

national  
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# Principles for Responsible Banking 2023 self-assessment

# Principles for Responsible Banking self-assessment

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NAB was an inaugural signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Responsible Banking (PRB) ("the Principles") in 2019.

The Principles provide a framework for signatories to guide their responsible banking practices, encompassing alignment with the UN Sustainable Development Goals and the Paris Agreement on Climate Change, impact and target setting; clients and customers; stakeholders; governance and culture; and transparency and accountability.

This is NAB's fourth PRB self-assessment report to demonstrate our progress in aligning our practices to the Principles. As outlined in the following self-assessment, we have achieved good progress in understanding and embedding societal and environmental impact in our business. There is still work to be done. We will drive progress towards our public targets, through the actions outlined across our reporting suite.

More broadly, we will continue to work with fellow members as the PRB considers its ambition to 2030.

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## **NAB's Reporting Suite**

This self-assessment should be read alongside NAB's annual reporting suite, specifically our:

- 2023 Annual Report
- 2023 Climate Report
- 2023 Sustainability Data Pack

available at [nab.com.au/annualreports](https://nab.com.au/annualreports)

# Principle 1: Alignment

**Principle 1: We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**

## 1.1 Business model

### Requirement

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Summary response

NAB's more than 38,000 colleagues serve more than 10 million customers who rely on it to deliver secure, easy, and reliable banking services. NAB's services primarily support customers across Australia and through its subsidiary, BNZ, New Zealand, while its Corporate and Institutional Bank serves customers throughout the world, including Australia, New Zealand, the United Kingdom, France, the United States of America, and Asia. NAB's workforce increased in 2023, primarily through the growth of NAB Innovation Centres in Vietnam and India. This forms part of NAB's strategy, increasing collaboration with Australia-based teams.

NAB's business model is outlined on page 12 of its 2023 Annual Report. This summarises how NAB seeks to create value for stakeholders, including NAB's main business activities. For detailed information on NAB's business, see the 'Segment information' on page 171 of the 2023 Annual Report.

### References and links

[2023 Annual Report](#)  
(page 12: Our business)  
(page 20: Creating value)  
(page 171: Note 2: Segment information)

## 1.2 Strategy alignment

### Requirement

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

Yes  No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: (outlined in below response)

Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: (outlined in below response)

None of the above

### Summary response

We are here to serve customers well and help our communities prosper. NAB's approach to sustainability is integrated within its business strategy. It is included in the long-term pillar of 'What we will be known for', and focuses on sustainability through: Commercial responses to societal challenges; Resilient and sustainable business practices; and Innovating for the future.

As summarised in 2.1, NAB has considered and prioritised activity in areas of the greatest potential positive impact. These areas were selected based on the business impact areas, strategic focus, and local needs, with alignment to United Nations Sustainable Development Goals 5, 7, 8, 9, 11, 13 and 15.

NAB continues work to integrate its overarching strategic long-term approach to sustainability into customer-facing and enabling business units.

### Applicable regulatory reporting on environmental and social risk assessments

NAB complies with applicable environmental regulatory requirements in a number of jurisdictions, including National Greenhouse and Energy Reporting (NGER) Act in Australia and the Energy Savings Opportunity Scheme in the UK. NAB voluntarily reports data required for the UK Streamlined Energy & Carbon Reporting (SECR).

In 2024, NAB's NZ subsidiary BNZ, will also become subject to an obligation for mandatory climate-related disclosures under the amended Financial Markets Conduct Act 2013. We also expect introduction of similar requirements in Australia in 2024/2025 following the consultations by Australian Treasury in 2023 on the design and implementation of standardised, internationally-aligned requirements for disclosure of climate-related financial risks and opportunities in Australia.

NAB is subject to environmentally-related prudential guidance issued by prudential regulators in a range of the jurisdictions in which NAB operates, including but not limited to:

- the Australian Prudential Regulatory Authority's prudential guidance on climate risk: CPG229 Climate Change Financial Risks
- the Singapore Monetary Authority's Guidelines on Environmental Risk Management
- the Hong Kong Monetary Authority's Supervisory Policy Manual GS-1 on Climate Risk Management.
- the UK Prudential Regulatory Authority's SS3/19: Enhancing banks' and insurers' approaches to managing the financial risks from climate change.

NAB complies with applicable regulatory requirements related to social risks and transparency in jurisdictions where it operates. Examples include, but not limited to, regulatory requirements related to modern slavery in Australia and the United Kingdom, and Australia's Workplace Gender Equality Act (WGEA).

### References and links

[2023 Annual Report](#)  
(page 13: Strategy)  
(page 20: Sustainability approach)  
(page 25: Sustainability scorecard)

# Principle 2: Impact & Target Setting

Principle 2: We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

## 2.1 Impact Analysis ("Key step 1")

### Requirement

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>9</sup> and fulfil the following requirements/elements (a-d)<sup>9</sup>

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/ services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

### Summary response

In 2023<sup>9</sup>, NAB continued to build its understanding of the areas where it can have the most significant potential positive or negative impact towards achieving society's goals.

#### **UNEP FI Portfolio Impact Analysis Tool for Banks ('Impact Analysis Tool')**

- NAB has completed annual reviews of the potential impacts of its lending portfolio since 2020, using the UNEP FI Impact Analysis Tool.
- These reviews informed NAB's understanding of the most significant areas of potential impact across its lending portfolio (including exposure to major industry types across its corporate and business lending; and a breakdown of its personal lending) in the context of the 'country needs' of the areas in which NAB operates.
- These analyses covered NAB's core business areas, excluding BNZ who report on the PRB as a separate entity.

In 2023, NAB reviewed any year-on-year changes to its underlying exposure by industry and deemed the prior impact analysis (and identified key impact areas) to be still relevant and applicable.

Effort was prioritised in developing more detailed understanding of impact in NAB's previously prioritised areas. This work is detailed in section 2.2 of this self-assessment.

Data quality and availability continue to present challenges for more granular impact analysis, and in furthering NAB's understanding of the scale of potential compared to realised impact. NAB intends to further develop its internal impact assessment practice.

#### **ESG Materiality assessment**

NAB discloses the outcomes of its annual ESG materiality assessment in its annual reporting (see the "What matters most" section of NAB's 2023 Annual Report for more information). This exercise draws on the Global Reporting Initiative (GRI) Standards, and guidance provided by the Integrated Reporting Framework. It considers ESG materiality through potential impacts on NAB's ability to continue to create value, including influence on stakeholder decisions, and NAB's potential impacts on society.

**More information on the ESG materiality assessment and its findings are detailed under section 2.1c of this self-assessment.**

### Requirement

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- by sectors & industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

### Summary response

NAB has considered the distribution of its portfolio across geographic and business segments<sup>5</sup> in its most recent impact analysis completed through the Impact Analysis Tool:

- **Geography:** More than 96% of lending is provided by NAB's businesses in Australia and New Zealand. NAB has other international lending, including Corporate and Institutional lending from the United Kingdom and the United States.
- **Major industry type:** The following breakdown shows credit risk exposures (EAD) by major industry type as at 31st March 2023:
  - Residential mortgage (42%)
  - Finance and insurance (21%)
  - Commercial Property (7%)
  - Agriculture, forestry, fishing, and mining (6%)
  - Retail and wholesale trade (3%)
  - Transport and storage (2%)
  - Manufacturing (2%)
  - Property and business services (2%)
  - Construction (1%)

### References and links

[2023 Annual Report](#)  
(Page 24: What matters most)  
(page 21: Sustainability in NAB's strategy)  
(page 28: Helping First Nations businesses prosper)

### References and links

[2023 Annual Report](#)  
(page 10: Our business)  
[2023 Half year results announcement](#)  
(page 23: Lending)  
(page 64: Note 7 loans and advances)  
[2023 Half Year Pillar 3 Report](#)  
(page 22: 4.1 General disclosures)

## Principle 2: Impact & Target Setting (cont.)

- Accommodation, cafes, pubs, and restaurants (1%)
- Personal (2%)
- Other- includes government and public authorities, utilities and other (11%)

### Portfolio breakdown by segment:

Business and Private Banking (35%), Personal Banking (34%) and Corporate and Institutional Banking (15%).

### Requirement

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>6</sup>Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

### Summary response

#### Country needs analysis

NAB completed a thorough review of 'country needs' for Australia and New Zealand through its involvement in the UNEP FI IAWG in 2022. This process considered global and regionally relevant sources to provide a score-based weighting for sustainable development impact areas on a country by country basis, and informed the underlying data in the Impact Analysis Tool.

Additionally, NAB monitors 'country needs' on an ongoing basis through its ESG materiality assessment and deemed those identified in the 2022 review to remain applicable in 2023.

The 'country need' weightings assist NAB in prioritising impact areas when considering key challenges related to sustainable development arising through its lending portfolio. These priority areas identified through the Impact Analysis Tool were:

- Climate change (emissions intensity, impacts of weather-related loss events)
- Affordable and specialist housing (availability, accessibility, affordability, quality of resources & services).
- Resource intensity (energy and water consumption).
- Indigenous economic advancement.

#### ESG Materiality assessment:

A key objective of NAB's 2023 ESG materiality assessment was to identify and prioritise the ESG areas of most relevance to its stakeholders, performance and potential impact on society. The annual process assists NAB in addressing and disclosing, these priority areas.

NAB draws on external frameworks and resources, such as the GRI Standards and UNEP FI Impact Radar, as well as its own feedback mechanisms (e.g. customer feedback, employee engagement surveys, investor engagement).

In addition to stakeholder feedback, NAB validates its findings through consideration of external ESG assessments and benchmarking services, e.g. the Dow Jones Sustainability Index, CDP and others.

Results of the materiality assessment are reviewed against NAB's strategic priorities and market position. In 2023, the identified and prioritised material ESG areas are:

- Conduct and culture.
- Managing climate change.
- Supporting customers.
- Colleague capability and well-being.
- Data security and technology.

For more information on this process, material topics and associated indicators, see page 24 of the 2023 Annual Report.

### Requirement

**Outcome:** Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>7</sup>? Please disclose.

### Summary response

NAB's three identified areas of most potential positive or negative impact remain unchanged from prior years. These areas are: (1) climate change; (2) affordable and specialist housing and (3) Indigenous economic advancement.

NAB has prioritised progressing its target setting for climate change, affordable and specialist housing and Indigenous economic advancement, as detailed in **section 2.2**.

**Section 2.2** also details progress made in NAB's third impact area, supporting improved outcomes for Indigenous Australians, where NAB has a new, lending-based target.

### References and links

[2023 Annual Report](#)

*(page 24: What matters most)*

*(page 21: Sustainability in NAB's strategy)*

*(page 28: Helping First Nations businesses prosper)*

### References and links

[2023 Annual Report](#)

*(page 25: Sustainability scorecard)*

*(page 28: Helping First Nations businesses prosper)*

[2023 Climate Report](#)

*(pages 34-56: Metrics and targets)*

[NAB Elevate Reconciliation Action Plan 2019-2021](#)

[NAB Interim Elevate Reconciliation Action Plan 2022-2023](#)

## Principle 2: Impact & Target Setting (cont.)

### Requirement

**d) Performance measurement:** For these (minimum two) prioritised areas, has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

### Summary response

#### Climate change

NAB is supporting customers to decarbonise and build climate resilience. We are prioritising action in the sectors most material and necessary to achieve the transition. Our approach has aligned measurement of financed emissions (and setting of decarbonisation targets) to the 'carbon-intensive' sectors outlined in the UNEP FI Guidelines<sup>(1)</sup> for members of the NZBA.

NAB has now set and published interim sector-specific decarbonisation targets in seven sectors (thermal coal, oil and gas, power generation, cement, iron and steel, aviation (a subset of transport) and aluminium).

NAB plans to set further targets in May 2024.

These sector targets are complemented by NAB's science-based Scope 1 and 2 operational (market-based) GHG emissions target to reduce emissions by 72% by 2030, against a 2022 baseline<sup>(2)</sup>.

#### Affordable and specialist housing

NAB is prioritising and assessing its impact in affordable housing in two main ways:

- Financing organisations that improve the supply of social, affordable and community housing, and Specialist Disability Accommodation (SDA).
- Supporting initiatives that improve access to housing finance for individuals.

To measure performance in these areas, NAB considers metrics including the amount (\$AUD) in lending provided, the number of new dwellings created, and the number of people supported into housing because of the financing provided.

NAB has established a specialist consumer affairs team to oversee its approach to managing and responding to social matters, including affordable and specialist housing. In 2023, NAB has taken steps to further its understanding of impact in this area, including a review of its data and measurement processes as well as its approach to governance and accountability.

NAB engaged with relevant Australian State and Federal Government bodies to further understand how it can support, at scale, its objective to provide fit for purpose SDA and social, affordable housing. This included:

- Working closely with Housing Australia to create the right financing conditions to build scale in social and affordable housing, aligned with the Government's ambition for 40,000 social and affordable homes by 2029.
- SDA financing for the Australian Disability Accommodation Projects Trust 2 for their portfolio of new build, recently constructed modern and purpose-built dwellings to accommodate up to 400 people with a disability
- Support for the First Home Guarantee scheme, financing loans in this subset housing for approximately 5,127 people in 2023.

In 2024, NAB will continue to build on this work to better our understanding and expects to set a suitable, impact-focused ambition to accompany its financing target.

#### Indigenous economic advancement

As Australia's largest business lender, NAB has prioritised the positive impact it can have by supporting growth in the Indigenous business economy. This is a powerful way to support self-determination by creating jobs and supporting wealth creation for First Nations people.

NAB's other targets for greater economic prosperity for Indigenous Australians are managed through its Reconciliation Action Plan (RAP). NAB's next three-year RAP is currently in development.

While the provision of finance to support Indigenous business plays a key role in supporting improved outcomes for First Nations peoples, NAB knows it has more work to do to understand the broader changes needed to unblock barriers and enable growth. In 2024, NAB will focus on building its understanding in this area, including by providing funding for research to explore the opportunities for Indigenous business, as well as the structural barriers to growth, including the role of the financial system. As part of this, NAB intends to develop how it can define and measure the impact of its initiatives.

### References and links

[2023 Climate Report](#)

(Pages 34-56: Metrics and targets)

(page 55: Environmental financing)

(Page 57: Reducing operational emissions)

[2023 Annual Report](#)

(page 29: Affordable and Specialist Housing)

(page 28: Helping First Nations businesses prosper)

(page 39: Summary of climate targets Table 4)

[2023 Sustainability Data Pack](#) (Finance tab)

(1) That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

(2) Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

(3) NAB's financial year ends on 30 September. The financial year ended 30 September 2023 is referred to as 2023 and other financial years are referred to in a corresponding manner.

(4) Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

(5) Breakdowns included in 2.1b are based on information presented in NAB's 2023 half year reporting suite.

(6) Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

(7) To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

(8) United Nations Environment Programme Finance Initiative Guidelines for Climate Target Setting for Banks.

## Principle 2: Impact & Target Setting (cont.)

(9) In 2023, the Group updated its operational science-based Scope 1 and 2 (market-based) GHG emissions reduction target to align with pathways that limit warming to 1.5°C. The Group's new target is for a 72% reduction in Scope 1 and 2 (market-based) GHG emissions by 2030 from a 2022 baseline.

### Self assessment summary (2.1 Impact analysis)

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>(9)</sup>

Scope:	<input checked="" type="checkbox"/> Yes	In progress	No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	In progress	No
Context:	<input checked="" type="checkbox"/> Yes	In progress	No
Performance measurement:	<input checked="" type="checkbox"/> Yes	In progress	No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

*Climate change, affordable and specialist housing and Indigenous economic advancement.*

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication

Up to 12 months prior to publication

Up to 18 months prior to publication

Longer than 18 months prior to publication

**Additional commentary**

(1) You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

## 2.2 Target Setting (Key Step 2)

### Requirement

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>(1)</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>(2)</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Summary response

#### Climate change

NAB's climate ambition is to support emissions reduction and to align with pathways to net zero by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.

NAB's climate targets support the achievement of SDGs #7 'Affordable and clean energy', #9 'Industry, Innovation and Infrastructure' and #13 'Climate action'.

NAB's interim (2030) sector decarbonisation targets have been set across seven of the highest emitting sectors across NAB's Australian lending portfolio (four were set in 2022, an additional three targets added in 2023), informed by the UNEP FI Guidelines. The International Energy Agency's Net Zero Emissions 2050 (IEA NZE 2050) scenario has been selected as the reference scenario for thermal coal, oil and gas, power generation, cement, and iron and steel targets. For aluminium, NAB has used the International Aluminium Institute Greenhouse Gas Pathway (AIA GHG) 2050 reference scenario, which is aligned to, but gives more granularity than, IEA NZE 2050. NAB's aviation target (a subset of transport) uses the Air Transport Action Group (ATAG) Waypoint 2050 reference scenario.

More information on the targets set, and the methodology used for setting the targets, can be found in NAB's 2023 Climate Report.

#### Affordable and specialist housing

NAB's affordable and specialist housing target has been set to support achievement of SDGs #9 'Industry, Innovation and Infrastructure' and #11 'Sustainable cities and communities'.

Affordable and specialist housing includes support for the supply of affordable housing, specialist disability accommodation and sustainable housing. The target also considers financing that improves access to housing, including a subset of loans made under the First Home Guarantee scheme for properties under the national median house price, and for borrowers with taxable income below the national median household income.

Progress is based on total lending facilities committed, where first drawdown occurred during the target period.

NAB's Framework for Customers Experiencing Vulnerability includes a range of actions aimed at reducing potential negative impact experienced by people in Australian communities who may be excluded from full access to financial services.

#### Indigenous economic advancement

In 2023 NAB announced target to more than double its lending to Indigenous businesses and community organisations to \$1 billion by 31 December 2026<sup>(9)</sup>. This ambitious new lending target represents an increase of more than 140% based on NAB's current lending of \$413 million and will help stimulate sustainable business growth to help create prosperity for First Nations communities.

NAB's Indigenous business and community organisation lending target has been set to support achievement of SDGs #8 "Decent work and economic growth" and #10 "Reduced inequalities".

### References and links

[2023 Annual Report](#)

(pages 20-24: Sustainability approach)

(page 29: Affordable and specialist housing)

(page 28: Helping First Nations business prosper)

[2023 Climate Report](#)

(pages 34-56: Metrics and targets)

[2021-2023 NAB's Framework for Customers Experiencing Vulnerability](#)

## Principle 2: Impact & Target Setting (cont.)

NAB is also updating its Reconciliation Action Plan (RAP) which contains a broader suite of actions to drive Indigenous economic advancement. For more information, see page 28 of NAB's 2023 Annual Report.

### Requirement

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators developed by the UNEP FI PRB.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

### Summary response

#### Impact area: Climate change

As a signatory of the NZBA, NAB has set interim sector decarbonisation targets for 2030 ('sector targets') for its lending portfolio in seven of the most emissions-intensive sectors in its Australian lending portfolio. These targets have been informed by the UNEP FI Guidelines.

In 2022, NAB published its first four interim sector decarbonisation targets for power generation, oil and gas, thermal coal and cement sectors, all using 2021 as the baseline year. In 2023, NAB published an additional 3 targets. The iron and steel and aluminium sector targets have been set using a 2022 baseline year, while NAB's aviation (a transport sub-sector) target uses 2019 as the baseline year. The aviation sector experienced severe disruption during the COVID-19 pandemic: overall emissions decreased due to reduced flight numbers but emissions intensity increased due to social distancing requirements. This resulted in non-representative emissions metrics across the sector in 2020 - 2022. For this reason, NAB used 2019 as a more representative baseline year for this sector, enabling better comparison over time.

Please refer to NAB's 2023 Climate Report for all relevant information and important disclosures relating to these targets, including detailed methodology information.

#### Indicators (As developed by the UNEP FI PRB)

##### Paris alignment target (A.1.2)

- Refer to NAB's 2023 Climate Report for information on the ambition NAB has stated to align its operational and financed emissions with pathways to net zero by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. NAB's 2023 Climate Report also includes information on the sector targets that have been set to date, including 2021 and 2022 baseline information and information on the selection of the International Energy Agency's Net Zero Emissions 2050 (IEA NZE 2050) reference scenario for thermal coal, oil and gas, power generation, cement, and iron and steel sectors, International Aluminium Institute Greenhouse Gas (IAI GHG) 2050 reference scenario for the aluminium sector, and Air Transport Action Group (ATAG) Waypoint 2050 reference scenario for aviation (a sub-sector of transport).

##### Client engagement process (A.2.1)

- In 2023, NAB met its target to work with 100 of its largest greenhouse gas emitting customers to support them as they develop or improve their low-carbon transition plans. Drawing on this initial exercise, NAB has prioritised embedding criteria in decision-making for customers in sectors where NAB has set interim sector-specific decarbonisation targets.
- From 1 October 2025, NAB intends to require a Customer Transition Plan to be in place for new or renewed corporate lending or project-level lending<sup>(4)</sup> for Corporate and Institutional Banking customers in certain sectors. For further details refer to page 13 of NAB's 2023 Climate Report.

##### Absolute financed emissions (A.2.2)

- NAB's 2022<sup>(5)</sup> absolute emissions estimate is 24.03 MtCO<sub>2</sub>-e and covers ten lending portfolio sectors. Please see p38 and p66 of NAB's 2023 Climate Report for more information.

##### Sector-specific emission intensity (A.2.3)

- NAB has elected to use physical intensity metrics for its power generation, cement, aluminium and transport (aviation sub-sector) sector targets. For more information on this, please see p38-39 of NAB's 2023 Climate Report.

##### Proportion of financed emissions covered by a decarbonisation target (A.2.4)

- NAB's seven sector targets set to date cover 70% of estimated financed emissions attributable to NAB's lending to emissions-intensive sectors. See p38 of NAB's 2023 Climate Report for more information.

##### Financial volume of green assets/low-carbon technologies (A.3.1)

- Please see p55 of NAB's 2023 Climate Report for a breakdown of NAB's environmental financing activity. Note that through to 2022, a key measure of progress for NAB was its environmental financing target to provide \$70 billion in financing activities to help address climate change and support the transition to a low carbon economy from 2016-2025. NAB exceeded this \$70 billion total in 2022 and is taking time to carefully consider a suitable forward-looking ambition expected to be communicated in 2024.

#### Affordable and specialist housing

NAB uses the following indicators to assess performance against its ambition to help Australians into suitable housing and increase the supply of safe and affordable housing:

- Financed volume \$AUD to affordable and specialist housing. This includes affordable housing, specialist disability accommodation and sustainable housing.
- New dwellings created as a result of finance provided by NAB.
- Number of people assisted into housing as a result of finance provided by NAB.

### References and links

2023 Climate Report

(page 12: Supporting customers to decarbonise and build resilience)

(pages 34-56: Metrics and targets)

(page 66: Financed emissions methodology)

(page 55: Environmental financing)

2023 Annual Report

(page 29: Affordable and specialist housing)

(page 28: Helping First Nations business prosper)



## Principle 2: Impact & Target Setting (cont.)

In addition to NAB's target for new financing to affordable and specialist housing, NAB works with Australian community partners and Australian State and Federal governments to explore policy challenges and work towards scalable housing solutions. See page 29 of NAB's 2023 Annual Report for NAB's housing target.

For more information on the steps NAB has taken to process its understanding of impact as it related to affordable and specialist housing, see section 2.1 (d) of this self-assessment. NAB acknowledges it has more work to do to build on this work to understand and set a suitable, impact-focused ambition to accompany its financing target.

### **Indigenous economic advancement**

In 2023, NAB announced target to more than double its lending to Indigenous businesses and community organisations to \$1 billion by 31 December 2026<sup>(9)</sup>.

NAB's other targets for greater economic prosperity for Indigenous Australians are managed through its RAP. NAB is finalising its application for its next three-year RAP, and in 2023 has been focused on consultation, planning and resource allocation to ensure it is prioritising its efforts in the areas where it stands to drive the most impact.

For more information on the steps NAB has taken to progress its understanding of impact as it relates to support for Indigenous business, see section 2.1 (d) of this self-assessment. NAB acknowledges it has more work to do to further understand the ways in which it can best contribute to better outcomes for Australia's First Nations people, including how it can define and measure the impact of its initiatives.

### **Requirement**

**c) SMART targets:** (incl. key performance indicators (KPIs)<sup>(6)</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

### **Summary response**

NAB has set the following targets, which are detailed in its 2023 Annual Report and 2023 Climate Report:

- Sector targets across seven of the most emission intensive sectors in NAB's lending portfolio, as part of its ambition to align its lending portfolio to net zero by 2050.
- In 2023, NAB announced its new target to provide \$6 billion in financing for affordable and specialist housing by 2029.<sup>(7)</sup> In 2023, NAB contributed \$2.2bn towards this target.
- In 2023, NAB announced target to more than double its lending to Indigenous businesses and community organisations to \$1 billion by 31 December 2026<sup>(9)</sup>

This self-assessment is focused on the above set of targets, however NAB is also working towards achieving a range of other goals aimed at increasing positive impact and mitigating or reducing potential negative impact, and to monitor performance in ESG areas presented in its Annual Report, Climate Report, Accessibility Action Plan, RAP, and NAB's Framework for Customers Experiencing Vulnerability.

NAB also has customer-related ESG risk policy settings and limits in place to manage its exposure to emissions-intensive, climate sensitive and low-emissions sectors. These are outlined on pages 21-28 of NAB's 2023 Climate Report.

### **References and links**

[2023 Climate Report](#)

(pages 21-28: Risk management

(pages 34-56: Metrics and targets)

[2023 Annual Report](#)

(page 29: Affordable and specialist housing)

(page 28: Helping First Nations business prosper)

[2021-2023 NAB's Framework for Customers Experiencing Vulnerability](#)

### **Requirement**

**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

## Principle 2: Impact & Target Setting (cont.)

### Summary response

#### Action plan:

NAB's plan to achieve its climate targets is set out in its 2023 Climate Report. Refer to the 'Sector decarbonisation' section on pages 30-31, and the "Metrics and targets" section on pages 34-56, which specifically outline plans to operationalise its sector targets.

NAB's plan and progress relating to its affordable and specialist housing target, is outlined on page 29 of NAB's 2023 Annual Report. Page 22 of NAB's 2023 Annual Report includes its governance model to monitor and drive activity across NAB's business units.

NAB's plan and progress relating to its Indigenous business target is outlined on page 28 of NAB's 2023 Annual Report. This includes progressing its Indigenous business strategy and building cultural capability across its business bank.

#### Indirect impacts:

NAB recognises that pursuing specific targets to drive positive impact in one area, could potentially generate negative impact elsewhere. Targets have been developed with consideration to minimise potential misalignment with any SDGs, and we continue to manage risk through our ESG risk process.

Consideration of ESG risk is integrated within NAB's Risk Management Strategy and Framework, including NAB's risk appetite, policies and risk management processes. ESG risk assessment is part of NAB's supplier due diligence and credit risk assessment processes, recognising that NAB's intention to drive positive impact in one area (e.g. environment) could present potential for negative impact (e.g. human rights) in other areas, if NAB does not remain alert to broader impacts.

In developing its climate strategy, including decarbonisation targets, NAB has identified that areas of potential negative impact include biodiversity, resource use and just transition. NAB's existing risk management process is central to reducing potential negative impact arising from lending to customers. For example, assessing the nature-related impact of a new renewable energy development.

In addition to its risk management process, NAB has been developing its approach to a just transition. NAB has been engaging, through its membership of the United Nations Global Compact (UNGC), to develop guidance that businesses can draw on to address risk and inequalities faced by certain communities in the transition to a low carbon economy. This includes opportunities for decent work and social justice (SDG 8 *Decent work and economic growth*, SDG 10 *Reduced inequalities*).

NAB's target to support additional supply of affordable and specialist housing is intended to drive positive societal impact. However, NAB notes that estimated financed emissions attributable to residential lending in Australia total 2.0 MtCO<sub>2</sub>-e (SDG 13 *Climate action*). To mitigate this, NAB is exploring ways to support consistent minimum energy efficiency standards and disclosure for housing. NAB is developing its approach for a target to reduce financed emissions associated with residential mortgages.

For more information on NAB's approach to understanding and supporting a just transition, see page 15 of the 2023 Climate Report.

### References and links

2023 Climate Report  
(page 15: *Just transition*)  
(pages 30-31: *Sector decarbonisation*)  
(pages 21-28: *Risk management*)  
(pages 34-56: *Metrics and targets*)  
(page 66: *Financed emissions methodology*)  
2023 Annual Report  
(page 29: *Affordable and specialist housing*)  
(page 28: *Indigenous business*)  
(page 53-55: *ESG Risk management*)

- (1) Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.
- (2) Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.
- (3) Lending target position refers to 'Gross Loans and Advances' as at the target of 31 December 2026 to customers who have been identified as an Indigenous business or community organisation. Baseline position of \$413.6m calculated as at 31 August 2023.
- (4) This includes lending at a corporate level (for example, general facilities made available to the parent company of a group of companies), or at a project-level (that is on an individual project basis for a specific project purpose), and subject to national energy security considerations.
- (5) Data for NAB's 'financed emissions' is based on the year from 1 July 2021 to 30 June 2022 as this aligns with customers' emissions data availability, reported in alignment with the National Greenhouse and Energy Reporting Scheme Act.
- (6) Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.
- (7) Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing and this includes loans made under the First Home Guarantee, as part of the Home Guarantee Scheme (previously the First Home Loan Deposit Scheme) for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance.

### Self assessment summary (2.2 Target setting)

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... <b>Climate change</b>	... second area of most significant impact: ... <b>Affordable and specialist housing</b>	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: <b>Indigenous economic advancement</b>
Alignment	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

## Principle 2: Impact & Target Setting (cont.)

### 2.3 Target implementation and monitoring (Key step 2)

#### 2.3 Target implementation and monitoring (Key step 2)

##### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

NAB's actions to support achievement of its targets are outlined in its 2023 Climate Report and 2023 Annual Report.

##### Climate change

In NAB's 2021 Annual Review, NAB outlined its intention to set and publish emissions reduction targets for a substantial majority of its Australian lending portfolio. NAB has since joined the NZBA, and is setting sector decarbonisation targets aligned with pathways to net zero by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. Working towards this ambition, NAB has set interim 2030 sectoral decarbonisation targets ('sector targets') for its lending portfolio for the following of its emissions-intensive sectors: power generation, oil and gas, thermal coal mining, cement production, iron and steel, aluminium, and transport (aviation sub-sector). Information on these targets, including published baselines, are available on pages 34-56 of NAB's 2023 Climate Report.

2023 marks the first year of reporting progress against its first tranche of sector decarbonisation targets, published in NAB's 2022 Climate Report. It recognises its early stage of maturity in meeting requirements of its participation in the NZBA and in implementation of its first tranche of sector targets. See the Metrics and Targets section from page 34 of NAB's Climate Report for further information on its sector decarbonisation targets.

In December 2022, NAB appointed its inaugural Chief Climate Officer, reporting to NAB's Group Chief Financial Officer and commenced recruitment of roles to support a whole of bank approach in progressing NAB's climate strategy. NAB set up its Climate Governance Forum to strengthen oversight of climate objectives in line with the climate strategy, including existing NZBA targets and setting of additional targets. NAB is building its data and technology capability in decarbonisation and physical risk, for further information on progress made in 2023, see the 'Strategy' section on pages 6-16 of its 2023 Climate Report.

##### Affordable and specialist housing

NAB expanded its ambition in affordable and specialist housing, announcing a new target to lend at least a further \$6bn by 2029 to help more Australians access affordable and specialist housing, after meeting previous \$2bn target in 2022 (ahead of the 2023 target year).

In 2023, NAB provided \$2.2bn in financing against this target. This includes accommodation provided by state and territory governments and community housing providers through to mixed tenure developments, commercial projects including build-to-rent as well as government programs to support home ownership essential workers, younger Australians and those on low incomes.

Section 2.1 (d) of this self-assessment further details actions taken by NAB in 2023 to better understand its impact ambition in this area, and work underway to ensure effective operationalisation of its new financing target. See page 28 of NAB's 2023 Annual Report for more information on NAB's activity in this area.

##### Indigenous economic advancement

In 2023, NAB announced target to more than double its lending to Indigenous businesses and community organisations to \$1 billion by 31 December 2026<sup>(1)</sup>

NAB's other targets for greater economic prosperity for Indigenous Australians are managed through its RAP. NAB was the first Australian corporate business to achieve 'Elevate' RAP status. NAB is developing a new three-year RAP for 2024-2027, and aims to continuously raise the bar in its performance and impact year on year. NAB's 2024-2027 RAP will align with the ambitions ultimately set out in NAB's Indigenous Affairs Strategy 2022-2025.

See NAB's interim 2022 Interim RAP for more information, as well as page 28 of NAB's 2023 Annual Report for more information on NAB's activity in this area.

##### References and links

[2023 Climate Report](#)

(pages 34-56: Metrics and targets)

[2023 Annual Report](#)

(page 29: Affordable and specialist housing)

(page 28: Helping First Nations businesses prosper)

(1) Lending target position refers to 'Gross Loans and Advances' as at the target of 31 December 2026 to customers who have been identified as an Indigenous business or community organisation. Baseline position of \$413.6m calculated as at 31 August 2023.

# Principle 3: Clients & Customers

Principle 3: We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

## 3.1 Client engagement

### Requirement

Does your bank have a policy or engagement process with clients and customers<sup>(1)</sup> in place to encourage sustainable practices?

Yes  In progress  No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes  In progress  No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>(2)</sup>. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

### Summary response

NAB's actions to support achievement of its targets are outlined in its 2023 annual reporting suite.

#### Climate change (See Climate Report)

NAB's relevant policies, settings and processes for engaging with customers in relation to climate change are set out throughout our 2023 Climate Report.

A key component of NAB's climate strategy is supporting customers in their efforts to decarbonise. In 2023, NAB met its target to complete transition maturity assessments for 100 of its largest GHG-emitting customers using a Transition Maturity Diagnostic designed with reference to global frameworks such as the Transition Pathway Initiative, a global asset owners initiative which assesses companies' preparedness to transition to a low-carbon economy. Drawing on this initial exercise, NAB has prioritised embedding criteria in decision-making for customers in sectors where NAB has set sector-specific decarbonisation targets. For more detail on this process and the findings, see page 12 of NAB's 2023 Climate Report.

In 2023, NAB appointed its inaugural Chief Climate Officer, reporting to NAB's Chief Financial Officer, and commenced recruitment of roles to support a whole-of-bank approach in progressing NAB's climate strategy.

#### Affordable and specialist housing (See Annual Report page 29)

NAB expanded its ambition in affordable and specialist housing, announcing a new target to lend at least a further \$6bn by 2029 to help more Australians access affordable and specialist housing<sup>(3)</sup>, after meeting previous \$2bn target in 2022 (ahead of the 2023 target year). In 2023, NAB provided \$2.2bn in financing against this target. Financing provided through NAB's partnerships with Australian State and Federal government have been considerable. See section 2.1 (d) of this self-assessment and page 29 of NAB's 2023 Annual Report for more information on NAB's activity in this area.

#### Indigenous economic advancement (See Annual Report page 28)

In 2023, NAB announced target to more than double its lending to Indigenous businesses and community organisations to \$1 billion by 31 December 2026<sup>(4)</sup>. NAB's broader suite of Indigenous targets are managed through its RAP. NAB is developing a new three-year RAP for 2024-2026. NAB has established an Indigenous business banking team, with representation across each state, to provide specialist knowledge and resources in support of Indigenous business outcomes.

See section 2.1 (d) of this self-assessment and page 28 of NAB's 2023 Annual Report for more information on NAB's activity in this area.

#### Partnerships, advocacy and associations

NAB's approach to stakeholder engagement, including processes for consultation on sustainability topics, is set out in its Social Impact Policy and informed by the AA1000 Stakeholder Engagement Standard. Information on relevant activities is detailed in page 23 of its 2023 Annual Report.

### References and links

[2023 Climate Report](#)

(page 12: Supporting customers to decarbonise and build resilience)

(pages 21-28: Risk Management)

(pages 34-56: Metrics and targets)

[2023 Annual Report](#)

(page 23: Stakeholder engagement)

(page 29: Affordable and specialist housing)

(page 28: Helping First Nations businesses prosper)

(1) A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

(2) Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

(3) Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing and this includes loans made under the First Home Guarantee, as part of the Home Guarantee Scheme (previously the First Home Loan Deposit Scheme) for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance.

(4) Lending target position refers to 'Gross Loans and Advances' as at the target of 31 December 2026 to customers who have been identified as an Indigenous business or community organisation. Baseline position of \$413.6m calculated as at 31 August 2023.

### 3.2 Business opportunities

#### Requirement

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

#### Summary response

Sustainability is considered within NAB's business strategy as a source of risk and opportunity. A key subset of NAB's 'long-term' strategic pillar is identifying and driving commercial responses to societal challenges. Activity in NAB's prioritised impact areas is summarised below:

#### Climate change

In a report commissioned by NAB in 2023 ('All Systems Go: Powering ahead'), Deloitte Access Economics concludes that there is a \$435bn economic opportunity in Australia's transition to a net zero economy by 2050 if it transforms its industrial base and establishes a clean energy platform to drive export growth in a rapidly decarbonising world. The report says that the opportunity is there, and will require the right mix of policy, innovation and investment.

NAB recognises that it has a role to support customers and communities through the transition, by funding investments needed to create a strong and sustainable future for Australia.

Through to 2022, a key measure of progress for NAB was its environmental financing target to provide \$70 billion in financing activities to help address climate change and support the transition to a low carbon economy from 2016-2025. NAB exceeded this \$70 billion total in 2022. This year, recognising evolving market and regulatory expectations such as the ASFI Australian Green Taxonomy and adoption of the National Construction Code (2022), we are taking time to carefully consider a suitable forward-looking ambition expected to be communicated in 2024.

In 2023, NAB has provided \$4.5bn in green lending, green CRE (REIT), securitisation, and underwriting and arranging activities as at 30 September 2023<sup>(1)</sup>.

For information on methodology, and work NAB is doing to improve data quality, processes and availability of comparable methodologies, see page 74 of NAB's 2023 Climate Report.

NAB's climate targets are set to support the achievement of SDGs #7 'Affordable and clean energy', #9 'Industry, Innovation and Infrastructure' and #13 'Climate action'.

#### Affordable and specialist housing

Lack of long-term funding options for specialist housing providers is a significant social issue.

NAB can help through initiatives that target funding being provided for more affordable and specialist homes and improving the capacity and financial maturity of the sector, which may in turn attract further investment.

NAB's investment in the sectors may also help develop policies and viable funding options that over time may facilitate funding these sectors on a larger scale. In 2023, NAB provided a total of \$2.2bn in financed facilities against its new target to provide \$6bn in financing for affordable and specialist housing by 2029.

NAB's affordable and specialist housing target has been set to support achievement of SDGs #9 'Industry, Innovation and Infrastructure' and #11 'Sustainable cities and communities'.

#### Indigenous economic advancement

As Australia's largest business bank, NAB has prioritised the positive impact it can have by supporting growth in the Indigenous business economy, and has identified this as the best way it can contribute to increasing economic self-determination, creating jobs and supporting wealth creation for First Nations people. In 2023, NAB announced its target to more than double its lending to Indigenous businesses and community organisations to \$1 billion by 31 December 2026<sup>(2)</sup>.

In 2024, NAB will focus on building its understanding in this area, including by providing funding for research to explore the opportunities.

NAB's Indigenous business and community organisation lending target has been set to support achievement of SDGs #8 "Decent work and economic growth" and #10 "Reduced inequalities".

#### References and links

*All Systems Go: Powering ahead*, Deloitte Access Economics commissioned by NAB, August 2023  
[2023 Annual Report](#)  
(page 29: Affordable and specialist housing)  
(page 28: Helping First Nations businesses prosper)  
[2023 Climate Report](#)  
(page 6-16: Strategy)  
(pages 34-56: Metrics and targets)  
(page 74: Environmental financing methodology)

(1) Comprises green lending, green CRE (REIT) lending and green securitisation for new 2023 lending drawn amounts (\$2.6 billion), and new 2023 underwriting and arranging activities (\$1.9 billion) as at 30 September 2023. For more information on methodology, see NAB's 2023 Climate Report.

(2) Lending target position refers to 'Gross Loans and Advances' as at the target of 31 December 2026 to customers who have been identified as an Indigenous business or community organisation. Baseline position of \$413.6m calculated as at 31 August 2023.

# Principle 4: Stakeholders

Principle 4: We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

## 4.1 Stakeholder identification and consultation

### Requirement

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>(1)</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes

In progress

No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

### Summary response

Effective stakeholder engagement supports NAB's understanding of expectations, potential issues and opportunities to improve. In 2023, NAB has continued engagement with stakeholders through its ESG Materiality assessment and in its priority impact areas.

- NAB's stakeholder engagement approach is detailed in its Social Impact Policy and informed by the AA1000 Stakeholder Engagement Standard.
- NAB's annual materiality assessment, discussed in 1.1, incorporates questions on stakeholders' understanding of how NAB could improve its positive impacts and reduce its negative impacts.
- NAB identifies and engages with key stakeholders – this process is well developed. For example, stakeholders are regularly engaged when NAB reviews key policies.
- NAB is participating in a range of partnerships and industry initiatives and on a range of topics. This includes but is not limited to groups focusing on natural capital, sustainable agribusiness, climate risk and scenario analysis and a just low-carbon transition.
- NAB engages with policy makers on topics such as climate change, biodiversity, modern slavery, affordable housing and other sustainability issues via industry associations and/or directly. Some specific examples in 2023 include:
  - Working with the Australian Banking Association (ABA) on the Federal Department of Treasury's proposals for the implementation of standardised, internationally-aligned climate-related financial disclosures.
  - Involvement in the UNEPFI Taskforce on climate-related financial disclosures (TCFD) forum, including on review of tools and data sets being developed for climate-related risk analysis.

For more information on NAB's approach to stakeholder engagement, see page 23 of the 2023 Annual Report or visit our [website](#).

### References and links

[2023 Annual Report](#)

(pages 23:  
[Stakeholder engagement](#))

[2023 Climate Report](#)

(Page 13: Investing in  
climate capabilities)

[How we engage with  
stakeholders | Policies and  
reporting - NAB](#)

(1) Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of Indigenous population and non-profit organizations.

# Principle 5: Governance & Culture

Principle 5: We will implement our commitment to these Principles through effective governance and a culture of responsible banking

## 5.1 Governance Structure for Implementation of the Principles

Requirement	References and links
<p>Does your bank have a governance system in a place that incorporates the PRB?</p> <p><input checked="" type="checkbox"/> Yes      <input type="checkbox"/> In progress      <input type="checkbox"/> No</p> <p>Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about</p> <ul style="list-style-type: none"><li>• which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),</li><li>• details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as</li><li>• remuneration practices linked to sustainability targets.</li></ul>	<p><a href="#"><u>2023 Annual Report</u></a> (page 21-25: Sustainability approach) (Page 124: Section 3 - Our 2023 executive variable remuneration plans)</p> <p><a href="#"><u>2023 Climate Report</u></a> (pages 17-20: Governance) (pages 34-56: Metrics and targets)</p>
<p><b>Summary response</b></p> <p>Implementation of the PRB is integrated within existing governance structures. The Board retains ultimate oversight for sustainability-related risks and opportunities and receives regular updates on sustainability performance.</p> <p>NAB has a Sustainability Council chaired by the Chief Operating Officer, designed to drive and align execution of NAB's sustainability objectives. This includes fulfilling external obligations such as the PRB and NZBA.</p> <p>NAB Credit and Market Risk Committee has oversight of Sustainability risk.</p> <p>Matters are escalated to the Executive Risk and Compliance Committee, Board Risk and Compliance Committee and Board as required. NAB's overall approach to the governance of ESG risk is detailed in its 2023 Annual Report and 2023 Climate Report.</p> <p>NAB's 2023 Climate Report outlines the Executive and Board approval and oversight of NAB's sector decarbonisation targets, as well as the current stage of operationalisation of these targets, see pages 17-21 and 39-42.</p> <p>Our strategic ambition, to serve customers well and help communities prosper is reflected in the measures that determine performance and remuneration across NAB. Sustainability related performance is part of this process and is applied within our Group Performance Indicator (GPI) and qualitative assessment of performance, as well as Group CEO, Group Executive and colleague scorecards. The governance and oversight of how these measures are set, reviewed and linked to the Group CEO and Group Executives' remuneration outcomes are in accordance with the Group's governance and oversight framework, as outlined in the "Remuneration Report" from page 115 of NAB's 2023 Annual Report.</p>	

### 5.2 Promoting a culture of responsible banking:

#### Requirement

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability training for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

#### Summary response

A range of initiatives are in place, under way and/or planned to help foster a culture of responsible banking among NAB's colleagues, including:

- Significant investment to raise the bar of professionalism in banking with training for its workforce in the fundamentals of the industry. More than 14,500 colleagues have completed the Professional Banking Fundamentals qualification, which covers ethics, corporate social responsibility, sustainability and the PRB. This accredited course is being run in partnership with the Financial Services Institute of Australasia (FINSIA) and is an industry first in Australia and New Zealand.
- Investment in the Institute for the Future of Business partnership with the University of Melbourne. Through this partnership, NAB is working with Melbourne Business School to co-design, co-develop and co-deliver a series of five climate training programs to deliver to NAB colleagues through 2023 and 2024.
- NAB's Corporate and Institutional Banking division have a network of more than 100 sustainability champions who complete a program of formal study through the Chartered Banker Institute's Certificate in Green and Sustainable Finance to develop their understanding and application on green and sustainable finance products. At the end of September 2023, 81% of champions successfully completed the certificate.
- Investing in the skills and capability of our colleagues including new bank-wide climate training in partnership with Melbourne Business School.
- Continued focus on driving a responsible banking culture and encouraging colleagues to speak up if they have concerns. For more information, see "How we work" on page 84 of NAB's 2023 Annual Report.
- NAB developed and mandated its Indigenous cultural awareness training module help our colleagues build their understanding of Australia's shared history, as well as NAB's own initiatives and objectives and how these relate to the work of our colleagues and their ability to support customers effectively. We have achieved a 98% completion rate following the release of the training module.
- The role of leaders in communicating NAB's efforts to increase positive, and reduce negative, impact is also important. This year, there has been consistent internal and external communications from NAB Executive for Corporate and Institutional Banking on the opportunities that arise from seeking to drive positive impact in environmental financing, affordable and specialist housing and the overall importance of achieving a just transition.
- Understanding of NAB's climate strategy, including by sharing resources and educational videos on climate change (developed with ClimateWorks Australia) with colleagues via internal channels.
- Investing in the skills and capability of our colleagues including development of new bank-wide climate training in partnership with Melbourne Business School.
- NAB's Sustainability work is integrated within its Performance Recognition Program 'NAB Honour', ensuring that this initiative to recognise and connect NAB's highest performing colleagues also drives relevant messages about creating positive impact throughout the organisation.
- In 2023, modern slavery risk was included both in annual risk awareness training for colleagues and in annual training on financial crime and Anti-money Laundering and Counter-terrorism Financing. NAB achieved a participation rate of 99.9% for this training.

#### References and links

[2023 Annual Report](#)

(page 14: *What we will be known for*)

(pages 21-25: *Sustainability approach*)

(page 31: *Leadership and capability*)

[2023 Climate Report](#)

(page 13: *Investing in Climate capabilities*)



### 5.3 Policies and due diligence processes

**Requirement**

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>(1)</sup> Please describe.  
Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

**Summary response**

NAB's risk management system and processes include specific obligations relating to the PRB. Analysis of (potential) positive and negative impacts arising from ESG risk is increasingly being integrated into its Risk Management Strategy and Framework. ESG risk assessment is part of NAB's credit risk assessment and due diligence processes, and factors into decisions about operations and suppliers. Updates to management and Board committees on NAB's sustainability performance include progress on targets and challenges NAB needs to address.

NAB's implementation of the PRB was initially led out of the Corporate Affairs and Risk divisions, but accountability for meeting the PRB is now assigned across business divisions through NAB's enterprise risk management tool - Governance Risk And Compliance Engine (GRACE).

NAB has a range of relevant policies (e.g. Human Rights, Environment, Customer-related ESG Risk policies) and Principles (e.g. Supplier Sustainability, Animal Welfare) in place to help integrate sustainability/ESG considerations into day-to-day management processes and decision-making.

NAB's overall approach to the governance of ESG risk is detailed in its 2023 Annual Report and 2023 Climate Report. ESG risk considerations are integrated within NAB's Group Risk Appetite Statement under the Risk category 'Sustainability Risk' which is included in NAB's enterprise risk taxonomy. This helps drive consideration of (potential) positive and negative ESG-related impacts as part of day-to-day business decision making and risk management process processes across NAB.

NAB recognises that it is important to listen and respond to concerns raised by customers and other stakeholders on a wide range of issues, including human rights issues. Human rights-related feedback and concerns can be provided via email to [grievances@nab.com.au](mailto:grievances@nab.com.au).

NAB has several grievance mechanisms to address different sources of grievance or concern. These mechanisms are embedded in our existing people, customer, corporate affairs and whistleblower processes. Examples of different grievance mechanisms include employee concern processes, NAB Resolve (NAB's complaints team), our FairCall whistleblower service (NAB's independently monitored external hotline and reporting service) and via NAB's independent customer advocate.

**References and links**

- 2023 Annual Report*  
(pages 23-24:  
*Sustainability approach*)
- 2023 Climate Report*  
(pages 21-28:  
*Risk Management*)
- Our approach to human rights*  
*| Policies and reporting - NAB*

(1) Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

**Self assessment summary (5 Governance and culture)**

**Self assessment summary**

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

# Principle 6: Transparency & Accountability

Principle 6: We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

## 6.1 Assurance

### Requirement

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes  Partially  No

If applicable, please include the link or description of the assurance statement.

### Summary response

- KPMG provide limited assurance over NAB's PRB self-assessment, as well as several environmental performance metrics referred to in this self-assessment.
- EY provide limited assurance over key non-financial reporting metrics.

### References and links

[Annual Performance and Reporting Suite](#)  
[2023 Annual Report](#)  
(page 56: EY limited assurance statement)

## 6.2 Reporting on other frameworks

### Requirement

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI  
 SASB  
 CDP  
 IFRS Sustainability Disclosure Standards (to be published)  
 TCFD  
 Other: ....

### Summary response

NAB's sustainability-related disclosures are prepared with due consideration of relevant frameworks. For more information, see NAB's 2023 Climate Report, 2023 Annual Report and Sustainability Data Pack, as well as information on nab.com.au.

### References and links

[Annual Performance and Reporting Suite](#)  
[2023 Annual Report](#)  
(page 1: About this Report)  
(page 23: Stakeholder engagement)  
[2023 Sustainability Data Pack \(GRI tab\)](#)  
[2023 Climate Report](#)  
(page 63: Supporting information)

## 6.3 Outlook

### Requirement

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>(1)</sup>, target setting<sup>(2)</sup> and governance structure for implementing the PRB)? Please describe briefly.

### Summary response

- Extending sector coverage for interim sector decarbonisation targets. NAB plans to set further targets in May 2024.
- Build on work done to date to improve operational maturity for the achievement of NAB's decarbonisation targets. This includes continuing to enhance data reporting and monitoring capabilities.
- Build on progress made in 2023 to further understand and NAB's impact ambition in affordable and specialist housing and support for Indigenous business, to accompany existing impact metrics and financing targets.
- Continued participation in UNEP FI and ABA working groups, with a focus on further development of impact analysis and nature and climate-related risk and opportunity assessment.

### References and links

[2023 Climate Report](#)  
(pages 34-56: Metrics and targets)

(1) For example, outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.

(2) For example, outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## Principle 6: Transparency & Accountability (cont.)

### 6.4 Challenges

#### Requirement

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability    |
| <input type="checkbox"/> Conducting an impact analysis`  | <input checked="" type="checkbox"/> Data quality         |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input checked="" type="checkbox"/> Access to resources  |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting                       |
| <input checked="" type="checkbox"/> Setting targets  | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

#### If desired, you can elaborate on challenges and how you are tackling these:

NAB's 2023 Climate Report (page 66) provides detail on the complexities and limitations in measuring financed emissions and setting targets in this space. Page 13 of the Climate Report summarise how NAB is seeking to further operationalise its sector targets, including data systems and internal capabilities.

