



Wednesday, 11 November 2020

## **ASX Announcement**

### **NAB progress on governance, accountability and culture**

NAB today detailed its progress to improve governance, accountability and culture practices, identified by NAB through its self-assessment undertaken in 2018 at the request of APRA.

NAB's second progress report shows that of the 26 actions laid out in the self-assessment, NAB has completed 16 actions and an additional five actions are planned for completion by the first half of 2021. APRA will review supporting information provided by NAB before confirming that the related issues have been addressed to its satisfaction.

NAB Chairman Philip Chronican said the Board was determined to address the root causes identified through the self-assessment and fulfil NAB's ambition to serve customers well and help communities prosper.

"We remain acutely aware of the findings of NAB's self-assessment and outcomes of the Royal Commission two years ago, and we are intent on ensuring the lessons learned remain front of mind," Mr Chronican said.

"The Board is committed to ensuring NAB operates with greater rigour and discipline. The Board expects and seeks evidence of continued improvement across culture governance and accountability and the way we support our customers."

Mr Chronican noted that stronger non-financial risk settings were evident across NAB.

"Meaningful outcomes have been delivered from this critical program, including increased operational resilience, faster problem solving at the first point of customer contact and greater willingness of our people to speak up," Mr Chronican said.

"Board and senior management are more focused on customer outcomes today than in previous years. The improvements we're making will simplify processes and ensure our products are fit for purpose in order to get it right first time."

"We are seeing a stronger determination to get the basics right, across the entire bank, under the leadership of Ross McEwan and his executive team.

"NAB's refreshed strategy includes focussed investment on customers and colleagues. Our technology is more resilient and reliable, and we are getting better at finding and fixing issues in a timely way.

"The new customer centric operating model is simpler, creating clear end-to-end accountability for customer outcomes, as well as empowering leaders with faster decision-making."

Mr Chronican said that although meaningful cultural change took time, the Board was satisfied the right foundations were in place and progress was being made.

"We have a clear articulation of the culture we need to create, and improved measurement to check on progress," he said.

“This year, we introduced the capability to measure engagement and the effectiveness of our leaders at a team level, and significant investments in new banker training and leadership programs will start to drive consistent expectations.”

### **Background**

At the request of APRA, NAB commenced its self-assessment in June 2018 following the regulator’s Prudential Inquiry into the Commonwealth Bank of Australia. NAB was the first bank to voluntarily release its [self-assessment](#), in November 2018.

NAB’s [first update](#) on progress was published on 7 November 2019.

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## Table 1: NAB Self-Assessment Progress Report 2020

NAB's Self-Assessment, published in November 2018, included 26 actions, organised into five overarching goals. It aims to deliver structural, procedural and cultural change across its more than 34,000-strong workforce and more than 850 locations, to further strengthen non-financial risk management.

Work has continued against each action, with progress achieved to date outlined below. The Board has continued 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 (Actions 1, 6, 12.i, 17, 18)

We are changing the way we work to drive consistently strong outcomes for customers. The Board has increased its focus on customer outcomes through the establishment of the Board Customer Committee and the Executive Customer Committee, with 10 and 6 meetings held throughout 2020, respectively.

We have a Customer Outcomes Framework that sets out the principles, high standards and outcomes we aspire to deliver for our customers. We have assessed more than 300 products and services against the Customer Outcomes Framework and identified 125 high priority areas to deliver improvements for customers. The actions are being managed by senior leaders and overseen by the Board and Executive Customer Committees. As at October 2020, 25 high priority areas have been closed.

We are measuring our progress against:

- Positive Net Promoter Score (at -11, a 5-point improvement on FY19)
- Improved first point of contact resolution (increased from 59% (Aug19) to 74% (Aug 20)).

Action taken	Outcomes for customers and colleagues	Status <sup>1</sup>
<b><i>Action 1: 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.</i></b>		
To improve governance of NAB customer outcomes, the <a href="#">Board Customer Committee</a> (BCC) was established in March 2019. The BCC has supported the Board with overseeing a significant lift in the importance given to the	<ul style="list-style-type: none"> <li>▪ Through the BCC, the Board now has a clearer view of customer outcomes and a deeper understanding of our customers' experience of NAB products and services. This has been achieved through:               <ul style="list-style-type: none"> <li>○ Reviewing and evaluating customer feedback, insights and themes.</li> <li>○ Reviewing and evaluating the governance frameworks for products.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>

<sup>1</sup> Status: 'Embedded and closed' is defined as actions are complete and supporting information is ready for submission to APRA. 'Implemented and being embedded' is defined as actions are being monitored to ensure the changes are sustainably embedded and can be evidenced.

<p>voice of the customer and a more intense focus on customer outcomes.</p>	<ul style="list-style-type: none"> <li>○ Seeking to ensure fair customer product and services outcomes for all customer segments, through the Customer Outcomes Framework, with specific focus on vulnerable customers and customers in hardship.</li> <li>○ Reviewing and evaluating reports on complaint levels, complaint handling metrics, customer satisfaction indicators and market share measures to identify systemic trends impacting customers.</li> <li>○ Hearing feedback directly from Customer Advocates at every meeting. Reviewing and evaluating regular management reports on customer remediation.</li> <li>▪ NAB's support for customers in response to the impacts of COVID-19 was a prominent feature at each BCC meetings since the pandemic began.</li> </ul>	
<ul style="list-style-type: none"> <li>▪ The BCC met 10 times during FY20, which included six formal meetings and four workshops.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Through the BCC, the Board gained deeper insight into how NAB supports its customers and how customers experience NAB's products and services through a series of immersions with specialist teams. These included NAB's complaints analytics team, customer contact centre, teams focused on long-standing customer disputes, and teams assisting customers experiencing financial hardship.</li> <li>▪ The full Board met with representatives from the Australian Financial Complaints Authority to discuss respective priorities and perspectives.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>
<ul style="list-style-type: none"> <li>▪ NAB has increased 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 continues to meet with the Banking and Wealth Customer Advocates, including in private (without management present).</li> <li>▪ Regular reporting is provided to the BCC on how initiatives aim to improve customer outcomes to ensure the BCC has visibility of how effectively management are bringing the voice of the customer into decision making. Information made available to the BCC includes product design, complaints and remediation themes and insights.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>
<p><b>Action 6: 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.</b></p>		
<ul style="list-style-type: none"> <li>▪ The Executive Customer Committee (ECC) was established in June 2019. It has enabled the ELT to drive focus on the voice of the customer and increase rigour on customer outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The ECC held six meetings in FY20. ECC meetings are arranged to precede BCC meetings, supporting the flow of information between the BCC and senior leadership.</li> <li>▪ The ECC has shifted its focus towards oversight of NAB's support for customers in response to COVID-19.</li> <li>▪ The ECC scrutinises customer data trends, customer feedback themes captured via social media, NPS results and complaints against actions being taken to improve customer experiences to drive stronger outcomes for customers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>
<ul style="list-style-type: none"> <li>▪ ELT customer complaints immersion sessions have been introduced</li> </ul>	<ul style="list-style-type: none"> <li>▪ To improve the quality and depth of focus on customers, the ELT has continued to increase the time spent connecting 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. Also, complaints analytics data provided to the ELT has resulted in improved customer feedback loops that have facilitated faster escalation and resolution of customer issues.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>

<p><b>Action 17: Establish a consistent and explicit decision-making approach for important decisions, that includes consideration of the impacts on customers, employees, risks, reputation and financials.</b></p>		
<ul style="list-style-type: none"> <li>NAB has incorporated broader metrics into decision-making through the FY20 investment planning process.</li> </ul>	<ul style="list-style-type: none"> <li>As part of NAB's Group strategy refresh, there is now a greater focus on the customer in strategic funding decisions. Processes are in place to review and assess core programs and their impact against risk, cost and alignment to the strategy. Core investments are assessed and monitored by the ELT. Importantly, core programs are focused on the end-to-end customer experience.</li> <li>NAB tracks customer focused metrics related to its core programs to ensure the best available indicators of customer outcomes are considered in key decisions. Examples include evaluating the success of the core programs against customer experience measures (e.g. the Net Promoter Score (NPS)).</li> <li>Further enhancements are being implemented to embed customer centric decision making into the leadership operating rhythm to further support alignment to NAB's new strategic ambition.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned for December 2020</li> </ul>
<p><b>Action 18: 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 value.</b></p>		
<ul style="list-style-type: none"> <li>NAB has established the Customer Outcomes Framework (COF), that sets principles and standards in the design of NAB products. It is now fully embedded into NAB's product governance framework.</li> </ul>	<ul style="list-style-type: none"> <li>NAB now applies a disciplined data-based approach to continually review NAB's products and services against the Customer Outcomes Framework to ensure ongoing improvements.</li> </ul>	<ul style="list-style-type: none"> <li>Embedded and closed</li> </ul>
<ul style="list-style-type: none"> <li>NAB has assessed more than 300 products against the Customer Outcomes Framework (COF).</li> </ul>	<ul style="list-style-type: none"> <li>This review identified improvements to NAB's products and services to better meet the needs of our customers.</li> <li>These improvements are being managed by senior leaders and overseen by the ECC and BCC. NAB has a process to track the progress of improvements and met the FY20 target of closing 25 of 125 high priority areas with work underway to close the remaining areas.</li> </ul>	<ul style="list-style-type: none"> <li>Embedded and closed</li> </ul>
<ul style="list-style-type: none"> <li>NAB has implemented improvements to NAB customer products and experiences.</li> </ul>	<ul style="list-style-type: none"> <li>Examples of improvements implemented as a result of the Customer Outcomes Framework reviews include the following:</li> </ul> <p><b>All customers</b></p> <ul style="list-style-type: none"> <li>To help reduce complexity and customer complaints, an additional 88 fees have been removed or reduced in FY20. In FY19, 185 fees were reduced or removed.</li> <li>A new set of key Home Loan product fact sheets have been launched to clearly articulate the benefits of each product in a way that is easy for customers to understand. These fact sheets have now been downloaded more than 30,000 times.</li> </ul>	<ul style="list-style-type: none"> <li>Embedded and closed</li> </ul>

	<p><b>Personal customers</b></p> <ul style="list-style-type: none"> <li>▪ An SMS reminder is now sent to customers ahead of their first home loan repayment. This has resulted in a 91% reduction in customers missing their first home loan payments.</li> <li>▪ NAB.com.au home lending pages and product suite have been simplified to align to NAB’s most popular products, providing clear differentiation and greater transparency around product features, pricing and fees. Together with a new product selector tool, NAB is making it easier for customers to choose the right product for their needs.</li> <li>▪ The new StraightUp card was launched as a result of the Customer Outcomes Framework review. StraightUp provides a simple and easy to manage credit card with a “no use no pay” option.</li> <li>▪ NAB has provided proactive support to a group of elderly credit card customers showing early signs of problematic debt and applied individual support.</li> <li>▪ The introduction of a gambling self-block option on NAB VISA and debit cards has seen more than 47,000 customers apply the block on more than 64,000 cards as at 30 September 2020, helping them improve their financial health and put them in control of their money.</li> <li>▪ More than 50% of customers with a rewards credit card were not earning enough points to break-even with the fees they paid during a two-year period. As a result, three card products (NAB Low Rate Platinum, NAB Qantas Rewards, NAB Rewards Classic) were removed from sale as there were indicators that these products may not align with customer expectations of rewards value.</li> <li>▪ NAB has increased the bonus interest threshold to \$250,000 on our UBank savings products (Usave and Uspend), resulting in 99% of customers now receiving bonus interest.</li> </ul> <p><b>Business customers</b></p> <ul style="list-style-type: none"> <li>▪ NAB has made it easier for small business customers to locate their current interest rate on their Business Cash Maximiser Account by adding it to their Internet Banking, mobile app and statements.</li> <li>▪ NAB has removed the requirement for a formal security limit for our BPAY Batch product. This enables business customers to utilise their available funds to process payments on behalf of their customers and they no longer go through lengthy credit assessments.</li> </ul>	
<b>Action 12.i: Review and redesign issue management practices to better incorporate the voice of the customer.</b>		
<ul style="list-style-type: none"> <li>▪ NAB has updated and transformed complaints handling processes to improve the customer experience.</li> </ul>	<ul style="list-style-type: none"> <li>▪ New complaints handling processes have been implemented to make it easier for customers to raise concerns and issues and, ensure a better customer experience, and a consistent quality experience (see action 13).</li> <li>▪ NAB now better understands the root cause of complaints and is better at identifying systemic issues from complaints. Specific actions are underway to address systemic issues. We have improved our first point of contact resolution rate across NAB, which means more of our customers’ issues and complaints are being resolved ‘in the moment’ more often. First point of contact resolution has increased during FY20 from 59% (Aug19) to 74% (Aug 20).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for December 2020</li> </ul>

## 2. IMPROVING THE RIGOUR AND DISCIPLINE OF OUR DELIVERY (Action 24)

We have worked to provide customers with a more reliable experience of our banking services. Critical and high-rated incidents continue to decline with a 43% decrease in FY19 and a further 44% decrease in 2020. We have greater network capacity to face into disruptions, like COVID-19. As evidenced in March, we expanded our network's capacity from supporting 5,000 colleagues working from home to supporting more than 30,000 colleagues working from home, in only three weeks. Board oversight of NAB's industrialisation program is stronger with increased reporting from half-year to monthly. More information is provided to the Board on a regular basis to oversee and challenge the effectiveness of NAB's industrialisation program in delivering meaningful outcomes for our customers.

Action taken	Outcomes for customers and colleagues	Status
<p><b>Action 24: Continue the 'industrialisation' program of work, including ensuring adequate metrics are in place to monitor whether expected improvements are being realised.</b></p>		
<ul style="list-style-type: none"> <li>▪ NAB has invested in industrialisation of its technology environment to improve system security, speed, reliability and adaptability to make changes for customers.</li> <li>▪ NAB has improved 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>▪ We have worked to provide customers with a more reliable experience of our banking services. Our technology is more resilient and reliable, with fewer incidents. The ongoing industrialisation of NAB's technology means we've got strong technology foundations and greater network capacity to face into disruptions, like COVID-19.</li> <li>▪ Critical and high-rated incidents continue to decrease year on year, with a 44% reduction in FY20. This follows a 43% decrease in FY19.</li> <li>▪ More information is provided to the Board on a regular basis to oversee and challenge the effectiveness of NAB's industrialisation program in delivering meaningful outcomes for our customers.</li> <li>▪ Leveraging Critical Data Elements (CDEs) NAB is defining clear accountabilities and expectations for effective management of data. A refresh of the CDE population occurs annually to ensure that data is be re-prioritised as necessary to meet changing requirements and expectations.</li> <li>▪ Data governance and management activities are applied to CDEs to support improvements in the data environment.</li> <li>▪ A continued focus on industrialisation is required now that tools and mechanisms are in place for tracking and monitoring NAB's technology environment in a sustainable way.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned by end of 2021</li> </ul>

### 3. STRENGTHENING OUR ACCOUNTABILITY AND RISK MANAGEMENT PRACTICES (Actions 3, 7, 8, 9, 10, 15, 16 20)

We have made significant changes to drive clear accountability and risk ownership – especially for complex, cross-divisional issues and risks. Every material issue has a clear executive accountable for its resolution, referenced in regular reporting to the Board and who are responsible for endorsing any changes to the issue resolution plan, scope or timeline. Executive performance assessments now consider progress on resolving issues. Risk management teams expanded by ~50% leading to improved control environment, improved compliance and regulatory outcomes.

Action taken	Outcomes for customers and colleagues	Status
<b>Action 3: 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.</b>		
<ul style="list-style-type: none"> <li>▪ NAB has developed non-financial risk reporting to improve the visibility of non-financial risks to the Board Risk &amp; Compliance Committee (BRCC).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Though the BRCC, the Board has overseen enhancements to non-financial risk reporting that have driven greater focus and clearer insights on compliance, conduct and operational risks. This has led to improved dialogue and transparency of non-financial risk issues and key matters reported to the Board and a constructive feedback loop to support continuous improvement.</li> <li>▪ Reporting continues to be enhanced based on regular feedback from the Board.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>
<b>Action 7: Review and drive changes such that the Executive Risk Committee (ERC) – 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.</b>		
<ul style="list-style-type: none"> <li>▪ Governance practices and accountability have been strengthened through the refresh of all risk governance committees and associated charters to align with BEAR accountabilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The revised risk governance committee structure is operating and is a key enabler to support the new operating model, with divisional risk sub-committees having accountability for oversight of risks in their respective end-to-end business.</li> <li>▪ The Chairs of divisional risk sub-committees are responsible for leading discussions and updates on material risks and issues in their divisions at the ERC. Regular updates from all risk sub-committees are provided to the ERC that enable a feedback loop to resolve and escalate material non-financial risk issues.</li> <li>▪ The risk governance committee changes have deepened senior management focus on the management of non-financial risks across their end-to-end businesses and greater demonstration of first line ownership and accountability for risks and issues.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>
<b>Action 8: Update NAB's Risk Management Framework to integrate a stronger focus on customer outcomes.<sup>2</sup></b>		
<ul style="list-style-type: none"> <li>▪ To improve customer outcomes, NAB's Risk Management Statement (RMS) has been updated to reflect changes to governance processes and management accountabilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The updated Risk Taxonomy supports an enterprise approach to articulate risks with a stronger focus on customer outcomes. In addition, the Risk Taxonomy helps to demonstrate those risks that are in the scope of each risk sub-committee and ERC, which are set out in associated charters.</li> <li>▪ The Risk Taxonomy has increased emphasis on risks that may negatively impact customers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>

<sup>2</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.

	<ul style="list-style-type: none"> <li>Risk metrics have been developed and aligned to support the reporting and monitoring of our material risk exposures.</li> </ul>	
<p><b>Action 9: Strengthen the effectiveness of First Line risk management, through: (i) Lifting the standard of overall risk governance, including clarity of accountabilities, (ii) Increasing the capability of First Line to proactively and consistently identify and monitor risks and (iii) Improving First Line understanding, design, documentation and execution of effective controls.</b></p>		
<ul style="list-style-type: none"> <li>A new First Line structure has been implemented to uplift both controls and control capabilities in critical areas to increase effectiveness and automate where possible.</li> </ul>	<ul style="list-style-type: none"> <li>NAB has invested significantly in building First Line risk management capability with staff numbers increasing circa 50%. Fundamental control management capabilities are now in place with 95% of Enterprise Controls and Performance (EC&amp;P) staff having completed this training, and a comprehensive control testing plan implemented.</li> <li>The design and execution of effective controls is being delivered via the Process Accelerated Controls Execution (PACE) program and NAB's Control Standard which applies a consistent approach to design, govern and report the controls against business processes and obligations. This new capability is being applied against NAB's top 100 processes.</li> <li>These changes have led to a significant improvement in control design and ownership (for example, end-to-end mapping of the home lending process) which is being supported by embedding First Line risk management staff within businesses. This is complemented by a simplified way of assigning obligation ownership which will drive accountability consistent with the BEAR.</li> <li>There has been demonstrated sustained investment and business accountability for control uplift which is continuing in FY21 to improve NAB's control environment.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned by May 2021</li> </ul>
<p><b>Action 10: Improve the effectiveness of Second Line's policy, oversight and reporting activities, including: (i) Driving improvements in non-financial risk reporting including strengthening the Risk View, better escalating significant matters, and monitoring issue ageing, (ii) Changing policies and reporting to help support an evidentiary approach to compliance, and revising authorities to support a stronger voice of Compliance, (iii) Linking, integrating and deepening conduct risk management under an approved framework, (iv) Increasing depth of capabilities and resourcing in critical operational risk and compliance areas and (v) Engaging Risk earlier in change activities, and improving governance of risk arising from change.</b></p>		
<ul style="list-style-type: none"> <li>NAB's Risk Policy framework has been simplified with changes implemented across all NAB policies.</li> <li>A new Governance Risk and Compliance System (GRACE) has been implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Second Line oversight and reporting has been strengthened by: <ul style="list-style-type: none"> <li>Re-designed risk governance committees</li> <li>Improved risk reporting and Risk Views that provide Second Line objective review and challenge on what more is needed to reduce material risk exposures or improve controls.</li> <li>Enhanced escalation mechanisms for material issues (including regulatory commitments and breach management performance).</li> </ul> </li> <li>GRACE was implemented in August 2020 and is a tangible shift in NAB's risk management systems. It has improved the colleague experience, introduced new functionality for non-financial risk management, enabled greater insight and oversight of issues, and improves real-time risk and control self-assessment activities across the bank.</li> <li>NAB has reviewed and aligned policies to compliance obligations to make it easier for front line colleagues to meet compliance obligations. Compliance, credit and other policies (including employee policies) have been simplified and tolerances revised. This has enabled front line colleagues to have a better understanding of what they need to do with a greater focus on customer outcomes (see action 26).</li> </ul>	<ul style="list-style-type: none"> <li>Embedded and closed</li> </ul>

	<ul style="list-style-type: none"> <li>▪ The Board-approved conduct risk framework is being embedded consistently across all customer facing businesses. The new framework has seen the completion of maturity assessments on customer facing conduct plans.</li> <li>▪ Regular reporting on conduct risk is delivered to risk sub-committees and semi-annual updates are provided to the ERC and BRCC.</li> <li>▪ NAB has increased its capability in critical operational risk, compliance, technology &amp; cyber risk and financial crime risk disciplines.</li> </ul>	
<p><b>Action 15: Review regulatory relationship practices to move beyond transactional interactions and ensure that all regulatory expectations and commitments are captured and monitored effectively.</b></p>		
<ul style="list-style-type: none"> <li>▪ NAB has clarified roles, responsibilities and processes to improve regulatory engagement practices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Changes to regulatory relationship practices means our approach today to managing regulatory commitments and engagements is more consistent than in previous years. Changes implemented include: <ul style="list-style-type: none"> <li>○ Revised regulatory principles and strategy</li> <li>○ Enhanced regulatory engagement procedures</li> <li>○ Documented operating rhythm for Senior Leader engagements with regulators</li> <li>○ Briefing notes uplifted with greater focus understanding the strategic priorities of regulators prepared for key meetings.</li> </ul> </li> <li>▪ The implementation of a single source of truth for tracking developments in the regulatory environment, including engagements, changes and commitments, has driven clearer prioritisation and accountability across NAB.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for February 2021</li> </ul>
<p><b>Action 16: 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.</b></p>		
<ul style="list-style-type: none"> <li>▪ NAB has provided better visibility to BEAR Accountable Persons of the adequacy of investment, with respect to key risks and obligations for which they are accountable for.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NAB has made enhancements in the annual investment process to support the prioritisation of addressing the most critical risks. Processes are in place to review and assess core programs and their impact against risk, cost and alignment to NAB's refreshed strategy and business unit delivery model (see action 17).</li> <li>▪ To support this, NAB has updated its categorisation, measurement and reporting of risks to better align to BEAR accountabilities through a Risk Taxonomy (see action 8).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded.</li> <li>▪ Closure is planned for December 2020.</li> </ul>
<p><b>Action 20: 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.</b></p>		
<ul style="list-style-type: none"> <li>▪ NAB has developed a consistent approach to delegations of responsibility at the Executive level and is implementing a BEAR training program.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A role-specific BEAR training program setting out responsibilities and expectations has been developed and is currently being implemented. Other key initiatives include: <ul style="list-style-type: none"> <li>○ Delegation matrix for Accountable Persons</li> <li>○ BEAR-aligned role purpose statements (RPS) for direct reports of Accountable Persons</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded.</li> <li>▪ Closure is planned for December 2020.</li> </ul>

## 4: OVERHAULING OUR APPROACH TO ISSUES (INCLUDING UPLIFTING CUSTOMER REMEDIATION) (Actions 4, 11, 12.ii, 13, 14, 19)

In FY20, \$469 million was paid out to 328,000 customers. This compares to \$247 million to 473,000 customers from 1 June 2018 to 30 September 2019. We have built a dedicated team of more than 1,200 people, committed to working through issues to ensure they are appropriately and sustainably resolved and that customers are remediated. This is underpinned by a common set of customer remediation minimum standards. A stronger 'speak up' culture has led to colleagues more willing to identify potential events (up 67% to an average of 163 per month), while the number and severity of reportable items to ASIC and/or APRA is falling.

Action taken	Outcomes for customers and colleagues	Status
<b>Action 4: 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.</b>		
<ul style="list-style-type: none"> <li>Improved Board visibility and oversight of issue management and closure.</li> </ul>	<ul style="list-style-type: none"> <li>The Board has increased its focus on driving timely and sustainable closure of important issues.</li> <li>There has been significant attention by Board and ELT on the monitoring, review and challenge of management on current and emerging key risk issues, including the more significant issues that are designated as Matters of Interest (MOIs) by the Group Chief Risk Officer (CRO). This has contributed to a reduction in the number of open MOIs from 24 to 14 during FY20, with another two submitted for closure.</li> <li>Introduced new risk appetite limits, tolerances and reporting metrics that have improved the Board's oversight of identification and resolution of key risk matters and issues.</li> </ul>	<ul style="list-style-type: none"> <li>Embedded and closed</li> </ul>
<b>Action 11: Improve compliance-related controls and monitoring processes to evidence ongoing compliance and more quickly identify, report and remediate any breaches.<sup>3</sup></b>		
<ul style="list-style-type: none"> <li>NAB has invested in improving compliance capability to review current and historical events and risk issues to ensure that NAB finds and resolves potential compliance breaches sooner.</li> </ul>	<ul style="list-style-type: none"> <li>Improved compliance capability has led to faster identification and resolution of issues, reducing the detrimental impact on customers and the severity of breaches. This has contributed to a reduction in significant breaches being reported to ASIC in FY21. This has been achieved alongside improvements in breach management standards, procedures and awareness across the Group, with the identification of potential events up by 67% to an average of 163 per month.</li> <li>The established standard set of breach reporting metrics for management and the Board have been consistently used to identify actions required to progress key issues needing attention. This reporting continues to be refined to embed enhanced compliance practices and speed up investigation and reporting of risk issues.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned for February 2021</li> </ul>
<b>Action 12.ii: Review and redesign issue management practices to improve timeliness of resolution (including accountability, resource allocation, monitoring and links to remuneration).</b>		
<ul style="list-style-type: none"> <li>NAB has introduced dedicated business and compliance resources to support senior leaders to identify, investigate and resolve</li> </ul>	<ul style="list-style-type: none"> <li>Improvements to issues management practices is resulting in faster identification and investigation of a number of legacy issues.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> </ul>

<sup>3</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>complex cross-divisional issues in a timely and sustainable way.</p>	<ul style="list-style-type: none"> <li>▪ NAB has enhanced its Second Line review and challenge of remediation issues that have been reported to regulators. This aims to ensure better quality and sustainable business process and control solutions are being designed and delivered.</li> <li>▪ NAB is now able to identify, report and remediate issues with revised frameworks and processes to ensure customer focused remediation plans are developed with defined target closure dates.</li> <li>▪ Changes have been supported by increased dedicated resourcing in remediation teams to expedite customer remediation and address the backlog of remediation programs.</li> <li>▪ The performance against remediation plans and closure dates are embedded in performance management processes with assessment of performance independently validated by the Chief Risk Officer (CRO) function as part of the performance assessment. The overall performance informs current year remuneration outcomes. Accountability for matters of interest for former employees is maintained through the ongoing performance monitoring and malus assessment completed prior to any deferred remuneration vesting (see action 22).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Closure is planned for December 2020</li> </ul>
<p><b>Action 13: Establish clear targets and refine processes – including root cause analysis, reporting and oversight – with the objective of reducing high-severity complaints.</b></p>		
<ul style="list-style-type: none"> <li>▪ Transformation of complaints handling to improve the customer experience is underway.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NAB is making it easier for customers to make complaints and provide feedback to help ensure a better customer experience, and a consistent quality experience. It will also enhance NAB's capability to identify possible systemic issues from complaints and ensure that they are addressed. At this stage: <ul style="list-style-type: none"> <li>○ 8% of complaints are now going through the new complaint handling system, which commenced as a proof of concept in April 2020.</li> <li>○ The new complaint handling system is now being piloted in the contact centre, which will expand to include branches in October 2020.</li> <li>○ The complaint handling system will be rolled out across the majority of the organisation by the end of 2021, with final changes, enhancements and automation delivered in 2022.</li> <li>○ An uplifted possible systemic issues process is in use to better identify, understand, assess and address possible issues impacting customers.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned by end of 2022</li> </ul>
<p><b>Action 14: Continue to invest to lift the effectiveness of customer remediation practices, reporting and governance.</b></p>		
<ul style="list-style-type: none"> <li>▪ NAB has significantly invested in customer remediation practices. NAB have a team of ~1,000 people that are supporting the remediation of issues that have a customer impact.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A common set of “customer remediation minimum standards” have been developed and are being used to ensure all new remediation programs are managed, consistently.</li> <li>▪ Management and the Board, through the BCC, are actively overseeing remediation programs to ensure that customer outcomes being delivered consistently, with regular progress reports.</li> <li>▪ Approximately 328,000 customer payments have been made, to a total value of \$469 million in FY20 (across Banking and Wealth programs).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>
<p><b>Action 19: 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.</b></p>		
<ul style="list-style-type: none"> <li>▪ NAB has introduced and embedded a 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 (see action 4). Executive performance assessments consider progress on resolving issues.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>

## 5. REALISING NAB'S DESIRED CULTURE (Actions 2, 5, 21, 22, 23, 25, 26)

A single Group-wide leadership program is being rolled out that sets clear expectations and helps build a consistent set of management practices that all people leaders need to exhibit. We are now measuring people engagement on a quarterly basis with clear and ambitious targets for engagement and the quality of people leaders. We are also investing in the skills of all our people through a significant banker training program that will raise the bar of professionalism in banking by training all NAB colleagues in the fundamentals of our industry. We have also improved and embedded accountability for risk, compliance and customer outcomes in the assessment of an individual's overall performance against a standard set of mandatory goals. The Board People and Remuneration Committee receives reporting on annual effectiveness reviews and regular analysis of incentive plan performance and outcomes.

Action taken	Outcomes for customers and colleagues	Status
<b><i>Action 2: 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.</i></b>		
<ul style="list-style-type: none"> <li>The Board has continued to drive and promote a clear tone from the top. To enable greater insights for the Board and ELT about NAB's ability to achieve its desired culture, more frequent measurement and reporting of cultural programs have been implemented.</li> </ul>	<ul style="list-style-type: none"> <li>The content and frequency of reporting on culture has been enhanced. The People &amp; Culture Executive Committee will receive regular updates and the Board will receive six-monthly reports so that the Board is able to discharge its mandate to oversee the establishment by management of a culture that is focused on sound risk management and customer outcomes.</li> <li>The depth and rigour of senior executive's risk performance assessments has been improved (see <i>action 21</i>).</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned by February 2021</li> </ul>
<ul style="list-style-type: none"> <li>NAB has undertaken ELT workshops to investigate cultural shortcomings, causes and solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Following the launch of the new strategic ambition, a series of workshops have been held with ELT to focus on role modelling the culture we need, building greater focus and alignment at the executive level and to listen and respond to colleague feedback there is increased frequency of discussions on culture at Board and ELT meetings.</li> <li>The new Group CEO and Group Executive, People &amp; Culture have brought increased discipline and rigour to Executive goals for the next three years.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned by February 2021</li> </ul>
<b><i>Action 5: The Board will both lead and drive a further maturing of remuneration consequence management practices and require an uplift in remuneration activities more generally.</i></b>		
<ul style="list-style-type: none"> <li>Simplified NAB's performance framework.</li> </ul>	<ul style="list-style-type: none"> <li>The Board with the support of its People &amp; Remuneration Committee has continued to require management to improve remuneration and consequence management practices, with increased visibility of material risk taker performance outcomes and goals.</li> <li>Colleagues now have clear expectations of performance, more focus on personal development, clearer goals, quality coaching and more regular feedback from their People Leader. NAB has also streamlined the consequence management approach by outlining consistent and reasonable consequences for specific actions or behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned for December 2021</li> </ul>

<ul style="list-style-type: none"> <li>To continue to lift the bar on expectations of conduct, a new Code of Conduct and Consequence Management Matrix has been developed to further improve the way we manage employee conduct management.</li> </ul>	<ul style="list-style-type: none"> <li>The consequence management matrix went live on 1 October 2020 and aims to empower leaders to manage conduct issues and apply consistent, fair, and proportionate consequences with reporting and governance modelling via Professional Standards Forums (<i>see action 22</i>).</li> <li>To listen and learn more effectively from conduct risk issues, Professional Standards Forums (PSFs) have been established and Chief People Officers (CPOs) across the Group are now standing members of the PSFs and Divisional Risk Committees.</li> </ul>	<ul style="list-style-type: none"> <li>Embedded and closed</li> </ul>
<p><b>Action 21: 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.</b></p>		
<ul style="list-style-type: none"> <li>Improved depth and rigour of individuals' risk performance assessments.</li> </ul>	<ul style="list-style-type: none"> <li>Senior executives continue to 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> <li>NAB has continued to embed accountability for risk and customer outcomes through goals in the performance management framework, and all NAB colleagues still have a standard mandatory risk goal. The risk goal is assessed as part of end of year performance with up to four other goals and contribute to overall performance assessments.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned by November 2020</li> </ul>
<p><b>Action 22: Improve the quality of data and insights provided to the Board, to facilitate a more data driven approach to testing the effectiveness of NAB's remuneration practices throughout the bank.</b></p>		
<ul style="list-style-type: none"> <li>Introduced a new executive performance assurance process that results in timely consequence management.</li> </ul>	<ul style="list-style-type: none"> <li>NAB has revised and streamlined the approach to employee conduct management. We continue to maintain a tiered approach to managing poor conduct (instances where the Code of Conduct is not being followed) using a consequence severity matrix. This provides guidance to leaders to measure the severity of real or potential misconduct and apply a fair and proportionate consequence outcome ranging from coaching or counselling, formal warnings, and financial penalties (ranging from 15%, 25%, 50%, 75% to 100% variable reward reductions), as well not being eligible for promotion and termination of employment.</li> <li>A new tool to record all employee conduct cases, including minor and mild cases, will improve the quality of data and insights to the Professional Standards Forums and the People and Remuneration Committee.</li> <li>A comprehensive assessment of risk-based matters (audit, investigation, matters of interest) is completed prior to the vesting of awards for both current and former employees. This process ensures that relevant information arising through the deferral period that may impact upon the release of deferred awards is assessed and may lead to the application of Malus.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and being embedded</li> <li>Closure is planned for December 2021</li> </ul>

<b>Action 23: Monitor the effectiveness of recent remuneration framework changes, including the impact of changes driven by the Sedgwick Review recommendations for retail banking.</b>		
<ul style="list-style-type: none"> <li>▪ Conducted a completeness review of Sedgwick.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NAB introduced frequent measurement and reporting of remuneration outcomes in 2019 to give Board and ELT greater insight, including:               <ul style="list-style-type: none"> <li>○ Quarterly conduct and consequence management reviews that influence disciplinary outcomes, including remuneration</li> <li>○ Annual effectiveness reviews</li> <li>○ Regular analysis of incentive plans, performance and outcomes</li> </ul> </li> <li>▪ The reporting has matured quarter on quarter through Board and Executive feedback and refined data analytics.</li> <li>▪ A new biennial independent effectiveness review will be undertaken by an External Consultant on the achievement of Remuneration Policy principles through frameworks, processes and practices along with regular data reviews to test the effectiveness of the changes. This review is planned for June 2021.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for December 2021</li> </ul>
<b>Action 25: Review the leadership capability model and talent management practices to raise the emphasis on quality and rigour of execution.<sup>4</sup></b>		
<ul style="list-style-type: none"> <li>▪ In September 2020, NAB launched a single enterprise wide leadership program that centres on delivering a consistent leadership approach and clear expectations of leaders, driving a culture focussed on getting the basics right, speaking up and building strength in NAB's leadership capability.</li> <li>▪ NAB has developed clearer leadership and talent management practices to reinforce NAB's culture and values.</li> <li>▪ NAB has also developed new metrics to measure and assess leadership performance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ NAB's Executive Leadership team have commenced the program and the next level of leaders commenced in October 2020. All People Leaders (including new starters) will complete the program and it will be embedded in how everyone works at NAB. We have clearly defined expectations for all senior leaders to build a culture of clear accountabilities in their divisions; these expectations include a goal focussed on leadership quality.</li> <li>▪ Top 100 leader appointments were made by ELT via a series of talent workshops, supported by rigorous talent and performance data and talent management practices. ELT have agreed shared accountability for the quality of talent across the top 100 leaders and will be supported by data and reporting on movements and appointments.</li> <li>▪ ELT have agreed the leadership strategy – agreed capabilities and experiences for assessing and building leadership capability that also enables us to benchmark globally against Financial Services</li> <li>▪ ELT agreed a focused approach to developing leadership capability for critical roles (succession planning)</li> <li>▪ A suite of quantitative and qualitative metrics assessing leadership performance have been established and will be monitored and tracked within the enterprise Colleague Dashboard.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Embedded and closed</li> </ul>

<sup>4</sup> This action was originally captured under 'Improving the rigour and discipline of our delivery' but has been moved to enable more effective execution.

<b>Action 26: With oversight from the Board, implement the Culture Embed Plan to support the achievement of NAB's desired culture.</b>		
<ul style="list-style-type: none"> <li>▪ The Culture Embed Plan has evolved to support the ambition in the Group Strategy that includes a clear statement for How We Work – these are our new values and represent the target culture (Excellence for Customers; Grow Together; Be Respectful; and Own It). Enhanced measures are being established as part of a revised culture survey.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To support sustainable change, a series of tailored training and tools are enabling employees to work in ways aligned to the culture priority areas and achieving NAB's desired culture:               <ul style="list-style-type: none"> <li>○ 'Speak Up' was launched across the business to encourage a culture where people feel comfortable to speak up even when it's hard. This supports our culture of respecting others and taking greater ownership of our work.</li> <li>○ We have included Conduct Risk as a core element of mandatory training completed by all colleagues so that there is a clear and consistent understanding of responsibilities in relation to conduct risk.</li> <li>○ As part of NAB's Group-wide banker training program, the Professional Banking Fundamentals unit, will include NAB's conduct risk framework to ensure colleagues have a strong understanding of conduct risk for the long-term.</li> </ul> </li> <li>▪ 'Line of Sight to Customer' toolkits were developed to support local level team discussions on customer mindset and delivering with discipline, consistency, shifting behaviours and resolving issues impacting the customer experience within a team's control (see action 6).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for February 2021</li> </ul>
<ul style="list-style-type: none"> <li>▪ A single enterprise wide leadership program to lift the calibre and consistency of our leadership cohort was launched in September 2020, starting with the ELT and will be completed by all employees (see action 25).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recognising the critical role our leaders play in realising NAB's desired culture, all leaders undertook a mandatory education program (February to June 2020) focused on effectively giving and receiving feedback. Our objective is to encourage the practice of open feedback in the bank and to address a critical mindset shift in leader behaviour identified in the self-assessment. Results following the 95% completion rate show a fourfold increase in the number of leaders seeking formal feedback.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for February 2021</li> </ul>
<ul style="list-style-type: none"> <li>▪ Brought greater consistency to priority areas of focus across the business.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To further reinforce cultural priority areas for the business and drive greater focus, bi-monthly forums for People Leaders moved to weekly enterprise-wide and People Leader communications during COVID. These have now moved to a fortnightly cycle and focus on setting clear expectations for leaders and their teams.</li> <li>▪ Since March 2020, we have held 24 People Leader webinars with an average of 1,088 colleagues attending each session.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for February 2021</li> </ul>
<ul style="list-style-type: none"> <li>▪ Supporting successful and sustained cultural change.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To enhance recognition of values and behaviours aligned with NAB's desired culture, consistent guidance for leaders was launched in July 2020 relating to both service awards and recognition.</li> <li>▪ Creating continuous listening forms the basis of our revised approach to tracking progress. We are obtaining an enterprise-wide perspective on our culture, at regular intervals, with enhanced analytics enabling NAB's leaders to identify issues more quickly and take action more effectively.</li> <li>▪ NAB has invested in leadership and banker capability through a new leadership program that provides a consistent approach to how we lead (see action 25). We have also commenced the Career Qualified in Banker program that will raise the bar of professionalism in banking by training all NAB colleagues in the fundamentals of our industry.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for February 2021</li> </ul>

<ul style="list-style-type: none"> <li>▪ Reduced and simplified policies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To reduce policy complexity and strengthen compliance outcomes, approximately 90% of business and consumer lending policies have been reviewed and simplified to make it easier for front line colleagues to understand what they need to do with a greater focus on customer outcomes.</li> <li>▪ 70 people-related policies have been rationalised and reduced to only eight policies supported by guidance documents.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented and being embedded</li> <li>▪ Closure is planned for February 2021</li> </ul>
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