, physical or liability risk. - Our climate-related opportunity assessment is based on a combination of information from industry analysts, customers, climate scenario providers, specialist bankers and internal climate subject matter experts and credit managers to form an internal view of the areas where climate-related opportunities exist. Following this, our first line banking teams consider alignment with Group and divisional strategies and customer needs and conduct an opportunities assessment to quantify and forecast the size of the strategic opportunity. Following a refreshed opportunity assessment in FY2019, we increased our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion by 2025.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

**C-FS2.2d**

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

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

**C-FS2.2e**

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

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

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

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	Where it is assessed as relevant, and as required by our ESG-related credit policy and High ESG risk Sensitive Sectors and Areas List, our bankers are required to undertake an ESG risk assessment as part of the credit risk and due diligence process for onboarding and periodic review of a customer relationship. Review of existing customers is risk-based and depends on the size of NAB's exposure and other relevant risks associated with the customer, such as ESG risk. This ESG risk assessment includes assessment of climate, water and forestry-related risks as applicable. As part of the ESG risk assessment process, bankers with Corporate & Institutional customers in relevant sectors, are required to review a customer's climate-related strategy, risk assessment, management, and performance and to identify whether the customer has committed to TCFD-related disclosures, including whether they have undertaken any climate-related scenario analysis. In other Divisions, bankers are similarly required to undertake ESG risk assessment, including assessment of climate-related risks. However, these assessments are tailored to be commensurate with the potential climate-related risk exposure of smaller businesses. The ESG risk assessment helps us understand ESG risks, including climate risk, at a customer level and when considered in a portfolio review, helps us understand climate-related risks at a portfolio level. This in turn may lead to changes in credit policy settings or risk appetite so we can manage our portfolio level climate risk exposure. Additionally, understanding the climate-related risks faced by our customers helps us to identify opportunities to assist our customers in implementing solutions to manage climate risk and adapt and build the resilience to climate change.
Investing (Asset manager)	Not applicable	As a manager of managers, NAB Wealth does not normally have direct engagement with investee companies, as this is the role of the external asset managers selected by NAB Wealth. This question does not align with our business model, as a manager or managers as it assumes direct engagement with investee companies, which would do this on NAB's behalf as the appointed external asset managers. The external asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like climate-related risks (as well as other environmental risks) and how this can impact the long-term prospects for companies in their investment universe. This research may include requesting climate-related information from investee companies they select for inclusion in their portfolios.
Investing (Asset owner)	Not applicable	As a manager of managers, NAB Wealth does not normally have direct engagement with investee companies, as this is the role of the external asset managers selected by NAB Wealth. This question does not align with our business model, as a manager or managers as it assumes direct engagement with investee companies, which would do this on NAB's behalf as the appointed external asset managers. The external asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like climate-related risks (as well as other environmental risks) and how this can impact the long-term prospects for companies in their investment universe. This research may include requesting climate-related information from investee companies they select for inclusion in their portfolios.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

**C2.3**

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

Yes

**C2.3a**

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

**Identifier**

Risk 1

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

Direct operations

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

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

Increased direct costs

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

Operational risk

**Company-specific description**

NAB is a bank that operates in a number of geographies which have all experienced extreme weather events over recent years (e.g. Australia, Asia, US, UK and NZ). Increased severity and number of extreme weather events (including extreme floods, cyclones/ typhoons, droughts and snow) can cause damage to NAB's premises, infrastructure and property with resultant costs to refit and repair them. Climate change predictions are for increased frequency and severity of these type of extreme weather events which may mean increased number and/or scale of damage events to NAB property located in higher risk locations (for example Australian locations at higher risk of cyclone and flood events such as coastal and riverine locations in Queensland, NSW and North West Australia). Increased instances of damage are likely to occur, such as the significant damage caused to two NAB branch buildings due to high winds and floods associated with Cyclone Debbie in Queensland/New South Wales in March/April 2017. In the 2019 Financial Year, there were seven events related to flood/bushfire/cyclones affecting our Australian operations – three of which resulted in limited property damage resulting in temporary branch closures and/or refits.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

Low

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

Yes, an estimated range

**Potential financial impact figure (currency)**

&lt;Not Applicable&gt;

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

155000

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

4000000

**Explanation of financial impact figure**

The potential maximum financial impact is estimated at \$4m based on insurance claims for property damage associated with the Nov 2010-Jan 2011 and Jan 2013 Queensland and Bundaberg floods – the most significant natural disasters NAB has experienced in recent times. NAB's costs vary depending on the nature and extent of the disaster, but repair/fit-out, management and make good costs per incident are typically in the range of \$90-565k based on the most recent significant flood incidents (FY2017) impacting NAB. Multiple incidents can be experienced in a year, for example in FY2019, our incident/crisis response was activated for seven natural disaster/weather events (fire, flood, cyclone and dust storm), however, property damage in this year was not significant. Three sites were damaged with total property damage costs due to these events of ~155k (130k, 15k and 10k). These costs were attributable to property damage in our retail portfolio. While much of the repair cost is landlord funded (where properties are leased), branch fit-outs are paid for by NAB – with some cost potentially recoverable through insurance. Minimum financial impact is therefore given as \$155k based on the FY2019 events. While these costs are not material to NAB's overall business, operational closures can have a significant impact on customers.

**Cost of response to risk**

525000

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

NAB's management method to address extreme weather events is part of NAB's business continuity and crisis management processes and premises selection process. NAB has: (i) developed internal business continuity processes and guidance for staff in relation to extreme events e.g. flood, bushfire and cyclones; and (ii) consideration of site risk for extreme events or natural disasters in new premises selection. NAB's risk is further reduced through leasing rather than owning buildings, and through insurance coverage. NAB Incident response teams manage any response required to such events. In addition, when a branch is closed due to extreme weather or damage, customers can utilise alternative pre-existing banking channels such as internet banking, Bank@Post, or can attend a nearby branch. Business continuity processes and cost of alternative channels is standard business practice and not a separate climate risk related cost. However additional costs can be incurred in relation to certain weather (climate) related events. In such cases, the response required (and therefore the cost) can vary. For example, in FY2017, Cyclone Debbie caused extensive damage to our Lismore NSW branch resulting in extended closure. In addition to standard alternative banking channels, a mobile branch ('bank in a box') was trucked to Lismore to provide banking services and additional staff were available to assist flood affected customers with their financial needs. This was not required for 2019 due to the nature of the events that occurred and the limited damage to our branch network. Should this type of response be required, the cost of management to maintain operations (including diesel and additional security for 'bank in a box' deployment) varies depending on factors such as the extent of damage, length of staff and equipment deployment and security requirements, but is typically between \$125-525k. This includes between \$100k-\$500k for the bank in a box and \$25k incident management costs. We therefore, estimate the management cost at ~\$525k.

**Comment**

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

**Identifier**

Risk 2

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

Downstream

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

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

Increased credit risk

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

Credit risk

**Company-specific description**

NAB is a bank with a large agricultural customer base in Australia and New Zealand (for example, almost 1 in 3 Australian agribusinesses banks with NAB and around 5% of Group Exposure at Default (EAD) related to Agribusiness in the 2019 Financial Year). Changes in precipitation patterns and extreme variability in weather patterns (including floods and droughts, associated wild fires, and induced changes in natural resources) can significantly impact NAB's agricultural customers due to reduced yields or loss of crops and livestock. These climate impacts have the potential to cause significant financial loss and hardship for NAB customers. In the short term this can result in liquidity stress or cash flow issues and in the longer term increased business failures. This is reflected in increased customer need for short term credit/cash flow management arrangements, as well as increased credit risk and potential bad debts for NAB. Flood and drought cycles are a natural part of the climate – particularly in Australia – and therefore are considered by our customers in managing their businesses. However, history shows that sustained drought periods or more extreme flood events (as appears likely in many areas in Australia based on publicly reported climate modelling) have the potential to lead to significantly higher hardship and default rates than current levels. Other sectors such as mining and resources can also be negatively impacted due to loss of infrastructure or flooding of mines.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium

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

Yes, a single figure estimate

**Potential financial impact figure (currency)**

200000000

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

&lt;Not Applicable&gt;

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

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

The main financial impact to NAB as a bank is an increase in customer hardship related concerns, any financial assistance measures provided and defaults. Material costs are reported in our financial reporting e.g. in FY2019 results, collective provision forward looking adjustments of \$180m were made to address the impact of extreme weather conditions on our Agri customers due to Australian drought considerations. In addition, financial assistance to customers was made available – this includes: interest holidays, concessional rate loans, grants, and donations. This assistance is typically less than \$20m annually for large scale natural disasters based on individual events since 2011. Refer to <https://www.nab.com.au/about-us/social-impact/customers/natural-disaster-and-crisis-support> for details of recent relief packages and donations. Total impact is therefore estimated as \$200m (collective provision and financial assistance).

**Cost of response to risk**

790000

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

NAB uses a number of methods to reduce likelihood and magnitude of these risks negatively impacting credit risk. NAB (i) assesses industry sectors to understand customer vulnerability with increasing focus on climate impact on natural capital (NAB is a large Agribank) with aim of inclusion of natural capital in credit modelling within the next 2-3 years; (ii) assists customers to manage, adapt and improve resilience to physical climate risks (e.g. agri bankers provide advice about sustainable farming practices); and (iii) NAB's Natural Disaster Relief package is available to customers facing hardship due to natural disasters. For example, in the period February-March 2019, NAB provided customer support measures and donations for customers affected by storms and flooding in North Queensland, bushfires in Tasmania, New South Wales and South East Victoria, and Cyclone Veronica in Northern Western Australia. Bankers and hardship specialists worked with affected customers to implement appropriate measures such as suspending repayments, waiving fees and restructuring bank facilities. Natural disaster-related hardship cases make up a small number of hardship cases received. In Environment Year 2019, approx. 0.86% of hardship cases referred to our Australian hardship team related to natural disasters. As a bank, considering current and future risks, reassessing credit risk and assisting customers in times of hardship (including natural disasters) is part of business as usual risk and relationship management. Consideration of climate risk is part of this process and not separately costed. However, NAB is working with external research initiatives in relation to climate modelling to assess future risk for our customer portfolio. External costs associated with research projects and modelling in 2019 were approximately \$790k (project sponsorship ~\$770k and other external costs ~\$20k).

**Comment**

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

**Identifier**

Risk 3

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

Downstream

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

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

Devaluation of collateral and potential for stranded, illiquid assets

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

Credit risk

**Company-specific description**

As a large Australian bank, NAB provides finance to customers in a number of industry sectors which may be impacted as the economy transitions to renewables and lower emission technology options. Two sectors with significant transition risk (due to an increasing amount of renewables being used for power generation) are: (1) fossil fuel-related Power Generation and (2) fossil fuel-related Resources extraction. As at 30 Sept 2019, net Exposure at Default (EAD) for NAB for these sectors was around \$6.7bn (max exposure) – excluding metallurgical coal. Customers in the power generation and resources sectors may be affected due to the declining cost of renewable energy compared to energy generated from fossil fuels. Should affected customers fail to manage transition risk, they may face reduced demand for their products and services, declining asset values, increased costs associated with meeting regulatory requirements in relation to emissions, and increased risk of stranded assets. This is a credit risk for NAB should these customers be unable to meet their credit obligations, where these obligations are secured by collateral which is devalued or 'stranded' as the value of the security will not cover the cost of the finance provided.

**Time horizon**

Long-term

**Likelihood**

Likely

**Magnitude of impact**

High

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

Yes, an estimated range

**Potential financial impact figure (currency)**

&lt;Not Applicable&gt;

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

884000000



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

672000000

**Explanation of financial impact figure**

As a bank, NAB provides finance to a range of customers in sectors which have high emissions and need to address transition risk to ensure their business models remain sustainable and that they can meet their credit obligations. Two sectors with significant transition risk (due to an increasing amount of renewables being used for power generation), are: (1) fossil fuel-related Power Generation and (2) fossil fuel-related Resources extraction (excl. metallurgical coal). As at 30 Sept 2019, net Exposure at Default (EAD) for these sectors was around \$6.72bn (max exposure). 69% (~\$5.04bn) of NAB's power generation exposure is to renewable energy and 31% (~\$2.22bn) to fossil fuel-related energy generation. 42% (~\$4.49bn) of Resources EAD relates to Oil & Gas extraction and thermal coal mining (Thermal coal exposure is ~\$884m – which has been used as the min. exposure). Public position statements covering risk appetite for power generation, thermal coal, oil, gas and tar sands have been released (refer comment below on Risk 3).

**Cost of response to risk**

790000

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

NAB uses multiple methods to reduce likelihood and magnitude of transition risks negatively impacting credit risk. At the customer level, ESG risk (including climate risk) is assessed on a case-by-case basis, as part of credit risk assessment and due diligence. For existing customers in identified high risk sectors, a regular review of credit and ESG risk is undertaken. We monitor our lending portfolio exposure to industry sectors and activities that may have higher ESG risks and assess the risk appetite required to manage our exposure. This information is regularly reported to frontline division and executive level risk committees, and where relevant, to Board Risk Committee and Board. For example, a phased review of NAB's risk appetite for carbon intensive, low carbon and climate sensitive sectors facing higher future risk of physical and transition risk is in progress. This includes resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing and property. Review outcomes to date: In Dec. 2017, NAB announced it will not finance new thermal coal mining projects. In Nov. 2018, future financing of oil/tar sands and certain oil and gas extraction projects were ruled out. In its 2019 Sustainability Report NAB announced it will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions and thermal coal mining exposures will be capped and be reduced to effectively zero by 2035 (refer comment below on Risk 3). Internal staff costs associated with assessing and managing current and future credit-related risks and scenarios (including those that are climate-related) is part of business as usual activities and not separately costed. However, NAB is working with external research initiatives in relation to climate modelling to assess future risk for our customer portfolio. The 'cost of the response to risk' is calculated as - external costs associated with climate related research projects and modelling in 2019 were approximately \$790k (project sponsorship ~\$770k and other external costs ~\$20k).

**Comment**

NAB has publicly disclosed the outcomes of its climate-related review of risk appetite for fossil fuel financing. The following statements have been released: • While NAB will continue to support our existing customers across the mining and energy sectors, to facilitate an orderly transition to a low-carbon economy, NAB will no longer finance new thermal coal mining projects. • NAB will not finance oil/tar sands extraction projects. • NAB will not finance oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. NAB will take a range of actions to help meet the goals of the Paris Agreement on climate change while supporting security of energy supply in Australia and New Zealand and working with customers, related suppliers and their employees and communities in which they operate. These measures include: • Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. <https://www.nab.com.au/about-us/social-impact/shareholders/esg-risk-management> <https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2018-annual-review-interactive.pdf> <https://www.nab.com.au/about-us/social-impact/environment/climate-change> <https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-sustainability-report-pdf.pdf>

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

Yes

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

Opp1

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

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues through access to new and emerging markets

**Company-specific description**

NAB is a bank and our customers are increasingly requesting banking and finance products that support them as the economy transitions to renewables and lower emission technology options, or that are supportive of renewable energy/considered 'green'. This provides an opportunity to develop new offerings to meet this demand and increase our revenue. The ways in which NAB may meet customer demand for appropriate offerings include (i) utilising existing products/ services (such as project finance) to finance 'green' infrastructure as well as (ii) developing new products (such as green bonds and green term deposits) to allow investors and depositors the option of having their funds support renewable energy/green infrastructure development. This demand is reflected in our increased environmental financing commitment from \$18bn by 2022, to \$70bn by 2025 in order to help address climate change and assist the transition to a low carbon economy.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-high

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

Yes, a single figure estimate

**Potential financial impact figure (currency)**

10700000000

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

<Not Applicable>

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

<Not Applicable>

**Explanation of financial impact figure**

NAB is a bank and in FY2019, NAB increased its most recent environmental financing commitment from \$ \$55bn by 2025\* to \$70bn by 2025\* to help address climate change and assist the transition to a low carbon economy (potential financial impact). Progress against this target for FY2019 was \$10.7bn. This is comprised of (i) \$0.5bn Lending for Green Star certified commercial buildings, (ii) \$2.6bn Specialised and corporate finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses, (iii) \$0.4bn green term deposits, (iv) \$0bn issuing and/or arranging Green bonds, (v) \$3.6bn Asset finance and Advisory activities, underwriting and arranging and (vi) \$3.6bn Lending to support development of 6 Star residential properties. \*(Represents total cumulative new flow environmental financing from 1 Oct 2015).

**Cost to realize opportunity**

275000

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

NAB formed a Climate Change Working Group (CCWG) in late 2016, involving management representatives from across the business. The CCWG meets bi-monthly to monitor initiatives being undertaken by business units (e.g. power purchase agreements for renewable energy, green term deposits and emerging opportunities) – including those related to the environmental financing commitment - and address any road blocks to realising opportunities. For example, this involved monitoring progress on uBank's Green Term Deposit product - the world's first consumer Green Term Deposit certified by the Climate Bonds Initiative, which was launched in March 2019. Reporting on progress against the \$70bn target is undertaken on a six-monthly basis with details disclosed publicly in NAB's investor reporting. Data is reviewed annually by KPMG as part of their assurance of environmental performance data. The cost to realise the opportunity is not material. Environmental finance is integrated within existing finance opportunities and largely considered business-as-usual – as such internal staff costs are not separately tracked for day to day product and customer management for environmental finance related opportunities. However, some additional external costs are incurred. For FY2019, these included green bond assurance costs (\$25k) and subscriptions to sustainable finance databases (~250k) – total of \$275k.

**Comment**

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**Identifier**

Opp2

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

Direct operations

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Move to more efficient buildings

**Primary potential financial impact**

Reduced indirect (operating) costs

**Company-specific description**

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

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-low

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

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

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

0

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

23000000

**Explanation of financial impact figure**

The overall cost savings associated with NAB's move to more energy efficient buildings are considered confidential. However, NAB's total operating expense for the FY2019 were \$7,739m with energy costs making up less than 0.3% (\$23m) of this amount. Annual cost savings are therefore less than \$23m annually. As an example, our upcoming move into one of our newly designed energy efficiently buildings in Western Sydney is expected to save \$300,000 in avoided energy costs over 12 months when

compared with our existing buildings.

#### Cost to realize opportunity

0

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

The environmental credentials of premises are a key consideration in NAB's selection of main office buildings for lease as this provides for cost and emissions savings. These credentials include Green Star and NABERS Energy ratings. In addition, NAB's design standards for new buildings and fit outs embed energy efficiency requirements. This strategy has driven the design and construction of key new office developments in Sydney and Melbourne due for completion in 2020 and 2021. In Australia buildings over 1000 sq.m are required to be NABERS certified which enables consideration of the buildings energy efficiency credentials. 79% of NAB's key office buildings in Australia are operating at a 4 Star (or better) NABERS Energy rating and 78% of our key Australian offices are Green Star rated. Any higher leasing costs for NAB associated with better environmental credentials of leased buildings are generally likely offset by lower operating costs. A study of the financial performance of green office buildings by the University of Western Sydney, titled Building Better Returns, indicated rental premiums of 3-5% for Green Star and 5-star NABER Energy rated office buildings. The Australian Government Commercial Building Disclosure website notes that NABERS ratings are associated with reduced operational costs—for every one-star increase in an office building's NABERS Energy rating, there is an estimated 15 per cent saving in energy costs. The lease and fitout cost arrangements for our new buildings are considered commercially sensitive. However, as the NABERS and Green Star selection criteria and energy efficiency requirements are standard requirements for NAB, and embedded within existing building selection processes and design requirements, the cost to realise the opportunity is therefore considered to be effectively \$0.

#### Comment

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#### Identifier

Opp3

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

Direct operations

#### Opportunity type

Energy source

#### Primary climate-related opportunity driver

Use of lower-emission sources of energy

#### Primary potential financial impact

Reduced indirect (operating) costs

#### Company-specific description

NAB is a large bank which operates out of numerous office/branch buildings as well as data centres. The increased use of renewable energy for these buildings (particularly in Australia due to higher purchased energy costs and reducing cost of renewable technologies) will enable reduced energy costs and emissions over time. As the cost of renewable energy technologies decreases, it is increasingly viable for companies such as NAB to pursue their own energy generation and sourcing strategies e.g. increased use of solar PV on premises rooftops and corporate power purchasing agreements from wind and solar farms to assist in reducing operational energy costs. In 2019, NAB expanded its renewable electricity sourcing commitment from 50% to 100% by 2025 and joined RE100. NAB has a strategy to: • increase onsite solar generation (solar panels installed on 74 of NAB's branches, business centres and a data centre with installed capacity of 2,055kW); and • source renewable electricity through power purchasing agreements (NAB is part of an energy purchasing consortium sourcing renewable energy from the 80MW Crowlands Windfarm).

#### Time horizon

Short-term

#### Likelihood

Virtually certain

#### Magnitude of impact

Low

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

Yes, a single figure estimate

#### Potential financial impact figure (currency)

690000

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

<Not Applicable>

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

<Not Applicable>

#### Explanation of financial impact figure

As a bank, NAB's energy costs are less than 0.3% (\$23m) of total operating expenses (\$7,739m) in FY2019. Our renewable strategy is focused on decreasing our emissions and using renewables technologies to assist this and to reduce energy costs. The financial impact is calculated in relation to the generation of solar energy from installed solar panels. This avoided \$690,000 of energy costs in FY2019 representing approximately 3% of total energy costs. No additional financial impact is included for the purchase of renewable electricity from the Crowlands windfarm which replaces existing electricity purchases with a lower emissions alternative.

#### Cost to realize opportunity

330000

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

In 2019, NAB expanded our renewable electricity sourcing commitment from 50% to 100% by 2025 and joined RE100. As part of this commitment, NAB has a strategy to increase onsite solar generation and to source renewable electricity through power purchasing agreements. NAB is one of 14 companies in Australia's first group energy purchasing model currently sourcing renewable electricity from the 80MW Crowlands Windfarm. This activity helped to underwrite its construction and has allowed NAB and other consortium members to take more control of their power costs, cut emissions and directly support decarbonisation of the Australian energy grid. The FY2019 cost to realise the opportunity is calculated as \$330k: • \$330k for the cost of sourcing renewable energy certificates generated at the Crowlands Wind Farm • \$0 for installed solar panels. As of September 2019, we have solar panels installed on 74 of NAB's branches, business centres and a data centre with installed capacity of 2,055kW. No new panels were installed in 2019 (energy generation relates to panels installed in prior years at a cost of \$3.2m in those prior years). Any maintenance issues raised with the performance of the solar panels was managed under warranty and there were \$0 additional costs in 2019.

#### Comment

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C3. Business Strategy

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C3.1

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

Yes

C3.1a

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**(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, qualitative and quantitative

C3.1b

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**(C3.1b) Provide details of your organization's use of climate-related scenario analysis.**

Climate-related scenarios and models applied	Details
<p>IEA Sustainable development scenario IEA NPS Other, please specify (Global Energy Monitors' 1.5oC scenario)</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of changing carbon regulation on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide qualitative and quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. In FY2019, the Group considered a number of additional climate-related scenarios including the International Energy Agency's New Policies Scenario and Sustainable Development Scenario and a 1.5oC scenario available from Global Energy Monitor. These scenarios were used to help us understand potential transition pathways for thermal coal-related sectors (thermal coal mining and thermal coal-fired power generation) and have helped inform our approach to portfolio alignment with the Paris Agreement goals. In addition to ESG-related credit policy setting restrictions on thermal coal-related lending, changes arising from this work to date include: - Supporting current coal-fired power generation customers implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. - Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028, intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. The Group will review these transition pathways against the latest global climate scenarios and relevant technology developments.</p>
<p>RCP 2.6 RCP 4.5</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of physical risks on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide qualitative and quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. During FY2019, NAB Group worked with the Hub at the University of Melbourne to develop a process to geocode data from the Group's lending portfolio so it could be overlaid with physical climate risk information. Geocoding is a process that converts addresses (like a street address) into coordinates that can pinpoint a property location on a map. This process was developed and piloted in FY2019 using data from the Group's Australian retail mortgage portfolio. The next step is to test this process with other segments of the Group's lending portfolio during the 2020 financial year to ensure the process is repeatable and reliable. After geocoding the Group's Australian retail mortgage portfolio, the Hub helped to develop a process for overlaying lending portfolio data with physical climate data. Cyclone data (wind speeds &gt;64 knots or cyclone category 1 and above) was used to test this overlay process and develop the Group's understanding of how to assess the potential impact of physical climate hazards on segments of its lending portfolio under different climate scenarios. Wind speeds from cyclone tracks under four different warming levels (1.2oC, 1.5oC, 2oC and 3oC above pre-industrial levels) were selected and analysed by the Melbourne University Climate and Energy College in collaboration with the Potsdam Institute for Climate Impact Research for use as an indicator of the severity and location of future damage due to tropical cyclones under a changing climate. It was important to use a range of scenarios to help us understand the possible future physical risks due to uncertainties in the climate models. Initial analysis suggests that an increased geographic proportion of the Group's Australian retail mortgage portfolio is likely to experience cyclones under higher warming scenarios. Further work is required to refine this methodology. Future work will include growing the Group's understanding of how to link forecast changes in physical climate impacts such as cyclone frequency, location and severity with possible future changes in probability of default. Following further testing of this approach, the Group will look to add other overlays of physical hazard data such as flooding, drought, and extreme heat, as well as applying the approach to other lending portfolio segments.</p>
<p>REMIND</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of changing carbon regulation on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. In 2018, we participated in a UNEP FI TCFD pilot of methodologies for climate-related scenario analysis and stress testing which aimed to examine the potential impact of climate change on key segments of bank lending portfolio. Methodology: The consultancy Oliver Wyman worked with UNEP FI and the pilot banks on the methodology for transition risk scenarios and stress testing. The pilot group, including NAB, used 4oC (as a baseline), 2oC and 1.5oC scenarios in the REMIND model, an integrated assessment model (IAM) developed by the Potsdam Institute for Climate Impact Research (PIK). The REMIND model was selected as it met the following criteria: • Scenario availability • Output breadth and granularity • Sector coverage • Industry acceptance • Update frequency. The pilot process differed from the typical macro-economic stress testing conducted by banks, which aims to estimate capital needs and inform capital management over one to five years. The pilot found that sector responses to physical and transition risk varied significantly, requiring impacts to be modelled at both a sectoral and sub-sector level. The pilot applied a longer time horizon than traditional stress testing, evaluating hypothetical scenario-based lending portfolio impacts out to 2040. The methodology for assessing transition risk evaluates the impact of the climate scenarios on the probability of default of borrowers. It combines portfolio-level and borrower-level risk assessment. In this absence of historical data for a transition to a low-carbon economy, a borrower-level calibration module captures nuances across borrowers in a bottom-up manner while a top-down portfolio impact assessment module extrapolates these borrower-level impacts to portfolio segments with homogeneous exposures to transition risk. Based on work undertaken in FY2017, which heat-mapped climate risk across our lending portfolio, we chose sectors we had assessed as having potentially high to medium transition risks to pilot the transition risk methodology – e.g. our Australian exposures in the metals and mining, and power generation sectors. Outcome: The pilot scenario analysis indicated that as more severe transition risks are likely to evolve over longer time horizons, scenarios should project impacts to at least 2040, but further if possible. Based on this work, we expect to see some movement in credit ratings because of climate change driven by a range of transition factors, for example, changes in climate-related regulation and policy, technological change, and changes in demand for high and low carbon products and services. We expect these changes to have more impact over the longer term outside current business planning cycle. In FY2019, we built on this experience by undertaking scenario analysis related to thermal coal mining and thermal coal-fired power generations. Further work is required to identify reliable sources of transition scenarios which include Australian climate and transition data. Further work will also be undertaken on the transition methodology as part of UNEP FI's TCFD pilot Phase 2, in which NAB is participating. Methodology details applied for our transition risk scenario analysis have been published in a pilot report by UNEP FI and Oliver Wyman: Extending our Horizons.</p>
<p>Other, please specify (Use of RCP 2.6 and 8.5)</p>	<p>NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of physical risks on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. In 2018, we participated in a UNEP FI TCFD pilot of methodologies for climate-related scenario analysis/stress testing which aimed to examine the potential impact of climate change on key segments of bank lending portfolios. Methodology: The advisory and analytics firm, Acclimatise Group Ltd, worked with UNEP FI and the pilot banks on the methodology for physical risk scenarios and stress testing. The pilot group, including NAB, explored three combinations of timeframes and temperature scenarios: 2020s – 2°C and 4°C; 2040s – 2°C; and 2040s – 4°C. The 2°C scenario corresponds to Representative Concentration Pathway (RCP) 2.6 and the 4°C scenario, to RCP 8.5 (the latter being the current trajectory based on present-day emissions). The 2020s and 2040s are centred on the years 2025 and 2045 respectively. We assessed physical risk in two contexts – those where changes in climate are incremental and change slowly over time, and those where extreme events become more frequent and severe. For property, the methodology estimates potential changes in property values and loan-to-value ratios caused by extreme weather events. For other sectors, we estimated the impacts of gradual climate change and extreme events on productivity, revenues and cost of goods sold. This helped to estimate how likely our customers would be to default, and the impact this would have on our loan book. We then performed a borrower level calibration of the pilot methodology for each sub-sector using a small sample of customers and extrapolated this to each sub-sector. During this work, we engaged the insurance sector to build our understanding of the role of insurance in reducing the risk of losses due to physical climate change impacts – now and in the future. To source the data and information needed, we also engaged with Government agencies and universities. We found gaps in the available data and it wasn't always in a compatible format or easy to integrate with bank systems. This made it challenging for us to put climate-related data into the piloted stress testing model. We chose sectors we'd assessed, via a heat mapping process, as having potentially high to medium physical risks to pilot the physical risk methodology – e.g. our Australian agriculture and property exposures. Outcome: The results indicated that more severe physical risks are likely to evolve over longer time horizons and under higher GHG emission scenarios. Therefore, scenarios should project impacts to at least 2040, or further. Based on this work, we expect to see some movement in credit ratings as a result of climate change driven by a range of physical climate risk factors, like occurrence of drought, bushfires and extreme weather events like floods and cyclones. We expect these changes to have more impact over the longer term outside the current business planning cycle, but these impacts are becoming apparent in the short-term, particularly in communities subject to long-term drought. In FY2019, we signed up to participate in UNEP FI's TCFD pilot Phase 2, to extend this work further. We built on the FY2018 experience with the Energy Transitions Hub located at the University of Melbourne to develop a process to geocode data from the Group's Australian lending portfolio so it could be overlaid with physical climate risk information. Methodology details applied to this physical risk scenario analysis were published in a report by UNEP FI and Acclimatise: Navigating a new climate.</p>

**C3.1d**

**(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.**

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	In FY2019, we reviewed our progress against our environmental financing commitment and further investigation and research on climate-related opportunities to assist our customers through the provision of products and services to help customers make the low carbon transition or to adapt and build resilience to climate change. As a result we increased our environmental finance commitment from \$55 billion to \$70 billion by 2025, by increasing our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion. Since 2015 we have provided \$33.6 billion in environmental financing to help our customers address climate change and support the transition to a low-carbon economy. We also restricted risk appetite/credit policy settings and introduced climate transition pathways for our thermal coal mining and thermal coal-fired power generation lending. These changes included the following measures: - Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. - Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers.
Supply chain and/or value chain	Yes	From a supply chain perspective (upstream in the value chain) in FY2019, NAB reevaluated the opportunity to purchase renewable energy to reduce our operational GHG gas emissions and to support customers building renewable energy projects. As a result of this review, we increased our operational renewable energy consumption commitment from 50% to 100% by 2025 and joined the RE100 initiative. From a customer perspective (downstream in the value chain), in FY2019, following review of our progress against our environmental financing commitment and further investigation and research on climate-related opportunities to assist our customers through the provision of products and services to help customers make the low carbon transition or to adapt and build resilience to climate change, we increased our environmental finance commitment from \$55 billion to \$70 billion by 2025, by increasing our commitment to provide financing for green infrastructure, capital markets and asset finance from \$20 billion to \$35 billion. Since 2015 we have provided \$33.6 billion in environmental financing to help our customers address climate change and support the transition to a low-carbon economy. We also restricted risk appetite/credit policy settings and introduced climate transition pathways for our thermal coal mining and thermal coal-fired power generation lending. These changes included the following measures: - Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. - Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers.
Investment in R&D	Yes	In FY2019, NAB partnered with CSIRO to lead the National Outlook project. This involved people from across more than 20 non-government organisations meeting every three months to study and discuss new scientific data provided by CSIRO that models the future of Australia's natural resources and energy, productivity and services, and cities and infrastructure. Together with the project participants, CSIRO published a report outlining future scenarios facing Australia's economy, environment (including the climate) and society and the levers we can pull to ensure Australia has a sustainable future. The Australian National Outlook report was launched in June 2019, outlining a broad and compelling view about Australia's roadmap to 2060. Refer to: <a href="https://www.csiro.au/en/Showcase/ANO">https://www.csiro.au/en/Showcase/ANO</a> The ANO mapped or outlined a sustainable path for Australia to reach its social and economic potential in 2060 (based on scenario analysis including climate scenarios). This path is based on five key land, energy, culture, urban and industry shifts that government, business and the wider community must make together. Following this work, we made key commitments to help make the required land, urban, industry and energy shifts. These were: (a) launching a partnership with ClimateWorks Australia to develop sustainable agriculture metrics to improve natural asset management, (b) investing \$2 billion in affordable housing by 2023, (c) investing \$2 billion in the emerging technology sector to spur innovation by 2025 and (d) increasing our environmental financing commitment from \$55 billion to \$70 billion by 2025.
Operations	Yes	From a supply chain perspective in FY2019, NAB re-evaluated the opportunity to purchase renewable energy to reduce our operational GHG gas emissions and to support customers building renewable energy projects. As a result of this review, we increased our operational renewable energy consumption commitment from 50% to 100% by 2025 and joined the RE100 initiative.

**C3.1e**

**(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

	Financial planning elements that have been influenced	Description of influence
Row 1	Direct costs Capital expenditures Provisions or general reserves	Provisions or general reserves: Where relevant, NAB raises forward-looking provisioning adjustments to address targeted sector and idiosyncratic stress events including, for example, climate-related risks. In FY2019, due to the substantive forecast impact of drought conditions on agribusiness customers, our 2019 Full Year Investor Presentation (slide 81) discloses that NAB had made collective provision forward looking adjustments of \$180m to address impact of extreme weather/drought conditions in NSW and southern QLD. Provisions are reviewed periodically, directly impact NAB's profit & loss position, and are part of the Bank's regular financial disclosures (made at least at half and full year). Capital expenditures: Capital expenditure associated with energy efficiency and GHG reduction initiatives form a specific environmental capex budget on an annual basis. Initiatives considered for this annual budget are planned 2-3 years in advance providing us with flexibility should initiatives in the current year not proceed. In 2019, this capital budget was allocated toward four separate lighting energy efficiency upgrades, ranging in cost from \$15,000 in a small branch to \$1.7 million in a commercial office. Direct costs: Costs for meeting our commitment to purchasing 100% renewable energy by 2025 were considered in our decision process to make this commitment through to 2025. We have included detailed modelling of forecast Large Generation Certificate prices in our FY2021 budget planning process.

**C3.1f**

**(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

**C-FS3.2**

**(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?**

Yes, both of the above

**C-FS3.2a**

**(C-FS3.2a) In which policies are climate-related issues integrated?**

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Risk policy Other, please specify (Group Environmental Management Policy)	All of the portfolio	NAB's Risk Management Strategy (not public) describes our strategy for managing risk and the key components of our Risk Management Framework (RMF), including at a high level our approach to managing governance and risk associated with ESG issues, including climate-related risk. Further detail is set out in our Group Environmental Policy (available on our website), our ESG-related Credit Policy requirements (not public), and our High Risk ESG Sectors and Sensitive Areas List (not public). These principles, policies, and tools such as ESG Checklists, provide guidance to material risk owners and bankers to help them identify how ESG risk may manifest in their risk category, portfolio or customer group. The RMS and its supporting frameworks apply to National Australia Bank Limited and its controlled entities (the Group). Our Risk Appetite Statement, High Risk ESG Sectors and Sensitive Areas List and Divisional Credit Appetite Strategies provide guidance to bankers about the NAB's risk appetite and policy position with respect to sectors with high ESG risk sectors and activities. These include sectors which due to their risk require additional risk assessment and due diligence and sectors which have exclusions or prohibitions. A number of these exclusions, including some related to fossil-fuel related sectors (coal, oil and gas) are publicly available on our website. Including our transition pathways to align our thermal coal mining and power generation exposures to the temperature goals of the Paris Agreement. Our ESG Credit Risk policy requires that bankers undertake an ESG Risk Assessment including review of customers' climate change strategy, key climate risks and risk management practices, and climate-related transition plans, performance and disclosures. These Credit Policy requirements cover lending activities primarily related to Corporate & Institutional and Business Lending for small-to-medium sized enterprises. References: - Group Environmental Management Policy – available here: <a href="https://www.nab.com.au/about-us/social-impact/environment/environmental-approach">https://www.nab.com.au/about-us/social-impact/environment/environmental-approach</a> - ESG Risk Management webpage including ESG risk policy settings for fossil fuel-related sectors and activities: <a href="https://www.nab.com.au/about-us/social-impact/shareholders/esg-risk-management">https://www.nab.com.au/about-us/social-impact/shareholders/esg-risk-management</a> - Climate Change webpage include NAB Group's thermal coal mining and power generation transition pathways: <a href="https://www.nab.com.au/about-us/social-impact/environment/climate-change">https://www.nab.com.au/about-us/social-impact/environment/climate-change</a>
Investing (Asset manager)	Investment policy/strategy	All of the portfolio	The MLC Asset Management Services Limited (MSL) ESG Policy is publicly available here: <a href="https://www.mlc.com.au/content/dam/mlc/documents/pdf/advice/MSL_ESG_Policy.pdf">https://www.mlc.com.au/content/dam/mlc/documents/pdf/advice/MSL_ESG_Policy.pdf</a> This policy governs MLC's approach to managing portfolios to ensure ESG is appropriately taken into account by all our underlying investment managers. This also includes reference to our policy related to Proxy Voting. The Policy sets out the range of ESG factors that MLC expects to be managed in association with its portfolios. This includes climate change. The policy sets out the three key Principles which describe approach to managing ESG risk, including climate risk: Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes. Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices. Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Investing (Asset owner)	Sustainable/Responsible Investment Policy	All of the portfolio	The Responsible Investment Policy of NULIS Nominees (Australia) Limited for (MLC Super Fund and MLC Superannuation Fund) which is publicly available here: <a href="https://www.mlc.com.au/content/dam/mlc/documents/governance/nulis-nominees-esg-risk-management-policy.pdf">https://www.mlc.com.au/content/dam/mlc/documents/governance/nulis-nominees-esg-risk-management-policy.pdf</a> This document describes the Trustee's approach to Responsible Investment for NULIS Nominees (Australia) Limited in its capacity as Trustee of the MLC Super Fund and MLC Superannuation Fund ('the Fund'). The Trustee recognises and actively considers the expectations of fund members and broader stakeholders that a responsible approach to investment is adhered to. Appendix 1 to the Policy sets out the range of ESG factors that NULIS expects may be considered in relation to a range of investment types, including but not limited to listed and unlisted equities, fixed interest and property. Where the investment pertains to a company, the Policy notes that ESG factors can arise directly through the entity's own operations, or indirectly through those of its customers and suppliers, or may additionally relate to the industry or regulatory environment in which the company operates. Climate change is included in the list of ESG factors for consideration. The Trustee requires the Investment Consultant, Portfolio Manager and, in turn, underlying Investment Managers, to have sound practices to identify ESG factors and any potential risks and opportunities that may arise in a manner that is relevant to the investment strategy, asset class and investment approach of the investment option concerned. The Trustee will exclude Investment Managers that do not satisfactorily consider ESG factors in their investment process in a manner that is relevant to their investment strategy, asset class and investment approach as they relate to the MLC Super Fund investment options. There are currently no Fund wide exclusions, though future exclusions are to be considered as part of the annual review of the policy.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Other, please specify (Arranging and underwriting Green Bonds)	All of the portfolio	NAB sets out its approach to arranging and underwriting Green Bonds in its SDG Green Bonds Framework available on our website here: <a href="https://capital.nab.com.au/docs/NAB_SDG_Green_Bond_Framework.pdf">https://capital.nab.com.au/docs/NAB_SDG_Green_Bond_Framework.pdf</a> The Framework applies to all the Green Bonds that NAB Group arranges and underwrites.

**C-FS3.2b**

**(C-FS3.2b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.**

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

**C-FS3.3**

**(C-FS3.3) Are climate-related issues factored into your external asset manager selection process?**

Yes, for all assets managed externally

**C-FS3.3a**

(C-FS3.3a) How are climate-related issues factored into your external asset manager selection process?

	Process for factoring climate-related issues into external asset management selection	Comment
Row 1	Review asset manager's climate-related policies	All external asset managers are assessed on their ability to identify stocks with attractive risk-adjusted returns. This includes their research and insight on issues like climate change (as well as other environmental risks) and how it can impact the long-term prospects for companies in their investment universe. We have created a bespoke quarterly report, which all of our external managers are required to fill in, which includes reporting on their activity/engagement as it relates to climate change.

## C4. Targets and performance

### C4.1

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

Absolute target

#### C4.1a

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

**Target reference number**

Abs 1

**Year target was set**

2016

**Target coverage**

Company-wide

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

Scope 1+2 (location-based)

**Base year**

2015

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

87565

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

58

**Target year**

2025

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

21

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

69176.35

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

71462

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

87.5703219105263

**Target status in reporting year**

Replaced

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

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

**Please explain (including target coverage)**

2019 was our fourth year reporting against a medium-term (10 year) science-based target (SBT) for NAB Group's global operations to decrease Scope 1 & 2 Greenhouse Gas (GHG) emissions for our stationary and transport energy (excluding data centres). In 2019, we delivered an 18% reduction in Scope 1 & 2 GHG emissions from our 2015 base year for this target. The Science-Based Target Initiative is now urging organisations to align their targets to the more ambitious "well-below 2°C" warming scenario, rather than the previous "2°C only" scenario. As such, we have restated the Group's science-based target to align with this and included data centre emissions (both in target and in baseline), which were previously excluded due to methodology constraints. This has increased the Group's current emissions reduction target from 21% to 51% by 2025 and will increase our emissions coverage to >99% of our Scope 1 & 2. In 2019, we delivered a 30% reduction against this restated target in Scope 1 & 2 GHG emissions from our 2015 base year as outlined in Abs2. We plan to achieve the restated target of 51% through (i) the Group's commitment to procure 100% of electricity from renewable sources (zero emissions) by 2025, (ii) the reduction in energy use through decommissioning of the tri-generation unit and (iii) a transition to electric vehicles. This original target was informally reviewed by the Science-based Target Initiative (SBTI), who confirmed it is considered science-based. This target applies the Sectoral Decarbonisation Approach 'Service Buildings' methodology given our emissions largely arise from office building based activities and our bank branches. NAB Group's SBT covers our global Scope 1 and 2 GHG emissions across all GHGs required in the GHG Protocol Corporate Standard.

**Target reference number**

Abs 2



**Year target was set**

2016

**Target coverage**

Company-wide

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

Scope 1+2 (market-based)

**Base year**

2015

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

150893

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

100

**Target year**

2025

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

51

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

73937.57

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

106305

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

57.9400310023607

**Target status in reporting year**

New

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

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

**Please explain (including target coverage)**

2019 was our fourth year reporting against a medium-term (10 year) science-based target (SBT) for NAB Group's global operations to decrease Scope 1 & 2 Greenhouse Gas (GHG) emissions. The Science-Based Target Initiative is now urging organisations to align their targets to the more ambitious "well-below 2°C" warming scenario, rather than the previous "2°C only" scenario. As such, we have restated the Group's science-based target to align with this, and included data centre emissions (in our baseline and target). They were previously excluded due to methodology constraints. This restatement has increased the Group's current reduction target from 21% to 51% by 2025 and will increase our emissions coverage to >99% of our Scope 1 & 2 emissions. In 2019, with reference to our restated target, we delivered an 30% reduction in Scope 1 & 2 GHG emissions from our 2015 base year. We plan to achieve the restated target of 51% through the Group's commitment to procure 100% of electricity from renewable sources (zero emissions) by 2025, the reduction in energy use through decommissioning of our tri-generation unit and a transition to electric vehicles. The methodology for our original SBT target was informally reviewed by the Science-based Target Initiative (SBTI) in 2016, who confirmed at the time they considered the target to be science-based. We have utilised the same methodology (the Sectoral Decarbonisation Approach 'Service Buildings' methodology) for the target restatement given our emissions largely arise from office building-based activities and our bank branches. NAB Group's SBT covers our global Scope 1 and 2 GHG emissions across all GHGs required in the GHG Protocol Corporate Standard.

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

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

Other climate-related target(s)

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**C4.2a**

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

**Target reference number**

Low 1

**Year target was set**

2019

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: energy carrier**

Electricity

**Target type: activity**

Consumption

**Target type: energy source**

Renewable energy source(s) only

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

Percentage

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2019

**Figure or percentage in base year**

3

**Target year**

2025

**Figure or percentage in target year**

100

**Figure or percentage in reporting year**

3

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

0

**Target status in reporting year**

New

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

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

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

RE100

**Please explain (including target coverage)**

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

**C4.2b**

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

**Target reference number**

Oth 1

**Year target was set**

2016

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

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

Energy consumption or efficiency	GJ
----------------------------------	----

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2015

**Figure or percentage in base year**

791456

**Target year**

2020

**Figure or percentage in target year**

751883.6

**Figure or percentage in reporting year**

695678.13

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

242.031997048448

**Target status in reporting year**

Underway

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

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

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

Science Based Targets initiative

**Please explain (including target coverage)**

NAB's group-wide, medium-term target is to reduce energy use by 5% by 2020 from a 2015 base year (including data centres). Achievement of this target supports NAB Group's carbon neutral status and help us reduce our overall greenhouse gas (GHG) emissions. In 2019, NAB Group was on track to meet this 2020 target, reducing our energy use by 12% from 2015 already ahead of the 5% target. This target covers 100% of the Group's reported Scope 1 & 2 energy use across the regions, net of energy produced through our rooftop solar generation. Since the 2019 reporting period, NAB Group set a new energy reduction target of 30% by 2025 from a 2019 base year. The new target covers 100% of NAB Group's reported gross Scope 1 & 2 energy use across all regions. Additionally, there is a new target to reduce energy use (GJ) from the use of vehicle fuels by 50% by 2025 from a 2019 baseline.

**Target reference number**

Oth 2

**Year target was set**

2016

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

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

Waste management	metric tons of waste generated
------------------	--------------------------------

**Target denominator (intensity targets only)**

&lt;Not Applicable&gt;

**Base year**

2015

**Figure or percentage in base year**

2518

**Target year**

2020

**Figure or percentage in target year**

2392

**Figure or percentage in reporting year**

1871

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

513.492063492064

**Target status in reporting year**

Underway

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

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

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

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB's group-wide, medium-term waste reduction target is to reduce waste to landfill by 5% by 2020 from a 2015 baseline of 2,518 metric tonnes. This target supports NAB Group's carbon neutral status and helps us reduce our overall GHG emissions. In 2019, 1,871 metric tonnes of general waste was sent to landfill, an 26% reduction from the 2015 baseline. Based on this, NAB Group is currently on track to meet its 2020 reduction target. This target covers 100% of reported waste to landfill (t) generated across the regions where NAB Group operates. Since the 2019 reporting period, NAB Group has set a new waste to landfill reduction target of 10% by 2025 from a 2019

base year. The new target covers 100% of reported waste to landfill (t) generated across the regions where NAB Group operates.

**Target reference number**

Oth 3

**Year target was set**

2016

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

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

Resource consumption or efficiency	metric tons of paper consumed
------------------------------------	-------------------------------

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2015

**Figure or percentage in base year**

892

**Target year**

2020

**Figure or percentage in target year**

802.8

**Figure or percentage in reporting year**

511.4

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

426.681614349776

**Target status in reporting year**

Underway

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

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

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

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB's group-wide paper reduction target is to reduce office paper by 10% by 2020 from a 2015 baseline of 892 metric tonnes. Achievement of this target supports NAB Group's carbon neutral status and helps us reduce our overall Scope 3 GHG emissions. In 2019, 511 metric tonnes of office paper was used, a 43% reduction from the 2015 baseline. Based on this, NAB Group is currently on track to meet its 2020 reduction target. This target covers 100% of reported office paper A3 & A4 usage (t) across the regions where NAB Group operates. Since the 2019 reporting period, NAB Group has set a new office paper reduction target of 20% by 2025 from a 2019 base year. The new target is not exclusive to A3 & A4 paper, and instead covers 100% of all office paper (t) generated across the regions where NAB Group operates.

**Target reference number**

Oth 4

**Year target was set**

2016

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

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

Resource consumption or efficiency	Other, please specify (kL of potable water consumed)
------------------------------------	--

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2015

**Figure or percentage in base year**

405642

**Target year**

2020

**Figure or percentage in target year**

365078

**Figure or percentage in reporting year**

385005

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

50.8751602406074

**Target status in reporting year**

Underway

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

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

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

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB's group-wide water target is to reduce potable water withdrawal by 10% by 2020 to 365,078 kL from a 2015 base year of 405,642. Achievement of this target supports NAB Group's carbon neutral status and helps us reduce our overall Scope 3 GHG emissions. In 2019, NAB Group's potable water use was 385,0052 kL, a 5% reduction from the baseline. This target covers 100% of reported potable water withdrawal (kL) across the regions where NAB Group operates. Since the 2019 reporting period, NAB Group has set a new water reduction target of 5% by 2025 from a 2019 base year. This target covers 100% of reported potable water withdrawal (kL) across the regions where NAB Group operates.

**Target reference number**

Oth 5

**Year target was set**

2015

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

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

Green finance	Green finance raised and facilitated (denominated in currency)
---------------	--

**Target denominator (intensity targets only)**

&lt;Not Applicable&gt;

**Base year**

2015

**Figure or percentage in base year**

0

**Target year**

2025

**Figure or percentage in target year**

70000000000

**Figure or percentage in reporting year**

33600000000

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

48

**Target status in reporting year**

Underway

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

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

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

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

NAB Group's environmental financing target is to provide \$70\* billion in environmental financing over 10 years (from 2015-2025) to assist the low carbon transition. This includes: • \$35 billion to support green infrastructure, capital markets and asset finance. • \$35 billion in new mortgage lending flow for 6 Star residential housing in Australia (new dwellings and significant renovations). This target covers 100% of the identified areas across the regions where NAB operates. \*Represents total cumulative new flow environmental financing from 1 October 2015. This target covers 100% of the identified areas across the regions where NAB Group operates. (Refer to 2019 Sustainability data pack -financing tab). • Lending for green commercial buildings: These buildings rate within the top 15% NABERS energy efficiency rating and contribute towards an overall reduction in energy demand. • Specialised lending, corporate and securitisation finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses: This lending includes large-scale renewable energy generation projects, finance for adaptation projects, and low emissions transport infrastructure. • Asset finance: customer leased assets that improve energy efficiency or generate renewable energy. • Green term deposits: Customer UBank Green term deposits • Green bonds: The proceeds of green bonds issued and arranged by NAB are used for investments in renewable energy, low-carbon public transport, low-carbon buildings, energy efficiency and nature-based assets which are eligible under the Climate Bonds Taxonomy and contribute to the sustainable development goals. • Advisory activities, underwriting and arranging: These activities are included when they are related to activities such as renewable energy, low-carbon public transport (e.g. electrified rail), energy efficiency, sustainable agriculture, sustainable water infrastructure and adaptation infrastructure. • Lending to support development of 6-Star Residential properties: This is cumulative lending flow (since 1 October 2015) for construction and significant renovations of homes that meet a minimum NatHERS 6-Star (or equivalent) standard. This supports the low carbon transition in a key segment of Australia's economy and assists in reducing residential energy demand and greenhouse emissions.

### C4.3

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

Yes

### C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	6	
To be implemented*	3	5593
Implementation commenced*	12	4069
Implemented*	6	1691
Not to be implemented	1	

### C4.3b

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

#### Initiative category & Initiative type

Low-carbon energy generation	Solar PV
------------------------------	----------

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

1392

#### Scope(s)

Scope 2 (location-based)

#### Voluntary/Mandatory

Voluntary

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

264442

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

1118899

#### Payback period

4-10 years

#### Estimated lifetime of the initiative

11-15 years

#### Comment

Rooftop solar installation on approximately 40 NAB branches.

#### Initiative category & Initiative type

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

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

15

#### Scope(s)

Scope 2 (location-based)

#### Voluntary/Mandatory

Voluntary

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

90000

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

45000

#### Payback period

1-3 years

#### Estimated lifetime of the initiative

6-10 years

**Comment**

Improving energy efficiency through supplementary HVAC installation. This allows us to service a specific 24 hour staffed area rather than an entire building outside of standard operating hours.

**Initiative category & Initiative type**

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

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

230

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

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

96977

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

252310

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

Upgrading and optimising lighting assets within our buildings

**Initiative category & Initiative type**

Energy efficiency in buildings	Other, please specify (Cooling tower upgrade)
--------------------------------	---

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

54

**Scope(s)**

Scope 2 (location-based)

**Voluntary/Mandatory**

Voluntary

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

10500

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

No payback

**Estimated lifetime of the initiative**

11-15 years

**Comment**

Cooling tower upgrade. This investment occurs as part of our general equipment upgrade with no specific energy efficiency investment required (therefore the "investment required" field is deliberately left blank). While we track the benefits of such initiatives, we don't disclose these costs.

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

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

## C4.5

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

Yes

### C4.5a

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

**Level of aggregation**

Product

**Description of product/Group of products**

Green bonds (climate bonds)

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

Low-carbon product and avoided emissions

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

Climate Bonds Taxonomy

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

4.7

**% of total portfolio value**

3.4

**Asset classes/ product types**

Investing	Fixed Income
-----------	--------------

**Comment**

The percentage revenue figure (4.7%) provided relates to bond products only. It represents the % revenue for arranging/underwriting of green (climate) bonds as a percentage of total bond revenue arranged and underwritten in FY2019. The percentage of total portfolio value (3.4%) relates to bond products only. It represents the portfolio value of green (climate) bonds arranged and underwritten during FY2019, as a percentage of the total bond portfolio value arranged and underwritten during FY2019.

**Level of aggregation**

Product

**Description of product/Group of products**

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

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

Low-carbon product

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

Climate Bonds Taxonomy

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

18

**% of total portfolio value**

7.64

**Asset classes/ product types**

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

**Comment**

The percentage revenue figure provided (18%) relates to revenue from climate-related project finance including: (i) adaptation related projects (desalination projects for water security), (ii) low carbon transport projects (e.g. light rail for mass transit), and (iii) renewable energy revenue as a % of total revenue for Project Finance for FY2019. For % of total portfolio value, 7.64% represents the total share of climate-related project finance as a percentage of the project finance portfolio - expressed as E&D - as at 30 September 2019.

**Level of aggregation**

Group of products

**Description of product/Group of products**

Customer Statements

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

Avoided emissions

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

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

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

0



**% of total portfolio value**

0

**Asset classes/ product types**

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

**Comment**

A reverse calculation is applied to NAB Group's customer statements converting the number of online statements into avoided tCO2-e. This reverse calculation provides the volume of GHG emissions avoided through the purchase of carbon neutral paper for customer statements. As this is an avoided cost and does not result in revenue, both % revenue and % of total portfolio value fields have been included as 0. We selected 'Bank Lending' as an Asset class/product type because the statements are provided to customers as part of our service to them.

**C5. Emissions methodology**

**C5.1**

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

**Scope 1**

**Base year start**

July 1 2014

**Base year end**

June 30 2015

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

16545

**Comment**

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

**Scope 2 (location-based)**

**Base year start**

July 1 2014

**Base year end**

June 30 2015

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

134350

**Comment**

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

**Scope 2 (market-based)**

**Base year start**

July 1 2014

**Base year end**

June 30 2015

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

133681

**Comment**

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

**C5.2**

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

- Australia - National Greenhouse and Energy Reporting Act
- Defra Voluntary 2017 Reporting Guidelines
- IEA CO2 Emissions from Fuel Combustion
- New Zealand - Guidance for Voluntary, Corporate Greenhouse Gas Reporting
- The Climate Registry: General Reporting Protocol
- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- The Greenhouse Gas Protocol: Scope 2 Guidance
- Other, please specify (See C5.2a for additional resources used)

## C5.2a

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

2019 Climate Registry Default Emission Factors – Released May 2018, Table 12.1 & 12.9

DBEIS 2019: UK Government Conversion factors from Company Reporting, Refrigerant & other

eGRID2016 Unit, Generator, Plant, State, Balancing Authority Area, eGRID Subregion, NERC Region, U.S., and Grid Gross Loss (%) Data Files (February 15, 2018).

Australia – National Greenhouse Accounts (NGA) Factors 2017 and 2018

EPA Victoria's Greenhouse Gas Inventory Management plan: 2012–13 update, publication 1374.1

IEA CO2 emission factors 2018 - Complement

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

## C6. Emissions data

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### C6.1

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

##### Reporting year

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

19207

##### Start date

<Not Applicable>

##### End date

<Not Applicable>

##### Comment

Operational control

### C6.2

---

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

##### Row 1

##### Scope 2, location-based

We are reporting a Scope 2, location-based figure

##### Scope 2, market-based

We are reporting a Scope 2, market-based figure

##### Comment

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

### C6.3

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

**Reporting year**

**Scope 2, location-based**

90434

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

87098

**Start date**

<Not Applicable>

**End date**

<Not Applicable>

**Comment**

Our public reporting uses a location-based methodology at this time. For our market based figure we have applied zero emissions for electricity that is renewable with certificates under the Large-scale Renewable Energy Target scheme in Australia and the Renewable Energy Certificates of Origin Scheme in the UK.

**C6.4**

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

Yes

**C6.4a**

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

**Source**

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

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

Emissions are not relevant

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

No emissions excluded

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

No emissions excluded

**Explain why this source is excluded**

This emissions source is immaterial in relation to our global operations and would not contribute in a meaningful way to emissions reductions. We have a small number of office locations throughout Asia (Singapore, Japan, India, Indonesia and China), one office in New York and a JB Were office in NZ for which we are unable to source data from our landlords on fugitive emissions of ozone depleting substances in respect of air conditioning and refrigeration. Based on the very small proportion of FTE ( $\leq 1\%$ ) and NLA ( $\leq 1\%$ ) that these regions contribute to NAB's portfolio, and given that we understand the volume of HVAC in our operations where this is calculated (less than 1% of total 2019 GHG emissions), the volume of emissions from HVAC in our Asia, New York and JB Were office in New Zealand has been deemed immaterial.

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**C6.5**

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

## Purchased goods and services

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

17.3

### Emissions calculation methodology

A4 and A3 paper purchased: Data for the quantity of paper purchased is obtained from our corporate office paper suppliers in reams. This data has a high degree of accuracy and can be reconciled with invoiced data. A conversion factor of 2.5 kg (A4) and 5 kg (A3) per ream is applied to convert the number of reams into tonnes of paper. Paper purchased is segmented into the following categories for calculation of Greenhouse Gas (GHG) emissions: recycled, virgin content, domestic and offshore sources, and certified Carbon Neutral and Carbon Neutral and Recycled (both zero emissions). The methodology and emission factors applied are those published in EPA Victoria's Information Bulletin (Publication 1374.1) Greenhouse Gas Emission Factors for Office Copy Paper. A zero emissions factor is applied where paper is certified as carbon neutral by the Government, or another independent and reputable standards body. This resulted in an estimated 630 tCO<sub>2</sub>-e that we have avoided through the purchase of carbon neutral paper in Australia and New Zealand.

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

100

### Please explain

In Australia and New Zealand, office paper GHG emissions continued to decrease, with a 41% difference between 2019 compared to 2018. This is largely due to increasing availability of supporting technology in our flexible working environment and technology solutions such as Follow You Printing (print to release). To date, GHG emissions for purchased goods and services have only included emissions from office paper purchased, as this was assessed as relevant under our direct operational control as part of our carbon inventory for our carbon neutral commitment in 2010. In addition, GHG emissions from our office paper is also a required inclusion in our carbon inventory for Australian National Carbon Offset Standard Carbon Neutral certification. Further assessments will be conducted over time on other purchased goods and services to allow us to make informed decisions related to further inclusions of GHG emissions in our carbon inventory.

## Capital goods

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

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

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

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

10588

### Emissions calculation methodology

(1) Transmission, extraction and distribution losses from stationary energy (diesel, gas and propane) and electricity: Activity data for electricity and fuel consumption from Scope 1 and 2 GHG emissions sources was utilised for the calculation of this emission source. The activity data has a high degree of accuracy as it is required for Scope 1 and 2 regulatory reporting purposes. Relevant GHG emissions calculation methodologies and appropriate country specific emission factors are applied to the activity data for each emission source. These are set out in guidance provided by the Australian Government in the NGER Determination and National Greenhouse Accounts Factors, by the UK Government in the Department of Business, Energy & Industrial Strategy (DBEIS) Voluntary Reporting Guidelines, by the NZ Government in the New Zealand Guidance for Voluntary, Corporate Greenhouse Reporting and in the Climate Registry: General Reporting Protocol and emission factors as updated. (2) Extraction, production and transportation losses from fuels (diesel, petrol and where relevant, ethanol) associated with our vehicle fleet are also included in our current carbon inventory where a methodology for calculation extraction, production and transportation losses is provided in the published reporting relevant to a country where we have operations. The methodologies and factors we have applied are outlined in the referenced mentioned above for the calculation and distribution losses.

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

100

### Please explain

This set of Scope 3 GHG emissions includes both the emissions resulting from transmission and distribution losses for electricity and the indirect losses from the extraction, production and transportation of other fuels and energy sources, including vehicle fuels, purchased and used by the NAB Group in the reporting period.

## Upstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

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

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

2333.9

### Emissions calculation methodology

Waste: Activity data for the calculation of GHG emissions from waste (waste to landfill, waste to incineration and recycling) is collected and provided by NAB Group's corporate waste contractors. Data is not available in all countries where we operate for all office building and branch sites, so we calculate a normalised measure of waste to landfill /m2 of property space occupied from the sample of sites where data is available and extrapolate the sample to estimate waste from the total building portfolio. The activity data provided by our waste contractors is an estimate based on the number of bins they collect from our offices. Once an estimate of the tonnage of waste to landfill data is available, the GHG emissions calculation methodologies and factors provided by NZ Ministry for Environment's Corporate Reporting Guidelines and the Australian National Greenhouse Accounts (NGA) Factors references are applied to calculate GHG emissions. Waste to incineration: Activity data for the calculation of GHG emissions from waste to incineration is collected and provided by NAB Group's corporate waste contractors. Waste to incineration is not performed in all countries. Once the tonnage of waste to incineration data is available, the GHG emissions calculation methodologies and factors provided by DEBIS are applied to calculate GHG emissions. Materials diverted: Activity data for the calculation of GHG emissions from waste diverted is collected and provided by BNZ and London only. Emissions from waste diverted is not performed in all countries. Once the tonnage of waste to diverted data is available, the GHG emissions calculation methodologies and factors provided by MFE - Guidance for Voluntary, Corporate Greenhouse Gas Reporting (2019) and DBEIS 2019: UK Government conversion factors for Company Reporting are applied to calculate GHG emissions

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

77

### Please explain

This Scope 3 GHG emissions source includes GHG emissions from waste to landfill, waste to incineration and recycling (NZ only). Although we track materials recycled as one of our activity data sets to determine our rate of diversion of waste from landfill, we only include GHG emissions from recycled materials from New Zealand in our current carbon inventory.

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

27618

### Emissions calculation methodology

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

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

100

### Please explain

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

## Employee commuting

### Evaluation status

Relevant, calculated

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

32674

### Emissions calculation methodology

In Australia, in 2015, a survey was conducted of staff and their travel modes and distances commuting to and from work. This was extrapolated across the broader population to determine a factor for estimating Employee Commuting GHG per Employee Number. This factor has been updated based on 2019 staff numbers at head office locations. Per person emission factors for various travel modes were determined as follows: (1) Cars: We have applied the factors published by the Australian Bureau of Statistics state average fleet mix, multiplied by the average efficiencies (litres per 100km), multiplied by the appropriate National Greenhouse Gas Accounts factors to arrive at a kgCO<sub>2</sub>/person.km travelled: (2) Motorcycles and Ferries: We have applied the factors from the Department of Environment, Food and Rural Affairs (DEFRA) as kgCO<sub>2</sub>/person.km travelled. (3) Regional Train and Bus: We have applied the direct emissions (kgCO<sub>2</sub>/person.km) figures published by the EPA Greenhouse Gas Inventory Management Plan (publication 1562) and these figures were then rationed using NGA factors to derive an indirect emissions factor. (4) Metro train (and tram): Direct emissions figures were taken from EPA publication 1562, and were adjusted to represent other States' different electricity grids (and also indirect emissions) by drawing upon the NGA factors.

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

0

### Please explain

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

## Upstream leased assets

### Evaluation status

Relevant, calculated

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

20663

### Emissions calculation methodology

This GHG emission source category includes GHG emissions from (i) Base-building energy use (diesel, gas) and electricity not under NAB's operational control (Australia only): Activity data is provided by relevant landlords and based on billed energy consumption. Base-building GHG emissions represents our share of emissions from energy use to operate common facilities such as heating, cooling, ventilation and lifts within buildings we occupy. Base-building GHG are calculated based on the proportion of the landlord's energy consumption for these services based on our share of the building occupancy. The Australian emissions factors and methods set out in the calculation GHG emissions from our Scope 1 and 2 GHG emission sources are as described in the version of the National Greenhouse and Energy Reporting (Measurement) Determination 2008 applicable to the 2018-19 reporting period and the applicable version of the Australian National Greenhouse Accounts (NGA) Factors, (ii) associated transmission and distribution losses relating to Base-building energy use; and (iii) energy use emissions from use of Automated Tella Machines (ATM's) for our BNZ business. All remote (not located within BNZ store network) ATM's are held under gross leases so we do not receive electricity charges for operation of these ATM's. For this we do record an estimate of energy usage which is an average provided by NCR who operate the ATM's on our behalf. The methodology applied to calculate emissions associated with energy usage in ATM's was adopted from NZ Guidance for Voluntary Corporate Greenhouse Gas reporting.

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

100

### Please explain

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

## Downstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

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

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

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

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

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

## Use of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

Due to the intangible nature of financial products and services NAB does not account for GHG emissions arising from the use of sold physical products. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

## End of life treatment of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

Due to the intangible nature of financial products and services there is no end of life treatment of sold physical products. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

## Downstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

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

## Franchises

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

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

<Not Applicable>

### Please explain

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

#### Other (upstream)

##### Evaluation status

Relevant, calculated

##### Metric tonnes CO2e

475

##### Emissions calculation methodology

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

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

88

##### Please explain

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

#### Other (downstream)

##### Evaluation status

Relevant, calculated

##### Metric tonnes CO2e

145

##### Emissions calculation methodology

Customer Paper Statements: Data for the quantity of customer statements is obtained from our corporate office paper supplier in volume of statements. An average of 3 sheets per statement has been applied to the data. Customer statements are segmented into the following categories for calculation of GHG emissions: domestic recycled (onshore), virgin paper (offshore) and carbon neutral (zero emissions). The methodology and emission factors applied is a reverse calculation of the number of paper sheets into statements using the emission factors applied are those published in EPA Victoria's Information Bulletin (Publication 1374.1) Greenhouse Gas Emission Factors for Office Copy Paper. A zero emission factor is applied where paper is certified as carbon neutral by the Government, or another independent and reputable standards body. This resulted is an estimated 1,357 tCO2-e that we have avoided through the purchase of carbon neutral customer statements in Australia and New Zealand.

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

100

##### Please explain

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

## C6.10

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(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

**Intensity figure**

0.0000133578

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

109641

**Metric denominator**

Other, please specify (Underlying profit)

**Metric denominator: Unit total**

8208000000

**Scope 2 figure used**

Location-based

**% change from previous year**

2.6

**Direction of change**

Increased

**Reason for change**

Emissions intensity per unit of \$AU underlying profit increased by 2.6% in 2019 compared to 2018. Our underlying profit figure has decreased by 8.6%, while our gross global Scope 1 and 2 GHG emissions have decreased by 6.3% compared to the prior year. Our Scope 1 & 2 GHG emissions decreased due to a number of emission reduction activities installation of solar PV panels on our branches and optimising assets within our buildings through the use of lighting upgrades, HVAC and cooling tower upgrades. NOTE: We do not use a revenue figure in our financial reporting. On agreement with CDP, NAB has been using \$AU of underlying profit instead of revenue as the denominator for the purpose of completing this question for a number of years. \$AU of underlying profit (AU\$8,208m in 2019 and AU\$8,985m in 2018). Using underlying profit as the denominator allows for meaningful comparison against prior years' financial intensity measures due to the nature of our underlying business activities.

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**Intensity figure**

3.24

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

109641

**Metric denominator**

full time equivalent (FTE) employee

**Metric denominator: Unit total**

33867

**Scope 2 figure used**

Location-based

**% change from previous year**

6.42

**Direction of change**

Decreased

**Reason for change**

Our global gross Scope 1 & 2 GHG emissions per FTE decreased by approximately 6.4% in 2019 compared to 2018. The decrease in metric tonnes CO2-e per FTE was largely driven by the gross Scope 1 & 2 GHG emissions figures which have decreased by 6.3%, coupled with a small (0.1%) decrease in our FTE across the portfolio. Our Scope 1 & 2 GHG emissions decreased due to a number of emission reduction activities installation of solar PV panels on our branches and optimising assets within our buildings through the use of lighting upgrades, HVAC and cooling tower upgrades.

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**Intensity figure**

0.151752879

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

109641

**Metric denominator**

square meter

**Metric denominator: Unit total**

722497

**Scope 2 figure used**

Location-based

**% change from previous year**

3.04

**Direction of change**

Decreased

**Reason for change**

Our global gross Scope 1 & 2 GHG emissions per metre squared of property occupied decreased by approximately 3% in 2019 compared to 2018. This was driven by the 6.3% decrease in Scope 1 & Scope 2 emissions across our global operations coupled with a smaller (3.4%) decrease in Net Lettable Area. The decrease in Net Lettable Area (NLA) occupied by NAB can be attributed to the continued consolidation of our operations as part of our property strategy. Our Scope 1 & 2 GHG emissions decreased due to a number of emission reduction activities, installation of solar PV panels on our branches, and optimising assets within our buildings through the use of lighting upgrades, HVAC and cooling tower upgrades.

## C7. Emissions breakdowns

### C7.9

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

Decreased

### C7.9a

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

	Change in emissions (metric tons CO <sub>2</sub> e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	3000	Decreased	2.6	NAB Group's purchase of renewable energy increased significantly in 2019 which decreased our overall carbon footprint by 3000 tCO <sub>2</sub> -e compared with 2018. 2019 was the first year where we surrendered Large-scale Generation Certificate's (LGC's) in Australia. The majority of these certificates are created through NAB's involvement in the Melbourne Renewable Energy Project, whereby Power Purchase Agreements (PPAs) are used to procure renewable energy and in turn, create LGC's. NAB Group also creates and surrenders LGC's from the largest of our rooftop solar systems. In the UK, there was a decrease in GreenPower purchased in line with reduced electricity consumption. Of total renewable energy purchased across the Group in 2019, the UK only represents 8% of our total purchased renewable energy. Our total Scope 1 and Scope 2 GHG emissions in 2018 were 117,029 tCO <sub>2</sub> -e. The emissions value (%) calculation is therefore: $(3000/117,029)*100 = -2.6\%$
Other emissions reduction activities	3955	Decreased	3.4	Gross Scope 1 and 2 GHG emissions decreased by 3.4% due to a range of emissions reduction activities including the consolidation through the release of space in some regions (Asia and New Zealand), a decrease in the number of branches occupied in Australia, improvements to HVAC and lighting, as well as upgrading and optimising assets within our buildings through the use of IoT technology and chiller upgrades. Our total Scope 1 and Scope 2 GHG emissions in 2018 were 117,029 tCO <sub>2</sub> -e. The reduction calculation is therefore: $-(3955/117,029)*100 = -3.4\%$
Divestment		<Not Applicable>		
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output	38	Decreased	0.03	Gross Scope 1 and 2 GHG emissions decreased by 0.03% due to the continued phase out of emission-intensive refrigerant gas R22 and replacement with less emission-intensive refrigerant gases across the portfolio. Our total Scope 1 and Scope 2 GHG emissions in 2018 were 117,029 tCO <sub>2</sub> -e. The reduction calculation is therefore: $(-38/117,029)*100 = -0.03\%$
Change in methodology	1068	Decreased	0.9	Across the Group, changes in electricity-related GHG emission factors, as well as to the refrigerant leakage rate (kitchen and vehicle refrigerants), had an impact of -0.9% on Group-wide Scope 1 and Scope 2 GHG emissions. This was most significant in Victoria, where the Scope 2 electricity-related GHG emissions factor decreased by 1%, which resulted in a reduction of 550.8 tCO <sub>2</sub> -e GHG emissions. In New Zealand, we experienced an 18% reduction the emissions factor applied to electricity, resulting in a reduction of 340.8 tCO <sub>2</sub> -e. The majority of our Asian branches experienced a decrease in emission factors (with the exception of Japan) ranging from 0.1%-10%, although total emissions from these branches has a lower overall impact on our total operational emissions portfolio. Our UK and USA branches also experienced decreases in the emissions factors applied to their electricity of 10% and 0.14%, similar to our Asian branches, total emissions from these branches have a minimal impact on our overall total operational emissions portfolio. In 2019, we had a total decrease in electricity-related GHG emissions of 977 tCO <sub>2</sub> -e due to emissions factors. A change in the default leakage rate used for calculating vehicle and kitchen refrigerant also resulted in a reduction in emissions of 91 tCO <sub>2</sub> -e. Therefore, our total Scope 1 and Scope 2 GHG emissions in 2018 were 117,029 tCO <sub>2</sub> -e. The reduction calculation is therefore: $(-1068/117,029)*100 = -0.9\%$ .
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other	714	Decreased	0.6	Gross Scope 1 and 2 GHG emissions decreased by 0.60% due to NAB experiencing a full 12 months of production in 2019 from rooftop solar installed in 2018 across NAB's Australian operations. This has reduced NAB Australia's draw on the electricity grid by 881,489 kWh when compared to the 2018 reporting period. In avoiding the sourcing of this electricity from the grid, Scope 1 and 2 GHG emissions have decreased by 0.6% compared to the prior year. NAB's total Australian Scope 1 & Scope 2 GHG emissions in 2018 were 117,029 tCO <sub>2</sub> -e. The reduction calculation is therefore: $(-714/117,029)*100 = -0.6\%$

### C7.9b

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

Location-based

## C8. Energy

## C8.1

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

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

## C8.2

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

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

## C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	97317	97317
Consumption of purchased or acquired electricity	<Not Applicable>	3173	107803	110976
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	2487	<Not Applicable>	2487
Total energy consumption	<Not Applicable>	5660	205120	210780

## C9. Additional metrics

### C9.1

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

**Description**

Energy usage

**Metric value**

695678

**Metric numerator**

GJ

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

4

**Direction of change**

Decreased

**Please explain**

Net energy use decreased by 4% (29,849 GJ) from last year. A number of energy efficiency initiatives implemented in 2019 contributed to this, including improvements to HVAC and lighting, as well as upgrading and optimising assets within our buildings through the use of IoT technology and chiller upgrades. The consolidation through the release of space in some regions (Asia and New Zealand), and a decrease in the number of branches occupied in Australia also contributed.

**Description**

Other, please specify (Office Paper)

**Metric value**

511

**Metric numerator**

metric tonnes

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

11

**Direction of change**

Decreased

**Please explain**

Office paper use continues to decrease due to the continued digitisation of our workforce. Our paper use decreased by 11% (63 t) when compared to the prior year.

---

**Description**

Other, please specify (Water)

**Metric value**

391050

**Metric numerator**

Water Withdrawal (kL)

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

0.9

**Direction of change**

Increased

**Please explain**

Potable water remained relatively flat, increasing by <1% (3,452kL) compared to the prior year. Water use increased in Australian office buildings due to a increases in building occupancy.

---

**Description**

Waste

**Metric value**

1871

**Metric numerator**

metric tonnes

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

4

**Direction of change**

Decreased

**Please explain**

Waste to landfill has decreased by 4% (77 t) compared to the prior year. Australian waste to landfill has decreased, due largely to a decrease in the number of bins collected from our sites. Our United Kingdom (UK) Branch has zero waste to landfill, as all waste is recycled or sent to incineration. All waste in Asia is recycled or diverted from landfill.

---

**Description**

Other, please specify (Gross GHG emissions )

**Metric value**

171535

**Metric numerator**

metric tonnes CO2-e

**Metric denominator (intensity metric only)**

Not applicable

**% change from previous year**

5

**Direction of change**

Decreased

**Please explain**

Gross GHG emissions decreased by 5% (9,781 tCO2-e). A number of energy efficiency initiatives implemented in 2019 contributed to this, including improvements to HVAC and lighting, as well as upgrading and optimising assets within our buildings through the use of IoT technology and chiller upgrades. The consolidation through the release of space in some regions (Asia and New Zealand), and a decrease in the number of branches occupied in Australia also contributed.

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**C10. Verification**

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**C10.1**

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

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

**C10.1a**

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

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

NAB 2019-NGER GHG Data-Assurance Report.pdf

**Page/ section reference**

All Scope 1 emissions have Limited Assurance. See NAB 2019 GHG and Offset Data SBTI Performance Assurance Report: pg. 1 - specified GHG emissions and offset data including Scope 1; pg. 2 - Criteria and Standards used; pg 3 - Procedures performed. Australian Scope 1 emissions reported under the NGER Act have Reasonable-level Assurance. See additional NGER Assurance report attached: NGER Assurance Report: pg. 1 - NGER data including Scope 1, Criteria and Standards used.

**Relevant standard**

ISAE3000

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

100

**C10.1b**

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

**Scope 2 approach**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

NAB 2019-NGER GHG Data-Assurance Report.pdf

**Page/ section reference**

All Scope 2 emissions have Limited Assurance. See NAB 2019 GHG and Offset Data SBTI Performance Assurance Report: pg. 1 - Specified GHG emissions and offset data including Scope 2; pg. 2 - Criteria and Standards used; pg 3 - Procedures performed. Australian Scope 2 emissions reported under the NGER Act have Reasonable-level Assurance. See additional NGER Assurance report attached: NGER Assurance Report: pg. 1 - NGER data including Scope 2, Criteria and Standards used.

**Relevant standard**

ISAE3000

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

100

**C10.1c**

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

**Scope 3 category**

Scope 3: Purchased goods and services

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack-xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers the Scope 3 emissions (including paper-related emissions) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of NAB Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in NAB Group's 2019 Sustainability Data Pack.xlsx file lists the specified Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

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**Scope 3 category**

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack-xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers Scope 3 emissions (including transmission & distribution loss related emissions) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of the Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the Group's 2019 Sustainability Data Pack.xlsx file shows the Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

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**Scope 3 category**

Scope 3: Waste generated in operations

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack-xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers the Scope 3 emissions (including waste-related emissions) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of NAB Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

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**Scope 3 category**

Scope 3: Business travel

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack-xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

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**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers Scope 3 emissions (including travel-related emissions) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of NAB Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

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**Scope 3 category**

Scope 3: Upstream leased assets

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack.xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers Scope 3 emissions (including base building related emissions) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of NAB Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

---

**Scope 3 category**

Scope 3 (upstream)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack.xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers Scope 3 emissions (including water and waste water-related emissions) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of NAB Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

---

**Scope 3 category**

Scope 3 (downstream)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

NAB 2019-sustainability-data-pack.xlsx.xlsx

NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

**Page/section reference**

NAB's 2019 GHG and Offset Data SBTI Performance Assurance Report is a Limited Assurance Report which covers Scope 3 emissions (including emissions from customer statements) reported in NAB Group's 2019 Sustainability Data Pack.xlsx which is part of NAB Group's 2019 Sustainability Report. Refer Assurance Report pages 1, 2 and 3. The "GHG Emissions" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx file shows Scope 3 emissions covered by KPMG's Limited Assurance Report.

**Relevant standard**

ISAE3000

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

100

**C10.2**

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

Yes

**C10.2a**

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

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C2. Risks and opportunities	Other, please specify (Environmental finance commitment - NAB's environmental financing commitment is to provide \$55bn in environmental finance by 2025 (between 1 October 2015 -30 September 2025) to assist the low carbon transition.)	ASAE 3000	KPMG conducts limited assurance over data points included in NAB's carbon risk and opportunity disclosures. This includes the environmental financing data which is aggregated so NAB can publicly report on its environmental financing commitment, including financing to assist our customers in making the low carbon transition. This data has been used in NAB's CDP responses. References: NAB 2019 Carbon Risk Disclosures Assurance Report pages 1-4, and the "Environmental Finance by lending category" table in the "Financing" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx for the data we have disclosed and used in our CDP responses. NAB 2019-sustainability-data-pack.xlsx NAB 2019-Carbon Risk Disclosures-Assurance Report.pdf
C2. Risks and opportunities	Other, please specify (% RE in power generation portfolio - NAB annually reports the % of renewable energy (RE) in its power generation portfolio. This is a strategic opportunity which reduces climate risk.)	ASAE 3000	KPMG conducts limited assurance over data points included in NAB's carbon risk and opportunity disclosures. This includes the % of renewable energy generation in our power generation portfolio which is publicly reported in our half and full year investor packs, and our Sustainability Report demonstrating how we are helping customers to make the low carbon transition. This data has been used in NAB Group's CDP responses. Refer to: NAB 2019 Carbon Risk Disclosures Assurance Report pages 1-4, and the power generation exposures graph and table in the "Exposures" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx for the data we have disclosed and used in our CDP responses. NAB 2019-Carbon Risk Disclosures-Assurance Report.pdf
C4. Targets and performance	Progress against emissions reduction target	ISAE 3000 and ISAE 3410	KPMG conducts limited assurance over NAB's progress against its science-based emissions reduction target. Reference: See pages 1-4 of the NAB 2019 GHG and Offset Data SBTI Performance Assurance Report. Also refer to performance reporting in the "Position" tab in the NAB Group's 2019 Sustainability Data Pack.xlsx for the data we have disclosed and used in our CDP responses. NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf
C6. Emissions data	Other, please specify (This refers to the NAB Group total emissions data.)	ISAE 3000 and ISAE 3410	KPMG conducts limited assurance over NAB's greenhouse gas emissions and offset data. References: NAB 2019 GHG and Offset Data SBTI Performance Assurance Report (see pages 1-4), NAB 2019 NCOS Public Disclosure Summary (see Section 2 (pg. 4) and Section 4, Table 4 (pg. 6)). Also refer to performance reporting in the "Position" and "GHG emissions" tabs in the NAB Group's 2019 Sustainability Data Pack.xlsx for the data we have disclosed and used in our CDP responses. NAB 2019-NCOS-Public Disclosure Summary.pdf NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf

NAB 2019-Carbon Risk Disclosures-Assurance Report.pdf  
NAB 2019-GHG and Offset Data-SBTI Performance-Assurance Report.pdf  
assurance-environmental-data.pdf

**C11. Carbon pricing**

**C11.2**

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

Yes

**C11.2a**

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

**Credit origination or credit purchase**  
Credit purchase



**Project type**

Solar

**Project identification**

Yongren Ganbala Solar PV, Serial number: CN-5-1014691099-2-2-0-9291-CN-5-1014699375-2-2-0-9291 and CN-5-1014700549-2-2-0-9291-CN-5-1014718403-2-2-0-9291

**Verified to which standard**

CDM (Clean Development Mechanism)

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

26132

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

26132

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

---

**Credit origination or credit purchase**

Credit purchase

**Project type**

Wind

**Project identification**

InfraVest Changbin and Taichung bundled Wind Farms Project -Taiwan, Serial Number: GS1-1-TW-GS472-12-2014-4605-75828 to 137622

**Verified to which standard**

Gold Standard

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

61795

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

61795

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

---

**Credit origination or credit purchase**

Credit purchase

**Project type**

Biomass energy

**Project identification**

Korat Waste to Energy, serial number: 4,627,416 – 4,628,478

**Verified to which standard**

CDM (Clean Development Mechanism)

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

1063

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

1063

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

---

**Credit origination or credit purchase**

Credit purchase

**Project type**

Other, please specify (Savanna Burning)

**Project identification**

Oriners & Sefton Savanna Burning Project, serial number: 3769835480-3769843835

**Verified to which standard**

Emissions Reduction Fund of the Australian Government

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

8356

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

8356

**Credits cancelled**

Yes

---

**Purpose, e.g. compliance**

Voluntary Offsetting

---

**Credit origination or credit purchase**

Credit purchase

**Project type**

Forests

**Project identification**

Maraeroa C, serial number: 50053032267-50053033271

**Verified to which standard**

Other, please specify (New Zealand Emission Trading Scheme)

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

1005

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

1005

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

---

**Credit origination or credit purchase**

Credit purchase

**Project type**

Geothermal

**Project identification**

Gunung Salak, serial number: 5010-209176585-209240965-VCU-005-APX-ID-1-144-01042014-31122014-0

**Verified to which standard**

VCS (Verified Carbon Standard)

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

64381

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

64381

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

---

**Credit origination or credit purchase**

Credit purchase

**Project type**

Hydro

**Project identification**

Sarbari-I small hydro project, serial number: 5708-256005601-256011043-VCU-034-APX-IN-1-483-01092015-31122015-0

**Verified to which standard**

VCS (Verified Carbon Standard)

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

5443

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

5443

**Credits cancelled**

Yes

**Purpose, e.g. compliance**

Voluntary Offsetting

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**C11.3**

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

Yes

**C11.3a**

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

**Objective for implementing an internal carbon price**

Stakeholder expectations  
Change internal behavior  
Drive energy efficiency  
Drive low-carbon investment  
Identify and seize low-carbon opportunities

**GHG Scope**

Scope 1  
Scope 2  
Scope 3

**Application**

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

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

11.5

**Variance of price(s) used**

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

**Type of internal carbon price**

Implicit price  
Offsets

**Impact & implication**

NAB Group has an internal, implicit cost of carbon which is used in our business cases for capital projects related to energy efficiency, greenhouse gas reduction and renewable energy generation. We assess the viability of projects based on the energy savings, maintenance savings and avoided cost of carbon compared with the cost to invest in the asset. Our internal carbon price is calculated based upon the average price we pay for carbon offsets to maintain our carbon neutral status and also upon the cost of committing NAB to RE100, through which we have committed to increasing our internal renewable energy consumption to 100% by 2025. In 2019, our internal carbon price was factored into investment decisions made around installation of solar panels on branches. The capital investment payback was determined based on projected energy cost savings, internal cost of carbon savings and some maintenance cost savings. Our internal carbon price for the 2019 environmental year reporting period was \$11.50 per tonne. This is informed by our purchases of international and domestic, indigenous voluntary carbon offsets and of renewable energy in 2019.

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**C12. Engagement**

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**C12.1**

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

Yes, our suppliers  
Yes, our customers

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**C12.1a**

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

**Type of engagement**

Information collection (understanding supplier behavior)

**Details of engagement**

Collect climate change and carbon information at least annually from suppliers  
Other, please specify (Collaboration with landlords to reduce energy, waste and water and associated GHG emissions )

**% of suppliers by number**

36.5

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

7.9

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

22

**Rationale for the coverage of your engagement**

This data refers to our Scope 3 GHG emissions from base-building energy use (diesel, gas) and electricity not under NAB's operational control. Base-building GHG emissions represent our share of emissions from energy use to operate common facilities such as heating, cooling, ventilation and lifts within buildings we occupy. NAB Group leases the majority of its building portfolio and the majority of the GHG emissions from these buildings are considered to be under our operational control and are already accounted for in our Scope 1 and 2 GHG emissions. We have regular meetings with our landlords to work together to reduce the energy use and associated generation of scope 3 GHG emissions for NAB. This includes green lease clauses which require regular engagement between tenant and landlord to focus on reducing the environmental impact of our operations. For our 6 major commercial buildings, we share details on energy efficiency targets (NABERS Ratings) and where applicable carbon neutral certification for shared energy use.

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

The impact of our building supplier's activity to reduce their emissions was a 4% (867 tCO<sub>2</sub>-e) decrease in our Scope 3 base building emissions. This was in part due to the delivery of energy efficiency initiatives such as the installation of LED lighting and air conditioning upgrades undertaken by our landlords in areas of the building shared with NAB. Scope 3 Base Building emissions represent 30% of our total Scope 3 emissions so the 4% reduction in this category results in a material impact to reducing our total Scope 3 GHG emissions. Working on emissions reductions activities and sharing of carbon neutral data with our landlords contributes to our carbon neutral position and is

our business as usual operating process of engaging with our suppliers on climate change. We could not continue to achieve Scope 3 reductions year on year without the support and action undertaken by our landlords.

#### Comment

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##### Type of engagement

Information collection (understanding supplier behavior)

##### Details of engagement

Collect climate change and carbon information at least annually from suppliers

##### % of suppliers by number

0.71

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

0.02

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

2

##### Rationale for the coverage of your engagement

NAB Group engages with our waste and recycling service providers to reduce our waste to landfill and to improve our diversion to recycling streams. The waste generated across the Group decreased by 6 % from 4,202 metric tonnes in 2018 to 3,954 metric tonnes in 2019. 53% of total waste generated was diverted from landfill. This is a result of our engagement with our waste and recycling service providers to implement additional recycling streams across the business and to provide advice to employees on best practices waste management.

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

NAB Group has reduced its carbon emissions from landfill waste across the Group by 6% since 2018. Waste continues to be a passionate topic among our staff with this being one of the most popular topics for feedback to the Enterprise Sustainability team. Some of this feedback is acted upon in conjunction with our waste and recycling service providers - e.g. introduction of disposable coffee cup recycling, soft plastic recycling and reducing waste to landfill and associated Scope 3 GHG emissions.

#### Comment

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##### Type of engagement

Information collection (understanding supplier behavior)

##### Details of engagement

Collect climate change and carbon information at least annually from suppliers

##### % of suppliers by number

0.05

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

0.8

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

21

##### Rationale for the coverage of your engagement

Travel is an important and necessary part of our business and contributes significantly to NAB Group's Scope 3 emissions. Whilst we travel and stay with a range of airline and hotel accommodation service providers respectively, we engage directly with our travel booking provider for our Australian business with respect to how we get data to measure our GHG emissions and climate change-related impact arising from business travel-related activities. We also have similar relationships with travel booking providers in other geographies (e.g. New Zealand) so we can facilitate our climate-related operational performance reporting.

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

100% of NAB Group's Scope 3 emissions generated through our travel provider are offset and in turn, our business is able to remain carbon neutral. As travel is a requirement of our business and the geographical reach of our organisation, we have looked at innovative ways to ensure our staff are mindful of the greenhouse gas emissions impact of their travel. Working in conjunction with our travel supplier, we carefully account for our annual travel emissions and report this to the business. Raising awareness, as well as travel related bans across the business, has led to a reduction in Scope 3 travel related emissions by 0.13% since 2018 across the Group.

#### Comment

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## C12.1b

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

##### Type of engagement

Compliance & onboarding

##### Details of engagement

Climate change considerations are integrated into customer screening processes

##### % of customers by number

100

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

0

##### Portfolio coverage (total or outstanding)

All of the portfolio

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

Credit policy requires all bankers to screen credit applications to determine if a customer's industry or activities are included in our High Risk ESG Sectors and Sensitive Areas list. This list incorporates climate change considerations and includes industries and activities that are carbon intensive, low carbon and climate sensitive. Bankers engage with customers as part of the credit application process, which gives them the information required to undertake ESG risk screening. This is particularly relevant for

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

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

The impact of this engagement is that it helps us (NAB) to quickly determine whether a customer is engaged in a sector or activity that we are willing to finance, and whether or not there are likely to be climate-related risks we need to understand in more detail via ESG risk assessment, as part of our credit risk assessment and due diligence process. This screening is particularly important when we are lending to customers in fossil fuel-related sectors, so that we make sure we apply our policy consistently across our customers. Measures of success include: • ability to quickly identify and categorise customer-related ESG risks, including climate-related risks; • building stronger relationships with our customers through understanding their ESG risks, including climate-related risks, associated with their businesses; and • being able to identify opportunities to help our customers with climate-related solutions which help them mitigate, and adapt and build resilience to climate change. For example, this screening process has helped us identify customers with whom we can engage with to talk about their low carbon transition plans and whether they could integrate their goals and objectives into a sustainability-linked loan.

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#### **Type of engagement**

Information collection (understanding customer behavior)

#### **Details of engagement**

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

#### **% of customers by number**

16

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

0

#### **Portfolio coverage (total or outstanding)**

Minority of the portfolio

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

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

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

The impact of this engagement is that it helps us to gather information to assess climate-related risks at a customer level, and when aggregated, at a portfolio level. This helps with our climate-risk related reviews of carbon intensive, low carbon and carbon sensitive sectors. Insights from portfolio reviews may in turn lead to changes in credit policy settings or risk appetite so we can manage our portfolio-level climate risk exposure. It also helps us to identify opportunities to assist our customers in implementing solutions to manage climate risk and adapt and build the resilience to climate change. For example, in FY2019 we reviewed the thermal coal mining and thermal coal-fired lending portfolios and based on this review, which included information from our ESG risk assessment process and engagement we announced the following measures: • Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. Measures of success include: • understanding and managing customer and portfolio level climate-related risks . This success will be measured over time by achieving our portfolio transition measures e.g. a decrease in thermal coal exposures of 50% by 2028 and effectively zero by 2035 • building stronger relationships with our customers through understanding their ESG risks, including climate-related risks, associated with their businesses; and • being able to use our understanding of climate-related risks to identify opportunities to help our customers with climate-related solutions e.g. meeting our \$70bn by 2025 environmental financing target by providing power sector customers with sustainability-linked loans linked to low carbon transition of their operations and helping customers raise capital through arranging and underwriting green bonds.

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#### **Type of engagement**

Education/information sharing

#### **Details of engagement**

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

#### **% of customers by number**

63

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

0

#### **Portfolio coverage (total or outstanding)**

Majority of the portfolio

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

We undertake a range of activities to proactively engage our customers in different industry segments on ESG risk, including climate change, and to share with them information on NAB's strategy and approach to ESG risk, including climate risk. We also run events to connect our customers with experts external to NAB. We believe that understanding ESG risks, including climate risk, will help identify opportunities to improve business resilience and profitability. An example of this type of customer-related engagement undertaken by NAB in FY2019, was an event we held with our insurance sector clients. We identified that many of these clients were interested in learning

more about different approaches to ESG risk management, including climate risk management, and that they were also interested in topics such as the changing nature of climate-related liability risk. To assist these insurance customers, we engaged our own ESG team, an ESG research and ratings agency, an SRI investor and a climate risk legal expert to run an event for them. 35 customers were invited and 22 attended – which represents around 63% of invited customers by number. We have used this figure for size of engagement (% of invited customers attending by number). This group of customers also represented 64% of our insurance sector portfolio by value (expressed as Exposure at Default) as at 30 September 2019. We have indicated 0 for the field '% customer-related Scope 3 emissions. This is because none of the attendees were customers represented by the estimated share of the Scope 3 investment emissions reported elsewhere in Question C-FS14.1a. The customers for which we calculate emissions are in the power generation sector with project finance for designated power generation assets included in the Clean Energy Regulator's emissions data. This event was part of a series of ESG events we ran for our Corporate & Institutional Banking customers in FY2019. We also ran a series of events on the Australian National Outlook project (ANO) - a multi-stakeholder collaboration with CSIRO and other organisations. The ANO project mapped a sustainable path for Australia to reach its social and economic potential in 2060. This path is based on five key land, energy (including climate), culture, urban and industry shifts that government, business and the wider community must make together.

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

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

**C12.3**

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

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

**C12.3a**

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

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Other, please specify (Climate Active's National Carbon Offset Standard: Carbon inventory calculators)	Support	Climate Active's Carbon Neutral Standard is an initiative of the Australian Government's Department of Energy, Science, Industry and Resources. NAB participated in Climate Active's National Carbon Offset Standard's trial of their beta-version carbon inventory calculators. This included trialling them as part of NAB's 2019 National Carbon Offset Standard (NCOS) certification submission. Engagement occurred over a number of months, across both the 2019 and 2020 CDP reporting periods.	NAB provided feedback on Climate Active's beta-version calculators, comparing the use of standardised tools for calculating carbon inventory against the current approach, which utilises company derived tools. The feedback included comments and questions around their suitability, accuracy and ease of use.
Other, please specify (Emissions)	Support	The Australian Government's Climate Change Authority ('the Authority') provides independent, expert advice on climate change policy. We participated in a Business Council for Sustainable Development Australia submission to the Authority, when the Authority consulted on updating its advice on meeting Australia's Paris Agreement commitments. The Authority was seeking to update its recommendations to ensure Australia is well-placed to meet its 2030 emissions target and consistent with meeting subsequent targets with enhanced ambition that put Australia on a path to net zero emissions, consistent with the Paris Agreement framework.	We support the Authority's list of desirable characteristics of emissions reduction policies for use in evaluating policy options outlined by the Authority in its consultation paper. The industry submission provided responses to the questions including: 'Aspects of the Authority's previous recommendations remain valid and why?' 'Whether particular regions or communities and emissions-intensive trade-exposed industries be assisted in the transition, and if so, how?' and, 'Examples of barriers (regulatory and non-regulatory) to realising emissions reductions.'
Other, please specify (Mitigation and Adaptation Opportunities)	Support	We participated in a dialogue with the Northern Territory Government in response to the Government's discussion paper – 'Climate Change: Mitigation and Adaptation Opportunities in the Northern Territory'. The Government's engagement was focused on seeking views to assist them in formulating Northern Territory Climate Change Strategy.	We were supportive of the Government's goal of developing a Climate Change Strategy for the Northern Territory and provided our suggestions on what might be included in a State-based Climate Change Strategy to help manage the State's greenhouse gas emissions effectively, support State-based adaptation to climate change, and progress opportunities for developing innovative approaches to climate change mitigation and adaptation.
Other, please specify (Integration of climate risk into Prudential supervisory activities)	Support	We participated in development of a banking industry association response to a UK Prudential Regulatory Authority (PRA) Consultation Paper 23/18 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change.' This consultation paper sought stakeholder views on a draft supervisory statement on banks' and insurers' approaches to managing the financial risks from climate change.	The submission was supportive of the PRA's consideration of climate risk and the inclusion of climate risk in supervisory activities because climate-related risks are becoming apparent now and may give rise to more material risk over longer time horizons. The submission also reiterated members' support for aligning PRA's requirements with the recommendations of the Taskforce on Climate-related Financial Disclosures.
Other, please specify (Integration of climate risk into Prudential supervisory activities)	Support	As part of its climate change strategy, the Reserve Bank of New Zealand requested that insurers and banks in New Zealand take part in a survey on the implementation of disclosure recommendations developed by the Task Force on Climate-related Financial Disclosures (TCFD).	We supported alignment of disclosure requirements with the recommendations of the Taskforce on Climate-related Financial Disclosures and gave examples to illustrate the challenges/benefits of such an approach. NAB publicly committed to implement the TCFD recommendations in October 2017.

**C12.3b**

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

Yes

**C12.3c**

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

**Trade association**

Business Council for Sustainable Development Australia

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

Consistent

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

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

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

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

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**Trade association**

Australian Banking Association (ABA)

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

Consistent

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

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

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

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

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**Trade association**

Global Compact Network Australia (GCNA)

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

Consistent

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

The Global Compact Network Australia (GCNA) is the Australian, business-led network of the UN Global Compact. Environment and climate change is listed as a focus area, and of its Ten Principles. Principles 7, 8 and 9 are related to environmental issues including climate change (<https://unglobalcompact.org.au/our-ten-principles/>). The GCNA also has a focus on just transition and in August 2019 produced a discussion paper on planning for a just transition where it identified opportunities and challenges, and discussed governing and financing the transition. ([https://unglobalcompact.org.au/wp-content/uploads/2019/08/2019.08.27\\_Just-Transition-Discussion-Paper-2.pdf](https://unglobalcompact.org.au/wp-content/uploads/2019/08/2019.08.27_Just-Transition-Discussion-Paper-2.pdf)) In October 2019, the GCNA wrote a paper on SDG measurement and disclosure by ASX150 companies, which includes climate related SDGs. The report discusses how some of the largest Australian companies are acknowledging the SDGs, disclosing their commitment and prioritising the SDGs, aligning the SDGs with their business strategies, and their use of the SDG targets and indicators in performance measurement. [https://unglobalcompact.org.au/wp-content/uploads/2020/04/SDG-Measurement-and-Disclosure-by-ASX150\\_GCNA-and-RMIT.pdf](https://unglobalcompact.org.au/wp-content/uploads/2020/04/SDG-Measurement-and-Disclosure-by-ASX150_GCNA-and-RMIT.pdf)

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

NAB contributes to GCNA's activities and direction in relation to environment and climate change.

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**Trade association**

Australian Sustainable Finance Initiative (ASFI)

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

Consistent

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

The Australian Sustainable Finance Initiative has been established to set out a roadmap for realigning the finance sector to support greater social, environmental and economic outcomes for the country. This is as defined in the Paris Agreement, SDGs and other relevant UN human rights obligations and international conventions. The Progress report can be found here <https://www.sustainablefinance.org.au/s/ASFI-Progress-Report-Final.pdf>

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

NAB is represented on the Steering Committee and a number of ASFI technical working groups which are collaborating to develop recommendations for a sustainable finance roadmap for Australia, to support the objectives of the Paris Agreement, the SDGs and the Sendai Framework for Disaster Risk Reduction Framework.

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**Trade association**

NZ Bankers Association (NZBA)

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

Consistent

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

As the voice of NZ's banking industry, NZBA seeks to shape public policy on non-competitive industry issues. This includes on climate change which is a current regulatory

priority for the Association. The NZBA's December 2019 submission on climate related financial disclosures shows the position it has argued for publicly and includes: - Support for the recommendations of the TCFD - Support for NZ to introduce legislation to adopt a mandatory principles-based disclosure system - NZBA believes that directors' legal obligations in New Zealand result in consideration, identification, management and disclosure of climate-related risks.

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

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

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### C12.3d

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

Yes

### C12.3e

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

In FY2019, we hosted a Bioenergy Australia panel lunch on the topic of 'Is Australia ready for a climate change election'? which featured then-Liberal Senator Arthur Sinodinos, Labor Shadow Energy and Climate Minister Mark Butler, and then-Independent Member for Wentworth Dr Kerryn Phelps.

### C12.3f

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

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

### C12.4

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

**Publication**

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

**Status**

Complete

**Attach the document**

NAB 2019-annual-financial-report-pdf.pdf

**Page/Section reference**

NAB 2019 Annual Financial Report page references: TCFD-related disclosures covering governance, strategy, risk management and metrics and targets - refer to pgs 35 to 39. Disclosure on Risk Factors (incorporates climate risk) - refer pg 20 & 21.

**Content elements**

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

**Comment**

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**Publication**

In mainstream reports

**Status**

Complete

**Attach the document**

NAB 2019 Full Year-investor-presentation.pdf

**Page/Section reference**

NAB 2019 Full Year Investor Presentation, slides as follows: (i) Climate Action - Slide 53: alignment of reporting to TCFD, portfolio exposures to: ( a) resources including coal, oil and gas, and (b) power generation and (c) cumulative environmental/climate finance and 100% renewables for operations (opportunities), and (ii) Banking on Nature - Slide 54: Other metrics including Renewable Energy and Green Bonds.

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**Content elements**

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

**Comment**

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**Publication**

In other regulatory filings

**Status**

Complete

**Attach the document**

NAB 2019-NCOS-Public Disclosure Summary.pdf

**Page/Section reference**

NAB 2019 National Carbon Offset Standard Public Disclosure Summary: See section 2 (pg. 4), and Section 3 (pg. 6) - both provide emissions figures. Other metrics include offsets in Section 4, including Tables 4, 5 and 6 on pages 7 & 8.

**Content elements**

Emissions figures  
Other metrics

**Comment**

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**Publication**

In voluntary communications

**Status**

Complete

**Attach the document**

NAB 2019-annual-review-pdf.pdf

**Page/Section reference**

NAB 2019 Annual Review page references: (i) pg 13 - transition to a low carbon economy and progress against our environmental finance commitment, (ii) pg 31- Risk management and governance including climate risk, UNEP FI TCFD pilot and the Collective Commitment to Climate Action, (iii) pg 32 - TCFD alignment, reporting on climate risk, climate strategy refresh, environmental financing to support the low carbon transition and RE100, and (iv) emissions figures (p37).

**Content elements**

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

**Comment**

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**Publication**

In voluntary sustainability report

**Status**

Complete

**Attach the document**

NAB 2019-sustainability-report-pdf.pdf

**Page/Section reference**

NAB 2019 Sustainability Report page references: Scorecard (p5) - operational targets and environmental finance metric; Social Impact strategy, incl. climate change (CC) - pg 21; Pgs 19, 21-29, & 41 info. on project finance including renewable energy, climate risk, TCFD aligned disclosures: including climate-related governance, strategy, risk management (including changes to credit risk policy) and metrics and targets and helping flood affected communities..

**Content elements**

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

**Comment**

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**Publication**

In voluntary sustainability report

**Status**

Complete

**Attach the document**

NAB 2019-sustainability-data-pack-xlsx.xlsx

**Page/Section reference**

NAB 2019 Sustainability Data Pack (part of NAB's 2019 Sustainability Report): Exposures tab for reporting on NAB's exposures to: (i) the resources sector, including coal, oil and gas and (ii) the power generation sector including renewables. Financing tab for project finance metrics and for reporting on NAB's environmental finance

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commitment. The following additional tabs (Position, GHG Emissions, Energy and Other) for reporting on GHG gas metrics and targets related to operations.

**Content elements**

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

**Comment**

**C-FS12.5**

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

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

**C14. Portfolio Impact**

**C-FS14.1**

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

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD)	We use a combination of exposure metrics (as defined by TCFD) to analyse our portfolio's impact on the climate. In particular, we use the amount and percentage of carbon-related assets relative to total assets (as Exposure at Default), as well as the amount of lending and other financing connected with climate-related opportunities, which is recommended by the TCFD for banking (refer: <a href="https://www.tcfhub.org/metrics-and-targets/">https://www.tcfhub.org/metrics-and-targets/</a> ). We use the amount and percentage of carbon-related assets relative to total assets as a metric because it provides management, our Board and stakeholders with a view of our indirect climate impact in a form that is: • useful for decision-making in a banking context, • consistent with other metrics used to manage portfolio exposures, • easily understood; and • can provide a portfolio view across asset classes. This metric also has the added advantage that it does not rely on having access to customers' Scope 1 and Scope 2 GHG emissions, which means we can readily track the metric with our existing systems and processes. Metrics which require use of customers' Scope 1 and 2 GHG emissions for calculating climate impact require significant additional manual work and time and usually require some degree of estimation, as customer data is not always readily available. We do use a carbon footprinting approach to estimate the carbon emissions from our project finance power generation portfolio and to calculate the avoided emissions for our Green Bond Portfolio (as published in our annual Green Bond Reports – refer: <a href="https://capital.nab.com.au/information/green-and-sri-bonds">https://capital.nab.com.au/information/green-and-sri-bonds</a> ). We have also undertaken semi-quantitative heat mapping across our entire portfolio to determine the key carbon intensive, low carbon and carbon sensitive sectors within our portfolio.
Investing (Asset manager)	No, but we plan to do so in the next two years	<Not Applicable >	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset management portfolio would be considered as part of our approach implementing the PRI. There is currently ongoing analysis of the risks and opportunities presented by climate change by our external active managers. We have not yet focused on assessing the aggregate carbon footprint of our portfolio given the complexity and ambiguity of calculating this, combined with the fact that our portfolio (given its multi-manager design) is very broadly diversified, and that our ESG policy at the moment emphasises engagement and not exclusions.
Investing (Asset owner)	No, but we plan to do so in the next two years	<Not Applicable >	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset management portfolio would be considered as part of our approach implementing the PRI.
Insurance underwriting (Insurance company)	<Not Applicable >	<Not Applicable >	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable >	

**C-FS14.1a**

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

**Category 15 (Investments)**

**Evaluation status**

Relevant, calculated

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

295330

**Portfolio coverage**

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

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

100

**Emissions calculation methodology**

We used Australian emissions factors and methods for calculating Scope 1 and 2 GHG emissions as tCO<sub>2</sub>-e as set out in the National Greenhouse and Energy Reporting (NGER) (Measurement) Determination 2008 compilation dated 1 July 2018, including the National Greenhouse and Energy Reporting (Measurement) Amendment (Energy) Determination 2018. As these GHG emissions are not generated directly by NAB, we have relied on the public information disclosed by the Australian Clean Energy Regulator, which is information reported by customers for their designated generation facilities (assets) and can be matched to the assets we are financing. For the purposes of NGER reporting, designated generation facilities are facilities where the principal activity is electricity generation and where the facility is not part of a vertically integrated production process. We used the Scope 1 and 2 GHG emissions (as tCO<sub>2</sub>-e) publicly reported by the Clean Energy Regulator for Australian power generation assets listed as 'designated generation facilities' which are included in our project finance portfolio. We multiplied these emissions by NAB's participation in financing for each facility as % of debt as at 30 September 2019. We then aggregated NAB's share of Scope 1 and 2 GHG emissions for the portfolio of assets to arrive at a figure for the total tCO<sub>2</sub>-e for the portfolio of power generation assets we project finance in Australia.

**Please explain**

NAB's calculation of Scope 3 portfolio emissions is undertaken for the power generation assets financed as part of NAB's Australian project finance (lending) power generation portfolio. This metric is used to monitor the climate impact or emissions arising from our project financing of power generation facilities in Australia. This has decreased substantially over the past few years and in FY2019 there were only two remaining coal-fired assets in the Australian project finance power generation portfolio. The emissions figure calculated for our portfolio of Australian designated generation facilities covers around 90% of the Australian power generation assets (measured as MW capacity of the power generation facilities) included in NAB Group's project finance portfolio. Data for the remaining 10% of assets (measured as MW capacity of the power generation facilities) was not available. Coverage was calculated as a % of total installed MW capacity for power generation assets in NAB's project finance power generation portfolio with greenhouse gas emissions data available through the Australian Clean Energy Regulator. NAB's project finance portfolio power generation portfolio has been a key source of financed emissions in the past – this has reduced significantly over the past 5 years as this portfolio has been decarbonised and transitioned to renewable energy and some gas assets. The portfolio emissions associated with NAB's project finance power generation portfolio increased by 12.5% because our share of debt in the syndicated facility increased marginally by 0.5% and the generation asset produced more electricity during the 2019 reporting period when compared to the 2018 reporting period

**C-FS14.1b**

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

**Metric type**

Exposure to carbon-related assets

**Metric unit**

Percentage portfolio value

**Scope 3 portfolio metric**

0.9

**Portfolio coverage**

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

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

0

**Calculation methodology**

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

**Please explain**

This metric is monitoring climate impact in our lending portfolio as EaD for the resources and power generation portfolios. This metric was chosen so we could monitor how NAB's exposure to these sectors (which are emissions intensive) decreases overtime in line with our commitment to align our portfolio with the goals of the Paris Agreement and the Collective Commitment to Climate Action, particularly to monitor our progress against two portfolio transition pathways we announced as part of our FY2019 reporting. These were as follows: • Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. We increased our environmental finance commitment from \$55bn to \$70 bn by 2025 (as a cumulative amount from a starting baseline of 2015) – this was a \$15bn increase in our commitment to support green infrastructure, capital markets and asset finance. In FY 2019, we reached a total of: (i) \$17.5 billion against the Group's commitment to provide \$20 billion to support green infrastructure, capital markets and asset finance by 2025; and (ii) \$16.1 billion against the Group's commitment to provide \$35 billion in new mortgage lending flow for 6 Star residential housing in Australia (new dwellings and significant renovations) by 2025.

C-FS14.1c

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

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

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

C-FS14.2

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

	Scope 3 breakdown	Comment
Row 1	Yes, by industry	We provide a breakdown of our exposure to carbon-related assets in our resources and power generation portfolios. This is provided as a graph in our Full and Half-Year Investor presentations ( <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/fy19-investor-presentation.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/fy19-investor-presentation.pdf</a> and <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-half-year-results-investor-presentation.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-half-year-results-investor-presentation.pdf</a> ), our 2019 Sustainability Report <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-sustainability-report.pdf">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-sustainability-report.pdf</a> and 2019 Sustainability Data Pack <a href="https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-sustainability-data-pack.xlsx">https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-sustainability-data-pack.xlsx</a> .

C-FS14.2b

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

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Energy	Exposure to carbon-related assets	Percentage portfolio value	30.6	We monitor the percentage portfolio of our power generation portfolio that is attributed to carbon-related and renewable energy assets. This is so we can track the transition in our power generation lending portfolio to renewable energy. Currently 30.6% of our power generation portfolio (measured as Exposure at Default) is attributed to non-renewable or mixed power generation. This breaks down further to 12% gas-fired generation, 1.7% coal-fired generation and 15.9% mixed generation (lending to gentailers who have a mixture of coal, gas and renewable energy generation assets in their portfolio). Our power generation portfolio now has 69.4% of its exposure to renewable energy. We are monitoring both the % change and the change in absolute exposures to track how we progress against our portfolio transition pathway which is as follows: “Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions.”
Other, please specify (Resources)	Exposure to carbon-related assets	Percentage portfolio value	49	We monitor the percentage of our resources portfolio, which includes oil and gas, coal, other mining and mining services, that is attributed to carbon-related and non-carbon related assets. This is so we can track the transition in our resources lending portfolio away from carbon-intensive exposures. Currently 49% of our resources portfolio (measured as Exposure at Default) is attributed to carbon-related assets. This includes 14% coal (7% thermal coal down from 8% in the prior year, and 7% metallurgical coal – up 1% from 6% in the prior year) and 35% oil and gas exposures. We are monitoring both the % change and the change in absolute exposures to track how we progress against our portfolio transition pathway which is as follows: “Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers.”

C-FS14.3

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

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	NAB has become a signatory to the Principles for Responsible Banking and the associated Collective Commitment to Climate Action. The Collective Commitment to Climate Action sets out how banks will align their services and lending with the objectives of the Paris Agreement. It requires that signatories: • align their portfolios to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius; • take concrete action, within a year of joining, and use their products, services and client relationships to facilitate the economic transition required to achieve climate neutrality; • be publicly accountable for their impact and progress on these commitments. We have also established two sector portfolio transition pathways to commence aligning our portfolio to the goals of the Paris Agreement (limit global warming to well-below 2, striving for 1.5 degrees Celsius). These are as follows: • Supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • Capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. In 2020, we plan to undertake a review of the oil and gas sector.
Investing (Asset manager)	No, but we plan to do so in the next two years	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset management portfolio and taking actions to align our asset management portfolio to a well-below 2-degree world would be considered as part of our approach implementing the PRI. There is currently ongoing analysis of the risks and opportunities presented by climate change by our external active managers. We have not yet focused on assessing the aggregate carbon footprint of our portfolio given the complexity and ambiguity of calculating this, combined with the fact that our portfolio (given its multi-manager design) is very broadly diversified, and that our ESG policy at the moment emphasises engagement and not exclusions.
Investing (Asset owner)	No, but we plan to do so in the next two years	Our Wealth Management Division is currently considering Principles for Responsible Investment (PRI) membership. Assessing the climate impact of our asset portfolio as an asset owner and taking actions to align our asset management portfolio to a well-below 2-degree world would be considered as part of our approach implementing the PRI.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

**C-FS14.3a**

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

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	Currently, NAB assesses the alignment of customer's business strategies in sectors that are designated as potentially high ESG risk on our High ESG risk sensitive sectors and areas list (usually these are corporate & institutional banking clients in carbon intensive, carbon sensitive and low carbon sectors). In particular, we are reviewing customers' alignment with the Paris Agreement goals (and their strategies and plans to get there) as part of our climate-related sectoral reviews – so we can understand the climate risk impacts in key sectors or our lending portfolio and to help us make decisions about the portfolio transition pathways we put in place for key sectors within our lending portfolio and changes to risk appetite and policy that may be implemented as an outcome of our climate-related sectoral review. Our review of the thermal coal mining and coal-fired power sectors led to two sectoral transition pathways and a tightening of our risk appetite as follows: • supporting current customers involved in coal-fired power generation that are implementing transition pathways aligned with Paris Agreement goals of 45% reduction in emissions by 2030 and net zero emissions by 2050. NAB will not finance new or material expansions of coal-fired power generation facilities unless there is technology in place to materially reduce emissions. • capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from holding residual performance guarantees to rehabilitate existing coal assets. NAB will not take on new-to-bank thermal coal mining customers. We plan to review our oil and gas portfolio in a similar manner in 2020 as a next step. We also review the alignment of customer's business strategies part of engagement and discussion related to establishing metrics as part of sustainability linked loans.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

**C-FS14.3b**

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

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

**C15. Signoff**

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**C-FI**

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

**C15.1**

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

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

**Submit your response**

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

English

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

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

**Please confirm below**

I have read and accept the applicable Terms