

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB35QW:

On 31 March, the Australian Financial Review wrote that a branch manager at a big four bank was reported for berating staff who weren't selling enough of the bank's products, despite customer-facing employees being fearful of losing their jobs or catching the coronavirus.

- (a) Did that report refer to NAB?
- (b) If yes, what was done to discipline or counsel the manager?
- (c) Have there been any other similar incidents in NAB branches?
- (d) Have you since or previously issued directives to managers about appropriate targets and tactics for product sales?

Answer:

(a) Did that report refer to NAB?

No.

(b) If yes, what was done to discipline or counsel the manager?

Not applicable.

(c) Have there been any other similar incidents in NAB branches?

Incidents have occurred at NAB where employees have been encouraged to sell additional products. Such actions are not aligned with NAB's values, and if this behaviour is identified, consequences are applied in line with NAB's consequence management framework. Consequences may include impacts to variable reward, coaching and counselling.

For example, in November 2018, a Regional Customer Executive in NAB's Retail Division sent an email to employees encouraging them to write additional home loan applications. Employees were offered rewards if they reached a goal set by the Regional Customer Executive within a set time period. This employee received coaching and counselling following the incident.

(d) Have you since or previously issued directives to managers about appropriate targets and tactics for product sales?

NAB's performance framework provides directive to managers and employees about the expected behaviour of all employees. This framework reflects NAB's position that the manner in which NAB's employees undertake their job is just as important as the job itself. An employee's remuneration is reflective of performance.

Since 2017, NAB has made a number of changes to its performance and remuneration frameworks to ensure the desired behaviours are encouraged. Many of these changes were made as a result of the recommendations of independent expert Mr Stephen Sedgwick AO in 2017, as part of his remuneration review of the retail banking industry. NAB is committed to the spirit and intent of Mr Sedgwick's recommendations and is compliant with those recommendations which relate to sales practices, ahead of the scheduled 2021 deadline (refer below Table 1 for examples of Mr Sedgwick's recommendations which NAB has implemented since 2017 which are relevant to this question).

NAB employees are rewarded based on a balanced scorecard of customer advocacy, compliance with risk, process and quality improvements, and financial performance. Scorecards for employees have been refined to ensure all balanced scorecard measures are customer-centric, product neutral and contain quantitative and qualitative measures to drive improved quantity and quality of customer conversations, with no more than 33 per cent weighted to financial measures.

NAB constantly reviews its remuneration framework and implements changes where required to ensure appropriate behaviours are encouraged.

Table 1: examples of Mr Sedgwick’s recommendations which NAB has implemented since 2017

<i>Recommendation 2</i>	<i>Banks remove variable reward payments and campaign related incentives that are directly linked to sales or the achievement of sales targets (including, but not limited to cross sales, referral targets, and profit and revenue targets);</i>
<i>Recommendation 3</i>	<i>Eligibility to receive any variable reward payment should be based on an overall assessment against a range of factors that reflect the breadth of the responsibilities of each role;</i>
<i>Recommendation 4</i>	<i>Any financial measures included in an overall assessment consistent with Recommendation 3 should: Be product neutral (that is not encourage the sale of one product over another); and In the case of a scorecard, together attract a maximum effective weight of 50 percent as quickly as systems and other changes can be introduced, falling to 33 percent or less by 2020;</i>
<i>Recommendation 6</i>	<i>Credible behavioural or equivalent values gateways be applied to determine whether an individual can access any variable rewards to which they might otherwise be entitled;</i>
<i>Recommendation 7</i>	<i>Variable reward payments no longer include: Accelerators related to financial measures; Accelerator-like modifiers related to financial measures; Other mechanisms related to financial measures that have such an accelerator-like effect on the value of variable rewards available; Financial gateways, including but not limited to those that relate to the number or value of cross sells;</i>