

COMMITTEE MEMBER	QUESTION	NAB RESPONSE
Chair	Can I ask you to take this away and bring it back to us on notice: what's the value of your coal loan book in total? Again, could you split that into thermal and metallurgical—you've already told us about thermal, but please repeat that in writing. What proportion of total coal-sector financing is provision of bonding for rehabilitation and biodiversity offsets, and how much is capital provision and lending?	NAB's exposure at default (EAD) for thermal coal mining as at 31 March 2021 was \$0.65bn. ~36% of NAB's reported thermal coal mining EAD was for performance guarantees to rehabilitate existing coal mine sites. At 31 March 2021, NAB's EAD to metallurgical coal mining was \$0.32bn. Further details about NAB's resources portfolio EAD is on page 55 of NAB's 1H21 results presentation .
	In the past five years how many coal refinance opportunities has each bank participated in? Has that exposure increased or decreased?	NAB has participated in a total of six coal refinance opportunities over the past five financial years – one in FY2017, one in FY2018, one in FY2019, two in FY2020 and one in FY2021 (to date). <i>Note: the NAB financial year runs from 1 October to 30 September.</i>
	How are your decisions on whether to invest in or refinance coal reached? Is it purely on a business case—commodity, price outlook et cetera—or is there other decision-making that's taken into account for specific refinance and lending requests that come to you? For instance, is there branding or marketing that's taken into account? If you can elaborate on that process, that would be very interesting.	<p>NAB reviews applications for finance on a case by case basis. When undertaking credit risk and due diligence processes as part of reviewing applications for finance, NAB considers a range of factors, including a potential borrower's capacity to repay and the materiality of environmental, social and governance (ESG) factors. This is in addition to the size, type, tenor and complexity of a transaction being considered.</p> <p>NAB also maintains a High Risk ESG Sectors and Sensitive Areas list. This helps our bankers know which sectors and activities may have a higher inherent exposure to ESG-related risks, so they can take extra precautions in these areas. As a result, we may conduct additional review and/or due diligence. NAB regularly reviews the risks associated with these sectors and/or activities, a process which is part of prudent management of our business for the benefit of our customers, colleagues and shareholders.</p>
	Have any of the banks entered into any agreement that would forbid or place obstacles in the	NAB has made a commitment to achieve a net zero lending portfolio by 2050, and in November 2019 signed the UN Environment Programme

	<p>way of your bank investing in export industries such as coal or intensive agriculture? If so, can you point to those agreements and explain why they were entered into and whose decision it was to enter into them?</p>	<p>Finance Initiative Principles for Responsible Banking's Collective Commitment to Climate Action. This requires NAB to set scenario-based, sector-specific targets for alignment of NAB's portfolio, including for the resources and agricultural sectors. Signing the CCCA was approved by NAB's Board. The CCCA and NAB's net zero commitment do not specifically forbid financing to any particular sector, but require that we seek to decarbonise our own operations and help our customers to do the same. Therefore, we are working to understand our customers' emissions and climate-related strategies and to identify ways to support them in decarbonising their businesses.</p>								
Senator Van	<p>Obviously coal and other fossil fuels are not the only contributors to carbon emissions and, therefore, climate change. I'd like each of you to set out for the committee on notice please your plans to divest out of other industries that contribute, such as transport, airlines, agriculture et cetera. I assume you're going to be consistent across all emitting industries, not just one.</p>	<p>NAB has signed the UN Environment Programme Finance Initiative Principles for Responsible Banking's <i>Collective Commitment to Climate Action</i>. This requires NAB, within three years of signing (i.e. by November 2022), to set scenario-based, sector-specific targets for alignment of NAB's portfolio. The UN Environment Programme Finance Initiative Guidelines for Climate Target Setting for Banks provides guidance on the sectors for which NAB must set targets. However, this does not specifically mandate divesting any particular sector.</p>								
	<p>Could each of you, on notice, supply us with a snapshot of your shareholder register. I'm not interested necessarily in individual companies, but a breakdown by types of investors would be very helpful to this inquiry.</p>	<p>NAB's share register profile as at June 2021 was:</p> <table border="1"> <thead> <tr> <th colspan="3">Investor type</th></tr> </thead> <tbody> <tr> <td>Domestic Institutional</td><td>Foreign Institutional</td><td>Retail</td></tr> <tr> <td>32.8%</td><td>24.3%</td><td>42.9%</td></tr> </tbody> </table>	Investor type			Domestic Institutional	Foreign Institutional	Retail	32.8%	24.3%
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