



Thursday, 7 November 2019

## **ASX Announcement**

### **NAB update on Self-Assessment response and Royal Commission implementation**

NAB today detailed the progress it has made against its Self-Assessment into the effectiveness of the bank's governance, accountability and culture, and the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

NAB interim Group CEO and Chairman-elect, Philip Chronican, said NAB was committed to driving effective change to improve outcomes for customers and achieve sustainable, long-term performance.

"We have begun an extensive and considered reform program to achieve cultural and risk transformation. Our work is organised around five overarching goals arising out of the Self-Assessment and sits alongside our Royal Commission response," Mr Chronican said.

"Through 2019 we have made progress on a number of the actions identified in the Self-Assessment, including in the areas of remediation, remuneration and improvements to the way we deliver products and services to our customers.

"Intensive effort is underway to continue to overhaul processes and practices but it is early days and there is more work to be done to achieve sustainable change.

"The Royal Commission has established new standards and expectations across the industry. We welcome change that will drive better outcomes for customers and will implement the recommendations in accordance with their intent. We are making progress where there is sufficient regulatory, industry and legislative guidance to do so.

"We are determined to ensure NAB meets the highest standards and to build a culture that puts customers at the centre of everything we do."

NAB's Self-Assessment was led by the Board and was a thorough and diligent examination of weaknesses in NAB's governance, accountability and culture frameworks and practices.

NAB was the first bank to voluntarily release its Self-Assessment last November, as a demonstration of transparency and accountability.

The Self-Assessment found:

- Customers' interests weren't always placed at the forefront of decision-making
- NAB's approach to managing compliance and conduct risk was not sufficiently robust or effective
- Leaders too often weren't clear enough on who was accountable for resolving complex cross-divisional issues, and the bank was too tolerant of slow progress

- Remuneration and performance management didn't consistently and visibly sanction poor behaviour or reward good behaviour
- And importantly, at times NAB's Board and senior executives weren't as inquiring, challenging and demanding as they should have been.

This report details the ways in which NAB is responding to the key findings, aligned to the following five goals:

- Bringing the voice of the customer firmly into the bank
- Improving the rigour and discipline of our delivery
- Strengthening our accountability and risk management practices
- Overhauling our approach to issues
- Realising our desired culture.

### **Media**

Jessica Forrest

M: +61 (0) 457 536 958

### **Investor Relation**

Ross Brown

M: +61 (0) 417 483 549

**Table 1: NAB Self-Assessment Progress Report 2019**

NAB's Self-Assessment, published in November 2018, included 26 actions, organised into five overarching themes. It aims to deliver structural, procedural and cultural change across its 34,000-strong workforce and almost 900 locations, to further strengthen non-financial risk management.

Work has commenced against each action, with progress achieved to date outlined below. The Board will continue to monitor the impact of the initiatives to assess whether change is occurring in a sustainable manner.

## 1. BRINGING THE VOICE OF THE CUSTOMER FIRMLY INTO THE BANK

Action	Initiatives underway	Progress to date
The Board will require and oversee a significant lift in the importance given to the voice of the customer and a more intense focus on customer outcomes, and is instituting structural changes to support this. (1)	<ul style="list-style-type: none"> <li>Establish a new Board Customer Committee (BCC).</li> </ul>	<ul style="list-style-type: none"> <li>To improve governance of NAB customer outcomes, the BCC was established in March 2019. Its role is to oversee an uplift in the voice of the customer inside the organisation, improve customer outcomes, and hold management teams to account on complaints and remediation (see <a href="#">Charter</a>).</li> <li>The BCC has held five meetings to date.</li> <li>The BCC approved NAB's Customer Outcomes Framework (see <i>action 18</i>) and NAB's Vulnerable Customer Framework – available on nab.com.au.</li> <li>The BCC has also received updates on a comprehensive review of NAB's products against the Customer Outcomes Framework (see <i>action 18</i>).</li> </ul>
	<ul style="list-style-type: none"> <li>Run BCC and Board customer workshops.</li> </ul>	<ul style="list-style-type: none"> <li>To provide deeper insight into how NAB supports its customers, in addition to formal meetings, the BCC has spent time with the NAB teams managing customer remediation and assisting customers experiencing financial hardship and vulnerability.</li> <li>The full Board also participated in workshops on topics of importance to customers, such as financial crime, cyber security and projects underway to improve NAB's lending processes and systems, including the related customer and banker experiences.</li> </ul>

	<ul style="list-style-type: none"> <li>Increase in customer-related information flow to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>To hear an independent and broader perspective on NAB's strengths and weaknesses in managing customers, the BCC meets regularly with independent Customer Advocates, including in private (without management present).</li> <li>Regular reporting is provided to the BCC on customer experience, advocacy, complaints and remediation.</li> </ul>
<p>The Executive Leadership Team will drive an uplift in the voice of the customer through governance, reporting, decisions and relevant controls – incorporating a more intense focus on customer outcomes. (6)</p>	<ul style="list-style-type: none"> <li>Establish a new Executive Customer Committee (ECC).</li> </ul>	<ul style="list-style-type: none"> <li>To bring a more complete customer voice into senior leadership discussions, the ECC was established in June 2019. Its role is to provide executive oversight on customer advocacy, complaints and remediation.</li> </ul>
	<ul style="list-style-type: none"> <li>Executive Leadership Team (ELT) customer complaints immersion.</li> </ul>	<ul style="list-style-type: none"> <li>To improve the quality and depth of focus on customers, the ELT has increased the time spent with teams managing customer complaints, including gaining first-hand experience at resolving customer complaints to build a better understanding of NAB's impact on customers and NAB's complaint handling practices.</li> </ul>
	<ul style="list-style-type: none"> <li>'Line of Sight to Customer' mapping.</li> </ul>	<ul style="list-style-type: none"> <li>To ensure every new employee better understands how their role relates to and supports better outcomes for customers, 'Line of Sight to Customer' mapping (from the individual to the customer) has been introduced into NAB's employee induction program.</li> </ul>
<p>Review and redesign issue management practices to better incorporate the voice of the customer. (12.i)</p>	<ul style="list-style-type: none"> <li>Redesign complaints capture processes to better capture customer complaints.</li> </ul>	<ul style="list-style-type: none"> <li>To identify the root causes of issues that lead to customer complaints, NAB is redesigning its processes to better capture customer complaints. Insights on these issues are shared with the BCC.</li> </ul>
<p>Establish a consistent and explicit decision-making approach for important decisions, that includes consideration of the impacts on customers, employees, risks, reputation and financials. (17)</p>	<ul style="list-style-type: none"> <li>Incorporate broader metrics into decision-making through the FY20 investment planning process.</li> </ul>	<ul style="list-style-type: none"> <li>To better balance financial and non-financial considerations in decision-making, business cases for FY20 investment considered broader metrics including: <ul style="list-style-type: none"> <li>customer (Net Promoter Score (NPS), complaints, breaches/remediation activities, technology outages, adherence to the COF, customer complaint themes) and</li> <li>risk (control effectiveness, compliance obligations and cyber-security).</li> </ul> </li> </ul>
<p>Revise NAB's approach to the design, management and governance of products and services to identify and assess value delivered to customers, and to monitor the quality of delivery of that</p>	<ul style="list-style-type: none"> <li>Create a new Customer Outcomes Framework (COF).</li> </ul>	<ul style="list-style-type: none"> <li>To establish a consistent approach to considering customer outcomes, the COF sets out principles and standards used in the design of NAB products. It has been approved by the BCC.</li> </ul>
	<ul style="list-style-type: none"> <li>Review all NAB products against the COF.</li> </ul>	<ul style="list-style-type: none"> <li>To ensure existing products reflect the needs of customers, identify gaps where they do not, and prioritise improvements, more than 300 banking products and services and ~100 processes have been</li> </ul>

value. (18)		assessed against the COF.
	<ul style="list-style-type: none"> <li>Undertake improvements to NAB customer products and experiences.</li> </ul>	<ul style="list-style-type: none"> <li>To reduce complexity and customer complaints, 185 fees have been removed or reduced (FY19).</li> <li>To help customers avoid fees, the \$15 late credit card payment fee is now waived for customers who regularly pay on time (over a 12-month period) and more than 1.8 million SMS credit card payment reminders were sent to customers (since March 2019). This has led to a 30% reduction in related complaints.</li> </ul>

## 2. IMPROVING THE RIGOUR AND DISCIPLINE OF OUR DELIVERY

Action	Initiatives underway	Progress to date
Continue the 'industrialisation' program of work, including ensuring adequate metrics are in place to monitor whether expected improvements are being realised. (24)	<ul style="list-style-type: none"> <li>Invest in industrialisation of NAB's technology environment to improve system security, speed, reliability and adaptability to make changes for customers.</li> </ul>	<ul style="list-style-type: none"> <li>To provide a better experience for customers, all major digital platforms (mobile banking, internet banking, nab.com.au, NAB Connect, NAB Connect mobile) have been enhanced, resulting in increases to NPS across all platforms.</li> <li>To improve stability of these applications, 422 have been migrated to the Cloud (352 in FY19).</li> <li>Critical and high-rated technology incidents have been reduced by 42% year on year (FY18/FY19).</li> </ul>
	<ul style="list-style-type: none"> <li>Improve management of data to support high accuracy and efficiency in service delivery, stronger decision making and adherence to local and global privacy standards.</li> </ul>	<ul style="list-style-type: none"> <li>To lift data governance practices, 700 critical data elements have been defined, with implemented data quality standards on each. A Cloud-based data lake was established.</li> <li>Commissioned an advanced analytics platform and implemented a new reporting platform. Over 25,000 reports and 16 reporting tools have been decommissioned.</li> </ul>
Review the leadership capability model and talent management practices to raise the emphasis on quality and rigour of execution. (25)	<ul style="list-style-type: none"> <li>Review the leadership capability model and core people leader disciplines.</li> <li>Develop new leadership and talent programs to reinforce NAB's culture and values.</li> <li>Develop new metrics to measure and assess leadership performance.</li> </ul>	<ul style="list-style-type: none"> <li>To reset expectations of leaders, a refreshed Leadership and People Leader Framework was launched in March.</li> <li>Core leadership programs have been launched to support NAB's culture transformation and development of our most talented people (Outstanding Leaders Live &amp; Leading NAB's Culture).</li> <li>New leadership effectiveness measures have been implemented for inclusion in our refreshed monthly culture index (see action 2).</li> </ul>

### 3. STRENGTHING OUR ACCOUNTABILITY AND RISK MANAGEMENT PRACTICES

Action	Initiatives underway	Progress to date
The Board will require and oversee enhancements to non-financial risk reporting, in particular to ensure key matters are escalated early and clearly and that adequate agenda time is allocated to them. (3)	<ul style="list-style-type: none"> <li>Develop non-financial risk reporting to improve the visibility of non-financial risks to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>To enable the Board to be more searching and demanding of management, it has required improved reporting of non-financial risk to the Board and Board Risk Committee (BRC), with increased emphasis on non-financial risks (compliance, conduct and operational risks).</li> <li>The Board has also required an increase in the quality and frequency of reporting on risk management performance across the organisation and the risk management performance of members of the ELT.</li> <li>Reporting now gives greater prominence to the management of NAB's non-financial risks and prioritising of matters for the Board.</li> </ul>
Review and drive changes such that the GRRMC (now Executive Risk Committee) – supported by more effective Group and First Line risk governance committees – brings more rigour, discipline and intensity in the areas of conduct, compliance and operational risk. (7)	<ul style="list-style-type: none"> <li>Implement changes to Risk Governance Committees and associated Charters.</li> </ul>	<ul style="list-style-type: none"> <li>To better manage complex risk issues and drive more effective implementation of risk frameworks, all risk committees have been restructured, aligned with BEAR accountabilities. These committees enable more holistic oversight of risk management from a Group-wide perspective.</li> <li>The membership of executive risk governance committees has also changed: <ul style="list-style-type: none"> <li>to include more senior representatives</li> <li>is now chaired by a First Line member of the ELT</li> <li>along with a Second Line Risk member (who provides a 'Risk View' on any first line authored paper) and,</li> <li>has the ability to escalate directly to the BRC.</li> </ul> </li> </ul>
Update NAB's Risk Management Framework to integrate a stronger focus on customer outcomes. (8) <sup>1</sup>	<ul style="list-style-type: none"> <li>Implement changes to NAB's Risk Management Strategy (RMS).</li> </ul>	<ul style="list-style-type: none"> <li>To place greater emphasis on customer outcomes, NAB's RMS has been updated. It reflects changes to governance processes and management accountabilities.</li> <li>A consistent enterprise approach has been established to measuring and reporting risks ('Risk Taxonomy'), which places a heightened and explicit emphasis on those risks which negatively impact customers. Changes were approved by the Board.</li> </ul>

<sup>1</sup> This action was originally captured under 'Bringing the voice of the customer firmly into the bank' but has been moved to enable more effective execution.

<p>Strengthen the effectiveness of First Line risk management, through:</p> <ul style="list-style-type: none"> <li>(i) Lifting the standard of overall risk governance, including clarity of accountabilities.</li> <li>(ii) Increasing the capability of First line to proactively and consistently identify and monitor risks.</li> <li>(iii) Improving First Line understanding, design, documentation and execution of effective controls. (9)</li> </ul>	<ul style="list-style-type: none"> <li>• Uplift both controls and control capabilities in critical areas to increase control effectiveness and automate where possible.</li> </ul>	<ul style="list-style-type: none"> <li>• To address significant improvement needed in quality and effectiveness of control documentation, the Process Accelerated Controls Execution (PACE) program has been introduced to apply a consistent approach to design, govern and report the controls within the bank.</li> <li>• Additional training has been introduced to improve First Line risk management and controls capability, supplemented by external recruitment.</li> </ul>
<p>Improve the effectiveness of Second Line's policy, oversight and reporting activities, including:</p> <ul style="list-style-type: none"> <li>(i) Driving improvements in non-financial risk reporting including strengthening the Risk View, better escalating significant matters, and monitoring issue ageing.</li> <li>(ii) Changing policies and reporting to help support an evidentiary approach to compliance, and revising authorities to support a stronger voice of Compliance.</li> <li>(iii) Linking, integrating and deepening conduct risk management under an approved framework.</li> <li>(iv) Increasing depth of capabilities and resourcing in critical operational risk and compliance areas.</li> <li>(v) Engaging Risk earlier in change activities, and improving governance of risk</li> </ul>	<ul style="list-style-type: none"> <li>• Simplify NAB's Risk Policy framework.</li> <li>• Implement changes across all NAB policies and implement a new Governance Risk and Compliance System.</li> </ul>	<ul style="list-style-type: none"> <li>• To address weaknesses identified in NAB's Second Line including calling out items of significance to customer outcomes or the bank's reputation and inconsistencies in the quality of reporting, a new conduct risk framework has been developed. It has been approved by the Board and is currently being implemented.</li> <li>• Additional risk resourcing for critical operational risk and compliance areas has been secured, including Cyber and Information Risk and Financial Crime.</li> <li>• A new risk and compliance system has been identified and will be introduced in 2020.</li> </ul>



<p>arising from change. (10)</p>		
<p>Review regulatory relationship practices to move beyond transactional interactions, and ensure that all regulatory expectations and commitments are captured and monitored effectively. (15)</p>	<ul style="list-style-type: none"> <li>• Clarification of roles, responsibilities and processes in relation to delivery against regulatory commitments and expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• To further address inconsistencies in the way NAB manages its regulatory obligations and commitments, a pipeline and status report for regulatory expectations has been designed. This provides a more consistent mechanism for monitoring and governing delivery of commitments.</li> <li>• A single regulatory commitments and expectations management system is under development, which will be integrated with NAB's risk management processes.</li> <li>• Divisional regulatory engagement plans are being developed to ensure NAB representatives are prepared to meet regulators' expectations.</li> </ul>
<p>Implement a more specific and explicit approach to support BEAR Accountable Persons in evaluating and assessing the adequacy and appropriateness of operational capacity and investment to address the risks for which they are responsible. In support of this, update NAB's categorisation, measurement and reporting of risks to better align to BEAR accountabilities. (16)</p>	<ul style="list-style-type: none"> <li>• Provide better visibility to BEAR Accountable Persons of adequacy of investment, with respect to key risks and obligations for which they are accountable.</li> </ul>	<ul style="list-style-type: none"> <li>• To better prioritise and tackle the most critical risk items, NAB's FY20 annual investment process included specific review by business owners and Second Line risk, to understand and align on key risks and obligations.</li> </ul>
<p>Further embed accountability principles and practices developed under BEAR, so that leaders beneath the ELT have an equally clear understanding of their responsibilities and expectations of them. (20)</p>	<ul style="list-style-type: none"> <li>• Map accountabilities and provide clear guidelines for direct reports of Accountable Persons.</li> </ul>	<ul style="list-style-type: none"> <li>• To provide a clear and consistent delegation of responsibilities, BEAR-aligned Role Purpose Statements (RPS) are being implemented for direct reports of Accountable Persons.</li> <li>• A template for mapping accountabilities, delegations and governance practices has been provided to each Accountable Person, to assist in documenting and embedding accountability practices.</li> <li>• A Group-wide BEAR training program will be delivered in 2020, which is planned to include induction packs, online training modules and infrastructure for regular scenario exercises.</li> </ul>

## 4. OVERHAULING OUR APPROACH TO ISSUES (INCLUDING UPLIFTING CUSTOMER REMEDIATION)

Action	Initiatives underway	Progress to date
The Board will maintain its heightened focus on setting clear directions and expectations for management, being sceptical as well as supportive; and being relentless on the timely, appropriate and sustainable closure of important issues. (4)	<ul style="list-style-type: none"> <li>Improve Board visibility and oversight of issue management and closure.</li> </ul>	<ul style="list-style-type: none"> <li>To assist the Board in increasing its challenge of and setting of expectations with management, risk reporting to the Board and BRC has been improved. As a result, clearer visibility of executive accountability and the status and age of outstanding risk issues, as well as better information on customer impacts, is occurring.</li> <li>Open material risk issues have reduced significantly in 2019.</li> </ul>
Improve compliance-related controls and monitoring processes to evidence ongoing compliance and more quickly identify, report and remediate any breaches. (11) <sup>2</sup>	<ul style="list-style-type: none"> <li>Improve speed with which breach events are identified and reported to management and regulators.</li> </ul>	<ul style="list-style-type: none"> <li>To rapidly identify potential compliance breaches and resolve critical issues quickly, NAB has invested in compliance capability to review historical events and risk issues.</li> <li>A standard set of breach reporting metrics for management and the Board has been created.</li> </ul>
Review and redesign issue management practices to improve timeliness of resolution (including accountability, resource allocation, monitoring and links to remuneration). (12.ii)	<ul style="list-style-type: none"> <li>Assign dedicated teams to oversee new event identification and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>To bring a more stringent focus to the potential or actual impact of issues on our customers, NAB has established dedicated compliance and business teams to investigate potential breaches promptly and ensure that confirmed events determined as breaches are reported and remediated quickly.</li> </ul>
Establish clear targets and refine processes – including root cause analysis, reporting and oversight – with the objective of reducing high-severity complaints. (13)	<ul style="list-style-type: none"> <li>Ensure customers are heard, all complaints are captured and resolved fairly.</li> </ul>	<ul style="list-style-type: none"> <li>To address weaknesses in NAB's ability to identify systemic issues related to customer complaints, we have to date: <ul style="list-style-type: none"> <li>Completed a comprehensive review of complaints across the Group, and defined a target model to be implemented. We will continue to progress this work.</li> <li>Implemented a number of tactical improvements in the capture and reporting of complaints, resulting in an 8% increase in capture (since June 2019).</li> <li>Established a team and new processes to review and categorise NAB customer complaints to identify themes, trends and root causes.</li> </ul> </li> </ul>

<sup>2</sup> This action was originally captured under 'Improving the rigour and discipline of our delivery' but has been moved to enable more effective execution.

<p>Continue to invest to lift the effectiveness of customer remediation practices, reporting and governance. (14)</p>	<ul style="list-style-type: none"> <li>• Build a centralised and dedicated team for customer remediation.</li> </ul>	<ul style="list-style-type: none"> <li>• To remediate customers more quickly, fairly and consistently, a team of more than 950 people has been established.</li> <li>• 44 remediation programs have been completed and approximately 473,000 customer payments have been made, to a total value of \$247 million (since June 2018).</li> </ul>
<p>For all material issues, the CEO to assign an ELT member to be accountable for ensuring overall issue resolution, supported by all team members as necessary to deliver required change. (19)</p>	<ul style="list-style-type: none"> <li>• Introduce new practice of assigning accountability to ELT members for the resolution of all material issues.</li> </ul>	<ul style="list-style-type: none"> <li>• To close gaps in the effectiveness of material issues management and improve speed of resolution of critical and complex issues, an ELT owner is now assigned to all material issues, referenced in regular reporting to the Board and responsible for endorsing any changes to issue resolution plan scope or timeline. Executive performance assessments consider progress on resolving issues.</li> </ul>

## 5. REALISING NAB'S DESIRED CULTURE

Action	Initiatives underway	Progress to date
The Board will continue to promote a clear tone from the top and seek greater insights on how well this has cascaded below executive management. (2)	<ul style="list-style-type: none"> <li>Put in place better and more frequent measurement of NAB's culture.</li> </ul>	<ul style="list-style-type: none"> <li>To enable the Board (and ELT) to seek greater insight of the 'echo' of leadership through the organisation, it will now receive regular updates on culture and cultural change initiatives. This includes NAB's culture index, based on monthly surveys of employees, designed to measure how well NAB's values are being lived, as observed by our people.</li> <li>The Board will continue to learn, explore and identify areas for improvement to the measurement, data capture and cultural insights reported.</li> </ul>
	<ul style="list-style-type: none"> <li>Undertake ELT workshops to investigate cultural shortcomings, causes and solutions.</li> </ul>	<ul style="list-style-type: none"> <li>To further explore root causes for NAB's cultural shortcomings, as identified in the Self-Assessment, workshops were held to identify ELT actions required to achieve cultural change. Workshops were also held with the Board.</li> </ul>
The Board will both lead and drive a further maturing of remuneration consequence management practices and require an uplift in remuneration activities more generally. (5)	<ul style="list-style-type: none"> <li>Simplify NAB's performance framework.</li> </ul>	<ul style="list-style-type: none"> <li>To increase rigour of assessment, specifically on material risk takers, NAB's performance framework has been updated by simplifying mandatory risk and customer goals, removing the forced distribution curve and implementing reward ranges to empower leaders and create accountability.</li> </ul>
	<ul style="list-style-type: none"> <li>Introduce a new employee conduct management framework and improve reporting practices.</li> </ul>	<ul style="list-style-type: none"> <li>To lift the bar on expectations of conduct, a new employee conduct management framework has been developed and is now being operationalised.</li> <li>To listen and learn more effectively from conduct risk events, reporting is provided quarterly to Executives and the Board's Remuneration Committee.</li> </ul>
Further improve the ability to assign and document individual accountability for risk performance (positive and negative) – including for Material Risk Takers and a broader population of employees. (21)	<ul style="list-style-type: none"> <li>Improve depth and rigour of individuals' risk performance assessments.</li> </ul>	<ul style="list-style-type: none"> <li>To place greater emphasis on risk management accountabilities and assessment of risk performance, senior executives undertake a self-assessment of their contribution to managing risk and compliance, reviewed by their people leader and subject to challenge or veto by divisional Chief Risk Officers.</li> </ul>
Improve the quality of data and insights provided to the Board, to facilitate a more data driven approach to testing the effectiveness of	<ul style="list-style-type: none"> <li>Introduce a new executive performance assurance process that results in timely consequence management.</li> </ul>	<ul style="list-style-type: none"> <li>To improve Board oversight of remuneration and consequence management and test the effectiveness in driving the desired outcomes, the Board has required an increase in the quality and frequency of reporting on risk management performance across the organisation and the risk management performance of</li> </ul>

<p>NAB's remuneration practices throughout the bank. (22)</p>		<p>members of the ELT.</p> <ul style="list-style-type: none"> <li>The Board's Remuneration Committee has also required improvements in the quality of consequence management reporting. After further consideration of accountability for outcomes, the Board has reviewed and adjusted the variable reward decisions made in 2018 for the majority of the Executive team. This resulted in the forfeiting of a significant amount of variable reward previously awarded between 2016 to 2018 for the majority of the 2018 Executive team, other than the former Group CEO (announced May 2019).</li> </ul>
<p>Monitor the effectiveness of recent remuneration framework changes, including the impact of changes driven by the Sedgwick Review recommendations for retail banking. (23)</p>	<ul style="list-style-type: none"> <li>Conduct a completeness review of Sedgwick.</li> </ul>	<ul style="list-style-type: none"> <li>To ensure the right performance and behaviours are being recognised, goal setting processes and reward distribution practices have been changed in line with Sedgwick.</li> <li>An independent effectiveness review of remuneration policies and frameworks was undertaken in February 2019. Improved reporting and insights are being provided to executives and the Remuneration Committee to ensure changes are driving the intent of the reward strategy.</li> </ul>
<p>With oversight from the Board, implement the Culture Embed Plan to support the achievement of NAB's desired culture. (26)</p>	<ul style="list-style-type: none"> <li>Define culture priority areas and communicate to all team members.</li> </ul>	<ul style="list-style-type: none"> <li>To address the cultural inhibitors identified within the Self-Assessment, three key culture priority areas have been identified and approved by the Board and ELT: <i>Customer First, Disciplined and Simpler for our People</i> and communicated across the business.</li> <li>To lift capability, digital self-service training modules have been created and are accessible to all employees, in addition to mandatory learning.</li> </ul>
	<ul style="list-style-type: none"> <li>Ensure all People Leaders have a clear understanding of the role they play in realising our desired culture at NAB.</li> </ul>	<ul style="list-style-type: none"> <li>To set clear expectations of the role our leaders play as curators of culture, the roll-out of a one-day program to all People Leaders (~3,000) has commenced.</li> </ul>
	<ul style="list-style-type: none"> <li>Bring greater consistency to priority areas of focus across the business.</li> </ul>	<ul style="list-style-type: none"> <li>To reiterate priority areas for the business and drive greater focus, bi-monthly forums for People Leaders have been established.</li> </ul>
	<ul style="list-style-type: none"> <li>Support successful and sustained cultural change.</li> </ul>	<ul style="list-style-type: none"> <li>To broaden role models of target behaviour, beyond formal leadership, an influencer network has been established to provide feedback on cultural observations, successes and inhibitors, to build momentum and achieve lasting change.</li> </ul>
	<ul style="list-style-type: none"> <li>Reduce and simplify policies.</li> </ul>	<ul style="list-style-type: none"> <li>To reduce policy complexity and strengthen compliance outcomes, progress has been made to simplify NAB's policies, with 35% of all policies reviewed and updated this year.</li> <li>A priority for 2020 is to review and simplify remaining business lending policies and consumer lending policies.</li> </ul>

**Table 2: ROYAL COMMISSION RESPONSE (November 2019)**

We welcome the Government’s comprehensive response to the Royal Commission Final Report and will work closely with the Government as it continues to implement the recommendations. We will implement the relevant recommendations and have devoted substantial time, effort and resources to enacting change.

We have progressed a number of the recommendations. In some cases, enhancements were made before the Final Report was published. Of the 76 recommendations, we have completed 5 and are progressing 34, while 29 do not currently require action by us and 8 are not applicable to us.

We are focused on reform that delivers improved customer outcomes and builds trust with customers and the community. Our progress is outlined in the table below.

## BANKING

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
1.1	Amendment of National Consumer Credit Protection Act	Complete – No action required	No action required by NAB	NAB agrees with the recommendation that the National Consumer Credit Protection Act (NCCP Act) should not be amended to alter the obligation to assess unsuitability. There is currently no action required by NAB.
1.2	Mortgage Brokers Best Interest Duty	End 2020	In progress – Pending legislation or regulatory or industry guidance	NAB believes Mortgage Brokers must always act in the best interest of the intending borrower. NAB is actively participating in the development of this legislative change through its membership of the Combined Industry Forum (CIF). NAB also submitted its own response to the Government’s consultation on 4 October 2019.
1.3	Mortgage Broker Remuneration	End 2019	In progress – Pending legislation or regulatory or industry guidance	NAB is actively participating in the development of these reforms through its membership in the CIF. NAB supports the Government’s response to broker remuneration and submitted its own response to the Government’s consultation on 4 October 2019. NAB has taken the following actions: <ul style="list-style-type: none"> <li>• From November 2018, NAB has paid upfront commission based on drawn down amount and net of offset, which assists to ensure that brokers are not remunerated for credit that consumers potentially may not need.</li> <li>• From January 2019, NAB has not paid, and its aggregators have not received or accepted from NAB, volume-based payments.</li> <li>• NAB applies standard commercial practice for clawback to be no more than two years.</li> </ul>
1.4	Treasury-led working group	Review to be undertaken 2022	No action required by NAB – Review in 2022	NAB supports the Government’s plan for the Council of Financial Regulators and the Australian Competition and Consumer Commission (ACCC) to conduct a review of changes to mortgage broking remuneration and the operation of trail and upfront commissions in 2022.

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
1.5	Mortgage Brokers as Financial Advisers	Review to be undertaken 2022	No action required by NAB – Review in 2022	NAB notes the Government's plan for the Council of Financial Regulators and the ACCC to conduct a review of changes to mortgage broking remuneration and the operation of trail and upfront commissions in 2022.
1.6	Mortgage Broker Misconduct	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB is actively participating in the consultation process for the development of this legislative change through its membership with the CIF. NAB is also implementing the following activities that align to the governance framework proposed by the CIF: <ul style="list-style-type: none"> <li>Defining Key Risk Indicators, which would act as triggers/flags for potential poor customer outcomes.</li> <li>Annual reviews of individual aggregator and broker governance framework, currently in progress through a third party audit firm.</li> </ul>
1.7	Removal of Point of Sale Exemption	30 June 2020	Not applicable to NAB	NAB agrees with the recommendation. NAB does not offer the product or service.
1.8	Access to Banking Services	March 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation and supports these amendments to the Banking Code of Practice (the Code), and has actively worked with the Australian Banking Association (ABA), and the industry more generally, to adopt these recommendations. NAB intends to be compliant with any new requirements that will commence on 1 March 2020. Furthermore, NAB has launched a dedicated Indigenous Customer Service Line to help Indigenous customers living in remote areas better access financial services, and a Customer Support Team to better support customers experiencing vulnerabilities. NAB's basic bank accounts have no monthly account keeping fees, no overdrawn fees, and no dishonour fees, as defined by the Code, for all customers.
1.9	No extension of the NCCP Act to small businesses	Complete – No action required	No action required by NAB	NAB agrees with the recommendation. There is currently no action required by NAB.
1.10	Definition of "Small Business"	N/A	Complete	The ABA decided not to amend the Code. Notwithstanding this, NAB has extended the protections of the Code to small businesses with less than \$5 million in aggregate borrowings.

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
1.11	Farm Debt Mediation Scheme	Awaiting guidance	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. As Australia's largest agri-lender, NAB has been a long-time supporter of Farm Debt Mediation (FDM) schemes. NAB supports a national FDM scheme, and has implemented measures in preparation for it, based on the NSW FDM agreements which NAB considers to be the best state-based scheme. From November 2018, NAB also adopted the cooling off process, and offers financial support to customers attending farm debt mediation to ensure that they can have their advisers present during mediation.
1.12	Land Valuations	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB has implemented changes to ensure that land valuations are conducted independently from our loan origination, processing and decision processes. NAB also supports APRA updating its standard APS220 to reflect the recommendation. NAB is currently awaiting release of the finalised standard, anticipated to commence 1 July 2020.
1.13	Charging default interest	March 2020	Complete	NAB agrees with the recommendation. Since July 2018, NAB has ceased charging default interest to drought impacted farmers when they are in default (this has now been extended to customers impacted by other natural disasters, beginning with the recent 2019 Queensland floods). NAB recently reduced its default interest margin to 1% on business loans and overdrafts for our small and medium business customers. NAB is currently reviewing the application of default interest on a number of business lending products for our business customers.
1.14	Distressed Agriculture Loan Management	End 2019	Complete	NAB supports this recommendation for dealing with distressed loans. NAB has a specialist agri-banking unit within its Specialised Business Solutions team. NAB only appoints receivers as a last resort. As noted in our response to recommendation 1.11, NAB offers financial support to customers attending farm debt mediations (recommendation 1.11). Default interest is not charged when an assessment determines that there is no realistic prospect of recovery.
1.15	Enforceable Code Provisions	30 June 2020	No action required by NAB	NAB agrees with the recommendation. There is currently no action required by NAB. NAB will proactively work with the ABA and participate in consultations with ASIC and Treasury to implement changes.
1.16	2019 Banking Code	30 June 2020	No action required by NAB	NAB agrees with the recommendation. NAB implemented the current Code in line with its 1 July 2019 timeline and will proactively work with the ABA to implement any changes to the Code necessary to reflect this recommendation.



Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
1.17	BEAR - Product Accountabilities	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	<p>NAB responded to APRA's consultation paper on 30 August 2019, supporting the aims and objectives of this recommendation.</p> <p>Currently at NAB, specific Accountable Persons are responsible for each stage of product design, delivery and maintenance and any necessary remediation of customers in respect of those products. These Accountable Persons are also supported by a number of governance and risk forums that act as coordination points for end-to-end product-related activities.</p> <p>Rather than a single Accountable Person being responsible for end-to-end product accountability, NAB proposed to APRA an alternative approach whereby a particular responsibility under section 37BA(2)(b) of the Banking Act 1959 be established for the coordination and governance of all steps in end-to-end product management (but not for the actual performance of every individual step).</p> <p>NAB will address this recommendation, in consultation with APRA, as part of regulatory change management processes.</p>

## FINANCIAL ADVICE

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
2.1	Annual renewal and payment	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. By 1 April 2020, NAB Financial Planning (NAB FP) employed advisers will no longer have Ongoing Fee Arrangements (OFA), meaning that all clients will soon be on 12-month contracts that record in writing the services the client will be entitled to receive and the fees that are to be charged. NAB has also announced its intention to support a transition to annual fee agreements for self-employed advisers; ahead of legislation requiring this. NAB is aiming to commence implementation in the first half 2020.
2.2	Disclosure of lack of independence	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB supports improved disclosure in this area to ensure that all clients and potential clients understand whether or not the financial adviser they are dealing with is 'independent' and if not, why not. As an issuer of financial products, we have updated our Financial Services Guides for our NAB FP and Advice Partnerships Licensees in line with this recommendation.
2.3	Review of measures to improve the quality of advice	Review to be undertaken 2022	No action required – Review in 2022	NAB agrees with the recommendation and supports the need for a Review in 2022. No action currently required by NAB.
2.4	Grandfathered Commissions	December 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB has removed grandfathered commissions on MLC Wealth superannuation and investment products for NAB Financial Planning employed advisers.
2.5	Life risk insurance commissions	ASIC review in 2021	No action required by NAB – Review in 2021	NAB agrees with the Life Insurance Framework (LIF) reforms and the planned review at the conclusion of the LIF transition period in 2021. There is no action currently required by NAB.
2.6	General insurance and consumer credit insurance commissions	Review to be undertaken in 2022	No action required by NAB – Review in 2022	NAB supports the review of general insurance and consumer credit insurance commissions in 2022 and will work with Government and industry in relation to any legislative change. There is no action currently required by NAB.
2.7	Reference checking and information sharing	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. MLC Wealth has signed up to the ABA reference checking protocol as part of ongoing operations. NAB will monitor the legislative changes and action as necessary.

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
2.8	Reporting compliance concerns	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB already reports individual adviser cases of 'serious compliance concerns' to ASIC. And therefore NAB supports the transition to reporting on a quarterly basis and would be comfortable reporting on that cadence when legislative change occurs.
2.9	Misconduct by financial advisers	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB has an investigation and remediation policy and operating procedure in place that aligns with this recommendation.
2.10	A new disciplinary system	December 2020 From 1 January 2020 a Code of Ethics will be applied by law, and the New Financial Adviser Disciplinary System is due to be established in early 2021.	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB is reviewing its current licensee standards and work is underway to uplift as required.

## SUPERANNUATION

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
3.1	Trustee – “No other role or office”	30 June 2020	Complete	NAB agrees with the recommendation. NULIS, as the superannuation trustee, does not believe there are any further actions required. NAB will monitor the legislation to be implemented in 2020 to clarify any changes that may relate to entities and individuals. Clarity is required on the words “other than those arising from or in the course of its performance of the duties of a trustee”, as to how this will be implemented and to what extent the change will relate to entities and individuals.
3.2	No deduction of fees from MySuper accounts	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB supports strengthened controls over the deductions of advice fees from super accounts and fees for service in general. NAB will work with Treasury and the industry on the detail for implementation, noting the importance of all customers being able to access advice, if they choose, and receive best possible outcomes.
3.3	Limitations on deducting advice fees from choice accounts	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation and will work with Industry and Government in relation to this legislative change. NAB has enhanced superannuation product disclosure statements to provide greater transparency on how Adviser Service Fees (ASF) are charged, alternative payment options and how they can be turned off. NAB has also engaged an independent third party to conduct a review of controls focusing on ASF in super.
3.4	Hawking of Superannuation products	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation and does not proactively sell superannuation products within branches or by cold calling customers. NAB will monitor the legislation to be implemented in 2020 to clarify any changes that may be required.
3.5	Single Default Superannuation Accounts	Awaiting the government’s response to the Productivity Commission Report.	No action required by NAB	NAB agrees with the recommendation. There is no action currently required by NAB.
3.6	Treating of Employers	Implemented in April 2019	In progress	NAB agrees with the recommendation. NAB is reviewing and testing relevant controls to ensure they continue to be adequate to address this recommendation. Updates will be made to standard operating procedures and control documentation where required to ensure that controls are embedded within the business to maintain ongoing compliance.
3.7	Civil Penalties	Implemented in April 2019	No action required by NAB	NAB agrees with the recommendation. There is currently no action required by NAB.

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
3.8	APRA and ASIC responsibilities	30 June 2020	No action required by NAB	NAB agrees with the recommendation. There is currently no action required by NAB.
3.9	Extension of BEAR regime to Superannuation	December 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB will consult with APRA to clarify how this will be implemented to ensure that the provisions take into account the specific duties and obligations of wealth entities.

## INSURANCE

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
4.1	No hawking of insurance	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. The ABA has convened an industry Working Group to inform Treasury on this recommendation. Our next steps will depend on the outcome of the consultation, and clarification of the definitions of “hawking” and “unsolicited”. NAB considers an insurance product directly related to a banking product should be discussed with a customer during the customer inquiry and that discussion should not be considered to be hawking (e.g. APRA requires mortgage customers to hold building insurance (APG223)).
4.2	Removing the exemptions for funeral expenses policies	December 2019	Not applicable to NAB	NAB agrees with the recommendation. NAB does not sell funeral expenses insurance.
4.3	Deferred sales model for add-on insurance	30 June 2020	In progress – Pending legislation or regulatory or industry guidance	In relation to Consumer Credit Insurance / debt insurance and travel insurance, NAB has implemented a referral model that complies with the intent of this recommendation and related regulatory guidance (e.g. ASIC REP 622, Banking Code of Practice). NAB supports the proposal to exempt comprehensive motor insurance from a deferred sales model, and believes this exemption should extend to certain other general insurance products (in particular: home, contents, third party motor insurance, caravan and trailer insurances). Mandating a deferral period for these products could place customers at significant financial risk, specifically with regards to ‘wheeled assets’.
4.4	Cap on commissions and Add-on insurance sold by motor vehicle dealers	30 June 2020	Not applicable to NAB	NAB agrees with the recommendation. However, the recommendation is not applicable to NAB as it does not sell add-on insurance products through vehicle dealers.
4.5	Duty to take reasonable care not to make a misrepresentation to an insurer	30 June 2020	Not applicable to NAB	NAB agrees with the recommendation. Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.
4.6	Avoidance of life insurance contracts	30 June 2020	Not applicable to NAB	NAB agrees with the recommendation. Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
4.7	Application of unfair contract terms provisions to insurance contracts	30 June 2020	Not applicable to NAB	NAB agrees with the recommendation. Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.
4.8	Removal of claims handling exemption	30 June 2020	Not applicable to NAB	NAB agrees with the recommendation. Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.
4.9	Enforceable code provisions	30 June 2021	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NULIS, the superannuation trustee, has agreed to adopt the Insurance Voluntary Code of Practice (Code). A Code Transition Plan has been developed to deliver compliance by July 2021.
4.10	Extension of Sanctions Powers	Awaiting guidance	No action required by NAB	NAB agrees with this recommendation. Currently no action required by NAB.
4.11	Co-operation with AFCA	Complete	Complete	NAB agrees with the recommendation and will work constructively with AFCA. NAB will make available to AFCA all appropriate relevant documents and records relating to issues in dispute.
4.12	Accountability regime	December 2020	Not applicable to NAB	NAB agrees with the recommendation. Although not an insurer, NAB agrees with the intent of proposed measures that protect customers and will achieve fairer insurance outcomes.
4.13	Universal terms review	Awaiting guidance	In progress	NAB supports measures that will ensure members defaulted into MySuper have a minimum level of insurance and that “like for like” comparisons can be made between products. The industry is currently awaiting Government’s response to the consultation paper: <i>Universal Terms for Insurance within MySuper</i> .
4.14	Additional scrutiny for related party engagements	Throughout 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB will review any future amendments to Superannuation Prudential Standard (SPS) 250 and determine actions required to address any new obligations As part of the Trustee Insurance Management Framework (IMF) and to meet compliance with SPS 250 an independent review of the insurance arrangements with the Trustee’s major insurance provider was completed in 2019.
4.15	Status attribution to be fair and reasonable	Throughout 2020	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. NAB will review any future amendments to Superannuation Prudential Standard (SPS) 250 and determine actions required to address any new obligations.

## CULTURE, GOVERNANCE AND REMUNERATION

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
5.1	Supervision of remuneration – principles, standards and guidance	Awaiting guidance	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. APRA released proposed new Prudential Standard CPS 511 that will address this recommendation. NAB participated in the consultation, having contributed to an industry response to the proposed revisions and also submitted its own response.
5.2	Supervision of remuneration – aims	Awaiting guidance	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. APRA released proposed new Prudential Standard CPS 511 that will address this recommendation. NAB participated in the consultation, having contributed to an industry response to the proposed revisions and also submitted its own response.  NAB has commenced the design of a new Employee Conduct Management Framework. This will allow the NAB Board (and Remuneration Committee) to discharge prudential oversight obligations in relation to misconduct. The framework will also make it simpler for leaders to manage conduct issues and reward customer-centricity. NAB is currently targeting implementation in mid-2020.
5.3	Revised prudential standards and guidance	Awaiting guidance	In progress – Pending legislation or regulatory or industry guidance	NAB agrees with the recommendation. APRA released proposed new Prudential Standard CPS 511 that will address this recommendation. NAB participated in the consultation, having contributed to an industry response to the proposed revisions and also submitted its own response.  In addition to our new Employee Conduct Management Framework (refer to response for recommendation 5.2), NAB is evolving its Performance and Reward Strategy to facilitate a more data driven approach and enable the NAB Board to test effectiveness of remuneration practices across the Bank, monitor the effectiveness of the framework changes (including Sedgwick Review recommendations) and to support the desired culture of the bank.
5.4	Remuneration of front line staff	Awaiting guidance	In progress	NAB agrees with the recommendation and has in place a process for reviewing remuneration frameworks, systems and practices annually to ensure they drive intended outcomes and the right values and behaviours. Following any review, the outcomes are reported to NAB's Remuneration Committee. A review was undertaken in FY18 which has resulted in the following changes in FY19: <ul style="list-style-type: none"> <li>• revisiting the goal setting approach to focus on both financial and non-financial goals;</li> <li>• removing forced performance distribution because it was driving the wrong behaviour;</li> <li>• enhancing risk assessment;</li> <li>• empowering leaders on reward decisions; and</li> <li>• increasing governance and reporting.</li> </ul>



Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
5.5	The Sedgwick Review	March 2020	In progress	NAB agrees with the recommendation. NAB has completed 13 of the 21 Sedgwick Review recommendations, with 3 not relevant to NAB and the remaining 5 in progress and on track for completion by October 2020.
5.6	Culture and governance	Ongoing	In progress	<p>NAB agrees with the recommendation. NAB assesses elements of culture on an annual basis through targeted questions asked in its Employee Engagement Survey and, from 1 January 2019, through a monthly culture index. NAB's Self-Assessment submitted to APRA in November 2018 also identified a number of cultural inhibitors that we are addressing.</p> <p>NAB has recently introduced a quarterly culture dashboard to provide the Executive Leadership Team and Board with visibility of progress against NAB's culture change agenda and has commenced work on assessing culture at more localised levels, including an approach to dealing with issues and measures to determine whether those have been effective.</p> <p>NAB's Executive Leadership Team and Board agreed 3 key culture priority areas which have been shared with all of NAB to engage employees and leaders to actively contribute and embed changes required to realise NAB's desired culture. NAB has deployed and is in the process of rolling out a one-day program for all people leaders to set the role and expectations of our leaders as the curators of culture. Bi-monthly forums have also been implemented to provide a simple way for all people leaders to hear from senior leaders about priority issues to ensure consistency and enable them to lead effectively.</p>
5.7	Supervision of culture and governance	End 2019	In progress – Pending legislation or regulatory or industry guidance	<p>NAB agrees with the recommendation. NAB is awaiting confirmation of APRA's enhanced regulatory and supervisory approach, expected to be published by the end of 2019.</p> <p>NAB has reviewed its Executive Remuneration Framework. Since FY18, NAB has incorporated a greater focus on non-financial risk management and driving sustainable performance which aligns with the bank's values and behaviours. NAB has also established a Group Non-Financial Risk Committee which is responsible for strengthening the management and oversight of operational risk and compliance risk (including conduct and prudential-based regulatory risks).</p>

## REGULATORS

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
6.1	Retain twin peaks	Completed – No action required	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
6.2	ASIC's approach to enforcement	N/A	No action required by NAB	NAB agrees with the recommendation. No action currently required by NAB.
6.3	General principles for co-regulation	30 June 2020	No action required by NAB	NAB agrees with the recommendation. No action currently required by NAB.
6.4	ASIC as conduct regulator	30 June 2020	No action required by NAB	NAB agrees with the recommendation. No action currently required by NAB.
6.5	APRA to retain functions	30 June 2020	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
6.6	Joint administration of the BEAR	Dec 2020	No action currently required	NAB agrees with the recommendation. NAB is awaiting confirmation of statutory amendments to determine if any action is required.
6.7	Statutory amendments	Dec 2020	No action required by NAB	NAB agrees with the recommendation. NAB always endeavours to deal with APRA, ASIC and other regulators in an open, constructive and co-operative way.
6.8	Extending the BEAR	Dec 2020	No action required by NAB	NAB agrees with the recommendation. No action is currently required by NAB.
6.9	Statutory obligation to co-operate	30 June 2020	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
6.10	Co-operation memorandum	Dec 2019	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
6.11	Formalising meeting procedure	30 June 2020	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
6.12	Application of the BEAR to regulators	End 2019	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
6.13	Regular capability reviews	N/A	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
6.14	A new oversight authority	30 June 2020	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.

## OTHER RECOMMENDATIONS

Rec	Topic	Government Implementation Roadmap	NAB status	NAB Response
7.1	Compensation scheme of last resort	<b>End 2020</b>	In progress – Pending legislation, regulatory or industry guidance	NAB agrees with the recommendation. NAB is awaiting AFCA to commence formal consultation. NAB will work with AFCA on the design of the scheme to ensure its effective implementation.
7.2	Implementation of recommendations	<b>30 June 2020</b>	In progress – Pending legislation, regulatory or industry guidance	<p>NAB agrees with the recommendation. A number of changes have been and are being delivered through NAB's Governance Risk and Transformation Program, including the following changes relating to Regulatory Events Management:</p> <ul style="list-style-type: none"> <li>• A specialist Regulatory Events team has been created within Group Compliance to review and challenge all potentially significant breaches;</li> <li>• Additional resources have been introduced to support timely and quality identification, investigation and remediation of Regulatory Events;</li> <li>• Accountabilities for the management of Regulatory Events have been clarified, with targeted training provided to key people;</li> <li>• Enhanced governance introduced supporting the assessment and reporting of breaches to regulators; and</li> <li>• Enhanced Management and Board reporting on Regulatory Events Performance.</li> </ul> <p>In addition to the above, the following changes are in progress:</p> <ul style="list-style-type: none"> <li>• New workflow and Governance Risk &amp; Compliance systems are being delivered, that include covering regulatory events management;</li> <li>• Enhanced data capability being introduced to support the proactive identification and investigation of regulatory events; and</li> <li>• Thematic reviews into the significant breach portfolio are being completed, with outcomes and insights being reported to Executive Risk Committees.</li> </ul>
7.3	Exceptions and qualifications	N/A	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.
7.4	Fundamental norms	N/A	No action required by NAB	NAB agrees with the recommendation. No action required by NAB.