



National
Australia
Bank

ANNUAL REVIEW 2021

ABOUT THIS REPORT

We are continuing to improve our reporting, so that our customers, colleagues and shareholders can find and use information about our business strategy and performance.

THIS REPORT



Our 2021 Annual Review provides information on the Group's activities and performance during 2021. It aims to show how we are creating value through our strategy, operating environment, governance and financial and non-financial activities.

► Integrated reporting

The preparation of this report is guided by the Integrated Reporting Framework (IRF). We support the principles outlined in the IRF as they align with long-term value creation. In 2021, following engagement with our stakeholders, we have brought the Annual Review together with the disclosures previously made in our Sustainability Report.

► Scope and content

Unless otherwise stated, all the information included in this report and accompanying **Sustainability Data Pack** (the 'Data Pack') covers NAB's performance for the year ended 30 September 2021.

The content of this report was shaped by consulting a range of stakeholders, including customers, colleagues, shareholders and the community through our materiality process, described on page 3.

► Sustainability data pack

We recognise the importance of, and increasing stakeholder reliance on, environmental, social and governance (ESG) data. In addition to the material themes in this report, we continue to separately publish a quantitative Sustainability Data Pack which provides a comprehensive update on our ESG performance.



REPORTING SUITE DOCUMENTS



Our **2021 Annual Financial Report** includes the Report of the Directors, together with the financial statements of the Group for the year ended 30 September 2021.

The Report contains information prepared on the basis of the Banking Act 1959 (Cth), Corporations Act 2001 (Cth), Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.



Our **2021 Corporate Governance Statement** describes NAB's approach to corporate governance and complies with the ASX Corporate Governance Council's Principles and Recommendations (4th edition). NAB is here to serve customers well and help our communities prosper. Our Board, our leaders and colleagues work to deliver industry leading, sustainable outcomes for our customers, shareholders and the broader community. NAB's strategic ambition and how we work is supported by good corporate governance.



NAB's **Results and Pillar 3 Report** includes our Full Year Results including Management Discussion and Analysis, and our Pillar 3 Report, which describes the approach we take to manage risk, and provides detailed information about risk exposures, capital adequacy and liquidity.

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement allows us to understand what is expected of us, identify issues and discover opportunities to improve.

Our approach to stakeholder engagement is set out in our Social Impact Policy and informed by the AA1000 Stakeholder Engagement Standard. In all interactions, we aim to be respectful, responsive, open and authentic in our engagement with stakeholders.

Our main stakeholders include:

- Customers.
- Colleagues.
- Shareholders, investors and analysts.
- Partners.
- Industry bodies, associations, regulators and government.
- Non-government organisations (NGOs) and our community partners.

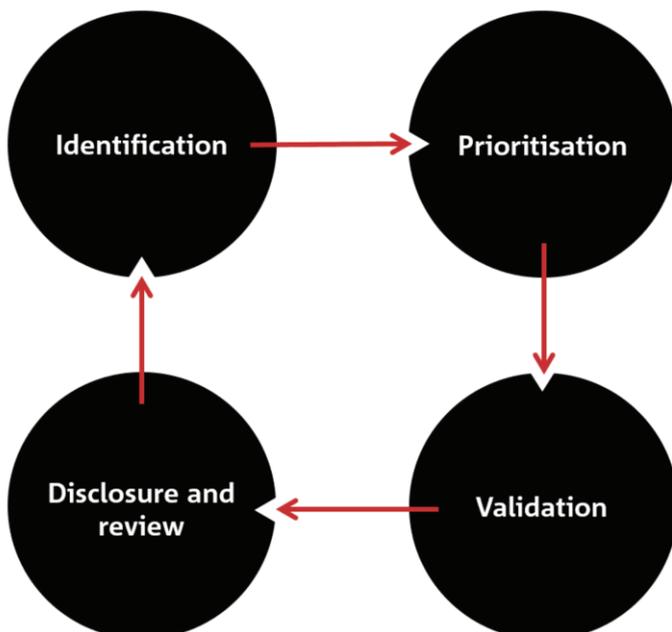
Key engagement activities this year have included:

- Ongoing engagement activities with stakeholder groups regarding our response to natural disasters.
- Proactive, frequent engagement with all stakeholders regarding the impacts of, and our response to, COVID-19.
- Engagement with industry bodies and associations on public policy issues including energy and environment policy, climate change, biodiversity, cyber security and privacy, financial health, and vulnerability, as well as sustainable finance and responsible banking.
- Continued engagement in industry projects through the Fintel Alliance, including in relation to the human impacts of modern slavery and other human rights abuse risks.

Our materiality process

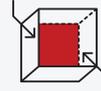
A key part of our engagement with stakeholders is our annual materiality review. It identifies the important ESG themes that shape our business and impact our community. This year we engaged with a range of stakeholders including the investment community, NAB leaders and more than 1,400 personal and business customers to help determine and validate the ESG issues we should report and focus our attention on.

The review involves four stages:



PRIORITISED MATERIAL THEMES

Our prioritised material themes are defined below. Performance across each of these themes is critical to our business and stakeholders, and we have detailed relevant updates within this report (pages 26-51).



Governance, conduct and culture

Being transparent, making ethical decisions and continuing to show progress on the recommendations of the Royal Commission and actions of the APRA self-assessment. This includes how we are improving our culture, driving the right behaviours that put customers' needs first and embedding accountability throughout the organisation.



Managing climate change

Showing leadership and taking decisive action on climate change and environmental sustainability. Climate action is everyone's job. We recognise the important role we can play in helping customers and industries transition to a low-carbon economy and become more sustainable. We see climate change as a risk and an opportunity for our business and the broader economy.



Supporting customers

It's our job to serve customers well. We are providing accessible products, acting quickly to fix things when we get it wrong and helping individuals and businesses get through difficulty, hardship and vulnerability. In the near term, this means supporting customers throughout COVID-19 so they emerge in the best possible financial position. In the longer term, it's helping customers recover and supporting inclusive economic growth. Supporting customers also includes driving social impact by supporting customers in industries such as education, affordable housing, health and medical research.



Colleague capability and wellbeing

Looking after our colleagues' health and wellbeing and ensuring they are well-equipped to deal with new and remote ways of working. This includes embracing inclusion and diversity at all levels of our workforce and raising the bar of professionalism in the banking industry.



Data security, technology and innovation

Maintaining resilient, reliable and secure systems oriented to customer outcomes and experience. This includes innovating to manage disruption and make things easier, faster and safer for customers, while managing data privacy, security and risks responsibly.

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2021 AT A GLANCE

KEY FINANCIAL PERFORMANCE MEASURES



Statutory net profit

\$6.36BN

Cash Earnings¹

\$6.56BN

76.8% increase from 2020

Dividend per share (for the full year)

\$1.27

\$0.67 higher than 2020

Cash return on equity¹

10.7%

420 basis points increase from 2020

Common Equity Tier 1 capital ratio

13.00%

153 basis points increase from 2020

OTHER KEY PERFORMANCE MEASURES



Strategic Net Promoter Score²

-7

4 point increase from 2020, equal #1 among major banks



Colleague engagement score⁴

77

Achieving our top quartile target score of 77



Financing provided to drive positive social impact

\$56.3BN

Cumulative environmental financing (towards \$70BN target by 2025)⁶

Supporting communities before, during and after natural disasters

\$5.6M

Provided in grants and support to customers, colleagues and communities.

Number of customers assisted experiencing financial hardship³

31,047

17% increase from 2020

People leadership score⁵

88

Score from NAB's July 2021 colleague engagement survey

\$1.8BN

Cumulative affordable and specialist housing financing (towards \$2BN target by 2023)⁷

1 Information is presented on a continuing operations basis, unless otherwise stated. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. NAB's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are set out in NAB's 2021 Annual Financial Report. A reconciliation of cash earnings to statutory net profit attributable to the owners of NAB is also set out on page 55 of this 2021 Annual Review.

2 Net Promoter[®] and NPS[®] are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Strategic NPS: Sourced from DBM Atlas, measured on a six month rolling average. The overall Strategic NPS result combines Consumer and Business segments within Australia, using a weighting of 50% for each segment. Data is presented comparing September 2020 to September 2021 Strategic NPS figures.

3 Number of unique primary customers within Australia approved with hardship assistance for home loans, credit cards and personal loans. Note this number reflects customers who have been referred to NAB Assist, and is not inclusive of customers with an active deferral as at 30 September 2021.

4 2021 Heartbeat Survey conducted by Glint, score based on July 2021 survey. Includes Australia and New Zealand colleagues, excludes external contractors, consultants and temporary colleagues.

5 People Leadership score calculated from the question "I would recommend my People Leader to others", taken from July 2021 Heartbeat survey.

6 Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our [2021 Sustainability Data Pack](#) for a further breakdown of this number and reference to how progress towards our environmental finance target is calculated.

7 Affordable and specialist housing includes affordable housing, specialist disability accommodation and sustainable housing. This includes loans made under the First Home Loan Deposit Scheme for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance. Only the 2021 portion of the cumulative progress figure has been assured by EY.

OUR ECONOMIC CONTRIBUTION

A strong and resilient economy benefits the community in many ways. Our business contributes to wider economic stability and prosperity by safeguarding jobs, stimulating growth and helping people improve their financial health.

This is particularly important during an economic downturn, and we continue to work with customers, colleagues, partners and government to support the economy.

This year we distributed \$14.6 billion in payments that flow into the community. How our economic value is distributed towards important socioeconomic activities is listed below.

Table 1: Economic value distributed

OUR ECONOMIC VALUE DISTRIBUTED			
	Suppliers	Payments made for the provision of utilities, goods and services.	\$4.5bn
	Community investment	Community partnerships, donations, grants, in-kind support and volunteering. ⁸	\$64.6m
	Shareholders	Dividend payments to more than 618,000 shareholders.	\$2.9bn
	Colleagues	Colleague salaries, superannuation contributions and incentives.	\$4.4bn
	Governments	Payments made to governments in the form of the Bank Levy (\$394 million paid) plus \$2.3 billion in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	\$2.7bn
Total economic value distributed			\$14.6bn
OUR INDIRECT ECONOMIC CONTRIBUTION			
\$98bn in new home lending.		\$500bn in deposits managed for retail and business customers.	Provided ~\$2.2bn in deferrals during COVID-19.
\$102bn in new business lending.			

8 For a detailed breakdown of the categories included within NAB's community investment, see the 'Community' tab in our [2021 Sustainability Data Pack](#).

CHAIR'S MESSAGE



By Philip Chronican, Chair

Restoring stability and driving performance

NAB finishes 2021 as a better bank, well placed to deliver improved performance over the long-term. In a year characterised by continued challenges, NAB has demonstrated a strong focus on customers and colleagues, as well as its resilience and ability to grow safely.

While there is more to do, Ross McEwan and the Executive Leadership Team have created stability and clarity of strategy within the organisation, with stronger discipline and execution. This is enabling us to deliver against our ambition to serve customers well and help our communities prosper.

Meaningful and sustainable change has been made to the way the bank operates as a result of reforms put in place following the Financial Services Royal Commission and in response to NAB's own self-assessment into governance, accountability and culture.

The Board is observing tighter operating disciplines across the bank, including faster identification and response to issues. While remediation continues in financial crime risk, the Board recognises the focus and diligence shown by management.

Products and services have been reviewed to ensure the needs of customers are put first. Processes are in place to ensure any complaints are resolved faster.

The number of outstanding regulatory issues has been materially reduced and we are making things right for our customers where we have let them down. This year NAB has returned \$575 million to customers and we are on track to have the bulk of these legacy issues behind us by the end of 2022.

The successful exit of MLC Wealth has simplified the bank and enabled greater investment in core markets where the bank can grow. NAB's acquisition of 86 400 and proposed acquisition of Citigroup's Australian consumer business will enable the bank to quickly build scale in our digital and consumer bank offerings.

Delivering results in a challenging environment

The Board is encouraged by the 2021 full year results, which reflect good momentum across all businesses, capital strength and sound credit quality.

We are pleased to have increased dividends across the full year to 127 cents per share, compared to a reduced level in 2020. This outcome is closer to the level of shareholder return the Board is targeting going forward, with future dividends to be guided by a target payout ratio range of 65-75% of sustainable cash earnings, subject to circumstances at the time.

The Board has set executive and employee remuneration outcomes for 2021 at a level which reflects the strong progress made in resolving legacy issues, the strategic repositioning of the business and major improvements to customer outcomes, evidenced by NPS and market share measures. This is in contrast to last year when the CEO and ELT did not receive any short-term incentive payments.

Importantly, remuneration outcomes reflect an assessment of performance against the targets set in the 2021 financial year plan, as well as greater colleague engagement and better outcomes for customers.

In a challenging environment, the bank provided flexibility and repayment relief to customers in need, while continuing to lend to businesses and homeowners to grow investment and support the broader recovery.

Building for the long-term

Looking ahead, I am cautiously optimistic that the worst of the economic impact of COVID-19 is behind us and that the Australian economy will rebound to pre-COVID-19 levels by the middle of 2022.

The pandemic accelerated generational shifts in technology. Today, 94 per cent of customer transaction activities are online and 48 per cent of our home lending appointments are by video, a clear shift away from face-to-face banking. We are supporting our customers as they make this change.

NAB has stronger technology foundations in place and a greater emphasis is being placed on digital, data and analytics.

This will enable NAB to deliver faster, better and more personalised experiences to customers. It will also strengthen defences against the growing, global threat of financial and cyber-crime.

More broadly, new technologies will be central to the decarbonisation of the Australian and New Zealand economies.

NAB was the first Australian member bank of the United Nations' Environment Programme Finance Initiative's (UNEPFI) Collective Commitment to Climate Action.

Aligned with this membership, NAB is working with 100 of our largest greenhouse-gas emitting customers as they develop or improve their low carbon transition plans by 2023.

NAB has capped oil and gas exposure at default at USD\$2.4 billion and will reduce the Group's exposure from 2026 through to 2050, aligned to the International Energy Agency (IEA) Net Zero Emissions 2050 scenario.

However, for Australia to play its part and become a stronger and more efficient economy, we need to tackle climate change as a whole-of-economy issue. Every industry, organisation and individual will have a role to play in our decarbonisation.

NAB's role is clear. We will work with our customers to support their transition plans and we will support the investment required to realise the significant economic opportunity for Australia in a low emissions economy.

The NAB Board will continue to evolve, to reflect the skills and diversity of experience required to guide the bank through changes in our operating environment. Anne Loveridge will stand for re-election at the AGM with our full support.

On behalf of the Board, thank you for your ongoing support as shareholders. To NAB's 32,000 employees, thank you for your hard work in serving our customers well and helping our communities prosper, particularly as you navigated the impacts of COVID-19 on your own lives.

I am proud of the progress the bank has made in the past year and the tangible momentum for the future.

Philip Chronican, Chair.

CEO'S MESSAGE



By Ross McEwan, CEO

Resilience in a challenging year

Australians and New Zealanders have faced another challenging year in so many ways, economically and socially. While some uncertainties remain, I am confident we will see a strong bounce back in 2022.

It will be a year of business-led economic growth and NAB has the balance sheet capacity and the capability to lend safely, to support the rebound. That is our role as Australia's largest business bank.

Disciplined execution creates momentum

Our financial results for the year reflect a 39% improvement in cash earnings, driven by momentum across our business and strong asset quality. The increase in returns to shareholders, while retaining a strong balance sheet, is a highlight.

We have completed about 20 per cent of the \$2.5 billion share buyback announced in August. Our bias is to continue to reduce our share count to deliver long term ROE benefits to shareholders.

Eighteen months into our refreshed strategy, investments in customers and colleagues are delivering better service outcomes and growth across every one of our businesses.

Amid intense competition, our Business & Private Bank has grown its balance sheet and further extended its market leadership. We've added nearly 550 customer-facing roles, invested in further professional qualifications, and improved digital and data capabilities to better support our customers.

In New Zealand, BNZ performed very strongly in a highly competitive market, further growing market share in home lending, as well as small and medium business.

While it has been a difficult period for Markets income, our Corporate & Institutional business had strong, disciplined growth in the higher returning target sectors of infrastructure and investor.

Personal Bank has grown share, having made good progress in simplifying home lending processes. The proposed acquisition of Citigroup's Australian consumer business, subject to regulatory approvals, will create the scale to better innovate and compete, particularly in unsecured lending.

The integration of 86 400's leading technology platform into UBank will accelerate growth for our digital attacker brand.

The successful completion of the sale of MLC Wealth to IOOF in May has allowed myself and my executive team to dedicate our focus to our core business.

We are clear about where we will grow and while we remain committed to maintaining our cost discipline, we will continue to invest to support growth.

I am pleased our Strategic Net Promoter Score (NPS) improved by four points this year, to minus seven in September 2021, equal highest of the major Australian banks.

There is a lot more work to do. Our ambition remains that more customers would recommend NAB.

Building capability to drive performance

Data is the key to improving customer experiences and deeper personalisation, in an increasingly digital and automated world.

We are actively partnering to innovate faster and develop world-class products and services for our customers. We are working with international non-competing banks, big tech and fintech to access global scale and ideas, looking beyond domestic peers as a competitive benchmark.

In October, Angela Mentis took on the new position of Group Chief Digital, Data & Analytics Officer, and will lead a new division focussed on accelerating outcomes for customers.

Dan Huggins started as Managing Director and CEO of BNZ, replacing Angela in the position. Les Matheson, Group Chief Operating Officer also joined the executive team in January.

These changes complete a management team that has deep global experience, ambition for the future and a proven focus on customers. I am proud of what they achieved in 2021.

Leadership is key to having clear, capable, and motivated colleagues – our most important asset in the implementation of NAB's strategy. Pleasingly, our colleague engagement score was in the top quartile globally.

We continue to invest in our colleagues to help them succeed. A single leadership program is in place for every leader at NAB, creating consistency and discipline in how we work. Over 7,000 colleagues have enrolled in our Career Qualified in Banking program.

A sustainable approach

I am proud of the way our colleagues have rallied around customers and communities in crisis through COVID-19, as well as natural disasters, while often dealing with significant disruption themselves.

NAB has provided more than \$4 million in disaster relief packages. In addition, we have awarded \$1.2 million in NAB Foundation Grants to help more than 100 communities better prepare for, or recover from, natural disasters.

We are supporting our customers to reduce their emissions and strengthen their resilience in the face of increasing climate change impacts. We see great opportunity to help clients investing in renewables and new low-carbon technologies.

We have this year made updates to our fossil fuel lending policies. Our goal is to align our lending portfolio to net-zero emissions by 2050.

With a focus on the needs of customers and colleagues, NAB will achieve consistent performance over the long-term. We are doing what's needed to achieve those ambitions.

Ross McEwan, Group CEO.

HOW WE CREATE VALUE

OUR BUSINESS

We're here to serve customers well and help our communities prosper. We have more than 32,000 colleagues¹ at NAB, serving approximately eight million customers who rely on us to deliver secure, easy and reliable banking services.

Our customers and colleagues are at the heart of our business. Our customer-facing units reflect the needs of our customers and opportunities for safe growth.

Our business is enabled by Technology and Enterprise Operations, Finance, Strategy and Innovation, Risk, Legal and Commercial Services, and People and Culture units to deliver common activities at scale.

Our Chief Operating Office is responsible for NAB's reputation, brand, product improvement and governance and digital experiences to drive customer acquisition including UBank, our pioneering digital bank.

Business & Private Banking

We are solidifying our market leadership through delivery of frictionless experiences for customers enabled by our professional bankers.

We maintained our leadership as Australia's largest business bank this year. Our accelerated growth in business lending resulted in an increase to 22% overall market share. Our Business and Private Bank has continued to strengthen customer relationships by hiring approximately 550 additional customer-facing colleagues, investing in further professional qualifications and by improving digital and data capabilities to better support our customers.

The breadth of Australian industries is reflected in our customer base with particular strength demonstrated in the specialist sectors of Agribusiness, Professional Services and Health. The digitisation of our business lending and onboarding processes is making it simpler and more convenient to bank with us.

We have made significant headway in establishing a differentiated customer proposition in NAB Private Wealth. This has come from an integrated banking, wealth and advice offering for high net worth customers through the unification of JBWere, Private Bank and NAB Trade.

Personal Banking

We're building the best Personal Bank in Australia by delivering simple and digital products and services, supported by flexible and professional bankers.

By continuing to innovate, we're making it easier and safer for customers to access our services and our range of home lending and everyday banking products, including developing Australia's simplest home loan and launching its first no interest credit card, StraightUp.

While more customers are using phone banking, logging on to our app or visiting our website to manage their finances, face-to-face interactions will always be an important part of banking. We're finding new ways to serve our customers locally, with significant investments in digital options, as well as transforming our branch network and extending our partnership with Australia Post.

We're supporting our bankers to embrace these new opportunities to ensure we serve customers well, however they choose to bank with us.

Corporate & Institutional Banking

We're driving disciplined growth by supporting our key clients, while investing in enhanced capability and greater simplification of our business.

We're delivering disciplined growth, with highly professional bankers supporting our clients as they navigate today's major challenges around

sustainability, COVID-19 recovery, the increasing pace of technology and more. In doing so, we provide expert relationship management to deliver a broad set of products and services in financing, transactional banking, traded markets and asset servicing, together with insights and advice that inform our clients' strategic decisions.

We continue to invest in the skills of our bankers, having deployed training in industry professionalism, climate transition and financial crime. We are actively digitising and transforming capabilities that are critical to our clients' experience, such as onboarding and credit, while simultaneously innovating for the longer term in areas such as blockchain. Our global presence continues to evolve such that it best supports the Australian market and its key capital and trade linkages.

Our diverse client base represents many of the leading firms across both the Australian and global economy, playing a critical role in driving Australia's growth and prosperity. Our strategic focus aligns with major global trends, with a particular focus on sustainability, infrastructure (including renewables) and private capital.

Bank of New Zealand (BNZ)

We're continuing to grow small business and personal banking while building capability as a digital-first bank.

We serve 1.2 million customers across New Zealand for their personal and business banking needs. This is done through our network of customer centres, digital channels and assisted channels. We are focused on making it easier and simpler for our customers by creating digital-first propositions that are supported by exceptional bankers when it matters.

Acquisitions and divestments in 2021

In May 2021 NAB completed the acquisition of 86 400 Holdings Ltd, the holding company of Australian digital bank, 86 400 ("86 400") for a total consideration of \$261 million.

Our strategy to grow UBank will be accelerated by the acquisition of 86 400. This brings together UBank's established business and 86 400's technology platform that will meet the changing needs of our customers. Together, we will develop a leading digital bank that attracts and retains customers at scale and creates a new generation of simple, fast and mobile banking solutions.

The proposed acquisition of Citigroup's Australian consumer business, subject to regulatory approval, brings scale, customers and deep expertise, and supports NAB's strategic growth ambition for Personal Banking. This is helping the bank achieve its goals faster as it drives toward being Australia's best personal bank.

In May 2021 NAB completed the sale of MLC Wealth to IOOF Holdings Limited (IOOF) for a purchase price of \$1,440 million.

For further information please refer to the [Annual Financial Report 2021](#).

Table 2: Cash earnings by business unit

2021 CASH EARNINGS ²	\$M
Business & Private Banking	\$2,480
Personal Banking	\$1,650
Corporate & Institutional Banking	\$1,207
New Zealand Banking	\$1,154
Corporate Functions & Other	\$67

² Figures presented are on a cash earnings basis. A definition of cash earnings is set out in the Glossary of this report. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 Segment Information of NAB's Annual Financial Report 2021.

¹ Number of full-time equivalent colleagues as at 30 September 2021, excluding discontinued operations.

HOW WE CREATE VALUE

We draw on a range of resources to achieve our strategy, conduct our business and create value for our customers, colleagues and communities.

OUR KEY RESOURCES

Customer relationships

Customers who choose NAB because we serve them well every day

Colleagues

Trusted professionals who are proud to be a part of NAB

Finance

Access to capital through deposits and funding markets

Risk management and balance sheet

Strong foundations, and risk management capabilities

Technology and data capabilities

Safe, resilient technology and access to and ethical use of data

Community relationships

Reputation and stakeholder relationships



OUR BUSINESS ACTIVITIES

We deliver on our strategy (page 14) and create value for our stakeholders through the following business activities:

- ▶ We hold deposits for our customers
- ▶ We provide transaction banking services
- ▶ We lend money to our retail, business and institutional customers
- ▶ We help customers mitigate and manage risk
- ▶ We provide commercial responses to society's challenges
- ▶ We provide payments services and support customers with trade and capital flows
- ▶ We help customers invest through online brokerage
- ▶ We provide advisory services
- ▶ We invest in a capable, qualified and inclusive workforce
- ▶ We support communities in times of need



VALUE WE CREATE

Shareholder value

- 191 cents cash earnings per share (diluted)
- 127 cents dividend per share (for the full year)

Customer value

- Simple products and services that help customers manage their money
- Financing to help customers own their home, invest and grow their business
- Support when customers need it

Colleague value

- Salaries and benefits
- Career opportunities
- Flexible work
- Wellbeing support
- Leadership development
- Professional banking qualifications

Community value

- Tax contribution
- Community investment and volunteering
- Community grants
- Support for communities before, during and after natural disasters

OUR OPERATING ENVIRONMENT

Economic conditions

While there are ongoing economic challenges, the Australian economy has been resilient and there is cause for optimism about the future.

Australia's economic rebound which started in the second half of calendar year 2020 created strong trading conditions and the lowest unemployment levels in over a decade. Lower interest rates and a resilient economy have fuelled significant growth in house prices.

The NAB Monthly Business Survey recorded its highest ever levels of business conditions in May 2021, before the Delta variant of COVID-19 led to significant lockdowns in parts of the country negatively impacting economic activity. Despite these setbacks we expect another strong rebound in business conditions and economic activity as vaccination levels increase and restrictions are eased.

We're optimistic about the future and opportunities to come. NAB will continue to be there for our customers as they transition from recovery to growth.

The global economy

The global economy has rebounded strongly in calendar year 2021, following the steep downturn in 2020 associated with restrictions put in place to minimise the spread of COVID-19. The recovery has been disrupted by further COVID-19 outbreaks in a wide range of countries, as well as delays in the rollout of vaccines. This means that the recovery is likely to continue into 2022, with global economic growth expected to remain above its long-term trend.

To this point, the recovery has been uneven. Some sectors, such as international transport and tourism, are still struggling while access to vaccines varies considerably between countries.

Various central banks loosened monetary policy at the start of the pandemic, implementing a range of measures including policy rate cuts, asset purchases, funding programs and loan guarantees. With the recovery underway, central banks are starting (or have announced that they may start) to unwind unconventional monetary policy. Policy rates for major central banks are still expected to remain historically low for some time.

Governments have implemented a broad range of fiscal programs to support businesses and households. Some governments have started to unwind support, and fiscal spending is likely to contract significantly in 2022.

COVID-19 remains the main risk to the global economic outlook, with emerging market economies more exposed to the risk of outbreaks due to their typically lower vaccination rates when compared with advanced economies.

Other near term risks include geopolitical tensions between China and other countries, including Australia, uncertainty in the Middle East, the South China Sea and the Korean Peninsula.

Australian economy

The Australian economy staged a strong recovery from the recession in the first half of calendar 2020, before the introduction, around the middle of calendar year 2021, of extended restrictions on movement and business operations in some jurisdictions to control the spread of COVID-19. Activity should rebound as these lockdowns are eased.

GDP declined by 7.3% between the December 2019 and June 2020 quarters. By the June quarter 2021, GDP had recovered to 1.6% above its pre-COVID-19 level, but with progress mixed across industries and locations. Compared to the December quarter 2019, in the June quarter 2021:

- Household consumption was marginally down but with some sectors, such as furnishings and household equipment and car purchases, having experienced large gains while other segments, including hospitality and transport services, were still depressed.
- Private business investment was broadly the same but dwelling investment was almost 10% higher.
- Public consumption and investment were higher (8% and 13% respectively).
- State final demand was higher in all states and territories, with the strongest recoveries occurring in the Northern Territory and Western Australia, and the weakest in NSW and, in particular, Victoria.

The recovery has been set back by extended lockdowns in NSW, Victoria and the ACT. Retail sales for Australia declined by 4.8% between May and September 2021, and GDP in the September quarter 2021 is expected to record a large fall. With restrictions easing in October 2021, a bounce back in domestic activity is expected, which should lead to strong GDP growth over calendar year 2022 before it moderates towards a more trend like pace in calendar year 2023.

The agriculture sector has benefited from generally high prices and seasonal conditions have also been good. A strong national 2021–22 winter crop is expected.

Lockdowns have significant impacts on the labour market, but the experience has been that it can recover quickly once restrictions ease.

- Between February and May 2020 employment declined 6.6% but in May 2021 it was 1.1% above its February 2020 level.
- The most recent extended lockdowns have seen employment, and total hours worked decline by 1.9% and 4.8% respectively between May and September 2021.

Dwelling prices have been growing strongly. Between September 2020 and September 2021, the eight capital city CoreLogic Hedonic Home Value Index rose by 19.5%, with broad-based growth across capital cities, and with even stronger growth in regional dwelling prices.

Annual total system credit growth has strengthened. After increasing by 1.9% over the year to September 2020, between September 2020 and September 2021 system credit rose 5.3%. Over this period:

- Housing credit strengthened to 6.5%, driven by owner-occupied credit, and business credit to 4.6% year on year.
- Other personal credit continued to fall (-5.3%).

Monetary policy remains very supportive of the economy. The cash rate target is 0.10%. At its November 2021 meeting the RBA indicated that it will likely take some time before the conditions needed for there to be an increase in the cash rate are met. NAB's expectation is that there will be an increase in the cash rate in mid-calendar year 2023. While the RBA continues to purchase government bonds, it tapered the amount of its monthly asset purchases in September 2021 and the asset purchase program is likely to end by February 2022.

New Zealand economy

New Zealand's recovery from the COVID-19 induced recession in the first half of calendar year 2020 was rapid. By the June quarter 2021, GDP was 4.3% higher than its pre-COVID-19 (December quarter 2019) level. This reflected:

- Strong growth in household consumption and, in particular, residential investment and central government spending. However, business investment remains below its pre-COVID-19 level.
- An uneven recovery by industry, with some sectors yet to return to their pre-COVID-19 level.

New Zealand entered a significant lockdown on 17 August 2021. Restrictions began to ease, effectively starting in September 2021, in a series of steps but with differences by region.

The domestic restrictions put in place are likely to lead to a large fall in GDP in the September 2021 quarter. An easing in restrictions should see a rebound in GDP over the December 2021 and March 2022 quarters before growth moderates.

OUR OPERATING ENVIRONMENT

Annual inflation, as measured by the CPI was 4.9% in the September quarter 2021, its highest level in over a decade.

In October 2021 the RBNZ increased the Official Cash Rate from 0.25% to 0.50%. It also noted that a further tightening in monetary policy over time is expected.

Commodity prices have strengthened, boosting income and providing support to the economy. In September 2021, commodity export prices were 23.6% higher than in September 2020 in world price terms.

System credit growth has accelerated due to the strength in the property market. Overall system credit grew by 7.3% over the year to September 2021, with housing credit growing particularly strongly at 11.6%.

Adapting to a dynamic landscape

COVID-19 continues to challenge the Group and its customers, with varied impacts across industries, communities and state borders. NAB has remained open for business, and continues to work alongside state and federal governments, regulators and the broader industry to support customers and the community.

Supporting customers through COVID-19

With the impact of COVID-19 continuing to be felt in many parts of Australia for long periods during 2021, we continued to work with those affected to understand their circumstances and provide appropriate support.

For our business customers, this included:

- Access to a NAB Business Recovery Loan (our SME Recovery Loan Scheme offering).
- When appropriate, repayment deferrals for up to a three month period.
- Waiver of merchant terminal fees for up to a three month period.
- Waiver of early withdrawal fees and notice periods on Cash Deposit and Farm Management Deposit accounts.

For our personal customers, this included:

- Home loan repayment deferrals on a month-to-month basis, access to redraw facilities and offset accounts.
- Temporarily reduced payments or a temporary payment break on loans and credit cards.
- Waiving fees and charges to access term deposits early.

Supporting colleagues through COVID-19

Our ways of working were also dramatically impacted by COVID-19, with lockdowns and border closures forcing many colleagues to work from home – often whilst juggling home schooling and other family commitments. The physical and psychological wellbeing of our colleagues is critical. Colleagues who are safe and well can perform at their best, be resilient in times of change and focus on better customer outcomes.

In order to support our colleagues to manage these challenging circumstances, we have:

- Supported a hybrid model of working, with many colleagues splitting time working at a NAB location and at home.
- Provided safety measures such as personal protective equipment and social distancing protocols to protect our colleagues in banking centres.

- Developed a Hybrid Handbook and a 'How to Hybrid: Leader discussion guide' to support leaders and colleagues through this ongoing transition.
- Provided colleagues with time off work to get COVID-19 vaccines.
- Launched a pilot workplace vaccination program, in partnership with health authorities and our corporate flu vaccination provider.
- Offered paid pandemic leave.
- Delivered wellbeing webinars and programs.
- Provided access to MyCoach, NAB's employee assistance program.

The pilot vaccination program provided colleagues and their adult household members in many of the most impacted areas in Sydney the opportunity to be vaccinated. The program was subsequently expanded in September 2021 to more NAB colleagues across Australia.

Fighting financial crime

NAB has an important role in monitoring and reporting suspicious activity and keeping Australia's financial system, our bank and our customers safe. NAB takes its financial crime obligations seriously and therefore has made, and continues to make, significant investments in the ability to detect, deter and prevent financial crime.

As announced in June, AUSTRAC has commenced an enforcement investigation of five NAB Group entities.

In confirming the commencement of the investigation, AUSTRAC advised that it was not considering civil penalty proceedings at that stage. That position is subject to change.

For more details on NAB's approach to managing data security, technology and innovation refer to page [50](#).

OUR STRATEGIC AMBITION

We are in the second year of executing our Group Strategy and we have momentum.

We have clarity and alignment on our strategy which is translating to early momentum in our core home and business lending. We have strong foundations in place to keep this growth going.

We have taken significant steps to simplify and strengthen our portfolio, including acquisitions such as 86 400 and divestments such as MLC Wealth, both completed in May 2021 and the proposed acquisition of Citigroup's Australian consumer business, subject to regulatory approvals. Thanks to prudent capital management throughout the 2020 and 2021 financial year our balance sheet is strong.

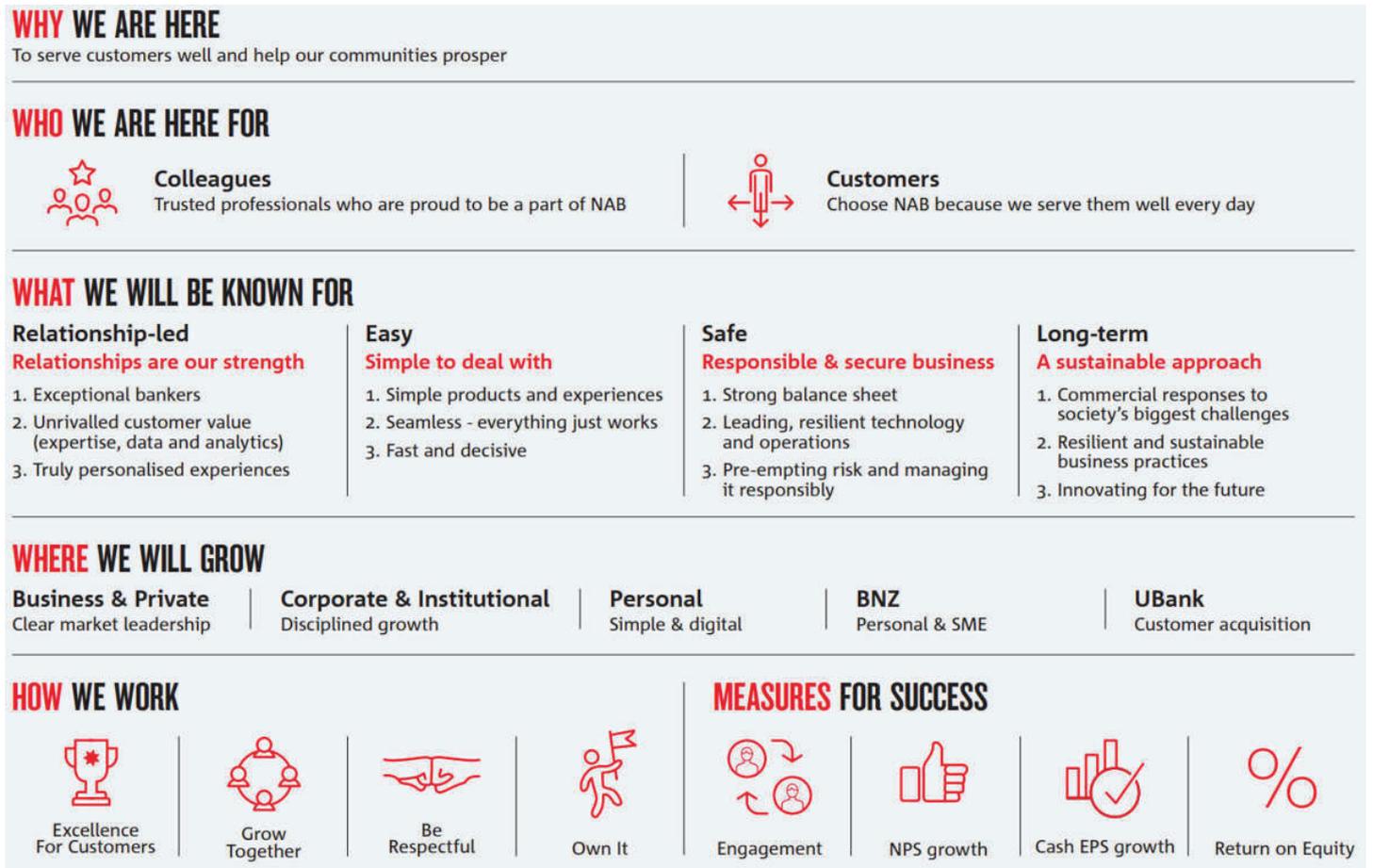
Our colleague engagement score is top quartile, reflecting the approach the Group has taken to supporting customers and colleagues through COVID-19.

In 2021, our overall Strategic NPS score was -7, a four point improvement on last year, and we're ranked equal number one among the major Australian banks. Our full year result for diluted cash earnings per share was 191 cents, our cash return on equity was 10.7%.

Strengthening digital and data capabilities remains a significant area of opportunity and will be critical to winning in the market and delivering on our strategy.

Of course, we remain committed to management of our remediation activity and continued regulator engagement.

Figure 1: Our strategic ambition



WHAT WE WILL BE KNOWN FOR

Relationship-led

Relationships are our strength, so we strive to deliver the best banking experience, wherever and whenever our customers choose to interact with us.

Developing exceptional bankers

We're raising the bar of professionalism in the banking industry, with investments in education for our colleagues this year totaling over \$18 million. Over 2,000 of our colleagues have now achieved the Professional Banking Fundamentals qualification through our Career Qualified in Banking program, accredited by Financial Services Institute of Australasia (FINSIA) with over 7,000 further commencements. This is an industry first in Australia. We're ensuring consistent and high-quality leadership for our colleagues, with the ambition to have every people leader complete our Distinctive Leadership program within their first six months at the bank. We're equipping our corporate bankers with the knowledge to help customers manage the carbon transition through a partnership with the University of Melbourne Business School—75 colleagues have commenced or completed this training this year.

Customers are choosing to bank more remotely and more digitally, and our operating model is evolving to accommodate this shift. Where appropriate we have moved from in-person branch support to virtual meetings, and we have increased the range of tasks that can be digitally self-served.

We're adding capacity and flexibility to our frontline bankers to help them serve our customers. We've added more than 2,800 bankers this year, including mobile bankers to support our regional customers. Since July 2020, bankers across 114 smaller regional branches serve customers face-to-face in the morning, and serve customers remotely with digital, phone banking or processing support in the afternoon.

Providing unrivalled customer value

Our insights and expertise are a key component of how we deliver value to customers. We have been ranked number one for creative ideas and solutions in Peter Lee Associates' 2021 Large Corporate and Institutional Banking Survey in our Corporate and Institutional business, reflecting our deep understanding of our customers' businesses and our drive to help them tackle new and unexpected challenges. Our more bespoke support is complemented by sharing relevant expertise in larger groups, with a number of webinars and face-to-face events delivered to corporate customers on topics including decarbonisation, cybersecurity, digital, growth, COVID-19 and Asia.

We will be known for relationships built on market-leading expertise, data and insights.

Offering a truly personalised customer experience

By making better use of our customer insights, we understand our customers more deeply and are able to provide a better banking experience. Our continued focus on strengthening data and analytics capabilities is making our banking faster and more useful.

We want to give our bankers more time with customers, so we're reducing time spent on administrative tasks by simplifying and automating internal processes. This year our business bank implemented a banker-aligned relationship model to put more dedicated resources around our customers and to allow relationship bankers to focus their efforts where they add most value.

In NAB Private Wealth, we're bringing a new support model to market for our high net worth clients. By combining private banking, business banking, investment and advice, our customers will be served throughout their banking lifecycle.

WHAT WE WILL BE KNOWN FOR

Easy

Our customers expect better banking experiences, so we're making banking with us easier and faster.

Simple and seamless experience

We are working hard to make our products simpler to understand and easier to use. This includes the interest-free StraightUp credit card, providing customers greater transparency and certainty, and enabling customers to immediately add their new cards to their digital wallets – no physical plastic required. Customers can now make appointments with home lending specialists through the mobile app and are increasingly having those conversations via video. We're having more digital conversations through our live chat, virtual assistant, and messaging services to serve customers quickly, easily, and mostly without the need for a phone call or branch visit.

For NAB, and within our BNZ business, we're making it easier for customers to self-serve, and have shifted simple activities online, including simple home loan modifications. We've also focused on customer digital education and activation. For example, our dedicated line for BNZ customers aged over 70 has received more than 86,000 calls this year. The NAB Mobile App is used by more customers to get their banking done, and this year achieved a record high NPS³ by continually acting on customer feedback to make the experience simple and easy.

We're enhancing our digital capabilities to improve our business banking customer experience. This includes simplifying our lending process for small business customers with conditional approval in 24-48 hours and leveraging customer data and analytics to deliver more streamlined experiences for business customers. Our business customers have more self-service options available via our online digital channels. For example, options to reset passwords and security tokens online removing significant call volumes from our call centre. It's easier to open a business transaction account, with the deployment of foundational self-service capabilities delivering setup within five minutes. Collectively, these improvements provide the opportunity for our colleagues to invest more time in serving customers and for our customers to spend more time in their businesses.

Our UBank business has even more digital enhancements, such as providing mobile loan origination for new customers. Our 86 400 customers can now connect their accounts with over 100 financial institutions and use smart search to find a transaction across any connected account – both 86 400 and other banks.

We will be known for being a simpler, more seamless and digitally enabled bank that gets things done faster.

Fast and decisive banking

We know that speed matters when it comes to banking, and we're working hard to improve our processing and decision times so we can get to a 'yes' for customers faster. For home lending, we have simplified our processes and improved the customer experience. For example, the 'time to yes' for applications through Simple Home Loans is ~30% in less than one hour and ~60% in less than 1 day. Faster decisions will continue to be a focus, as we create a single interface for customers and bankers to receive holistic lending support.

Additionally, we're leveraging our investment in the New Payments Platform (NPP) to help customers get paid faster. We are working with our corporate clients across a range of industries to develop solutions that provide building blocks for future payments innovation. In one such collaboration, we're working with PayPal to enable eligible Australian merchant and consumer customers to instantly transfer money out of their PayPal wallets, via the NPP, to their Australian bank accounts.

WHAT WE WILL BE KNOWN FOR

Safe

A responsible and secure business is essential to protecting our customers and colleagues.

Balance sheet strength

Our business remains well capitalised. Our Common Equity Tier 1 (CET1) capital ratio remains strong at 13.00% on an APRA basis (and 17.95% on an internationally comparable basis). Our leverage ratio was 5.83% (under the current methodology).

Our capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength. On 30 July 2021, we announced an on-market buy-back of up to \$2.5 billion of NAB ordinary shares to progressively manage our CET1 capital ratio over time towards the target range of 10.75-11.25%. We commenced the buy-back in mid-August 2021 and have bought back and cancelled \$486 million of ordinary shares in the full year ended 30 September 2021.

Our funding profile remained strong over 2021. We raised \$12.5 billion of term wholesale funding in 2021. The Stable Funding Index (SFI), which represents the proportion of our core assets that are funded by customer deposits and term wholesale funding (including Term Funding Facility and RBNZ Funding Facilities), with a remaining term to maturity of greater than 12 months, was 101% (2020: 101%).

We maintained strong liquidity through the year. The 30 September 2021 quarterly average Liquidity Coverage Ratio (LCR) was 128%, and the Net Stable Funding Ratio (NSFR) was 123%, both above the APRA regulatory requirement of 100%.

Increasing technological resilience

We have been working hard to improve the reliability of the technology which our customers and bankers depend on every day, and there is still more work to be done. We have made steady improvements in recent years, as new technologies (such as cloud) and capabilities (such as our Global Operations Centre) have been introduced. We have continued this focus during 2021 and as at 30 September 2021, we have reduced critical and high impact technology incidents by a further ~40% on a year-on-year basis (from 45 to 27).⁴

One of our strategies to further improve technology resilience has been to migrate many of our systems to public cloud service providers. We have so far migrated 54% of our applications and services.⁵

As we continue to simplify and modernise our technology environment, in addition to improved resilience for customers and bankers, we also expect to realise cost efficiency and risk reduction benefits.

We will be known for protecting customers and colleagues through financial and operational resilience.

Maintaining strong financial and operational risk settings

Managing risk proactively is critical to being a safe and secure bank. In 2020 we launched a new governance, risk and compliance system to support the ownership and management of our obligations, risk and controls environment. In 2021 this system was further operationalised across NAB, with the replacement of multiple in-use risk systems. The new system provides more consistent risk data for all in our business and introduces a significantly improved user experience.

We have maintained momentum in establishing a sustainable and intelligent control environment. We have certified over 2,000 process controls across all businesses to ensure our processes are right first time, every time. We have increased the level of control automation across all of our customer processes, supporting our digital-first focus. We have demonstrated strong and measurable improvement in our business risk and control management discipline, capability and ownership.

Strong regulator engagement continues. Management ownership and accountability is translating into improved risk outcomes, including faster identification, investigation and escalation of events, fewer significant and reportable regulatory breaches and an improved operating and control environment.

⁴ Critical priority incidents: significant impact or outages to customer facing service or payment channels. High priority incidents: functionality impact to customer facing service or impact/outage to internal systems.

⁵ Refers to Cloud targetable applications, which excludes applications like mobile apps which run on smart-phones and not on cloud servers.

WHAT WE WILL BE KNOWN FOR

Long-term

We have an ongoing responsibility to safeguard our economy and protect the long-term interests of our customers, colleagues, shareholders and the community.

Innovating for the future

In an era of heightened disruption across the industry, we are continually and proactively scanning the environment and seeking opportunities to innovate. We are innovating in our core business to make banking simpler and easier for our customers and colleagues, while also exploring more revolutionary products and models with partners.

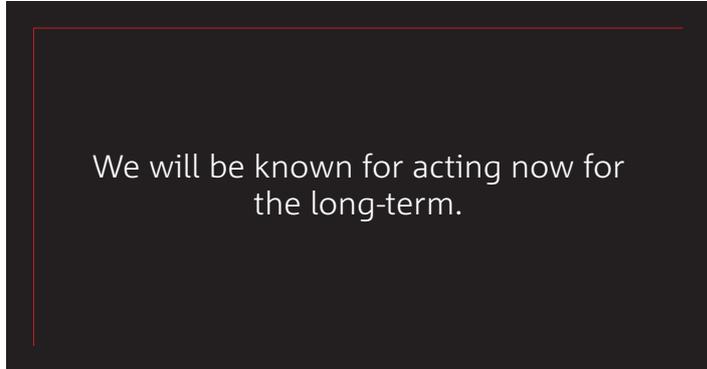
We are now an accredited data recipient under the Australian Open Banking regime, which will allow us to ingest data and enable us to deliver faster, easier and more personalised products and services to our customers.

In August 2021 we announced the launch of the Global Open Finance challenge, a virtual event with global participation, encouraging innovation and the development of new solutions for a global open finance ecosystem.

The NAB Ventures investment committee oversaw our recent investments in Pollinate (merchants and payments technology) and Figured (farm management technology), and follow-on investments in existing portfolio companies Edstart, Hometime, Lighter Capital, Slyph and Stash (US).

Australian Business Growth Fund

The Australian Business Growth Fund, established as a public-private partnership between the Federal Government and six leading banks, has an important role to play in providing small businesses in Australia with access to long-term equity finance as well as in helping to drive confidence in the small business community. We have committed \$100 million to this fund.



Updated approach to sustainability reporting

In 2021, we have brought together our Annual Review and Sustainability Report. As part of this, we are providing a detailed update on our sustainability approach, including this long-term pillar of our strategy, and performance in the Material themes section of this document (from page 21).

Driving commercial responses to society's biggest challenges

As a founding signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB) and the first Australian bank to join the UNEP FI Collective Commitment to Climate Action (CCCA), we have set the ambition to drive commercial responses to society's biggest challenges. In 2021, we refined our priority areas to:

- Climate change (page 29).
- Affordable and specialist housing (page 41).
- Indigenous business (page 40).

We believe addressing big challenges like the above needs business investment, that's why we're driving commercial responses and building partnerships to help tackle them.

Maintaining resilient and sustainable business practices

To respond to society's challenges and create long-term value we need to get the basics right, and maintain resilient and sustainable business practices. We engage directly with stakeholders and participate in external assessments to understand views of NAB's broad ESG performance (such as the Dow Jones Sustainability Index). Key focus areas within this strategic pillar include:

- Colleagues and culture.
- Inclusive banking.
- Supply chain management.
- ESG risk management.
- Human rights.

Information on how we are managing these areas is outlined in the Material Themes section of this report, and we provide further performance information in our [2021 Sustainability Data Pack](#).

EXECUTIVE LEADERSHIP TEAM

Our Executive Leadership Team has been renewed to ensure we have the right leaders to serve customers well and help our communities prosper.



Ross McEwan, CBE
Group Chief Executive Officer and
Managing Director



Gary Lennon
Group Chief Financial Officer



Sharon Cook
Group Executive, Legal and
Commercial Services



David Gall
Group Executive, Corporate and
Institutional Banking



Angela Mentis
Managing Director and CEO of BNZ



Patrick Wright
Group Executive, Technology and
Enterprise Operations



Rachel Slade
Group Executive, Personal Banking



Shaun Dooley
Group Chief Risk Officer



Susan Ferrier
Group Executive, People and Culture



Nathan Goonan
Group Executive, Strategy
and Innovation



Andrew Irvine
Group Executive, Business and
Private Banking



Les Matheson
Group Chief Operating Officer

Our Executive Leadership Team

Our Executive Leadership Team has been renewed in 2021 by the addition of two new members and the creation of two new positions. This ensures we have the right leaders to serve customers well and help our communities prosper.

Les Matheson was appointed Chief Operating Officer, joining NAB on 11 January 2021, with responsibility for digital banks UBank and 86 400, Group Marketing, Corporate Affairs, Product Improvement and Governance and other key strategic initiatives.

Les Matheson was Chief Executive Officer for Personal and Business Banking at the Royal Bank of Scotland (RBS). He has held senior executive banking roles in the UK and Asia Pacific over more than two decades, including Citigroup's Country Officer for Australia and Retail CEO for Australia.

Angela Mentis has been appointed to the new role of Group Chief Digital, Data & Analytics Officer following her role at BNZ, where she has been Managing Director and Chief Executive since 2018.

Dan Huggins has joined the ELT following his appointment as Managing Director and Chief Executive Officer of BNZ. Both Angela and Dan commenced in their new roles on 1 October 2021.

Susan Ferrier, Rachel Slade, Nathan Goonan, Andrew Irvine, David Gall, Patrick Wright, Gary Lennon, Sharon Cook and **Shaun Dooley** continue as members of our ELT.

For more information on the background and experience of each member of the Group ELT, visit nab.com.au/about-us/executive-leadership-team.

BOARD OF DIRECTORS

The Board represents shareholders and serves the interests of our business by overseeing and evaluating our strategies, performance, frameworks and policies.



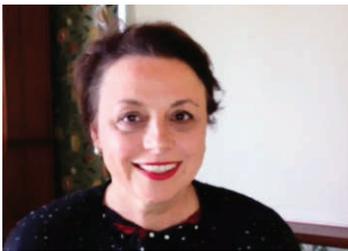
▶ Philip Chronican
Non-Executive Director & Chair



▶ Ross McEwan, CBE
Group Chief Executive Officer and
Managing Director



▶ David Armstrong
Non-Executive Director



▶ Kathryn Fagg, AO
Non-Executive Director



▶ Peeyush Gupta, AM
Non-Executive Director



▶ Anne Loveridge
Non-Executive Director



▶ Doug McKay, ONZM
Non-Executive Director



▶ Simon McKeon, AO
Non-Executive Director



▶ Ann Sherry, AO
Non-Executive Director

Board renewal in 2021

Ms Anne Loveridge will stand for re-election at the 2021 Annual General Meeting (AGM). In the AGM Notice of Meeting, the Board recommends that shareholders vote in favour of Ms Loveridge's re-election.

Ms Geraldine McBride resigned from the Board following the 2020 AGM and for the remainder of the year the Board consisted of eight independent non-executive directors and a managing director.

Our Directors' biographical information is included in the **2021 Annual Financial Report**.

Further information about our approach to corporate governance, including governance structures, committees, policies and processes is outlined in our **[2021 Corporate Governance Statement](#)**.

MATERIAL THEMES

SUSTAINABILITY APPROACH

Sustainability in our strategy

Our future depends on acting now for the long-term. We're further embedding sustainability in how we do business and how we support our customers.

As a major bank, our business touches almost all areas of the Australian and New Zealand economies. Our own business employs more than 32,000 people¹. With an issue as big as sustainability that kind of scale and connectivity is needed to drive change.

We have established a Sustainability Council to formalise how we work across the enterprise, align activity behind our focus areas and track and report progress in relation to sustainability matters. The Council is chaired by the Chief Operating Officer and is comprised of Executive Leadership Group members from key business areas.

We're determined to do our part, which is why we've embedded sustainability in our long-term strategy.

Figure 2: How we're driving a long-term focus



Commercial responses to society's biggest challenges

Embedding sustainability means doing good through the way we do business. Using our core skills and resources and focusing our activity in three areas.

Our priorities:

- Climate action
- Affordable and specialist housing
- Indigenous business



Resilient and sustainable business practices

Getting the basics right and managing our environmental, social and governance (ESG) risks and opportunities responsibly.

Our priorities:

- Colleagues and culture
- Inclusive banking
- ESG risk management
- Supply chain management
- Human rights

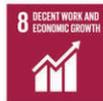


Innovating for the future

Driving investment in new, emerging and disruptive technologies, and partnering with customers, industry and government on critical initiatives.

Our priorities:

- Our future core business and market-leading data analytics
- Partnerships that matter



Aligned to six key United Nations Sustainable Development Goals where we can make the biggest impact.

BNZ Sustainability Strategy

Supporting the long-term focus of the Group Strategy, in 2020 BNZ updated its sustainability strategy, with the vision to build a resilient, regenerative and inclusive Aotearoa, for the long-term. Learn more on the [BNZ website](#).

¹ Number of full-time equivalent colleagues as at 30 September 2021, excluding discontinued operations.

SUSTAINABILITY APPROACH

Sustainability scorecard

The targets and key measures below show our progress in meeting our goals aligned to the long-term pillar of our strategy.

They align with the UNEP FI Principles for Responsible Banking pathway to a stronger future – for people and the planet. These targets have also been set with consideration of the United Nations Sustainable Development Goals (SDGs), 17 global goals to which Australia and other nations have signed up, to achieve a better and more sustainable future.

Table 3: 2021 Sustainability scorecard

TARGETS AND MEASURES	SDGS	2021	2020
DRIVING COMMERCIAL RESPONSES TO SOCIETY'S BIGGEST CHALLENGES			
Target to provide \$70 billion in environmental financing by 2025 (cumulative progress shown) ²	7, 9, 13, 15	\$56.3bn	\$42.5bn
Target to provide \$2 billion in affordable and specialist housing financing by 2023 (cumulative progress shown) ³	9, 11	\$1.8bn	\$0.4bn
UPDATED: Cap thermal coal mining exposures at 2019 levels, reducing these exposures by 50% by 2026, intended to be effectively zero by 2030 (apart from residual performance guarantees to rehabilitate existing coal assets)	7, 13	\$0.52 EaD ⁴	\$0.67 EaD
Goal to align our lending portfolio to net zero emissions by 2050	7, 13	Emissions baseline estimate progressed	Goal set
Target to work with 100 of our largest greenhouse gas emitting customers to support them as they develop or improve their low carbon transition plans by 2023	7, 13	34	Goal set
RESILIENT AND SUSTAINABLE BUSINESS PRACTICES			
Target to achieve and maintain inclusion in the Dow Jones Sustainability World Index ⁵		Included #11 globally	Included #20 globally
Target to source 100% of Group electricity consumption from renewable energy sources by 2025	7, 13	31.4%	7.0%
Science-based target to achieve a 51% reduction in greenhouse gas (GHG) emissions by 2025 ⁶	7, 13	68,108 tCO ₂ -e 55% reduction	88,517 tCO ₂ -e 41% reduction
Target to achieve at each salary level 40-60% of either gender represented (including Board & Group subsidiary Boards) by 2025 ⁷	5	3 of 9 levels	4 of 9 levels
Reward people fairly, objective of gender pay equity < 10% by 2025. ⁸	5, 9	16.6%	18.1%
Target to spend \$2.6 million with Indigenous businesses by 2021 - cumulative progress shown (baseline year 2019) ⁹	8, 9	\$8.2m	\$3.9m
NEW: Target to spend \$10 million annually with diverse suppliers ¹⁰ by 2025	8, 9	\$4.6m	\$2.9m

² Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the [2021 Sustainability Data Pack](#) for a further breakdown of this number and reference to how the environmental financing target is calculated.

³ Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. This includes loans made under the First Home Loan Deposit Scheme for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period (1 October 2019- 30 September 2023). This number does not reflect debt balance. Only the 2021 portion of the cumulative progress figure has been assured by EY.

⁴ ~20% of thermal coal exposures as at 30 September 2021 is exposure to rehabilitation guarantees.

⁵ NAB has set a target to maintain its inclusion in the Dow Jones Sustainability World and Australia Indexes, representing the top 10% of all companies assessed in the banking sector.

⁶ Science-based emissions reduction target uses a 2015 baseline as revised in 2020. Refer to the [2021 Sustainability Data Pack](#).

⁷ Representation for employee levels calculated using population of permanent full-time and part-time colleagues. Actuals and targets are stated as at 30 September for each respective year, progress is detailed in the [Colleague capability and wellbeing](#) section (see page 45).

⁸ Measures represented for this objective are calculated at an organisational level, the Workplace Gender Equality Agency's (WGEA) analysis indicates that when comparing the base salary of all women to men within the Australian-based workforce of NAB, the gender pay gap calculated by WGEA for 2020-2021 is 16.6% and for 2019-2020 is 18.1%.

⁹ See NAB's [Elevate Reconciliation Action Plan 2019-2021](#) for more information on the three year target (1 October 2018 - 30 September 2021). Only the 2021 portion of the cumulative progress figure has been assured by EY.

¹⁰ Organisations in NAB's supply chain including Indigenous-owned, minority-owned and women-owned businesses and disability and social enterprises.

SUSTAINABILITY APPROACH

Principles for Responsible Banking (PRB)

As a founding signatory of the PRB and the first Australian bank to join the CCCA, we seek to show industry leadership in making a positive impact on society.

Table 4: Principles for Responsible Banking summary of progress

PRINCIPLE (AS OUTLINED IN PRB)	OUR PROGRESS
<p>1. Alignment</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	<ul style="list-style-type: none"> Sustainability – as part of our 'long-term' approach – is now explicitly included in NAB's Group Strategy, with reference to the six key SDGs we are seeking to progress. Work continues to integrate this into divisional strategies and capital allocation. BNZ has integrated sustainability into its business strategy and will report progress against relevant targets in its standalone Sustainability Report.
<p>2. Impact analysis and target setting</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	<ul style="list-style-type: none"> NAB has set targets to increase positive impact by providing: <ul style="list-style-type: none"> \$70 billion in environmental financing by 2025.¹¹ \$2 billion in affordable and specialist housing financing by 2023.¹² We are active members in a UNEP FI PRB working group, testing an open-source Portfolio Impact Analysis Tool for Banks. We have completed an initial analysis of NAB's lending portfolio for areas of most significant potential positive or negative impact. Initial results indicate climate change (mitigation and adaptation), access to housing and economic equality as NAB's most significant potential impact areas. This reaffirms NAB's focus on climate action, affordable and specialist housing, and Indigenous business.
<p>3. Clients and customers</p> <p>We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>	<ul style="list-style-type: none"> Climate action: We are actively engaging with customers, including our target to work with 100 of our largest greenhouse gas emitting customers to support them as they develop or improve their low carbon transition plans by 2023 (see page 32), and BNZ's target of having 50 per cent of their SME customers measuring emissions, setting reduction targets and reporting climate change impacts by 2025. Affordable and specialist housing: Working with customers to support access to housing across the housing spectrum (see page 41). Indigenous business: We hosted our first Indigenous Business roundtable to gain insights directly from Indigenous business owners. We have continued to work with Indigenous businesses throughout our supply chain (see page 40).
<p>4. Stakeholders</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	<ul style="list-style-type: none"> NAB has well-developed processes for identifying and engaging with key stakeholders to drive commercial responses to address society's biggest challenges (see page 3). Key examples in 2021 include engaging with industry associations and contributing to government consultations on topics such as climate, biodiversity, energy policy, modern slavery and other sustainability issues both through industry associations and directly.
<p>5. Governance and culture</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	<ul style="list-style-type: none"> NAB has established a Sustainability Council, chaired by the Chief Operating Officer, to drive execution of the long-term pillar of our Group Strategy, including meeting our obligations under the PRB. PRB obligations have been formally assigned in our risk management system and Sustainability Risk is now a material risk category in our Risk Management Framework. Sustainability is considered in NAB's remuneration and performance through the qualitative overlay applied when assessing Group Performance and determining the Group Variable Reward annually.
<p>6. Transparency and accountability</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>	<ul style="list-style-type: none"> NAB's PRB Self-Assessment is available in our Sustainability Data Pack, outlining our progress against the Principles in more detail. This self-assessment is subject to independent assurance. NAB contributed to the inaugural PRB Collective Progress Report, highlighting the progress made by global PRB signatories.

¹¹ Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our [2021 Sustainability Data Pack](#) for a further breakdown of this number and reference to how progress towards our environmental finance target is calculated.

¹² Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. This includes loans made under the First Home Loan Deposit Scheme for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance.

SUSTAINABILITY APPROACH

NAB Ready Together

NAB Ready Together is our program to support Australians before, during and after natural disasters. We are here to serve customers well and help our communities prosper. So we will help them to prepare for the worst to lessen the impact and bounce back when disaster strikes.

Launching our community flagship program

As our climate changes, the size and scale of disasters in Australia is on the rise. It's critical to reduce greenhouse gas emissions but also build resilience by working with communities and investing in nature to ensure we can withstand the shocks. This requires a multi-pronged community engagement approach that leverages key resources such as people, skills, knowledge, communities and nature to help Australians before, during and after natural disasters. This approach taps into our strengths as a bank with a strong retail network in regional Australia, and good relationships with customers and communities. Our aim is to form partnerships and build capacity to enable a strong community and environment that is prepared for, and resilient to, natural disasters.

Helping communities prepare for natural disasters and reduce their climate risk

We launched a community grants program to enable grassroots investment in getting ready for disasters. Funding is available for projects that help communities prepare for natural disasters, support long-term recovery and build resilience to future disasters.

Up to \$1.2 million of grants will be awarded every 12 months to fund community-led projects, including:

- Grants of up to \$10,000 are available to fund community-led projects.
- An extra \$200,000 for projects aiming for long-term social or environmental impact. These grants are voted for by NAB colleagues.

This year, we provided 112 grants for initiatives in areas including education, training, emergency systems, preparedness plans, mental health support, infrastructure, equipment, urban greening and climate risk. Eight prizes were awarded to projects with long-term social or environmental impact.

Donating where locals tell us it's needed during a crisis

In the aftermath of natural disasters, communities need targeted support. In 2021, we supported customers and colleagues affected by floods in New South Wales and Cyclone Seroja in Western Australia. Our contributions included:

- \$4m in emergency grants for customers, colleagues and communities.
- \$200,000 to community organisations in flood and cyclone-affected areas.

We also invested \$800,000 from the Disaster Relief Fund established last year to support communities recovering from the 2019-2020 bushfires. These funds went to projects supporting financial counselling, community-led recovery efforts in impacted communities and community-led emergency resilience initiatives.

Enabling communities and environments to be prepared for, and resilient to, natural disasters.

Making volunteering and giving easier for colleagues

We refreshed our overall approach to giving through the launch of NAB Neighbourhood, an online platform where colleagues can share stories, promote causes and take action to support community partners. More than half our colleagues signed up in the first five months, and were offered 16 hours of volunteer leave to support their chosen charity, with \$5 donated for every hour completed.

Case study: Partnering with Australian Business Volunteers

In partnership with Australian Business Volunteers, we ran a skilled volunteering immersion program in Cobargo, Victoria. NAB skilled volunteers worked alongside the Cobargo community, writing grant submissions for projects that would rebuild its main street. Three grant applications secured more than \$14 million in funding from the Federal and NSW's Government's Bushfire Local Economic Recovery Fund.

NAB will continue to work with Australian Business Volunteers to expand this community-led recovery work in Victorian bushfire-affected communities with the aim to increase the leverage, influence and reach of the program. This will support regeneration and resilience building in most of the bushfire affected communities in the south eastern corner of Australia.

Supporting Australia's emergency services volunteers

We formed a partnership with the Queensland Rural Fire Service (QLD RFS). The partnership will support projects such as improving onboarding for volunteers and building volunteer wellbeing and resilience. We are working together to build capacity and community resilience. We will also explore how we can support our 32,000 colleagues¹³, many of whom give their time and talents to community and emergency service organisations such as the QLD RFS.

Investing in Australia's disaster resilience

We established a new environmental resilience fund this year. This recognises that investing in nature is critical to adapt to climate change and build resilience. The fund will provide up to \$10m over 10 years to support practical projects that build environmental resilience to natural disasters and climate change.

We have continued our participation in the Resilience Investment Vehicle project with CSIRO, IAG and several government agencies, industry groups and non-profits. The project explores how the financial services sector can invest in climate adaptation with strong commercial returns and enhanced climate resilience.

MATERIAL THEMES

Governance, conduct and culture



Why it matters

We know that to maintain the trust of our customers and colleagues, we must continue to improve and develop a healthy and accountable culture.

What we are doing

Driving cultural change

Getting the basics right and serving our customers well, while continuing to improve our culture remains our guiding focus. We are building momentum in achieving our target culture and starting to experience the impact of the changes to the underlying systems and processes.

We are continuing to embed initiatives to address the cultural inhibitors identified through the APRA self-assessment, linked to capability of our colleagues, and our leaders.

This year we continued to embed:

- A new enterprise **operating model** driving clearer accountabilities.
- **Distinctive Leadership program (page 43)** developing a consistent approach to how we lead.
- **Career Qualified in Banking (page 43)** progressing our ambition to develop all NAB colleagues in the fundamentals of banking, including ethics and risk management.
- Responsible remuneration aligned to a refreshed **Code of Conduct (page 28)**.
- Clearly defined expectations for all senior leaders to build a culture of clarity, capability and motivation.

How We Work, outlined in Table 5 below, clearly articulates our target culture through simple, standard behaviour expectations. Results from colleague engagement surveys have shown an average increase of 4% across all 'How We Work' measures, from 2020 to 2021.

Table 5: How We Work

HOW WE WORK	WHAT WE DO	WHAT WE DON'T DO
 Excellence for customers	<ul style="list-style-type: none"> • Put our customers' needs first every time • Get it right first time or fix it fast • Make banking easy and fast 	<ul style="list-style-type: none"> • Put personal interests before our customers' • Leave issues unresolved • Create 'band-aid' fixes
 Grow together	<ul style="list-style-type: none"> • Be ambitious for growth • Be curious and learn from each other • Prioritise each other's wellbeing 	<ul style="list-style-type: none"> • Tolerate mediocrity • Move on without learning • Succeed at the expense of others
 Be respectful	<ul style="list-style-type: none"> • Speak honestly and supportively, especially about concerns • Value the time and opinion of others • Do what we say we will 	<ul style="list-style-type: none"> • Avoid difficult conversations or challenge inappropriately • Dismiss challenges and advice without consideration • Fail to keep others informed
 Own it	<ul style="list-style-type: none"> • Get on with it and follow up until it's resolved • Do what's right, even when it's hard • Make the most of what we have 	<ul style="list-style-type: none"> • Delay taking action • Say "it's not my job" • Spend more time, resources or money than is needed

MATERIAL THEMES

Governance, conduct and culture



Implementation of APRA self-assessment actions and Royal Commission Recommendations

Since the Banking & Financial Services Royal Commission and undertaking a Self-Assessment in 2018 on governance, accountability and culture, meaningful change has been made to the way NAB operates. A significant and wide-reaching reform program has driven improvement in governance, accountability and culture, to address the root causes of our past failings.

The voice of the customer is now firmly represented in the bank. Products and services have been reviewed to ensure they put the needs of the customer first. New complaint handling processes have been implemented to make it easier for customers to raise concerns and issues and 99% of all complaints are now resolved within 30 days. Improved process, controls and compliance capabilities have led to faster identification and resolution of issues, with the aim of reducing and preventing detrimental impacts to customers. NAB has refunded \$575million to 597,000 customers in 2021 through remediation programs.

Changes to NAB's operating model in early 2020 have delivered greater clarity of executive accountabilities, in conjunction with the focus on Banking Executive Accountability Regime (BEAR) accountabilities. The operating model is supported by changes to the structure, composition and scope of risk committee governance at an executive-level. This has resulted in a greater demonstration of first line ownership and accountability for risks and issues, with clearer paths to mitigation and resolution when risks and issues arise.

The Board continues to have oversight of management's ongoing efforts to improve outcomes for customers and colleagues and get the basics right, including a strong focus on the remediation work required in financial crime risk management.

Of the 26 actions identified in NAB's 2018 Self-Assessment, all but three are now embedded and closed, with those remaining relating to reviews that are ongoing in nature. NAB will engage with APRA to determine whether related issues identified in NAB's Self-Assessment have been addressed to the satisfaction of the regulator.

NAB has actively implemented the applicable and actionable changes resulting from the 76 recommendations made by Commissioner Hayne. Of the 55 recommendations applicable to NAB, 21 are complete or well advanced, and the work to implement a further 10 is under way. The remaining 24 recommendations require no action from NAB at this time because they are related to other third-party participants including industry associations and regulators, or are due to be reviewed in the future.

Responsible remuneration

The Board monitors NAB's executive and colleague remuneration frameworks to ensure alignment with the Group's purpose, strategic objectives and risk appetite.

Remuneration outcomes for 2021 for NAB's executives and colleagues reflect the progress made during 2021 towards implementing the refreshed Group Strategy and our target culture.

The Board has approved changes to the Group's remuneration framework for colleagues for 2022 to create simplicity and more consistency and fairness in our remuneration framework. The changes will:

- Remove or reduce variable reward for many colleagues, placing more emphasis on fixed pay to give colleagues more certainty and encourage more focus on customers.
- Standardise target variable reward participation (including some Group Executives) to create more consistency and fairness.

These changes set an appropriate balance between fixed remuneration and variable reward and will allow colleagues to focus on serving customers well. Implementation will be a phased approach over 12 to 18 months, starting 1 October 2021 with customer-facing businesses.

We consider that the changes will support the Group's purpose, strategic objectives and risk appetite, and reflect the expectations of customers, regulators and shareholders.

The Board will consider enhancements over the coming year to ensure the executive remuneration framework continues to support the delivery of the Group's strategy and meet regulatory requirements. The Board will balance these requirements within an effective remuneration framework that is competitive and appropriately rewards our Executive Leadership Team.

Further information about NAB's executive remuneration framework, including NAB's policies and practices regarding the remuneration of non-executive directors, the Group CEO, Group Executives and other colleagues, is set out in our Remuneration Report within our **2021 Annual Financial Report**.

MATERIAL THEMES

Governance, conduct and culture



Code of Conduct

Launched in October 2020, the refreshed Code of Conduct captures NAB's legal obligations and an expectation to act ethically and responsibly towards customers, colleagues and communities. The Code emphasises 'How We Work', and the key policies and guidelines which must be followed to achieve expected outcomes. There is a strong emphasis on speaking up about concerns and a guide to ethical decision making. When those expectations aren't met, leaders reinforce them in a fair, proportionate and consistent way to get colleagues back on the right path.

Awareness and attestation

The launch of the Code of Conduct was supported by a range of internal communications, led by NAB's Executive Leadership Team. This included targeted communication and training for managers. All colleagues across the Group were required to attest to the Code of Conduct between February and April 2021, with annual attestations required on an ongoing basis.

Fair, consistent, proportionate consequence management

We have removed the labels of 'Conduct Gates' while strengthening our overall approach to consequence management. We maintain a tiered approach to managing instances where the Code is not being followed. A consequence management severity matrix guides leaders to measure the severity of potential misconduct. A range of consequences can be applied, from coaching, counselling and formal written warnings, to financial penalties ranging between 5% to 100% variable reward reductions, through to termination of employment.

This approach is capturing a higher number of Code of Conduct breaches, 4,740 compared to 1,105 in 2020. The increase in breaches does not reflect worse behaviour but more complete data as it includes all minor and mild matters independently managed by people leaders. Previously our reporting focused only on significant cases that needed to be escalated, therefore prior year numbers are not directly comparable.

Professional Standards Forums

Each business and enabling unit has Professional Standards Forums to review or note breaches of the Code at least quarterly. Action is taken to set the tone and reinforce NAB's standards of conduct and culture. These forums oversee fairness, consistency and proportionality of consequence outcomes and take actions to reinforce standards of conduct and culture.

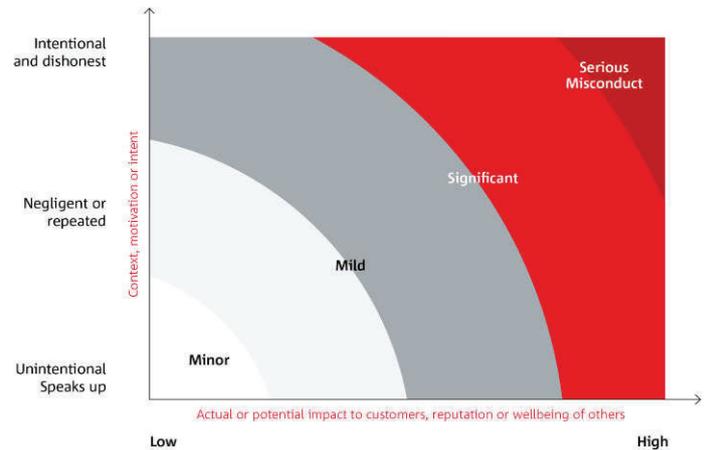
Measuring our 'Speak Up' culture

We want all colleagues to feel supported to proactively raise concerns and to do what's right even when it's hard. We measure colleague confidence in raising concerns and our whistleblower process through our colleague engagement surveys.

Pleasingly, our colleagues are reporting increased confidence across two measures¹⁴:

- 'If I had a concern about wrongdoing I would feel safe using the whistleblower process to report' has increased from 77% in 2018 to 88% in our July 2021 Heartbeat survey.
- 'I can Speak Up and raise issues or concerns without fear of retaliation': Favourable responses increased from 74% in July 2020 to 81% in July 2021.

Figure 3: Conduct severity matrix



Compliance and conduct leadership capability

We have implemented a 'Compliance Simulation' program to provide NAB's executives with an individual assessment and benchmark of their compliance capability. The simulation assesses and benchmarks strengths and areas for development or improvement. The benchmarks are informed by our policies and obligations, 'How We Work', industry standards and lessons learned from the APRA self-assessment and the Royal Commission case studies. This program reinforces expectations of leaders in managing compliance and conduct risks and the standards they must achieve and sustain.

Whistleblower Program

Speaking up can be difficult, so we provide our colleagues with a safe and confidential channel for raising concerns about wrongdoing. Colleagues can raise concerns via the FairCall service, an independently monitored external hotline, anonymously if they prefer.

The Whistleblower Program's role is to provide a safe environment that supports and protects our colleagues. The Whistleblower Program takes all wrongdoing concerns seriously and where an investigation is required, appoints an internal or external investigator with the right capability and independence to investigate the concerns. All investigations are impartial and confidential.

There were 190 wrongdoing disclosures made to our Whistleblower Program in 2021. 53 were partially or fully substantiated resulting in appropriate consequences being applied, 117 were not substantiated and 20 remain under investigation. We believe the increase in overall disclosures to the Whistleblower Program, including disclosures that have not been substantiated, is reflective of our consistent messaging that colleagues should speak up if they have concerns.

¹⁴ These measures show favourable responses as a percentage of total responses to the individual questions asked in NAB's colleague engagement surveys.

MATERIAL THEMES

Managing climate change



Climate action is everyone’s job. We need to be part of the solution and support our customers as they take action too.

Why it matters

We’re here to serve customers well and help our communities prosper. The success of our economy depends on our climate. Many families we’ve helped into homes have lost them during bushfires, and many farmers we serve are facing more regular droughts. Our colleagues face many of the same issues, whether it’s looking after devastated customers or facing the ways a changing climate impacts their lives.

To serve our customers and colleagues well, we have to help address these challenges.

It’s also important for our business, as our lending to traditional energy sources becomes riskier as countries shift away from them. Taking action is in our interest and the right thing to do.

What we are doing

Our main role in climate action is through the financing we provide. We’re following the science, investing in positive change and helping our customers to do so too. While we start by looking at our own energy use, we can make much more happen by putting funds behind the change our customers are driving.

This section of the Annual Review is structured in alignment with our climate strategy, outlined in Figure 4 below. Disclosures made in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures are available in our [2021 Annual Financial Report](#) (pages 38-48).

Figure 4: Our climate strategy

OUR GOAL - ALIGNING LENDING PORTFOLIO TO NET ZERO EMISSIONS FOR 2050:



Working with customers to decarbonise and build resilience



Managing climate risk

SUPPORTED BY



Actively reducing own emissions



Highly capable colleagues



Research, partnerships and engagement

MATERIAL THEMES

Managing climate change



Our goal of aligning our lending portfolio to net zero emissions by 2050

NAB was the first Australian bank signatory to the **Collective Commitment to Climate Action (CCCA)**. The CCCA is a separate initiative of the Principles for Responsible Banking (PRB). It sets out concrete and time-bound actions that banks will take to scale up their contribution to, and align their lending with, the objectives of the Paris Agreement. In line with our Group Strategy, we are acting now for the long-term.

Specifically, the CCCA requires signatories to align our portfolio "to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius". To meet this requirement, we have set a goal to align our lending portfolio to net zero emissions by 2050.

We have calculated the estimated attributable Scope 3 financed emissions of eight key segments of our Australian lending portfolio (see page 31), and are measuring and reporting this emissions profile on an annual basis. We are now working to set, and publish in our 2022 annual reporting suite, interim targets for portfolio alignment, and will apply the following principles in our target-setting work:

- **Broad portfolio coverage:** Targets set will account for a substantial majority of our Australian lending portfolio, and will include residential mortgages, commercial real estate (office and retail), agriculture, power generation (covers power generation & related retail, electricity transmission and distribution), resources (including coal, oil, and gas), transport (covers road freight, air, rail and international sea transport), heavy manufacturing (covers cement, lime, plaster, concrete, bricks, iron, steel and aluminium) and lending for small and medium-sized enterprises (SMEs) in the commercial and services sectors¹⁵.
- **Science-based:** Decarbonisation targets will be set for 2030 and 2050 using scenarios that are science-based and aligned to limit global warming to 1.5°.
- **Governance:** Targets will be approved by the Executive Leadership Team and Board.
- **Guided by global best practice:** NAB will be guided by the UN Environment Programme Finance Initiative's **Guidelines for Climate Target Setting for Banks**.
- **Up to date:** Targets will be reviewed regularly to ensure consistency with current climate science, updated data and available methodologies.

We know we also need to manage climate risk (transition and physical) across our portfolio. This work is supported by investing in colleagues and systems, actively reducing our own emissions, and engaging in research, partnerships, and advocacy.

Table 6: CCCA Requirements

REQUIREMENT	2021 ACTIONS
Align our lending portfolio to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius.	<ul style="list-style-type: none"> • Expanded coverage of our attributable financed emissions estimate from five to eight sectors, to understand our Australian lending portfolio baseline (page 31). • Progressed work to set interim sector-specific decarbonisation targets, aligned to 1.5 degree scenarios, to be published in 2022 reporting suite (as above). • Completed review of oil and gas sector¹⁶ and updated our credit risk policy settings (page 33).
Take concrete action, within a year of joining, to use our products, services, and client relationships to facilitate the economic transition required to achieve climate neutrality.	<ul style="list-style-type: none"> • Reached a cumulative total of \$56.3 billion in environmental financing¹⁷ (page 32). • Progressed our work with 34 of 100 of our largest greenhouse gas emitting customers to support them as they develop or improve their low-carbon transition plans by 2023 (page 32). • Continued to deliver tailored products and services to support our customers with their low-carbon transition.
Be publicly accountable for our impact and progress on these commitments.	<ul style="list-style-type: none"> • Continued to engage external assurance over climate disclosures, assurance statements available on our website.

¹⁵ Based on Australian Energy Statistics data for Commercial and Services sectors and aligned to 1993 ANZSIC classifications: F, G, H, J, K, L, M, N, O, P and Q.

¹⁶ For the purposes of this review oil and gas included: oil and gas extraction (upstream); liquefied natural gas (LNG) production (not at refineries—downstream LNG); and LNG production at wellhead (integrated LNG).

¹⁷ Environmental financing target progress represents total cumulative new amount of environmental financing from 1 October 2015. Refer to the 'Financing' tab on our [2021 Sustainability Data Pack](#) for a further breakdown of this number and reference to how our environmental financing target is calculated.

MATERIAL THEMES

Managing climate change



Understanding our financed emissions

We are connected to many parts of the economy through our lending and other banking activities and have an important role to play in financing the low-carbon transition. To better understand our role in the low-carbon transition, we need to calculate a baseline estimate of attributable financed emissions for our lending at a portfolio and sector level as this forms the basis of monitoring.

In 2020, we completed an initial estimate of attributable financed emissions, which included five key segments of our Australian lending portfolio and resulted in estimated attributable financed emissions of 18,437,681 tCO₂-e. This year, we have expanded our work to cover an additional three sectors (transport, heavy manufacturing, and small business to medium businesses in the commercial and services sectors¹⁸) which resulted in estimated attributable financed emissions of 10,885,840 tCO₂-e. The reduction in estimated attributable financed emissions between 2020 and 2021 is primarily due to a methodological change in the calculation of attributable financed emissions for residential mortgages to align to the residential mortgages methodology published by the [Partnership for Carbon Accounting Financials](#). See Table 7 for a breakdown of estimated attributable financed emissions by sector for the work completed to date.

Summarised methodology

This estimate of financed emissions is limited to our Australian customers and is based on:

- **Reported emissions data:** for Corporate & Institutional exposures to commercial real estate (office and retail), power generation (covers power generation, gentailers, electricity transmission and distribution), transport (covers road freight, air, rail, and international sea transport), resources (including coal, oil, and gas), and heavy manufacturing (covers cement, lime, plaster, concrete, bricks, iron, steel and aluminium). Emissions estimates for these sectors have been calculated based on bottom up reported and verified emissions data from customers where available. This means coverage across these sectors varies and is less than 100%.
- **Estimated emissions data:** for residential mortgages, SMEs (commercial and services sectors) and agriculture. Emissions estimates for these sectors have 100% coverage because they are based on a sector-wide intensity methodology. Therefore, these sectors currently make up a disproportionate proportion of the total estimated attributable emissions shown in Table 7.

A detailed description of the methodology used for this estimate is available on our [website](#).

The portfolio and sectoral level estimated attributable emissions baselines will be used to develop decarbonisation pathways and targets against which we can monitor: (i) alignment of our portfolio over time to achieve our net zero emissions goal and (ii) at a sectoral level – to assist monitoring sectoral decarbonisation in line with CCCA requirements.

Results

The aggregated estimate for the eight selected sectors of the Group's Australian lending portfolio was 10,885,840 tCO₂-e and represents a coverage of 50.7% of Group EAD¹⁹ as at 30 June 2021²⁰. This represents an average emissions intensity of 24.1 tonnes of GHG emissions released for every \$1 million AUD financed across the eight Australian lending portfolio sectors. The data in Table 7 outlines the percentage of sector EAD that our estimate covered, and provides the estimated attributable absolute financed emissions and intensities for each of the eight sectors.

Decarbonisation pathways

Our next step is to publish sector-specific trajectories and targets in our 2022 annual reporting for the Australian portfolio sectors covered. These pathways will be critical as we work with 100 of our largest greenhouse gas emitting customers to support them as they develop or improve their low-carbon transition plans by 2023, detailed on page 32. Importantly, we recognise that each individual lending portfolio sector is likely to follow a different low-carbon transition pathway, as this is dependent on the technology opportunities that customers have available, to reduce and remove or capture GHG emissions.

Table 7: Estimated percentage coverage, attributable absolute emissions and intensities per sector

SECTOR	% OF SECTOR EAD COVERED	ABSOLUTE EMISSIONS (TCO ₂ -E)	EMISSIONS INTENSITY (TCO ₂ -E/AU\$M EAD)
Power generation	22%	2,036,484	1,018
Heavy manufacturing	69%	185,727	267
Resources	22%	536,921	261
Transport	9%	101,347	135
Agriculture	100%	3,929,316	115
SMEs	100%	990,005	24
Residential mortgages	100%	3,072,195	8
Commercial real estate (office and retail)	19%	33,844	6

¹⁸ Based on Australian Energy Statistics data for Commercial and Services sectors and aligned to 1993 ANZSIC classifications F, G, H, J, K, L, M, N, O, P and Q.

¹⁹ Exposure at Default (EAD) represents an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the NAB Group would incur in the event of a default.

²⁰ The attributable emissions data was calculated as at 30 June 2021 to align to the end of the Australian financial year to match company valuations.

MATERIAL THEMES

Managing climate change



Working with our customers to decarbonise and build resilience

As our customers transition, we need to evolve too. We will support our customers to recognise the risk of climate change and are working with our customers to understand and support their transition plans. We want to support clients with their transition including through investment in renewables and new technologies.

Working with 100 of our largest greenhouse-gas emitting customers

We have progressed towards our target to work with 100 of our largest greenhouse gas emitting customers to support them as they develop or improve their low-carbon transition plans by 2023. In 2021, we developed a Transition Framework Diagnostic (the "Diagnostic") to assist in this process. The Diagnostic was designed with reference to two global frameworks:

- Transition Pathway Initiative, led by global asset owners to assess companies' preparedness to transition to a low-carbon economy.
- Cambridge Institute for Sustainability Leadership's ClimateWise Transition Risk framework.

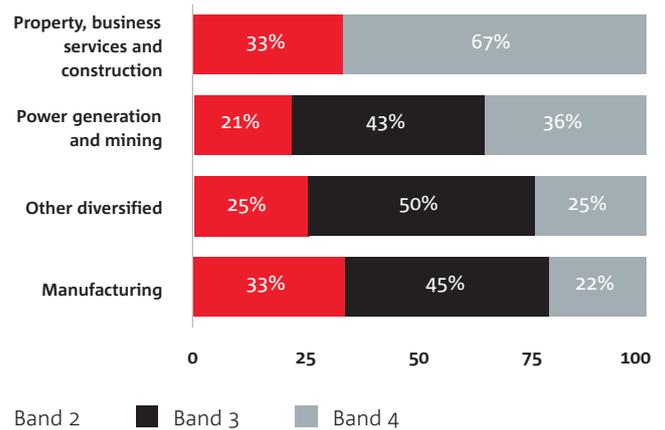
The Diagnostic is designed to enable a view to be formed on the transition maturity of NAB's customers and can be applied to any sector or jurisdiction. We expect that the Diagnostic will in time be applied beyond 100 of our largest greenhouse gas emitting customers to guide transition discussions. The Diagnostic assists in the classification of transition maturity in the following bands:

- 0 - Unaware of (or not acknowledging) climate change as a business issue.
- 1 - Acknowledgement of climate change as a business issue.
- 2 - Building capacity.
- 3 - Integration into operational decision making.
- 4 - Strategic assessment.

The Transition Pathways Initiative was a particularly useful reference point because it has significant regional and sectoral data to contextualise client evaluation. During 2021, we completed 34 diagnostics across a range of sectors (see Figure 5). Our preliminary analysis suggests that the majority of customers acknowledge climate change to be a business issue, are disclosing annual GHG emissions and have made a commitment to, or are already, reporting in alignment to the recommendations of the Task Force on Climate-related Financial Disclosures. The analysis suggests that ~73% of clients assessed are relatively transition mature, scored within Band 3 or Band 4 of the Diagnostic. The Diagnostic provides a mechanism to track transition progress over time.

The Diagnostic will evolve over time with sector transition expectations and as mechanisms to progress toward net zero evolve. The Diagnostic assists us in uncovering opportunities to support our customers in their transition, including through products and solutions including sustainability-linked finance.

Figure 5: Transition maturity of assessed companies, by sector



Source: Customer information analysed through NAB's Transition Framework Diagnostic. 'Other diversified' includes transport, health services, communications, wholesale and retail trade.

Providing finance to help customers reduce their emissions with tailored products and services

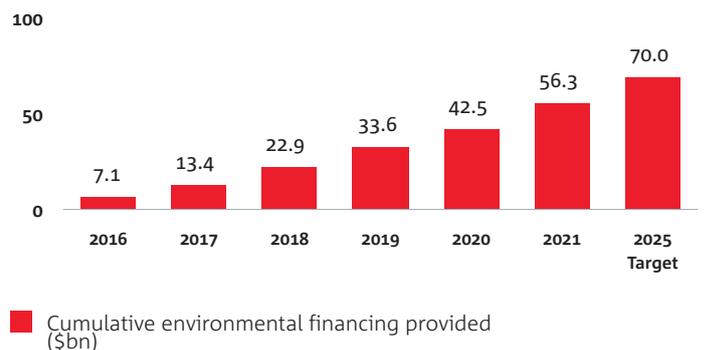
We're providing the finance to help customers make emissions reductions with tailored products and services. The size of the opportunity is significant, and we have set a target to provide \$70 billion in environmental financing (2015-2025)²¹. In 2021, we have reached a cumulative total of:

- \$31.7 billion to support green infrastructure, capital markets and asset finance.
- \$24.6 billion to provide mortgage lending for new dwellings and significant renovations for 6-Star residential housing in Australia.

Our customers should be rewarded and supported to take climate action, which is why we're continuing to build new products which do just that. Key highlights of 2021 included:

- Reached the milestone of 150 renewable energy finance transactions (\$11.5 billion) completed around the world since 2003.
- Completed Australia's first ESG-linked derivative.

Figure 6: Cumulative progress towards \$70bn environmental financing target (\$bn)



²¹ Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our [2021 Sustainability Data Pack](#) for a further breakdown of this number and reference to how progress towards our environmental finance target is calculated.

MATERIAL THEMES

Managing climate change



Managing climate risk

ESG risks, including climate change, are identified, measured, monitored, reported, and overseen in accordance with the Group's Risk Management Framework (as described in the Group's Risk Management Strategy).

A detailed update on our approach to climate risk management is provided in our **2021 Annual Financial Report**. This includes our participation in climate-related risk industry activities, including the APRA-led Climate Vulnerability Assessment, to better understand, and implement, methodologies to assess, and manage, climate risk. This page provides the outcomes of our progress against our phased risk review of carbon-intensive, climate sensitive and low-carbon sectors.

Risk settings for carbon-intensive industries

Our phased review of carbon-intensive, climate sensitive and low-carbon sectors commenced in 2017 and is ongoing. This review considers a range of factors including: (i) various climate change scenarios for both transition²² and physical²³ risk; (ii) customer strategies and plans and their alignment to the Paris Agreement temperature goals; (iii) industry trends; and (iv) trends in Group exposures to these sectors.

This year, we completed our review of the oil and gas sector²⁴. The International Energy Agency's **Net Zero by 2050: A Roadmap for the Global Energy Sector** was used as a key reference point to guide our work. This scenario outlines a path to limit temperature rise from pre-industrial levels to 1.5 degrees Celsius by 2050. We are using the IEA NZE 2050 Scenario because this modelling has international credibility, is regularly updated and is familiar to customers.

In setting our goal of aligning our lending portfolio to net zero emissions by 2050, we acknowledge the limitations of current data and the need to regularly review and update work, targets and methodologies used. We continue to work on understanding our total emissions exposure which will enable us to better recognise and reward customers who reduce GHG emissions faster. Banks around the world including NAB continue work to develop emissions-based modelling to better track progress to net zero.

Orderly transition is critical for the economy and the people and communities who depend on jobs in these industries. We fully appreciate community needs and expectations in this area and are particularly mindful of the role that gas will play as a transition fuel in the medium term. It's our responsibility to consider all areas of the economy in these plans.

While oil and gas lending represents about 0.3% of the Group's Exposure at Default (EAD) at 30 September 2021, it, along with coal, attracts significant attention from stakeholders focused on climate action because these fossil fuels make up around 80%²⁵ of Australia's current greenhouse gas emissions.

A breakdown of our Resources and Energy generation EAD by sub-sectors is available on the following page.

Updated ESG-related credit risk policy settings

Oil and gas²⁴

We have capped oil and gas exposure at default at USD2.4 billion²⁶ and will reduce our exposure from 2026 through to 2050, aligned to the IEA NZE 2050 scenario. This provides for measured re-orientation of client activity ensuring NAB can continue to support clients committed to transition.

We will only consider directly financing greenfield gas extraction in Australia where it plays a role in underpinning national energy security.

We will not directly finance greenfield gas extraction projects outside Australia.

We will continue to support integrated liquefied natural gas (LNG) in Australia, New Zealand, Papua New Guinea and selected LNG infrastructure in other regions, under the oil and gas exposure cap.

We will not directly finance greenfield oil extraction projects or onboard new customers with a predominant focus on oil extraction.

We will not finance oil and gas extraction, production, or pipeline projects within or impacting the Arctic National Wildlife Refuge area or any similar Antarctic Refuge.

We will not directly finance oil/tar sands or ultra-deep water oil and gas extraction projects.

Coal

We have capped thermal coal mining exposures at 2019 levels and have updated plans to reduce these exposures by 50% by 30 September 2026, intended to be effectively zero by 30 September 2030, apart from residual performance guarantees to rehabilitate existing coal assets.

We will not finance new or material expansions of coal-fired power generation facilities.

We will not finance new thermal coal mining projects or take on new-to-bank thermal coal mining customers.

From 2022, we will separately report residual performance guarantees within our thermal coal exposures.

We recognise that currently there are no readily available substitutes for the use of metallurgical coal in steel production. We will continue providing finance to our customers in this segment, subject to enhanced due diligence which further considers underlying environmental, social and governance risks.

²² For the purpose of this work, transition risk was defined as the impact of low-carbon policy and transition to low-carbon technology on markets and industries.

²³ For the purpose of this work, physical risk was defined as the risk resulting from climate variability, extreme weather events and longer-term changes in climate patterns.

²⁴ For the purposes of this review oil and gas included: oil and gas extraction (upstream); liquefied natural gas (LNG) production (not at refineries—downstream LNG); and LNG production at wellhead (integrated LNG).

²⁵ Source: National Greenhouse Gas Inventory Quarterly Update: March 2021, Department of Industry, Science, Energy and Resources chart - Annual emissions data by sector. Sum of electricity, stationary energy, transport, and fugitive emissions.

²⁶ The cap of USD2.4 bn was determined giving consideration to the three-year average exposure up to 30 September 2021 due to COVID impacts. Use of USD for the purposes of this cap is to account for currency movement because the majority of the portfolio is USD denominated. From 2022, oil and gas exposure at default will be reported in USD.



MATERIAL THEMES

Managing climate change



Figure 7: Resources exposure at default (EAD) (\$bn)

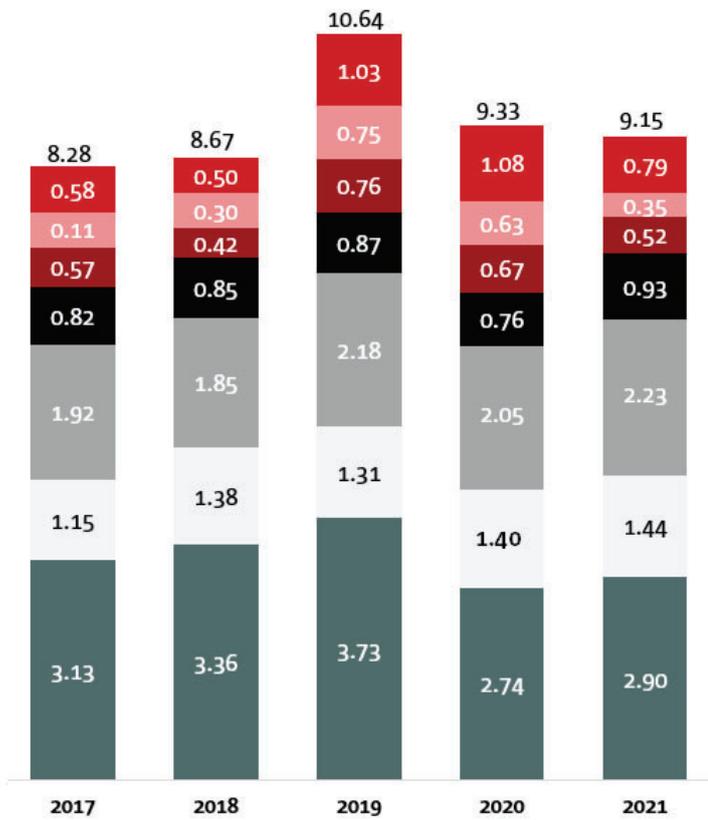
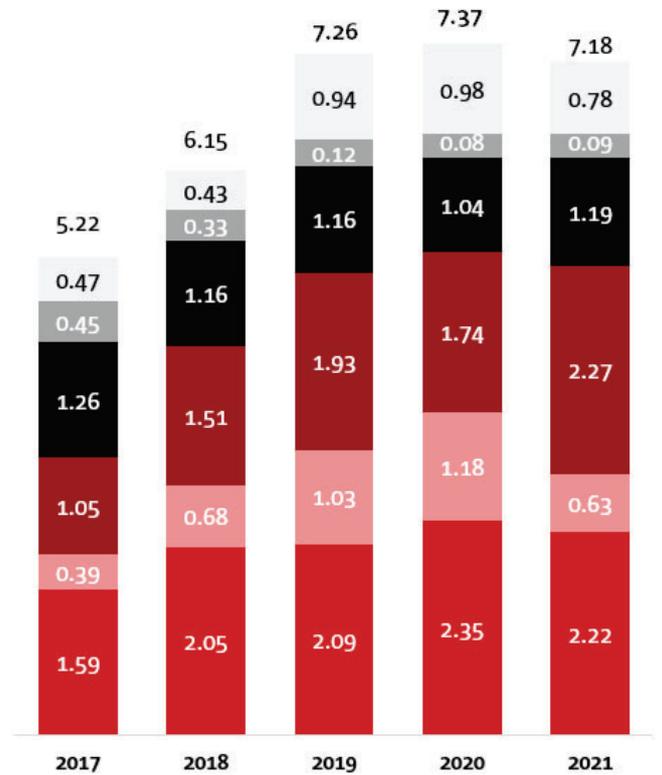


Figure 8: Energy generation EAD by fuel source (\$bn)



- Oil & gas extraction
- Mining services
- Other mining
- Iron Ore Mining
- Thermal coal mining
- Metallurgical coal mining
- Gold ore mining

- Wind
- Hydro
- Other/mixed renewable
- Mixed fuel
- Coal
- Gas

Source: NAB data (based upon the 1993 ANZSIC codes) at net EAD basis. A significant contributor to the reduction in exposures from 2019 to 2020 is AUD currency appreciation of USD denominated exposures and lower mark-to-market positions of treasury-related products in the oil & gas extraction sector. From 2022, we will report oil and gas extraction exposures in USD.

Source: NAB methodology (based upon the 1993 ANZSIC codes) at net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where majority of their generation activities sourced from renewable energy.

MATERIAL THEMES

Managing climate change



Rapidly reducing our own emissions

It's everyone's job to reduce GHG emissions. We're playing our part as a business while helping our customers to reach their reduction targets too. NAB has been carbon neutral for over a decade – the first Australian bank to get there. We're continuing to cut emissions in all areas of our business.

Reducing GHG emissions

This year, we achieved a 55% reduction in the Scope 1 and 2 GHG emissions included in our science-based target²⁷ compared to our 2015 baseline. This compares to a targeted reduction of 51% by 30 June 2025. Emissions reductions in 2021 have been greater than expected partly due to the impacts of COVID-19 restricting business activities. This was despite taking into account emissions generated by our colleagues working from home, noting the substantial shift in where work happens. Working from home emissions increased from 3,597 tCO₂-e in 2020 to 15,744 tCO₂-e in 2021. Due to the impact of COVID-19 related restrictions, we do not expect all of the reductions achieved in 2021 to be permanent. Initiatives likely to result in permanent emissions reductions include energy efficiency initiatives, sourcing more renewable energy and consolidating major commercial buildings in Melbourne and Sydney. See page 50 for information on property changes.

Sourcing 100% Renewable Energy

As well as reducing our overall energy usage, we have set a target to source 100% of our electricity consumption from renewable sources by 2025. This target has been set to align with the requirements of the **RE100 initiative**.

We have made significant progress in 2021, increasing the proportion of electricity from renewable sources to 31% (see Figure 10 opposite). This increase has been driven primarily through a three-year deal we signed with ENGIE to purchase large-scale generation certificates generated from multiple wind and solar farms within ENGIE's renewable portfolio.

Achieving carbon neutrality

As the first Australian bank to be certified carbon neutral in 2010, NAB has maintained a long-standing focus on reducing and avoiding GHG emissions, and offsetting those we have not reduced. We purchase quality offsets focused on renewable energy projects internationally and domestic carbon offsets developed through traditional Indigenous land-practices such as savanna burning.

Our 2020-2025 targets

NAB has set a broader range of 2020-2025 Environmental Targets, covering energy, water, waste, travel and paper usage. We have made significant progress towards achieving all targets, although not all reductions (e.g. reduction in business travel due to COVID-19) are expected to be permanent. Detailed performance on all targets can be found in our **2021 Sustainability Data Pack**.

Figure 9: NAB Science-based GHG emissions over time

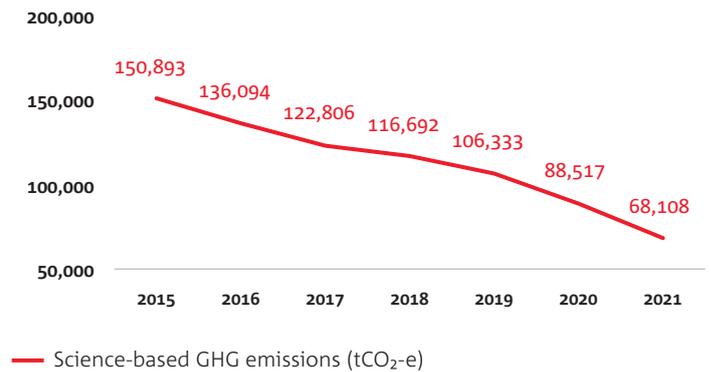


Figure 10: Electricity consumption (MWh)

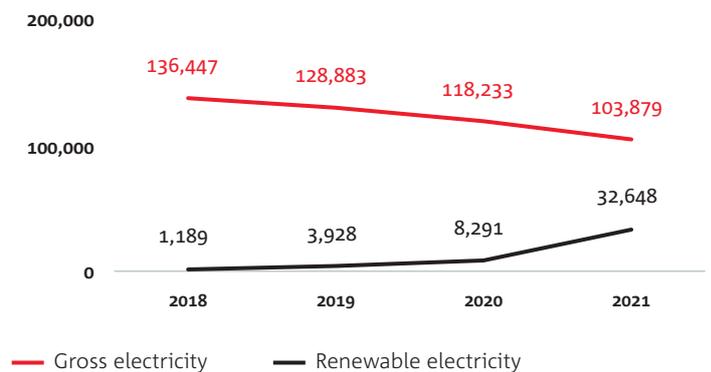
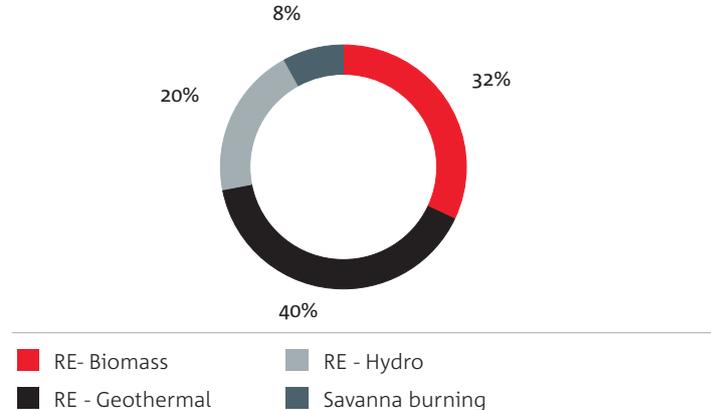


Figure 11: 2021 offset portfolio by project type



27 NAB's science-based emissions reduction target has a baseline of 2015 and covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard. This target aligns with a 'Well Below 2° Scenario' under the Paris Agreement and has been prepared in accordance with the Sectoral Decarbonisation Approach (SDA) 'Services Buildings' methodology published by the Science-Based Target initiative.

MATERIAL THEMES

Managing climate change



Highly capable colleagues

We are building capability at all levels of the organisation to better understand climate risks and opportunities and to support our customers with their low-carbon transitions.

All colleagues are provided mandatory annual Risk Awareness training, and in 2021, the Group's annual Risk Awareness training included a refreshed climate risk module to help colleagues understand:

- Highlights from the latest climate science.
- The goals of the Paris Agreement.
- The key elements of the TCFD's framework for managing climate risk.
- Actions being taken by the Group to address climate change.

The training also provided examples of climate-related physical and transition risks to help colleagues understand the impacts of climate change on our business, customers, and the communities in which the Group operates.

We engaged Melbourne Business School (MBS) to help develop and deliver targeted climate training for colleagues supporting the low-carbon transition plans of the Group's biggest GHG emitting customers. The training will help bankers to identify climate-related risks and understand transition planning so they can better work with and support customers. During 2021, 75 relationship management bankers completed or commenced this training.

Management and Board capability

The Board incorporated two climate change sessions into its development agenda in 2021. These sessions collectively covered:

- Best practice climate risk management in banking.
- Changing regulatory and supervisory response to climate change risk.
- Evolving international practice by peer banks in implementing climate commitments and the recommendations of the TCFD.
- Climate and environment-related litigation risks.
- The Group's Corporate and Institutional Banking unit's 'Bank for Transition' initiative and the Group's 'Project Carbon' partnership.

We also conducted sessions with our Board and Executive Leadership Team, for the IEA to discuss its report: [Net Zero by 2050: A Roadmap for the Global Energy Sector](#). The report sets out how to transition to a net zero energy system by 2050 while ensuring stable and affordable energy supplies, providing universal energy access and enabling robust economic growth.

Research, partnerships, and engagement

We are actively engaging in a range of partnerships designed to support customers with their transition plans, improve knowledge and understanding, drive consistency and transparency, and encourage robust public policy. Detail on partnerships relating to climate risk is available on page 38-48 of the [2021 Annual Financial Report](#).

Industry engagement on climate

We supported the Business Council of Australia's development of the blueprint for [Achieving a Net Zero Economy by 2050](#). This blueprint sets out an ambitious path for the Australian economy to get to net zero. The full recommendations are outlined within the report linked above, and include a call for:

- Formal commitment to net zero by 2050.
- Lifting the ambition for 2030 targets.
- 10-year carbon budgets with five-year reviews.

Australian Industry Energy Transitions Initiative (ETI)

The Australian Industry ETI aims to accelerate action towards achieving net zero emissions in hard-to-abate supply chains by 2050 while managing the transition to thrive in a decarbonised global economy. We continued to support this collaborative industry initiative led by ClimateWorks Australia and Climate-KIC Australia. The Australian Industry ETI released a [technical report](#) in 2021 outlining the energy transition needs to help heavy industry (Steel; Aluminium; LNG; Other metals (copper, lithium, nickel); and Chemicals (fertilisers and explosives) to reach net zero by 2050.

Global alliance

Joining together with a group of international peers – British bank NatWest Group, Canadian Imperial Bank of Commerce and Brazil's Itaú Unibanco to develop a global carbon platform using distributed ledger technology known as 'Project Carbon'. Its purpose is to create a transparent and liquid marketplace for voluntary carbon credits. Since the project was publicly announced in July 2021, it has completed a successful pilot trade; with further pilot trades to be executed over the coming months.

This alliance also launched a Global Open Finance Challenge. The four banks, in collaboration with cloud computing leader Amazon Web Services (AWS), invited entrepreneurs and innovators to prototype new customer solutions on a global scale. Currently in progress, the challenge included a specific theme on finding innovative ways to help our customers make better decisions around climate and sustainability.

Biodiversity and natural capital

We are a member of the [Taskforce on Nature-related Financial Disclosures \(TNFD\) Forum](#), having previously participated as an observer to the informal working group that established the TNFD. Through this engagement with the TNFD, and as an original signatory to the Natural Capital Declaration, we are seeking to work with other stakeholders to improve the reporting on management of biodiversity and natural capital risks in the future.

Supporting sustainable agriculture

As Australia's largest agribusiness bank, we're focused on helping farmers with tailored products and services to reduce their emissions, manage physical climate risk and support their use of natural capital.

- **Food Agility CRC:** NAB has worked with researchers from the Food Agility CRC to develop a tool that catalogues and reviews investment opportunities for Australian farmers that support them to mitigate emissions and adapt to the physical risks of climate change.
- **ClimateWorks Australia:** With strong participation from industry, academia, government and NGOs, ClimateWorks Australia completed the development of a natural capital catalogue. The catalogue defines what natural capital metrics can be measured across Australian farms and how they can be measured. The next phase of this work in 2022 will involve piloting the metrics on participating farms.

MATERIAL THEMES

Supporting customers



Our business only succeeds when our customers succeed. This section focuses on the work we are doing to drive inclusive banking, support customers in hardship, and drive positive impact through financing affordable and specialist housing and Indigenous business.

Why it matters

This year, we focused on building a secure, easy, and relationship-led banking experience while supporting our customers through the wide-ranging impacts of bushfires, drought, Cyclone Seroja and COVID-19. Maintaining access to banking services, providing expert guidance, hardship relief and support, and continuing to lend responsibly are critical to Australia and New Zealand's stability and recovery. We know that access to inclusive financial services is critical to achieving the Sustainable Development Goals (SDGs), particularly so for people who are at risk of financial exclusion and vulnerability.

What we are doing

Inclusive banking

Supporting low-income customers

A significant number of Australians and New Zealanders experience difficulties accessing financial services²⁸. This is particularly so for people on low incomes. For over 18 years, we have partnered with Good Shepherd Australia New Zealand to support no and low-interest loans for people at risk of financial exclusion. These products, operated on a not-for-profit basis, can support individuals who may be excluded because of lower income or financial capability levels, or poor credit histories.

We are supporting loans to build financial inclusion across Australia and New Zealand. This year, we:

- Wrote more than 32,100 microfinance loans, including through programs tailored for people experiencing domestic and family violence, or who have experienced loss of income due to COVID-19.
- Launched a NILS4Cars pilot, a no-interest loan of up to \$5,000 to support clients purchasing vehicles.

In March 2021, BNZ partnered with employment solutions provider, PaySauce to launch PayNow. PayNow is a no interest way to provide pay day advances, helping workers through tight situations and allowing them to meet unexpected financial pressures without turning to predatory payday lenders. Since launch, PayNow has supported customers with over \$500,000 in advances.

Building digital adoption

We are investing significantly in making banking easier, faster, and safer for our customers, and it is critical we bring our customers with us in designing digital solutions. We are working on increasing digital adoption to ensure access to financial services. This year, we:

- Invested in our colleagues by delivering digital banking webinars and training across Personal Bank and Business and Private Bank to better support customers with their online banking.
- Refreshed the 'Help Guides' section of our [website](#), so customers can easily find and follow step-by-step instructions when taking control of their banking through digital channels.

Getting the basics right and serving customers well through uncertainty.

These initiatives are designed to support our customers to take control by adopting digital banking solutions, and are backed by our continual work to make banking easy (see page 16).

Accessibility

Our [Accessibility Action Plan 2021-2022](#) (AAP) was launched in May 2021 and articulates our work to build inclusion for our customers and colleagues with disability.

We are embedding accessibility across NAB to ensure our environments, products and services and ways of working are inclusive of people with disability and subsequently everyone. Key highlights delivered in 2021 include:

- Launching the NAB Accessibility Forum, connecting peak disability organisations with NAB management to raise and discuss issues and best practice of inclusion of people with disability in banking.
- Updating our communication and feedback channels to ensure accessibility for customers with disability.
- Launching a refreshed 'Accessibility and Inclusion' page on our [website](#). This simplified page brings together customer-focused information on accessibility features across our physical footprint, mobile app, and internet banking.

Pleasingly, our efforts have seen us improve our standing in the independent Australian Network on Disability Access and Inclusion Index. We have increased our score from 47/100 in 2018 to 71/100 in 2020 and will continue to focus our efforts on ensuring accessibility across our organisation.

MATERIAL THEMES

Supporting customers



Hardship assistance

NAB Assist is the key point of contact when listening and responding to the needs of customers experiencing circumstances of financial difficulty. It is our responsibility to understand each customer's circumstances and to review the factors impacting their financial health in the short-term, while considering options and developing a clear plan to help them in the long-term. This is inclusive of assistance beyond money and may include referrals to social services support. Given the significance of COVID-19, the role of NAB Assist has become even more critical.

Supporting customers through COVID-19

NAB has supported customers throughout COVID-19. In December 2020, we introduced check-in calls with customers who were in a post-deferral hardship arrangement. Of these customers with deferrals ending before March 2021, a majority (89%) were able to recommence payments, 0.3% moved to interest only loans and 5% were supported with further hardship arrangements.

The emergence of the Delta variant of COVID-19, and associated extended lockdowns across New South Wales, Victoria and the Australian Capital Territory have increased the need for deferral support for some customers. From July 2021, we have:

- Entered more than 4,600 loans (~\$1.9 billion in outstanding balances) for deferral assistance. This included approximately 2,500 loans (\$1.1 billion) that were provided deferral assistance in the first wave of COVID-19.
- Experienced a peak in new hardship requests in July (weekly volume increasing 159% to ~845), with new requests for hardship assistance decreasing to ~36 in September.
- Responded to demand from across Australia, with customers from New South Wales (48%) experiencing hardship at a greater proportion than other states, followed by Victoria (25%) and Queensland (14%).

Customers have made some form of payments on over 80% of the accounts in deferral assistance. Our experience across 2020 and 2021 has shown that as the economy re-opens, recovery can be swift.

To understand how we're supporting colleagues during COVID-19, see '[Colleague capability and wellbeing](#)'.

Investing in systems and partnerships

We have continued to invest in technology and partnerships to improve outcomes for customers experiencing financial hardship. This year, we:

- Developed self-serve capability within NAB's Internet Banking and NAB app, providing customers with the ability to identify overdue accounts and enter payment arrangements at any time, without relying on standard business hours. Since launching in June 2021, over 316,000 customers have interacted with the functionality, with over 13,941 of those making immediate payments or entering arrangements.
- Continued to promote and raise awareness of the interpreting service 'Language Loop'. This service supports customers for whom English is not their primary language, with approximately 1,000 customers using the service each month.
- Leveraged TrueVoice^{TM29} speech analytics and machine learning to review conversations with customers in relation to their home loan deferral arrangements. The review flagged calls to identify customers who may be experiencing vulnerability, followed up by manual calls to determine what extra support customers required.
- Launched a program to provide early support to customers identified through modelling that analyses customer behaviour to detect early signs of financial difficulty.

Addressing focus areas

The NAB Customer Care team provides specialist and extra care to customers experiencing financial difficulty. Colleagues across the organisation are trained in vulnerability cues, and when identified to transfer customers for additional support and access to specialist resources. In 2021, we supported ~5,200 customers experiencing a vulnerability. The most common vulnerabilities in referrals related to:

- Domestic and family violence (~1,300 referrals).
- Scams (~1,150 referrals).
- Financial hardship (~1,090 referrals).

MATERIAL THEMES

Supporting customers



Customers experiencing vulnerability

Events throughout 2020 and 2021 have shown us that lives can change overnight. Natural disasters and the ongoing impacts of COVID-19 have brought the need for more support for our customers into clear focus. These events have hurt customers and colleagues personally and financially, and it can happen to any one of us.

We have renewed our approach on how we provide support, outlined in our **Customer Vulnerability Framework** (Framework).

The renewed Framework, launched in 2021, focuses activity in three key areas:

Identifying customer vulnerability earlier and taking action

In our experience, people don't always identify with being in vulnerable circumstances. We want our customers to know that we're here to support them. To support this, we are continuing to build capability of our customer-facing colleagues to recognise circumstances where customers may be experiencing vulnerability, updating and reviewing our communications on support available to customers and enhancing support measures and assistance with banking services for customers experiencing vulnerability.

Reducing financial abuse in all its forms

Financial abuse is when one person exerts power and control over another person's finances. It can be perpetrated in many ways, and happens between family members, friends, carers and third parties. We are refining our systems, training and policies and processes to better recognise when customers might be experiencing financial abuse, and to provide specialised support for customers being abused.

Preparing and responding to natural disasters and pandemics

We understand that when crises hit, our customers need us more than ever. We aim to provide immediate relief in the form of financial support measures and respond quickly through training of our customer-facing colleagues to support customers on the ground. We are also investing in support measures to help customers and communities improve their resilience. See page 25 for information on **NAB Ready Together**.

Importantly, these focus areas are underpinned by:

- Executive governance.
- Data management, retention, and privacy.
- Inclusive product design, service and change.
- Culture shift, capability, and training.

Vulnerability is where personal circumstances expose a person to increased susceptibility to damage, harm or loss when interacting with NAB.

This year, we have initiated and delivered more support for customers experiencing vulnerability. Detailed updates are available in the Framework. The highlights include:

- Providing support to our customers through COVID-19 (see page 38) and natural disasters (see page 25).
- Embedding our consideration of customer vulnerability in our product governance, including annual product reviews and within our Customer Outcomes Framework.
- Including customers experiencing vulnerability within our design principles and check points within our Change Management system.
- Providing targeted banker support and training, so colleagues can better assist customers.
- Releasing an 'Easy Guide' for everyday transaction accounts, using simple, accessible language and pictures for more inclusive communication.

MATERIAL THEMES

Supporting customers



Supporting Indigenous business

Supporting Indigenous business in Australia

Our ambition is for a reconciled Australia, where through the empowerment of Indigenous communities and businesses, the gaps between Aboriginal and Torres Strait Islander people and non-Indigenous Australians are closed. It's a future where Aboriginal and Torres Strait Islander people have the same opportunities for social and economic inclusion.

Our Elevate Reconciliation Action Plan (2019-2021) details our goals, with our next update on progress scheduled to be published in December.

This year, we finalised our Indigenous business strategy, outlining our planned approach to support growth in the Indigenous business sector over the next three years. As Australia's largest business bank, we are well placed to drive growth. To get there, we are investing in a new team comprised of bankers to support Indigenous business customers nation-wide.

Over the past twelve months we:

- Commissioned a report into the growth potential of the Indigenous Business Sector from IBIS World Plus.
- Hosted our first Indigenous Business Roundtable, hearing directly from NAB's Indigenous business customers on their experiences with NAB.
- Developed dedicated customer value proposition for Indigenous Community customers within the Government, Education, Community portfolio.
- Sponsored Supply Nation's 'Connect' conference, held virtually due to COVID-19, and spent \$4.3 million with Indigenous businesses through our supply chain.
- Hosted forums to increase our people's cultural awareness of Indigenous issues to better understand our Indigenous customers' needs

We are actively engaging with leaders internationally to share insights and learn from their experiences. We have also refreshed our Indigenous Advisory Group to bring in individuals with specific Indigenous business expertise to drive our focus.

Supporting economic participation of Indigenous Australians through business-led growth.

MATERIAL THEMES

Supporting customers



Affordable and specialist housing

Australians want to live in safe and suitable homes. As a bank, we're well-equipped to help. We also believe we have a responsibility to do so. New homes don't get built or bought without finance, and that's where we can help most—by providing the funds that get Australians in need into homes. We're determined to play a leading role in making sure there are enough affordable homes available in Australia, including for those on lower incomes, and plenty of options available for Australians with disabilities.

The spectrum of affordable housing is wide, spanning accommodation provided by state governments and community housing providers through to mixed housing and commercial build-to-rent projects. NAB has developed an enterprise-wide approach, focusing our efforts on the areas of the housing spectrum we can most significantly support.

In 2019 we announced our target to provide \$2 billion by 2023 in financing for affordable and specialist housing, to help more people into homes.³⁰ In 2021, we reached a cumulative total of \$1.8 billion towards this target. This includes \$1.5 billion in financing provided in 2021 (see Figure 12).

This year, we have included cumulative data from a subset of loans provided via the First Home Loan Deposit Scheme (FHLDS), for loans where applicants had a total taxable income under the national median, and for properties with a price under the national median. This recognises the FHLDS's key role in making home ownership more accessible for Australians finding it hard to buy a first home. The FHLDS creates a pathway to home ownership for a cohort that might otherwise have struggled to own their own home.

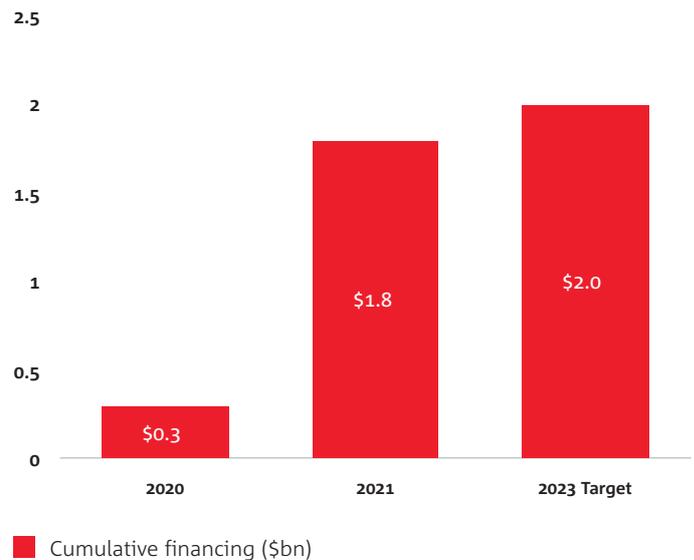
Significant progress is being driven across the Group, including:

- **Corporate and Institutional Banking** partnering with governments and institutional developers.
- **Business and Private Banking** building bespoke capability in Specialist Disability Accommodation, and Indigenous Business that will support communities with affordable and community housing.
- **Personal Banking** facilitating access to home ownership for individuals on the lower end of the income spectrum, through the FHLDS.
- **BNZ** driving progress towards their mission to support more New Zealanders into warm, dry, resilient homes via our partnerships with Kāinga Ora and Habitat for Humanity.

Looking ahead, we see significant opportunities including continued growth in the Specialist Disability Accommodation sector, and facilitating access to home ownership for individuals on the lower to median income bands, for example, essential workers, through partnerships and new market offerings with government and other market participants.

Given the significant progress made towards our 2023 target, and our ambition to drive continued progress in this area, we are currently reviewing the term and size of our target. We will provide an update in 2022.

Figure 12: Progress towards \$2bn financing target to support affordable and specialist housing



>4,300 AFFORDABLE OR SPECIALIST DWELLINGS CREATED

>11,000 PEOPLE HELPED INTO HOUSING

³⁰ Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. This includes loans made under the First Home Loan Deposit Scheme for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance. Only the 2021 portion of the cumulative progress figure has been assured by EY.

MATERIAL THEMES

Colleague capability and wellbeing



Why it matters

We have an international workforce of more than 32,000 colleagues³¹. 98 per cent of our colleagues work in Australia and New Zealand, while the remainder are in London, New York, and parts of Asia.

Our Colleague Strategy was established to deliver the goal of having trusted professionals who are proud to be a part of NAB. Our strategic aspirations include:

- Talented professionals who shape the future of banking.
- Distinctive leaders who inspire performance.
- Empowered colleagues who are motivated.
- Inclusive culture we can be proud of.

What we are doing

Several strategic initiatives are already bringing these pillars to life. These include a consistent leadership program for all leaders, professionalisation of our workforce through various levels of banking accreditation, refreshing both our Performance and Reward Framework (described on page 27) and our **Group Inclusion and Diversity Policy**. Our work is supported by listening and acting to colleagues through our regular engagement surveys.

The physical and psychological well-being of our colleagues is critical to serving customers well and helping our communities prosper. Colleagues who are safe and well can perform at their best, be resilient in times of change and focus on better customer outcomes.

The capability, adaptability and diversity of our colleagues are vital in achieving our ambitions for our business. We need colleagues who are clear on their role, capable of getting it done and motivated to deliver. They also need to be representative of our diverse communities.

The ongoing impacts of COVID-19 and increasingly frequent natural disasters have challenged our colleagues. We have ensured our colleagues are well informed, protected, and empowered to continue serving customers throughout this time.

New ways of working

As we re-open our offices that have been subject to COVID-19 related restrictions, we know that our colleagues want greater choice and flexibility in where and how they work. We are implementing a hybrid model of working that can improve productivity and provide balance, inclusion, and wellbeing.

For most colleagues, this approach will mean work is split between home and the office. Our colleagues have adapted to serve customers well regardless of where they are working from, but we want our colleagues to start coming together again to unlock the benefits of face-to-face collaboration and in-person mentoring, when it is safe to do so.

Flexibility, wellbeing, and colleagues' mental health are core requirements and part of our employee value proposition and will help us to attract and retain the very best talent to NAB.

In addition to flexibility, we are investing in uplifting our digital and data analytics capability and literacy as a key enabler of our strategy, and continuing to ensure we offer career and development opportunities and exposure to new ways of working to prepare our colleagues for the future.

Figure 13: Colleague strategy

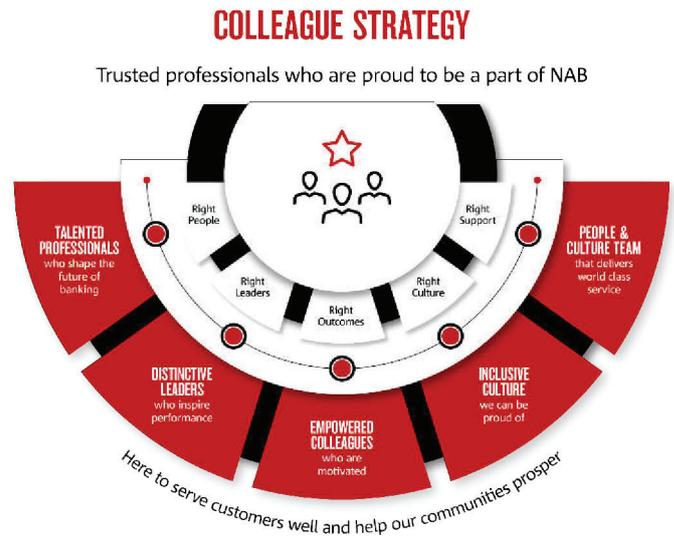
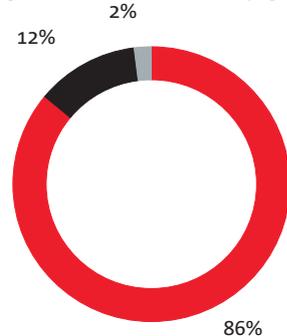


Figure 14: Colleague distribution (%) by geographic region



- Australia
- New Zealand
- UK, USA, and Asia

Table 8: Workforce by contract type and gender % 2021

	FEMALE	MALE
Permanent term full-time	29.2	35.1
Permanent term part-time	7.7	1.2
Fixed term full-time	0.9	1.1
Fixed term part-time	0.2	0.1
Casual	1.1	0.3
External/temporary employee/contractors	8.4	14.7

Data based on NAB's workforce as at 30 September 2021.

31 Number of full-time equivalent colleagues as at 30 September 2021, excluding discontinued operations.

MATERIAL THEMES

Colleague capability and wellbeing



Capability

The capability of our workforce is vital to delivering our strategy. This year, we have focused on delivering two major elements of our Colleague Strategy; talented professionals who shape the future of banking and distinctive leaders who inspire performance.

During the year we made 11,300 appointments, of this 55% external and 47% internal. This is comprised of 4,900 bankers and 6,400 other professionals.

Career Qualified in Banking

2021 has been the first full year of our \$50 million investment to raise the bar of professionalism in banking. We are doing this by delivering the Professional Banking Fundamentals qualification to our entire workforce, in partnership with FINSIA. This is an industry-first in Australia and New Zealand.

Over 2,000 colleagues have completed the program, which is made up of self-paced online learning and supported through a dedicated faculty of distinguished experts across the organisation. Our target is to enable the qualification of NAB's workforce by 2025.

Distinctive Leadership

Leaders create engaging workplaces, hold each other to the highest standards, make the right decisions and empower us to serve customers well and help our communities prosper.

We have introduced Distinctive Leadership, one world-standard leadership program for every single leader across our workforce. This program provides a consistent approach to how we lead, manage and coach our colleagues every day.

As at 30 September, over 1,100 leaders have completed the program. Our colleague survey has indicated a steady increase in the score for colleagues recommending their people leaders, from 85 in October 2020 to 88 in July 2021.³²

Digital and data capability

The NAB Cloud and Data guilds have contributed to the digital, data and technology capability of internal colleagues. Investments in capability have been made through:

- Engineering bootcamps offered to colleagues (3,551 training places completed).
- Cloud certification (1,139 colleagues certified in 2021).
- Data analytics platform accreditation pathways (379 enrolments in 2021 4,683 hours of learning completed, and 51 completed accreditations).
- External vendor training has been provided from partners such as ThoughtSpot and Microsoft (Power BI and Azure certifications).

NAB has also recruited new digital, data and technology talent through a range of targeted programs, including internships, graduates, and a neurodiverse intake. NAB was the largest technology internship recruiter in 2021 (Source: Swinburne, Deakin, RMIT).

Talented professionals who shape the future of banking.

We foster diverse, market-leading banking professionals and attract, develop, and retain top talent. We empower colleagues to learn and grow, build digital and data capabilities, and pursue exciting career opportunities.

Banker Attraction Reward and Retention

In 2021, we established a program of work (Banker Attraction, Reward, and Retention) to improve the way NAB attracts, rewards, and retains bankers to ensure we have top talent to deliver consistently great customer experiences. This work supports execution of our Group Strategy, including our focus to be known for exceptional bankers. Key developments driven by this program in 2021 included:

- Reshaping reward (as discussed on page 27) to make it more consistent, simple and customer oriented.
- Commencing work on a Banker Career Hub, to support career planning, progression and drive longer tenure within NAB.
- Creating guidelines for internal colleague movements designed to set expectations on role tenure and encouraging colleagues to build capability before moving to new roles.

Top 20 Graduate Employer

NAB was recognised as a Top 20 Graduate Employer in the GradConnection Top 100 Most Popular Graduate Employers ranking. NAB has also been identified by the Australian Association of Graduate Employers as having a Top 24 Graduate recruiter for 2022, with over 3,330 candidates completing the survey and more than 1,000 employer representatives were nominated.

MATERIAL THEMES

Colleague capability and wellbeing



Engagement

Our aim is for every person at NAB to be proud to work here. That starts with listening and acting on what our colleagues tell us matters most. We have improved how we listen to our colleagues, through ongoing quarterly surveys.

Colleague engagement is the extent to which colleagues feel passionate about their jobs, are committed to the organisation and put discretionary effort into their work. High engagement is the outcome of a healthy culture. Our Heartbeat survey is an opportunity for colleagues to tell us what is working well and should continue, as well as how we can improve.

Our most recent survey, held in July 2021, had an 84% response rate. This was the highest response rate since we moved to quarterly surveys in April 2020. This reinforces how much our colleagues value having their say. Within this survey, we achieved an engagement score of 77 among all colleagues. As seen in the chart this reflects a positive trend since 2019, and our most recent score has achieved our target of top quartile engagement.

Our strongest scoring areas included:

- Colleagues recommending their People Leader (88).
- Leadership support of gender equality (91).
- Zero tolerance of sexual harassment (90).

Challenges identified include making NAB a simple place to work, as well as workload and time management pressures.

The Heartbeat Survey also provides a point-in-time view of the diverse demographic composition of our workforce. For a detailed view of this, see the 'Workforce Representation' tab in our [2021 Sustainability Data Pack](#).

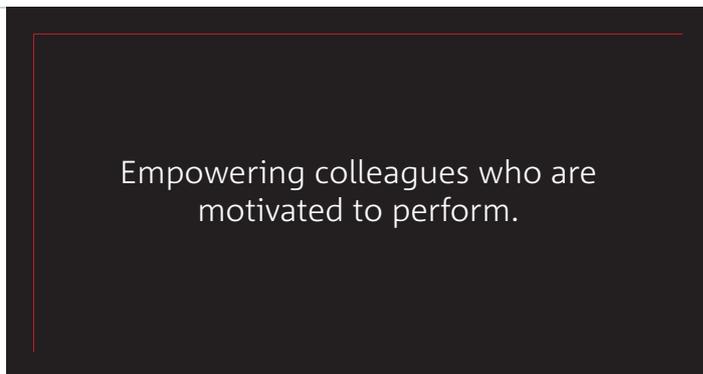
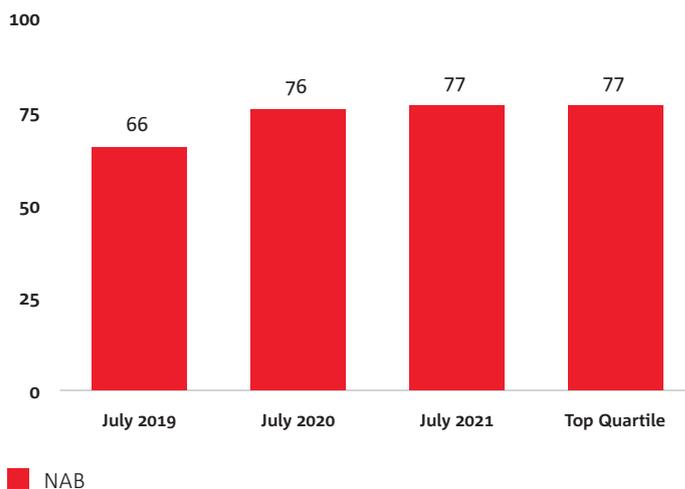


Figure 15: Colleague engagement over time



Source: Scores calculated from Colleague Engagement Survey conducted by Glint. The 2019 score has been restated using the updated methodology for comparative purposes. 2019 restatement falls outside the scope of EY assurance. Population excludes external contractors, consultants and temporary colleagues.

MATERIAL THEMES

Colleague capability and wellbeing



Inclusion and diversity

When our colleagues feel valued and empowered to contribute, we enable performance, innovation and better manage risk. This is why our focus is on inclusion, not just diversity.

The Board endorsed our new Inclusion and Diversity Strategy Framework in late 2021. Our new Framework recognises the need to intentionally focus on inclusion, not only diversity in our colleague processes, policies, and practices. new Framework covers:

- **Inclusive leadership:** Leaders are visible in their commitment to inclusion and actively build diversity in teams.
- **Inclusive workplace:** A workplace that actively promotes and leverages team diversity, flexibility, and well-being.
- **Customer inclusion:** Colleagues who take pride in understanding the needs of our customers, and ensure that they can access the information, services, and products they need with ease.

The framework will adopt an intersectional approach, considering for example: gender equality, people with disability, cultural diversity, younger and older generations and Aboriginal and Torres Strait Islander people.

Leader-led, colleague-enabled approach

The Board also approved an updated Group Inclusion & Diversity Policy (the Policy), which is published in the Corporate Governance section of our [website](#). The Policy includes a requirement for the Board to set measurable objectives for achieving inclusion and diversity which, together with progress on the Framework, is assessed and reported on at least annually.

NAB's Executive Leadership Team continue to have direct accountability for the execution of the Framework. To support leadership accountability, all leaders at NAB continue to have an inclusion and diversity key performance indicator included in their annual performance plan. This means that progressing an inclusive culture directly impacts their performance pay.

Our objectives support those detailed in our Accessibility Action Plan and Reconciliation Action Plan. We're focused on creating a workforce reflective of our communities, which attracts and retains the best talent. We will hold ourselves accountable to these objectives, and report transparently to allow others to do the same.

Gender equality

We're focused on achieving 40-60% of either gender represented at every level of the business and a gender pay gap below 10% by 2025. In 2021, we saw an increase in female representation in our Management (Salary Group 4), Senior Management (Salary Group 5) and Group Subsidiary Boards level. Female representation at our most senior levels of the organisation, Executive Management (Salary Groups 6 and 7) and NAB Board decreased. Progress against our measurable objectives is detailed in Table 9 on the following page.

We have achieved a year-on-year decrease in our gender pay gap, with WGEA calculating NAB's 2020-21 base salary pay gap, at 16.6%, consistently reducing from 20.1% in 2018-19.

While we have made some progress in senior representation and continue to close the gender pay gap, there is still work to do to reach our 2025 targets. We will continually challenge ourselves to ensure we are prioritising equality, not just for gender, but across all diverse demographics.

Through our continued membership of Women in Banking and Finance, a non-profit organisation, which provides mentoring, education programs and professional development events tailored to women, we supported the growth of talented females through the Mentoring for Success program and Leadership 20:20 program.

Addressing sexual harassment

NAB engaged KPMG to undertake an independent assessment on our approach to preventing and responding to sexual harassment. This work drew on the recommendations within the Champions of Change Coalition Report '[Disrupting the System – preventing and responding to Sexual Harassment at Work](#)'.

The areas of improvement included an Action Plan setting out work against four areas:

- Increase transparency and reinforce accountability.
- Raise awareness and build confidence to act.
- Develop your people leaders and people advisors into active allies.
- Integrate best practice into existing policies and processes.

We have set a zero tolerance expectation to sexual harassment and supported colleagues through a number of actions. Improvements have included more frequent and targeted communications, enhanced risk awareness training for all colleagues, supporting leaders to understand how they can proactively address concerns about sexual harassment and introducing a quarterly sexual harassment forum with cross-functional enterprise representation, all focused on strategic preventative action.

NAB's Discrimination and Harassment guidelines can be viewed on our [website](#).

MATERIAL THEMES

Colleague capability and wellbeing



Table 9: Progress against NAB's 2021 Measurable Objectives

MEASURABLE OBJECTIVE	2020	2021	2025 TARGET
1. Diverse leadership teams and talent pipelines:			
<ul style="list-style-type: none"> At each salary level 40-60% of either gender represented.³³ NAB Board (non-executive directors) 40-60% of either gender represented. NAB Group subsidiary boards 40-60% of either gender represented. 			
Female representation			
NAB Board (non-executive directors)	44%	38%	40-60%
NAB Group subsidiary boards	40%	49%	40-60%
Executive Management (Salary Group 7)	36%	33%	40-60%
Executive Management (Salary Group 6)	36%	35%	40-60%
Senior Management (Salary Group 5)	34%	36%	40-60%
Management (Salary Group 4)	37%	38%	40-60%
Non-management (Salary Group 3)	43%	45%	40-60%
Non-management (Salary Group 2)	55%	56%	40-60%
Non-management (Salary Group 1)	69%	71%	40-60%
Total organisation	50%	50%	40-60%
2. Fair remuneration – seek to reward people fairly and support our objective of gender pay equity <10% by 2025			
Gender pay equity	18.1% ³⁴	16.6% ³⁵	<10%
3. Inclusive workforce culture³⁶			
Female score ³⁷	-	84% (-1% difference vs male)	
People with disability	-	73% (-10% difference vs people without disability)	
Ethnic minority ³⁸	-	84% (+2% difference vs non-ethnic minority)	
LGBTIQ+ ³⁹	-	78% (-6% difference vs non-LGBTIQ+)	
Carers ⁴⁰	-	82% (-2% difference vs non carers)	

³³ Representation by Salary Group shows percentage female population and has been calculated using population of permanent full-time and part-time employees. In prior years, NAB has grouped Salary Groups together to indicate organisational level, i.e. Salary Group 1-3 are 'non-manager' roles and Salary Group 6-7 are 'executive management'. To provide greater transparency, the representation for these groups is now provided by Salary Group. For historical breakdown and further information on gender representation by employment level, please refer to the 2021 Sustainability Data Pack.

³⁴ At an organisational level, the 2019-20 Workplace Gender Equality Agency's (WGEA) analysis indicates that when comparing the base salary of all women to men within the Australian-based workforce of NAB, our gender pay gap was 18.1%.

³⁵ At an organisational level, the 2020-21 Workplace Gender Equality Agency's (WGEA) analysis indicates that when comparing the base salary of all women to men within the Australian-based workforce of NAB, our gender pay gap is 16.6%.

³⁶ The 'Inclusive workforce culture' objective is measured using colleague engagement data, analysing responses to the question 'How happy are you working at NAB?' for different diverse groups. The table above shows the percentage of favourable responses for specific diverse groups, with comparisons to the related majority group in the workforce. The target for 2021, set in 2020, referred to Inclusive workplace culture – Engagement Score Top 20% (including by diverse segments). During 2021, NAB engaged specialist consultancy firm Karian & Box to undertake a deeper analysis of NAB's colleague engagement survey data and report on broader cultural and inclusion and diversity insights. Following this work, the measurement methodology used by NAB has changed, resulting in the inability to compare the inclusive workforce culture results to an external global engagement benchmark. While the focus of this measurable objective has remained consistent, the target for 2022-2025 has been re-based, with the Board's approval. For 2022-2025, the target is no gap between diverse and non-diverse employees by 2025 using measures from the engagement survey.

³⁷ Response calculated using the gender identity demographic question in the July colleague engagement survey.

³⁸ Colleagues who selected any other option than Australian, New Zealand, Anglo European, or Other European in either of the two cultural background questions have been grouped as ethnic minority. Groups defined as per the Karian and Box Report.

³⁹ Lesbian, gay, bisexual, transgender/gender diverse, intersex and queer. Acronym as per the Karian and Box Report.

⁴⁰ 'Carers' includes colleagues who identified they were caring for: their own child who does not have disability, their own child with disability, someone else's child who does not have disability, someone child with disability, an adult (e.g. spouse, partner, sibling) with disability, an older adult (e.g. parent) with disability or an adult or older adult without disability.

MATERIAL THEMES

Colleague capability and wellbeing



Cultural inclusion

We amended our Religious Leave policy enabling colleagues to apply for up to three working days of paid cultural and religious leave to celebrate important events and traditions without the need to provide 'reasonable evidence'.

Our **2019-2021 Reconciliation Action Plan** outlines our investments in strengthening pathways to leadership for colleagues who identify as Aboriginal and Torres Strait Islander. In 2021, we created a dedicated Aboriginal and Torres Strait Islander cohort for the Distinctive Leadership program, and continued to support the Emerging Indigenous Executive Leaders Program.

LGBTI+ inclusion

We want our customers and colleagues to be respected and valued for who they are. In March, NAB added additional gender markers and salutation options in our systems allowing our trans and gender diverse customers the ability to better reflect their identity.

For the second year, NAB was awarded GOLD in the Australian Workplace Equality Index (AWEI). The AWEI provides the national benchmark on LGBTI+ workplace inclusion. NAB Executive, Drew Bradford, was awarded the Sally Webster Ally Award.

We continue to support the LGBTI+ community and their allies through our ongoing sponsorship of the Midsumma Festival, which we have been the Principal partner of since 2013.

Accessibility

This year our CEO signed the Valuable 500 Initiative – a global movement putting disability on the business leadership agenda. NAB was placed 6th in the Access and Inclusion Index by the Australian Network on Disability, reflecting our ongoing accessibility focus.

In May we launched our **Accessibility Action Plan 2021-2022**. It builds on our previous work, with a focus on innovation to improve the experiences of our customers and colleagues.

To further grow diverse talent pathways, we piloted the Stepping Into program, which is an internship partnership with the Australian Network on Disability aimed at connecting skilled and talented university students with disabilities to NAB.

Supporting colleagues who are carers

We continue to support our colleagues through each stage of their lives from the early stages of their career to retirement. In 2021, we continued to offer paid pandemic leave for all colleagues. This has helped our colleagues to juggle their work and family life during COVID-19. Working parents and colleagues with caring responsibilities continue to be supported by the NAB Care program, which includes dedicated resources for child, elder, and disability carer support. Support has been expanded to encompass self-care for those balancing work and caring. Further flexibility and well-being support includes access to MyCoach, NAB's employee assistance program.

We continue to offer 12 weeks of paid primary carer's leave, regardless of gender, and up to 40 weeks of unpaid primary carer's leave during which colleagues continue to accumulate superannuation and long service leave. This year, the return to work rate after parental leave (of more than 90 days) was 83.8%, a decrease on 2020 (86.4%). We continue to monitor this rate and support colleagues to return to work when ready.

Supporting colleagues to work flexibly

Throughout 2021 most of our colleagues continued to work in a hybrid model, splitting time working at a NAB location and at home. NAB will continue to support a hybrid working model based on feedback gathered from colleagues. A Hybrid Handbook and a 'How to Hybrid: Leader discussion guide' were delivered to support both leaders and colleagues through this on-going transition.

Diversity in supply chain

Including diverse suppliers (businesses owned by women, Indigenous people, people with disability, and social enterprises) into our supply chain helps increase their exposure to corporate sourcing, while creating employment and training opportunities, sustainable growth and social and financial inclusion. We have now set a goal to be sourcing \$10 million of goods and services annually from diverse suppliers, by 2025.

MATERIAL THEMES

Colleague capability and wellbeing



Health, safety, wellbeing

We have remained focused on supporting the health, safety, and well-being of our colleagues through the impacts of COVID-19. These impacts include fluctuating restrictions, continued balancing of working from home and ongoing physical and mental health impacts of COVID-19. We have invested in keeping our physical spaces safe for customers and colleagues, and worked to support colleagues' mental health.

Supporting NAB's COVID-19 response

- Maintaining a dedicated COVID-19 case team to coordinate NAB's response to suspected or confirmed cases among colleagues and for exposure sites in our buildings.
- Implementing COVIDSafe plans for all workplaces including the implementation of social distancing restrictions, provision of personal protective equipment, QR codes and best-practice hygiene and cleaning protocols.
- Updating a dedicated internal website providing COVID-19 guidance material for colleagues and managers.
- Engaging specialist advice on the design and fit-out of three major new commercial offices.

Supporting colleague and customer well-being

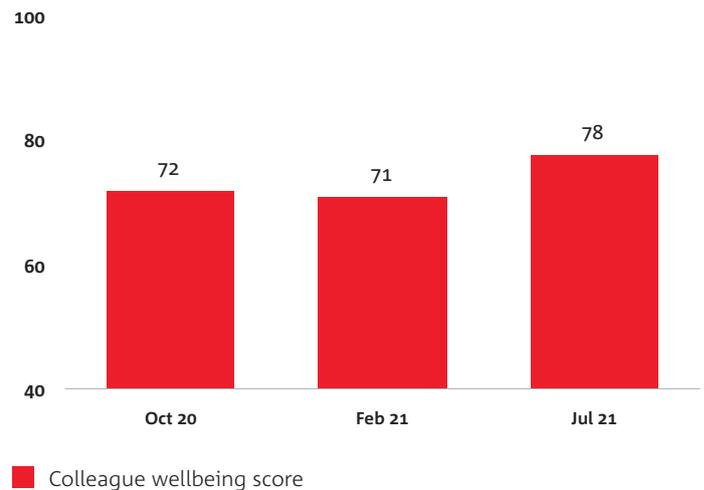
- Providing Pandemic Leave and flexible working options for colleagues to manage the demands of working during extended lockdowns, alongside caring for others and home schooling.
- Delivering targeted training and resources to managers on leading teams remotely, as well as providing working from home training to all colleagues.
- Implementing programs to support customer-facing colleagues with the capabilities to de-escalate and deal effectively with inappropriate customer behaviours.
- Offering mental health support to colleagues through a virtual wellbeing offering, together with the continued offer of counselling via NAB's Employee Assistance Program to colleagues, their families and to customers.

We have continued to invest in broader wellbeing offerings to support colleagues, such as the NAB Employee Support Hub (the Hub). Launched in 2020, the Hub supports colleagues experiencing domestic and family violence, financial hardship, mental health and serious illness, problem gambling and other personal circumstances which may impact their banking. This support hub provides an additional layer of support and care to colleagues during times of vulnerability.

Our approach on the return to workplaces is in line with government guidance, current health advice and public health orders. NAB is adopting a state-based and localised approach to managing our response to COVID-19. Vaccination is our way out, and we have actively supported national efforts to increase vaccination uptake and will continue to support these efforts. This has included a pilot workplace vaccination program in Sydney.

Focusing on the wellbeing of colleagues through uncertainty.

Figure 16: Colleague wellbeing over time



Source: NAB's Heartbeat survey, conducted by Glint. Colleague wellbeing score is a weighted average score of responses to the question 'Our company takes a genuine interest in employees' wellbeing?'.

MATERIAL THEMES

Colleague capability and wellbeing



Getting it right for colleagues

Throughout the uncertainty of COVID-19, we have sought to provide colleagues with clear and consistent conditions to work in. Where we have made mistakes, we are prioritising and investing in getting it right. This is critical to achieve our colleague strategic aspiration to have colleagues who are trusted professionals proud to be a part of NAB.

Enterprise Bargaining Agreement

Our 2016 Enterprise Agreement (EA) sets out employment arrangements for our Australian colleagues and underpins our approach as we evolve our workforce and our way of working. All our colleagues have a right to freedom of association and collective bargaining.

Although bargaining for the 2020 Enterprise Agreement was ultimately paused in consultation with the Finance Sector Union (FSU) due to COVID-19, NAB progressively provided all the benefits and improvements agreed during the negotiations in its development. NAB will engage with the FSU in early 2022 on a future EA that will be simple, flexible, and fair.

Payroll remediation

The Payroll Review is a comprehensive examination of NAB's compliance with our obligations to colleagues relating to remuneration and other entitlements under the *Fair Work Act 2009* (Cth), *NAB Enterprise Agreement 2016* (and relevant predecessor industrial instruments), *National Australia Bank Group Award 2002*, and applicable superannuation and tax laws. Where we have not met obligations, we will:

- Make remediation payments, including interest, to impacted current and former colleagues.
- Fix the underlying issue(s).
- Disclose the issue to the Fair Work Ombudsman.

Obligations relating to remuneration and other entitlements are complex and we have undertaken the Payroll Review with support from external advisors, King & Wood Mallesons and PricewaterhouseCoopers. We are reviewing our obligations from 1 October 2012. As a result, the quantity of data required to be analysed is significant, resulting in longer timeframes. This year, we have:

- Completed the investigation and remediation of our largest and most complex issues, with \$100.7m paid to 22,611 current and 21,493 former colleagues.
- Leveraged an existing service and query management platform and developed a digital process to make it simple for current and former colleagues to receive any remediation payments that may be owed.
- Established a dedicated call centre for current and former colleagues, with 55,977 contacts made to 30 September 2021.
- Strengthened our risk environment and mapped and published processes and associated controls and obligations relating to remuneration entitlements.

MATERIAL THEMES

Data security, technology and innovation



Why it matters

Our customers expect their banking to be easy and digitally enabled so they can do what they need whenever or wherever it suits them, with confidence that their data is secure. Serving customers well means continuing to find ways to meet and exceed this expectation. This is particularly important in a year when COVID-19 has changed the way we work and accelerated the shift of consumer behaviour to online shopping and banking.

What we are doing

We are making banking easier for our customers and colleagues by building technology that allows us to move faster, respond quickly to change, work more efficiently and be more resilient. Our focus is technology investment in the areas that matter most to customers and colleagues.

We're working towards being known for offering an easy, fast and safe customer experience. Achieving this from a technology perspective means migrating IT applications to cloud⁴¹ platforms, standardising and simplifying our architecture to reduce the number of core systems, and providing more consistent outcomes for customers and colleagues. A safe experience also extends to having the right technology and systems in place to monitor and report on suspicious activity and keep Australia's financial system safe.

Transforming the workplace

When COVID-19 originally emerged in 2020, we rapidly accelerated changes in our workplace technology to support our colleagues and customers. This has continued in 2021 as we move towards hybrid working. We have:

- **Provided secure 'always on' access anywhere:** Moved from capacity of 1,800 concurrent remote access users to over 32,000.
- **Enabled collaboration from anywhere:** Moved from on-premises, email or shared drive collaboration to cloud-based solutions and integrated conferencing abilities across our buildings.
- **Simplified systems and applications:** Decommissioned over 850 branch servers, improving performance and security.

Changing our commercial building footprint

2021 has marked a significant year in re-shaping our physical footprint. We launched two new major corporate office buildings in Melbourne and Sydney that will be able to host over 7,000 colleagues as COVID-19 restrictions ease. The buildings have been designed to seamlessly integrate physical and virtual working. Sustainability has been embedded in building design and fit-out, with each building expected to receive a 5 Star Green Star Rating for Design from the Green Building Council of Australia.

The launch of the new building in Melbourne allows for a consolidation of existing properties, with over six building exits to occur, as over 11,000 colleagues are moved into either 700 Bourke Street or 395 Bourke Street.

Making banking easier for customers and colleagues.

Insourcing functions

This year, we have continued our program to insource technology and bolster internal capability for greater control and response. Our technology workforce has shifted from approximately 30% insourced in 2018 to 68% in 2021.

With a focus on cloud, we now have over 2,700 industry-recognised cloud certifications, more than any other company in Australia (for AWS & Azure for non-cloud companies).

⁴¹ The cloud refers to servers that are accessed over the internet, and the software and databases that run on those servers.

MATERIAL THEMES



Data security, technology and innovation

Data security, privacy and management

NAB's transparent, compliant, and ethical collection and use of data is key to earning and maintaining the trust of our customers and colleagues.

Investing in security

We focus on keeping our technology and data secure to protect our customers, and providing our teams with the right tools and processes to respond to security incidents when they occur.

This year, we have progressed our strategic security program, investing in priority areas, including but not limited to identity and access management, vulnerability management, cloud security, data loss prevention and compliance maturity. We spend significant time providing education to customers and colleagues on security threats and how to protect themselves.

We benchmark our cyber security capability against international security standards, including the US National Institute of Standards and Technologies (NIST) Cyber Security Framework (CSF), and have achieved significant progress because of continual investment in this area. Security threats are increasing significantly each year both from a volume and a complexity perspective. We have expanded our focus to work closely in partnership with government, industry and academia to work towards greater security for our country, company and customers.

Protecting customer privacy

We have invested in growing our Global Privacy function in 2021. This team is responsible for data privacy and data ethics across the NAB Group, including policy development, colleague training, consultation and engagement, compliance and partnerships.

NAB has made no direct notifications to the Office of the Australian Information Commissioner (OAIC) under the Notifiable Data Breach Scheme in the year ended 30 September 2021, however, a strategic partner of NAB's was involved in a notifiable event affecting limited NAB customer data. The partner notified the OAIC and affected customers on its and NAB's behalf. Improved information security controls have since been implemented by the partner organisation to prevent a recurrence.

An employee of a NAB subsidiary in the UK was affected by a phishing attack, resulting in the compromise of limited customer and employee data, requiring the notification of the UK's Information Commissioners Office. The incident prompted a hardening of authentication controls for the affected subsidiary, which has since been divested from the NAB Group.

Financial crime

We play an important role in monitoring and reporting suspicious activity and we take our responsibility to keep Australia's financial system safe extremely seriously. To fulfil that responsibility, we have made, and continue to make, significant investments in our ability to detect, deter, and prevent financial crime.

This year, we have:

- Invested in a cloud-based financial crime data solution to deliver more accurate identification and reporting of red flags.
- Used machine learning within anti-money laundering to identify hidden financial crime activity and advanced deception.
- Continued a multi-year Financial Crime Remediation program, as the central component of our 'Know Your Customer Action Plan'

Through enhanced preventative and detective controls we have been able to decrease the level of fraud losses by ~\$9 million in 2021.

We are a partner of the Fintel Alliance, which is a collaboration between public and private sector entities to investigate and disrupt criminal and terrorist activity. NAB's support has led to the arrest of organised crime groups and individuals who exploit minors.

As a signatory to the UN Global Compact, we have also pledged to work against corruption in all its forms, including extortion and bribery. NAB takes a zero-tolerance approach to bribery and corruption and has implemented a framework to manage bribery and corruption risks within our business.

HOW WE ACT

Managing ESG risk

Managing risk is part of everyone's job at NAB, with support from our Risk function which is led by the Group Chief Risk Officer.

Risk is part of our business and the effective management of it is fundamental to our strategy and our ability to be a safe and secure bank that serves customers well and helps our communities prosper. Risks are identified, measured, monitored, reported, and overseen in accordance with the Group's Risk Management Framework (as described in the Group's Risk Management Strategy). For information on our broader risk processes refer to the 2021 Annual Financial Report.

ESG Risk is managed in accordance with Group Risk Management Framework. During 2021, Sustainability Risk⁴², was added as a material risk category⁴³ within the Risk Management Framework. This change became effective on 1st October 2021.

ESG risk management and oversight

Two key risk committees are involved in the oversight of ESG risk:

- The Group Non-Financial Risk Committee – which has oversight of non-financial risks, including climate-related and human rights risks, and the Group's environmental performance.
- The Group Credit and Market Risk Committee – which has oversight of financial risk and ESG risks, including climate-related risks, in the context of the credit risk portfolio. This includes credit policy settings for climate intensive, low-carbon and climate-sensitive sectors.

Matters are escalated to the Executive Risk & Compliance Committee, Board Risk & Compliance Committee and the Board as required.

At NAB, ESG risks are managed in an integrated manner as part of our processes for managing risks across our material risk categories. ESG risk assessment is part of our credit risk assessment and due diligence processes, and factors into decisions about our operations and suppliers.

We maintain a High Risk ESG Sectors and Sensitive Areas list to help our bankers and procurement professionals know which sectors and activities may have a higher inherent exposure to ESG-related risks. It also sets out sectors and activities where we have restricted or no appetite. This list is reviewed and updated to incorporate emerging and changing ESG risks.

Our Credit Risk Policy and Supplier Sustainability Program require all customers and suppliers to be screened against the list for involvement in these sensitive sectors and areas – and if they engage in those activities, it triggers an ESG risk assessment. This could be part of the loan origination or on-boarding process for new customers, or the tendering and contracting process for new suppliers. It may also be part of the review process for our existing customers and suppliers.

We give our colleagues tools to help assess and manage ESG risks. An ESG module, which includes information on climate change and human rights related risks, is included in mandatory annual Risk Awareness training. We voluntarily sign up to initiatives that help banks set standards and improve ESG risk management practices. These include the UN Global Compact, the Equator Principles and, more recently, the PRB and CCCA. Our requirements under these initiatives are assigned in our risk management system, to track our progress in upholding them.

Effective risk management is fundamental to achieving our strategic ambition.

⁴² Sustainability Risk is defined as "the risk that Environmental, Social or Governance (ESG) events or conditions negatively impact the risk and return profile, value or reputation of the Group or its customers and suppliers."

⁴³ The material risks managed by the Group are: credit risk, operational risk, compliance risk, conduct risk, balance sheet & liquidity risk, market risk, sustainability risk and strategic risk. For more information on these, and other principal risks and uncertainties faced by the Group, refer to our [2021 Annual Financial Report](#).

HOW WE ACT

Managing ESG risk

Industry associations

Many of the issues that impact our ability to serve customers cannot be addressed by one company alone. Our industry association memberships provide direct benefit to NAB's long-term success. Our key memberships and payments for 2021 were:

- Australian Banking Association (ABA): \$3,086,999.
- Business Council of Australia (BCA): \$93,500.
- New Zealand Bankers' Association: NZ\$327,767.
- BusinessNZ: NZ\$34,500.

Membership also allows us to advocate within the association for a change in policy and actions to be more aligned with our own views and approach. When an industry association's position on an issue varies significantly from NAB's public position, we raise this directly with the leadership of that association and take this into account at the time of membership renewal.

In 2021, we contributed to numerous policy positions and industry association submissions to government reviews and inquiries, including:

- BCA's 'Achieving a Net Zero Economy' Report.
- Clean Energy Regulator's Corporate Emissions Reduction Transparency consultation paper.
- Senate Environment and Communications Legislation Committee inquiry into the Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020.
- Department of Agriculture, Water and the Environment's evaluation of the Farm Management Deposits Scheme.
- Parliamentary Joint Committee on Corporations and Financial Services inquiry into mobile payment and digital wallet financial services.
- Reserve Bank of Australia's Review of Retail Payments Regulation.
- Digital Transformation Agency's Digital Identity Legislation Position Paper.

Respecting human rights

Our support for human rights starts with doing business in a way that respects the rights and dignity of people, prevents human rights abuses and upholds the law. This is set out in our Group Human Rights Policy, which was refreshed during the year. We consulted with several NGOs during this process. You can find the Policy on our [website](#).

As a major Australian bank, we have a responsibility to work with stakeholders to uphold human rights. We have continued to engage in industry dialogue about applying the Guiding Principles for Business & Human Rights to financial products and services. This includes taking part in industry working groups and forums to share knowledge and enhance industry guidance in relation to human rights and modern slavery. NAB's is a signatory to the PRB, Equator Principles and Global Compact, which also include human rights-related principles.

NAB respects the land rights of communities that are, or may be, impacted by our customers and suppliers by including land rights in our approach to ESG risk management, relevant policies and tools, including as part of our ESG risk assessment processes. Policy requirements related to land rights are included in our Human Rights Policy.

Our 2021 Sustainability Data Pack provides content indexes against key external frameworks, as well as details of our Salient Human Rights Issues and where they are considered in the Annual Review.

Customers and external parties

Human rights-related feedback and concerns can be provided via email to grievances@nab.com.au. Grievances will be referred to the appropriate area for investigation and actioning. To ensure individuals wishing to raise human rights-related concerns are clear about our approach, our [website](#) contains guidance, in multiple languages, on how to lodge a human rights concern with us. Where issues are raised or identified, appropriate actions will be taken in accordance with our [grievance process](#) – including relevant engagement with affected parties (e.g. customers and rights holders).

Customer-related human rights concerns may be received directly by NAB, or from State or Federal anti-discrimination bodies. Five customer discrimination complaints were received this year. NAB investigates and works to resolve any complaint received.

Colleagues

Colleague concerns regarding human rights are managed through our colleague relations processes or via our Whistleblower Program (see the 'Governance, conduct and culture' section page 27).

Modern Slavery

Our annual Modern Slavery and Human Trafficking Statement is available on our [website](#). It outlines what we've done to manage modern slavery and human trafficking risk in our operations and supply chain. We have reported against the UK Modern Slavery Act since 2016, and the Australian Modern Slavery Act since 2020. No instances of modern slavery or human trafficking were identified in NAB's own operations, its supply chain, or through the Whistleblower Program this year.

Human rights due diligence

We have set out our approach to managing human rights risk in our [Human Rights Due Diligence process](#). This includes risk management processes to identify, assess, mitigate, and monitor potential areas where we could be exposed to human rights risks.

Through our ESG risk assessment and due diligence processes, including media scanning, we identified a small number of customers with potential human rights and modern slavery concerns within their operations or supply chains:

- In some cases, further investigation and/or customer engagement has identified instances of poor labour practices. We have engaged with relevant customers and are monitoring the actions being undertaken to address the issues.

- In other cases, due diligence is ongoing to better understand whether there is a modern slavery concern and whether any actions are required.

- There have also been a small number of cases where we have declined a customer relationship or transaction on human rights-related ESG grounds.

In addition, our financial crime teams in Australia and New Zealand identified a number of instances of human exploitation that were investigated and reported to AUSTRAC and law enforcement where required.

PERFORMANCE

GROUP FINANCIAL PERFORMANCE

2021 GROUP FINANCIAL PERFORMANCE ¹	2021	2020
RESULTS (\$M)^{2,3,4}		
Net interest income ⁵	13,797	13,920
Other operating income ⁵	3,009	3,399
Net operating income	16,806	17,190
Operating expenses ⁵	-7,817	-7,679
Underlying profit	8,989	8,183
Credit impairment (charge) / write-back	217	-2,762
Cash earnings before tax and distributions	9,206	5,421
Income tax expense	-2,635	-1,672
Cash earnings before distributions	6,571	3,749
Distributions	-13	-39
Cash earnings	6,558	3,710
Cash earnings (excluding large notable items) ⁵	6,558	4,733
Non-cash earnings items (after tax):		
Distributions	13	39
Hedging and fair value volatility	-63	-34
Amortisation of acquired intangible assets ⁶	-4	-217
Acquisition, integration, and transaction costs	-33	0
Net profit from continuing operations	6,471	3,498
Net loss attributable to owners of NAB from discontinued operations	-107	-939
Net profit attributable to owners of NAB (statutory net profit)	6,364	2,559

KEY INDICATORS ^{2,3,4}	2021	2020
Statutory earnings per share (cents) – basic	196.3	112.7
Statutory earnings per share (cents) – diluted	188.2	108.6
Cash earnings per share (cents) – basic	199.3	120.9
Cash earnings per share (cents) – diluted	191.0	116.2
Statutory return on equity ⁷	10.4%	4.4%
Cash return on equity	10.7%	6.5%
Cash return on equity (excluding large notable items)	10.7%	8.3%
PROFITABILITY, PERFORMANCE AND EFFICIENT MEASURES^{2,3,4}		
Dividend per share (cents) ⁷	127	60
Statutory dividend payout ratio ⁷	65.8%	73.1%
Cash dividend payout ratio	63.7%	49.6%
Cash earnings on average assets	0.74%	0.42%
Cost to income (CTI) ratio	46.5%	52.4%
Net interest margin	1.71%	1.77%
CAPITAL¹	2021	2020
Common Equity Tier 1 capital ratio	13.00%	11.47%
Tier 1 capital ratio	14.64%	13.20%
Total capital ratio	18.91%	16.62%
ASSET QUALITY^{2,3,4}	2021	2020
90+ days past due and gross impaired assets to gross loans and acceptances	0.94%	1.03%
Specific provision to gross impaired assets	52.8%	45.0%
OTHER⁸	2021	2020
Full Time Equivalent Employees (FTE) (spot)	33,275	34,944

¹ Refer to Glossary on page 61 of this report, for definitions of the above financial metrics.

² Figures are in Australian dollars, unless otherwise stated.

³ Information is presented on a continuing operations basis, unless otherwise stated.

⁴ NAB's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are set out in NAB's 2021 Annual Financial Report. A definition of cash earnings is set out in the Glossary on page 61 of this report. Full detail on how cash earnings is defined, is set out in Note 2 Segment Information of NAB's 2021 Annual Financial Report.

⁵ In the September 2021 full year, the Group did not recognise any amounts as large notable items.

⁶ The September 2020 full year included an impairment of acquired intangible assets.

⁷ Includes discontinued operations.

⁸ Total Group FTE including discontinued operations. Excluding discontinued operations, FTE (spot) for 2021 is 32,741 (2020: 31,372) and FTE (average) for 2021 is 31,897 (2020: 31,204).

GROUP NON-FINANCIAL PERFORMANCE

2021 GROUP NON-FINANCIAL PERFORMANCE ⁹	2021	2020
Net Promoter Score (Consumer) – Australia ^{10,11}	-1	-6
Net Promoter Score (Business) – Australia ^{10,11}	-13	-15
Net Promoter Score (Strategic) – Australia ^{10,11}	-7	-11
Net Promoter Score (Consumer) – New Zealand ^{10,12}	36	37
Net Promoter Score (Business) – New Zealand ^{10,12}	-16	-17
Number of customer complaints – Australia and New Zealand ¹⁰	222,367	222,427
Total number of substantiated complaints received concerning breaches of customer privacy from regulatory bodies and other outside parties – Australia & New Zealand ^{10,13}	26	42
Number of microfinance loans written – Australia & New Zealand ^{10,14}	32,110	32,644
Value of microfinance loans written (\$m) – Australia & New Zealand ^{10,14}	41.69	37.81
Number of customers assisted experiencing financial hardship – Australia ^{10,15}	31,047	26,621
Number of branches and business banking centres - Australia & New Zealand	748	852
Number of ATMs – Australia & New Zealand	1,482	1,572
Number of critical priority technology incidents - Australia ^{10,16}	2	6
Number of high priority technology incidents - Australia ^{10,16}	25	39
Number of breaches of Code of Conduct – Australia ^{10,17}	4,740	1,105
Number of disclosures received under Whistleblower Policy ¹⁰	190	115
Total spend on diverse suppliers within supply chain (\$m) ¹⁸	4.6	2.9

2021 GROUP NON-FINANCIAL PERFORMANCE ⁹	2021	2020
Colleague engagement score ^{10,19}	77	76
Women in total workforce (%) ^{10,20}	50	50
Colleagues 50 years of age or over (%) ²¹	21	21
Return to work rate (%) from extended leave which commenced with primary carer leave – Australia ^{10,22}	84	86
Maintain a minimum 1% employment of Indigenous employees - Australia ^{10,23}	1.25	1.23
Involuntary colleague turnover rate (%) ^{10,20,24}	2.8	3.8
Voluntary colleague turnover rate (%) ^{10,20,24}	11.6	8.0
Women in Executive Management salary (Groups 6 and 7) (%) ^{10,20}	35	36
Absenteeism – Australia (days) ^{10,25}	6.77	7.87
Absenteeism – New Zealand (days) ^{10,25}	5.61	4.83
Community investment – Group (\$m) ¹⁰	64.6	42.8
Number of volunteer days completed – Group ^{10,26}	2,362	6,018
Value of volunteer days completed – Group (\$m) ^{10,26}	1.1	3.0
Cumulative progress towards \$2bn affordable and specialist housing financing target (\$bn) ^{10,27}	1.81	0.35
Cumulative progress towards 2025 \$70bn environmental financing target (\$bn EaD) ²⁸	56.3	42.5
Science-based GHG emissions (tCO ₂ -e) reduction target- 51% by 2025 (%) ²⁹	55	41
Source 100% of Group electricity consumption from renewable sources by 2025 (%)	31	7

9 NAB Group non-financial performance table data is described in detail in our 2021 Sustainability Data Pack. All figures are as at 30 September, unless otherwise stated.

10 Ernst & Young have undertaken limited assurance over these performance metrics. Refer to Assurance Report on page 58 for more information.

11 Net Promoter[®] and NPS[®] are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Strategic NPS: Sourced from DBM Atlas, measured on a six-month rolling average. Definition has been updated to give all customers within the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each.

12 Source: 1) Camorra Retail Market Monitor 1 October 2020 – 30 September 2021; 2) Kantar Business Finance Monitor 1 October 2020 – 30 September 2021. In 2021, the Consumer NPS score reflects the total Consumer market, rather than Combined Priority Segments (which included Starters and Savers, Homeowners and Investors and High Net Worth). The Business NPS score reflects that of the total Business market, rather than SME segment only and includes agribusiness. 2020 figure has been restated to align with this approach and has not been assured by EY.

13 Regulatory bodies include the Office of the Australian Information Commissioner (OAIC) and Privacy Commissioner in New Zealand. Outside parties are external dispute resolution (EDR) bodies. Refer to Glossary for definition of substantiated complaint.

14 Delivered in partnership with Good Shepherd (Australia and New Zealand) and Habitat4Humanity (New Zealand only). Total value of microfinance loans presented in AUD.

15 Number of unique primary customers approved with hardship assistance for home loans, credit cards and personal loans. Note this number reflects customers who have been referred to NAB Assist, and is not inclusive of customers with an active deferral as at 30 September 2021.

16 Critical priority incidents: significant impact or outages to customer facing service or payment channels. High priority incidents: functionality impact to customer facing service or impact/outage to internal systems.

17 Code of Conduct breaches increase reflects changes in NAB's Code of Conduct management to comprehensively capture breaches of varying severity, including all minor and mild matters independently managed by People Leaders. Previously our reporting focused only on significant cases that needed to be escalated, therefore prior year numbers are not directly comparable.

18 Describes NAB's purchases made with Indigenous-owned, minority-owned and women-owned businesses and disability and social enterprises.

19 2021 Employee Engagement Survey conducted by Glint, scored based on July 2021 survey. Population excludes external contractors, consultants, and temporary colleagues.

20 Data for these metrics has been calculated using population of permanent full-time/part-time employees of the NAB Group as at 30 September.

21 Data has been calculated based on total NAB Group permanent and fixed-term full-time/part-time, casual, and external population as at 30 September.

22 Return to work rate measures the percentage of colleagues who have returned to work and remained a colleague for 30 days (in relevant reporting year) after taking extended leave which commenced with primary carer leave.

23 This figure is calculated from the NAB Heartbeat (colleague engagement) survey conducted in July 2021 and SAP data to calculate the number of Indigenous trainees as at 30 September. Refer to NAB's 2019-2021 Reconciliation Action Plan.

24 Number of all colleagues who exited NAB each year, by exit type, as a percentage of the average permanent headcount for each respective year.

25 Absenteeism represents the total number of unscheduled absence days during the period divided by the average number of full-time equivalent colleagues (excluding casual colleagues). 2020 data presented has been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results may also be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

26 Value of volunteering days calculated using average daily salaries by employment level, contributed by NAB colleagues to charitable organisations in Australia, New Zealand and – through our global branch network – in London, New York, and parts of Asia.

27 Affordable and specialist housing includes affordable housing, specialist disability accommodation, sustainable housing. This includes loans made under the First Home Loan Deposit Scheme for properties under the national median house price, and for borrowers with taxable income below the national median household income. Progress is based on total lending facilities committed, where first drawdown occurred during the target period. This number does not reflect debt balance. Only the 2021 portion of the cumulative progress figure has been assured by EY.

28 Represents total cumulative new flow of environmental financing from 1 October 2015. Refer to our 2021 Sustainability Data Pack for a further breakdown of this number and reference to how progress towards our environmental finance target is calculated.

29 This target has a baseline of 2015 and covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard. See our 2021 Sustainability Data Pack for further information.

ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION

2021 Annual Reporting Suite

You can view our 2021 Annual Reporting suite online at nab.com.au/annualreports. Other documents in our Annual Reporting suite include:

- 2021 Sustainability Data Pack
- 2021 Corporate Governance Statement
- 2021 Annual Financial Report.

A printed copy of our 2021 Annual Financial Report can be requested from the Share Registry either by emailing nabservices@computershare.com.au or calling 1300 367 647 (within Australia) or +61 3 9415 4299 (from outside Australia). Current and extensive historical information is posted and maintained on the website at nab.com.au/shareholder.

Helping convert your shares to benefit the Australian community

ShareGift Australia is a not-for-profit organisation providing shareholders with a facility to sell and donate parcels of shares to charity, free of brokerage or other administration charges. To date, ShareGift Australia has donated more than \$3 million to over 450 charities, helping to unlock a growing stream of funds for the Australian community. ShareGift Australia is proudly supported by National Australia Bank Limited and is endorsed by The ASX Group and the Australian Shareholders' Association. For further information about ShareGift Australia visit sharegiftaustralia.org.au or call 1300 731 632.

Principal Share Register

Computershare Investor Services Pty Limited

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F: +44 370 703 6101
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United States ADR Depository Transfer Agent and Registrar Contact details for NAB ADR Holders

Deutsche Bank Shareholder Services

American Stock Transfer & Trust Company
Operations Center

6201 15th Avenue
Brooklyn, NY 11219
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ASSURANCE STATEMENT



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Independent Limited Assurance Statement to the Management and Directors of National Australia Bank Limited

Our Conclusion

We were engaged by National Australia Bank Limited ('NAB') to undertake limited assurance as defined by Australian Auditing Standards, over its materiality process, identified material issues, selected performance metrics (also referred to as 'non-financial metrics'), and associated disclosures ('performance metrics and disclosures') included in NAB's 2021 Annual Review ('AR') and NAB's 2021 Sustainability Data Pack ('SDP') for the year ended 30 September 2021.

Based on our engagement, nothing came to our attention that caused us to believe that as at 30 September 2021 and for the year then ended:

- ▶ NAB has not presented its material issues and that the associated disclosures in the AR and SDP are not complete, where materiality and completeness are defined by the Global Reporting Initiative ('GRI') Standards; and
- ▶ The performance metrics and disclosures detailed below, have not been reported and presented fairly, in all material respects, in accordance with the Criteria detailed below.

Basis for Our Conclusion

We conducted our review in accordance with the *Australian Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000'), the *Australian Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report* and the terms of reference for this engagement as agreed with NAB. We are independent of NAB in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 'Code') that are relevant to our review of the AR and SDP in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

ASSURANCE STATEMENT



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What Our Engagement Covered

We reviewed the following performance metrics and disclosures for the year ended 30 September 2021:

What we assure (Subject Matter)	What we assure it against (Criteria)
Annual Review	
<ul style="list-style-type: none"> ▶ 24 key non-financial metrics and the related disclosures included throughout the AR and in the Group Non-financial Performance table on page 56 ▶ Full time equivalent employees (FTE) included in the Group Financial Performance table on page 55 ▶ NAB's materiality process, including NAB's approach to identifying material issues and the disclosure of its materiality process and material issues 	<ul style="list-style-type: none"> ▶ Criteria for the key non-financial metrics throughout the AR with reference to the defined terms in the glossary of NAB's Annual Financial Report ▶ GRI Standards of materiality and completeness
Sustainability Data Pack	
<ul style="list-style-type: none"> ▶ 33 key non-financial metrics and the related disclosures included throughout the SDP 	<ul style="list-style-type: none"> ▶ Criteria for the key non-financial metrics throughout the SDP

Please see Appendix A for a breakdown of the key non-financial metrics and related disclosures assured in the AR and SDP.

EY's Responsibility

Our responsibility is to express a limited assurance conclusion on the materiality process, identified material issues, performance metrics and disclosures in the AR and SDP.

NAB's Responsibility

NAB's management is responsible for selecting the Criteria, and fairly presenting the materiality process, selected material topics and performance metrics and disclosures in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances, such that it is free from material misstatement, whether due to fraud or error.

ASSURANCE STATEMENT



Summary of Review Procedures Performed

Our engagement consists of making enquiries, primarily of persons responsible for preparing the materiality process, selected material topics, performance metrics and disclosures, and applying analytical and other review procedures.

We completed the following procedures for the year ended 30 September 2021:

- ▶ Conducting interviews with NAB personnel and collating evidence to understand NAB's materiality process, process for reporting selected performance metrics as well as risks of misstatement and quality controls to address risks
- ▶ Reviewing NAB's materiality process and conducting checks such as a media review and peer review to support alignment with the GRI Standards materiality and completeness principles
- ▶ Reviewing the AR and SDP for disclosure and coverage of materiality process and identified material issues in line with the GRI standards materiality and completeness principles
- ▶ Conducting limited assurance procedures over the performance metrics and disclosures, including:
 - ▶ Checking that the calculation Criteria have been applied as per the methodologies for the non-financial metrics
 - ▶ Checking the clerical accuracy of input data utilised to calculate selected performance metrics
 - ▶ Undertaking analytical procedures to support the reasonableness of selected performance metrics
 - ▶ Identifying and testing assumptions supporting calculations
 - ▶ Performing recalculations of selected performance metrics using input data and, on a sample basis, testing underlying source information to support accuracy of selected performance metrics
 - ▶ Reviewing the accuracy and balance of statements associated with the selected performance metrics

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

ASSURANCE STATEMENT



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Use of Our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of NAB, or for any purpose other than that for which it was prepared.

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Ernst & Young

Terence Jeyaretnam, FIEAust EngExec
Partner
Melbourne

9 November 2021

ASSURANCE STATEMENT



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Appendix A

#	Year	Performance metric/indicator	Scope	Location
1	FY21	Code of Conduct breaches (by category and outcome)	Australia	AR & SDP
2	FY21	Net Promoter Score (By segment)	Australia & NZ	AR & SDP
3	FY21	Total customer complaints (by region and by category - showing percentage change), including total number of substantiated complaints received concerning breaches of customer privacy from regulatory bodies and other outside parties	Australia & NZ	AR & SDP
4	FY21	Workforce composition by 'diverse' segment	Group	SDP
5	FY21	Inclusive workforce culture - Colleague engagement	Group	AR & SDP
6	FY21	Colleague engagement score	Group	AR & SDP
7	FY21	Colleague engagement - Response rate	Group	AR & SDP
8	FY21	Number of customers assisted experiencing financial hardship	Australia	AR & SDP
9	FY21	Cure rate (percentage of customers with accounts back on track with repayments 30/90 days after receiving assistance)	Australia	SDP
10	FY21	Number of Australians assisted with products / services (by product type)	Australia	SDP
11	FY21	Number and dollar value of microfinance loans written (by type)	Australia & NZ	AR & SDP
12	FY21	Total workforce (by FTE, headcount, age group, gender, employment type and employment level)	Group	AR & SDP
13	FY21	Female representation in total workforce	Group	AR & SDP
14	FY21	Female representation in Executive Management	Group	AR & SDP
15	FY21	Total number and rate of employee turnover (voluntary/involuntary and by gender)	Group	AR & SDP
16	FY21	Ratio of basic salary, female to male (by employment level)	Group	SDP
17	FY21	Female representation on Group Subsidiary Boards	Group	AR & SDP
18	FY21	Number and dollar value of Volunteer Days Completed (total of skilled and general)	Group	AR & SDP
19	FY21	Return to work rate (%) from extended leave which commenced with primary carer leave	Australia	AR & SDP
20	FY21	Lost Time Injury Frequency Rate - including total days lost due to stress	Australia & NZ	SDP
21	FY21	Absenteeism Days	Australia & NZ	AR & SDP
22	FY21	Community Investment (by dollar value, region, type and focus area)	Group	AR & SDP
23	FY21	Number of whistleblower disclosures received under the Whistleblower Policy (including partially or fully substantiated, not substantiated and remaining under investigation)	Australia	AR & SDP
24	FY21	Number of data breach notifications sent to the Office of the Australian Information Commissioner (OAIC)	Australia	AR
25	FY21	Number of critical and high priority technology incidents	Australia	AR & SDP
26	FY21	Progress towards affordable and specialist housing financing commitment	Australia	AR & SDP
27	FY21	Provide 19,000 microfinance loans to Aboriginal and Torres Strait Islander customers (6,600 loans in 2021)	Australia	AR & SDP
28	FY21	Achieve \$2.6 million spend with Indigenous businesses (\$1.2 million in 2021)	Australia	AR & SDP
29	FY21	Maintain a minimum 1% employment of indigenous employees across the NAB Australian employee base but aim 2% by 2022	Australia	AR & SDP
30	FY21	Maintain engagement scores amongst Indigenous employees that are at least equivalent to the NAB engagement score in Australia	Australia	SDP
31	FY21	Increase engagement scores amongst Indigenous employees year on year alongside top quartile employee engagement	Australia	SDP
32	FY21	Offer 70 flexible traineeships annually across both school-based and adult trainees	Australia	SDP
33	FY21	Offer ongoing positions to 100% of all trainees who successfully complete NAB's program and have expressed interest in ongoing employment with NAB - Subject to business resource demand	Australia	SDP
34	FY21	Achieve an 80% completion rate of trainees on programs	Australia	SDP

ADDITIONAL INFORMATION

Being accountable

Our 2021 Annual Review Steering Committee is responsible for ensuring the integrity of our integrated report (the 2021 Annual Review). The Steering Committee is comprised of representatives from key business functions, including Investor Relations, Finance and Corporate Affairs. Other business functions have collectively contributed to the preparation of the 2021 Annual Review. These include Strategy, Governance, Risk, Legal, Treasury, People and Technology. The Steering Committee concludes that the 2021 Annual Review has been developed with due consideration of the IIRC Integrated Reporting Framework.

Understanding this report

This document is not a concise report prepared under section 314(2) of the Corporations Act 2001 (Cth). NAB has not prepared a concise report for the 2021 financial year. All figures quoted are in Australian dollars unless otherwise stated. A reference to '\$' is to an amount in Australian dollars. References to 'NAB' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'NAB Group' refers to NAB and its controlled entities. All references are as at 30 September 2021, except where stated otherwise. The environmental operational performance data is prepared based on NAB Group's environmental reporting year from 1 July to 30 June and includes MLC Wealth operations for the period NAB maintained operational control. Further information on non-financial information boundaries is available [2021 Sustainability Data Pack](#). Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Unless otherwise stated, information in this document is presented on a cash earnings basis. Cash earnings is a non-IFRS key financial performance measure used by NAB and the investment community.

2021 Annual Financial Report

The NAB Group's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Standards and Interpretations issued by the Australian Accounting Standards Board, are published in our 2021 Annual Financial Report, which can be viewed at nab.com.au/annualreports from 9 November 2021 and is available in hard copy on request.

2021 Corporate Governance Statement

Our 2021 Corporate Governance Statement describes NAB's approach to corporate governance and complies with the ASX Corporate Governance Council's Principles and Recommendations (4th edition). NAB's 2021 Corporate Governance Statement and Appendix 4G can be viewed at www.nab.com.au/about-us/corporate-governance from 9 November 2021.

Litigation and disputes

From time to time entities within the Group may be involved in disputes or legal proceedings arising from the conduct of their business. The outcomes and total costs associated with such disputes and proceedings are typically uncertain. Any material legal proceedings may adversely impact the Group's reputation and financial performance and position.

For further details of the Groups material legal proceedings and contingent liabilities refer to pages 169-172 of the 2021 Annual Financial Report.

Forward looking statements

This report contains statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially

from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment, a material change to law or regulation or changes to regulatory policy or interpretation, and risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, the Australian and global economic environment and capital market conditions.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained on pages 19-31 of our 2021 Annual Financial Report under '*Disclosure on Risk Factors*'.

GLOSSARY

<p>AA1000 Account Ability's AA1000 Series of Standards are principles-based frameworks used by global businesses, private enterprises, governments, and other public and private organizations to demonstrate leadership and performance in accountability, responsibility, and sustainability.</p> <p>Affordable and specialist housing Refers to residential property developments, including crisis accommodation, community housing, disability housing, build-to-rent properties, and sustainable developments.</p> <p>APRA Australian Prudential Regulation Authority.</p> <p>ASIC Australian Securities and Investments Commission.</p> <p>AUSTRAC Australian Transaction Reports and Analysis Centre.</p> <p>Cash earnings Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the 2021 financial year has been adjusted for the following:</p> <ul style="list-style-type: none"> • Distributions • Hedging and fair value volatility • Amortisation of acquired intangible assets • Acquisition, integration, and transaction costs. <p>Cash return on equity (RoE) Cash earnings after tax expressed as a percentage of average equity (adjusted).</p> <p>Citigroup Citigroup Pty Limited and Citigroup Overseas Investment Corporation.</p> <p>Common Equity Tier 1 (CET1) capital CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits and certain other items as defined in APS 111 <i>Capital Adequacy: Measurement of Capital</i>.</p> <p>Common Equity Tier 1 capital ratio CET1 capital divided by risk-weighted assets.</p> <p>Continuing operations Continuing operations are the components of the Group which are not discontinued operations.</p> <p>Core assets Represents gross loans and advances including acceptances, financial assets at fair value and other debt instruments at amortised cost.</p>	<p>Cost to income (CTI) ratio Represents operating expenses as a percentage of operating revenue.</p> <p>Customer deposits The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).</p> <p>Discontinued operations Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single coordinated plan for disposal.</p> <p>Distributions Payments to holders of equity instruments other than ordinary shares, such as National Income Securities and Trust Preferred Securities.</p> <p>Dividend payout ratio Dividends paid on ordinary shares divided by cash earnings per share.</p> <p>Earnings per share (EPS) – basic Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares.</p> <p>Earnings per share (EPS) – diluted Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares.</p> <p>Exposure at Default (EAD) Represents the predicted amount of loss a bank may face in the event of, and at the time of, the borrower's default.</p> <p>Fair value and hedge ineffectiveness Represents volatility from the Group's assets and liabilities designated at fair value, hedge accounting ineffectiveness from designated accounting hedge relationships, or from economic hedges where hedge accounting has not been applied.</p> <p>Financial year Year ended 30 September 2021.</p> <p>Full-time equivalent employees (FTEs) Includes all full-time, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees and external contractors either self-employed or employed by a third-party agency. Note: This excludes consultants, IT professional services, outsourced service providers and non-executive directors.</p> <p>Gentailers Vertically integrated power companies operating in the National Electricity Market, where generators own and operate a retail arm.</p>	<p>Greenhouse gas (GHG) emissions Gaseous pollutants released into the atmosphere that amplify the greenhouse effect. Gases responsible include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride.</p> <p>Gross Domestic Product (GDP) Gross Domestic Product (GDP) is the market value of the finished goods and services produced within a country in a given period of time.</p> <p>Group NAB and its controlled entities.</p> <p>Impaired assets Consist of:</p> <ul style="list-style-type: none"> • Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue. • Non-retail loans which are contractually past due and/or there is sufficient doubt about the ultimate collectability of principal and interest. • Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. • Unsecured portfolio managed facilities that are 180 days past due (if not written off). <p>Material supplier A material supplier, as defined in accordance with APRA Prudential Standard CPS 231 or regional equivalent, performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Group's business operations or its ability to manage risks effectively.</p> <p>NAB 'NAB' or the 'Company' means National Australia Bank Limited ABN 12 004 044 937.</p> <p>Net interest margin (NIM) Net interest income derived on a cash earnings basis expressed as a percentage of average interest earning assets.</p> <p>Net profit attributable to owners of NAB Represents the Group's statutory profit/(loss) after tax and reflects the amount of net profit/(loss) that is attributable to owners.</p> <p>Net Promoter Score (NPS) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Net Promoter Score measures the likelihood of a customer's recommendation to others for retail or business banking.</p> <p>NPS – Business Represents all businesses with an Australian Business Number, excludes government entities, some charities and community organisations. Source: DBM Atlas.</p>	
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NPS – Consumer

Represents 100% of NAB's consumer banking customers, including previously reported segments of homeowners and investors, as well as all other sub-segments of consumer banking. Source: DBM Atlas.

NPS – Strategic

Represents the combined NPS of Consumer and Business segments within Australia, using a weighting of 50% for each segment. Source: DBM Atlas.

Pandemic Leave

Pandemic leave is a special leave type introduced to support colleagues with paid leave for when colleagues are required to stay at home to self-isolate, or for caregiving as the primary carer for a dependent who has been impacted by a pandemic and colleague is unable to work from home.

Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017 by the Governor-General of the Commonwealth of Australia to conduct a formal public inquiry into Australian financial institutions.

Scope 1 GHG emissions

This includes direct emissions from within an organisation's boundary. These emissions are from sources that the organisation owns or controls such as:

- Combustion of fuel in boilers, furnace or generators that are owned or controlled by the reporting company.
- Generation of electricity, steam or heat in equipment that is owned or controlled by the reporting company.
- Business travel in vehicles such as company cars or corporate jets that are owned or controlled by the reporting company, colleague commuting in company-owned or controlled vehicles, such as company cars.
- HFC emissions from company owned or controlled refrigeration or airconditioning equipment.

Scope 2 GHG emissions

Indirect emissions from electricity that is used by the organisation but is generated outside the organisation's boundary by another company, such as an electricity provider. This is called 'purchased electricity'. This includes indirect emissions from consumption of purchased electricity, steam, or heat.

Scope 3 GHG emissions

All other indirect emissions that occur outside the boundary of the organisation as a result of the activities of the organisation including indirect emissions from:

- Business travel in noncompany owned or controlled vehicles, such as rental cars, colleague cars, rail and commercial planes.
- Combustion of fuel in boilers or furnaces not owned or controlled by the reporting company.
- Colleagues commuting in vehicles not owned or controlled by the reporting company, such as light rail, rail, buses and colleagues' cars,
- Third-party production or manufacture of materials and resources used by the reporting company, such as furniture, paper and equipment.
- Indirect losses resulting from the transmission of electricity and other fuels.

SME

Small and medium-sized enterprise.

Substantiated complaint

A substantiated complaint is a written statement by regulatory or similar official body addressed to the organization that identifies breaches of customer privacy, or a complaint lodged with the organization that has been recognized as legitimate by the organization (as defined in GRI 418 guidance).

Tier 1 capital

Tier 1 capital comprises Common Equity Tier 1 (CET1) capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 *Capital Adequacy: Measurement of Capital*.

Tier 2 capital

Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements as Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Top quartile engagement

Top quartile comparison is based upon Glint's client group (domestic and global, from all industries).

Total capital ratio

Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets.

Weighted average number of ordinary shares

The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

