

DIG DEEPER 2016



National
Australia
Bank



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Mock Orchards in Red Hill, Victoria is a truly family owned and inspired business. Started by a mum who just wanted natural food options for her family, today, the bio-dynamic orchard has grown into a thriving business still run by her children and grandchildren and backed by NAB.

Mock Red Hill



ABOUT THIS REPORT

This Dig Deeper provides a detailed look into NAB's Corporate Responsibility (CR) performance over the past financial year (1 October 2015 – 30 September 2016)¹. This includes, where appropriate, events that have happened after the financial reporting period but prior to publication of this report. We suggest reading it alongside our [2016 Annual Review](#).

We're always working to improve our disclosures through stakeholder engagement. So this year, in response to feedback from our stakeholders, we have:

- Made the report structure simpler to focus on our priority areas and our value chain.
- Presented more of our data visually.
- Remained focused on the issues important to our business and stakeholders.

This report focuses on our CR strategy, and the matters that arose from our annual materiality assessment (described on page 6). The outcomes of this review guided our selection of key metrics both in this report and our 2016 Annual Review. It also informed the scope of our independent assurance (detailed on page 81).

These outcomes will help guide our planning in the future – so we stay committed to action, and continue to effectively describe how we create and preserve value for all of our stakeholders.

We continue to use the Global Reporting Initiative (GRI) G4 Sustainability Reporting guidelines to inform our reporting. A full GRI index is available on pages 75-78.

Though we've tried to avoid it, if you feel like we're slipping into jargon, check out the Glossary contained in this report – it outlines the terminology we've used in this report.

If you have any questions about our approach, or want to let us know what you would like to see in our reporting – send us an email at corporate.responsibility@nab.com.au

Joanne and Roger are busy renovating their very first home – adding personal touches to each room in the house. As keen cooks, their favourite part of every day is coming together in the kitchen. To cook, chat and enjoy good food.

Joanne Lee



¹ Our environmental reporting year runs from 1 July – 30 June, in line with the National Greenhouse and Energy Reporting Act 2007 (Cth).

2016 AT A GLANCE

-14

Net Promoter Score (NPS)¹ for our priority segments

61

Employee engagement score²

440,000+

People assisted with microfinance products since 2005, in partnership with Good Shepherd Microfinance

\$7.3bn

In financing activities to address climate change and support the transition to low-carbon economy⁴

\$48.8m

Community investment

23,000+

Volunteer days contributed



FEMALE REPRESENTATION
in Executive management⁵
Against an FY16 target of 34%

\$5.1bn

Dividends paid to shareholders⁶

\$2.8bn

Total taxes paid in 2016⁷

\$3.0bn

Operating expenses, including support for businesses through our supply chain

\$1 million+

Grants provided by the Impact Investment Readiness Fund

200+

Indigenous Australians employed as at 30 September 2016

¹ 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. Priority segments Net Promoter Score is a simple average of the NPS scores of five priority segments: Mortgage customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

² Speak Up, Step Up survey, conducted by Right Management, May 2016.

³ Fortune 2016 'Change the World' list — available at <http://fortune.com/changetheworld>.

⁴ A document outlining our approach to measuring our progress against our \$18bn will be made available on our website in December.

⁵ Executive management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members' direct reports and their direct reports. Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data.

⁶ Refers to dividends paid in FY16.

⁷ Includes income tax, goods and services tax, fringe benefits tax and other taxes borne by NAB.

OUR APPROACH TO CORPORATE RESPONSIBILITY

Our goal is to make a positive and lasting impact on the lives of our customers, people, shareholders, communities, and on the environment in which we operate. This is crucial to helping us achieve our vision of becoming Australia and New Zealand's most respected bank.

OUR PRIORITIES

We're focused on taking action on the issues that matter, and those we can have the greatest impact on. We're sticking to what we're good at – aligning our CR strategy to how we go about our core business. By keeping our customers at the centre of everything we do, and using our strengths as a bank, a significant employer and an active member of the community, we aim to make a difference in the following areas:

Financial inclusion and resilience

We want to help everyone access fair and affordable financial services. Our goal is to help Australians and New Zealanders build their financial resilience and ability to recover from financial shocks.

Social cohesion

We're working with our partners to address the issues facing society. This includes gender inclusion, family violence, closing the gap for Indigenous Australia and affordable housing to build stronger more connected communities.

Environmental wellbeing

We're caring for our planet by adopting a sustainable approach to managing our business and helping our customers to do so too, such as through our role as the leading Agribusiness bank¹ and continuing our investment in renewable energy.

HOW WE'RE MAKING A DIFFERENCE

To realise our vision of becoming Australia and New Zealand's most respected bank, and to make sure we remain strong and sustainable, we need to act responsibly and inclusively – distinguishing ourselves as leaders in social innovation. This means changing the way that we work – from moving beyond philanthropy and corporate responsibility to creating shared value.

By using our skills, resources and expertise as a bank with more than 35,000 employees, we believe we can create positive societal change and deliver value to our business.

Our approach is also about creating value across our operations – whether it's casting a social and environmental lens over the investments or sourcing decisions we make, or the work we do to promote inclusion in our workplace.

We're helping our customers with more than money. Through our financial hardship team, we are helping customers to get back on their feet with counselling and advisory services as well as providing them with the financial relief they need. The Village, our unique co-working space is providing value to our small business customers by enabling them to network, learn, connect and work.

We're also helping to build a better business by tackling issues with new insights and ideas. For example, the data we gained through our materiality assessment is helping us to strengthen our business and deliver improved market performance. These insights allow us to identify and respond to issues and report on our progress to address the opportunities influencing our vision to become Australia and New Zealand's most respected bank.

We don't stand still. We're always monitoring and responding to environmental, social and governance risks across our operations. You can find out more about this on pages 16-19.

United Nations Sustainable Development Goals

In September 2015, the United Nations (UN) launched the UN Sustainable Development Goals (SDGs). Developed with input from the business community and agreed by all member states of the UN, the SDGs comprise 17 ambitious goals and 169 targets. These aim to end extreme poverty and hunger, promote economic growth and prosperity, improve health and education, and protect the planet.

Critically, the SDGs provide a common framework for where we want to get to. NAB proudly supported the development of the SDGs and we are committed to working with our customers and partners to drive change.

As one of Australia and New Zealand's largest banks, we prosper when our societies prosper and therefore each of the SDGs is relevant to our future success. In order to understand where we can drive the biggest impact, we mapped the SDGs against our materiality assessment and our current strategic priorities.

For detail on how we contribute to each of the SDGs, see the UN SDG Index on page 80.

OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

Each year we conduct a formal materiality assessment. This helps us understand the broader environmental, social and governance (ESG) themes of highest importance to our stakeholders and that are connected with our ability to deliver our business strategy.

In 2016, our materiality process identified six major themes that are important to and influence our stakeholders and are aligned with our ability to create value through executing our strategy. These themes remain consistent with our previous year's materiality assessment. The falling levels of trust and confidence in institutions – and the financial sector specifically – has increased in importance to all stakeholders. This is reflected in the prioritised themes outlined below. There has also been a marked increase in the importance stakeholders place on having a values-aligned culture. They continue to seek greater transparency and have higher expectations in relation to our lending practices – both in delivering positive customer outcomes and managing ESG impacts of our business. An outline of the material themes and summary of their importance is outlined in the table below, and will be reflected throughout the report.



OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

MATERIAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	EXAMPLE PERFORMANCE MEASURES	HOW WE ARE RESPONDING
<p>Customer security</p>	<p>Our priority is to keep our customers' information and money secure. We do this by investing in our technology systems and our people so we can continue to monitor and manage the threat landscape.</p> <p>This remains a top priority for all stakeholders involved in our assessment – it goes to the heart of our role as a trusted provider.</p>	<p>% of customers that are active users of internet banking</p> <p>Number and relevant outcomes of information security workshops (for employees and customers)</p>	<ul style="list-style-type: none"> • NAB provides regular insights from its security team on the simple measures customers can take to protect themselves and keep their information secure. • In 2016, NAB shared its insights on the current cyber threat landscape with our small and medium business customers and corporate customers. • We have continued to regularly publish articles on cybersecurity for our business customers on the NAB Business Research and Insights blog. • We provided regular updates to our personal and business customers with the latest security alerts on our website, as well as social media channels. • Continued partnership with the Australian Government for Stay Smart Online Week to help raise public awareness of online security and how to identify scams.
<p>Values-aligned culture</p>	<p>Our stakeholders recognise that having a clearly defined, articulated and embedded values-aligned culture influences value creation over time.</p> <p>In 2016 we have faced heightened political scrutiny, including calls for a Royal Commission into the financial services sector. We are committed to being transparent and accountable to customers' and building community confidence in banks.</p>	<p>Employee engagement</p> <p>Alignment to our values score</p> <p>Response rate to employee engagement surveys</p> <p>Internal perception of NAB's Whistleblower Program</p> <p>Retention of high-performing employees</p> <p>Code of Conduct breaches</p>	<ul style="list-style-type: none"> • Our employee engagement measure increased significantly for the second consecutive year. • To make sure our people are measured and rewarded on how they live our values every day, we embedded our values within the updated performance management framework. • The trust our employees have in our whistleblower processes has increased to 84% (2016) from 82% (2015). • We are committed to, and progressing, the package of industry initiatives announced by the Australian Bankers' Association, aimed at reinforcing the banking sector's standards of service, integrity, trust and ethics.

OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

MATERIAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	EXAMPLE PERFORMANCE MEASURES	HOW WE ARE RESPONDING
<p>Good governance processes</p>	<p>The importance of good governance at NAB is always a high priority for our stakeholders – and is especially true for our investors.</p> <p>In 2016, we've continued to manage transition of NAB's Board and Executive Leadership Team members, making sure our leadership have an appropriate and diverse mix of capability, capacity and independence to support long-term value creation.</p> <p>In addition, stakeholders are seeking more information on how our governance process embeds a values-aligned culture and supports ethical conduct.</p>	<p>Remuneration policies and processes (Board, Executive and whole of organisation)</p> <p>Percentage of senior executives with ready-now successor</p> <p>Diversity on Principal and Subsidiary Boards</p>	<ul style="list-style-type: none"> • We re-structured our business and leadership team to reflect our simpler business, focussed on customers. • To provide greater detail on the skills and capabilities of our directors, we updated our Corporate Governance Statement – in line with ASIC guidelines. • Our executive leadership team was the first among our peers to sign up to the Banking and Finance Oath, which re-asserts the ethical foundation of the industry beyond regulation and compliance. • In May 2016, the Board determined that the payment of political donations should cease, with immediate effect Group-wide. The Group Political Donations Policy is available in the Corporate Governance section of our website.
<p>Responsible lending practices</p>	<p>Our stakeholders are deeply interested in the policies and processes we have in place to make sure the loans we provide suit our customers' needs and ability to repay, balancing economic growth with sound risk management.</p> <p>Additionally, there's been more interest in how we manage ESG risks in our lending portfolio, especially the impact of climate change on our customers.</p>	<p>Net Promoter Score</p> <p>Management of lending conduct and compliance breaches</p> <p>Asset quality (percentage of lending portfolio in arrears)</p> <p>Improved disclosure of carbon risk (measured through external stakeholder feedback and benchmarking such as CDP)</p>	<ul style="list-style-type: none"> • We continued to enhance carbon risk disclosure (see pages 30, 42). We've also provided environmental financing to assist the transition to a low carbon and green economy (see pages 28-29). Refer to our actions under the climate change theme on page 27. • We removed product sales targets from fixed employee pay increases. • We provided additional disclosures on how we prioritise positive customer outcomes in lending decisions (see page 39). • NAB home loan accounts are, on average, almost 15 months ahead on their monthly repayments. • Meeting our regulatory obligation to limit investor segment growth to 10% p.a.

OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

MATERIAL THEME	STAKEHOLDER VIEW AND RELEVANCE TO NAB	EXAMPLE PERFORMANCE MEASURES	HOW WE ARE RESPONDING
<p>Improving the customer experience</p>	<p>Our stakeholders know that getting the basics right for our customers is essential. Using innovation to meet our customers' changing needs is of increasing importance to our stakeholders.</p> <p>This year's assessment showed passion for customers is a key element of our culture – employees viewed the theme of customer experience as significantly more important than any other stakeholder group.</p>	<p>Net Promoter Score (by priority segments) Outcomes of complaints/pain points resolution Distribution network (digital and physical)</p>	<ul style="list-style-type: none"> • Through the Net Promoter System, we continued to focus on measuring and improving customer advocacy. Although we have achieved the highest Net Promoter Score for our priority segments compared to our peers, we know that we still have work to do. • We addressed over 100 customer pain points – specific initiatives to identify and resolve root cause problems for our customers. • Completed the roll out of the Personal Banking Origination Platform (PBOP) across NAB's retail and call centre networks – improving the customer experience and reducing the processing time for personal loans and credit card applications. • At times we experience technology disruptions that can impact the services we provide to our customers. While we have seen a reduction in the number of technology incidents year-on-year we remain focused on identifying and preventing future disruptions to improve the performance of our services to our customers. • Our 2016 Annual Review (page 18) outlines in further detail the steps we are taking to make sure we deliver a great customer experience.
<p>Transparency and disclosure</p>	<p>Our operations have a big impact on the economies and societies we work within. So we're expected to be transparent in our operations, profitability and impacts.</p> <p>In 2016, there's been continued growth in requests for information on how we manage areas such as:</p> <ul style="list-style-type: none"> • Organisational culture. • Climate change. • Taxation. <p>We take our role in society seriously, and are committed to clear and transparent management of our business.</p>	<p>Improved disclosure as measured through benchmarking scores and stakeholder feedback</p> <p>Disclosure of taxation paid by region</p> <p>Disclosure of conduct breaches and relevant outcomes</p> <p>Disclosure of relevant policies and principles (e.g. human rights, political donations, ESG risk, supplier sustainability)</p>	<ul style="list-style-type: none"> • We improved disclosure of ESG management and performance as measured by external agencies (Dow Jones Sustainability Index (DJSI), FTSE4Good and CDP). • We signed up to the Voluntary Tax Transparency Code and will be launching detailed disclosures of our tax contributions in December. • To support their business network and drive corporate reporting, we've continued our involvement with the International Integrated Reporting Council. • To drive consistency in disclosure of carbon risk, we've continued our involvement in the Portfolio Carbon Initiative (see page 30). • In October, NAB Group CEO Andrew Thorburn and Chief Operating Officer Antony Cahill appeared before the House of Representatives Standing Committee on Economics to explain the decisions we make and how we balance the needs of our customers, shareholders and the broader community.

OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

The materiality assessment identified six high-priority material themes for inclusion in our CR reporting which we've listed in the previous table across pages 7-9. The materiality assessment (and on-going stakeholder engagement) has also highlighted

several areas of particular importance to specific stakeholders – including our employees, customers, investors and Non-Government Organisations (NGOs). These additional themes have been listed below, along with our performance against them.

ADDITIONAL THEMES	STAKEHOLDER VIEW AND RELEVANCE TO NAB	EXAMPLE PERFORMANCE MEASURES	HOW WE ARE RESPONDING
<p>Financial inclusion and resilience</p>	<p>For over a decade, NAB has played a significant role in supporting financial inclusion in Australia. This is done primarily through our partnership with Good Shepherd Microfinance.</p> <p>Our stakeholders (especially employees, community and government partners) value the work we do to give financial access to those excluded from mainstream finance.</p> <p>We're also expected to support our existing customers in times of hardship (whether it's unemployment, medical or natural disaster related).</p>	<p>Number of Australians and New Zealanders assisted with microfinance products/services</p> <p>Number and \$ value of microfinance loans provided (by loan type)</p> <p>Number and \$ value of AddsUP Matched Savings accounts provided</p> <p>Cure rates (Percentage of customers with account payments up-to-date, after falling behind on payments)</p>	<ul style="list-style-type: none"> • We've now assisted over 440,000 Australians with microfinance products and services since 2005. • We provided over 22,000 microfinance loans in 2016 at a value of \$25.6 million. • We announced our commitment to open two new 'Good Money' stores – our first in Queensland – in Cairns and the Gold Coast in 2017. See pg 21 for more information on these stores. • We launched the Financial Resilience Framework in partnership with the Centre for Social Impact. This research explores what it means to be financially resilient and examines the financial resilience of the Australian population. Through this, our aim is to support decision-making in businesses, community organisations, and government.
<p>Diversity & inclusion</p>	<p>We're expected to support a diverse and inclusive workforce, reflective of the communities we operate within.</p> <p>Building an inclusive workforce is seen as important in order to:</p> <ul style="list-style-type: none"> • Support employees to reach their potential. • Build relationships with our customers. • Encourage innovation in the organisation. <p>Consistent with historical assessments, the two key challenges that stakeholders have identified are gender pay equality and managing an ageing workforce.</p>	<p>Employee engagement survey scores</p> <p>Breakdown of workforce composition and employee engagement scores by age, gender, employment type, employment level and tenure</p> <p>Progression towards gender equality targets</p> <p>External recognition and industry benchmarks (for example, Workplace Gender Equality Agency Employer of Choice for Gender Equality)</p>	<ul style="list-style-type: none"> • We've continued to perform to our Diversity and Inclusion Strategy (2015-2017) – to ensure we deliver on the changing needs and expectations of customers and shareholders. The imperatives are inclusion, life stage and gender equality – enabled by leadership and flexibility. • We achieved 7th place in the Australian Workplace Equality Index, increasing from 9th in the prior year¹. • Over 200 Indigenous Australians are currently employed at NAB. • You'll find more information on what we're doing to support an inclusive workforce (pages 49-51) and build social cohesion (page 22) throughout this report.

¹ Australian Workplace Equality Index, 2016 available at: <http://www.pid-awei.com.au>.

OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

ADDITIONAL THEMES	STAKEHOLDER VIEW AND RELEVANCE TO NAB	EXAMPLE PERFORMANCE MEASURES	HOW WE ARE RESPONDING
Climate change	<p>Regulators, ESG analysts, investors and benchmarking initiatives (like the DJSI and CDP) continue to request disclosure of information relating to our energy usage and greenhouse gas (GHG) emissions – as well as information on:</p> <ul style="list-style-type: none"> • Products and services that assist in the transition to low-carbon technologies and renewable energy. • Lending book exposure to carbon risk in carbon intensive sectors. • Changes to exposures over time. 	<p>Stationary energy consumption [GJ] GHG emissions [tCO₂-e] (science-based target) Improved disclosure of carbon risk \$18bn environmental financing, including continued investment in renewable energy Carbon neutral certification</p>	<ul style="list-style-type: none"> • We've made five climate change commitments that underpin our role in supporting the transition to a low-carbon economy. Since then, we've progressed our thinking about the risks and opportunities of operating in a 2°C world and started to deliver on our commitments. • We set a science-based GHG emissions reduction target for our operations. During the development process, we submitted our target to the Science-Based Target Initiative for informal review. You can find out more about this on page 30. • We became a Corporate Member of the Clean Energy Council and founding partners to the Victorian Government's Take 2 Climate Change Pledge Program. You'll find more details on our climate change commitments, environmental performance and targets on pages 26-31 in the 'Environmental wellbeing' section and pages 40-44 in the 'Our customers' section. • We were recognised as a 'Green Bond Pioneer' by the Climate Bonds Initiative and London Stock Exchange for our work in developing the Australian green bond market. You can find out more about this on page 29. • We took part in climate-related industry forums and consultation processes related to climate policy development. These have been run at many levels of government, particularly in relation to the areas of climate and adaptation finance (see page 31). We've also improved our carbon risk disclosures (See our 2016 Full Year Results Investor Presentation, and on page 30 of this report). • We were awarded a position on the CDP 2016 Climate A List recognising NAB for climate change leadership and as a world leader for corporate action on climate change.

OUR APPROACH TO CORPORATE RESPONSIBILITY

MATERIALITY PROCESS

ADDITIONAL THEMES	STAKEHOLDER VIEW AND RELEVANCE TO NAB	EXAMPLE PERFORMANCE MEASURES	HOW WE ARE RESPONDING
<p>Biodiversity loss & ecosystem degradation</p>	<p>As part of responsible lending, we're expected to manage our own natural capital risks, while also considering biodiversity loss and ecosystem services degradation.</p> <p>When it comes to minimising our direct environmental footprint, we aim to lead by example.</p>	<p>Diversion of waste from landfill [%] Waste to landfill [tonnes] Office paper consumed [tonnes] Water consumption [kL] Increase in the proportion of customers receiving online statements [%]</p>	<ul style="list-style-type: none"> • Raised awareness of biodiversity loss and ecosystem services degradation by presenting at numerous customer and public forums. See page 35 for more information. • We established research partnerships with CSIRO, Dairy Australia and the Australian Wine Research Institute to identify appropriate natural capital indicators. These indicators will be used to show the link between good natural capital management and financial performance over time. • We've established an internal Natural Value risk working group – to look at how to use this data and information in pricing natural capital risk into agribusiness lending (see page 35 for further information). • We continued to participate in the Natural Capital Protocol Steering Group and the Natural Capital Finance Alliance's working groups (previously known as Natural Capital Declaration) including chairing Working Group 3. This year, work has started on the development of a Finance Sector Supplement to the Natural Capital Protocol (see further information on page 35). • We actively participated in the Australian Business and Biodiversity Initiative (ABBI) (further information provided on page 35). Our Chairman presented the 2016 annual Fiona Wain Oration for Sustainable Business Australia – an industry body of which NAB is a member.
<p>Resource scarcity</p>	<p>We receive requests and feedback from a range of stakeholders regarding the way we manage resource use. These stakeholders include customers, investment analysts, and benchmarking initiatives like the DJSI, and environmental NGOs.</p> <p>They expect us to demonstrate leadership minimising our use of resources and using them responsibly. This includes sustainable sourcing certification – where appropriate.</p>	<p>Stationary energy consumption (GJ) Diversion of waste from landfill (%) Waste to landfill [tonnes] Office paper consumed (tonnes) Water consumption (kL) Proportion of customers receiving online statements (%) Certifications held</p>	<ul style="list-style-type: none"> • We met five of our six 2014-2016 operational environmental performance targets. We missed our waste diverted from landfill target due to an overall decrease in paper usage and waste, thereby lowering amount of waste that could be recycled. See our results on page 68. • We developed a new set of post-2016 environmental performance targets. This included a science-based GHG emissions target for our operations (the first set by an Australia company). • See the 'Environmental Wellbeing' section on pages 26-35 and the 'Environment' section of the 'NAB Numbers' section on pages 67-73 for more on our performance. • We renewed our commitment to National Carbon Offset Standard certification for the next five years.

OUR APPROACH TO CORPORATE RESPONSIBILITY

STAKEHOLDER ENGAGEMENT

Maintaining an open and constructive dialogue with stakeholders is essential to our business. Through our engagement we are able to understand the expectations of the communities we operate in, as well as identify any issues or opportunities – so we can improve our business, create new products and services for our customers and balance the needs of our stakeholders.

Regular engagement

We value constructive feedback and engagement with a wide range of stakeholders, including NGOs and ESG analysts, and this is a critical part of decision-making at NAB. Accountability for stakeholder engagement is shared across the organisation. Individual relationship managers within NAB aim to ensure ongoing engagement and relationships with key stakeholder groups. We have teams responsible for our interactions with customers, employees, investors and analysts, government, industry associations and initiatives, not-for-profits and community organisations, unions and the media.

Each of these teams manage relationships with key stakeholders, so we can understand issues these groups might have, and make sure that we're taking the right action to effectively address them. Our approach to balancing stakeholder needs is detailed on page 15 of our 2016 Annual Review.

We also run a number of dedicated, specialised

forums to bring in external perspectives, so that our stakeholders' insight and feedback can help us to develop our business. These forums include the Advisory Council on Corporate Responsibility and our Indigenous Advisory Group. Through these forums, NAB's leaders have the opportunity to engage directly with community representatives and help guide the decisions that impact our stakeholders. Find out more about these forums on our [website](#).

Over the past year, we had regular dialogue with advocacy and shareholder organisations including Market Forces and the Australian Youth Climate Coalition to get a deeper understanding of community concerns on issues ranging from carbon risk, climate change and financing of the fossil fuel industry (particularly coal mining and infrastructure) and the health of the Great Barrier Reef. We also engaged in stakeholder consultation — with a customer, the Finance Sector Union and NGOs Oxfam Australia, World Vision Australia and Good Shepherd Microfinance — to better understand community issues as we developed our new Human Rights Policy. This engagement helped us to improve our policy and business practices.

We continue to be active in a number of industry bodies, their work programs and engagement activities, including the United Nations Global Compact Network Australia, United Nations Environment Program Finance Initiative (UNEP FI), the Natural Capital Finance Alliance, Sustainable Business Australia, Clean Energy Council and the Portfolio Carbon Initiative. See our [website](#) for details on our participation in these and other initiatives.

The following table outlines our major stakeholder groups, the ways we interact with them and a selection of ESG issues that they have raised during our interactions in 2016.



We're finding new ways to provide people on low incomes with access to basic financial products through Good Money stores. Since 2003 we've been working with Good Shepherd Microfinance and state governments to make these one-stop shops and referral points available in Victoria and South Australia, with Queensland to open in 2017. This year alone, Good Money stores have provided over 1,300 no- and low interest loans to people on low incomes.

Good Money

OUR APPROACH TO CORPORATE RESPONSIBILITY

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS	ENGAGEMENT ACTIVITIES	ISSUES OF INTEREST
Customers	<p>Consumer advocate meetings with senior leadership</p> <p>Customer feedback channels (in-branch, email, contact centre, social media)</p> <p>Market research – customer satisfaction and experience surveys and focus groups</p>	<ul style="list-style-type: none"> • Improving the customer experience • Customer security • Financial hardship • Financial education and literacy • Financial inclusion
Shareholders	<p>Annual General Meeting</p> <p>Investor presentations</p> <p>Analyst briefings</p> <p>Participation in surveys</p> <p>Direct engagement with leadership</p> <p>Roundtables</p>	<ul style="list-style-type: none"> • Industry regulation • Affordability of banking • Climate change • Lending to companies that may impact the Great Barrier Reef
Employees	<p>Regular surveys</p> <p>Annual employee engagement survey</p> <p>Intranet articles and commentary</p> <p>Employee feedback groups</p> <p>Confidential alert lines</p> <p>Internal social media</p>	<ul style="list-style-type: none"> • Sustainable sourcing • Investing in human capital • Employee engagement • Our Environmental Agenda • Health, safety and wellbeing (focus on mental health)
Government and regulators	<p>Regular meetings and briefings</p> <p>Participation in consultation process</p> <p>Focus groups</p> <p>Roundtables</p> <p>Workshops</p>	<ul style="list-style-type: none"> • Customer security • Improving the customer experience • Responsible lending practices (suitability of products and managing ESG risk) • Performance and reward management • Investing in human capital • Employee engagement • Ethics and business conduct
		<ul style="list-style-type: none"> • Microfinance • Indigenous employment and housing • Impact investment
		<ul style="list-style-type: none"> • Employee turnover • Health, safety and wellbeing • Diversity and inclusion • Access and retention of skilled staff • Innovation • Financial crime • Our Environmental Agenda
		<ul style="list-style-type: none"> • Natural capital, environmental regulatory change/policy, environmental finance • Ethics and business conduct • Responsible lending practices

OUR APPROACH TO CORPORATE RESPONSIBILITY

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS	ENGAGEMENT ACTIVITIES	ISSUES OF INTEREST
Media	Briefings/interviews Press releases NAB news website	<ul style="list-style-type: none"> • Ethics and business conduct • Responsible lending practices (suitability of products and managing ESG risk) • Improving the customer experience • Innovation
Suppliers	Supplier forums Regular meetings and briefings Ongoing relationship management Industry forums	<ul style="list-style-type: none"> • Diversity and inclusion • Resource efficiency • Off-shoring and outsourcing
Community partners	Surveys Interviews Customer support Meetings	<ul style="list-style-type: none"> • Employment opportunities for those marginalised in society • Financial hardship • Financial education and literacy • Financial inclusion
Advocacy organisations	Regular meetings and briefings Customer feedback channels Corporate.Responsibility@nab.com.au	<ul style="list-style-type: none"> • Responsible lending practices (suitability of products and managing ESG risk) • Financing of fossil fuels companies • Financing of projects that may impact the Great Barrier Reef
		<ul style="list-style-type: none"> • Diversity and inclusion • Community investment • Industry regulation
		<ul style="list-style-type: none"> • Managing our exposure to ESG risks • Sustainable sourcing
		<ul style="list-style-type: none"> • Mental health support • Resource efficiency • Responsible lending practices (suitability of products and managing ESG risk) • Indigenous employment and housing
		<ul style="list-style-type: none"> • Human rights, including: <ul style="list-style-type: none"> - Financing of offshore detention facilities - Improper land acquisition - Diversity and inclusion - Marriage equality

OUR APPROACH TO CORPORATE RESPONSIBILITY

APPROACH TO ESG RISK MANAGEMENT

Our ESG Risk Principles provide an overarching framework to integrate ESG risk considerations into our day-to-day decision-making. These include operational risk (direct operations and procurement), credit risk, and investment management due diligence and assessment processes.

Our stakeholders believe in the importance of managing ESG risk. This year, we've seen continued demand from investors and other stakeholders for disclosure of our ESG-related performance, in particular our climate risk exposure and support for human rights. In our annual materiality assessment, internal and external stakeholders identified a range of ESG risk issues, which we should increase disclosures on. See pages 6-12 for more information about this process.

ESG risk data, information and analytics help inform NAB's risk appetite for exposure to countries and industry sectors, as well as NAB's appetite for business relationships with suppliers and customers.

In 2016, we undertook the following activities to further integrate ESG risk within our risk management framework:

Environmental

- We reviewed and updated our Group Environmental Management Policy and established post-2016 environmental targets, including a science-based GHG emissions reduction target (see page 30 for more information).
- To improve our disclosure of carbon risk exposure in our lending book, we continued to participate in the Portfolio Carbon Initiative – a joint initiative of the United Nations Environment Program Finance Initiative, World Resources Institute and 2°C Investing Initiative – and improved our disclosure of carbon risk exposure in our lending book. Our latest carbon risk exposure information is provided in our [2016 Full Year Investor Presentation](#), and on page 42 of this report.

Social

- We developed a new Human Rights Policy, and integrated specific consideration of modern slavery into our Group Procurement Policy and Group Outsourcing and Offshoring Policy.
- We established new supplier sustainability targets for the period 2015 to 2020 (see page 54 for more information).
- We continued to implement our Improper Land Acquisition Policy Statement (see page 18 for more information).

Governance

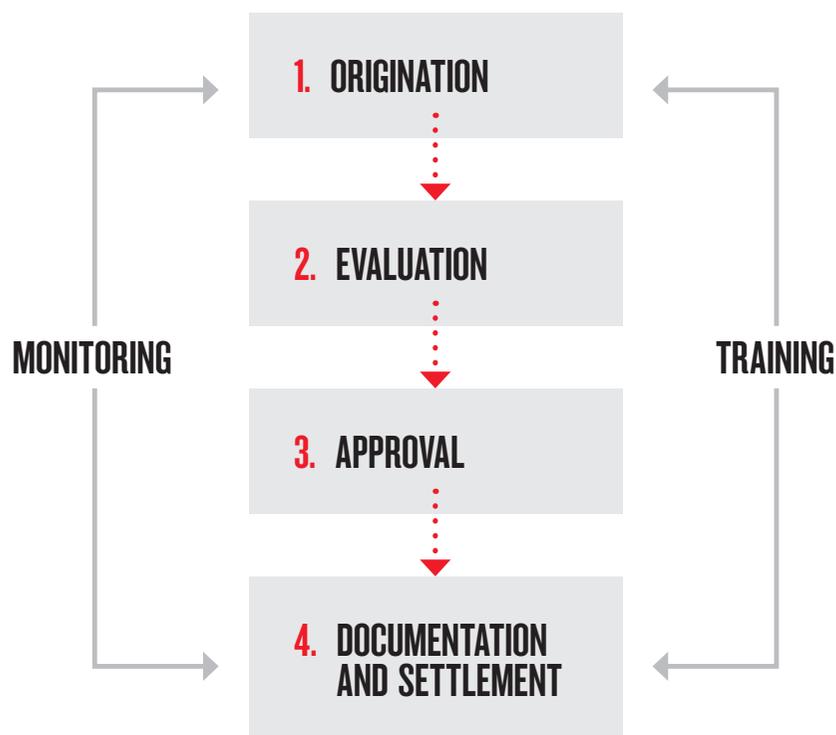
- Our investment advisory business, [JANA](#), became a signatory to the Principles for Responsible Investment. To ensure it remains in line with best practice, JANA has continued to enhance its internal investment process in relation to ESG.
- To reflect that we will not make political donations, we updated and published our [Group Political Donations Policy](#).
- To make it easier for bankers to identify and manage ESG risk, we made changes to the BNZ credit policy.

OUR APPROACH TO CORPORATE RESPONSIBILITY

APPROACH TO ESG RISK MANAGEMENT

This diagram provides an overview of how ESG risk assessment overlays and links into our credit risk and due diligence processes.

OUR CREDIT RISK ASSESSMENT AND DUE DILIGENCE PROCESSES



1. ORIGINATION

At origination, our bankers may identify potential material ESG factors associated with the customer and/or project, sector and the country of the project. This is assisted by screening against an internal 'High Risk ESG sensitive sectors and sensitive areas' list, which is reviewed regularly.

2. EVALUATION

Credit risk assessment and due diligence is carried out. This includes assessment and identification of material risk issues that incorporates ESG risk assessment.

ESG risk assessment is a qualitative assessment, which considers the materiality of the ESG risks, in addition to the size, type and complexity of the transaction being considered. As a result of our association with a customer and its activities, we also consider whether there is any risk to our reputation.

3. APPROVAL

Lending approval is only given where risk (including ESG risk where appropriate) has been effectively evaluated, appropriately mitigated and accepted as being within NAB's risk appetite. This happens in accordance with NAB's Delegated Credit Authority framework.

In some cases, transactions may be escalated for discussion at a Reputation Risk Committee, prior to any final decision being made on whether NAB will proceed with or decline to approve lending.

4. DOCUMENTATION AND SETTLEMENT

During documentation and settlement, the customer may be subject to conditions and covenants to address legal obligations, comply with the Equator Principles, and/or monitor and manage specified ESG risks against agreed performance measures.

5. MONITORING

This can include regular reviews of the customer's compliance with any agreed conditions and covenants incorporated into lending documentation (which may also include ESG requirements). A customer's failure to comply with lending terms and conditions can result in ending the relationship.

On top of monitoring ESG risks at a customer level, our Group Market and Credit Risk Committee receives a six-monthly update on ESG risk. This provides information on emerging ESG risks and trends, as well as updates on NAB's exposure to ESG risks.

6. TRAINING

As part of our approach to manage ESG risks (such as human rights and environmental risk), we provide bankers with access to various expertise, information, training and tools.

OUR APPROACH TO CORPORATE RESPONSIBILITY

APPROACH TO ESG RISK MANAGEMENT

Human rights

As a major financial institution, NAB makes a significant contribution to the economies we operate within. We're subject to a range of legal and regulatory requirements in many jurisdictions that incorporate the protection of basic human rights.

We demonstrate our commitment to human rights by being a signatory to, or otherwise committing to uphold, a number of international commitments that incorporate human rights requirements.

These include:

- The United Nations' (UN) Universal Declaration of Human Rights¹, UN Guiding Principles on Business and Human Rights, UN Global Compact², and UN Environment Program — Finance Initiative (UNEP-FI)²
- The Equator Principles²
- The Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises.

Commitments by NAB subsidiaries:

- The Principles for Responsible Investment^{2,3}
- The Women's Empowerment Principles^{2,4}

We know human rights concerns can arise not only in our own operations, but also via interactions with external parties – in particular business relationships, customer interactions, financing and investments, supply chain management and the communities served.

Our approach to human rights is based on the principle of doing business in a way that respects the rights and dignity of people, and avoids involvement in human rights abuses, while complying with applicable legal requirements.

We've put in place risk management processes to identify, assess, mitigate and monitor potential risk areas, including modern slavery, human trafficking and improper land acquisition. This includes the use of our 'High Risk ESG sectors and sensitive areas list', to determine customers and suppliers that may have a higher risk of ESG issues and where additional review and/or due diligence is required.

We've put grievance mechanisms in place to allow employees, customers and others to raise human rights related concerns and to make sure these grievances are investigated and addressed appropriately. These mechanisms are part of our existing complaint/dispute resolution processes, and include employee dispute processes, NAB/BNZ Resolve functions, independent customer advocate functions and the Whistleblower Program.

In October 2015, the UK Government's Modern Slavery Act 2015 came into effect. As required by this Act, we've prepared a Modern Slavery Act statement. It sets out actions taken by NAB Group during 2016 to attempt to keep our business operations and supply chain free from slavery and human trafficking, and is available on the [Group's website](#).

We also continue to engage with customers on the issue of improper land acquisition. Our 2016 progress report against our Improper Land Acquisition Policy Statement will be available on our [website](#) in December 2016.

¹ The *Universal Declaration of Human Rights*, adopted by the UN in 1948, is widely regarded as the international community's fundamental human rights framework.

² Denotes a commitment to which a NAB entity is a signatory/industry member.

³ Commitment by NAB subsidiary, JANA.

⁴ Commitment by NAB subsidiary Bank of New Zealand (BNZ).

OUR PRIORITIES

FINANCIAL INCLUSION AND RESILIENCE

For over a decade, we've actively sought to build financial inclusion in Australia. This continues to be a core focus for us. In addition, we are now increasing our understanding of financial resilience, and how prepared Australians and New Zealanders are to recover from a financial shock.

This year, we are one of ten 'trail-blazing' organisations committed to establishing a Financial Inclusion Action Plan.

This plan outlines how we seek to address financial exclusion by:

- Making banking more accessible through our products and services, building capability and providing hardship assistance.
- Providing dedicated microfinance products and services for those excluded from mainstream banking.
- Improving customer outcomes through research and advocacy that assists decision-making and informs our work with partners.

MAKING BANKING MORE ACCESSIBLE

With nearly 10 million customers, we recognise that the decisions we make about our core banking products and services have a significant impact.

We know that access to financial services is a driver of economic empowerment and this has been reflected in its inclusion within the targets supporting the [UN Sustainable Development Goals](#). Promoting financial inclusion and building financial resilience is also consistent with meeting our human rights commitments.

We've been acting on this issue in a number of ways, including:

- Offering a fully featured transaction account with no monthly account-keeping fee to all personal customers since 2009. We were the first, and remain the only major Australian bank, to do so.
- Improving our customer hardship practices, to provide the best outcome for our customers and help them get back on their feet.
- Continuing to seek innovative ways to build financial capability and provide access to financially excluded customers, such as our 'Good Money' stores and digital offerings.
- Embedding Net Promoter System throughout all levels of the organisation, so that customer feedback can be provided in a meaningful way and drive improvements in our business.

Capability

We seek to build financial capability and confidence through our daily interactions with customers to help our customers with more than money.

We believe this commitment allows us to add real value, providing fairer, high-quality products, along with specialised help, guidance and advice. This section provides more information on the work we're doing to build financial capability for our customers, our people and communities.

Personal customers

Online learning: Our '[Learn](#)' website provides customers with articles that offer guidance on the topics of:

- Money basics (fundamentals of budgeting, saving, borrowing and investing).
- Life events (tips to manage financial aspects of events both expected and unexpected).
- Banking tips (information to help compare products and services and manage the security of their information).

Indigenous Money Mentors: To extend the reach and impact of the Indigenous Money Mentor (IMM) program, we've partnered with Good Shepherd Microfinance to coordinate the delivery of a national IMM program.

Start Counting: NAB's Start Counting program is designed to empower women to make wise life and money decisions. Over 600 participants from over 120 organisations have taken part in the program to date. They've reported improved ability to control their finances, greater preparation to deal with unexpected life circumstances, and significantly greater involvement in managing their financial circumstances and wellbeing.

\$20 Boss: This school-based program is designed to build the entrepreneurial skills of young Australians.

Over 230 schools and 10,000 students are participating in our 2016 program.

Plunket: This year, BNZ confirmed their partnership with Plunket, New Zealand's largest provider of support services for the development, health and wellbeing of children under five, for an additional three years. As principal sponsor, we've supported Plunket and its families since 2010 by providing professional expertise and volunteer support for national, regional and local Plunket initiatives. This year we've continued to build the financial capability of families through:

- [The Baby Budget Calculator](#).
- Education modules supported by Massey University.
- Be Good With Money information evenings (in partnership with Plunket and Public Trust).
- On-going volunteer support.
- Babies, Boots and Breakfast Speaker Series – we've sponsored this series of events to raise awareness of the Plunket Foundation, which funds Plunket projects to improve and support children's wellbeing.

Scam savvy: Within BNZ, we have an ongoing commitment to educate New Zealanders about how to spot and avoid financial scams – with a focus on older New Zealanders who are often more vulnerable. We have a dedicated employee focusing on scams, and a group of champions throughout BNZ who help with delivering workshops – often with groups such as Age Concern, Citizens Advice Bureau and Grey Power. In the past year, we've reached an estimated 1,000 New Zealanders through these sessions. Also, as part of Closed for Good, we delivered five Scam Savvy sessions.

Bamzonias: BNZ partners with Bamzonias to sponsor access to online financial literacy software and 'edutainment' for low decile NZ schools. In 2016, our support enabled more than 4,400 children to access this.

OUR PRIORITIES

FINANCIAL INCLUSION AND RESILIENCE

Volunteer projects

Our flagship volunteer day in New Zealand is aligned with delivering our purpose of helping New Zealanders be good with money. This year during the Closed for Good day, we delivered 37 financial literacy projects with an estimated 250 adults and 2,250 children participating. As a result, a number of ongoing projects have been developed to build financial capability:

- Financial literacy in prisons – our Wellington Private Bank team has delivered a series of workshops for the Department of Corrections at Arohata Prison. This year, we also established a new series of workshops for community-based offenders in the Greater Wellington area aged under 20.
- Financial literacy in the Solomon Islands – following a Closed For Good project in 2015, BNZ helped The Salvation Army develop a financial literacy training program to be delivered in partnership with Caritas Aotearoa New Zealand to remote parts of the Solomon Islands. We brought together our business banking team (BNZ Partners), a Solomon Islands community group and training organisations (including Bamzonia) to assist the Salvation Army to develop financial literacy training and tools specific to the needs of the Solomon Islanders.

You can find out more information on Closed for Good on page 25.

Supporting small business

- Business Tips: Our online portal offering the tools, tips, guides and resources to help people improve the finances of their business.
- Research and insights: Provided free of charge, this online hub offers detailed economic and industry research. Example reports include a focus on housing markets, agricultural sector conditions and analyses of regional areas of Australia.
- Business development: To offer support tools to help businesses grow, BNZ has continued its 15-year partnership with The Icehouse (a fast growth business ecosystem based in Auckland). This year, we co-developed an interactive business simulation challenge – The Game Changer. Up to six teams compete against each other to play out real world business scenarios in a bid to create the most successful business.
- The Village: To support our business and community customers, The Village has hosted over 100 events – which have seen businesses being created through collaboration. We've found that around one in every five new Village members has started a banking relationship with NAB in order to access The Village.
- Proquo: This year, NAB and Telstra have entered into a joint venture to form Proquo – a new online marketplace allowing micro and small businesses to buy, sell or swap their services to other businesses.

Hardship assistance

We know that a crucial part of financial resilience is the ability to recover from financial shocks. That's why we've continued evolving our financial hardship team, to make sure they reflect our priority to provide positive customer outcomes.

Our customer-focused process gives customers the certainty that we'll help them. As a result, they're giving us insights into some of the non-financial issues in their lives causing them financial vulnerability. We've now introduced innovative and industry-leading initiatives to connect our customers with support services for their non-financial difficulties, to assist in addressing the root cause of their financial hardship.

To provide this support, NAB Assist partnered with Kildonan Uniting Care and joined the Kildonan CareRing program. CareRing is a service that provides assistance to customers above and beyond financial difficulty needs. Common types of aid include family support services, social workers, counselling, men's behavioural change programs, financial counselling, connection to housing support, and drug and alcohol dependence support. While the program provides support for the non-financial issues in a customer's life, NAB continues to work with the customer to assist them in getting back on their feet financially.

NAB Assist is also focused on supporting customers affected by industry or economic downturns, which has most recently been experienced by mining and resources communities. Decreasing commodity prices and a drop in capital investment has led to job losses, property value and rental return declines. As a result, some of our customers have been severely impacted.

As always, we manage cases on a customer-by-customer basis to make sure the right outcomes are achieved. This year, specific actions have included NAB Assist specialists visiting impacted areas, working with local support teams and supporting the employees of companies impacted by downturns.

2016 performance

- We have assisted 21,303 customers, through our hardship program this year, an increase of 1,219 customers from 2015. The number of requests for assistance was broadly stable in 2015, however due to improvements in our ability to assist, a greater proportion of requests were approved.
- An estimated \$70 million in business savings, by helping our customers avoid defaults and get back on track.
- NPS has continued to increase from a high-base of +39 in October 2015, to +49 in 2016¹.
- 88% of customers have had their payments return up to date within 30 days. By the 90-day mark, 93% of customers had their payments back up to date.
- 53% reduction in the number of hardship and debt collection complaints year on year. We did this through our NAB Assist Way model – which focuses on respectful practices, removing customer pain points, the continuing improvements to our hardship process, and really working to provide our customers with affordable options that provide the best outcome for them.
- First and only Australian company to be included in Fortune's 'Change the World' list, recognising the customer-focused approach of our financial hardship team².

¹ Refers to the NPS of NAB Customer Care customers as at June 2016. In July 2016 the NPS question was changed to improve its consistency with assessments across NAB. From FY17 onwards NAB Assist NPS data will be reported using the new question.

² Fortune 2016 'Change the World' list – available at: <http://fortune.com/changetheworld>

OUR PRIORITIES

FINANCIAL INCLUSION AND RESILIENCE

DEVELOPING AND SUPPORTING MICROFINANCE PROGRAMS

Financial exclusion is a stubborn issue. It affects some of the most vulnerable in our community and requires a long term, multi-pronged approach to tackle it.

Since the start of our partnership with Good Shepherd Microfinance in 2005, we have assisted more than 440,000 Australians with microfinance products and services – making progress on our target of assisting one million people by 2018. This year in Australia, we've continued to address financial exclusion through:

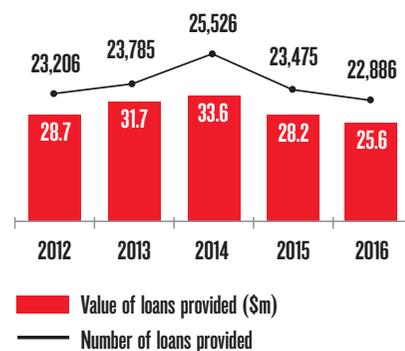
- Providing 22,886 loans with a total value of \$25.6 million.
- Announcing that two Good Money stores will open in Cairns and the Gold Coast in 2017, with support from the Queensland Government. Good Money stores are strategically located on main streets to provide vulnerable Australians with an alternative to the fringe lending sector. They offer customers one-stop shop access to financial assistance and support services such as:
 - No Interest Loans Scheme (NILS).
 - StepUP loans.
 - Financial counselling (provided by local community agencies).
- Supporting financial conversations and providing products and services through existing Good Money stores in Victoria and South Australia.

In New Zealand, our community finance initiative has entered an expansion phase. The original two pilot sites approved over 270 loans worth over \$NZ700,000. This year, we:

- Committed an additional NZ\$50 million of lending to support growth of the community finance initiative.
- Supported our partner Good Shepherd NZ in securing an additional NZ\$4.2 million in operating funding over four years from the New Zealand Government. This funding is being used to support our main provider, The Salvation Army, to recruit new providers and additional community finance workers and expand into new communities.

You can learn more about the work we are doing to support financial inclusion and build resilience on [our website](#).

Number and value (\$m) of Microfinance loans provided – Australia



RESEARCH AND ADVOCACY

For the last four years we've measured financial exclusion and invested in products and services to increase financial inclusion. In that time, our measurement has shown that the number of financially excluded Australian adults hasn't shifted. We know that access to products and services is part of the problem, but there's more to it than this.

To better understand the impact of our programs, we've broadened our understanding of the issue from financial inclusion to financial resilience. This includes access to products and services, as well as other factors that impact how well a person will recover from a financial shock.

We aim to set up a program of research and advocacy – to better understand financial resilience, provide a voice to those excluded, and gain insights into the impact of initiatives.

We partnered with the Centre for Social Impact (CSI) to launch 'Financial Resilience in Australia, 2015'. It's the first study to look at the Australian population's level of access to resources that would enable them to recover from a financial shock. This research builds on from our previous work with CSI that measured financial exclusion in Australia by looking at people's access to financial products. It looks at all the different factors that are at play to understand why some people can recover from a financial shock whereas others struggle. The report found:

- 64% of the Australian population are experiencing some level of financial stress/vulnerability.
- 1 in 4 people report having experienced difficulties accessing financial services in the last 12 months.
- 1 in 2 people follow a budget.
- 1 in 10 people have no savings at all.
- 48% of people only have a 'basic understanding' of financial products and services.

As part of this work, we have developed an evaluation tool that can be used to assess the impact of programs and initiatives in helping develop financial resilience. This tool is currently being tested on two NAB programs and will be publicly released in early 2017.

To support the development of safe, affordable and appropriate products, we'll continue to improve product design and delivery across programs.

SOCIAL COHESION

We invest in the industries, infrastructure and businesses that form the backbone of our communities. We also aim to build stronger, more connected communities by making a difference on the issues that matter, and where we can make significant impact. This includes issues like gender inclusion and family violence, closing the gap for Indigenous Australians, and affordable housing.

PATHWAYS TO EMPLOYMENT

Different people have different barriers to gaining employment. This limits our ability to employ the most talented people in the market and grow our business. However, we've designed a number of programs to overcome this.

Indigenous employment

We have a range of programs designed to bring Indigenous Australians into our workforce, building real jobs and providing us with the next generation of leaders. See 'Progressing our Reconciliation Action Plan' on page 23 for more information.

African-Australian Inclusion Program (AAIP)

This provides African-Australians with six months of Australian corporate work experience. Over 230 people have participated in AAIP since it began in 2009. Approximately 80% of program graduates have found ongoing employment in their chosen field, including 60% who are employed at NAB.

Māori cadetships

Our Māori cadetship program for BNZ has placed 21 cadets throughout the business over the past three years. Participants are often heavily involved in their tribal affairs and have joined BNZ either as graduates or having owned and operated their own business. Almost 80% of cadets have secured permanent employment within BNZ.

TupuToa

BNZ has confirmed it will participate as a principal partner in 2017 with TupuToa (The Māori and Pasifika Corporate Pathways Program). The program is adapted from the Australian CareerTrackers indigenous intern program. It provides a framework to assist BNZ to identify, develop and support high potential Māori and Pasifika tertiary students and early career graduates to fulfil their career aspirations and become business and community leaders in New Zealand and internationally.

GENDER INCLUSION AND ADDRESSING FAMILY VIOLENCE

We're strongly committed to driving gender equality in our communities, and we see a number of commercial and societal benefits in driving this in our workforce, outlined on pages 49-51.

Beyond our own operations, we know we have the ability to drive positive outcomes for our customers and in our community. This year we:

- Continued to deliver our Start Counting program, designed to empower women with the confidence to make life and financial decisions.
- Supported a range of mentoring programs and support networks (see page 51 for more information).

For too long, family violence has been an unspoken issue. This year, we've taken a number of steps to better understand the role we have reducing the instances and impacts of family violence:

- We've continued to offer domestic violence leave to our people, and training for all people leaders on how to lead a mentally healthy workplace.
- We introduced the NAB Family Violence Assistance Grant. This grant is available to customers who want to leave situations where family violence exists, but don't have the financial means to do so. The grant consists of three parts:
 - Emotional support and connection to specialist services (through CareRing).

- An independent transaction account to give the customer a crucial step toward financial independence.
- Up to \$2,500 to cover reasonable expenses to safely leave the relationship. Typically, this payment covers bond and rent for a new home.

Family Violence Assistance Grant

The violence started right after Elizabeth* gave birth to their first child. Walter sought counselling and the relationship continued, but he never changed. The violence continued through the birth of their second child as well. Fearful for her and her children's safety, Elizabeth managed to leave the relationship – but the abuse didn't stop. The harassment continued by phone and Walter following Elizabeth long distances to locate her. He also restricted access to their finances.

Suffering post-traumatic stress disorder and depression, Elizabeth was referred by NAB Assist to a support worker at Kildonan Uniting Care. After assessing Elizabeth's situation an application was made for the NAB Family Violence Assistance Grant.

Elizabeth's application was approved and, within a few days, the funds were provided in a new transaction account. With the money, Elizabeth has been able to secure rental accommodation providing her and her children with a safe and stable home to launch the fresh start they deserve.

*name changed for privacy reasons.

SOCIAL COHESION

PROGRESSING OUR RECONCILIATION ACTION PLAN

NAB's 2015-2017 Reconciliation Action Plan (RAP), promotes and celebrates the success stories of thousands of Indigenous Australians. These are the people who work together to create an inclusive and better society. NAB's seventh RAP – and third at Elevate¹ level – enhanced our long-term commitment to build respect and relationships with Indigenous Australians – based on respect, trust, transparency, and creating shared value with targets set for three years.

Importantly, it shows how we empower our customers, people and communities on our journey to become Australia's most respected bank – and the bank of choice for Indigenous Australians.

We've maintained annual third party assurance of our results. And even though it's not the norm yet, we still advocate this approach, as it creates greater transparency and drives real outcomes.

Key performance

- In partnership with Good Shepherd Microfinance, \$20 million in safe and affordable microfinance products and services has been accessed by over 25,000 Indigenous Australians since 2008.
- 7,000+ people have been assisted by Indigenous Money Mentors to build their financial capability.
- Over 200 Indigenous Australians employed at NAB as at 30 September 2016.
- Over \$400,000 was spent on goods and services from indigenous businesses in 2016.
- In March 2016, we launched a 10-year partnership with Career Trackers.
- We commenced national coordination of the Indigenous Money Mentor program.

AFFORDABLE HOUSING

BNZ launched the BNZ KiwiSaver Scheme First Home Buyer Fund. It targets those intending to use KiwiSaver (a New Zealand government retirement savings initiative) to buy a first home. Launched in September 2015, it's the first of its kind in New Zealand and has been very popular with our members. Currently, it has \$26.9m in funds under management and over 4,000 members invested in it.

The BNZ KiwiSaver Scheme First Home Buyer Fund offers a smart and simple way of helping our customers 'be good with money' and to engage with their savings.

Financial Futures research

To position BNZ as a thought leader, we commissioned BNZ Financial Futures – a survey of 2,000 New Zealanders to look at their views and concerns regarding their finances, home ownership and planning for the retirement they want. It's about BNZ being bold enough to tackle confronting topics and start conversations about financial literacy and security.

Here are the key insights from the April 2016 survey:

- 47% of non-home owners plan to use KiwiSaver to buy first home.
- 59% of non-home owners say homeownership isn't achievable in the next five years.

The research findings were promoted to help start financial conversations, and resulted in over 30 news articles in print, online and the radio.

¹ An Elevate RAP is for organisations with a long, successful history in the Reconciliation Action Plan Program.

SOCIAL COHESION

NAB'S COMMUNITY INVESTMENT

We invest in communities in many ways – from how we manage our operations, through to our giving and volunteering activities. By using our skills, resources and expertise as a bank with more than 35,000 employees, we can create positive social change and deliver value to our business.

As we continue to invest, we want to be sure that our programs and partnerships are having a lasting impact. That's why we're committed to the measurement and reporting of the social and economic elements of our programs.

OUR 2016 COMMUNITY INVESTMENT

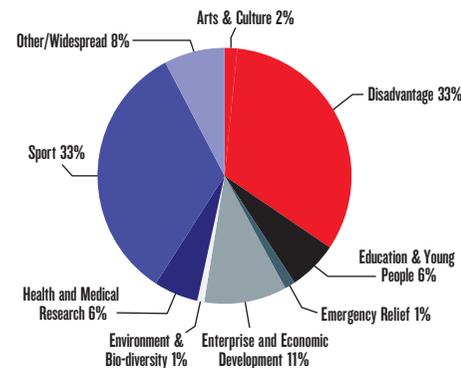
In 2016, NAB invested \$48.8 million in the community. These investments encompassed all kinds of support – from short-term donations to longer-term capacity-building programs. Some contributions are delivered in-kind, such as employer-supported volunteering, while others are financial, ranging from charitable gifts and donations to community partnerships and community sponsorships.

We use eight categories to manage and track our community investment – which are derived from the London Benchmarking Group's (LBG) methodology, with some small variations adopted from the Australian Benchmarking Group. See the Glossary on pages 82-83 for more information on how these LBG categories are defined.

This year's investment represents a 10.2% decrease on 2015 (on a continuing operations basis). This decrease was largely driven by a reduction in employee volunteer participation and a reduction in forgone revenue. Forgone revenue decreased as a result of simplifying the transaction fees applicable to business customers, reducing the overall transaction fee volume and therefore the level of fees that community customers avoid.

The table opposite re-states historical community investment to reflect a continuing operations basis only.

Community investment cash spend by focus area (%)



Community investment by category (\$m)

CATEGORY	2016	2015	2014
Charitable gifts and donations	1.8	2.2	1.4
In-kind volunteering	8.9	9.9	9.6
In-kind support	0.1	0.2	0.1
Forgone revenue	14.9	18.3	20.0
Community investments	10.1	10.7	12.2
Commercial initiatives	8.5	8.5	8.8
Management costs	4.6	4.5	4.5
Total	48.8	54.4	56.5

SOCIAL COHESION

SOCIAL COHESION

VOLUNTEERING AND GIVING

In 2016, there was a reduction in the overall number of volunteer days completed across the business, from 26,260 in 2015 to 23,065 in 2016.

This reduction was led by a decrease in the number of 'general' volunteering days completed. The number of 'skilled' volunteering days remained stable. All employees continue to be entitled to two days of paid leave each year to volunteer with a not-for-profit of their choice.

In 2017, we will explore how we can continue to improve our program to assist in making sure it provides value to our community, and increasingly to make sure we are supporting our customers.

On 31 August 2016, BNZ shut its doors for the seventh time for Closed for Good – an annual event where BNZ employees volunteer across the country.

Closed for Good remains New Zealand's largest single corporate volunteering event.

This year's event was the biggest scale yet – 3,266 of our employees participated in 528 projects.

The day consisted of a mix of general and skilled volunteer projects, with 176 employees getting involved in 52 skilled volunteering projects. An example of this was a group of Sponsorship and Sustainability employees working with Plunket.

They created a marketing and volunteering plan for one of Plunket's South Auckland centres, which currently struggles to engage with the community.

Environmental restoration projects were also popular this year – with more than 200 employees heading to three islands in the Hauraki Gulf for this purpose.

Closed for Good helps build relationships with our people and communities. We conducted a survey which showed 88% of our participating employees feeling more positive about working for BNZ and 99% of community leaders saying they would participate in Closed for Good again.

NAB FOUNDATION

Through the NAB Foundation, we support social impact in a number of ways. We offer grants, support advocacy and communication activities, provide capacity building, skilled volunteering and mentoring support, and look for impact investment opportunities that deliver both a financial return and positive social outcomes.

This year, we:

- Provided seven grants, worth \$1,044,000 to organisations helping to improve mental health and wellbeing.
- Reached a total of over \$8.6 million in grants provided since 2008.

Further information on the NAB Foundation is available on our [website](#).

NATURAL DISASTER AND CRISIS SUPPORT

We believe that supporting our communities in times of need is a crucial part of maintaining social unity. Whether it is natural disasters, prolonged drought conditions or geo-political events – we're here to help.

Our business creates value by facilitating the flow of money – which is critical in times of need. Our framework recognises this and provides support through:

- In-branch donations.
- Dedicated donation options in Internet Banking.
- Cash grants to impacted communities and aid organisations.

In addition, our dedicated financial hardship team has a number of specific processes in place to help our customers get back on track following a crisis. Depending on the nature of the event, our team will ensure hardship specialists are available on the ground with a moratorium on loan repayments and fees.

To the value of \$274,000, we've supported the Red Cross, the Victorian Country Fire Authority, and local community organisations in providing relief in 2016.

This included support for customers and communities impacted by bushfires in South Australia, Western Australia and Victoria, and floods in Northern Territory, NSW and Tasmania.

BNZ Future Hub

BNZ's Future Hub was established in 2013 as a specialist advisory service for people affected by the Christchurch earthquakes. Since then it has helped over 9,500 people resolve complex financial, insurance and property issues arising from the Christchurch earthquakes.

Future Hub works with a number of external organisations to help people with their post-quake recovery. 14,891 significant¹ claims have been cash settled as at end of June 2016. Support is delivered through customer conversations, presenting at public forums and introducing a government backed 'In The Know' program educating people.

From response to resilience

Whilst we continue to help our customers and communities respond to natural disasters and crises, we also recognise that the current and forecast impacts of climate change require us to support investment in climate adaptation measures, as well as greenhouse gas reduction measures. This allows us to contribute to building the resilience of communities, reduce the severity of impacts from future climate-related natural disasters and maintain social prosperity and wellbeing.

Adaptation is a shared responsibility. Governments at all levels, businesses and households each have complementary roles to play. Individuals and businesses will often be best placed to make adaptation decisions that reduce climate risks to their assets and livelihoods.

See the 'Climate change' section on pages 27-31 for more information.

¹ Significant refers to claims being over the Earthquake Commission's cap of NZ\$115,000.

ENVIRONMENTAL WELLBEING

A prosperous economy and societal wellbeing is always dependent on a healthy planet. We recognise this relationship, as have a significant and growing number of global business and government leaders, and non-government organisations. It requires us to be effective environmental stewards, so that our use of natural capital assets – and our business – remains sustainable.

OUR ENVIRONMENTAL AGENDA

Our Environmental Agenda is consistent with the environmental issues of global priority incorporated into the SDGs – particularly the issues of climate change, resource scarcity, and ecosystem degradation and biodiversity loss. Addressing these issues is part of future-proofing our business, as well as supporting our customers and the communities in which we operate to do the same.

This is an ambitious but important agenda. As one of Australia and New Zealand's major banks, we hold a critical position in the economy and wherever possible should lead by example in addressing environmental challenges. Importantly, by building

our knowledge we are better able to assist our customers and communities through providing capital to address these complex issues.

Working together, we can achieve the goal of sustainable development and care for the natural environment so it is there for the enjoyment, prosperity and societal wellbeing today and for the generations to come.

In this section, we will explain the focus of our Environmental Agenda in more detail, and provide an update on what we are doing to deliver on it.

Our Environmental Agenda focuses on the following key issues:

- **Climate change** – The increasing impact of climate change and climate-related policy on business resulting in increased need for climate finance.
- **Resource scarcity** – The increasing competition for finite resources has the potential to limit economic growth and business operations.
- **Natural Value** – The increasing pressure on the natural capital (environmental assets and services) that underpins our economic system

could impact future asset and business value.

In 2016 we:

- Were recognised as a 'Green Bond Pioneer' by the Climate Bonds Initiative and London Stock Exchange for our work in developing the Australian green bond market. See page 29 for more details.
- Provided finance for renewable energy generation projects and NAB's Equipment Finance Energy Efficient Bonus Program, and arranged green bonds and green securitisation warehousing. See pages 28-29 for more details.
- Became the first bank to become a Corporate Member of the Clean Energy Council – the peak body for the clean energy industry in Australia.
- Established our first science-based GHG emission reduction target for our operations – see the 'Resource Scarcity' section on pages 32-34 and 'NAB Numbers' on pages 67-73.
- Continued to reduce our operating costs through a strong focus on resource efficiency. We have calculated that our energy costs would be 80% higher if we had not implemented our energy efficiency program.
- Started work on an environmentally sustainable office fit-out design for our new Brisbane head office.
- Became founding partners to the Victorian Government's [Take 2 Climate Change Pledge Program](#).
- Were awarded a position on the CDP 2016 Climate A List, recognising NAB for climate change leadership and as a world leader for corporate action on climate change. Continued to work on the implementation of our five climate change commitments. See further details on page 27.
- Improved our score in the environmental component of the DJSI.
- Reviewed and updated our Group Environmental Management and Group Environmental Reporting and Offset Management Policies (available on [our website](#)).

ENVIRONMENTAL WELLBEING

CLIMATE CHANGE

NAB recognises climate change is a significant and complex challenge requiring action by individuals, businesses and government both in Australia and internationally. We support the internationally agreed goal to limit global warming to less than 2°C above pre-industrial levels.

We believe the financial sector has an important role to play in assisting the transition to a low-carbon economy that is environmentally and socially sustainable. The low-carbon transition needs to take place in a considered and orderly manner. This requires a stable and supportive policy environment to facilitate the required scale of investment.

We acknowledge the important role of science-based targets, appropriate policy settings and market mechanisms to reduce greenhouse gas emissions and achieve this transition.

We expect the transition will lead to a material decrease in the use of fossil fuel-based energy and a corresponding increase in renewable energy¹. This is based on carbon budgets² and energy forecasts by the International Energy Agency and governments including the Federal Government of Australia. We believe this transition will lead to the creation of significant and innovative business opportunities.

NAB is committed to playing an active role in this transition to a low-carbon economy through our operations and financing activities. We have created a working group to review the risks and opportunities facing NAB and our customers arising from a 2 degree world.

This section of our report sets out progress against our climate change commitments (see Highlight Box) and the actions we are taking to deliver on them.

Our progress against five climate change commitments:

1. Undertake A\$18 billion of environmental financing activities over the seven years to September 2022 to help address climate change and support the transition to a low-carbon economy

This year, we provided \$7.3 billion in finance towards our environmental financing goal. Refer to the 'Supporting our customers' on page 28 and 'Responsible lending' section on page 39 for further details.

2. Source 10% of NAB's Australian electricity demand from new and additional renewable energy projects by 2018

We continued our participation in two renewable energy buyers groups to support the transition to a low-carbon economy. Refer to the 'Renewable energy generation' section on page 30 for further information.

3. Engage responsibly on climate policy

We have engaged on a number of areas of climate change policy. A brief description of these engagements is provided in the 'Climate change-related engagement', section on page 31.

4. Report climate change information through mainstream reporting channels

We provide an annual summary of our climate change-related regulatory requirements, our greenhouse gas emissions and energy efficiency initiatives and products and services in our Annual Financial Report within the Report of the Directors (see pages 26-27). We also provide carbon risk disclosures related to our lending portfolio on a six-monthly basis through our half year and full year investor presentations. Refer to 'Carbon risk disclosure' on page 30.

5. Commit to putting a price on carbon

Ever since we first achieved carbon neutrality in 2010, we have had an internal carbon price. Further information is provided in the 'Purchasing renewable energy and carbon offsets' on page 31.

¹ The IEA reported recently that in 2015, that new low-carbon generation (renewable and nuclear) exceeded the entire growth of global power demand in that year.

² IEA World Energy Outlook 2015, IPCC AR5.

ENVIRONMENTAL WELLBEING

CLIMATE CHANGE

SUPPORTING OUR CUSTOMERS

One of our climate change commitments is to provide \$18 billion of environmental financing over the seven years to September 2022 to help address climate change and support the transition to a low carbon economy. This year, we are providing our first update on how we are tracking against this commitment.

During the year, we developed definitions of what is included in our reporting against our environmental financing goal. We have discussed this with a range of external stakeholders and, where possible and appropriate, we have aligned our reporting to the standards that have been developed by the Climate Bonds Initiative. A summary of our methodology for our reporting against this goal will be made available in December, on the 'Climate change' section of [our website](#) under our \$18 billion environmental financing commitment.

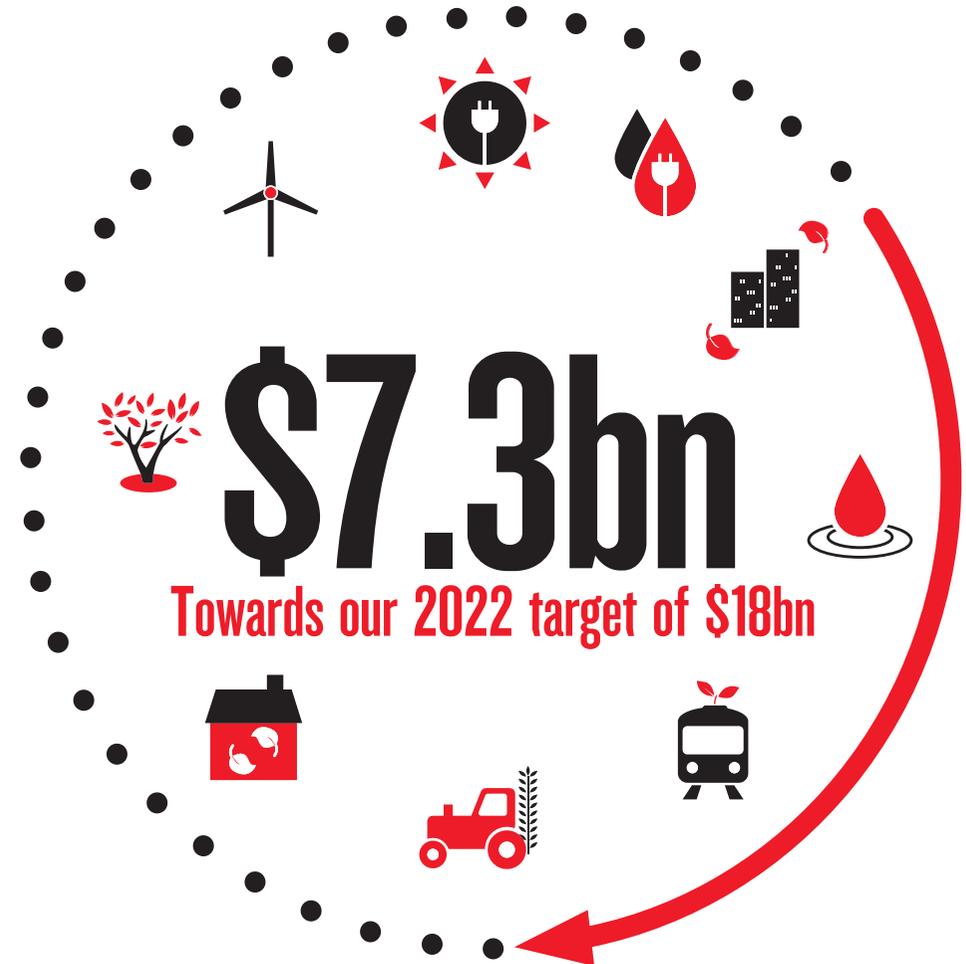
Since 1 October 2015, we have provided an aggregate of \$7.3 billion towards our \$18 billion environmental financing goal. This is illustrated in the figure opposite. Further details about key financing activities we have undertaken to contribute to this goal under each product category are provided on the following page.

OUR \$18 BILLION COMMITMENT

This year, our reporting against the environmental financing goal covers:

- Mortgages for new homes: \$5,734.4 million.
- Lending for Green Star certified commercial buildings: \$186.8 million.
- Specialised and corporate finance for projects that reduce emissions (renewable energy generation) and assist with climate change adaptation: \$702.8 million.
- Lending to low-carbon businesses: \$246.3 million.
- Green bonds: \$350 million.
- Asset finance: \$57.7 million.
- Advisory activities, underwriting and arranging: \$44.8 million.

In future years, we may add further categories of finance to support the transition to a low-carbon economy and we will update our data capture and reporting methodologies to reflect this (as required).



ENVIRONMENTAL WELLBEING

CLIMATE CHANGE

Green bonds

NAB has worked closely with investors – and increasingly with potential issuers and other market participants – to develop the domestic green bond market in Australia. As a result of this, in February 2016, NAB was recognised as a commercial bank “Green Bond Pioneer” by the Climate Bonds Initiative and the London Stock Exchange at the inaugural Green Bond Awards. This year, NAB:

- Acted as the sole arranger and joint lead manager, for Australia’s first Green ABS¹ securitisation transaction for FlexiGroup Limited (FlexiGroup). This landmark transaction represents Australia’s first AUD denominated, publicly offered asset backed green bond note and the world’s first “Climate Bond Certified” ABS transaction to meet the criteria for certification under the Climate Bonds Standard by the Climate Standards Board. The Flexi ABS Trust 2016-1 transaction was launched with a transaction size of \$260m and will be backed by a pool of consumer receivables originated by Certegy with residential solar photovoltaic PV systems representing 33.5% of the pool. The \$50m issuance proceeds of the Class A2-G notes will be linked to funding these Solar PV systems.

- Advised on, and arranged, the first green bond issued by a government authority in Australia and the world’s first Climate Bond’s Standards certified bond issued by a state or national government. This green bond was issued by the Treasury Corporation of Victoria in July 2016. It raised capital for projects including renewable energy generation, energy efficiency projects, low emissions transport, water treatment and recycling (and associated emissions reductions) and waste-to-energy projects.

Asset finance

We continued to provide finance through NAB’s Equipment Finance Energy Efficient Bonus Program (a \$120 million program supported by the Clean Energy Finance Corporation to assist Australian businesses investing in energy efficient equipment).

The Program enables NAB to offer a rate 70 basis points below its standard equipment finance rate for a diverse range of pre-approved assets – including cars, irrigation systems, solar PV, building upgrades, lighting upgrades, processing line improvements and refrigeration. In 2016, we provided \$57.7m in lending through this program, which brings the total to \$92.4m since the program commenced in June 2015.

Specialised and corporate finance

We continued to provide both corporate and project finance to renewable energy projects for the power generation sector. This included new financing or re-financing for wind and solar projects in the UK, and wind projects in Australia. Further information is provided in the ‘Responsible lending’ section (see page 41) and our Equator Principles reporting (see page 43).

Advisory services

We continued to provide financial advisory services for a range of environmental projects including renewable energy generation (solar, wind and bio-energy) and qualifying green property transactions. We also advised Australian Unity on the Initial Public Offering (IPO) of the Australian Unity Office Fund (AOF). AOF comprised of eight buildings, two of which were rated 5 Stars or greater under the National Australian Built Environment Rating System (NABERS), representing 28.2% of the Fund by value.

Lending to new residential construction

We provided a total of \$5.73 billion in lending for building new residential properties in 2016.

Since 2010, new homes in Australia are required to have a 6 Star minimum energy efficiency rating for the building ‘envelope’ (the roof, walls, floors and windows) under Australia’s National Construction Code.

The Victorian Building Authority states that 6 Star homes are projected to use 24% less energy through heating and cooling compared to 5 Star homes². The majority of existing Australian building stock is less than 3 Stars.

The Australian Government’s Energy Use in the Australian Residential Sector report states that residential sector energy consumption is forecast to increase from 402 petajoules (PJ) in 2008 to 467 PJ by 2020 under current trends³.

Therefore, we think that it’s important to support the construction of new and refurbished homes which improve the energy efficiency of Australian residential building stock. Our systems currently allow us to capture and disclose the number of new homes we help finance and so we have included this financing towards our \$18 billion environmental financing commitment.

¹ An asset-backed security (ABS) is a financial security backed by a loan, lease or receivables against assets.

² Victorian Building Authority – available at <http://www.vba.vic.gov.au/consumers/6-star-standard>.

³ Energy use in the Australian Residential Sector 1986-2020, pg 9, Commonwealth of Australia.

ENVIRONMENTAL WELLBEING

CLIMATE CHANGE

CARBON RISK DISCLOSURE

In late 2014, we made a commitment to carbon risk disclosure. This was in recognition of the growing demand from investors and other stakeholders to understand carbon risk in investment and lending portfolios.

Consistent with our commitment to transparency and integrated reporting, we are identifying, developing and implementing new ways to improve disclosure on carbon risk exposure by collaborating with other financial institutions in Australia and internationally.

In 2016, we have:

- Increased relevant disclosures on our lending to the agricultural, energy and natural resources sectors. See our [Results Investor Presentations](#) (2016 Half Year pg. 41 and 2016 Full Year pg. 45, 56) or on page 42 of this report.
- Included a calculation in our 2016 CDP survey response¹ for financed emissions represented by NAB Group's share of total Scope 1 and 2 GHG emissions from the Australian designated power generation assets² financed in our Project Finance portfolio (as a % of debt as at September 14).

- Participated in the Portfolio Carbon Initiative (PCI) — a joint initiative of the United Nations Environment Program Finance Initiative, World Resources Institute and 2°C Investing Initiative — which is investigating the development of standardised approaches to disclosure on carbon-related risk exposure for financial institutions. This year, we participated in consultation related to the development of two PCI reports: (i) Climate Strategies and Metrics: Exploring Options for Institutional Investors; and (ii) Climate Metrics: Exploring Options for Banks.
- Continued to collaborate with our Australian banking peers on disclosing information on carbon-related risk exposure for financial institutions as part of the Australian Portfolio Carbon Working Group³.

SETTING A SCIENCE-BASED GHG EMISSIONS REDUCTION TARGET

This year, we set our first science-based GHG emission reduction target for our operations. Our new target is to reduce GHG emissions by 21% by 30th June 2025, from a 2015 base year. We have adopted the Sectoral Decarbonisation Approach's 'Service Buildings' methodology⁴ as the most appropriate given the nature of our business operations.

A science-based emissions reduction target is one that is consistent with what scientists consider to be necessary to keep global warming below the dangerous threshold of two degrees Celsius.

The target covers all direct GHG emissions (Scope 1) and indirect GHG emissions from consumption of purchased electricity, heat or steam (Scope 2) across all GHGs required in the GHG Protocol Corporate Standard with the exception of data centre emissions. We haven't been able to include data centre emissions as there isn't an appropriate methodology available at this point in time.

We submitted our Scope 1 and 2 target to the Science Based Target Initiative for informal review, and they have confirmed that the target is considered science-based. We have not set a target for Scope 3 (value chain) emissions, as there is currently no standard framework or agreed methodology for science-based targets for finance-related activities. As such our target is not formally recognised by the SBT Call to Action.

RENEWABLE ENERGY GENERATION

We've now installed solar panels on 26 of our branches. Installing solar panels is reducing our carbon emissions while also reducing our energy costs. This year we generated 736 gigajoules of energy from our solar panels.

We are also continuing our involvement in two renewable energy buyers groups to support the transition to a low-carbon economy through our purchasing decisions. It's one way in which we plan to deliver on our commitment to source 10% of our Australian electricity needs from renewable sources by the end of 2018.

¹ NAB Group's response is available from the [CDP website](#).

² Designated generation facilities are defined on the Australian Clean Energy Regulator's website as facilities where the principal activity is electricity generation and where the facility is not part of a vertically integrated production process.

³ In 2016, the four major Australian banks (ANZ, CBA, NAB and Westpac) formed the [Australian Portfolio Carbon Working Group](#), an informal, collaborative working group recognised by UNEP FI.

⁴ The Sectoral Decarbonisation Approach (SDA) is a methodology that allows companies to set emission reduction targets in line with a 2°C decarbonisation scenario. It is based on the 2°C scenario (2DS) developed by the International Energy Agency (IEA) as part of its publication, *Energy Technology Perspectives*.

ENVIRONMENTAL WELLBEING

CLIMATE CHANGE

PURCHASING RENEWABLE ENERGY AND CARBON OFFSETS

This year, we purchased 2,520 GreenPower Renewable Energy Certificates to offset the impact of our tri-generation plant being offline for part of the year. We also have green electricity included in our facilities contract for our London Branch office.

Offsets from renewable energy projects made up around 79% of our 2016 carbon offset allocation. This year, we purchased offsets for 2017 and beyond from projects with co-benefits that align with our organisational vision – to be Australia and New Zealand’s most respected bank.

This means that we have sourced some of our offsets from projects located in Australia and New Zealand to support abatement in the NAB Group’s priority geographies. The New Zealand offset project supplier, New Zealand Carbon Farming Group, is also a customer of BNZ.

This year we purchased offsets from a Supply Nation certified supplier in Australia: the Aboriginal Carbon Fund, demonstrating alignment with both our Environmental Agenda and our Reconciliation Action Plan. The offsets, which will be banked for use in future years, are Australian Carbon Credit Units generated from the early dry burning of savannah land in Cape York. In addition to helping meet our carbon neutral commitments, the purchase will also provide a range of co-benefits including connecting indigenous youth with traditional land management practices, supporting ranger employment opportunities and revenue for the local Kowanyama community, and reducing GHG emissions by reducing the severity and duration of bushfires in the region.

We have also maintained our National Carbon Offset Standard and Carbon Trust Standard certification in Australia and the UK¹, respectively. As part of our commitment to carbon neutrality, we also maintain an internal carbon price that has driven investment in energy efficiency initiatives.

CLIMATE CHANGE-RELATED ENGAGEMENT

One of NAB’s climate change commitments is to engage responsibly in climate change policy development. This continues our long standing approach to engage constructively in policy development process, where relevant to our business.

NAB has an internal consultative process to ensure that our direct and indirect activities that influence policy are consistent with the climate change area of focus in our Environmental Agenda, and are consistent across business divisions and geographies.

Under this process, representatives from relevant business units and Group functions meet together (as appropriate) to review policy changes and determine the relevance and impact of policy changes as they relate to NAB Group. Formal approval from relevant internal stakeholders is sought prior to the submission of a formal written response to proposed regulatory or policy changes.

CLIMATE POLICY

In 2016, NAB has engaged in the following climate change policy-related activities:

- Responding to the Victorian Government consultation paper on the Victorian Renewable Energy Auction Scheme.
- Attending COP21, the United Nations Framework Convention on Climate Change’s 21st annual Conference of the Parties, to participate in business and finance sector dialogue about risks and opportunities arising from climate change and the negotiations and outcomes of the Paris Agreement.
- Presenting and participating in a Green Climate Fund Climate Finance Roundtable held in Melbourne.

INDUSTRY ENGAGEMENT

In addition to direct engagement in policy-related activities, we also participated in a range of relevant climate change-related industry activities in 2016. These included:

- Attending the Clean Energy Council’s Australian Clean Energy Summit – three NAB representatives presented at the annual Summit on topics including workplace diversity, renewable energy procurement and financing the clean energy transition. We also sponsored the Australian Clean Energy Summit gala dinner.
- Presenting on adaptation finance at an Australian Investor Group on Climate Change Adaptation Finance Workshop.
- Participating in a United Nations Association of Australia (UNAA) Climate Change Workshop in which UNAA asked stakeholders to help it think through what its role might be in helping Australia to achieve net zero emissions.
- Presenting at the Carbon Market’s Institute’s Australian Emissions Reduction Summit – we shared our experiences in developing a science-based target.
- Participated in a working group formed by the Kimberly Land Council to explore the core benefits that come from Indigenous-led savannah carbon projects and attended a “Business Council of Australia Round Table” on Indigenous carbon farming. The objective of this Roundtable was to identify ways to address key challenges and optimise potential opportunities for Indigenous land managers.

¹ Carbon Trust Standard certification related to CYBC PLC operations which were demerged from NAB in February 2016.

ENVIRONMENTAL WELLBEING

RESOURCE SCARCITY

Increasing competition for finite resources has the potential to limit economic growth and business operations. Reducing our resource use not only reduces our environmental dependencies and impacts, but enables us to reduce our operating costs. This is why we maintain a strong focus on efficiency.

Our environmental performance targets align to our Environmental Agenda focus areas and help us measure progress towards achieving our environmental objectives. This year we set new environmental targets as well as reporting against our 2014–2016 targets (see page 68 of 'NAB Numbers' section). Our targets are aligned to our Environmental Agenda's focus areas.

Five of our six environmental performance targets have been met. The exception was the waste diversion target. There is a good news story behind our not having met this target – our Australian business has significantly decreased the amount of waste paper we produce by:

- Implementing Follow You Print.
- Improving the availability of technology to support paperless working.
- Making process improvements.

As a result our recycling volumes are decreasing at a similar rate to our waste to landfill volumes, and the percentage of waste diverted from landfill has not changed materially.

We continue to underpin our GHG emissions and energy reduction targets with a key focus on energy efficiency – which you'll see in the following tables. These tables summarise the energy efficiency opportunities we worked on in 2016, and provides examples of the types of initiatives we've implemented.

Minimising the environmental dependencies and impacts of our business

Ensuring that our buildings are running as efficiently as possible has continued to be a priority. We now have close to 80% of our main Australian office buildings operating at a 4 Star NABERS Energy rating or better, and close to 80% of our offices are Green Star rated. In Asia, our Singapore and Hong Kong head offices are LEED Platinum certified, as is one of our Australian data centres. In New Zealand, our Auckland and Wellington head offices are Green Star certified. We're now taking our lessons from the successful design of our offices and applying them as we start designing our new offices in Brisbane and Sydney.

We've completed the transition from three data centres to two data centres in Australia, and we're seeing a significant decrease in electricity use as a result.

Improving efficiency across our branch network

In Australia, 38% of our energy use is in our branch network, which means that improving resource efficiency at branches is an important contributor to the delivery of our Environmental Agenda. In 2016, we commenced work to have our branch network assessed against the new Green Star Volume Certification process which outlines a range of minimum environmentally sustainable design specifications targeted specifically at retail sites.

Through the Volume Certification process, we have identified a number of sustainable design and

management opportunities. We expect to see the results of this certification work in early 2017.

While we have used LED for certain light fittings in our branches for some time, this year, we completed our first trial of a complete branch-wide LED lighting solution. The pilot site demonstrated substantial cost and energy savings compared to our existing lighting specifications over a short payback period. The new LED solution has now been incorporated into our network design standards and will be rolled out to all new and refurbished sites going forward. In New Zealand, we continue to roll-out LED lighting for our external signage.

Summary of energy efficiency opportunities investigated across Australia in 2016

Stage of development	Total number of projects	Total estimated annual CO2-e (tonnes)
Under investigation	17	595
To be implemented	5	357
Implementation commenced	5	1,000
Implemented	880	103,089
Not to be implemented	313	Not available
Total	1,220	105,041

ENVIRONMENTAL WELLBEING

RESOURCE SCARCITY

Examples of energy efficiency and renewable energy measures that were implemented in Australia in 2016

ACTIVITY TYPE	DESCRIPTION OF ACTIVITY	ESTIMATED ANNUAL CO ₂ -e SAVINGS (METRIC TONNES CO ₂ -e)	INVESTMENT (\$AUD)	ANNUAL SAVINGS (\$AUD)	PAYBACK PERIOD (YEARS)	ESTIMATED LIFETIME OF THE INITIATIVE (YEARS)
Energy efficiency: Building services	Decommissioning of our old data centre and transition to a new LEED Platinum certified data centre.	15,359	Not available	\$1,682,781	0	30 years
Energy efficiency: Processes	Implementing a range of technology based initiatives to decommission, consolidate or phase out older equipment and implement more efficient solutions	2,559	\$395,781	\$316,067	1.3	10 years
Energy efficiency: Building services	Upgrading diesel generators at a data centre	15	Not available	\$7,148	Not available	10 years
Energy efficiency: Building services	Implementing energy efficiency initiatives including shutting down facilities (HVAC, lighting, wireless controls) during holiday periods, e.g. Christmas shutdowns.	285	\$552,876	\$128,209	8.6	10 years
Energy efficiency: Building fabric	Installing solar reflective roof paint at NAB branches to reduce external roof temperatures and improve energy performance	69	\$77,314	\$15,824	6.9	7-10 years
Low carbon energy installation	Solar PV rollout	338	\$208,887	\$77,457	2.7	10 years

ENVIRONMENTAL WELLBEING

RESOURCE SCARCITY

Recycling

As part of our commitment to resource efficiency, improving our recycling rates is also a priority, from the recycling of e-waste with our technology partners, through to the recycling of organic waste by our employees. We recycle organic waste at six of our Australian office buildings. This year we introduced commingled recycling to another 26 branches and business centres, increasing the total number of branches and business centres with commingled recycling to 58.

We're also improving the recycling options available to our employees, and raising awareness of how and why we re-use and recycle. BNZ has tackled this challenge head on by hosting 'Waste Week' at their Auckland head office. We were able to raise employee awareness through a week of activity involving new bins and signage, lunchtime briefings, posts and competitions on the Green Team Community website, expert talks and a group of volunteer 'Waste Warriors' wandering the building and providing advice.

An audit carried out after the week showed that it was successful in reducing both contamination rates in recycling, as well as reducing the amount of recyclable and organic material going to landfill.

Deforestation

Deforestation is a significant global contributor to climate change and ecosystem degradation, particularly in developing countries. With that in mind, and to implement our understanding of natural capital risk and dependencies from our work under the Natural Capital Finance Alliance, we've continued to identify and eliminate potential drivers of deforestation in our supply chain.

We're still one of the largest Fair Trade endorsed workplaces globally, which covers the tea, coffee, sugar and cocoa used in our offices and branches in Australia and New Zealand. We also continue to purchase biscuits that are Roundtable on Sustainable Palm Oil (RSPO) certified for our office kitchens.

We recognise that we depend on forest resources as a consequence of our paper use in our offices, for publications and for customer statements. So we've focused on decreasing our consumption of paper where we can, by digitising paper-based processes and application forms, introducing 'bring your own devices' (BYOD) and rolling out an increasing range of 'default online' or 'online only' customer correspondence.

Where we need to use paper, our Sustainable Paper Guidelines in Australia outline that it should come from certified responsible sources, recycled stock and, where possible, manufacturers should be ISO14001 certified. Additionally, uncoated paper (office paper) should be National Carbon Offset Standard (NCOS) certified carbon neutral.

In 2016, following a successful pilot, BNZ launched an initiative to stop mailing paper statements to all retail and small business customers registered with online banking. Only 5% of those customers moved have since elected to revert back to receiving paper statements.

Data on our paper use and online customer statements transition to online only can be found on page 73 of the 'NAB Numbers' section of this report.

ENVIRONMENTAL WELLBEING

NATURAL VALUE

Our business-wide Natural Value strategy continued to progress in 2016. We have maintained our focus on our agribusiness customers, since agribusiness is significantly dependent on natural capital.

In 2015, we announced that we consider natural capital when undertaking a credit risk assessment, and that we're looking for a way to include consideration of natural capital-related risk in our credit models. This builds on our commitment as a signatory to the Natural Capital Finance Alliance (previously known as the Natural Capital Declaration). To meet this goal, we've:

- Initiated ongoing research in partnership with CSIRO, Dairy Australia and the Australian Wine Research Institute – to find appropriate natural capital indicators that link good natural capital management and positive financial performance over time. We've also established an internal Natural Value Risk Modelling Group to look at how we can use this information to price natural capital risk into agribusiness lending.
- Actively participated in the Australian Business and Biodiversity Initiative (ABBI) during 2016. Our Chairman presented the business case for Natural Value at the 2016 annual Fiona Wain Oration for Sustainable Business Australia – an industry body that we're a member of.
- Continued to participate in the Natural Capital Finance Alliance's working groups, including as Chair of Working Group 3. This year, we contributed to the work that commenced between the Natural Capital Finance Alliance and the Natural Capital Coalition to develop a Finance Sector Supplement to the Natural Capital Protocol.
- Participated in the Natural Capital Protocol Steering Group, overseeing the development of the Natural Capital Protocol on behalf of the Natural Capital Coalition. We were also represented at the London launch of the Natural Capital Protocol in July 2016, and as members of ABBI Steering Committee helped prepare for the Australian Natural Capital Protocol launch – working with other ABBI Steering Committee members. This included the Australian Federal Government Department of Environment and Energy.
- Became a panel member of the Reef Trust Innovative Financial Mechanisms Panel (IMP). The Reef Trust is an Australian Government initiative designed to find the most effective ways to consolidate and focus investment on protecting the Great Barrier Reef. This work focuses on identifying and acting on the highest priorities – improving water quality, restoring coastal habitats, and protecting threatened and migratory species (including dugongs and turtles).
- Continued our partnership with the Kauri 2000 trust, planting 100 kauri seedlings for every new Kauri bond issue BNZ arranges. BNZ employees are engaged in the partnership and assist in the planting of the seedlings. This year BNZ has planted 1,300 kauri seedlings, taking the total to 7,100 kauri seedlings planted since July 2008. All these and future bond issues will form part of the kauri forest on the Coromandel Peninsula.

VALUE CHAIN

OUR CUSTOMERS

We are committed to helping our customers achieve their goals because we understand that life is about more than money. Our customers' success defines our success.

ABOUT OUR CUSTOMERS

We provide a comprehensive and integrated range of financial products and services to nearly 10 million customers globally. These customers are supported by over 1,000 branches and business banking centres globally – and we connect with them every day through our call centres and social media. We continue to strengthen these relationships by supporting and understanding our customers to ensure we provide products and services that help people get more from their banking.

See pages 17-19 of our 2016 Annual Review, which explains how we're executing our strategy, and delivering more value to customers.

CUSTOMER ADVOCACY

We want to make it easy for our customers to contact us and share their feedback, compliments and complaints. Now, there are even more ways for them to connect with us – including social media and other online channels. Customer feedback (including customer satisfaction) and the data it generates, is continually assessed to identify areas for product development and improved processes across all of our brands.

We have customer experience specialists throughout the business, and collaborate across the enterprise using a customer-centric design methodology – to help manage change and create better products, services and experiences for every NAB customer.

MindTribes improves operational performance through cultural training and coaching, so cross-border teams can achieve more. With their success, husband and wife team Div and Vick were seeking a way to give back. So when their 9-year-old daughter suggested giving to 'Because I am a Girl!', they were on board – and they now donate 10% of sales to the international charity.

MindTribes



VALUE CHAIN



OUR CUSTOMERS

NET PROMOTER SYSTEM

In 2016, the average Net Promoter Score of our priority segments has remained stable at -14. This was true across our segments, with the exception of Small Business, where NPS increased from -19 (2015) to -11 (2016), and Mortgage customers which decreased from -18 (2015) to -24 (2015)¹.

Improving customer advocacy as measured through the Net Promoter System continues to be a key goal of our strategy.

You can learn more in our [2016 Annual Review](#).

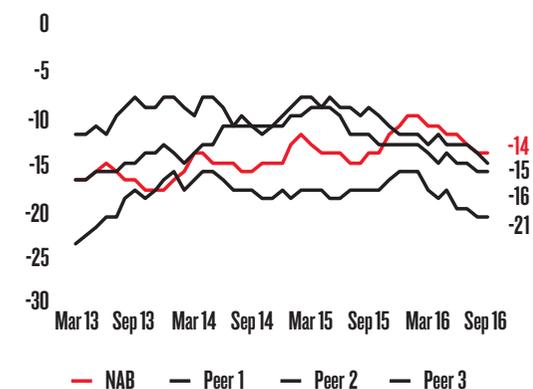
This year, amongst retail customers, BNZ has experienced a significant increase in NPS – ending the year ranked equal second in the market². The improvement in NPS has been supported by our work to focus on giving our customers the best experience. Pleasingly, this has led to an increase in customers recommending BNZ, and a significant reduction in those detracting².

Within the Partners segment (businesses with an annual turnover of NZ \$1m - \$150m) improvements have been made in BNZ's NPS compared to the end of last year. BNZ's Small Business segment (businesses with an annual turnover of under NZ \$1m) NPS has remained relatively stable and is also ranked second equal in the market². The investment to increase the number of small business bankers available to support customers may be influencing a stabilisation in advocacy amongst BNZ's Small Business customers.

SAP recently produced the New Zealand Digital Experiences Report, which looked at the digital capabilities of businesses in New Zealand, and assessed their impact on customers. In the report, BNZ was the top performing bank³.

BNZ has continued to perform at number 1 (or equal number 1) for in-store experience in the Business, Small Business and Auckland Retail segments⁴.

Net promoter score (NPS)¹ in Priority segments NAB compared to peers



¹ Priority Segment Net Promoter Score (NPS) is a simple average of the NPS scores of five Priority Segments: Mortgage Customers, Debt Free, Micro Business (<\$1m), Small Business (\$1m-<\$5m) and Medium Business (\$5m-<\$50m). The Priority Segment NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research. 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.

² Source: Camorra Research – Retail Market Monitor; TNS Business Finance Monitor. Retail data is on a 6-month roll. Partners (annual turnover of NZ\$1m - NZ\$150m) and Micro business (annual turnover of <NZ\$1m) data is on a 12-month roll.

³ SAP New Zealand Digital Experience Report 2016.

⁴ Source: Retail: Camorra Research – Retail Market Monitor. Business and Small Business: TNS Business Finance Monitor.

VALUE CHAIN

OUR CUSTOMERS

RESPONDING TO COMPLAINTS

We want the best outcomes for our customers. We know that their success is our success and we are seeking to strengthen our business by ensuring we are always open, transparent and take issues impacting customers seriously.

We support the industry's commitments to enhance the handling of customer complaints, which were announced in April 2016 by the Australian Bankers' Association.

One of the commitments was for each bank to establish a position for an independent customer advocate. This independent advocate's role is to make sure that:

- Retail and small business customers have a voice.
- Customer complaints directly relating to the bank are appropriately escalated and responded to within specified timeframes.

Catherine Wolthuizen was announced as NAB's independent customer advocate for retail and small business customers in July 2016 and Dimity Kingsford-Smith was announced as independent customer advocate for MLC wealth advice complaints process in May 2015.

Importantly, customer feedback gives us an insight into how we can improve our processes, and address concerns. At NAB, the person who takes the complaint is responsible for resolving it. More complex complaints are escalated through one of our specialist complaint management functions (NAB Resolve or MLC Resolve, for example).

In Australia, the number of complaints we received increased by 9% this year. Feedback related to fees and charges continues to be the highest contributor; however, the cause of these complaints is often related to a process or product, rather than the actual fee itself.

We expected an increase in complaints this year, as a reflection on our ongoing commitment to encourage customer feedback to understand and address customer concerns. We know that we still have work to do to ensure a consistently great customer experience.

This year, we have made a significant improvement by reducing the number of complaints that are escalated to the Financial Ombudsmen Service for customers experiencing hardship issues. These improvements are a direct outcome of using insights from complaints to improve the experience for customers.

You can read about how we're responding to customer pain points on page 18 of our 2016 Annual Review, which can be accessed on our [website](#).

CUSTOMER CYBERSECURITY

NAB provides our customers, and the broader community, with insights on cybersecurity and the simple steps we can all take to stay safe online. As our customers increasingly interact with us using online channels, we want them to know they can transact with confidence in an increasingly complex cybersecurity environment and to know that we will help them if things go wrong.

Our information security program is managed by NAB's Chief Information Security Officer. NAB employees are accountable for protecting our customer and corporate information. In addition to a large, dedicated team of security experts, NAB has a volunteer network of over 240 cybersecurity awareness champions. These champions act as cybersecurity advocates within their business unit, passing on information on the latest security threats as well as advice to their colleagues and NAB customers. Importantly, NAB's information security program focuses on teaching our employees how to protect their personal information too.

This year, we have continued to build awareness and educate our employees by:

- Conducting compulsory information security compliance training for all employees in 2016, which contained information and advice on the latest cybersecurity threats and trends.
- Conducting an in-house phishing email simulation with all Australian-based employees, to assist them in recognising and reporting suspicious emails.
- Conducting over 80 face-to-face presentations with employees across the Group to raise awareness with our people of the simple things they can do to protect customer, corporate and their personal information from cyber threats.

In addition, we are committed to supporting our customers in using our channels with confidence and this year we:

- Published regular articles on how to protect information on our [Business Research & Insights website](#).
- Provided information on our [website](#), which outlines our various customer protection methods, tips for customers to protect themselves and a list of known scams, fraud and phishing alerts.
- Conducted a number of sessions with our business customers, as well as hosting industry events to share their knowledge of the current cybersecurity landscape.
- Hosted a number of events to encourage high-school students to take Information Technology (IT) subjects at school and consider a career in cybersecurity.
- Worked with secondary schools to showcase IT security careers, to specifically encourage girls to consider careers in IT security.

To protect NAB and our customers, we look to ensure that we're meeting our legal and regulatory requirements in the areas of financial crime. This includes Anti-money laundering and Counter-terrorism financing (AML/CTF); Anti-fraud, Anti-bribery and corruption; and Sanctions and Embargoes. We publish information on our policies and processes designed to lessen opportunities for financial crime on our [website](#).

VALUE CHAIN

OUR CUSTOMERS

RESPONSIBLE LENDING

Prioritising positive customer outcomes

NAB strives to ensure that our customers receive the best possible consumer lending products and offerings available by taking into consideration their individual situation, requirements and objectives, whether it's to help manage cash flow, to purchase a home to live in or as an investment for their future.

We take our obligations as a major Australian bank seriously and continue to take a lead within the market through adoption of best practice lending standards such as the Australian Prudential Regulation Authority's Prudential Guide 223 in 2016.

Additionally, the *National Consumer Credit Protection Act 2009* (Cth) is foremost in the design and delivery of our consumer lending products and processes. Our responsible lending practices are delivered to our customers through our bankers and brokers, who are equipped with tools that ensure our customers have simple to access and easy to understand information about all of our consumer lending products.

To assist our customers in making more informed decisions we have:

Home lending

- Developed informative property insight reports that our bankers and brokers can give to customers. These reports provide customised insights about the properties a customer is interested in so they can make a fully informed decision.
- Improved NAB's digital home loan scenario calculators, recognising that borrowers are doing more of their research online. This means our customers can better and more easily understand what a home loan would mean for them in practical terms.
- Introduced a sustainable pricing structure that encourages our borrowers to pay down their home loan, with favourable pricing for principal and interest borrowers in comparison to those who are interest-only borrowers.
- Revised our approach to assessing a prospective borrower's capacity to repay their loan, to ensure that our customers can make the leap into their home and have the ability to live appropriately within their means.
- Led changes to review lending policies for certain geographical areas based on local-market conditions, to ensure our customers are protected.

Personal lending

- Enhanced NAB's Personal Loans Online Debt Consolidation calculator to help customers better understand and compare how much they could save by consolidating various debts into a single NAB Personal Loan.
- Improved information about NAB Personal Loans on our website so that it's simpler, easy to understand, and more useful for customers. This included providing more information about how customers can improve their credit history and understand a credit report.

Credit cards

- Enhanced our card selector tool on our website to help customers choose the best product to suit their needs.
- Increased our communications around credit card product conditions, particularly in relation to and following the end of, promotional offer periods. This includes through direct communications, on our website, and in advertising material.
- Enhanced our balance transfer calculator to help customers easily and quickly understand the savings they can make which can help them get in control of their financial situation.

We believe these changes are the right thing to do for our customers, for our business, and for the Australian property market.

In addition, through the deployment of the Personal Banking Origination Platform across retail and direct bank, NAB has enabled our customers to take more control over the loan process, through electronic updates and messaging, electronic acceptance of loan documentation, and uploading information directly into their own application. This platform will enable further digitisation of both NAB and customer processes.

As discussed on pages 36-38, we are committed to delivering a great customer experience, and we measure our customer and product success through:

- Customer feedback channels (capturing complaints, compliments and suggestions).
- Net Promoter System.
- Portfolio asset quality measures such as Total Impairment and Arrears rates.

VALUE CHAIN

OUR CUSTOMERS

SUPPORTING OUR CUSTOMERS IN MANAGING ENVIRONMENTAL RISK AND OPPORTUNITY

We have a number of specific teams that are helping customers to address their environmental objectives, by providing products and services that support investments in clean and renewable energy and energy efficiency and other environmental goals.

In Australia, these include our:

- Capital Financing team who have recognised the inherent growth in the clean energy sector, and are exploring and developing a range of financing solutions to support our customers' needs, including providing green bonds to the market.
- Financial Advisory team, who advise customers on raising capital for projects in renewable energy, infrastructure, natural resources, real estate and agriculture.
- Specialised Finance team, who provide project finance¹ and asset finance² solutions to customers across a number of key industry sectors – specifically to larger-scale infrastructure³, energy⁴ and natural resource⁵ projects, including the financing of renewable energy.
- Agribusiness team, who provide specialised finance and banking solutions to our agribusiness customers across all related industries – including the first stage post-farmgate processing sector. Our team is located in every state, and is on the ground in 110 locations.

Managing ESG Risk

We consider NAB's exposure to ESG risk at both a lending portfolio and an individual customer level, where appropriate. At the customer level, ESG risk is assessed on a case-by-case basis, as part of credit risk assessment and due diligence processes.

This includes our assessment of ESG risks associated with particular sectors and activities. For example, as a significant banker to the agricultural sector, we are committed to investing in this industry to enable the production of food and other soft commodities needed by all communities. But we also believe that this should be done responsibly, to ensure long-term sustainability.

We incorporate ESG risk into our credit risk assessment and due diligence process to help us achieve this goal. Through our Natural Value strategy for agribusiness, we are continuing to focus on embedding management of natural capital into our credit risk assessment process and we are working towards including this in our credit models.

A description of our credit risk assessment and diligence process is provided in the 'ESG risk management' section on page 17.

Our 2016 Improper Land Acquisition Policy Statement progress report will be made available on our [website](#) in December. Additionally, we have published our Human Rights Policy and continue to review, monitor and engage with relevant large institutional and corporate customers where indigenous land rights issues could arise. To minimise the potential for human rights and improper land acquisition concerns in our own operations, we have continued to purchase Fair Trade tea, coffee, sugar and cocoa and FSC certified paper in our offices and branches in Australia.

We are also a signatory to the Equator Principles and we take the Equator Principles requirements into consideration when lending for the purpose of financing specific projects. More information on project finance and the Equator Principles is provided in the 'Project financing' section on page 43 of this report and our 2016 Equator Principles report, which will be available on our website in December 2016.

In 2016, we continued to provide financial support to the development of important infrastructure and energy projects. The following page provides two examples of these projects.

¹ Project finance is a method of financing in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the lending exposure.

² Asset finance typically covers lending to industry-specific vehicles, plant and equipment.

³ Large-scale infrastructure includes national critical projects such as Public Private Partnerships in areas of education, health, social housing, justice, water and roads.

⁴ Energy projects include traditional power projects, energy distribution and transmission. Renewable projects are a key focus for the team and include such sectors as wind, solar and geothermal power.

⁵ Natural resource projects are arranged across selected mining and mining-related infrastructure.

VALUE CHAIN

OUR CUSTOMERS

1. Renewable energy financing

Consistent with our goal to provide \$18 billion of environmental financing activities over the seven years to September 2022, we continue to provide corporate and project finance for renewable energy generation projects. This year our renewables financing included refinancing a portfolio of UK wind and solar farms with project finance and providing corporate finance for the construction of the White Rock Wind Farm.

The UK wind and solar portfolio owned by Cubico Sustainable Investments, was financed in three phases. This is a portfolio of 13 operational wind farms and solar parks principally located in the South West of England and including 2 solar parks in Scotland. The portfolio has a combined installed generation capacity of 138 MW.

White Rock Wind Farm will be located in northern New South Wales, Australia (500 km north of Sydney). The project received its environmental approvals from Government in July 2012. The project will be constructed in phases, with phase 1 consisting of around 70 turbines. This is expected to have a generation capacity of around 175 MW. The finance provided by NAB for the White Rock Wind

Farm is corporate finance. This triggered the criteria for a project-related corporate loan under the Equator Principles.

As part of NAB's due diligence and credit risk assessment process environmental and social risks were considered. Environmental issues considered included environmental management planning and systems, climate change mitigation, landscape and visual impact, noise, potential impacts on ecology and biodiversity and land management. Social issues considered included Indigenous and European heritage values, stakeholder engagement planning and processes and occupational health and safety.

2. WA Schools Public Private Partnership

NAB believes financing of social infrastructure is critically important to the standard of living and quality of life in local communities. Therefore, our project finance portfolio includes projects such as hospitals, schools, and social housing.

In 2016, NAB was one of three mandated lead arrangers that jointly arranged finance for a Public Private Partnership (PPP) to fund the design, construction and facilities management by EduWest¹ of four primary schools to be completed by December 2016 and four Secondary Schools to be completed by December 2022. This is the first-ever WA Schools PPP.

The design of the schools is to be based on ecologically sustainable design principles, with a particular emphasis on reducing energy consumption. The project will have an environmental management plan and system to ensure it achieves required environmental performance standards and minimises the potential for environmental impacts during the construction period. There were no material social issues identified during the project's due diligence and credit risk assessment process.

Overall, this was a project with low environmental and social risk. In fact, this new PPP is considered to have a positive social impact as it will mean the principals and school staff do not have to manage and maintain school facilities, and they will then have more capacity to focus on student learning, support and wellbeing.

¹ EduWest is a consortium of the following organisations = Macquarie Corporate Holdings Limited, Sumitomo Mitsui Banking Corporation and Macquarie Capital (Australia) Limited, Badge Group, Perkins Group and Spotless.

VALUE CHAIN

OUR CUSTOMERS

LENDING BOOK EXPOSURE TO INDUSTRY SECTORS AND ACTIVITIES

As a major bank within the Australian financial system, NAB's lending book reflects key industries represented within the Australian economy.

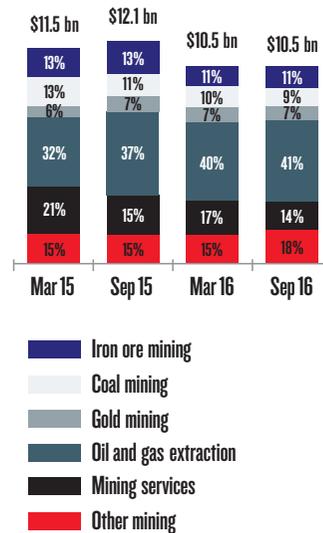
As part of our ESG risk management system and processes, we regularly report on lending book exposure to industry sectors and activities with potentially higher ESG risk sensitivities to executive and Board level governance committees.

Additionally, to fulfil our commitment to carbon risk disclosure, we provide data on our exposure to key 'green' and carbon intensive sectors within our power generation and natural resources portfolios as part of our investor presentations at half and full year, and within this report.

We also provide data on our exposure to the agribusiness sector. This is a key sector we are working on as part of our Natural Value Strategy (for further information on Natural Value, see page 35).

Our exposure to the natural resources, power generation and agribusiness sectors are provided in the following graphs and pie charts.

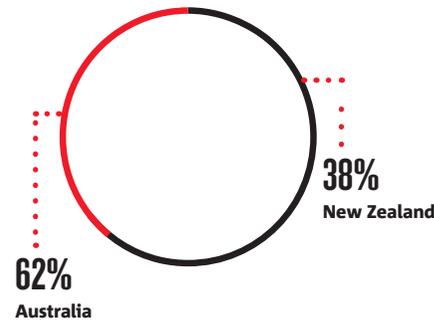
Resources portfolio EAD breakdown (%) by sector



Note: Resources exposure represents ~1% of total EAD.

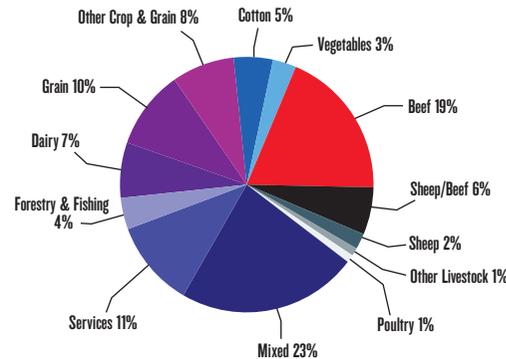
Group agriculture, forestry and fishing exposures (by region) (%)

EAD \$39.5bn September 2016

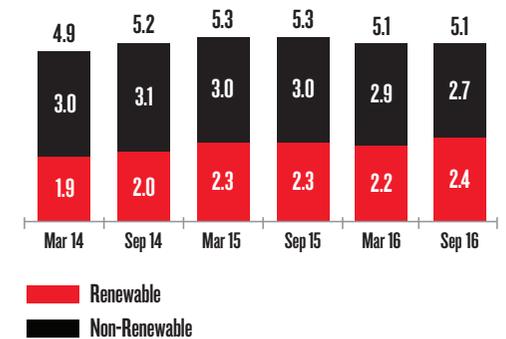


Australian agriculture, forestry and fishing – exposures by sector (%)

EAD \$24.4bn September 2016



Electricity generation exposures by fuel source EAD (\$bn)



For information on NAB Group's commitment to carbon risk disclosure related to our lending portfolio, refer to page 30.

VALUE CHAIN

OUR CUSTOMERS

PROJECT FINANCING

We have been a signatory to the Equator Principles since October 2007 and we take the Equator Principles requirements into consideration when undertaking relevant project-related transactions.

Our global project finance portfolio helps larger customers invest in infrastructure projects. Global project finance represented 1.4% of total Group Exposure at Default at 30 September 2016. As at 30 September 2016, for deals in our project finance portfolio to which we have applied EPs, 96.6% are in designated countries and 3.4% are in non-designated countries.

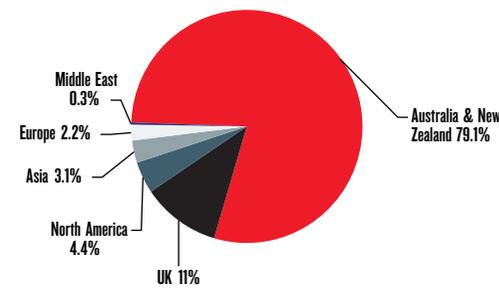
In 2016, we closed 16 new project finance transactions, refinanced 19 existing deals, and removed 14 deals from our loan book. Although deals can be declined at any stage in negotiation or due diligence, none were declined in 2016 specifically on the basis of social or environmental risks or issues.

Our current global portfolio of renewable energy generation projects represents a total generation capacity of 2,594 MW. In 2016, we provided \$739m, measured as exposure at default at 30 September 2016, for renewable energy projects¹.

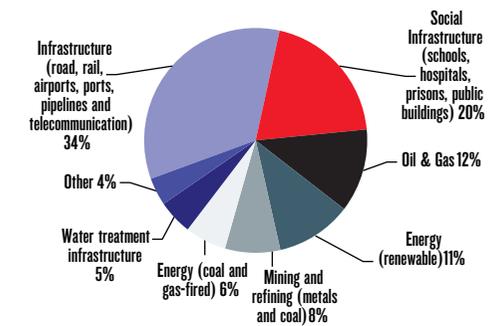
NAB has provided \$4.9 billion in project finance for renewable energy projects since 2003. We continue to be the leading arranger (by market share) of project finance to the Australian renewable energy sector².

In December 2015, we set ourselves a new commitment to finance \$18 billion over the next 7 years (to 30 September 2022) to help our customers who are engaged in climate change mitigation (e.g. renewable energy, energy efficiency, low emissions transport) and climate change adaptation activities. Project financing of renewable energy generation is a significant contribution towards this goal. See the 'Climate change' section on pages 27-31 for further information.

Project finance by region as a % of total portfolio value, expressed as Exposure at Default, as at 30 September 2016



Project finance by sector as a % of total portfolio value, expressed as Exposure at Default, as at 30 September 2016



Project finance deals by Equator Principles Categories

Equator principle category	Number of projects	Projects as a % of total portfolio value
A	4	11
B	48	46
C	21	19
Pre-EP adoption (pre-September 2007)	17	10
Project finance post EPs III to which the EPs do not apply	23	14

¹ Amount includes new transactions and re-financing.

² Project Finance International 2006-2016 Asia Pacific Initial Mandated Lead Arrangers League Tables - MidYear 2016 USS Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2016.

VALUE CHAIN

OUR CUSTOMERS

RESPONSIBLE INVESTMENT

Our Australian wealth management business is made up of a number of brands – including MLC, JBWere, JANA and Plum. We're always striving to invest responsibly for our customers, across our entire range of services and products.

We know that managing ESG issues is also an important part of investment management. This is why our wealth management businesses incorporate ESG in a way that's relevant to their services.

Socially responsible investment (SRI) funds have a diverse portfolio of assets that support the Australian Ethical Charter, or a fund manager who uses a strategy for screening ethical and socially responsible investments. See page 60 of NAB Numbers for the total value of SRI funds being managed by NAB Group's wealth businesses.

MLC

The MLC brand¹ represents a range of investment products and services.

The MLC multi-manager business researches and selects leading investment managers to look after assets on behalf of our customers. An important part of this assessment and selection process is to understand potential managers' ESG credentials.

MLC offers hundreds of investment options to customers, because we know that everybody has different ideas about how their money should be managed. We have options that are managed by the MLC multi-manager business, as well as a large number of externally managed products. SRI funds are also included in these choices.

JANA

JANA is an investment consulting firm with offices in Melbourne and Sydney. They provide traditional and implemented consulting advice to institutional customers – including corporate, industry and public sector superannuation customers, charities, foundations and endowment customers. JANA has a comprehensive ESG Policy in place, and continues to consider ESG in its business (in line with its ESG philosophy and policy). In 2016, JANA:

- Enhanced their ESG research capabilities by partnering with a specialised ESG data provider.
- Became a signatory of Principles of Responsible Investment (PRI).
- Continued to monitor ESG trends – and comprehensively researched [investment manager practices in relation to climate change](#).

JBWere

JBWere is a leading private wealth management business in Australia that provides strategic wealth and investment advice to Australia's most successful individuals, families and for-purpose organisations. JBWere has a leading position in the for-purpose sector, managing over \$3.6 billion in funds under management.

In 2016, JBWere launched 'The Cause Report', which outlined the evolution of the for-purpose sector over 20 years:

- Scale, scope and significance of the sector.
- Long-term trends across.
- Headwinds in relation to sustainability and volunteerism.
- Sector breakdown of data.

Superannuation

NULIS Nominees have an Investment Governance Policy. This Policy incorporates ESG Risk Management, which covers investment strategies for directly managed MySuper investment options. ESG factors are considered in MySuper investment decisions in line with this policy.

NAB Asset Servicing launched an ESG reporting service, which will allow customers (including superannuation funds) to drill into data through industries, market capitalisation and individual holdings. That way, they can assess and compare ESG exposures between different portfolios and benchmarks.

Our Wealth businesses (MLC, Plum and NAB Superannuation Funds) responded to the 2016 Asset Owners Disclosure Project Global Climate Index this year. Each fund was rated BBB, and improved its overall ranking from the prior year due to better climate risk disclosure in the portfolios.

IMPACT INVESTMENT

We see value in more than just money, which is why we're gathering data to show that businesses who care about their social and environmental impact can also deliver better financially. Impact investment is another way NAB supports businesses to grow, and have a greater positive impact on society.

In 2016, to help solve complex issues, we have explored new financial solutions, including:

- Clean energy finance.
- Social impact investment with ACSO, arbias, and the New South Wales Government.
- Market-based solutions like The Nature Conservancy's Australia Water Fund.

Each of these unique transactions taught us more about financing with impact.

We're contributing to the ecosystem that's needed to support impact investment in Australia by:

- Providing a further \$0.75m to support the Impact Investment Readiness Fund, in partnership with Impact Investment Australia. The fund helps build capacity for social enterprises looking for investment to grow. The Impact Investment Readiness Fund has distributed 14 grants valued at \$1m since it started. So far, five grant recipients have raised additional capital – around \$20 for every \$1 of grant funding received.
- Partnering with Philanthropy Australia and contributing \$250,000 to a grants fund, aimed at growing the number of social enterprises managed by not-for-profits.
- Supporting education in the sector through initiatives such as Philanthropy Australia's National Seminar Series, which focuses on impact investing from a funder's perspective.
- Partnering with The Difference Incubator's Two Feet program to support social enterprises development.
- Supporting Impact Investing Australia with market building, as well as policy and advocacy work.

¹ In 2016, NAB sold 80% of NAB Wealth's life insurance business (MLC) to Nippon Life.

VALUE CHAIN

OUR PEOPLE

Building a workforce of great people and living our values is central to our business strategy.

ABOUT OUR WORKFORCE

We have a global workforce with more than 35,000 employees. Our focus on talent, leadership, performance, capability and culture creates a workplace that's focused on becoming Australia and New Zealand's most respected bank.

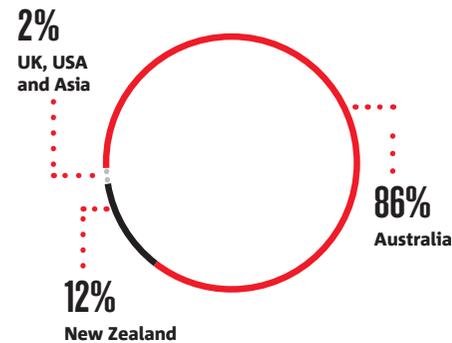
This year, there has been a range of structural changes to our business that have changed our workforce composition, including:

- Completion of the Clydesdale Yorkshire demerger.
- The sale of 80% of NAB Wealth's life insurance business to Nippon Life¹.
- Changes to NAB's structure to deliver better outcomes for customers as well as shareholders.

These changes are focused on creating a simpler business to deliver better outcomes for customers. This hasn't had a significant impact on turnover rates, as we strive to redeploy our people within the business where possible.

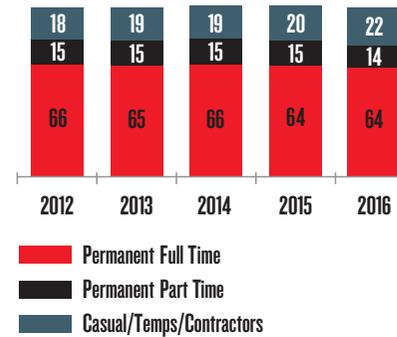
As the significant majority (98%) of our workforce is based in Australian and New Zealand, commentary in the 'Our people' section of this report will be focussed on these geographies.

Employee distribution (%) by geographic region



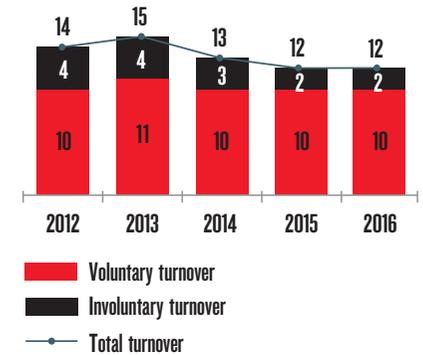
Source: Internal. Breakdown is based on headcount and includes permanent, temporary, casual employees and contractors. As at 30 September 2016. Data includes employees that have since transferred from NAB Wealth to MLC Limited, as part of the sale of 80% of NAB Wealth's life insurance business.

Workforce breakdown (%) by employment type



Source: Internal. Breakdown based on headcount, as at 30 September 2016. Data includes employees that have since transferred from NAB Wealth to MLC Limited, as part of the sale of 80% of NAB Wealth's life insurance business.

Group employee turnover rate (%) by exit type



Source: Internal. Calculated as total number of exits divided by average permanent headcount for the year 1 October 2015 – 30 September 2016. Data includes permanent employees. Data includes employees that have since transferred from NAB Wealth to MLC Limited, as part of the sale of 80% of NAB Wealth's life insurance business.

¹ Effective 3 October 2016.

VALUE CHAIN

OUR PEOPLE

EMBEDDING A VALUES-ALIGNED CULTURE

One of the significant changes we made in 2016 was the realignment of our Executive Leadership Team. The changes included the creation of a Chief People Officer. Reporting to our Chief Executive Officer, the new role focuses only on our people agenda. It's already resulted in a full refresh of our people strategy in line with the refresh of our business strategy.

This change signifies how important organisational culture is in accelerating the execution of our strategy. Culture is something we know we can actively manage. And though we've made great progress in the last year, there's still much to do.

Our aspirational culture is best expressed by our vision and values. Our vision, to be Australia and New Zealand's most respected bank, is underpinned by our values:

- Passion for customers.
- Will to win.
- Be bold.
- Respect for people.
- Do the right thing.

These guide our decisions and behaviours. They're embedded in our performance management system to ensure all our people understand their importance. We continue to reinforce them in all our internal communications and in the conversations our leaders have with our people. That way, we can continue living our values every day.

Our annual employee engagement survey, Speak Up, Step Up, also measures how our people believe we are living up to these values. In 2016, the 'Alignment with our values score'¹ remains high at 87.5%.

The launch of our new brand promise, More Than Money, is another example of our aspirational culture. We want to be as good with people as we are with money so that our customers feel our service is personal, that they find it easy to do business with us, and that we support them.

This promise is inspiring and engaging for our people, and is something we're passionate about delivering on. Every time we deliver a great experience for a customer, we strengthen our business, which brings benefits for our shareholders and communities.

BNZ is implementing an ambitious high performance culture to create a differentiated experience for our customers, position BNZ to drive growth, and provide the foundations to successfully execute our long term strategy. A new strategy has been approved by our Board, and is intended to support and enable BNZ to perform and win in the market.

Five key priorities have been agreed on:

- Game changing talent.
- Breakthrough performance.
- Ambitious, inspiring culture through leaders.
- Fit for future workforce.
- Reputation and advocacy.

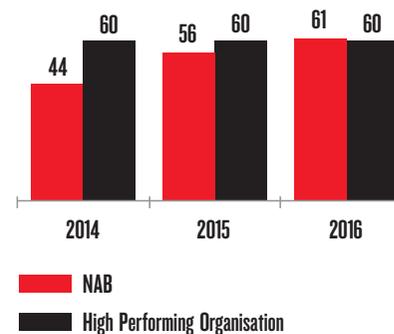
Managing an engaged workforce

Employee engagement is a lead indicator of organisational performance and is measured annually through our Speak Up, Step Up survey. In May 2016, 85% of our employees completed the survey.

For the second year in a row, our employee engagement has increased significantly. It has moved from 52% in 2015 to 61% in 2016 (the survey

was conducted after the UK banks were sold so they are not included in the 2016 figure; the 2015 figure rebased to exclude the UK banks is 56%). This is well above the Global Financial Services Benchmark of 40% and means that we have, for the first time, achieved our goal to exceed the Global High Performing Organisations Benchmark of 60%.

Group employee engagement



Source: Speak Up, Step Up survey conducted by Right Management, May 2016. Historical figures have been re-stated to exclude discontinued operations. Data includes employees that have since transferred to MLC Limited, as part of the sale of 80% of NAB Wealth's life insurance business.

The main drivers of employee engagement this year were:

- Our people's belief in our vision.
- Their opportunity to do challenging and interesting work.
- Career opportunities.
- Roles that make good use of their skills and abilities.
- Trust.

- Senior leader communication.
- Inclusion.

We've seen particularly strong increases in our people's view of our response to changes in the external business environment and their feeling that senior leaders communicate a vision that inspires them. We have room for improvement in handling communications around change and removing barriers so our people can do their jobs well.

These results tell us we're on the right track, but there's always more we can do. Our employees are responding well to our efforts to constantly lift the bar on making decisions and behaving in ways that will continue to increase the respect of our customers, shareholders and communities. The more engaged our employees are, the more passionate they will be about delivering a great experience for our customers, which leads to better outcomes for our shareholders and for our communities.

Human rights in our workforce

We're committed to upholding strong corporate values and behaviours, including our approach to human rights. We're subject to human rights requirements that are being codified into international conventions, law and best practice principles for business.

We have a range of stand-alone human rights related frameworks, policies and procedures. The majority of these have been in place for a long time and we review and update them on a regular basis.

Our new Human Rights Policy brings our people-related policies together and sets overarching policy requirements to drive consistency in human rights management across the business. The Policy provides a one-stop-shop to help our employees and stakeholders understand how we manage human rights. A summary of our new Human Rights Policy can be accessed on our [Group website](#).

¹ The index is calculated by measuring the level of positive responses to two culture questions in the Speak Up, Step Up survey, conducted by Right Management, May 2016.

VALUE CHAIN

OUR PEOPLE

PERFORMANCE AND REMUNERATION

At NAB we believe in attracting, retaining and motivating our employees through a strong performance and reward framework. During 2016, work has continued on embedding the framework introduced at the beginning of 2015. This has included a continued focus on setting strong stretch objectives aligned to delivering our business strategy.

We have continued to evolve our performance framework in 2017 to drive improved performance and align to our evolving business strategy. The work associated with this framework commenced during August 2016 and includes:

- Continued focus on ‘conduct’ to reinforce the cultural importance of ‘doing the right thing’.
- Greater clarity for everyone on the requirements of their roles and the stretch required to drive performance and contribute to NAB’s results.
- Simplified scorecards with up to three stretch objectives plus one objective relating to management of risk. This will help our people focus on what they need to do to achieve.
- Monthly documented performance conversations that focus on the future performance and development of each employee.

The new market-based pay range methodology agreed with the Finance Sector Union in 2015 has been implemented this year. This methodology supports transparency and flexibility for leaders to ensure appropriate reward for performance and other factors. A review has been conducted during 2016 to identify opportunities to improve and further embed.

Independent of the Australian Bankers Association review, we have refreshed our conduct management system. This demonstrates our focus on compliance and includes a clearer definition of acceptable conduct for our people. It supports our efforts to reinforce the cultural importance of ‘doing the right thing’ and ensures acceptable conduct is embedded into how we manage performance at NAB.

BNZ has developed a new approach to performance management designed to motivate our people. A simple, new performance framework, focused on agile goal setting, regular feedback and constructive development focused conversations, one single rating and skewed rewards to motivate, recognise and reward high performance will be launched in 2017. To date hundreds of our people have been involved in the design of the new framework.

CAPABILITY

We’re supporting our workforce to develop the skills and experience they need to perform now and in the future.

In 2016, the average training hours per employee increased from 32 to 42, giving them the skills they needed to deliver more value. In our business bank sector, our focus was on coaching bankers through customer conversations.

In our consumer banking sector, we reviewed our development offerings for new starters. We also standardised the way our employees uncover our customers’ needs. This is to assist in ensuring that our customers experience the bank in a consistent way – no matter what channel they use to engage us.

We continued to focus on the accessibility of our learning programs across the country. And we introduced the Personal Bank Mobile Banker ‘Go-Live’ self-paced program. The cost savings on this allowed us to double our workforce in this area – and provide greater service to our customers.

Overall, 79% of our workforce felt they have access to training and development to do their jobs well.

Within BNZ, we’ve been assessing the effectiveness of current development programs. Our Banking Adviser Induction program transformed from mostly classroom-based to a blended program in 2016. The average number of deals per learner, per week, is the same for ASAP (old program) and NBA (new program) learners. However, we are seeing technical competence strengthen, earlier productivity, and shorter decision-making times.

We’ve also measured our investment in the ‘Partners Inspire’ program, which is designed to support business bankers in understanding their customer’s business needs, strengthen relationships and achieve results. Our assessment, completed in 2016, showed a slightly negative return on investment. This was attributed to non-sales employees’ participation in the program. However, key insights were garnered from the study, which showed a high level of application of lessons learned in the program, better tailoring of pitches (having identified the customer’s communication style), improved meeting structure, and the use of better discovery question techniques.

VALUE CHAIN

OUR PEOPLE

LEADERSHIP

We know how important exceptional leadership is at all levels of the organisation. It assists us to outperform our competitors and build a strong and profitable business for shareholders, customers and employees.

Our refreshed People Plan will make sure we have high-performing teams led by first-rate leaders. They'll be held accountable for performance, building talent and inspiring their team. By doing so, they'll be in a position to drive better customer and shareholder outcomes – which will show through our engagement results and business performance.

Through our new leadership dashboard and targeted capability assessment, we will provide leaders with real data and regular feedback. This will help them identify their strengths and development needs, improving leadership effectiveness at NAB. We will look to benchmark our leaders against industry standard in 2018 and 2020.

BNZ's leadership and talent plans are essential to building the culture and capability needed to deliver our strategy. In 2016, BNZ has invested in our leaders at all levels, equipping them to coach for high performance.

Performance EDGE is BNZ's flagship leadership offering. It's designed to grow our leadership potential and boost the performance of individual leaders. It allows us to systematically build leadership capability on an on-going basis.

The first phase of Performance EDGE set expectations for all 700 leaders in our NZ business. By engaging directly with our business strategy to identify performance opportunities, leaders align to our purpose, brand and customer proposition. They're equipped with the skills to lead our performance culture, and inspire people to deliver results. All people leaders receive 180 degree feedback from direct reports against the BNZ leadership model that underpins Performance EDGE.

Metrics tracking the success of Performance EDGE are positive. 89% of leaders report they 'understand the leadership skills and behaviours needed to deliver performance' and 96% of our leaders will use the tools. As part of the process, leaders are measured against development commitments.

VALUE CHAIN

OUR PEOPLE

DIVERSE AND INCLUSIVE WORKFORCE

At NAB, inclusion is in our DNA. It's fundamental to our culture.

Our employees' unique backgrounds, capabilities and life experiences continue to give us value. Embracing their differences builds productivity, engages our people and drives innovation for our customers. It also allows us to better serve the community and drive sustainable and satisfactory shareholder returns.

Inclusion

We're focused on building a mindset of inclusion in everything we do. Currently, over 85% of our people feel that our culture is inclusive of them as a person¹. This spirit of diversity and inclusion is more than an idea or a goal. It's who we are. Anyone is welcome in our workplace – regardless of age, ethnicity, sexual orientation, gender, or disability.

Increasing accessibility

We believe a culture of inclusion builds innovation, fresh thinking and an appreciation of differences. The aim of our first 'Accessibility Action Plan' was (and still remains) to improve access for all people who have a disability.

Our 'Accessibility Action Plan' 2015-2016 reaffirms our goal to always improve accessibility for our people, our customers and the community as well as provide long-term, sustainable results.

Through the implementation of the NAB Digital Accessibility Strategy and Policy in Australia, we continue to improve our internal technology services in Australia and our customer-facing online channels, products and services using the Web Content Accessibility Guidelines (WCAG) v2.0 level AA guidelines.

For more information, head to our [website](#).

Out and proud

We're creating a culture where our Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) employees aren't defined by their sexual orientation, or their gender identity. In 2016, NAB placed 7th in the Australian Workplace Equality Index Awards. The award provides a national benchmark on LGBTI workplace inclusion, and is designed to measure the overall impact of inclusion initiatives on organisational culture. We are pleased with this result as it shows consistent improvement from 14th (2014), 9th (2015) to 7th (2016)².

Our Pride@NAB group provides a support network for our employees who identify as LGBTI and continues to raise awareness across the organisation. The feedback is that the Pride@NAB group is a big part of the reason that more and more LGBTI employees are coming to work each day feeling comfortable in their own skin.

In December 2015, Pride@NAB was awarded the 2015 Chairman's Award for Diversity & Inclusion. The Award recognises business-led initiatives that have had a positive impact across NAB on creating an inclusive culture.

And we're just as committed to supporting the wider LGBTI community. We do this through:

- Continued sponsorship of the Midsumma Festival.
- Participation in the Fair Day at Brisbane Pride.
- Involvement of the AFL Pride match.

In 2016, BNZ announced the goal of achieving the 'Rainbow Tick' accreditation by signing an initial 5-year audit review commitment. The Rainbow Tick is an externally audited assessment and support partnership that aims to help create organisational environments that are safe, welcoming and inclusive places for Lesbian, Gay, Bisexual, Transsexual, Takatāpui, Intersex and Fa'afafine (LGBTTF) employees – increasing attraction, engagement and retention.

Life stage

Our employees are all at different stages of their lives. Some are building their careers. Others are considering starting a family. And some are thinking about transitioning into retirement.

But they all have one thing in common – the freedom to embrace those life stages, knowing that NAB will support them through their journey.

Supporting parents

We support employees embarking on parenthood with 12 weeks paid primary carers' leave (or 24 weeks at half pay) anytime within the first twelve months of a child's life. In March 2015, we amended our policy to make paid primary carers leave more accessible to new fathers and non-birth parents. Since the policy change, 26% of employees taking paid primary carer's leave have been males, up from 2% prior to the change.

We also provide up to 40 weeks of unpaid parental leave, which is recognised as service for the purposes of calculating long service leave accrual. Superannuation contributions are made on the unpaid portion of primary carer's leave up to 40 weeks. Returning from parental leave, our employees receive a remuneration review to make sure the terms of our Enterprise Agreement are applied, and that parents aren't negatively impacted by taking time off.

Additionally, we continue to make sure our employees on Parental Leave in Australia are informed of key business updates, and reminded of the tools and resources available to support them via our 'Keeping in Touch' newsletter.

In 2016, in Australia 87% of employees returned to work after taking primary carer's leave, a two percentage point decrease from 2015. Childcare facilities and arrangements operate in or near our major office locations in Australia. We continue to offer corporate childcare discount arrangements with selected childcare centres across Australia.

Supporting older workers

We proactively provide effective support to employees over the age of 50. We understand that attracting and retaining mature age workers is a competitive advantage. People who bring significant life and industry expertise to work are an asset to our business.

We've offered the award-winning MyFuture and Pathway2020 workshops to Australian employees since 2011. To date, more than 1,400 employees have participated. In 2016, the first virtual MyFuture workshop was launched – ensuring access for our regional employees. The workshops provide our leaders and mature-age employees with the opportunity to consider their future in terms of career, flexibility, health, finances, relationships and the transition to retirement.

¹ Speak Up, Step Up survey, conducted by Right Management, May 2016.

² 2016 Australian Workplace Equality Index, available at: <http://www.pid-awei.com.au>.

VALUE CHAIN

OUR PEOPLE

Gender equality

Gender diversity continues to be a key priority for NAB – not only because it's the right thing to do, but also because it makes good business sense. Through driving diversity of thought, productivity, engagement and innovation, gender equality will deliver superior returns to our shareholders. It also helps differentiate our customer and employer brand.

CEO commitment

Andrew Thorburn continues his role as a member of the Victorian coalition of the Male Champions of Change strategy. Since joining the Victorian Chapter, Andrew has continued to take action to advance gender equality not only within NAB but also within the community. He also retains his position as a Workplace Gender Equality Agency's Pay Equity Ambassador, which started in September 2014.

BNZ CEO Anthony Healy commenced his role as the Co-Chair for NZ Champions for Change, launched in November 2015. This initiative brings together a group of New Zealand CEOs and Chairs from across the public and private sectors who are committed to raising the value of diversity and inclusion within their organisations and implement strategies to actively promote the concept amongst peers.

Leadership commitment

Our portfolio is made up of 155 Performance Units (PU), each representing a strategically important function. Our PU leaders are held to account on their progress towards gender equality each quarter.

Our Executive Leadership Team recognised that many public forums often lack gender balance, despite there often being no shortage of talented and qualified women. So we've committed to a 'Panel Pledge'. Our leaders have pledged that whenever our people are invited to be involved in or sponsor a panel or conference, we'll ask about the organiser's efforts to ensure women are represented.

Talent acquisition

We continue to make sure our recruitment practices are free from gender bias. We do this by aiming for a mix of men and women to be short-listed for all roles and where possible, hiring decisions are made by panels comprised of both men and women.

NAB Board Ready

NAB actively encourages women to join Group subsidiary boards. NAB Board Ready is a program designed by NAB women for NAB women, to educate and prepare female executives and managers to become company directors. The program focuses on building board competence and confidence through education, training and development opportunities. It facilitates the skills required to successfully pursue board positions.

In 2016, 217 employees participated in the program. And female representation on NAB Group subsidiary boards has increased from 14% (2010) to 39% (2016).

Realise and Senior Realise

NAB has been offering 'Realise' and 'Senior Realise' programs, designed to equip our talented female employees with the skills, knowledge and tools to transition into more senior and executive management roles since 2011. In 2016, 269 women have completed the 'Realise' program, with a further 150 completing 'Senior Realise'. In New Zealand, where it's in its fifth year, 94 women have completed 'Realise', and a further 12 women completed 'Senior Realise'.

A virtual offering of both programs is provided to our regional employees, and those in our offices in Asia, London and New York. For the fourth year, a tailored Realise program has been extended to not-for-profit and business customers, with limited access to development programs.

We're committed to improving female representation at all levels – and our Board has set measurable objectives for achieving gender equality:

	FY15 actual female representation (as at 30 Sep 2015) ¹	FY16 target female representation	FY16 actual female representation (as at 30 Sep 2016) ²	FY17 target female representation
NAB Board – including executive directors	20%		27%	
NAB Board – non-executive directors ³	22%		30%	30%
Group subsidiary Boards	36%		39%	35%
Executive management ⁴	32%	34%	38%	35%
Australian talent population ⁵	—	50%	54%	50%
Australian graduate program intake ⁶	55%	50%	43%	50%
Total organisation	57%		54% ⁷	

¹ These figures have not been re-stated to exclude discontinued operations.

² All data is as at 30 September and is based on permanent population. Data includes employees that have since transferred from NAB to MLC Life as part of the sale of 80% of NAB Wealth's life insurance business to MLC Life.

³ The target is to increase the number of female non-executive directors on the NAB Board as vacancies and circumstances allow, with the aim of achieving representation of at least 30% by 2017.

⁴ Executive management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members' direct reports and their direct reports. Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data. As at 30 September 2016, the proportion of females reporting directly to the Group CEO on the Group Executive Leadership Team was 33%.

⁵ The Australian Talent population includes all employees who were identified against evidence based criteria as high potential employees. In previous years we reported female participation in talent on a different basis, being the number of employees participating in our core Australian Talent programs.

⁶ As at 30 September 2016, 43% of the graduates who have accepted positions in NAB's 2017 Australian graduate program are women.

⁷ The decrease year-on-year is due to the divestment of CYBG.

VALUE CHAIN

OUR PEOPLE

Cross-sector mentoring

In 2016, NAB launched a cross-sector mentoring program with Women in Science Parkville Precinct (WiSPP) which is made up of:

- The Murdoch Children's Research Institute;
- Peter MacCallum Cancer Institute;
- The Florey Institute;
- Walter and Eliza Hall Institute of Medical Research; and
- The Doherty Institute.

The program teams up NAB executives and senior managers with mentees from WiSPP to support the development of a more gender balanced leadership in both sectors.

By combining forces, we look to create new ideas and solutions, and mutually beneficial outcomes for both organisations. We aim to do this by facilitating a mentoring relationship between professional women in middle to senior management in WiSPP, with more experienced individuals in the Finance and Banking industry (both men and women) who have a passion and genuine interest in developing talented women.

Equitable pay

NAB remains committed to fair and equitable remuneration consistent with our market and performance remuneration framework.

The 2015 Gender Equality Benchmark report issued by the Workplace Gender Equity Agency (WGEA) shows NAB has an average pay gap of 25.6%, down from the previous year and sitting below the current industry average¹. This gap continues to reduce each year. As we increase the number of women in senior roles, this will reduce further.

Consistent with the previous year, enterprise and divisional level equity analyses were completed to identify any systemic issues. The focus on comparable role, review of tenure, performance, target setting and outcomes has driven key action areas. No systemic issues were identified, but to continue reducing the gender pay gap, and drive greater consistency and alignment, NAB actively monitors and manages:

- The setting of variable reward targets to ensure gender consistency and alignment.
- Annual remuneration recommendations for specific roles are managed with a gender neutral focus.
- Performance outcomes to identify any potential gender bias in assessment.

Flexibility

We're focused on creating a flexible working environment to accommodate the diverse needs of our customers and our people because we know it leads to higher productivity, and enables our people to live in a way that accommodates their personal lifestyle needs.

We recognise that everyone is different. That's why we continue to offer a wide range of flexible working options, including job sharing, working from home, flexible start and finish times, and extended leave. The right option depends on a balance between the needs of the customer, the business, the team and the individual.

Our employee engagement survey tells us that over 85% of our employees feel that they have the flexibility required to accommodate various priorities at work, at home and/or in the community.

There has also been a significant increase in the proportion of BNZ employees who work flexibly, compared to 2015: Variable start/finish times (+21%), Variable location (+11%), Flexible desks (+13%), Compressed hours (+67%).

This year we reinforced our commitment to flexible working by co-sponsoring the Diversity Council Australia's Future Flex research project. The research project aims to provide organisations with practical tools to mainstream flexibility within their organisations.

External recognition

In November 2015, we achieved the 2015 Workplace Gender Equality Agency Employer of Choice for Gender Equality citation. We are proud to achieve this recognition as a demonstration of our continued drive and commitment to achieving gender equality.

BNZ received a UN Women Women's Empowerment Principles White Camellia Award, acknowledging their work and efforts to promote gender equality through community initiatives and advocacy.

VALUE CHAIN

OUR PEOPLE

HEALTH, SAFETY AND WELLBEING

'100% Well at Work' is our vision to have 100% of employees well in the workplace. Managing safety and supporting the health and wellbeing of our people creates an environment in which they are resilient in times of change, engaged and productive, and can continue to perform and develop – doing the right thing for our people, our customers and the community.

Prevention, early intervention and lost time injury frequency rate

The number of incidents reported has steadily increased. This increase is consistent with our strategic approach to raise awareness of how to report and manage incidents. The more we know – and the earlier we know it – the better we can respond.

Consistency in reporting is an important part of preventing injury and/or illness. That way we can address hazards as soon as they appear. It also gives us an important source of data to inform our risk profile, which highlights the main causes and impact of incidents. We use this information to develop a plan to eliminate or minimise physical or psychological risk in our workplace.

Early reporting is essential, allowing us to implement our best practice, early intervention model. Our team of injury management specialists provide tailored support to employees and their people leaders, helping them manage personal or work-related injury and illness.

Once we know about the issue, we can offer a range of options to help with recovery and prevent the aggravation of existing conditions. This approach results in significantly fewer lost time injury claims. Plus, our lost time injury frequency rate (LTIFR) has stayed stable and low, despite an increase in reported incidents.

LTIFR ¹	2014	2015	2016
Australia	1.16	1.20	0.78
New Zealand	1.72	1.48	1.09

Absenteeism

As well as compensation claims, we also measure sick, carer's and bereavement leave. This unplanned absence data provides an indicator of the health and wellbeing of our organisation. Upward movement in unplanned absence is being monitored and the data further investigated to identify cause and appropriate action.

As part of our initiative to create a healthier, more engaged workforce, we continue to recognise the importance of using annual leave to take a break from work.

Promoting work-life balance, and giving our people a clear understanding of what's expected from them at work, is all part of developing a mentally healthy workplace. Our people leaders are given guidance on how to manage performance, incorporate flexible working arrangements, provide role clarity, and develop their people.

Absenteeism ²	2014	2015	2016
Australia	7.55	7.69	7.76
New Zealand	6.39	6.51	7.17

¹ Lost time injuries are defined as a workplace injury resulting in an employee being absent from work for at least one full day, and for which the employee receives workers compensation. LTIFR = Lost time injuries × 1,000,000 hours worked ÷ (average annual full-time equivalent employees × 40-hour working week × 46 weeks per year). In Australia, past results have been revised upwards due to additional lost time injuries being recorded after the reporting period has ended. Current year results are also likely to be revised as additional lost time injuries are recorded in our system. Any updates will be reflected in future reporting.

² Absenteeism represents the total number of unscheduled absence days during the period divided by the average number of full time equivalent employees (excluding casual employees). Past results have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results are also likely to be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

VALUE CHAIN

OUR PEOPLE

WORKPLACE RELATIONS

We're committed to achieving sustainable performance and delivering value to our customers and shareholders – while living up to our values and achieving our vision of becoming Australia and New Zealand's most respected bank.

Code of conduct

We have a Code of Conduct (Code) that clearly states the standards of responsibility and ethical conduct expected. Specifically, maintaining professional and ethical conduct at all times (including compliance with the Code) is the responsibility of every employee (permanent and temporary) and everyone working on our behalf, including contractors, consultants and directors.

We introduced a revised Code at the start of our 2016 financial year. This includes amendments to reflect legislative, regulatory and organisational changes.

Importantly, we've refreshed our training program on the revised Code to include new scenarios identifying conduct issues that are of concern to NAB and to enhance our people's ability to understand the ethical conduct expected of them to do the right thing.

All of our people are required to complete mandatory compliance learning on the revised Code, as well as complete learning assessments and 'attest' to the fact they've read, understood and agree to comply with the Code while they work for or on behalf of NAB.

Additionally, from 1 October 2015, we introduced a new Employee Conduct Management policy (the Policy). The Policy sets out our expectations for the management of conduct issues, and provides the structure for ensuring that consequence management outcomes are always applied to employees who fail to comply with the Code.

Similarly, we refreshed the BNZ Code of Conduct to incorporate a new section focused on our obligations to treat all customers fairly and to ensure expectations of employees to act in accordance with the principles of the BNZ Conduct Strategy were articulated.

Between 2 May and 2 August 2016 all BNZ employees were required to complete the Risk Awareness mandatory eLearn which included the requirement to attest to understanding and complying with the BNZ Code of Conduct.

Managing and disclosing breaches

Any employee who becomes aware of a breach of the Code has a responsibility to raise the matter with their people leader, people partner, 'Concern Online' or the confidential alert line. All reported breaches of the Code of Conduct will be investigated. If the matter relates to bullying harassment or discrimination, or could be classified as serious misconduct, it must be referred to NAB's Workplace Relations team. All suspect breaches are taken seriously, handled impartially and confidentially, and are dealt with in a timely manner.

If the investigation reveals that a breach has occurred, we'll take the appropriate disciplinary or remedial action. This can range from training, coaching and counselling, to formal warnings and termination of employment.

Each year we report compliance against our Code through the number of breaches managed by our Workplace Relations team. This year, we reported 1,138 breaches. They related to conflicts of interest, privacy and confidentiality, and legal and regulatory compliance (including discrimination and corruption) – dealing with issues such as inappropriate workplace behaviour or conduct inconsistent with our values. We investigated each allegation and complaint, and the outcomes included matters being dealt with through counselling or formal warnings and in some cases employees leaving the organisation.

Breaches are dealt with on a case-by-case basis and the outcomes that may result include additional training and counselling, formal warnings, and dismissals. Depending on the nature of the confirmed breach, our Workplace Relations team may become involved to manage them.

Industrial relations

The NAB Group has entered into a Global Unions Engagement Agreement (Agreement) with relevant trade unions in the major geographies in which we operate. The Agreement recognises relevant unions as key stakeholders in our business; an employee's right to freedom of association and commits NAB entities to collective bargaining.

In Australia, NAB has a history of negotiating collective agreements that cover all Australian based employees. Successive agreements have specifically recognised the benefit of a mutually co-operative NAB/Finance Sector Union (FSU) relationship and provided paid industrial leave for union delegates and right of entry for union officials.

NAB's Australian based employees have recently endorsed a new enterprise agreement. This agreement preserves existing conditions and also contains the following improvements:

- Removal of individual product targets from performance component for annual remuneration review for some employee groups.
- Guarantees our Group 1 and 2 employees a 3% pay increase from 1 January 2017, 2018 and 2019, providing conduct requirements are met.
- Improves parental leave provisions and allow sick leave to be taken for preventative health leave requirements.
- Improves retrenchment payments.

NAB also confirmed its support for the Australian Bankers Association's independent review of product sales commissions and product-based payments and committed to consulting with the FSU during the review and in respect to implementation of the outcomes.

The dispute resolution procedure which provides for arbitration by an independent industrial tribunal over disputes applying to the agreement remains.

VALUE CHAIN

OUR PARTNERS

At NAB, we consider our supply chain to be an extension of our operations. We work actively with our suppliers and contractors to go beyond contract requirements and deliver the best outcomes for NAB, the supplier and the communities in which we operate.

RESPONSIBLE SPENDING

As a global organisation, our supply chain extends to more than 1,700 contracted suppliers, who provide us with over \$4.8 billion worth of goods and services each year. Our procurement professionals are responsible for buying goods and services for the NAB Group within their region and category specialisation. This year they negotiated 682 new supply contracts with new and existing suppliers across the group.

Our procurement teams work closely with a team of relationship managers across the business that are responsible for day-to-day operations across three broad categories; Technology Services, Business Services and Professional Services, along with other strategic projects.

One of the benefits of having a large sourcing footprint – as well as supply partners spanning a range of jurisdictions, sizes and industry sectors – is that we can also have a positive impact on the environment and communities in which we operate through our sourcing decisions. NAB's Group Supplier Sustainability Principles (GSSPs) set out the expectations that we have of suppliers who provide goods or services to the bank in areas such as workforce policies, human rights, environmental management and workplace health and safety.

This year we have continued to improve our ability to monitor, understand and disclose ESG risks in the supply chain through:

- Integrating requirements from our new Human Rights Policy into our Group Procurement Policy and Outsourcing and Offshoring Policy.
- Continuing to support industry accreditations such as Fair Trade, Roundtable on Sustainable Palm Oil and Forest Stewardship Council in our purchasing decisions.
- Setting new Group-wide 2020 supplier sustainability targets.

2016 marks the final year of our three-year supplier sustainability target period. We have met our target to have 90% of our material¹ suppliers as signatories to our Group Supplier Sustainability Principles (GSSPs). Across the Group we now have 91% of our material suppliers signed up to our GSSPs.

However, we failed to meet a target set in 2015 – to undertake ESG risk assessments on 75% of our designated high ESG risk category² Australian suppliers. In 2016, as part of our review of suppliers in categories that had been designated as high risk, we added a number of additional suppliers to the overall pool. As a result of this increase, we have only completed assessments on 33% of these suppliers, failing to achieve our 2016 target. We are working to complete risk assessments on the remaining suppliers as part of our new 2020 targets.

We also set a target to implement sustainability action plans with 75% of suppliers within our designated high ESG risk sectors if any were identified as having ESG risk issues. As our assessments did not identify any material ESG risks, no action plans have been implemented. However, we will continue to monitor and engage with these suppliers going forward.

While we did not achieve our ESG assessment target in 2016, we now have a better understanding of which of our suppliers are in potential high risk supply categories and the work required to achieve our Group-wide 2020 ESG risk target.

We have completed work on our new 2020 supplier sustainability targets, which will support our focus on continuously improving the effectiveness of ESG risk management in our supply chain. Our targets are to have:

- 90% of material suppliers compliant with our GSSPs.
- 100% of new/re-contracted suppliers in sensitive sectors³ assessed for ESG Risks each year.

NAB's Group Procurement Policy and Outsourcing and Offshoring Policy act as global reference points for our procurement practices – clearly outlining the way we approach procurement and sourcing and supply chain risks. For more information about our approach, see our [website](#).

¹ A definition of material supplier for each region in which we operate can be found in the 'NAB Numbers' section on page 74. We have maintained the existing 90% target as we are expecting legislative changes in Asia and New Zealand that will significantly increase the number of in-scope suppliers in these regions. In scope suppliers in the Australian region have also increased compared to the 2016 target.

² NAB's high ESG risk category suppliers are those suppliers who have been designated as potentially high risk because they fall within the following sectors: cleaning, security and print and promotional goods.

³ These are potentially high risk sectors from an ESG lens and include: cleaning, security and print and promotional goods.

VALUE CHAIN

OUR PARTNERS

DIVERSITY IN OUR SUPPLY CHAIN

NAB's 'Supplier Diversity' program is now in its fourth year in Australia. It continues to help us build sustainable enterprises and support communities through our purchasing activities.

Our approach is based on increasing direct and indirect spend, building supplier capability, and finding opportunities to engage diverse suppliers through our Tier 1 supply partners. By including these suppliers in our supply chain, we're increasing their exposure to corporate procurement, creating employment and training opportunities, and encouraging social and financial inclusion.

In 2016, we've continued to deliver on our Reconciliation Action Plan Commitments. We've identified ten new opportunities for either direct or indirect partnerships with indigenous suppliers, and delivered over \$470,000 in spend with indigenous organisations. Through our supply chain, we've now supported more than 68 diverse suppliers and spent \$900,000 with these suppliers in 2016 alone.

We also sponsored Supply Nation's Connect 2016 Annual Indigenous Business Tradeshow networking lounges to help start conversations leading to real business outcomes for indigenous businesses.

Supplier diversity and inclusion are also values that we expect our supply chain partners to share. Through the strong relationships we have developed with our supply partners, we have benefited from their industry knowledge in identifying diverse supplier partnership opportunities and also from their commitment to a diverse and inclusive workforce.

For example Cushman and Wakefield, our 2016 Supplier Awards winner in the 'Do the right thing' category, has demonstrated commitment to diversity in a number of ways. This includes creating disability employment opportunities and indigenous traineeships through to their involvement in gender equality initiatives such as the Property Council of Australia's '100 Women in Property' and the Property Male Champions of Change. As Cushman and Wakefield supply a range of property services to NAB, including workplace and facilities management employees based within our office buildings, we have benefited from their continued support of a diversified workforce.

For more details about our supplier diversity program, just visit our [website](#).

PARTNERSHIPS TO DRIVE POSITIVE CHANGE

Our 2016 materiality assessment indicates that supply chain ESG risk continues to be an area of growing interest for our stakeholders. In response, we've reviewed and strengthened our internal supply chain ESG risk mitigation processes, increasing requirements for procurement of goods and services from sensitive sector procurement categories.

One of the sensitive sectors that we procure services from is the cleaning industry. Cleaning services are arranged via our property services supplier. This year, with our property services supplier, we've strengthened tender and contract requirements relating to fair pay, sham contracting, reasonable working hours and the treatment of subcontractors among others. We've also joined the Cleaning Accountability Framework (CAF) Advisory Committee – an organisation working to develop an industry wide standard for the commercial cleaning and property services sector, relating to the fair payment and treatment of workers. CAF is driven by, and counts among its members, a number of large property services providers and the Fair Work Ombudsman.

NAB NUMBERS

KEY INFORMATION

REPORTING PERIOD

The 2016 Dig Deeper has been prepared based on NAB's financial reporting year (1 October to 30 September), unless otherwise stated. Of note, environmental operational performance data is prepared based on NAB Group's environmental reporting year from 1 July to 30 June. The environmental reporting year aligns with regulatory reporting requirements in Australia, where the majority of NAB's GHG emissions currently occur.

ORGANISATIONAL BOUNDARY

Performance data and metrics are reported at a NAB Group level, unless otherwise stated. Information is presented on a continuing operations basis, with the exception of environmental operational performance data prepared based on NAB Group's environmental reporting year from 1 July to 30 June. Prior periods data within the NAB Numbers tables have been restated for Customer, People and Community to exclude discontinued operations. Refer to Glossary on pages 82-83 for a definition of continuing operations and discontinued operations. Workforce data refers to all NAB Group employees as at 30 September 2016, including employees that have since transferred from NAB Wealth to MLC Limited, as part of the sale of 80% of NAB Wealth's life insurance business. NAB has used an operational control-based approach to establishing its organisational reporting boundary for environmental performance data. In Australia, with respect to the boundary for reporting of relevant Scope 1 and 2 GHG emissions, our

organisational boundary meets the requirements of the National Greenhouse and Energy Reporting Act 2007 (Cth). In the UK, the organisational boundary for NAB's relevant Scope 1 and 2 GHG emissions meets the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme (UK).

GEOGRAPHIC SCOPE

Corporate Responsibility (CR) performance data has been reported for NAB Group's operations in Australia, New Zealand, the UK, Asia and the US, where data of a reasonable quality is available, or a reasonable estimate can be made, unless otherwise stated. CR performance data, including environmental performance data, currently excludes a small office in Canada, from which GHG emissions are considered to be immaterial.

PRIOR YEAR STATEMENTS

Where relevant, prior period figures have been restated when more accurate data becomes available or when there have been material changes to the methodologies for data calculation and estimation.

BASELINE FOR 2014–2016 ENVIRONMENTAL PERFORMANCE TARGETS

The baseline data for the NAB Group's 2014-2016 environmental performance targets is the performance data from the 2013 environmental reporting year except for energy and GHG emissions which have been adjusted to reflect normal operating conditions in 2013. The baseline data for our post-2016 targets is 2015.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also 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 NAB, 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.

ESTIMATION

Where complete information is not available, estimates have been made by extrapolation from known activity data or by applying an uplift based on reconciliation between systems that collect activity data and NAB's financial reporting systems. Estimates are noted where relevant within this Dig Deeper. Across the NAB Group, where there is evidence that a proportion of activity data relevant to the calculation of a GHG emissions source is generated outside corporate systems, an uplift factor is applied to account for this additional business activity. This is to ensure that we do not underestimate our GHG emissions. The uplift factor is calculated based on a reconciliation of activity

data in corporate systems compared to another data source e.g. expenditure data. Uplift factors have been applied to data from Australia New Zealand and the UK¹

REPORTING OF GHG EMISSIONS

All GHG emissions figures reported as part of the NAB Group's environmental performance are in tonnes of carbon dioxide equivalents (tCO₂-e) and include the main GHGs covered in the Kyoto Protocol – carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), perfluorocarbons (PFCs) and hydrofluorocarbons (HFCs), as relevant. The NAB Group does not have emissions of sulphur hexafluoride (SF₆). Our Environmental Reporting and Offset Management Policy sets out the decision framework we have used to establish which Scope 3 GHG emissions are included in our carbon inventory.

Further information on the methodologies and approaches used by NAB Group to prepare its environmental performance data, particularly energy and greenhouse gas data, is available on our website.

NAB NUMBERS

CUSTOMERS

Customer information	2016	2015	2014
Number of customers (millions)	9.8	9.6	9.3
Number of branches and business banking centres ¹	1,017	1,044	1,061
Number of ATMs	3,472	3,518	3,534

Business footings ² (%)	2016	2015
Australia		
Accommodation, cafes, pubs and restaurants	2.2%	2.2%
Agriculture, forestry and fishing	6.0%	5.4%
Communications	0.4%	0.4%
Construction	3.1%	2.9%
Cultural and recreational services	1.1%	1.0%
Education	1.4%	1.3%
Electricity, gas and water supply	1.1%	1.2%
Finance and insurance	31.3%	36.3%
Government administration and defence	3.2%	3.1%
Health and community services	3.3%	3.0%
Manufacturing	4.2%	4.2%

¹ Historical data has been restated to reflect total 'points of presence' or physical locations of branches and business banking centres, to avoid double-counting branches and business banking centres at the same address.

² Business footings refer to the combined total of deposit and lending volumes. Customers are classified by their respective Australian and New Zealand Industrial Classification Codes 1993. In 2016, we have re-classified totals to improve consistency across our internal and external reporting. Note that due to rounding, totals may not appear to equal 100%.

Business footings ² (%)	2016	2015
Mining	1.8%	1.8%
Personal and other services	1.4%	1.2%
Property and business services	30.2%	27.2%
Retail trade	3.4%	3.3%
Transport and storage	2.8%	2.6%
Wholesale trade	3.1%	3.0%
New Zealand		
Accommodation, cafes, pubs and restaurants	1.5%	1.7%
Agriculture, forestry and fishing	17.7%	18.3%
Communications	0.7%	0.8%
Construction	2.1%	2.2%
Cultural and recreational services	0.8%	1.0%
Education	1.2%	1.4%
Electricity, gas and water supply	1.3%	1.2%
Finance and insurance	29.5%	28.8%
Government administration and defence	1.8%	1.9%
Health and community services	1.7%	1.6%
Manufacturing	5.1%	5.5%
Mining	0.3%	0.4%
Personal and other services	1.6%	1.7%
Property and business services	26.0%	25.5%
Retail trade	2.5%	2.7%
Transport and storage	2.4%	2.1%
Wholesale trade	3.6%	3.3%

NAB NUMBERS

CUSTOMERS

Online usage ¹	2016	2015	2014
Australia — % of customers that are active users of internet banking	73	74	NR
New Zealand — % of customers that are active users of internet banking	65	65	NR

Customer satisfaction and advocacy	2016	2015	2014
Australia²			
Net Promoter Score – Mortgage customers	-24	-18	-24
Net Promoter Score – Micro business	-20	-18	-19
Net Promoter Score – Small business	-11	-19	-19
Net Promoter Score – Medium business	-8	-7	-10
Net Promoter Score – Debt-free	-7	NA	NA
Net Promoter Score – Priority segments	-14	-16	-18
New Zealand³			
Net Promoter Score – Retail customers	+25	+17	+11
Net Promoter Score – BNZ Partners customers	+13	+9	+9
Net Promoter Score – BNZ Micro business customers	-2	-4	+7

Customer Complaints	2016	2015	2014
Australia – Total number of customer complaints	196,597	180,481	153,765
New Zealand – Total number of customer complaints	15,769	17,250	20,154

Customer Complaints	2016	2015	2014
Total number of complaints referred by customers to ombudsmen/external dispute resolution bodies	2,437	2,760	2,518
Total number of complaints referred to Privacy Commissioner	14	15	14

¹ Definition of 'active' updated to refer to transacting within a 30-day period; calculation used for previous reports used a 60-day period. Historical data has been re-stated.

² Source: Roy Morgan Research 6 month moving AFI advocacy, DBM (BFSM) 6 month moving AFI advocacy. Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Mortgage Customers, Micro (<\$1m) business, Small (\$1m-<\$5m) business and Medium (\$5m-<\$50m) business. Net Promoter, Net Promoter Score and NPS are registered trademarks of Bain & Company Inc., Satmetrix Systems Inc. and Fred Reichheld. Historical Priority Segments NPS have not been re-stated to include Debt Free customer segment.

³ Source: Camorra Research — Retail Market Monitor; TNS Business Finance Monitor. Retail data is on a 6 month roll. Partners and Micro business data on a 12 month roll. Partners (annual turnover of NZ\$1m — \$150m) Micro Business (annual turnover of <NZ\$1m).

NAB NUMBERS

CUSTOMERS

Financial inclusion	2016	2015	2014
Australia¹			
Number of low-income Australians assisted with microfinance products/services	55,567	58,343	66,714
Number of microfinance loans written	22,886	23,475	25,526
Value of microfinance loans written (\$m)	25.6	28.3	33.6
Number of microfinance loans written since inception	150,059	127,173	103,698
Value of microfinance loans written since inception (\$m)	192.0	166.4	138.2
Value of AddsUP accounts savings matched – cumulative (\$m)	1.22	0.87	0.62
Value of NILS loans provided – cumulative (\$m)	112.3	93.7	75.2
Value of StepUP loans provided – cumulative (\$m)	44.4	38.3	33.5
Value of Microenterprise loans provided – cumulative (\$m)	28.1	27.5	25.6
Number of AddsUP accounts opened – cumulative	5,396	4,235	2,882
Number of AddsUP accounts matched – cumulative	2,446	1,750	1,244
Number of NILS loans provided – cumulative	129,417	108,821	88,265
Number of StepUP loans provided – cumulative	15,387	13,294	10,944 ²
Number of Microenterprise loans provided – cumulative	1,854	1,818	1,698

Number of customers assisted through Good Money stores	6,204	7,012	6,404
New Zealand³			
Number of NILS loans provided – cumulative	88	42	N/A
Number of StepUP loans provided – cumulative	175	84	3
Total number of microfinance loans provided – cumulative	263	126	3
Total value of microfinance loans provided – cumulative (\$NZ)	753,451	352,229	8,100

Financial hardship assistance	2016	2015	2014
Number of customers who received hardship assistance	21,303	20,174	15,033
Cure rate (% of customers with accounts back in order 30 days after receiving assistance)	88	86	NR
Cure rate (% of customers with accounts back in order 90 days after receiving assistance)	93	90	NR

¹ Delivered in partnership with Good Shepherd Microfinance. Cumulative data has been collected since 2005.

² 2014 Microfinance figures have been re-stated to reflect the number of StepUP loans drawn down, prior methodology measured number of StepUP loans approved.

³ Delivered in partnership with Good Shepherd New Zealand and the Salvation Army. Cumulative data has been collected since 2014.

NAB NUMBERS

CUSTOMERS

Socially responsible investment	2016	2015
AMP Capital Investors Sustainable Future Australian Share Fund – Class A	0.60	1.00
AMP Capital Investors Responsible Investment Leaders International Share Fund – Class A	3.88	4.88
Australian Ethical Smaller Companies Trust – Class B	6.67	4.50
Australian Ethical Larger Companies Trust – Class B	0.49	0.67
BT Ethical Share Fund	8.39	8.28
Hunter Hall Australian Value Trust – Class B Units	2.22	2.10
Hunter Hall Global Ethical Trust – Class B Units	9.91	12.15
Hunter Hall Value Growth Trust	48.39	52.10
Hunter Hall Global Deep Green Trust	0.01	0.01
Hunter Hall Global Value Limited	0.14	0.10
Perpetual Wholesale Ethical SRI Fund	447.43	340.59
Generation Wholesale Global Share Fund	19.95	5.22
Alphinity Wholesale Socially Responsible Share Fund	2.56	2.52
Australian Ethical Balanced Trust	1.28	1.36
Robeco Emerging Conservative Equity Fund	0.8	0
Total value of social responsible investment (SRI) funds under management (\$m)	553	435
SRI as a percentage of total funds under management	0.38	0.31
Total funds under management (\$m)¹	144,030	139,812

¹ Total funds under management excludes boutique and wholesale funds.

NAB NUMBERS

PEOPLE¹

Workforce profile (%) by employment type ²	2016		2015	
	Female	Male	Female	Male
Permanent full-time	30	34	30	34
Permanent part-time	12	1	12	1
Casuals/temporary employees/contractors	8	14	8	14

Workforce profile, gender (%) by employment level ³	2016		2015	
	Female	Male	Female	Male
Executive Leadership Team	30	70	27	73
Senior management and Divisional leaders	30	70	26	74
Head of function	29	71	27	73
Management/Senior Consultants	38	62	36	64
Junior management/Consultants	45	55	45	55
Team leader/Analysts	59	41	59	41
Team member/Officers	71	29	29	71
Total workforce	54	46	55	45

Workforce profile, by tenure and gender (%) ³	2016		2015	
	Female	Male	Female	Male
<1 year	9	11	9	11
1 year	6	7	6	7
2 – 3 years	7	8	7	8
4 – 5 years	6	6	7	7
6 – 10 years	10	9	9	8
11 – 15 years	5	4	5	3
16 – 20 years	3	2	3	2
21+ years	5	4	4	4

Workforce profile, by age and gender (%) ³	2016		2015	
	Female	Male	Female	Male
<25	4	3	4	3
25 – 34	18	15	18	16
35 – 44	16	14	16	14
45 – 54	11	10	11	9
55+	6	4	6	4

¹ Historical data has been re-stated to exclude Clydesdale Yorkshire Banking Group. Workforce data is as at 30 September and includes all NAB Group employees at that date, including employees that have since transferred from NAB Wealth to MLC Limited, as part of the sale of 80% of NAB Wealth's life insurance business.

² Due to rounding, calculations may not appear to total 100%.

³ Data is based on our permanent population only (excludes external employees such as casual employees and contractors).

NAB NUMBERS

PEOPLE

Age profile ¹	2016		2015	
	Female	Male	Female	Male
Average age	39.6	39.2	39.4	39.0
% of workforce over 50 ²	19	17	19	16

Employee engagement ³	2016	2015	2014
Job engagement	71	65	57
Organisation engagement	71	67	54
Overall engagement	61	56	44
Response rate	85	86	85
Alignment to our values index (Australia) ⁴	88	87	N/R

Conduct and whistleblowing	2016	2015	2014
Australia			
Number of breaches of our Code of Conduct	1,138 ⁵	870	N/R
Number of whistle-blower disclosures received under the Whistleblower Policy ⁶	108	98	N/R

¹ Data is based on our permanent population only (excludes external employees such as casual employees and contractors).

² Total number of employees aged 50 and over as a percentage of headcount.

³ 'Speak Up, Step Up' survey conducted by Right Management, May 2016. The Right Model (E8) measures engagement through our people's commitment, advocacy, satisfaction and pride in both their job (four questions) and in the organisation (four questions). The enterprise engagement score requires our people to answer favourably to all eight items to be considered engaged.

⁴ In 2016, the calculation of the 'Alignment to our values' score was simplified to measure positive response to: "My everyday work is guided by the organisation's values" and "The organisation's values are demonstrated every day in my team".

⁵ A refreshed Employee Conduct Management Policy came into effect 1 October 2015. This raised awareness of the responsibilities for People Leaders to effectively manage and report Employee Conduct matters.

Employee turnover (%) ⁷	2016	2015
Employee voluntary turnover rate	10	10
Employee involuntary turnover rate	2	2
Employee total turnover rate	12	12
Retention of high performing employees Australia ⁸	94	95
Voluntary attrition of high performing employees	5	5

Parental leave – return to work	2016		2015	
	Female	Male	Female	Male
Australia				
Total number of employees entitled to parental leave	14,204	11,967	12,307	10,883
Total number of employees who took parental leave	847	28	835	5
Total number of employees who returned to work after parental leave ended	735	27	740	5
Return to work rate (%) (from primary carers leave, long service leave and parental leave)	87	96	89	100
Total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work	674	5	687	1
Total number of employees who returned to work after parental leave ended who were still employed two years after their return to work	653	0	595	4

⁶ Number of disclosures received under the Whistleblower Policy, incorporating disclosures fully, partially or not substantiated, and disclosures still under review.

⁷ Number of all employees who exited the bank each year (voluntarily, involuntarily, or total), as a percentage of the average permanent headcount for each respective year.

⁸ The percentage of employees recognised as high performing during their 2015 performance review (performance rating of 'Exceeds A' or 'Exceeds B') that remain employed at 30 September 2016. The performance measurement framework changed from a 5 point scale in 2014, to 3 point scale in 2015. This increased the total number of employees who were identified as high performing. Retention rates have remained stable.

NAB NUMBERS

PEOPLE

Remuneration – basic salary female to male ratio ¹	2016	2015
Australia		
Executive Leadership Team	0.69 ²	0.76
Senior management and Divisional leaders	0.88	0.88
Head of function	0.92	0.93
Management/Senior consultants	0.96	0.96
Junior management/Consultants	0.97	0.97
Team leader/Analysts	1.01	1.01
Team member/Officers	1.00	0.99
New Zealand		
Executive Leadership Team	N/A	N/A
Senior management and Divisional leaders	1.33	1.37
Head of function	0.98	0.94
Management/Senior consultants	0.95	0.93
Junior management/Consultants	0.95	0.96
Team leader/Analysts	0.95	0.94
Team member/Officers	0.99	0.99

Asia		
Executive Leadership Team	N/A	N/A
Senior management and Divisional leaders	N/A	N/A
Head of function	0.96	0.99
Management/Senior consultants	0.92	0.90
Junior management/Consultants	1.00	1.01
Team leader/Analysts	1.04	1.09
Team member/Officers	0.92	0.81

Performance related compensation as a percentage of total compensation	2016 ³	2015
Executive Leadership Team	49	25
Senior management and Divisional leaders	44	30
Head of function	35	22
Management/Senior consultants	22	11
Junior management/Consultants	14	8
Team leader/Analysts	8	5
Team member/Officers	4	3

¹ Source: Internal. Average remuneration calculated as: total of all remuneration (annualised for part-time employees) divided by the actual number of employees within each employment level, by gender). Ratio is calculated as average female remuneration divided by average male remuneration per employment level. See the 'People' disclosures of the 'NAB Numbers' section for further information. Data is based on our permanent population only (excludes external employees such as casual employees and contractors).

² Reduction in basic salary female to male ratio is as a result of the changes to the Executive Leadership Team (ELT) in August resulting in two current ELT members operating in an acting capacity keeping the salary for their previous role.

³ Increase in proportion in 2016 figures reflects an increase in the overall Short-Term Incentive Pool available to NAB employees, following improved Group performance in 2015.

NAB NUMBERS

PEOPLE

Employment pathway and development programs	2016	2015	2014
Indigenous Employment			
School-based trainees	51	71	81
Full-time trainees	19	23	20
Trainees graduating to permanent employment	35	18	30
Central recruitment	3	11	11
Interns	18	12	10
African-Australian Inclusion Program			
Percentage of graduates who have achieved ongoing employment in their field of study (%)	85	95	87
Number of female graduates	44	20	11
Number of male graduates	32	20	13
Employee development programs (Australia)			
Participants in MyFuture	63	71	67
Participants in Realise	269	284	219
Participants in Senior Realise	150	143	81
Participants in Board Ready	217	234	257

¹ Lost time injuries are defined as a workplace injury resulting in an employee being absent from work for at least one full day, and for which the employee receives workers compensation. LTIFR = Lost time injuries x 1,000,000 hours worked ÷ (average annual full-time equivalent employees x 40-hour working week x 46 weeks per year). In Australia, past results have been revised upwards due to additional lost time injuries being recorded after the reporting period has ended. Current year results are also likely to be revised as additional lost time injuries are recorded in our system. Any updates will be reflected in future reporting.

² Absenteeism represents the total number of unscheduled absence days during the period divided by the average number of full time equivalent employees (excluding casual employees). Past results have been revised upwards due to additional absences being recorded after the reporting period has ended. Current year results are also likely to be revised as additional absences are recorded in our system. Any updates will be reflected in future reporting.

Health, safety and wellbeing	2016	2015	2014
Lost time injury frequency rate¹			
Australia	0.78	0.83	1.18
New Zealand	1.09	1.48	1.72
Absenteeism²			
Australia	7.76	7.46	7.55
New Zealand	7.17	6.51	6.39
Total days lost due to work-related stress			
Australia	5,380	4,530	5,147

Remote access services	2016	2015	2014
Number of employees with remote access to NAB's systems	29,165	30,102	26,647
Percentage of employees with remote access to NAB's systems	81	70	61

NAB NUMBERS

PEOPLE

Capability and training ¹	2016		2015	
Average training hours per employee by level	Female	Male	Female	Male
Executive Leadership Team	16	5	11	13
Senior management and Divisional leaders	9	12	9	12
Head of function	17	23	21	26
Management/Senior consultants	29	30	29	33
Junior management/Consultants	40	38	35	38
Team leaders/Analysts	56	63	38	40
Team member/Officers	72	73	28	33
Average training spend per employee by level (\$)	Female	Male	Female	Male
Executive Leadership Team	283	93	323	369
Senior management and Divisional leaders	153	208	270	336
Head of function	300	403	601	742
Management/Senior consultants	506	524	835	949
Junior management/Consultants	688	650	1,003	1,078
Team leader/Analysts	965	1,089	1,083	1,131
Team member/Officers	1,243	1,260	798	944

Workplace relations	2016	2015	2014
Employees covered by collective bargaining agreements			
Australia (%)	100	100	100
New Zealand (%)	10	10	11
Number of consultations/negotiations with trade unions over organisational change (restructures outsourcing, etc.)			
Australia	264	225	107
New Zealand	0	18	N/R

¹ Figure includes online training, compliance training and internal classroom training. It does not include coaching or training conducted by external providers.

NAB NUMBERS

COMMUNITY

Community investment	2016	2015	2014
Total community investment (\$m)	48.8	54.4	56.5

Community investment – % of cash investment ¹ by focus area	2016	2015	2014
Arts and culture	2	2	3
Disadvantage/social welfare	33	12	16
Education and young people	6	28	26
Emergency relief	1	3	1
Enterprise and economic development	11	4	12
Environment and bio-diversity	1	2	2
Health and medical research	6	6	5
Sport	33	32	27
Other issues	8	11	10

Community investment – (\$m) by category	2016	2015	2014
Charitable gifts and donations	1.8	2.2	1.4
In-kind volunteering	8.9	9.9	9.6
In-kind support	0.1	0.2	0.1
Foregone revenues and interest paid	14.9	18.3	20.0
Community investments	10.1	10.7	12.2
Commercial initiatives	8.5	8.5	8.8
Management costs	4.6	4.5	4.5

Community investment – (\$m) by region	2016	2015	2014
Australia	40.1	45.9	47.4
New Zealand	8.3	8.3	8.8
USA, UK and Asia	0.4	0.2	0.1

Volunteering	2016	2015	2014
Number of days	23,065	26,204	25,743
Value of contribution (\$m) ²	8.9	10.0	9.7
Australia			
% of employees who took volunteer leave ³	39	43	52
Number of skilled volunteer days	2,065	2,074	2,010

¹ Calculation based on 'cash investment' as other investment types (e.g. volunteering) cannot be clearly attributed to a particular focus area.

² Value of volunteer days is calculated by applying average daily salaries by employment level, to number of days completed by employment level.

³ Calculated as total number of employees who took any amount of volunteer leave divided by total number of employees as at 30 September. Prior to 2015, calculation was based on number of full-time equivalent employees as at 30 September.

NAB NUMBERS

ENVIRONMENT

ENVIRONMENTAL COMPLIANCE

NAB Group is subject to a range of environmental regulatory requirements in the countries where we operate. Please refer to page 26-27 of the NAB Annual Financial Report for more information regarding our environmental regulatory obligations and compliance. During the 2016 environmental reporting period NAB Group was not subject to any material environmental fines or penalties and there were no significant spills from any NAB Group facility.

ENVIRONMENTAL PERFORMANCE SUMMARY

Energy: Our energy use in 2016 was 865,218 GJ. This is a decrease of 20%. 82% (178,339 GJ) of this reduction was due to the divestment of Great Western Bank (GWB) and the demerger of Clydesdale and Yorkshire Banking Group (CYBG). The remaining 18% of the decrease (40,324 GJ) was predominantly due to a reduction in Australian energy use, with a smaller contribution from BNZ. Key reasons for the reduction were:

- Reduced electricity use at 200 Victoria Parade due to East Melbourne Data Centre exit.
- Reduced gas use at Knox due to the tri-generation plant being offline for three months.
- Improved energy efficiency in office buildings in Australia and New Zealand.

Emissions: Our gross GHG emissions in 2016 were 231,599 tCO₂-e. This is a 15% decrease compared to the prior year. This was mainly due to the

ENVIRONMENTAL STATEMENT OF POSITION FOR THE GROUP¹

Indicator	Notes	Units	2016	2015	2014	2013	2012
Employee numbers ²		FTE	44,054	43,203	42,480	42,993	44,054
Property space occupied ²		m ²	1,007,087	1,031,640	1,075,345	1,079,403	1,101,213
Total operating expense ³		\$m	(7,438)	(9,899)	(9,987)	(8,410)	(7,828)
Underlying profit ^{3,4}		\$m	9,995	9,399	8,534	10,153	10,396
Water consumption (estimate) ⁵		kL	487,062	612,222	656,838	686,234	679,287
Waste to landfill (estimate) ⁵		tonnes	2,419	2,850	3,548	3,388	3,528
A3 & A4 office paper purchased		tonnes	966	1,156	1,306	1,440	1,538
Net energy consumption		GJ	865,217	1,083,881	1,117,629	1,102,678	1,139,452
Gross GHG emissions		tCO ₂ -e	231,599	276,584	297,691	311,024	305,558

implementation of energy efficiency initiatives, a decrease in business travel related emissions and the closure of subsidiaries throughout the year (CYBG & GWB).

After a reduction of 13,182 tCO₂-e in gross GHG emissions (due to purchasing accredited renewable electricity in the UK and Australia), 218,417 tCO₂-e of carbon offsets have been retired to maintain the Group's carbon neutral status.

Waste: Group waste generation (combined waste to landfill and recycled materials) decreased by 20% compared to 2015. The divestment of GWB and the demerger of CYBG contributed to the Group's waste diversion rate decreasing from 63% to 61%, as CYBG had a 100% diversion rate in H1 2016.

Paper: Office paper use continues to decrease due to the continued impact of flexible working environments, and technology solutions such as Follow You Printing. Our Group paper consumption decreased by 16% compared to the prior year.

Water: Water use decreased by 20% compared to the prior year. This decrease is mainly attributable to the divestment of GWB and the demerger of CYBG, and was partly offset by increased water use in Australia (due primarily to a maintenance issue at 100 St Georges Terrace in Perth).

¹ KPMG has provided assurance on specified GHG emissions and offset data presented in this Dig Deeper Report.

² The values shown for 'Employee numbers' and 'Property space occupied' shown in the Environmental Statement of Position for the Group (and elsewhere in this document) represent an annual average of FTE and m² respectively across the period from 1 July to 30 June each year.

³ These numbers correspond to NAB's financial year, ending 30 September. 2016 figures are presented on a continuing operations basis, prior periods have not been restated. See page 81 of the 2016 Full Year Results Announcement (available at www.nab.com.au/annualreports) for information on NAB's discontinued operations.

⁴ Use of Underlying Profit as a metric (rather than measures of profit or economic activity) for normalisation of our environmental performance data allows for meaningful comparison to prior years' data and to financial intensity measures used in our CDP disclosures due to the nature of our underlying business activities. Please refer to page 2 of NAB's 2016 Full Year Results Announcement (available at www.nab.com.au/annualreports) for a more detailed explanation of the elements comprising the Underlying Profit.

⁵ 2012 – 2016 water consumption and waste to landfill numbers include United States, Australia, United Kingdom and New Zealand.

NAB NUMBERS

ENVIRONMENT

ENVIRONMENTAL PERFORMANCE TARGETS

2016 is the final year of our current three-year environmental performance target period. This year, we set new operational performance targets, including our first science-based greenhouse gas reduction target. Refer to page 30 in the 'Environmental wellbeing' section for more information about this. Our new targets and performance against our 2016 targets are outlined in the table opposite.

Five of our six 2016 targets have been met. Due to a significant reduction in waste paper produced by our Australian business, our waste diversion from landfill target was not met. Implementation of 'Follow You Printing', greater availability of technology to enable paperless working, and various process improvements have reduced our paper use and paper waste. This is a positive result but as there is less paper waste to recycle, it has impacted our waste diversion target.

Our office paper (A3 and A4) use has decreased 20% since 2013, exceeding our 2016 target of a 10% reduction. Similarly, the proportion of online only statements has increased from 28% in 2013 to 42% in 2016. We have met our 2016 target of 30% of customers receiving online only statements.

Building energy use has decreased 12% since 2013, and we have met our 2016 performance target of a 5% reduction. Building energy use related greenhouse gas emissions have decreased 11% since 2013, meeting our 2016 target of a 5% reduction.

Water use has decreased by 14% from 2013 and we have met our 2016 target of a 5% reduction.

This year, we progressed towards our 2025 science based GHG emissions target, delivering a 2.5% reduction from our 2015 base year. We are progressing well towards our 2020 targets. Water use increased in 2016 due to a maintenance issue at 100 St Georges Terrace, Perth. This issue has been resolved and we expect water use to trend towards target in 2017.

1 Due to the divestment of GWB and demerger CYBG in 2016, the 2013 target baseline has been restated so our performance against target is on a continuing operations basis.

2 Our targets for GHG emissions from stationary energy in buildings and energy use in buildings are from the following sources: Australia - energy use and GHG emissions from electricity, diesel and gas; New Zealand - energy use and GHG emissions from electricity and gas; UK - energy use and GHG emissions from electricity and gas; US - energy use and GHG emissions from electricity from GWB operations; and Asia - energy use and GHG emissions from electricity.

3 Waste recycled and waste to landfill volumes have been decreasing at a similar rate (33% and 29% reduction from 2013 base year respectively).

Our 2014-2016 environmental targets¹

Measure	2013 Baseline	2016 Target	2016 Actual	% change from target	Status
Stationary energy consumption [GJ (gigajoule)] ²	688,991	▼ 5%	612,631	▼ 11%	✓
Stationary energy related GHG emissions [tCO ₂ -e] ²	162,658	▼ 5%	142,819	▼ 12%	✓
Waste diversion from landfill [%] ³	55%	▲ 75%	53%	▼ 53% ⁴	✗
Office paper consumed [tonnes]	1,061	▲ 10%	846	▼ 20%	✓
Water consumption [kL]	489,778	▼ 5%	422,982	▼ 14%	✓
Increase the proportion of customers receiving online statements [%] ⁵	29%	▲ 30%	42%	▲ 42% ⁴	✓

Our new environmental targets

Measure	2015 Baseline	Target	Target Date	2016 Actual	2016 Reduction	Status
Science-based GHG emissions (tCO ₂ -e) ⁶	87,565	▼ 21%	2025	85,393	▼ 2%	✓
Energy Use (GJ)	791,456	▼ 5%	2020	751,451	▼ 5%	✓
Office Paper (tonnes)	892	▼ 10%	2020	855	▼ 4%	✓
Customer eStatements (proportion online only)	34%	▲ to 50%	2020	42%	▲ 42% ⁴	✓
Water Use (Potable Water Withdrawal) (kL)	401,569	▼ 10%	2020	417,870	▲ 4%	✗
Waste to Landfill (tonnes)	2,518	▼ 5%	2020	2,386	▼ 5%	✓
Data Centre PUE (Power Usage Effectiveness) ⁷	1.4-1.6	≤1.5	2020	1.41	1.41	✓

4 As these targets are a percentage outcome, the 'Change' value is equal to the 2016 actual result.

5 Customer statement data is for our Australian, New Zealand and US businesses only.

6 This target 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 – with the exception of data centre emissions. Data centres are excluded as there is currently no data centre science-based target setting methodology available. The target has been prepared in accordance with the Sectoral Decarbonisation Approach (SDA) 'Services Buildings' methodology published by the Science Based Target initiative.

7 Target applies to all Australian data centres only. Actual PUE figure reported (not percentage reduction).

NAB NUMBERS

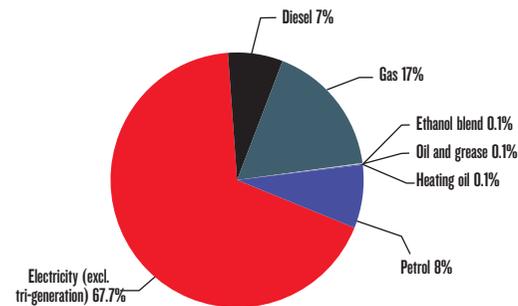
ENVIRONMENT

GROUP DIRECT AND INDIRECT ENERGY CONSUMPTION AND PRODUCTION

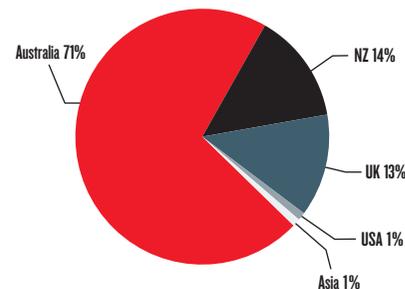
Our energy consumption and production data is presented in the table and charts on this page. We produce electricity through our tri-generation plant and solar panels installed on our buildings, as well as purchasing energy from the grid.

(GJ)	2016	2015	2014	2013	2012
Direct energy consumption	279,132	366,306	379,353	325,513	390,083
Indirect energy consumption ¹	621,377 ²	760,321	782,136	801,593	797,595
Gross energy consumption	900,509	1,126,627	1,161,489	1,127,106	1,187,678
Indirect energy production (tri-generation)	(35,292) ²	(42,746)	(43,860)	(24,428)	(48,226)
Net energy consumption	865,217	1,083,881	1,117,629	1,102,678	1,139,452

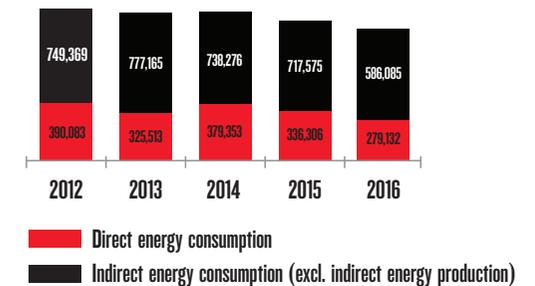
Group net energy consumption by fuel type³



Net energy use (%) by region



Group net direct and indirect energy consumption (GJ)



¹ Solar contributes the following GJ to indirect energy consumption: 2016 – 736 GJ, 2015 – 218GJ and 2014 – 26GJ.

² In 2016, the reporting of indirect energy production excludes solar due to alignment to NGER Act reporting. However, reporting of indirect energy consumption varies from NGER Act reporting because energy consumed from solar PV production is included in this figure. For NGER Act reporting, this solar PV energy production is deemed below the threshold and is therefore excluded.

³ 2016 propane use in USA was immaterial (557 GJ) and has therefore been excluded from the pie chart.

NAB NUMBERS

ENVIRONMENT

GHG EMISSIONS BY ACTIVITY

NOTE: This table presents our greenhouse gas emissions using a location-based emission factors. Market-based supplier specific emission factors are not available from our energy retailers at this point in time but we have presented the renewable energy produced and purchased in the table below.

(tCO ₂ -e GHG emissions)	% change from prior year	2016	2015	2014	2013	2012
Scope 1						
Building-based refrigerants – HVAC, refrigerators	-18%	1,380	1,675	1,610	1,790	2,822
Business travel ¹ – vehicle fleet and status-use vehicles (UK only)	2%	8,909	8,742	8,251	8,370	8,808
Stationary energy – combustion of fuel: diesel, gas, propane	-37%	7,874	12,430	13,446	10,509	13,624
Vehicle air conditioning refrigerant ²	2%	210	205	174	179	206
Total Scope 1	-20%	18,373	23,052	23,481	20,848	25,460
Scope 2						
Stationary energy – electricity (Scope 2)	-19%	131,657	162,029	168,982	177,540	170,857
Scope 3						
A4 and A3 paper purchased	-45%	210	380	491	599	634
Base-building energy – combustion of fuel: diesel, gas (AUS only)	35%	2,188	1,623	1,069	1,388	1,652
Base-building energy – electricity (AUS & NZ only)	-7%	18,994	20,531	28,424	31,802	32,996
Business travel – Air travel ³	-6%	26,600	28,217	29,040	31,145	27,808
Business travel – Hotel stays	-3%	5,072	5,234	4,909	4,638	4,352
Other business travel ⁴	-19%	4,524	5,571	6,451	7,523	7,265
Transmission losses – base-building energy: diesel, gas, electricity (AUS & NZ only)	-11%	2,638	2,953	4,487	4,873	4,938
Transmission losses – stationary energy: diesel, gas, propane, electricity	-23%	18,333	23,902	26,556	27,006	25,722
Waste to landfill	-2%	2,994	3,062	3,776	3,633	3,833
Water consumption – estimate (UK only)	-47%	16	30	25	29	41
Total Scope 3	-11%	81,569	91,503	105,228	112,636	109,241
Gross GHG emissions (Scope 1, 2 and 3) Prior to renewable energy purchase	-16%	231,599	276,584	297,691	311,024	305,558
Renewable electricity purchased	-36%	(13,182)	(20,644)	(23,193)	(22,614)	(27,431)
Carbon offsets retired	-15%	(218,417)	(255,940)	(274,498)	(288,410)	(278,127)
Net GHG emissions (carbon neutral)	0	0	0	0	0	0

¹ Business travel includes work-use vehicle fleet and status-use vehicles (UK only).

² Vehicle air conditioning includes work-use vehicle fleet and status-use vehicles (UK only).

³ Business travel air – 2016, 2015, 2014 and 2013 air travel includes DEFRA's required distance uplift (but excludes radiative forcing). GHG emissions from air travel in years prior to 2013 exclude both distance uplift and radiative forcing.

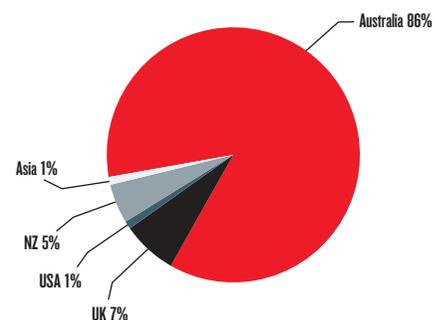
⁴ Other business travel includes employee vehicles, ferries (UK only), rail (UK only), rental cars, status use vehicles (UK only), taxi use, work use vehicles and supplier business travel (UK only).

NAB NUMBERS

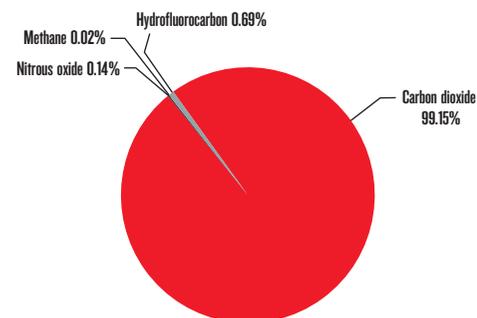
ENVIRONMENT

GHG EMISSIONS

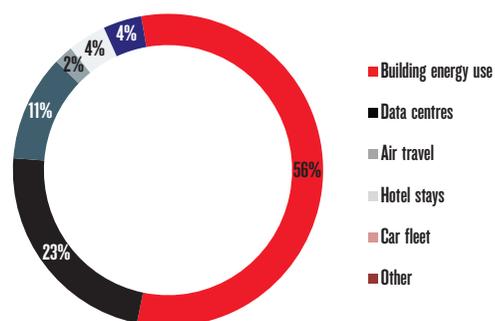
Group Gross GHG emissions by region (%)



Group GHG emissions by gas type (%)



Group GHG emissions by source (%)

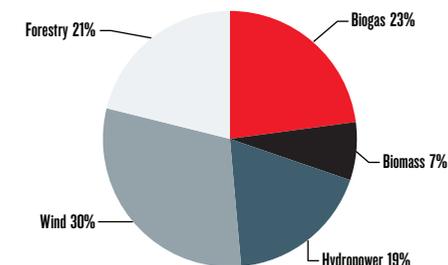


CARBON OFFSETS

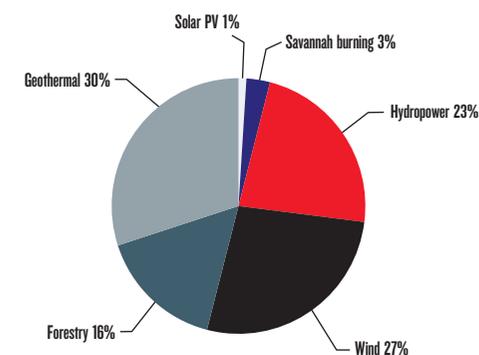
218,417 tCO₂-e of offsets have been retired to cover our GHG emissions occurring in 2016, after accounting for the reduction in GHG emissions due to our purchase of renewable electricity in Australia and the UK (equivalent to a reduction of 13,182 tCO₂-e). Additionally, in 2016 we retired 218,100 tCO₂-e of carbon offsets to cover our forecast 2017 GHG emissions.

Our requirements for purchasing quality carbon offsets and managing our offset portfolio are documented in our Group Environmental Reporting & Offset Management Policy, available on our website. The portfolio diversity and quality requirements outlined in this Policy were adhered to for our 2016 and 2017 offset allocations.

Offset portfolio by project type for 2016 actual GHG emissions (%)



Offset portfolio by project type for 2017 forecast GHG emissions (%)



NAB NUMBERS

ENVIRONMENT

OTHER ENVIRONMENTAL PERFORMANCE INDICATORS

Other environmental indicators	Units	% change from prior year	2016	2015	2014	2013	2012
Office paper purchased (A3 and A4)	tonnes	-16%	966	1,156	1,306	1,440	1,538
Office paper purchased (A3 and A4) per FTE	kg/FTE	-19%	22	27	31	33	35
Online statements	count	10%	3,340,448	2,723,800	2,611,426	1,941,678	NR
Printed statements	count	-4%	4,790,202	5,320,926	5,390,149	4,977,386	NR
Online only statements	%	41 ¹	41 ¹	34	33	28	NR
Materials recycled/diverted from landfill	tonnes	-23%	3,714	4,801	6,031	5,544	4,810
Total waste generated	tonnes	-20%	6,133	7,651	9,579	8,932	8,338
Total waste to landfill per FTE	kg/FTE	-17%	55	66	84	79	80
Total waste diverted from landfill	%	61% ²	61	63	63	62	58
Water use	kL	-20%	487,062	612,222	656,838	686,234	679,287
Work use vehicles	number	6%	1,947	1,843	1,738	1,697	1,776
Work use vehicles fuel consumption	kL	2%	3,529	3,454	3,337	3,439	3,603
Air travel	'000 kms	2%	142,319	139,273	144,722	141,177	136,591
Hotel stays	nights	-4%	101,149	105,896	94,493	87,661	89,309

¹ Our overall performance against our customer statements target differs by 1% from our target performance due to the restatement of the 2013 target baseline to exclude Great Western Bank, which was divested in 2015.

² As these indicators are a percentage outcome, the 'Change' value is equal to the 2016 actual result.

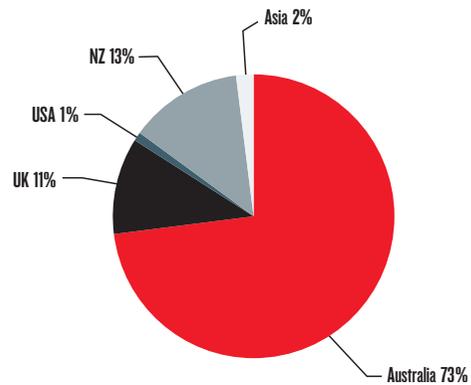
NAB NUMBERS

ENVIRONMENT

PAPER CONSUMPTION

Across the Group, A3 and A4 office paper purchased is either ECF, PCF or TCF bleached pulp fibre. In addition, our A3 and A4 office paper in Australia and New Zealand is certified, to make sure paper pulp is sourced from sustainably managed forestry. 98% of our Australian business' office paper is 100% recycled content and 99% is certified carbon neutral, and 72% of our New Zealand business' office paper is also certified carbon neutral.

Paper purchased (%) by geography



TRADE EFFLUENT DISCHARGE

In Australia, NAB has a number of trade waste consents for the discharge of trade effluent from grease traps and cooling towers at our larger facilities. In 2016, we continued to operate under our facilities to the satisfaction of the relevant water authorities. We have not received nor have any pending fines or penalties for trade waste non-compliance.

NAB NUMBERS

SUPPLY CHAIN

	2016	2015	2014
Spend on all suppliers (\$m) ¹	4,875	5,836	5,269
Number of contracted suppliers	1,761	1,746	1,787
Number of material ² suppliers ³	56	94	90
Percentage of material suppliers that are signatories to GSSPs	91	47	32
Percentage of ESG risk assessments completed for designated high ESG risk category suppliers (for Australia Only)	33	N/A	N/A
Number of supply contracts entered into in the reporting period	682	482	555
Number of diverse suppliers ⁴ engaged	68	15	8
Spend on diverse suppliers (\$)	895,625	221,547	156,043

The reduction in supplier spend in 2016 is attributable to the divestment of GWB and the demerger of CYBG. This has also reduced the number of material suppliers across the Group.

Refer to our 'Responsible spending' section for a discussion on our supplier sustainability targets, and performance against these targets.

¹ Total spend across all suppliers is based on 11 months of data with one month estimated due to timing of reporting. All other data is as of 31 August 2016.

2 Definitions of 'material' supplier in each of our operating regions

For our reporting purposes, Category 1 suppliers in the UK and Strategic suppliers in New Zealand are considered equivalent to the definition of Material supplier in the other regions.

Category 1 supplier (UK) – A supplier that supports a critical process that has the potential, if disrupted, to have significant impact on the UK's business operations, or is reported to the Financial Conduct Authority as a material outsourced or service contract.

Material supplier (AUS) – A supplier that 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.

Material supplier (NAB Hong Kong) – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Hong Kong's business operations or its ability to manage risks effectively. (This definition will not be used to determine whether an arrangement with a third party supplier is considered outsourcing as this has to be determined by the Hong Kong Monetary Authority rule which may change from time to time.)

Material supplier (NAB Singapore) – A supplier that performs an outsourcing activity which, in the event of a service failure or security breach, has the potential, to materially impact NAB Singapore's business operations, reputation, profitability or adversely affect NAB Singapore's ability to manage risks and comply with applicable laws and regulations or which involves customer information and, in the event of any unauthorised access or disclosure, loss or theft of customer information, may materially impact NAB Singapore's customers.

Material supplier (NAB Japan) – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB Japan's business operations or its ability to manage risks effectively.

Material supplier (NAB India) – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB India's business operations, reputation, profitability or its ability to manage risks effectively.

Material supplier (NAB China) – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on NAB China's business operations or its ability to meet local regulatory requirements and the services supplied cannot be quickly replicated in house under business continuity arrangements.

Strategic supplier (BNZ) – A supplier that performs an outsourcing activity that has the potential, if disrupted, to have a significant impact on BNZ's business operations or ability to manage risks effectively or that their spend is so significant that they require careful monitoring.

³ In New Zealand, we conducted a review of the classifications in our supply chain in 2015 and a number of our Strategic suppliers were reclassified as a result. The figures reported in total number of material suppliers and the percentage of material suppliers that are signatories to GSSPs have been impacted as a result.

⁴ See page 55 for details about our Supplier Diversity Program.

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GLOBAL REPORTING INITIATIVE (GRI) INDEX

General Standard Disclosures

Section	Profile disclosure	Description	Publication	Page
Strategy and analysis	G4-1	Statement from the Chairman and the CEO	Annual Review	7-8
Organisational profile	G4-3	Name of the organisation	Annual Review	9
	G4-4	Primary brands, products, and/or services	Annual Review	9
	G4-5	Location of the organisation's headquarters	Annual Review	36
	G4-6	Countries where the organisation operates	Annual Review	9
	G4-7	Nature of ownership and legal form	Annual Financial Report	
	G4-8	Markets served	Annual Review	9
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	G4-10	Workforce characteristic	Dig Deeper	61
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	G4-14	Precautionary approach to risk management	Annual Review	21-23
	G4-15	Externally developed charters, principles, or other initiatives to which the organisation subscribes	Website	
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GRI INDEX

General Standard Disclosures

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Grievance mechanisms for impacts on society	G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	Dig Deeper	39	Ernst & Young — Total customer complaints (by region and by category — showing percentage change) (Australia only).
Customer security					
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Dig Deeper	58	
Responsible finance (lending)					
Product portfolio	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Dig Deeper	57	Ernst & Young — Business Footings (by sector) (Australia only).
Product portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Dig Deeper	21, 59	Ernst & Young — Number and dollar value of microfinance loans written (by type) (Australia and New Zealand).
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¹ Refers to the relevant measures for which external assurance has been provided by Ernst & Young. See 'Assurance' on page 81 for further information.

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Grievance Mechanisms for Impacts on Society	•	•	•	
Customer security				
Customer Privacy	•	•	•	•
Responsible lending				
Product Portfolio	•	•	•	•
Values-aligned culture				
This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the report	•	•	•	•
Transparency and disclosure				
This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the report		•	•	•
Good governance processes				
This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the report	•	•	•	•

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UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

Human Rights		
	Description of principle	Location of disclosure
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	2016 Dig Deeper (page 18)
Principle 2	Make sure that they are not complicit in human rights abuses.	Website – Human Rights 2015-2017 Reconciliation Action Plan
Labour		
	Description of principle	Location of disclosure
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2016 Dig Deeper (pages 53, 65)
Principle 4	The elimination of all forms of forced and compulsory labour.	Website – Human Rights
Principle 5	The effective abolition of child labour.	Website – Supply chain management
Principle 6	The elimination of discrimination in respect of employment and occupation.	
Environment		
	Description of principle	Location of disclosure
Principle 7	Businesses should support a precautionary approach to environmental challenges.	2016 Dig Deeper (pages 26-35, 40-44)
Principle 8	Undertake initiatives to promote greater environmental responsibility.	Website – Environment
Principle 9	Encourage the development and diffusion of environmentally friendly technologies.	2016 CDP Submission Website – ESG Risk
Anti-corruption		
	Description of principle	Location of disclosure
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	2016 Dig Deeper (pages 16-18, 38) Website – Code of Conduct Website – Managing Financial Crime

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UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SDGS

NAB'S ACTIONS



National Australia Bank supports the Sustainable Development Goals. This page is designed to provide examples of how we help contribute towards the SDGs.



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ASSURANCE

To provide our stakeholders with a greater level of confidence in our reporting, we engage Ernst & Young to provide limited assurance over key metrics included in the 2016 Annual Review and the 2016 Dig Deeper and limited-level assurance that NAB has identified and reported on its material themes (and that the associated disclosures are complete) within the 2016 Annual Review.

Additionally, KPMG provide reasonable assurance over our Australian National Greenhouse and Energy Reporting (NGER) data (Scope 1 and 2 GHG emissions), along with limited assurance over the following:

- Specified GHG emissions and offset data relating to NAB Group.
- Renewable energy generation as a proportion (%) of the Group's exposure to the power generation sector, expressed as Exposure at Default (EAD), as at 30 September 2016.
- Project Finance (PF) by sector as a proportion (%) of total PF portfolio value, expressed as EAD, as at 30 September 2016.
- Aggregate progress reported against the goal to undertake A\$18 billion of environmental financing activities by 30 September 2022.
- Progress achieved against NAB Group's science-based emissions target for the year ended 30 June 2016.

The metrics (other than environmental metrics) covered by external assurance are listed below and were compiled by taking into account NAB's business-wide reporting priorities and feedback we received through our annual materiality assessment. The assurance reports provided by Ernst & Young and KPMG are available on our [2016 Dig Deeper microsite](#).

Indicator	Scope
Number of branches and business banking centres	Group
Number of ATMs (by accessibility type)	Group
Net Promoter Score (By segment: Mortgage, Micro, Small, Medium, Priority Segments)	Australia
Total customer complaints (by region and by category — showing percentage change)	Australia
Number of customers assisted experiencing financial hardship	Australia
Cure rates for NAB Assist and NAB Care customer accounts (30 days and 90 days)	Australia
Cumulative number of low income Australians assisted with products / services (by product type)	Australia
Number and dollar value of microfinance loans written (by type)	Australia & NZ
Share of active users for Retail Internet Banking usage	Australia
Business footings (by sector)	Australia
Total workforce (by FTE, headcount, age group, gender, employment type)	Group
Female representation in total workforce	Group
Female representation in Executive management	Group
Percentage of total workforce over 50	Group
Total number and rate of employee turnover (by region, voluntary/involuntary, age and gender)	Group
Total retention rate of high performers (Performance rating: Exceeds (A), or Exceeds (B))	Australia
Return to work rate (from primary carer's leave, long service leave and parental leave)	Australia
Ratio of basic salary, female to male (by employment level)	Group
SUSU: Organisation Engagement Score (Right Management model)	Group
SUSU: Overall Enterprise Engagement score (Right Management model)	Group
SUSU: Job Engagement Score (Right Management model)	Group
SUSU: Response Rate (Right Management model)	Group
SUSU: Living our Values Score (Right Management model)	Group
Female representation on Group Subsidiary Boards	Group
LTIFR — including total days lost due to stress	Group
Absenteeism	Australia & NZ
Community Investment (by dollar value, Region, type, focus area)	Australia & NZ
Cumulative number of volunteer hours	Group
Number and dollar value of volunteering days (skilled and general)	Australia
Percentage of critical/material/strategic suppliers that are signatories to Supplier Sustainability Principles	Group
Progress against target: Complete ESG risk assessments for 75% of our high risk category suppliers by 30 September 2016	Group
Implement sustainability action plans with 75% of our high ESG risk supply chain partners by 30 September 2016	Australia

GLOSSARY

Biodiversity

The variety of flora and fauna – nature’s ‘living’ assets.

BNZ

Bank of New Zealand.

Carbon footprint

The measure of the impact that activities in a defined carbon inventory will have on the environment; measured in units of carbon dioxide equivalent.

Carbon inventory

A defined list of GHG emission sources that an organisation uses to calculate its carbon footprint.

Carbon offset

A credit that is purchased to negate an amount of carbon (one tonne) included in a defined carbon footprint.

CEFC

Clean Energy Finance Corporation.

Clydesdale Bank

Clydesdale Bank Plc.

Continuing operations

The components of the NAB Group which are not discontinued operations.

CO₂-e (carbon dioxide equivalent)

The common unit of measure for the expression of Greenhouse Gas (GHG) emissions. Each unit of GHG has a different global warming potential. Therefore all greenhouse gases are converted back to tonnes (tCO₂-e) of carbon dioxide equivalent to enable consistent comparison and measurement.

Dollars or \$

Australian dollars unless specified otherwise.

Discontinued operations

A component of the NAB Group that either has been disposed of, or is classified as held for sale, and represents a major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.

Ecosystem

A natural habitat which includes a combination of soil, air, water, flora and fauna, and climate e.g. desert, forest, ocean, grassland.

Ecosystem services

Natural services derived from the earth’s natural assets, on which human beings are reliant. Ecosystem services are worth trillions of US dollars per year and provide food, fibre, water, health, energy, climate security and other essential services for everyone. The United Nations 2004 Millennium Ecosystem Assessment (MEA) grouped ecosystem services into four broad categories:

- Provisioning – such as the production of food and water;
- Regulating – such as the control of climate and disease;
- Supporting – such as nutrient cycles and crop pollination; and
- Cultural – such as spiritual and recreational benefits.

Energy consumption (direct)

Direct energy consumption refers to energy from fuel used in buildings for heating and back-up power generation, as well as fuel used in our vehicle fleet.

Energy consumption (indirect)

Indirect energy consumption refers to electricity consumption from grid supply, and from tri-generation and solar PV.

Energy production (indirect)

Indirect energy production refers to electricity generated through tri-generation and solar PV.

Energy consumption (net)

Net energy consumption refers to gross energy consumption minus indirect energy production.

Environmental, Social and Governance (ESG)

The consideration of the environment, social and governance factors that impact on the risk and return profile of a company’s operations and investments.

ESG risk incorporates the three main areas of concern that have developed as the central factors in measuring the sustainability and ethical impact of a company’s operations. They can arise directly through a company’s own operations, or indirectly through customers and suppliers. ESG issues include managing the company’s carbon footprint, addressing diversity, human rights and financial inclusion and ensuring there are policies and structures in place to provide robust management of the organisation.

Equator Principles (EPs)

A voluntary set of standards for determining, assessing and managing social and environmental risk in project finance transactions. Equator Principles Financial Institutions (EPFIs) commit to not providing loans to projects where the borrower will not or is unable to comply with their respective social and environmental policies and procedures that implement the EPs. Refer to website.

Exposure at Default (EAD)

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.

Follow You Print

A cloud printing system which allows employees to send their printing jobs to be printed from any of the ‘Follow-you printers’ located across our offices.

FTE

Full Time Equivalent. A measure for reporting employee numbers, converts the total number of employees (headcount) into its full time equivalent. For example, two employees: one working three days a week and one working two days a week would equal one FTE.

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.

Group Supplier Sustainability Principles (GSSPs)

Sets out the sustainability requirements of companies we procure goods and services from. See our website for more information.

Headcount

The total number of employees within the workforce, regardless of full-time or part employment status.

HVAC

Heating, ventilation and air conditioning.

London Benchmarking Group (LBG)

Global model to measure Corporate Community Investment.

LBG – Charitable gifts and donations

Includes intermittent support to wide range of good causes in response to the needs and appeals of charitable and community organisations.

LBG – Commercial initiatives

Commercial activities or sponsorships, intended to directly promote the company’s brand whilst also providing some community benefit.

LBG – Community investment

Long-term involvement in community partnerships to address a limited range of social issues.

GLOSSARY

LBG – Forgone revenue

The revenue a company chooses to forego to the benefit of the community. For example, the forgone interest on microfinance loans provided by NAB.

LBG – In-kind support

The monetary value of goods or services provided by the company for community organisations.

LBG – In-kind volunteering

The total number and value of time provided by the company to allow employees to volunteer with organisations. This does not include volunteering provided outside of standard work hours, unless time in lieu is provided to the employee.

LBG – Management costs

The total value of the costs incurred in delivering programs, products and services designed to promote community benefit (for example, direct salaries and administration costs of payroll giving programs).

Materiality assessment

Our formal, annual assessment of ESG themes affecting the organisation and influencing the decisions of our stakeholders.

NAB

National Australia Bank Limited (ABN 12 004 044 937).

NAB Group

NAB and its controlled entities (including BNZ).

Natural Capital

Comprises Earth's natural assets (biodiversity and ecosystems) and the ecosystem services resulting from them.

Natural Value

Recognition of the contribution that biodiversity and ecosystem goods and services have on economic sustainability.

Natural Capital Finance Alliance

Previously known as the Natural Capital Declaration. A statement by financial institutions that recognises that Natural Capital poses significant risks and opportunities. The Declaration has been endorsed by more than 40 financial institutions to date and is also supported by 38 various NGOs and Associations. Signatories have committed to implementing natural capital considerations into their businesses and to collaborate in developing shared tools and industry standards by 2020.

The Declaration was convened by the Global Canopy Programme and the United Nations Environment Programme Finance Initiative.

Net Promoter Score

Measures how likely a customer would be to recommend NAB to a friend or colleague on a scale of 0-10. The overall score is calculated by subtracting the percentage of customers that answer 6 or below ('detractors') from the percentage of customers that answer 9 or 10 ('promoters').

Science Based Targets Initiative

The Science Based Targets Initiative is a partnership between CDP, UN Global Compact, World Resources Institute and WWF, which helps companies determine how much they must cut emissions to prevent the worst impacts of climate change.

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, employee commuting in company-owned or controlled vehicles, such as company cars; and
- HFC emissions from company owned or controlled refrigeration or air-conditioning 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 non-company owned or controlled vehicles, such as rental cars, employee cars, rail and commercial planes;
- combustion of fuel in boilers or furnaces not owned or controlled by the reporting company;
- employee commuting in vehicles not owned or controlled by the reporting company, such as light rail, rail, buses and employees' cars;

- third-party production or manufacture of materials and resources used by the reporting company, such as furniture, paper and equipment; and
- indirect losses resulting from the transmission of electricity and other fuels.

Shared Value

The generation of measurable business returns by addressing social and environmental challenges.

We, Our or Us

Refers to NAB, BNZ or the NAB Group as the context requires.