C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

National Australia Bank Limited (NAB) and its related bodies corporate ('NAB Group' or 'Group') is a financial services company providing a comprehensive range of financial products and services.

The Group's key businesses operate in Australia and New Zealand. We have branches in Asia, the UK and the US. Our portfolio includes: Business and Private Banking, Consumer Banking, Corporate and Institutional Banking, and Bank of New Zealand and Wealth Management.

We recognise banks have a special responsibility. Our business is committed to creating more of what matters for people, communities and the economy – this motivates our people to 'do the right thing' as stated in our values. Our responsibility is integral to our strategy, our approach to Corporate Responsibility (CR), and our stated purpose, to '*back the bold who move Australia forward*'.

Our CR approach aims to make a positive and sustainable impact on the lives of our customers, people, shareholders, communities and the environment. This is critical to our vision to be Australia's leading bank, trusted by customers for exceptional service. We believe this contributes to stronger relationships and reduces risks to our business, protects and enhances our reputation, drives efficiency through better use of resources and contributes to sustainable, satisfactory returns for our shareholders and shared value for NAB and its stakeholders.

NAB is acting on issues that matter to our customers and community – where we believe we can make a difference:

• Financial inclusion and resilience: Helping people to access fair and affordable financial services and build financial resilience.

• Social cohesion: Working with others to address big societal issues (gender equality, domestic violence, Indigenous success and affordable housing) to help build stronger, more connected communities.

• Environmental well-being: Addressing climate change (CC) risks and the opportunities arising from the low carbon transition; minimising our own environmental footprint – and helping customers do the same.

CC is a key focus of NAB's Environmental Agenda. NAB recognises CC is a significant risk and a major challenge for the global economy and society. The impacts of CC and related policy are having a growing effect on our businesses, customers, and the communities in which we operate. We support a low carbon transition, consistent with the Paris Agreement and believe banks have a key role to play in helping to finance this transition.

We believe that recognising the impact of CC on our business, customers and the community, and building consideration of CC into our strategy, is consistent with long-term value creation. CC is complex and requires consideration of a range of economic, social, technological and global issues. In our view, this is best achieved collaboratively with others.

Though our CC strategy we aim to learn by doing and to use this knowledge when managing environmental, social and governance

(ESG) risks and providing products and services to assist customers.

Our CC strategy focuses on 4 key areas:

• Leadership commitments

• Developing CC knowledge and insights

• Supporting our customers through the low-carbon transition

• Investing in organisational capability to identify and respond to CC risks and opportunities.

During FY2018, we reviewed our CC strategy to identify further opportunities to reduce our carbon footprint, to assist customers through the low carbon transition and to help them to build resilience to the physical impacts of CC.

Our CC strategy is supported by our CC commitments. In 2015, NAB adopted 3 “We Mean Business” Coalition commitments: (1) responsible climate policy engagement; (2) reporting of CC information; and (3) carbon pricing. We have also committed to: (1) sourcing 50% of our Australian electricity use from renewable energy by 2025; and (2) providing $55bn of environmental finance in two key areas: (i) $20bn in green infrastructure, capital markets and asset finance and (ii) $35bn in new mortgage lending flow for 6 Star rated residential housing in Australia (new dwellings and significant renovations) – over the 10 years to Sept. 2025 to help address CC and support the low carbon transition.

In 2014, NAB committed to carbon risk disclosure (https://www.nab.com.au/about-us/corporate-responsibility/shareholders/esg-risk-management) and now regularly discloses climate-related information (refer to 2018 Full Year (Slides 52-55) and 2019 Half Year (Slides 45-49 Results Presentations). In December 2017, NAB publicly supported the TCFD recommendations by signing the TCFD Statement of Support. Disclosures in our Annual Report suite have since been updated to align to and implement the TFCD’s recommendations.

Refer to 2018 Sustainability Report pgs 5, 18, 27, 36-40 for further information on our Environmental Agenda, performance, carbon neutrality and CC Strategy and pgs 31-35 in our 2018 Annual Financial Report (docs attached at Q12.4).

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	July 1 2017	June 30 2018	No	<Not Applicable>

C0.3

(C0.3) Select the countries/regions for which you will be supplying data.

Australia
China
China, Hong Kong Special Administrative Region
India
Indonesia
Japan
New Zealand
Singapore
United Kingdom of Great Britain and Northern Ireland
United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

AUD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	The NAB Board retains ultimate oversight for climate change-related matters supported by the Board Risk Committee (BRC). BRC has accountability for oversight of NAB Group's risk profile and risk management, including climate risk, within the context of Board determined risk appetite (although ultimate responsibility for risk oversight, risk appetite and risk management rests with the Board). The BRC refers all matters of significant importance to the Board, making recommendations to the Board concerning the Group's current and future risk appetite, risk management strategy and particular risks or risk management practices, including those related to climate change. The Board and BRC receive reports on a range of climate change-related issues, risks and opportunities and related regulatory change and reporting returns. Discussion of climate-related items by NAB Board and BRC provides an opportunity for Board members to discuss climate change risks and opportunities

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	The NAB Board retains ultimate oversight for climate change-related matters, which are integrated into business strategy, operations and risk management and which are otherwise part of specific initiatives under NAB's CC strategy. The NAB Board directly, or the Board Risk Committee (BRC), receives reports on a range of climate change related issues, risks and opportunities including progress against NAB Group's climate change strategy, commitments and initiatives, risk appetite, environmental operational performance (including progress against NAB's science-based emissions reduction target), carbon neutral status, and concerns from stakeholders. NAB's Board and BRC receive updates (at least annually and usually more frequently) on climate-related regulatory change and greenhouse gas and energy reporting returns that require noting or approval at Board level before submission to regulators. The NAB Board or BRC may also receive reports related to climate change matters that relate to risk appetite, scenarios and stress testing. NAB's Climate Change Working Group (CCWG) reports on its activities through to management, executive, the BRC and the NAB Board. Key risks and opportunities identified as part of work by NAB's CCWG are being integrated into risk appetite, policies, controls and processes, and business strategy and investments (such as the capital expenditure invested to improve the environmental performance and sustainability of the data centres NAB operates and the buildings we occupy). In FY2018, NAB conducted an annual review of its climate change strategy and updates to NAB's climate change related credit risk policy settings were approved for disclosure related to the oil and gas sector.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Risks Officer (CRO)	Both assessing and managing climate-related risks and opportunities	Half-yearly
Other C-Suite Officer, please specify (Chief Customer Officer - C&IB)	Both assessing and managing climate-related risks and opportunities	Half-yearly
Risk committee	Other, please specify (Our Group Regulatory, Compliance & Operational Risk Committee, Group Credit and Market Risk Committee, and Group Risk Return Management Committee help oversee NAB's climate change strategy, risk appetite and management, policies, and performance.)	Half-yearly
Other, please specify (Chief Technology and Operations Officer)	Both assessing and managing climate-related risks and opportunities	Half-yearly
Other committee, please specify (NAB's Climate Change Working Group)	Both assessing and managing climate-related risks and opportunities	Annually

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated

responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

NAB's **Group Chief Risk Officer** (GCRO) and the **Chief Customer Officer – Corporate and Institutional Banking (CCO – C&IB)** are both Group Executives and members of the NAB Executive Leadership Team (ELT), reporting to the Group Chief Executive Officer (GCEO). The GCRO and CCO – C&IB are co-sponsors of NAB's **Climate Change Working Group (CCWG)** and have responsibility for jointly ensuring that the CCWG considers climate change (CC) risks and opportunities in the Group's governance, risk management framework, strategy and metrics and targets. They jointly sponsor delivery of NAB's CC strategy and reporting on its progress through to Board Risk Committee (BRC) and Board, ensuring NAB considers both risk and strategic opportunities in our CC management. The GCRO and CCO-C&IB were selected to co-sponsor the CCWG because they are accountable for two key business areas delivering elements of NAB's CC strategy (risk and capital financing).

Papers incorporating CC-related matters are tabled to NAB risk committees at least quarterly.

The GCRO is Chair of the Group Regulatory, **Compliance & Operational Risk Committee (**GRCORC) and the **Group Credit and Market Risk Committee** (GCMRC). The GRCORC supports the GCRO, the GCEO and the **Group Risk Return Management Committee** (GRRMC) to oversee management of regulatory, operational and compliance risk and environmental performance, including CC strategy, risks and opportunities. It has group-wide management representation including Australian Banking Divisions and BNZ.

The **GRCORC** meets monthly and is responsible for: (a) reviewing and approving NAB's Environmental Agenda, which includes three focus areas: (i) CC, (ii) natural value, and (iii) resource efficiency, targets and offsets, overseeing performance in each of these areas and NAB's performance against voluntary commitments such as our carbon neutrality, carbon risk disclosure, CC commitments and the Equator Principles; (b) reviewing, evaluating and monitoring the management and prioritisation of environmental risks, controls and opportunities, including those related to CC, natural value and resource efficiency; and (c) reviewing and endorsing environmental matters, including those related to CC, that by legislative or regulatory mandate, require GCEO, BRC or Board approval. Where required, GRCORC makes recommendations to the GRRMC, ELT, or BRC and Board (as appropriate).

Designated employees in key subsidiaries and international branches have responsibility for Environmental Agenda delivery at a local level. Management in Australia and NZ reviews performance regularly, usually monthly basis. This includes performance related to GHG emissions reduction and our CC strategy.

The **GCMRC** meets monthly. Its role includes considering climate-related risk appetite/policy, impacts and opportunities in the lending portfolio. It oversees NAB's Environmental, Social & Governance (ESG) credit risk policies including policy, appetite and settings for climate intensive, low carbon and climate sensitive sectors. The GCRMC considers ESG related performance and lending exposures on at least a six-monthly basis including climate-related portfolio exposures to resources (including coal mining, oil and gas extraction) and power generation (both fossil fuel and renewable). In FY2018, GCMRC approved a change to NAB's ESG credit policy settings which resulted in NAB committing not to finance oil/tar sands extraction projects, and oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.

The **GRRMC**, comprising our ELT and others, meets bi-monthly to discuss risk issues and receives reports on ESG risk, including CC risks. Our ELT also receives updates on corporate responsibility commitments, including public commitments related to CC. In FY2018 this included reviewing updates to our CC strategy, progress on performance against our commitments and endorsing them through to the BRC and Board.

The **Chief Technology and Operations Officer** is a Group Executive and ELT member reporting to the GCEO. This position has accountability for management of NAB's property portfolio, technology operations and supply chain management. This includes managing the risks and opportunities arising from capital works and operational programs that contribute to reducing NAB's energy use, GHG emissions and other environmental impacts and the power purchase agreements to help NAB meet its renewable energy targets.

The **CCWG** comprises management representatives from across the Group. The CCWG is responsible for monitoring implementation of NAB's CC strategy and proposing updates to the strategy as required. The CCWG regularly reviews risks and opportunities (including new product development) arising due to climate-related transition and physical risks and makes recommendations to the GRCORC, GCMRC, GRRMC, the ELT, BRC and Board with regard to NAB's CC strategy, commitments, and targets.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

Yes

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Who is entitled to benefit from these incentives?
Environment/Sustainability manager

Types of incentives
Monetary reward

Activity incentivized
Emissions reduction target

Comment
For Environment/Sustainability managers with responsibility for Property and Technology functions, meeting environmental reduction targets for greenhouse gas (GHG) emissions and energy is a key part of their performance and these measures are included in their performance plans. Additionally, performance plans will include resource efficiency/reduction targets, some of which, such as paper and waste, will contribute to a reduction in our Scope 3 emissions.

Who is entitled to benefit from these incentives?
Other, please specify (ESG Risk Managers & CR Managers)

Types of incentives
Monetary reward

Activity incentivized
Other, please specify (Climate change risk & opportunity management)

Comment
Key personnel in Risk and Corporate Responsibility roles have specific performance objectives related to supporting the Group in its review of climate change risks and opportunities arising from the Paris Agreement. This includes supporting NAB's Climate Change Working Group (refer to pgs 37-40 in NAB's 2018 Sustainability Report).

Who is entitled to benefit from these incentives?
Other, please specify (Other, please specify (Bankers in environmental product areas such as Project Finance and Sustainable Finance.))

Types of incentives
Monetary reward

Activity incentivized
Other, please specify (Product development and sales)

Comment
Key personnel in customer facing areas are rewarded for generation of business related to climate change (e.g. financing of renewable energy projects) and sales of environmental and climate change related products and services which finance emissions and energy reduction and renewable energy projects.

Who is entitled to benefit from these incentives?
All employees

Types of incentives
Other non-monetary reward

Activity incentivized
Behavior change related indicator

Comment
NAB offers a range of non-monetary rewards to employees supporting low carbon behaviours such as interest free loans for annual public transport tickets. Additionally, employees are given the opportunity to win prizes for participating in workplace competitions and engagement programs aimed at reducing our workplace resource consumption and carbon footprint. A recent competition related to behavioural changes gave the chance to win a UBank Green Term Deposit.

C2. Risks and opportunities

C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	From (years)	To (years)	Comment
Short-term	0	3	This corresponds to the business planning cycle.
Medium-term	3	6	This corresponds to two business planning cycles.
Long-term	6	41	This extends well past two business planning cycles and looks to the longer-term future outside immediate business planning cycles where a variety of future scenarios need to be considered and the future is less certain. We use scenarios to demonstrate how risks and opportunities could evolve over longer time horizons.

C2.2

(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

C2.2a

(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	Risks are identified, measured, monitored, reported and overseen in accordance with NAB's Risk Management Framework (as described in NAB's Risk Management Strategy). Environmental risks and opportunities, including those relating to climate change (CC), are identified by the business, overseen by the Group Regulatory, Compliance and Operational Risk Committee or the Group Credit and Market Risk Committee and escalated to the Group Risk Return Management Committee, Board Risk Committee/Board as required. Longer term risks considered include impact of changing climate on our agribusiness and property lending portfolios, and structural changes in the energy and resources markets arising from transition to low carbon energy sources. Different aspects of CC risk are presented to Committees 6-monthly or more frequently. We consider climate-related risks where we operate (NZ, Australia, United Kingdom, US, and Asia), and where our suppliers and customers operate (various countries globally).

C2.2b

(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

At the **company level,** NAB Group's Risk Management Framework (RMF) supports identifying, measuring, analysing, understanding and reporting material risks at all levels of the Group. Identification and assessment of ESG risks, including climate change (CC) related risks are built into the RMF, including risk appetite and policies, risk profiling and assessment, monitoring and reporting. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate.

We use stress testing, scenario planning and economic modelling to: (1) take a forward and longer-term view of potential risk events and to understand their impact e.g. impacts of changing carbon regulation, changes in energy markets or physical climate on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence. For example, in FY2018, we built on our previous semi-quantitative assessment of climate risk across our operations, wealth and lending portfolios by participating in a UNEP FI pilot of methodologies to satisfy Taskforce on Climate-related Financial Disclosures' requirements. The pilot involved using climate scenarios and data to support stress testing of transition and physical risk impacts for key segments in our lending portfolio. We examined: (i) transition risks facing customers in our mining, oil & gas and power generation portfolios, and (ii) physical risks faced in our agriculture and property portfolios. Based on this work, we expect some movement in credit ratings in the medium to long-term because of climate change.

NAB Business lines and support functions are supported by risk advisors and partners, including specialists with CC knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's material risk category requirements. Through ESG risk assessment, which includes consideration of climate risks, both at a client and portfolio level, we can understand the potential size and scope of climate-related risks within our overall lending portfolio and make changes to risk appetite and ESG risk credit policy settings to manage them. For example, in FY2018, as part of phased review of risk appetite for carbon intensive, low carbon and climate sensitive sectors, we completed a review of the oil and gas sector. As a result, NAB will not finance oil/tar sands extraction projects, or oil and gas projects with the Arctic National Wildlife refuge. In FY2017, we reviewed the coal mining sector and concluded that although NAB would continue to support existing customers across the mining and energy sectors – including those with existing coal assets – we would no longer finance new thermal coal mining projects. Further sector reviews will continue in FY2019. NAB's Corporate Affairs team undertakes an annual stakeholder engagement process to determine the materiality of ESG risks such as CC through stakeholders' eyes. This informs management's decision making, prioritisation and risk assessment, particularly for reputation risk.

At a **transaction or asset level**, ESG and other risk specialists assess climate risk. For example, when NAB undertakes (i) an ESG risk assessment including reviewing a customer's climate-related strategies and exposure to physical, market or regulatory climate-related risks that may impact on credit risk (this may affect our willingness to provide finance if NAB's consider it will materially impact on the customer's credit risk profile) or (ii) insurance and operational risk processes that consider physical climate risk on assets (offices & branches) in site selection, contingency planning and disaster management.

Risk assessment and prioritisation varies across NAB's material risk categories and includes a mix of qualitative and quantitative (including financial) measures that take into account risk likelihood and consequence. The material risks managed by NAB are: credit, operational, compliance, conduct, balance sheet & liquidity, market, regulatory and strategic risk. Climate-related risk may manifest across a number of these categories and will potentially be more substantive in some rather than others.

A financial impact arising from climate-related risks would be deemed **substantive**/major in accordance with NAB's risk management framework and internal policies if the impact was at least $5m. Reputation risk may also be considered substantive based on the number and type of stakeholders raising concerns.

C2.2c

(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	NAB is subject to compliance requirements of current climate-related regulation. Changes in the regulatory environment are considered by NAB as part of assessing transition risk. In considering how transition risk may impact NAB Group, we review and consider NAB's obligations within our risk assessment and profiling. For example, NAB is subject to a range of mandatory and voluntary requirements. We must comply with the National Greenhouse and Energy Reporting Act in Australia and the Energy Savings Opportunities Scheme and Carbon Reduction Commitment Energy Efficiency Scheme in the UK. NAB is subject to these requirements because the energy use and GHG emissions from our building portfolio of bank branches and commercial offices trigger the regulatory thresholds. For example, NAB annually reviews, including in 2018, the requirements of these current regulations to ensure we can continue to comply and that changes in NAB's circumstances do not result in non-compliance. Additionally, when considering transition risk impacting NAB customers, we include an assessment of customer's capacity to comply and meet current climate change-related policy and regulatory requirements in our ESG risk assessments, where relevant, particularly for energy and carbon intensive businesses. In 2018, we undertook work on transition risk scenario development for the UNEP FI TCFD pilot. This included consideration of how current regulation arising from national climate policy and actions may impact on customers in the mining, power generation and oil & gas sectors. This work is ongoing, but the outcome of work to date has been used to inform our risk appetite and risk management approach to customers in these sectors. In FY2018, we publicly stated that NAB will not finance oil/tar sands extraction projects, and oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. In FY2018, we also participated in consultation run by the Climate Change Authority's as part of its review of the National Greenhouse and Energy Reporting (NGER) legislation, to which we are subject.
Emerging regulation	Relevant, always included	NAB considers emerging regulation as part of transition risk assessment. For example, in considering how transition risk may manifest and impact NAB Group, we review and assess the impacts and implications of emerging regulatory requirements and provide feedback when invited to regulators through regulatory consultation processes. For example, in FY2018, we reviewed the potential impact of changes in climate-related reporting requirements in the UK. FY2019 will be the final year of the Carbon Reduction Commitment Energy Efficiency Scheme and new Streamlined Energy and Carbon Reporting (SECR) regulations are expected to take effect in 2019 for reporting in FY2020. Consideration of regulatory change is embedded in NAB's risk change process, which requires an assessment of the quantum of change and subsequent risk to the NAB Group arising from regulatory change, such as changes to climate related policy and regulation. In addition to considering the impact of emerging regulation on NAB's own operations, we consider the impacts this may have on NAB customers, both at a transaction level and a portfolio level, this is because changes in the regulatory may change the risk profile of customers and contribute to an increase in credit risk for individual customers or a portfolio of customers. For example, changing and emerging regulation was a factor being considered in the transition risk scenario development and stress testing we undertook in the UNEP FI TCFD pilot in which we participated in FY2018.
Technology	Relevant, sometimes included	NAB includes technology risk, where relevant, in climate-related risk assessments so we can understand the transition risk faced by individual customers and sectors that we bank. For example, based on our assessment, NAB expects low carbon technologies to displace fossil fuel-based technologies over time and therefore we review this risk to consider and assess the degree to which this may present a risk of stranded assets associated with individual customers and some sectors in our lending portfolio. NAB also factors in the risk that new and emerging technologies may have unproven performance and market acceptance and therefore, we consider this aspect of technology risk in our credit risk and due diligence processes. For example, this is considered as a matter of course when undertaking due diligence processes for project finance and was considered in FY2018.
Legal	Relevant, always included	As a bank, NAB considers legal and liability risk so we can understand whether this risk could impact on NAB's operations or the credit risk profile of the customers that we lend to. For example, we have considered the legal opinion of Noel Hutley SC and Sebastian Hartford Davison made available by the Centre for Policy Development in NSW which highlights the importance of directors' consideration of climate risks and opportunities and board-level governance of this issue. Climate risk-related reporting, which includes risks and opportunities is presented to our Board. Where relevant in our climate-related risk assessments, we track the cases involving climate-linked litigation, monitor trends and follow any cases that may involve our customers. FY2018, our Climate Change Working Group received an update on the global state of climate-related litigation. We have found instances of climate change litigation are increasing and are also being joined with human rights issues, particularly in developing countries. Although this varies across jurisdictions, it still appears to be a greater risk in the US, where there is a higher instance of legal actions and shareholder resolutions being taken against companies in carbon intensive sectors. This is also increasing in the UK, Europe and Australia. Ongoing review of legal and liability risk helps us prioritise the carbon intensive, climate sensitive and low carbon sectors for inclusion in phased risk appetite review. Our phased review of these sectors commenced in FY2017 with the coal mining sector. We reviewed oil and gas in FY2018. The outcome of our climate risk review of the oil and gas sector led to a change in our ESG risk credit policy settings. NAB will not provide finance for: • oil/tar sands extraction projects, and • oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. Review of other sectors will follow in subsequent years.
Market	Relevant, always included	NAB considers market risk in climate-related risk assessments so we can understand the contribution that changes in supply and demand for various products and services may have on transition risk and the low carbon transition. For example, changes in market risk were factored into work we undertook in FY2018 on the metals and mining, and power generation sectors to pilot the transition risk methodology as part of the UNEP FI TCFD pilot. This built on the heat mapping work we did in FY2017 when we assessed the degree to which carbon intensive sectors and companies that we lend to were facing climate-related market risks. This assessment helped NAB to prioritise carbon intensive, climate intensive and low carbon sectors for our phased risk appetite review of carbon intensive, climate sensitive and low carbon sectors. NAB's phased review of these sectors commenced in FY2017 with the coal mining sector. We reviewed oil and gas in FY2018. Other sectors will follow in subsequent years. Reviewing changes in market risk arising from climate change also informs our thinking about where potential stranded assets could arise in our lending portfolio.
Reputation	Relevant, always included	NAB considers reputation risk as a factor in climate-related risk assessments, in relation to NAB Group's social licence to operate, as this can be a factor influencing both our customers' choice of bank and our investors' choice of investment. Reputation is important to NAB because our vision is to be Australia's leading bank, trusted by customers for exceptional service. For example, as a bank, NAB considers changing reputation risk associated with our customers as part of our ESG and climate-related risk assessments. This is a standard component of our credit risk and due diligence process and therefore this work was ongoing in FY2018, as in any other year. We regularly receive, including in FY2018, questions from stakeholders including customers and investors about our lending portfolio exposure to customers in fossil fuel-related sectors and provide information to respond to these questions in our half and full year results presentations and annual reporting suite. In considering the reputation risk associated with our customers, we assess both how customer reputation may impact NAB Group by association and the customer's social licence to operate. In FY2018, stakeholder feedback and views, particularly from our annual materiality process (annual ESG-related stakeholder engagement), were considered in the way NAB's prioritisation of carbon intensive, climate intensive and low carbon sectors for phased risk appetite review.

	Relevance & inclusion	Please explain
Acute physical	Relevant, sometimes included	Where relevant for particular customers and/or sectors, NAB considers acute physical climate risk in climate-related and day to day ESG risk assessments. For example, we ask customers if they have undertaken a physical climate-risk assessment and implemented any mitigation or adaptation measures to reduce the likelihood they are impacted by extreme physical impacts of climate change. This work was ongoing in FY2018. Depending on the size of a customer's operation, and the sector they are in, NAB may also seek information on whether our customers have disaster recovery, business continuity and emergency response plans in place to help them manage the risks associated with extreme weather events. This type of customer planning may reduce the likelihood that they suffer damage and loss because of extreme weather events and in turn reduce the likelihood that these events will impact on their credit risk profile and ability to repay loans NAB provides. This is a factor considered in the physical risk scenario development and stress testing work we undertook in FY2018 as part of the UNEP FI TCFD pilot. Drought is one example of an acute physical risk which can have a material negative impact on the credit profile of a customer and which needs monitoring to ensure that customers are acting to build resilience to it.
Chronic physical	Relevant, sometimes included	Where relevant to particular customers and sectors, NAB considers chronic physical climate risk in our climate-related and day to day ESG risk assessments. In particular, as part of NAB's ESG risk assessment we ask our customers if they have undertaken a physical climate-risk assessment and implemented any mitigation or adaptation measures to reduce the likelihood they are impacted by chronic physical impacts of climate change such as water scarcity, changing temperature, changing sea level and increased risk of sea surge. For example, we seek information from customers in sectors like mining and agribusiness which are critically dependent on water, to understand the degree to which water scarcity and drought may impact their business and the actions they may have taken or plan to take to mitigate this risk. This work was ongoing in FY 2018. The impact of the long-term (chronic) physical impacts of climate change was factored into the risk heat mapping we completed in FY2018 and work we undertook in FY2018 in relation to physical climate risk scenario development and stress testing for the UNEP FI TCFD pilot. NAB considers financing of infrastructure such as desalination plants provides a risk mitigation option for water supply in drought conditions. This is why we have a number of desalination plant projects in our project finance portfolio.
Upstream	Relevant, sometimes included	As a large Australian financial institution with a contracted supply chain of over 1,820 suppliers (in FY2018), where NAB considers it relevant, we assess the climate-related risks that may arise in our suppliers' businesses and whether there is potential for this to have an impact on our operations. The exposure of NAB's suppliers to transition, physical and liability risk was a factor considered our climate-related risk heat mapping in FY2017. For example, we considered factors such as (i) whether suppliers were undertaking physical and transition-related risk assessments, (ii) the likelihood that suppliers' business continuity would be disrupted by extreme weather events and create flow on risks to NAB's business continuity, and (iii) how our suppliers were addressing greenhouse gas mitigation and in turn assisting NAB to reduce its Scope 3 emissions. In FY2018, climate risk continued to be considered in assessing the business continuity and disaster risk management preparedness of suppliers.
Downstream	Relevant, sometimes included	As a large Australian financial institution, where relevant, NAB assessed the climate-related risks that may arise in our customers' businesses and whether there is potential for these risks to have an impact on customers' credit risk profile when we are lending to them. For example, this was considered in FY2018 as part of the transition and physical risk scenario and stress testing work we undertook as part of the UNEP FI TCFD pilot and in FY2017 as part of creating a heat map of climate risk across our total lending portfolio and across all major industry sector groupings (using Australian and New Zealand Standard Industry Codes (ANZSICs).

C2.2d

(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

Management of climate-related risks and opportunities is performed on an ongoing basis with due consideration of factors including NAB's risk appetite, business strategy and compliance obligations.

Business lines and support functions are supported by risk partners, including those with specialist climate change (CC) knowledge, but have accountability for managing risk and setting priorities arising from their activities in accordance with NAB's Risk Management Framework (RMF).

At the **company level**, NAB's RMF supports identifying, analysing and understanding material risks at all levels of NAB Group. Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks (including CC) to operations and strategy execution. Risk profiling aims to identify and understand drivers of change, supporting early action, while risk assessments help to make informed decisions about the risks NAB is willing to accept, reject or mitigate.

NAB prioritises consideration of CC-related risks and opportunities based on their materiality to our operations and lending portfolio. Consideration is also given to reputational impacts of changes in stakeholder views, customer demand and behaviour. NAB's Corporate Responsibility team undertakes an annual stakeholder engagement process to determine the materiality of issues such as CC through stakeholders' eyes. This process also helps inform NAB's management of climate-related risks including decision

making, prioritisation and risk assessment.

Example: In FY2017, NAB's CC Working Group (CCWG) used transition, physical & liability risk as categories to assess and heat map climate risk to NAB and its customers. Sectors with higher transition and physical climate risks were prioritised for risk review. This phased review began in FY2017 with coal mining (after which we announced we would no longer finance new thermal coal projects). Transition risk is a key risk for the coal sector. In FY2018, this review continued with the oil and gas sector. We considered a range of factors including: (i) various CC scenarios for both transition and physical risk through to 2040; (ii) customer strategies and plans and their alignment to the Paris Agreement 2oC climate goal; (iii) industry trends; and (iv) trends in NAB Group credit exposures. As an outcome of this review, NAB will not finance oil/tar sands extraction projects, and oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.

Example: As Australia’s largest agribusiness bank, NAB is conscious of the physical climate risks experienced by our customers–exemplified by the current drought impacts on agribusiness customers in some regions of Australia. Therefore, we support our management and understanding of physical climate through research partnerships to better understand the actions agribusiness customers can take to build their resilience to physical CC risk. One project has been examining the impacts of physical climate risk on the Dairy sector, where extreme heat for multiple days can negatively impact dairy production volumes due to heat stress.

NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risk events and understand their impact e.g. impacts of changing carbon regulation on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help manage risk positions and exposures. Key risks are recorded and monitored, as are emerging risks and changes in risk likelihood and consequence.

We manage CC-related risk at a **transaction or asset level** through our inclusion of ESG risk assessment in risk management processes. For example, when NAB (i) assesses customer exposure to physical or regulatory climate-related risks that could impact on credit risk (both in the short and longer term), or (ii) undertakes insurance and operational risk processes that include considering physical CC risk on assets (primarily offices & branches) in site selection, contingency planning and disaster management.

We manage current and future business opportunities, including those related to CC, such as financing clean technology through strategic planning processes both at NAB Group and business line levels. Opportunities, both at a transaction or asset level, are assessed and prioritised in line with normal business and cost/benefit analysis practices. These assessments include (i) changes to our operations and facilities to reduce energy use and greenhouse gas emissions and (ii) reviewing the need and demand for new products and services in the short and long term.

NAB’s CCWG is a forum for discussing CC-related risks and opportunities, including monitoring progress on NAB’s CC strategy and commitments and supporting the incubation and development of new products and services to support customers in their low carbon transition.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your

business.

Identifier
Risk 1

Where in the value chain does the risk driver occur?
Direct operations

Risk type
Physical risk

Primary climate-related risk driver
Acute: Increased severity of extreme weather events such as cyclones and floods

Type of financial impact
Increased capital costs (e.g., damage to facilities)

Company- specific description
NAB is a bank that operates in a number of geographies which have all experienced extreme weather events over recent years (e.g. Australia, Asia, US, UK and NZ). Increased severity and number of extreme weather events (including extreme floods, cyclones/ typhoons, droughts and snow) can cause damage to NAB's premises, infrastructure and property with resultant costs to refit and repair them. Climate change predictions are for increased frequency and severity of these type of extreme weather events which may mean increased number and/or scale of damage events to NAB property located in higher risk geographies and locations (for example Australian locations at higher risk of cyclone and flood events such as coastal and riverine locations in Queensland, NSW and North West Australia). Increased instances of damage are likely to occur, such as the significant damage caused to two NAB branch buildings due to high winds and floods associated with Cyclone Debbie in Queensland/New South Wales in March/April 2017. In the 2018 Financial Year there were five events related to flood/bushfire/cyclones affecting our Australian operations – two of which resulted in temporary branch closures and/or refits.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
90000

Potential financial impact figure – maximum (currency)
4000000

Explanation of financial impact figure
The potential maximum financial impact is estimated at $4m based on insurance claims for property damage associated with the Nov 2010-Jan 2011 and Jan 2013 Queensland and Bundaberg floods – the most significant natural disasters NAB has experienced in recent times. NAB's costs vary depending on the nature and extent of the disaster, but repair/fit-out, management and make good costs per incident are typically in the range of $90-565k based on recent flood incidents impacting NAB. Minimum financial impact is therefore given as $90k. Multiple incidents can be experienced in a year, for example in FY2017, when the financial impact was around $1.1m in reinstatement costs for serious damage to two sites caused by Cyclone Debbie. These costs were attributable to property damage in our retail portfolio. While much of the repair cost is landlord funded (where properties are leased), branch fit-outs are paid for by NAB – with some cost potentially recoverable through insurance.

Management method
NAB's management method to address extreme weather events is part of NAB's business continuity and crisis management processes and premises selection process. NAB has: (i) developed internal business continuity processes and guidance for staff in relation to extreme events e.g. flood, bushfire and cyclones; and (ii) consideration of site risk for extreme events or natural disasters in new premises selection. NAB's risk is further reduced through leasing rather than owning buildings, and through insurance coverage. NAB Incident response teams manage any response required to such events. In addition, when a branch is closed due to extreme weather or damage, customers can utilise alternative pre-existing banking channels such as internet banking, Bank@Post, or can attend a nearby branch. For example, in FY2017, Cyclone Debbie caused extensive damage to our Lismore NSW branch resulting in extended closure. In addition to standard alternative banking channels, a mobile branch ('bank in a box')

was trucked to Lismore to provide banking services and additional staff were available to assist flood affected customers with their financial needs. Cost of management to maintain operations (including diesel and additional security for' bank in a box' deployment) varies depending on factors such as the extent of damage, length of staff and equipment deployment and security requirements, but is typically between $125-525k. We therefore, estimate the management cost per event at ~$525k.

Cost of management
525000

Comment
Consideration of current and future risks and scenarios (including physical climate risks) and enhancing processes to minimise property damage, continue operations and ensure staff and customer safety, are considered part of our business as usual risk and business continuity process and therefore there is no additional significant cost for management action. Event management costs largely relate to staff costs for managing the incident.

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Customer

Risk type
Physical risk

Primary climate-related risk driver
Chronic: Changes in precipitation patterns and extreme variability in weather patterns

Type of financial impact
Increased credit risk (e.g., increased probability of default and/or loss given default)

Company- specific description
NAB is a bank with a large agricultural customer base in Australia and New Zealand (for example, almost 1 in 3 Australian agribusinesses banks with NAB and around 5% of Group Exposure at Default (EAD) related to Agribusiness in the 2018 Financial Year). Changes in precipitation patterns and extreme variability in weather patterns (including floods and droughts, associated wild fires, and induced changes in natural resources) can significantly impact NAB's agricultural customers due to reduced yields or loss of crops and livestock. These climate impacts have the potential to cause significant financial loss and hardship for NAB customers. In the short term this can result in liquidity stress or cash flow issues and in the longer term increased business failures. This is reflected in increased customer need for short term credit/cash flow management arrangements, as well as increased credit risk and potential bad debts for NAB. Flood and drought cycles are a natural part of the climate – particularly in Australia – and therefore are considered by our customers in managing their businesses. However, history shows that sustained drought periods or more extreme flood events (as appears likely in many areas in Australia based on publicly reported climate modelling) have the potential to lead to significantly higher hardship and default rates than current levels. Other sectors such as mining and resources can also be negatively impacted due to loss of infrastructure or flooding of mines.

Time horizon
Short-term

Likelihood
Very likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
100000

Potential financial impact figure – maximum (currency)
76000000

Explanation of financial impact figure
The main financial impact to NAB as a bank is an increase in customer hardship related concerns, any financial assistance measures provided and defaults. Material costs are reported in our financial reporting e.g. in FY2011, HY results, the provision for bad and doubtful debts (B&DD) increased by $76m (max impact) associated with Qld and Vic floods, although this overlay was later

removed as actual bad debts were not material. B&DD impacts since have not been sufficiently material to be reported. Financial assistance to customers includes: interest holidays, concessional rate loans, grants, and donations. This assistance is typically less than $20m annually for large scale natural disasters based on individual events since 2011. For example, $100k was donated to the Australian Red Cross for work in impacted Qld communities in FY2019, in addition to customer disaster relief measures (min impact).

Management method
NAB uses a number of methods to reduce likelihood and magnitude of these risks negatively impacting credit risk. NAB (i) assesses industry sectors to understand customer vulnerability with increasing focus on climate impact on natural capital (NAB is a large Agribank) with aim of inclusion of natural capital in credit modelling within the next 2-3 years; (ii) assists customers to manage, adapt and improve resilience to physical climate risks (e.g. agri bankers provide advice about sustainable farming practices); and (iii) NAB's Natural Disaster Relief package is available to customers facing hardship due to natural disasters. For example, in July 2018, NAB announced a Drought Assistance Package to support customers enduring prolonged drought conditions across NSW and QLD. Bankers and hardship specialists worked with affected customers to implement appropriate measures such as suspending repayments, waiving fees and restructuring bank facilities. Natural disaster-related hardship cases make up a small number of hardship cases received. In Environment Year 2018, approx. 0.37% of hardship cases referred to our Australian hardship team related to natural disasters. As a bank, considering current and future risks, reassessing credit risk and assisting customers in times of hardship (including natural disasters) is part of business as usual risk and relationship management. Consideration of climate risk is part of this process and not separately costed (therefore costed as $0).

Cost of management
0

Comment
Hardship assistance may involve concessional rate loans, waiving of fees and charges, donations and grants and other support mechanisms (e.g. customer access to NAB's MyCoach counselling service). Details of support measures are provided via media releases. For example: • https://news.nab.com.au/news_room_posts/nab-offers-500m-in-concessional-loans-to-flood-affected-customers/ • https://www.nab.com.au/about-us/social-impact/customers/natural-disaster-and-crisis-support

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Identifier
Risk 3

Where in the value chain does the risk driver occur?
Customer

Risk type
Transition risk

Primary climate-related risk driver
Technology: Substitution of existing products and services with lower emissions options

Type of financial impact
Increased credit risk (e.g., increased probability of default and/or loss given default)

Company- specific description
As a large Australian bank, NAB has customers in a number of industry sectors which may be impacted as the economy transitions to renewables and lower emission technology options. Two sectors with significant transition risk (due to an increasing amount of renewables being used for power generation) are: (1) fossil fuel-related Power Generation and (2) fossil fuel-related Resources extraction. As at 30 Sept 2018, net Exposure at Default (EAD) for these sectors was around $5.75bn (max exposure). Customers in the power generation and resources sectors may be affected due to the declining cost of renewable energy compared to energy generated from fossil fuels. Should affected customers fail to manage transition risk, they may face reduced demand for their products and services, declining asset values, increased costs associated with meeting regulatory requirements in relation to emissions, and increased risk of stranded assets. This poses a risk for NAB that some customers may be unable to meet their credit obligations, secured by assets in sectors experiencing structural decline and with limited liquidity.

Time horizon
Long-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)
425000000

Potential financial impact figure – maximum (currency)
5750000000

Explanation of financial impact figure
As a bank, NAB provides finance to a range of customers in sectors which have high emissions and need to address transition risk to ensure their business models remain sustainable and that they can meet their credit obligations. Two sectors with significant transition risk (due to an increasing amount of renewables being used for power generation), are: (1) fossil fuel-related Power Generation and (2) fossil fuel-related Resources extraction. As at 30 Sept 2018, net Exposure at Default (EAD) for these sectors was around $5.75bn (max exposure). 69% (~$4.23bn) of NAB's power generation exposure is to renewable energy and 31% (~$1.92bn) to fossil fuel-related energy generation. 44% (~$3.8bn) of Resources EAD relates to Oil & Gas extraction and thermal coal mining (Thermal coal exposure is ~$425m – which has been used as the min. exposure). Public position statements covering risk appetite for thermal coal, oil, gas and tar sands have been released (refer comment on Risk 3).

Management method
NAB uses multiple methods to reduce likelihood and magnitude of transition risks negatively impacting credit risk. At the customer level, ESG risk (including climate risk) is assessed on a case-by-case basis, as part of credit risk assessment and due diligence. For existing customers in identified high risk sectors, a regular review of credit and ESG risk is undertaken. We monitor our lending portfolio exposure to industry sectors and activities that may have higher ESG risks and assess the risk appetite required to manage our exposure. This information is regularly reported to frontline division and executive level risk committees, and where relevant, to Board Risk Committee and Board. For example, a phased review of NAB's risk appetite for carbon intensive, low carbon and climate sensitive sectors facing higher future risk of physical and transition risk is in progress. This includes resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing and property. Review outcomes to date: In Dec. 2017, NAB announced it will not finance new thermal coal mining projects. In Nov. 2018, future financing of oil/tar sands and certain oil and gas extraction projects were ruled out (refer comment). The cost of management is indicated as $0, as assessing and managing current and future credit-related risks and scenarios (including those that are climate-related) is part of business as usual activities.

Cost of management
0

Comment
NAB has publicly disclosed the outcomes of its climate-related review of risk appetite for fossil fuel financing. The following position statements have been released: • While NAB will continue to support our existing customers across the mining and energy sectors, to facilitate an orderly transition to a low-carbon economy, NAB will no longer finance new thermal coal mining projects. • NAB will not finance oil/tar sands extraction projects. • NAB will not finance oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge. https://www.nab.com.au/about-us/social-impact/shareholders/esg-risk-management https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2018-annual-review-interactive.pdf

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Where in the value chain does the opportunity occur?
Customer

Opportunity type

Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Type of financial impact
Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

Company-specific description
NAB is a bank and our customers are increasingly requesting banking and finance products that support them as the economy transitions to renewables and lower emission technology options, or that are supportive of renewable energy/considered 'green'. This provides an opportunity to develop new offerings to meet this demand and increase our revenue. The ways in which NAB may meet customer demand for appropriate offerings include (i) utilising existing products/ services (such as project finance) to finance 'green' infrastructure as well as (ii) developing new products (such as green bonds and green term deposits) to allow investors and depositors the option of having their funds support renewable energy/green infrastructure development. This demand is reflected in our increased environmental financing commitment from $18bn by 2022, to $55bn by 2025 in order to help address climate change and assist the transition to a low carbon economy.

Time horizon
Current

Likelihood
Virtually certain

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
55000000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
NAB is a bank and in FY2017, NAB increased its environmental financing commitment from $18bn by 2022, to $55bn by 2025* to help address climate change and assist the transition to a low carbon economy (potential financial impact). This includes (i) Lending for Green Star certified commercial buildings, (ii) Specialised and corporate finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses, (iii) issuing and/or arranging Green bonds, (iv) Asset finance and Advisory activities, underwriting and arranging and (v) Lending to support development of 6 Star residential properties. For FY2018, progress was $9.5bn with total progress to 30 Sept 2018 of $22.9bn. *(Represents total cumulative new flow environmental financing from 1 Oct 2015).

Strategy to realize opportunity
NAB formed a Climate Change Working Group (CCWG) in late 2016, involving management representatives from across the business. The CCWG meets bi-monthly to monitor initiatives being undertaken by business units (e.g. power purchase agreements for renewable energy, green term deposits and emerging opportunities) – including those related to the environmental financing commitment - and address any road blocks to realising opportunities. For example, this involved monitoring progress on uBank's Green Term Deposit product - the world's first consumer Green Term Deposit certified by the Climate Bonds Initiative, which was launched in March 2019. Reporting on progress against the $55bn target is undertaken on a six-monthly basis with details disclosed publicly in NAB's investor reporting. Data is reviewed annually by KPMG as part of their assurance of environmental performance data. The cost to realise the opportunity is not material. Environmental finance is now integrated within existing finance opportunities and largely considered business-as-usual – as such internal staff costs are not separately tracked for investigating and developing new environmental finance related opportunities. Some additional external costs are incurred, including (i) verification and certification costs and legal fees for bringing NAB issued green bond products to market and (ii) external assurance costs for data reporting for our $55bn target. These costs are less than 500k annually.

Cost to realize opportunity
500000

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Move to more efficient buildings

Type of financial impact
Reduced operating costs (e.g., through efficiency gains and cost reductions)

Company-specific description
NAB is a large bank with operations in a number of cities – which are spread across multiple buildings, some of which are old and not very energy efficient. Energy efficiency (and environmental credentials) are key considerations in selection and fit-out of the buildings NAB occupies to assist in making decisions that incorporate energy costs and emissions reductions. These credentials include Green Star, NABERS Energy and WELL Building ratings. As part of key moves and operational consolidations undertaken in Melbourne (2013), Brisbane (2017) this strategy was followed, and is planned for Sydney and Melbourne in coming years. Any higher leasing cost associated with improved environmental credentials is intended to be offset by lower operating costs. This assists with the increased focus on operational expenditure associated with energy and cost savings achieved through energy efficiency programs. Energy costs are less than 0.3% ($26m) of NAB's operating expenses.

Time horizon
Current

Likelihood
Virtually certain

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
26000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
The cost savings associated with NABs move to more energy efficient buildings are considered confidential. However, NAB's total operational costs for the FY2018 were $8,824m with energy costs making up less than 0.3% ($26m) of this amount. Aggregate cost savings would be less than $26m annually.

Strategy to realize opportunity
The environmental credentials of premises are a key consideration in NAB's selection of main office buildings for lease as this provides for cost and emissions savings. These credentials include Green Star, NABERS Energy and WELL Building ratings. This strategy has been followed for key moves in Melbourne and Brisbane to date and is planned for Sydney and Melbourne moves in coming years. 79% of NAB's key office buildings in Australia are operating at a 4 Star (or better) NABERS Energy rating and 78% of our key Australian offices are Green Star rated. NAB is applying the lessons learned from the successful design of our previous offices to the design of our new Sydney offices in Parramatta and Wynyard (due for completion in 2020) and our new Melbourne office (due for completion in 2021). During the 2018 reporting year we moved into NAB Place, our new workplace in Brisbane. This fit-out was certified as a 6 Star Green Star Interiors V1.1 signifying 'world leadership' in April 2018. Any higher leasing costs for NAB associated with better environmental credentials of leased buildings are generally likely offset by lower operating costs. In Australia buildings over 1000 sq.m are required to be NABERS certified which enables consideration of the buildings energy efficiency credentials. As this consideration is considered business as usual for building selection processes, the cost to realise the opportunity is considered to be effectively $0.

Cost to realize opportunity
0

Comment

Identifier
Opp3

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Energy source

Primary climate-related opportunity driver
Use of lower-emission sources of energy

Type of financial impact
Reduced operational costs (e.g., through use of lowest cost abatement)

Company-specific description
NAB is a large bank which operates out of numerous office/branch buildings as well as data centres. The increased use of renewable energy for these buildings (particularly in Australia due to higher purchased energy costs and reducing cost of renewable technologies) will enable reduced energy costs and emissions. In particular, as the cost of renewable energy technologies decreases, it is increasingly viable for companies such as NAB to pursue their own energy generation and sourcing strategies e.g. increased use of solar PV on premises rooftops and corporate power purchasing agreements from wind and solar farms to assist in reducing operational energy costs. For example, in 2015, NAB set a commitment to source 10% of NAB's Australian electricity demand from new and additional renewable energy projects by 31 December 2018. In November 2017, a new commitment was set to source 50% of its Australian energy from renewable sources by 2025. As part of this commitment, NAB has a strategy to increase onsite solar generation and to source renewable energy through power purchasing agreements. In FY2018, NAB was one of 14 companies in Australia's first group energy purchasing model which contracts the consortium members to buy a third of the assumed output of the 80MW Crowlands Windfarm, thus helping to underwrite its construction. As of March 2019, we have solar panels installed on 75 of NAB’s branches, business centres and a data centre with installed capacity of 2,071kW.

Time horizon
Current

Likelihood
Virtually certain

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
363272

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
As a bank, NAB's energy costs are less than 0.3% of total operational spend ($8,824m) in the reporting year. The use of renewable technologies is expected to assist in stabilising or reducing energy costs in future as well as allowing for greater certainty of costs. For example, installation of solar panels on branches to March 2019 has delivered total avoided electricity costs of $363,272 of which $203,260 was new for 2018.

Strategy to realize opportunity
In 2015, NAB set a commitment to source 10% of NAB's Australian electricity demand from new and additional renewable energy projects by 31 December 2018. In November 2017, a new commitment was set to source 50% of its Australian energy from renewable sources by 2025. As part of this commitment, NAB has a strategy to increase onsite solar generation and to source renewable energy through power purchasing agreements. In FY2018, NAB was one of 14 companies in Australia's first group energy purchasing model which contracts the consortium members to buy a third of the assumed output of the 80MW Crowlands Windfarm, thus helping to underwrite its construction. The wind farm commenced generating in early 2019 and the first renewable energy certificates will be evident in our 2019 reporting and CDP response. This approach has allowed the consortium members to take more control of their power costs, cut emissions and directly support decarbonisation of the Australian energy grid. As of March 2019, we have solar panels installed on 75 of NAB’s branches, business centres and a data centre with installed capacity of 2,071kW. We spent $1.4m during the 2018 financial year on solar panel installation. The solar program delivered total avoided

electricity costs of $363,272 of which $203,260 was new for 2018.

Cost to realize opportunity
1400000

Comment

C2.5

(C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted	NAB is a bank and while the products and services it offers have not changed significantly, the nature of the products and our risk appetite for certain industry segments is changing. This presents both risks and opportunities. Risks: During FY2017, NAB reviewed its risk appetite for a number of sectors on its sensitive sectors and activities list. As part of this work, a phased review of NAB's risk appetite for carbon intensive, low carbon and climate sensitive sectors has commenced. To date, this has led to revised ESG risk credit policy settings on new thermal coal mining projects, oil/tar sands extraction projects and oil and gas projects. Opportunities: Green or sustainability related products are increasingly popular with our customers. For example, green bonds are an increasing proportion of the bonds we issue and advise on. Similarly, within our project finance portfolio, we are seeing increased numbers of projects related to green infrastructure (e.g. wind and solar farms). To reflect these opportunities, in FY2017, we increased our environmental financing commitment from $18bn by 2022, to $55bn by 2025* to help address climate change and assist the low carbon transition. This includes (i) Lending for Green Star certified commercial buildings, (ii) Specialised and corporate finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses, (iii) issuance and/or arranging of Green bonds, (iv) Asset finance and Advisory activities, underwriting and arranging and (v) Lending to support development of 6 Star Residential properties. Magnitude: For FY2018 progress in meeting the environmental financing commitment was $9.5bn with total progress to 30 September 2018 of $22.9bn. While not yet material compared to NAB's total lending portfolio, it can be high positive impact in certain sectors (e.g renewable energy which makes up an increasing proportion of our power generation lending) as well as high impact in reputational benefits as it demonstrates our commitment to supporting the transition to a low carbon economy. As at 30 September 2018, of the net Exposure at Default (EAD) to the power generation sector, 69% (~$4.23bn of $6.2 bn) of our exposure is to renewable energy. *(Represents total cumulative new flow environmental financing from 1 October 2015).
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	Supply Chain: Risks As a financial institution, which does not make physical products, there are limited climate risk impacts to NAB's supply chain. However, NAB has developed supplier sustainability principles which incorporate the need for suppliers to reduce their material environmental impacts – including those related to climate change. Opportunities – Consideration of energy/emissions efficiency forms part of certain contracts e.g. leases of our larger commercial buildings to help drive cost and emission reductions. We have also worked with our cash logistics services to streamline their driving route to save fuel. We have a target to change our energy purchase and generation over time (target 50% of Australian energy from renewable sources by 2025) which will be reflected in energy related purchasing. NAB has a power purchase agreement with Crowlands Windfarm which commenced operation in 2019 and will be reflected in 2019 renewable energy purchases. Value chain: Risks Climate change is expected to affect many of our customers - particularly those in the energy, resources, agricultural and carbon intensive sectors – some positively through increased opportunities and some negatively due to the need to transition their business to a lower carbon model, or due to physical climate changes. ESG risk (including climate risk) is assessed at a customer level, as part of credit risk assessment and due diligence processes. Opportunities While our risk appetite may reduce for some customers or sectors, we see significant opportunity to provide finance to assist the low carbon transition. NAB has made an environmental financing commitment of $55bn by 2025 for this purpose which is reported against on a six-monthly basis. For 2017/18 progress in meeting this commitment was $9.5bn with total progress to 30 September 2018 of $22.9bn. *(Represents total cumulative new flow environmental financing from 1 October 2015. Magnitude – Changes to risk appetite, and environmental financing commitments apply Group-wide and can have a medium-high impact in relation to particular sectors. E.g. power generation which is increasingly made up of renewable technologies. As at 30 September 2018, of the net Exposure at Default (EAD) to the power generation sector, 69% (~$4.3bn of $6.2bn) of our exposure is to renewable energy.
Adaptation and mitigation activities	Impacted	Risks: As a bank, NAB leases and operates a portfolio of buildings made up of branches and commercial offices, therefore, NAB's operations can be impacted by extreme weather events such as cyclones and floods which can cause damage to the buildings and interrupt our provision of banking services to customers and which are addressed within business continuity and crisis management plans. For example, in FY2017, Cyclone Debbie caused extensive damage to our Lismore NSW branch resulting in extended closure. The occurrence of such extreme weather events is expected to increase in number and/or severity due to climate change. NAB has experienced flood events affecting some of our branches, which has necessitated the implementation of our contingency plans and the need for branch re-fits due to property damage. Business continuity planning and mitigation activities (including premises selection criteria) consider the potential for extreme weather events such as floods and cyclone/typhoons. Opportunities: There are also opportunities for NAB associated with financing of adaptation and mitigation infrastructure projects –including desalination plants and flood levees. Any such projects financed would be tracked as part of NAB's environmental financing commitment of $55bn by 2025. Magnitude: The impact of NAB's adaptation and mitigation activities in relation to its own operations are low. These activities form part of standard business continuity and premises selection processes. In addition, although incident costs vary depending on the nature and extent of the disaster, repair/fit-out costs per incident are typically in the range of $50k-$500k based on recent flood incidents in Australia. While events can also result in lost productivity at impacted branches and increased staff leave associated with clean-up operations, technology allows for customers to utilise alternative banking channels such as telephone and internet banking and staff are able to work remotely. NAB's costs in relation to extreme weather event impacts are not material as a proportion of NAB's overall 2018 operating expenses ($8.4bn in FY2018).

	Impact	Description
Investment in R&D	Impacted	Risks As a large agri-bank many of NAB's agricultural customers are likely to be impacted by climate change – for some this may be positive (better growing seasons leading to improved harvests and profits), while for others this can be negative (e.g. property, stock and financial losses associated with fire, flood and drought). This is likely to impact NAB's credit risk and revenue, with potential increases in customer hardship cases and debt write-offs. Opportunities NAB is a member of a number of research partnerships involving government departments and climate related NGOs investigating climate impacts on particular industry sectors – in particular the agricultural sector, including dairy- and the potential to reduce risk for NAB and our customers. These research partnerships include areas such as water risk, biodiversity, links between natural capital and financial performance over time, climate modelling and resilience and productivity. NAB is also working with UNEP-FI on a project to better equip the banking industry to implement the TCFD recommendations. Magnitude In addition to staff time associated with these research projects, in FY2018 NAB provided funding of around $320k to support these areas of research. However, compared with NAB's 2018 operating expenses of $8.4bn, the impact of additional R&D investment costs is not material and is considered low.
Operations	Impacted	Risks NAB leases and operates a portfolio of buildings made up of branches and commercial offices. Therefore, NAB's operations can be impacted by extreme weather events such as cyclones and floods which can cause damage to the buildings and interrupt our provision of banking services to customers. NAB has experienced flood events affecting some of our branches, which has necessitated a need for branch re-fits due to property damage. E.g. damage to Lismore branch from Cyclone Debbie in FY2017. Opportunities Climate related impacts have resulted in increasing focus by NAB on energy related operational expenditure and energy efficiency programs. Energy costs in Australia have significantly increased in recent years, while the cost of renewable energy technologies has declined. Greater use of renewable technologies offers the opportunity to stabilise or reduce NAB's energy costs while reducing emissions. NAB has a commitment to source 50% of its Australian electricity from renewable sources by 2025. As part of NAB's energy efficiency program, NAB continued to install solar panels on branches and data centres. NAB's solar program delivered total avoided electricity costs of $363,272 in 2018. NAB has a power purchase agreement with Crowlands Windfarm which commenced operation in 2019 and will be reflected in 2019 renewable energy purchases. In addition, energy efficiency (and environmental credentials) is a key consideration in selection and fit-out of the buildings NAB occupies to reduce energy costs and emissions. e.g. NAB is applying lessons learned from the successful design of our previous offices to the design of our new Sydney offices in Parramatta and Wynyard (due 2020) and our new Melbourne office (due 2021). Magnitude: Compared with NAB's 2018 operating expenses of $8.4bn, the impact on operations of any additional operational costs is low. NAB's costs associated with extreme weather events vary depending on the nature and extent of the disaster, but repair/fit-out costs per incident are typically in the range of $50k-$500k based on recent flood incidents in Australia. In addition, these events can result in lost productivity at impacted branches and increased staff leave associated with clean-up operations. Any higher leasing cost associated with better environmental credentials for buildings is generally offset by lower operating costs.
Other, please specify	Please select	

C2.6

(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.

	Relevance	Description
Revenues	Impacted for some suppliers, facilities, or product lines	Opportunities As a bank, while the products and services NAB offers have not changed significantly, we are seeing sectoral change in the customers and transactions that we finance. For example, Green bonds are an increasingly popular proportion of the bonds we issue and advise on. Similarly, within our project finance portfolio, we are seeing increased numbers of projects related to green infrastructure (e.g. wind and solar farms). To reflect this opportunity, in 2016/17, we increased our environmental financing commitment from $18bn by 2022, to $55bn by 2025* in order to help address climate change and assist the low carbon transition. This includes (i) Lending for Green Star certified commercial buildings, (ii) Specialised and corporate finance for projects that reduce emissions and assist with climate change adaptation and lending to other low carbon businesses, (iii) Green bonds, (iv) Asset finance and Advisory activities, underwriting and arranging and (v) Lending to support development of 6 Star Residential properties. For 2017/18 progress in meeting this commitment was $9.5bn with total progress to 30 Sept. 2017 of $22.9bn. *(Represents total cumulative new flow environmental financing from 1 October 2015.) Risks Conversely, NAB understands that climate change could potentially adversely impact certain sectors we bank (e.g. agriculture) so part of our strategy is to work with research organisations and climate related NGOs to assess impacts and identify adaptation and mitigation strategies which may assist these sectors. Magnitude While not yet material compared to NAB's overall lending and financing activities, the sectoral change can be high impact for certain sectors. For example, this sectoral shift is reflected in the banking facilities (and therefore associated revenues) we provide to the power generation sector which is increasingly made up of renewable technologies. As at 30 September 2018, of the net Exposure at Default (EAD) to the power generation sector, 69% (~$4.3bn of $6.2bn) of our exposure is to renewable energy and 31% (~$1.9bn) to fossil fuels. The sectoral change is also high impact in reputational benefits as it demonstrates our commitment to supporting the transition to a low carbon economy.

	Relevance	Description
Operating costs	Impacted	Climate related impacts have resulted in increasing focus on operational expenditure associated with energy and cost savings achieved through energy efficiency programs. Energy costs in Australia have significantly increased in recent years, while the cost of renewable energy technologies has declined. Greater use of renewable technologies offers the opportunity to stabilise or reduce NAB's energy costs while reducing emissions. NAB has a commitment to source 50% of its Australian electricity from renewable sources by 2025. As part of NAB's energy efficiency program, NAB has continued to install solar panels on branches and data centres. NAB's costs associated with installation of these solar panels on branches during 2017/18 were $1.4m with delivered annual savings of $203,260. In 2018, NAB was one of 14 organisations in Australia's first group energy purchasing model which contracts the consortium members to buy a third of the assumed output of the 80MW Crowlands windfarm, thus helping to underwrite its construction which is expected to be complete in early 2019. This should allow the consortium members to take more control of their electricity costs, reduce emissions and directly support decarbonisation of the Australian energy grid. Construction of the windfarm took place through 2018-2019. In addition, energy efficiency (and environmental credentials) is a key consideration in selection and fit-out of the buildings NAB occupies to reduce energy costs and emissions. These credentials include Green Star, NABERS Energy and WELL Building ratings. This strategy was followed for key moves in Melbourne (2013), Brisbane (2017) and is planned for Sydney and Melbourne in coming years. Any higher leasing cost associated with better environmental credentials is generally offset by lower operating costs. Magnitude The impact on operating costs is low as energy costs are less than 0.3% of operating costs.
Capital expenditures / capital allocation	Impacted for some suppliers, facilities, or product lines	Climate risk (emissions and forecast increases in energy costs) is a consideration in capital expenditure associated with capital works which have an environmental consideration – such as our data centres and leased buildings. NAB includes an internal carbon price in our business case template for environmental capital works. This is used to help drive capital investment in energy efficiency and carbon reduction initiatives. Magnitude: As NAB largely leases its buildings the impact of any capital works related expenditure undertaken by NAB, such as installation of solar panels, is low. Major works would be undertaken by the building owner.
Acquisitions and divestments	Not impacted	ESG risk (including climate risk) is considered as part of the change process associated with acquisitions and divestments. For NAB corporate structure changes in FY2018, climate risk impact associated with acquisitions and divestments was low (not material).
Access to capital	Impacted for some suppliers, facilities, or product lines	Investors are increasingly considering climate risk as part of their investment decision criteria. For example, some investors (and bank customers) have indicated they do not wish to invest with organisations that are associated with fossil fuels, or that finance fossil fuels. To date climate risk has had a low impact on our access to capital. However, we continue to consider climate risk impacts as part of our ESG Risk Management framework. For example, during 2016/17 we reviewed our risk appetite for a number of sectors on our sensitive sectors and activities list. As part of this work, in 2017 we began a phased review (still in progress) of NAB's risk appetite for carbon intensive, low carbon and climate sensitive sectors. This includes resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing, and property. An FY2017 outcome from the review was that while NAB will continue to support our existing customers across the mining and energy sectors, to facilitate an orderly transition to a low-carbon economy, NAB will no longer finance new thermal coal mining projects. In FY2018, NAB also provided the following positions: • NAB will not finance oil/tar sands extraction projects • NAB will not finance oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.
Assets	Impacted	NAB's assets include housing loans, other term lending and asset and lease financing related to banking customers. To date, while individual customers may be negatively impacted by climate-related events (such as flood, drought and bushfires), the impact of this on NAB is considered low-medium as while potential losses are not material the customer impact requires careful management. As the climate continues to change, we anticipate these impacts will become more material. We are working with climate researchers to undertake climate modelling of sectors of our lending portfolio to better understand the potential magnitude of climate-related events such as fire, flood, drought and sea level risk on the portfolio.
Liabilities	Impacted	NAB's liabilities include customer deposits, bonds, notes and subordinated debt. Our customers are increasingly requesting banking and finance products that support their own transition to lower emissions, or that are supportive of renewable energy/considered 'green'. This provides an opportunity to develop new offerings to meet this demand and increase our revenue. The ways in which NAB may meet customer demand for appropriate offerings include new products (such as green bonds and green deposits) to allow investors and depositors the option of having their funds support renewable energy/green infrastructure development. NAB is a market leader in the Australian market in renewable energy finance, which is reflected in our increased environmental financing commitment from $18bn by 2022, to $55bn by 2025 to help address climate change and assist the transition to a low carbon economy. Magnitude While not yet material compared to NAB's overall lending and financing activities, the transition to a low carbon economy can be high impact for NAB's financing activities for particular sectors and certain products offered to customers. For example, Green bonds are an increasingly popular proportion of the bonds we issue and advise on, while NAB continues to be the leading arranger of project finance for Australian renewable energy*. *Data Source: Thomson Reuters: Project Finance International 2006-2018 Asia Pacific Initial Mandated Lead Arrangers League Tables – MidYear 2018 US$ Project Allocation, NAB analysis ranking against four major Australian banks - cumulative volume as at 30 June 2018.
Other	Please select	

C3. Business Strategy

C3.1

(C3.1) Are climate-related issues integrated into your business strategy?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

C3.1c

(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.

(i) Influence of climate change (CC) on strategy

NAB's business strategy is influenced by CC, in the short and long-term, through environmental, social, economic, and technological factors considered as part of risks and opportunities that arise in managing our business. As a result, our Environmental Agenda has a key focus on CC and our CC strategy links to and supports NAB's business strategy to '*back our customers'* particularly through '*New and Emerging Growth Opportunities'* and '*Great Leaders, Talent and Culture*'.

Our CC strategy focuses on 4 key areas

• Leadership commitments (contributing to the low carbon transition and CC resilience);

• Developing CC knowledge and insights (to share with customers, employees and others);

• Supporting customers through the low-carbon transition (by providing relevant products and services); and

• Investing in organisational capability to identify and respond to CC risks and opportunities (building employees' CC knowledge and developing tools and methodologies to help deliver our strategy).

Our business and CC strategies are influenced by external trend analysis via annual planning processes at business line and function levels. Identification of CC-related growth opportunities has, for example, led to formation and growth of specialised clean energy and sustainable finance teams. These teams and other industry, risk and ESG specialists, monitor relevant CC information and share it internally via risk and management committees and working groups to inform strategic and operational decisions. Our CC Working Group (CCWG) regularly monitors and annually reviews our CC strategy, including how it links to, and helps deliver, NAB's business objectives and strategy. Specifically, it monitors progress on CC commitments, and inputs into how we manage climate-related risks and develop new opportunities/products.

In FY2018, we progressed key commitments and deliverables linked to our CC and business strategies including:

• Providing an additional $9.5bn towards our commitment to provide $55bn in environmental finance in 2 key areas – (i) green infrastructure, capital markets and asset finance (we reached $10.4bn of $20bn in FY18) and (ii) new mortgage lending flow for Australian 6 Star-rated residential housing (new and significant renovations) – over 10 years to Sept. 2025 to help address CC and support the low carbon transition (we reached $12.5bn of $35bn in FY218);

• Met our target to source 10% of our Australian electricity use from renewable energy – progressing towards our target to source 50% by 2025;

• Achieved a 12% reduction in GHG emissions towards our science-based target (SBT) to reduce operational GHG emissions by 21% by 2025);

• Piloted climate-related scenario analysis and stress testing and used the outcomes and other information in a review of our CC-related credit risk policy settings for the oil and gas sector.

NAB's CC strategy is linked to, and influences, business strategy and objectives through:

• revenue generation opportunities from environmental products and services e.g. climate bonds;

• our response to current and emerging national/international climate policy and regulation;

• improved operational efficiency and reduced operating costs (driven by energy and GHG reduction targets including NAB's science based target (SBT) to reduce operational GHG emissions by 21% by 2025);

• internal performance standards for new and upgraded infrastructure and buildings to reduce energy and GHG emissions; and

• enhancing our reputation and customer outcomes by helping customers, employees and communities to make the low carbon transition.

(ii) CC aspects influencing strategy:

NAB's strategy is influenced by CC aspects including the Paris Agreement, policy and regulatory change, changes in customer risk profiles and needs, product & service opportunities, impacts of extreme climatic events and the views of employees, investors and other stakeholders. We have responded to CC impacts by meeting relevant regulatory requirements and via voluntary initiatives including (i) our carbon neutrality; (ii) GHG reduction and resource efficiency targets; (iii) operational infrastructure investments; and (iv) employee engagement. NAB shares its experience with customers and others, and is providing products/services to assist customers' response to CC. We consider climate risk as part of ESG risk assessment during credit risk and procurement processes.

(iii) Short-term (0-3 years) strategy influenced by CC:

• changes to risk appetite (e.g. monitoring CC-related risks and reviewing risk appetite) and risk management (inclusion of CC aspects in ESG risk assessment);

• improvements to climate risk management and reporting e.g. TCFD aligned disclosure/participating in the UNEP FI TCFD pilot;

• consideration of CC risks in NAB's supply chain;

• client engagement to understand their key CC risks and opportunities and share knowledge;

• increasing finance to assist customers e.g. – climate bonds, solar energy and renewable energy financing, and energy efficient equipment financing;

• changes to customer hardship processes in response to Australian drought; and

• ongoing focus on operational GHG emissions reduction, including our SBT of 21% by 2025.

iv) Long-term strategy (6+ years) influenced by CC:

• changes to risk appetite and ESG risk assessment reflecting insights from climate scenarios in review of NAB's loan portfolio;

• development of products to help customers decarbonise their business/adapt to CC (e.g. solar PV leasing); and

• changes in procurement to reduce operational emissions e.g. investment in renewable energy.

(v) Sources of strategic advantage:

• reputation benefit due to NAB's CC-related products, disclosures and stakeholder engagement;

• NAB's Australian position as the leading arranger of project finance for RE and as a green bond pioneer; and

• first mover advantage in providing environmental/climate-related financial products and services.

(vi) Substantial business decisions influenced by CC in FY2018:

Aspect (market opportunities): Continued to invest in and grow our sustainable finance business.

Aspect (R&D): Invested in projects to help us develop our internal capability to use climate-related scenarios in risk and opportunity assessment and stress testing

Aspect (other climate-related developments): Reviewed and restricted CC-related credit risk policy settings for the oil and gas sector. A result of this review was that NAB will not finance oil/tar sands extraction projects, and oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.

The Paris Agreement has influenced NAB's business strategy through changes to risk appetite, ongoing investment in emissions reduction activities, and increased finance to help customers make the low carbon transition and adapt to CC. NAB now considers the impact of climate scenarios on our business and customers.

C3.1d

(C3.1d) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios	Details
REMIND	Background: NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of changing carbon regulation on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. In 2018, we participated in a UNEP FI TCFD pilot of methodologies for climate-related scenario analysis and stress testing. The aim of this work was to pilot methodologies to examine the potential impact of climate change on key segments of bank lending portfolios. Methodology: The consultancy Oliver Wyman worked with UNEP FI and the pilot banks on the methodology for transition risk scenarios and stress testing. The pilot group, including NAB, used 4oC (as a baseline), 2oC and 1.5oC scenarios in the REMIND model, an integrated assessment model (IAM) developed by the Potsdam Institute for Climate Impact Research (PIK). The REMIND model was selected as it met the following criteria: • Scenario availability • Output breadth and granularity • Sector coverage • Industry acceptance • Update frequency. The pilot process differed from the typical macro-economic stress testing conducted by banks, which aims to estimate capital needs and inform capital management over one to five years. The pilot found that sector responses to physical and transition risk varied significantly, requiring impacts to be modelled at both a sectoral and sub-sector level. The pilot applied a longer time horizon than traditional stress testing, evaluating hypothetical scenario-based lending portfolio impacts out to 2040. The methodology for assessing transition risk evaluates the impact of the climate scenarios on the probability of default of borrowers. It combines portfolio-level and borrower-level risk assessment. In this absence of historical data for a transition to a low-carbon economy, a borrower-level calibration module captures nuances across borrowers in a bottom-up manner while a top-down portfolio impact assessment module extrapolates these borrower-level impacts to portfolio segments with homogeneous exposures to transition risk. Based on work undertaken in FY2017, which heat-mapped climate risk across our lending portfolio, we chose sectors we had assessed as having potentially high to medium transition risks to pilot the transition risk methodology – e.g. our Australian exposures in the metals and mining, and power generation sectors. Outcome: The pilot scenario analysis indicated that more severe transition risks are likely to evolve over longer time horizons, scenarios should project impacts to at least 2040, but further if possible. Based on this work, we expect to see some movement in credit ratings because of climate change driven by a range of transition factors, for example, changes in climate-related regulation and policy, technological change, and changes in demand for high and low carbon products and services. We expect these changes to have more impact over the longer term outside current business planning cycle. At this early stage, we plan to look for further sources of Australian climate and transition data to address the identified gaps. More work is also required to further develop the pilot methodology before results can be shared. Methodology details applied for our transition risk scenario analysis have been published in a pilot report by UNEP FI and Oliver Wyman: Extending our Horizons.
Other, please specify (Use of RCP 2.6 and 8.5)	NAB uses stress testing, scenario planning and economic modelling to: (1) take a forward view of potential risks/events such as climate change and to understand their impact e.g. impacts of physical risks on our lending portfolio; and (2) inform risk profiling and assessments. Risk measurement and modelling provide quantitative information to help NAB manage risk positions and exposures. Key risks are recorded and monitored by NAB, as are emerging risks and changes in risk likelihood and consequence. In 2018, we participated in a UNEP FI TCFD pilot of methodologies for climate-related scenario analysis and stress testing. This work aimed to pilot methodologies to examine the likely impact of climate change on key segments of bank lending portfolios and the probability of default. Methodology: The advisory and analytics firm, Acclimatise Group Ltd, worked with UNEP FI and the pilot banks on the methodology for physical risk scenarios and stress testing. The pilot group, including NAB, explored three combinations of timeframes and temperature scenarios: 2020s – 2°C and 4°C; 2040s – 2°C; and 2040s – 4°C. The 2°C scenario corresponds to Representative Concentration Pathway (RCP) 2.6 and the 4°C scenario, to RCP 8.5 (the latter being the current trajectory based on present-day emissions). The 2020s and 2040s are centred on the years 2025 and 2045 respectively. We assessed physical risk in two contexts – those where changes in climate are incremental and change slowly over time, and those where extreme events become more frequent and severe. For property, the methodology estimates potential changes in property values and loan-to-value ratios caused by extreme weather events. For other sectors, we estimated the impacts of gradual climate change and extreme events on productivity, revenues and cost of goods sold. This helped to estimate how likely our customers would be to default, and the impact this would have on our loan book. We then performed a borrower level calibration of the pilot methodology for each sub-sector using a small sample of customers and extrapolated this to each sub-sector. During this work, we engaged the insurance sector to build our understanding of the role of insurance in reducing the risk of losses due to physical climate change impacts – now and in the future. To source the data and information needed, we also engaged with Government agencies and universities. We found gaps in the available data and it wasn't always in a compatible format or easy to integrate with bank systems. This made it challenging for us to put climate-related data into the piloted stress testing model. Based on NAB work in FY2017, which heat-mapped climate risk across our lending portfolio, we chose sectors we'd assessed as having potentially high to medium physical risks to pilot the physical risk methodology – e.g. our Australian exposures in the agriculture and property sectors. Outcome: The scenario analysis indicated that more severe physical risks are likely to evolve over longer time horizons and under higher GHG emission scenarios, scenarios should project impacts to at least 2040, but further if possible. Based on this work, we expect to see some movement in credit ratings as a result of climate change driven by a range of physical climate risk factors, like occurrence of drought, bushfires and extreme weather events like floods and cyclones. We expect these changes to have more impact over the longer term outside the current business planning cycle, but these impacts are becoming apparent in the short-term, particularly in communities subject to long-term drought. We now plan to look for further sources of Australian climate and hazard data to address identified data gaps. Work is also required to further develop the pilot methodology before results can be shared. Methodology details applied for our physical risk scenario analysis have been published in a pilot report by UNEP FI and Acclimatise: Navigating a new climate.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number
Abs 1

Scope
Scope 1+2 (location-based)

% emissions in Scope
58

Targeted % reduction from base year
21

Base year
2015

Start year
2016

Base year emissions covered by target (metric tons CO2e)
87565

Target year
2025

Is this a science-based target?
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

% of target achieved
57.14

Target status
Underway

Please explain
2018 was our third year reporting against a medium term (10 year) science-based target (SBT) for NAB's global operations to decrease Scope 1 & 2 Greenhouse Gas (GHG) emissions by 21% by 2025 from 2015. In 2018, we delivered a 12% reduction in Scope 1 & 2 GHG emissions from our 2015 base year. This target has been informally reviewed by the Science-based Target Initiative (SBTI), who have confirmed it is considered science-based. This target applies the Sectoral Decarbonisation Approach 'Service Buildings' methodology given our emissions largely arise from office building based activities and our bank branches. NAB's SBT covers our global Scope 1 and 2 GHG emissions across all GHGs required in the GHG Protocol Corporate Standard, with the exception of our data centre emissions. Technology and data centre emissions continue to increase globally as our society becomes more reliant on technology for banking and financial services. GHG emissions arising from data centre operations have been excluded from NAB's current SBT as the Service Building methodology (and use of area occupied as a denominator to determine the carbon intensity metric) is not appropriate for data centres.

C4.2

(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.

Target
Energy usage

KPI – Metric numerator
GJ

KPI – Metric denominator (intensity targets only)
Not applicable as our target is not an intensity target

Base year
2015

Start year
2016

Target year
2020

KPI in baseline year
791456

KPI in target year
751884

% achieved in reporting year
100

Target Status
Underway

Please explain
NAB's group-wide, medium-term target is to reduce energy use by 5% by 2020 from a 2015 base year (including data centres). Achievement of this target supports NAB's carbon neutral status and help us reduce our overall greenhouse gas (GHG) emissions. In 2018, NAB was on track to meet this 2020 target, reducing our energy use by 8% from 2015 already ahead of the 5% target. The equation to calculate the % toward this target achieved in 2018 is therefore (8/5)*100= 166%, however the CDP system doesn't allow anything above 100 to be entered.

Part of emissions target
Yes, achievement of this target contributes towards NAB's ten year science-based GHG emissions reduction target (SBT) to reduce Scope 1 and 2 GHG emissions by 21% by 2025, from a 2015 base year.

Is this target part of an overarching initiative?
Other, please specify (NAB Science-based targets)

Target
Waste

KPI – Metric numerator
Tonnes

KPI – Metric denominator (intensity targets only)
Not applicable as our target is not an intensity target

Base year
2015

Start year
2016

Target year
2020

KPI in baseline year
2518

KPI in target year
2392.14

% achieved in reporting year
100

Target Status
Underway

Please explain
NAB's group-wide, medium-term waste reduction target is to reduce waste to landfill by 5% by 2020 from a 2015 baseline of 2,518 metric tonnes. This target supports NAB's carbon neutral status and helps us reduce our overall GHG emissions. In 2018, 1948 metric tonnes of general waste was sent to landfill, an 23% reduction from the 2015 baseline. Based on this, NAB is currently on track to meet the 2020 reduction target. The equation to calculate the % toward this target achieved in 2018 is therefore (22/5)*100=

425%, however, the CDP system doesn't allow anything above 100 to be entered.

Part of emissions target
No, NAB's waste target does not contribute to our overarching science-based GHG reduction target (SBT). Waste is a Scope 3 inventory item and NAB's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Target
Renewable electricity consumption

KPI – Metric numerator
per kilowatt hour (kWh)

KPI – Metric denominator (intensity targets only)
Not applicable as our target is not an intensity target

Base year
2015

Start year
2015

Target year
2018

KPI in baseline year
0

KPI in target year
9670929

% achieved in reporting year
100

Target Status
Replaced

Please explain
This target was announced in October 2015, as part of climate change commitments announced by NAB in the lead up to the 21st yearly session of the Conference of the Parties (COP21), a United Nations Convention on Climate Change. Our commitment is to have arrangements in place to source 10% of NAB’s Australian electricity demand from new and additional renewable energy projects by 31 December 2018. This commitment has been met by a behind-the-meter solar installation with over 2,200 solar panels which is expected to generate approximately 794 MWh of renewable electricity each year. We will source the balance of this 10% through our participation in Australia’s first renewable energy buyers group, the Melbourne Renewable Energy Project. This project will provide us with new (and additional) renewable energy from a utility scale renewable energy project in regional Victoria. The Large-Scale Generation Certificates (renewable energy certificates) from both these projects will be surrendered and be incorporated as renewable energy in our carbon accounting from 2019 onward. NAB's decision to support greenfield renewable energy projects and support the renewable energy industry more broadly require additional time to allow for construction of projects and subsequent delivery of renewable energy certificates to NAB.

Part of emissions target
Yes, achievement of this target contributes towards NAB's overarching science-based GHG reduction target (SBT) to reduce Scope 1 and 2 GHG emissions by 21% by 2025, from a 2015 base year.

Is this target part of an overarching initiative?
Other, please specify (NAB's Science-based target)

Target
Renewable electricity consumption

KPI – Metric numerator
50% of Australian electricity (kWh)

KPI – Metric denominator (intensity targets only)
Not applicable as our target is not an intensity target

Base year

2017

Start year
2017

Target year
2025

KPI in baseline year
0

KPI in target year
49737291

% achieved in reporting year
0

Target Status
Underway

Please explain
In November 2017, NAB set a new commitment to source 50% of our Australian electricity from renewable energy sources by 2025. Through onsite solar generation and a Power Purchasing Agreement we are now voluntarily surrendering renewable energy certificates, however these have not been surrendered in the 2018 reporting period. We continue to explore renewable energy Power Purchase Agreement alternatives to determine the best course for NAB to deliver to this commitment by 2025. As this is a target based on consumption at a future point in time, the KPI in the target year is estimated based on best estimates of forward consumption at the time the target was set and will change year to year with the final baseline KPI being the actual 12 months of electricity consumption to 30 June 2025.

Part of emissions target
Yes, achievement of this target contributes towards NAB's overarching science-based GHG reduction target (SBT) to reduce Scope 1 and 2 GHG emissions by 21% by 2025, from a 2015 base year.

Is this target part of an overarching initiative?
Other, please specify (NAB's Science-based target)

Target
Other, please specify (Office Paper)

KPI – Metric numerator
metric tonnes

KPI – Metric denominator (intensity targets only)
Not applicable as our target is not an intensity target

Base year
2015

Start year
2016

Target year
2020

KPI in baseline year
892

KPI in target year
802.8

% achieved in reporting year
100

Target Status
Underway

Please explain
NAB's group-wide paper reduction target is to reduce office paper by 10% by 2020 from a 2015 baseline of 892 metric tonnes. Achievement of this target supports NAB's carbon neutral status and helps us reduce our overall Scope 3 GHG emissions. In 2018, 574 metric tonnes of office paper was used, a 34% reduction from the 2015 baseline. Based on this, NAB is currently on track to

meet the 2020 reduction target. The equation to calculate the % toward this target achieved in 2018 is (36/10)*100= 356%, however the CDP system doesn't allow anything above 100 to be entered.

Part of emissions target
No, NAB's office paper target does not contribute to our overarching science-based GHG reduction target (SBT). Office paper is a Scope 3 inventory item and NAB's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Target
Other, please specify (Potable water)

KPI – Metric numerator
KL

KPI – Metric denominator (intensity targets only)
Not applicable as our target is not an intensity target

Base year
2015

Start year
2016

Target year
2020

KPI in baseline year
405642

KPI in target year
365078

% achieved in reporting year
61

Target Status
Underway

Please explain
NAB's group-wide water target is to reduce potable water withdrawal by 10% by 2020 to 365,078 kL from a 2015 base year of 405,642. Achievement of this target supports NAB's carbon neutral status and helps us reduce our overall Scope 3 GHG emissions. In 2018, NAB's potable water use was 380,892 kL , a 6% reduction from the baseline.The equation to calculate the % toward this target achieved in 2018 is therefore (6/10)*100= 61%,

Part of emissions target
No, NAB's water use target does not contribute to our overarching science-based GHG reduction target (SBT). Water is a Scope 3 inventory item and NAB's science-based GHG reduction target is to reduce Scope 1 and 2 GHG emissions.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.
Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	3	
To be implemented*	5	5401
Implementation commenced*	5	2051
Implemented*	16	2781
Not to be implemented	1	

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative type
Energy efficiency: Building services

Description of initiative
Other, please specify (Decommissioning old commercial sites and entry into new energy efficiency purpose built building)

Estimated annual CO2e savings (metric tonnes CO2e)
560

Scope
Scope 1

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
83700

Investment required (unit currency – as specified in C0.4)
0

Payback period
<1 year

Estimated lifetime of the initiative
21-30 years

Comment
Moving out of Harbour Quays and into a new site where the HVAC is powered by NZ 80% renewable electricity has seen use of Scope 1 stationary energy in New Zealand decrease by 93%.

Initiative type
Low-carbon energy installation

Description of initiative
Solar PV

Estimated annual CO2e savings (metric tonnes CO2e)
915

Scope
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
162444

Investment required (unit currency – as specified in C0.4)

1210000

Payback period
4 - 10 years

Estimated lifetime of the initiative
11-15 years

Comment
Installation of solar panels on data centre and branches

Initiative type
Energy efficiency: Building services

Description of initiative
Other, please specify (Improving energy efficiency across NAB's buildings, including improvements to HVAC, lighting , and rezoning of after hours air conditioning)

Estimated annual CO2e savings (metric tonnes CO2e)
909

Scope
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
526058

Investment required (unit currency – as specified in C0.4)
1241000

Payback period
1-3 years

Estimated lifetime of the initiative
6-10 years

Comment

Initiative type
Energy efficiency: Building services

Description of initiative
Other, please specify (Upgrading and optimising assets within NAB buildings, including chiller upgrades, condenser replacements and dishwasher upgrades.)

Estimated annual CO2e savings (metric tonnes CO2e)
397

Scope
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
55971

Investment required (unit currency – as specified in C0.4)
762886

Payback period
11-15 years

Estimated lifetime of the initiative
6-10 years

Comment

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	NAB maintains a dedicated budget for energy efficiency, carbon reduction and other environmental initiatives.
Dedicated budget for other emissions reduction activities	NAB maintains a dedicated budget for energy efficiency, carbon reduction and other environmental initiatives.
Internal price on carbon	NAB includes an internal carbon price in our business case template for environmental capital works. This is used to help drive capital investment in energy efficiency and carbon reduction initiatives.
Other (Environmental standards considered in procurement of goods and services)	NAB continues to work with partners and suppliers to ensure that appropriate energy efficiency, carbon reduction and environmental standards are met when procuring goods and services that have a significant impact on our carbon footprint (ie provision of IT and associated energy efficiency requirements; as well as including energy requirements in our office building and branch property design standards)
Internal finance mechanisms	NAB considers forecast increases in energy costs in business cases for energy efficiency opportunities and capital works.
Internal incentives/recognition programs	Emissions reduction targets are included in performance scorecards for relevant Property, Environment and Technology employees. Emission and power reduction targets are also incorporated in key Property and Technology services agreements.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

Customer Statements

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (Carbon neutral statements are used)

% revenue from low carbon product(s) in the reporting year

Comment

A reverse calculation is applied to NAB's customer statements converting the number of statements into avoided tCO2-e. This reverse calculation provides the volume of GHG emissions avoided through the purchase of carbon neutral paper for customer statements. This is an avoided cost and does not result in revenue.

Level of aggregation

Product

Description of product/Group of products

Climate Bonds

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Climate Bonds Taxonomy

% revenue from low carbon product(s) in the reporting year
9.7

Comment
The percentage figure provided relates to bond products only and relates to % of green (climate) bonds issued. This has been calculated by assessing the value of climate/'green' bonds issued by NAB (adjusted to reflect NAB's share of these where multiple parties are involved) as a percentage of total bonds issued by NAB. For FY2018, total NAB Climate Bond eligible portfolio (AUD equivalent) was approximately $2.7bn. Emissions avoided are calculated as follows: Annual energy produced (MWh) x applicable emission factor for electricity grid (tCO2-e/MWh) = GHG emissions avoided. Australian GHG emissions factors based of Australian National Greenhouse Accounts. NZ GHG emissions factors based on Ministry for Environment guidance papers for voluntary GHG emissions reporting. Impact attributable to NAB was calculated by applying the % share of NAB debt to the GHG emissions avoided.

Level of aggregation
Product

Description of product/Group of products
Project Finance - Renewable Energy

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Low-Carbon Investment (LCI) Registry Taxonomy

% revenue from low carbon product(s) in the reporting year
0.36

Comment
The percentage figure provided relates to Project Finance – renewable energy as a % of Group Exposure at Default (EAD). NAB is unable to provide data for project finance revenue as a % of total revenue as data is not calculated in this manner Project finance represented 1.85% of total Group Exposure at Default (EAD) at 30 September 2018. Of this, renewable energy projects comprised 19.2% of the project finance portfolio. Renewable energy project finance therefore represents approximately 0.355% of EAD, In 2018, NAB provided approx. $1.5 billion (measured as committed debt at 30 September 2018) for renewable energy projects. NAB's current global portfolio of renewable energy generation projects represents a total generation capacity of 9,570 megawatts (MW). Emissions avoided have been calculated as follows: Annual energy produced (MWh) x applicable emission factor for electricity grid (tCO2-e/MWh) = GHG emissions avoided. Australian GHG emissions factors based of Australian National Greenhouse Accounts (July 2017). NZ GHG emissions factors based on Ministry for Environment guidance

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C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start
July 1 2014

Base year end
June 30 2015

Base year emissions (metric tons CO2e)
16449

Comment
This data is comprised of all of NAB's Group Scope 1 GHG emissions from the 2015 environmental reporting period excluding Great Western Bank (GWB) and the Clydesdale and Yorkshire Banking Group (CYBG) as these entities were divested from the Group after the base year.

Scope 2 (location-based)

Base year start
July 1 2014

Base year end
June 30 2015

Base year emissions (metric tons CO2e)
133681

Comment
This data is comprised of all of NAB's Group Scope 2 GHG emissions from the 2015 environmental reporting period excluding Great Western Bank (GWB) and the Clydesdale and Yorkshire Banking Group (CYBG) as these entities were divested from the Group after the base year.

Scope 2 (market-based)

Base year start
July 1 2014

Base year end
June 30 2015

Base year emissions (metric tons CO2e)
132780

Comment
NAB purchased Certificates of Origin to represent 100% of Scope 2 UK emissions. Because the Certificate of Origin energy generates no emissions, for our market-based figure we have used a zero emissions factor. For our location-based figure we have used the grid sub-region average factor multiplied by our purchased and consumed electricity.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

Australia - National Greenhouse and Energy Reporting Act
Defra Voluntary 2017 Reporting Guidelines
New Zealand - Guidance for Voluntary, Corporate Greenhouse Gas Reporting
The Climate Registry: General Reporting Protocol
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
Other, please specify (See C5.2a for additional resources used)

C5.2a

(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

- 2018 Climate Registry Default Emission Factors – Released May 2018, Table 12.1 & 12.9
- DBEIS 2018: UK Government Conversion factors from Company Reporting, Refrigerant & other
- eGrid 2016 GHG Annual Output Emission Rates
- Australia – National Greenhouse Accounts (NGA) Factors 2016 and 2017
- EPA Victoria's Greenhouse Gas Inventory Management plan: 2012–13 update, publication 1374.1
- IEA CO2 emission factors 2017 - Excel Complement; T&D losses adjustment
- IEA CO2 emission from fuel combustion 2017; Statistics
- NAB Hotel Stays Tool with reference to:
- CIBSE Guide F - Energy Efficiency in Buildings: Section 20 page 20-10, 2012
- DBEIS 2018
- IEA 2017
- NGER 2017
- NGA 2009
- NGA 2017

Please note: The Department of Environment, Food and Rural Affairs (DEFRA) changed its name to the Department of Business, Energy and Industrial Strategy (DBEIS). As such, references to UK emission factors in any CDP drop down menu selections are referring to DBEIS emission factors.

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
19209

Start date
July 1 2017

End date
June 30 2018

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment
NAB's public reporting uses a location-based methodology as market-based supplier specific emission factors are not available from all our energy retailers at this point in time. For CDP reporting we have determined NAB's market-based Scope 2 emissions as per the approach set out in the CDP Technical Note: Accounting of Scope 2 Emissions (2019).

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
97820

Scope 2, market-based (if applicable)
97483

Start date
July 1 2017

End date
June 30 2018

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?
Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source
Fugitive gases associated with building-based HVAC for our Asian and New York operations and a JB Were office in New Zealand. Fugitive gases associated with use of office kitchen refrigerators in New York and a JB Were office in New Zealand.

Relevance of Scope 1 emissions from this source
Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source
No emissions excluded

Relevance of market-based Scope 2 emissions from this source (if applicable)
No emissions excluded

Explain why this source is excluded
This emissions source is immaterial in relation to our global operations and would not contribute in a meaningful way to emissions reductions. We have a small number of office locations throughout Asia (Singapore, Japan, India, Indonesia and China), one office in New York and a JB Were office in NZ for which we are unable to source data from our landlords on fugitive emissions of ozone depleting substances in respect of air conditioning and refrigeration. Based on the very small proportion of FTE (≤1%) and NLA (≤1%) that these regions contribute to NAB's portfolio, and given that we understand the volume of HVAC in our operations where this is calculated (less than 1% of total 2018 GHG emissions), the volume of emissions from HVAC in our Asia, New York and JB Were office in New Zealand has been deemed immaterial.

C6.5

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

29.3

Emissions calculation methodology

A4 and A3 paper purchased: Data for the quantity of paper purchased is obtained from our corporate office paper suppliers in reams. This data has a high degree of accuracy and can be reconciled with invoiced data. A conversion factor of 2.5 kg (A4) and 5 kg (A3) per ream is applied to convert the number of reams into tonnes of paper. Paper purchased is segmented into the following categories for calculation of Greenhouse Gas (GHG) emissions: recycled, virgin content, domestic and offshore sources, and certified Carbon Neutral and Carbon Neutral and Recycled (both zero emissions). The methodology and emission factors applied are those published in EPA Victoria's Information Bulletin (Publication 1374.1) Greenhouse Gas Emission Factors for Office Copy Paper. A zero emissions factor is applied where paper is certified as carbon neutral by the Government, or another independent and reputable standards body. This resulted is an estimated 813 tCO2-e that we have avoided through the purchase of carbon neutral paper in Australia and New Zealand.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

In Australia and New Zealand, office paper GHG emissions continued to decrease, with a 40% difference between 2018 compared to 2017. This is largely due to increasing availability of supporting technology in our flexible working environment and technology solutions such as Follow You Printing (print to release). To date, GHG emissions for purchased goods and services have only included emissions from office paper purchased, as this was assessed as relevant under our direct operational control as part of our carbon inventory for our carbon neutral commitment in 2010. In addition, GHG emissions from our office paper is also a required inclusion in our carbon inventory for Australian National Carbon Offset Standard Carbon Neutral certification. Further assessments will be conducted over time on other purchased goods and services to allow us to make informed decisions related to further inclusions of GHG emissions in our carbon inventory.

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Explanation

NAB Group as a financial services provider is not a significant purchaser of capital goods that have material climate change impacts compared to other sectors. NAB leases many of the capital goods it uses such as buildings, cars and photocopiers. The GHG emissions arising from the use of these capital goods are generally accounted for in the calculation of other sources of Scope 1, 2 and 3 GHG emissions that NAB Group currently reports. We also note that it is difficult to obtain relevant activity data and factors to undertake accurate calculation of emissions from capital goods and that there are technical and resource constraints to making these calculations. In addition to the above, the following factors helped to determine that this emission source is not relevant: (i) these GHG emissions are not NAB Group's operational control; (ii) they are immaterial with respect to NAB Group's risk exposure; (iii) stakeholders do not indicate that these emissions are sufficiently important; and (iv) as a result of the above, this information would not materially contribute to business decision making.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

11957

Emissions calculation methodology

(1) Transmission, extraction and distribution losses from stationary energy (diesel, gas and propane) and electricity: Activity data for electricity and fuel consumption from Scope 1 and 2 GHG emissions sources was utilised for the calculation of this emission source. The activity data has a high degree of accuracy as it is required for Scope 1 and 2 regulatory reporting purposes. Relevant GHG emissions calculation methodologies and appropriate country specific emission factors are applied to the activity data for each emission source. These are set out in guidance provided by the Australian Government in the NGER Determination and National Greenhouse Accounts Factors, by the UK Government in the Department of Business, Energy & Industrial Strategy (DBEIS) Voluntary Reporting Guidelines, by the NZ Government in the New Zealand Guidance for Voluntary, Corporate Greenhouse Reporting and in the Climate Registry: General Reporting Protocol and emission factors as updated. (2) Extraction, production and transportation losses from fuels (diesel, petrol and where relevant, ethanol) associated with our vehicle fleet are also included in our current carbon inventory where a methodology for calculation extraction, production and transportation losses is provided in the published reporting relevant to a country where we have operations. The methodologies and factors we have applied are outlines in the referenced mentioned above for the calculation and distribution losses.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

This set of Scope 3 GHG emissions includes both the emissions resulting from transmission and distribution losses for electricity and the indirect losses from the extraction, production and transportation of other fuels and energy sources, including vehicle fuels, purchased and used by the NAB Group in the reporting period.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Explanation

As a result of the demerger of Clydesdale and Yorkshire Banking Group (CYBG) (February 2016), we no longer have any GHG emissions resulting from supplier travel. Previously this source was only applicable to the NAB UK operations for a small number of key contractors.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2505

Emissions calculation methodology

Waste to landfill: Activity data for the calculation of GHG emissions from waste to landfill is collected and provided by NAB Group's corporate waste contractors. Data is not available in all countries where we operate for all office building and branch sites, so we calculate a normalised measure of waste/m2 of property space occupied from the sample of sites where data is available and extrapolate the sample to estimate waste from the total building portfolio. The activity data provided by our waste contractors is an estimate based on the number of bins they collect from our offices. Once an estimate of the tonnage of waste to landfill data is available, the GHG emissions calculation methodologies and factors provided by NZ Ministry for Environment's Corporate Reporting Guidelines and the Australian National Greenhouse Accounts (NGA) Factors references are applied to calculate GHG emissions. Waste to incineration: Activity data for the calculation of GHG emissions from waste to incineration is collected and provided by NAB Group's corporate waste contractors. Waste to incineration is not performed in all countries. Once the tonnage of waste to incineration data is available, the GHG emissions calculation methodologies and factors provided by DEBIS are applied to calculate GHG emissions.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

77

Explanation

This Scope 3 GHG emissions source includes GHG emissions from waste to landfill only. Although we track materials recycled as one of our activity data sets to determine our rate of diversion of waste from landfill, we do not include recycled materials in our current carbon inventory.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

27618

Emissions calculation methodology

1) Air Travel: For air travel in all regions we use the methodologies and factors described in DBEIS 2018:UK Government conversion factors for Company Reporting for the applicable reporting period. Activity data is sourced from corporate travel providers and reconciled to travel expenditure from our finance system. Where this is a difference, an uplift is applied to activity data to estimate travel booked outside our corporate travel provider. (2) Employee claims for use of personal vehicles for work purposes: For GHG emissions from use of personal vehicles for work purposes we use the methodologies and factors described for vehicles (cars) in DBEIS 2018 for the applicable reporting period. We utilise activity data available from employee claims for reimbursement of expenses for these calculations. The accuracy of the data is reliant on employees filling in claim forms. (3) Hotel Stays: For Hotel Stays, we use a calculator developed for NAB Group by the Edinburgh Centre for Carbon Management. This is updated annually by NAB to include relevant emission factors and data for the reporting period. Activity data (no. of nights stayed, segmented by country) is sourced from our corporate travel provider. (4) Business travel - rail (UK only). We use methodologies and factors described in DBEIS 2018 for the relevant reporting period. Rail travel activity data is collected from our corporate travel provider. DBEIS 2018 emission factors are then applied to the activity data. (5) Taxi travel: GHG emissions for taxi travel are calculated from either dollar spend or distance travelled (derived from dollar spend). Emission factors are applied to activity data (either $ spend for NZ regions or distance travelled in km or miles for other regions). Emission factors are sourced for NZ from the NZ Guidance for Voluntary, Corporate Greenhouse Gas Reporting or from DBEIS 2018 for the applicable reporting period. (6) Business travel - rental cars: Rental car related emissions are derived from distance travelled provided by the rental car companies. Methodologies and emission factors for vehicles from DBEIS 2018 for the applicable reporting period are applied to the activity data to calculate the relevant GHG emissions.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

This includes GHG emissions from flights, hotel stays, taxi travel, use of rental cars and employee use of private vehicles for work purposes where relevant for all Group operations. It also includes GHG emissions from rail travel for our UK operations.

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

32977

Emissions calculation methodology

In Australia, in 2015, a survey was conducted of staff and their travel modes and distances commuting to and from work. This was extrapolated across the broader population to determine a factor for estimating Employee Commuting GHG per Employee Number. This factor has been updated based on 2018 staff numbers at head office locations. Per person emission factors for various travel modes were determined as follows: (1) Cars: We have applied the factors published by the Australian Bureau of Statistics state average fleet mix, multiplied by the average efficiencies (litres per 100km), multiplied by the appropriate National Greenhouse Gas Accounts factors to arrive at a kgCO2/person.km travelled: (2) Motorcycles and Ferries: We have applied the factors from the Department of Environment, Food and Rural Affairs (DEFRA) as kgCO2/person.km travelled. (3) Regional Train and Bus: We have applied the direct emissions (kgCO2/person.km) figures published by the EPA Greenhouse Gas Inventory Management Plan (publication 1562) and these figures were then rationed using NGA factors to derive an indirect emissions factor. (4) Metro train (and tram): Direct emissions figures were taken from EPA publication 1562, and were adjusted to represent other States' different electricity grids (and also indirect emissions) by drawing upon the NGA factors.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Explanation

Employee commuting is not deemed critical by the broader community and we do not have operational control over this GHG emissions source. We consider employee commuting to be an emissions source that we cannot directly control and therefore it has been excluded from NAB's carbon inventory on this basis. Our Group Environmental Reporting and Offset Management Standard only commits NAB to influencing indirect sources of GHG emissions from suppliers, employees and customers where we have operational control. Consequently, NAB supports our employees in reducing their personal carbon footprint arising from their commute to work through the provision of interest free loans for annual public transport tickets in Australia and the UK. We have also provided an increased number of bicycle facilities (including lockers and showers) to facilitate employees cycling to work.

Upstream leased assets

Evaluation status

Relevant, calculated

Metric tonnes CO2e

21561

Emissions calculation methodology

This GHG emission source category includes GHG emissions from (I) Base-building energy use (diesel, gas) and electricity not under NAB's operational control (Australia only): Activity data is provided by relevant landlords and based on billed energy consumption. Base-building GHG emissions represents our share of emissions from energy use to operate common facilities such as heating, cooling, ventilation and lifts within buildings we occupy. Base-building GHG are calculated based on the proportion of the landlord's energy consumption for these services based on our share of the building occupancy. The Australian emissions factors and methods set out in the calculation GHG emissions from our Scope 1 and 2 GHG emission sources are as described in the version of the National Greenhouse and Energy Reporting (Measurement) Determination 2008 applicable to the 2017-18 reporting period and the applicable version of the Australian National Greenhouse Accounts (NGA) Factors, (ii) associated transmission and distribution losses relating to Base-building energy use; and (iii) energy use emissions from use of Automated Tella Machines (ATM's) for our BNZ business. All remote (not located within BNZ store network) ATM's are held under gross leases so we do not receive electricity charges for operation of these ATM's. For this we do record an estimate of energy usage which is an average provided by NCR who operate the ATM's on our behalf. The methodology applied to calculate emissions associated with energy usage in ATM's was adopted from NZ Guidance for Voluntary Corporate Greenhouse Gas reporting.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

NAB Group leases the majority of its building portfolio and the majority of the GHG emissions from these buildings are considered to be under our operational control and are already accounted for in our Scope 1 and 2 GHG emissions. Where we utilise shared facilities in our building such as lifts, escalators, HVAC etc. as part of the base building operated and controlled by the landlord or the landlord's facilities manager, we account for our share of the emissions associated with these facilities as fuel and energy related activities. We have also included GHG emissions associated with the operation of non-network ATM's for the BNZ operations which are managed on BNZ's behalf.

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
Due to the intangible nature of financial products and services we do not require downstream transportation and distribution of a physical product. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
Due to the intangible nature of financial products and services we do not require physical products to be processed. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

Use of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
Due to the intangible nature of financial products and services NAB does not account for GHG emissions arising from the use of sold physical products. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
Due to the intangible nature of financial products and services there is no end of life treatment of sold physical products. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business.

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
NAB has an immaterial number of downstream leased assets in the form of a small number of buildings that are owned and leased to tenants. The tenancy agreements for these assets give the tenant operational control of the energy use of the asset and the tenant pays the energy bills. Accordingly, for the purposes of our carbon inventory the GHG emissions from these downstream assets are not considered relevant.

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
NAB Group does not have franchises, therefore this emissions source is not relevant.

Investments

Evaluation status

Relevant, calculated

Metric tonnes CO2e

262591

Emissions calculation methodology

NAB’s calculation has used Australian emissions factors and methods for calculating Scope 1 and 2 GHG emissions as tCO2-e as set out in the National Greenhouse and Energy Reporting (NGER) (Measurement) Determination 2008 compilation dated 1 July 2017, including the National Greenhouse and Energy Reporting (Measurement) Amendment (Energy) Determination 2017. As these GHG emissions are not generated directly by NAB, we have relied on the public information disclosed by the Australian Clean Energy Regulator, which is information reported by designated generation facilities. For the purposes of NGER reporting, designated generation facilities are facilities where the principal activity is electricity generation and where the facility is not part of a vertically integrated production process. NAB has used the Scope 1 and 2 GHG emissions (as tCO2-e) publicly reported by the Clean Energy Regulator for Australian power generation assets listed as 'designated generation facilities which are included in our project finance portfolio. We have then multiplied these emissions by NAB’s participation in financing for each facility as % of debt as at 30 September 2018. Next, we aggregated NAB's share of Scope 1 and 2 GHG emissions to arrive at a figure for the total tCO2-e for the portfolio of power generation assets we project finance in Australia. The emissions figure calculated for our portfolio of Australian designated generation facilities covers around 91.9% of the Australian power generation assets (measured as MW capacity of the power generation facilities) included in NAB Group’s project finance portfolio. Data for the remaining 8.1% of assets (measured as MW capacity of the power generation facilities) was not available.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

In the absence of an agreed finance sector methodology for calculating finance emissions, the GHG emissions figure NAB has reported for investments is an estimate of our share of the total Scope 1 and 2 GHG emissions from the Australian designated power generation assets we finance (as a % of debt as at 30 Sept. 2018) in our Project Finance portfolio. NAB Group continues to participate in initiatives alongside Australian and global peer banks to progress the development of methodologies that may be used in future reporting periods for calculation of financed emissions.

Other (upstream)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

447

Emissions calculation methodology

Water: Activity data for the calculation of GHG emissions from water is collected and provided by our property services finance services team and is based on billed water use. Our Australian operations contributes to 98% of associated water GHG emissions. Where billed information is not available for applicable sites, we extrapolate water use based on kL/m2. 13% of total water use within Australia during the reported year was extrapolated data. The GHG emissions calculation methodologies and factors are sourced from DEFRA's Voluntary Reporting Guideline, Water NZ National Performance Review and the Environmental Protection Authority Victoria for the relevant reporting period and are applied to calculate GHG emissions.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

87

Explanation

This Scope 3 GHG emissions source includes GHG emissions from water from our operations in London, Australia and BNZ.

Other (downstream)

Evaluation status
Relevant, calculated

Metric tonnes CO2e
155

Emissions calculation methodology
Customer Paper Statements: Data for the quantity of customer statements is obtained from our corporate office paper supplier in volume of statements. An average of 3 sheets per statement has been applied to the data. Customer statements are segmented into the following categories for calculation of GHG emissions: domestic recycled (onshore), virgin paper (offshore) and carbon neutral (zero emissions). The methodology and emission factors applied is a reverse calculation of the number of paper sheets into statements using the emission factors applied are those published in EPA Victoria's Information Bulletin (Publication 1374.1) Greenhouse Gas Emission Factors for Office Copy Paper. A zero emission factor is applied where paper is certified as carbon neutral by the Government, or another independent and reputable standards body. This resulted is an estimated 1161 tCO2-e that we have avoided through the purchase of carbon neutral customer statements in Australia and New Zealand.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Explanation
This Scope 3 GHG emissions source includes GHG emissions from customer statements from our operations in Australia and BNZ.

C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?
No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.0000130248

Metric numerator (Gross global combined Scope 1 and 2 emissions)
117028.68

Metric denominator
Other, please specify (Underlying profit)

Metric denominator: Unit total
8985000000

Scope 2 figure used
Location-based

% change from previous year
8.37

Direction of change
Increased

Reason for change
Emissions intensity per unit of $AU underlying profit increased by 8.4% in 2018 compared to 2017. Our underlying profit figure has decreased by 12.4%, while our gross global Scope 1 and 2 GHG emissions have decreased by 5.1% compared to the prior year. Our Scope 1 & 2 GHG emissions decreased due to a number of emission reduction activities including decommissioning an older commercial site and entry into a new energy efficiency purpose built building, installing solar PV panels on our branches and a data centre, improvements to HVAC and lighting and cooling, as well as upgrading and optimising assets within our buildings, including chiller upgrades, condenser replacements and dishwasher upgrades. NOTE: We do not use a revenue figure in our financial reporting. On agreement with CDP, NAB has been using $AU of underlying profit instead of revenue as the denominator for the

purpose of completing this question for a number of years. $AU of underlying profit (AU$8,985m in 2018 and (AU$10,260m in 2017). Using underlying profit as the denominator allows for meaningful comparison against prior years' financial intensity measures due to the nature of our underlying business activities.

Intensity figure
3.46

Metric numerator (Gross global combined Scope 1 and 2 emissions)
117028.68

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
33827

Scope 2 figure used
Location-based

% change from previous year
4.14

Direction of change
Decreased

Reason for change
Our global gross Scope 1 and 2 GHG emissions per FTE decreased by approximately 4.1% in 2018 compared to 2017. The decrease in metric tonnes CO2-e per FTE was largely driven by the gross Scope 1 and 2 GHG emissions figures which have decreased by 5.1%, coupled with a small (1%) decrease in our FTE across the portfolio. Our Scope 1 & 2 GHG emissions decreased due to a number of emission reduction activities including decommissioning an older commercial site and entry into a new energy efficiency purpose built building, installing solar PV panels on our branches and a data centre, improvements to HVAC and lighting and cooling, as well as upgrading and optimising assets within our buildings, including chiller upgrades, condenser replacements and dishwasher upgrades.

Intensity figure
0.156507551

Metric numerator (Gross global combined Scope 1 and 2 emissions)
117028.68

Metric denominator
square meter

Metric denominator: Unit total
747751

Scope 2 figure used
Location-based

% change from previous year
3.74

Direction of change
Decreased

Reason for change
Our global gross Scope 1 and 2 GHG emissions per metre squared of property occupied decreased by approximately 3.8% in 2018 compared to 2017. This was driven by the 5.1% decrease in Scope 1 and Scope 2 emissions across our global operations coupled with a smaller (3.6%) decreased in Net Lettable Area. The decrease in Net Lettable Area (NLA) occupied by NAB can be attributed to the continued consolidation of our operations as part of our property strategy. Our Scope 1 & 2 GHG emissions decreased due to a number of emission reduction activities including decommissioning an older commercial site and entry into a new energy efficiency purpose built building, installing solar PV panels on our branches and a data centre, improvements to HVAC and lighting and cooling, as well as upgrading and optimising assets within our buildings, including chiller upgrades, condenser replacements and dishwasher upgrades.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	17209	IPCC Fourth Assessment Report (AR4 - 100 year)
N2O	117	IPCC Fourth Assessment Report (AR4 - 100 year)
CH4	38	IPCC Fourth Assessment Report (AR4 - 100 year)
Other, please specify (Other gases (including HCF's))	1845	IPCC Fourth Assessment Report (AR4 - 50 year)

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Australia	15205
New Zealand	3848
United Kingdom of Great Britain and Northern Ireland	153
China, Hong Kong Special Administrative Region	4

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By activity

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Building energy use	8947
Business travel	8416
Refrigerants	1845

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
New Zealand	2077	2077	17387	0
China	121	121	185	0
Indonesia	12	12	16	0
India	92	92	119	0
Japan	78	78	145	0
China, Hong Kong Special Administrative Region	358	358	488	0
Singapore	114	114	261	0
United Kingdom of Great Britain and Northern Ireland	337	0	1189	1189
Australia	94526	94526	99475	0
United States of America	106	106	366	0

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By activity

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Electricity usage at facilities under operational control	97820	97483

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	170	Increased	0.1	NAB Group's purchase of renewable energy decreased by 33% (170tCO2-e) in 2018 compared with 2017, resulting in a 0.1% increase overall in gross Scope 1 and 2 emissions. This was largely due to a decrease in the amount of GreenPower purchased to cover the UK branch reduced electricity consumption. There were no other purchases of renewable energy across the Group in 2018. Our total Scope 1 and Scope 2 GHG emissions in 2017 was 123,312 tCO2-e. The reduction calculation is therefore: (170/123,312)*100 = 0.1%
Other emissions reduction activities	3864	Decreased	3.1	Gross Scope 1 and 2 GHG emissions decreased by 3.1% due to a range of emissions reduction activities. Including; decommissioning an old commercial site and entry into a new energy efficiency purpose built building, consolidation through the release of space in some regions (Asia, New Zealand, London), a decrease in the number of branches occupied in Australia, improvements to HVAC and lighting and cooling, as well as upgrading and optimising assets within our buildings, including chiller upgrades, condenser replacements and dishwasher upgrades. In 2018, a total of 3,864 tCO2-e were reduced by our emissions reduction projects. Our total Scope 1 and Scope 2 GHG emissions in 2017 was 123,312 tCO2-e. The reduction calculation is therefore: -(3864/123,312)*100 = -3.1%
Divestment	0	No change	0	There was no divestment in this reporting period that have a material impact on global GHG emissions.
Acquisitions	0	No change	0	There was no acquisition in this reporting period that have a material impact on global GHG emissions.
Mergers	0	No change	0	There were no mergers in this reporting period that have a material impact on global GHG emissions
Change in output	183	Decreased	0.15	Gross Scope 1 and 2 GHG emissions decreased by 0.15% due to a change in the vehicle fleet, with a small hybrid vehicle now available, replacing the small petrol option. Our total Scope 1 and Scope 2 GHG emissions in 2017 were 123,312 tCO2-e. The reduction calculation is therefore: (-181/123,312)*100=-0.15%
Change in methodology	1045	Decreased	0.8	Across the Group, changes in electricity-related GHG emission factors had an impact of -0.8% on Group-wide Scope 1 and Scope 2 GHG emissions. This was most significant in Victoria, where the Scope 2 electricity-related GHG emission factor decreased by 1%, which resulted in a reduction of 579.5 tCO2-e GHG emissions. The Asian regions all experienced a decrease in emission factors, ranging from 0.4%-8%, although total emissions from these regions have a lower impact on our portfolio. The UK and NYC also experienced decreases in the emission factor applied to the electricity of 19% and 8%, similar to the Asian regions, total emissions from these regions have a lower impact on our portfolio. NZ remained stable. In 2018, we had a total decrease in electricity related GHG emissions of 1,045 tCO2-e. Our total Scope 1 and Scope 2 GHG emissions in 2017 were 123,312 tCO2-e. The reduction calculation is therefore: (1045/123,312)*100=-0.8%.
Change in boundary	0	No change	0	There were no changes to our boundary in this reporting period that have material impact on global GHG emissions
Change in physical operating conditions	0	No change	0	There were no changes to our physical operating conditions in this reporting period that have material impact on global GHG emissions
Unidentified	0	No change	0	No unidentified measures to report this reporting period
Other	951	Decreased	0.8	Gross Scope 1 and 2 GHG emissions decreased by 0.80% due to the continued benefits of the rollout of solar PV in Australia in the relevant environmental reporting year (EY18) as we source less electricity from the grid. Solar generation increased by 957,095kWh in EY18. Our total Scope 1 & Scope 2 GHG emissions in 2017 were 123,312 tCO2-e. The reduction calculation is therefore: (-951/123,312) *100= -0.80%

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	81828	81828
Consumption of purchased or acquired electricity	<Not Applicable>	1189	133653	134842
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	1605	<Not Applicable>	1605
Total energy consumption	<Not Applicable>	2794	215481	218275

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	Yes

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)
Diesel

Heating value
LHV (lower heating value)

Total fuel MWh consumed by the organization
17480

MWh fuel consumed for self-generation of electricity
592

MWh fuel consumed for self-generation of heat
16888

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
0

Comment
The majority of NAB Group's diesel use if for non-stationary energy purposes (16,888 MWh) - i.e. use in our fleet vehicles. Only 592 MWh of diesel is used in our back-up generators.

Fuels (excluding feedstocks)
Natural Gas

Heating value
LHV (lower heating value)

Total fuel MWh consumed by the organization
47432

MWh fuel consumed for self-generation of electricity
0

MWh fuel consumed for self-generation of heat
2054

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
45379

Comment
Natural Gas is used for two key purposes - (1) in our tri-generation plant for production of electricity, heating and cooling and (2) for building space heating.

Fuels (excluding feedstocks)
Motor Gasoline

Heating value
LHV (lower heating value)

Total fuel MWh consumed by the organization
16750

MWh fuel consumed for self-generation of electricity
0

MWh fuel consumed for self-generation of heat
16750

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
0

Comment
This is petrol used in by our fleet vehicles.

Fuels (excluding feedstocks)
Other, please specify (Ethanol Blend)

Heating value
LHV (lower heating value)

Total fuel MWh consumed by the organization
165

MWh fuel consumed for self-generation of electricity
0

MWh fuel consumed for self-generation of heat
165

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration
0

Comment
The ethanol is in ethanol blend petrol used by our fleet vehicles.

C8.2d

(C8.2d) List the average emission factors of the fuels reported in C8.2c.

Diesel

Emission factor
52.84

Unit
metric tons CO2e per liter

Emission factor source
Stationary MFE - Guidance for Voluntary, Corporate Greenhouse Gas Reporting. Data and Methods for the 2014 Calendar Year, published December 2016 (Table 1) (NZ) for stationary energy National Greenhouse and Energy Reporting (Measurement) Determination 2008, Compiled 1 July 2015, Part 3 (p327)/2015 p307 (Australia) Transport MFE - Guidance for Voluntary, Corporate Greenhouse Gas Reporting. Data and Methods for the 2014 Calendar Year, published Dec 2016 (Transport fuels tab) (NZ) National Greenhouse and Energy Reporting (Measurement) Determination 2008, Compiled 1 July, 2015, Part 4, Div 4.2 page 330 (Australia)

Comment

Motor Gasoline

Emission factor
41.35

Unit
metric tons CO2e per liter

Emission factor source
National Greenhouse and Energy Reporting (Measurement) Determination 2008, Compiled 1 July, 2015, Part 4, Div 4.2 page 330 (Australia) MFE - Guidance for Voluntary, Corporate Greenhouse Gas Reporting. Data and Methods for the 2014 Calendar Year, published Dec 2016 (Transport fuels tab) (NZ and HK)

Comment

Natural Gas

Emission factor
50.69

Unit
metric tons CO2e per GJ

Emission factor source

Comment

Other

Emission factor
0.4

Unit
metric tons CO2e per liter

Emission factor source
National Greenhouse and Energy Reporting (Measurement) Determination 2008, Compiled 1 July, 2014, Part 4, Div 4.2 page 319 (Australia)

Comment
Emission factor for Ethanol blend used in vehicle fleet

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	16817	16817	1605	1605
Heat	0	0	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

C8.2f

(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.

Basis for applying a low-carbon emission factor
Energy attribute certificates, Guarantees of Origin

Low-carbon technology type
Solar PV
Wind
Tidal

Region of consumption of low-carbon electricity, heat, steam or cooling
Other, please specify (United Kingdom)

MWh consumed associated with low-carbon electricity, heat, steam or cooling
1189

Emission factor (in units of metric tons CO2e per MWh)
0

Comment
Our UK operations continued to use certified renewable electricity generated under the UK's Renewable Energy Guarantees of Origin (REGO) Scheme. Although it cannot be counted here, NAB also generated 1605 MWh of behind the meter solar in 2018. This generation produces STC's which are not owned by NAB and we cannot apply a negative emission factor. The benefit is received through lower consumption being sourced from the grid.

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description
Energy usage

Metric value
725527

Metric numerator
GJ

Metric denominator (intensity metric only)
Not applicable

% change from previous year
4

Direction of change
Decreased

Please explain
Net energy use decreased by 4% (26,870 GJ) from last year. A number of energy efficiency initatives contributed to this, including the decommissioning of an older commercial site and entry into a new energy efficiency purpose built building, installing solar PV panels on our branches and a data centre, improvements to HVAC and lighting and cooling, as well as upgrading and optimising assets within our buildings, including chiller upgrades, condenser replacements and dishwasher upgrades.

Description
Other, please specify (Office Paper)

Metric value
574

Metric numerator
metric tonnes

Metric denominator (intensity metric only)
Not applicable

% change from previous year
20

Direction of change
Decreased

Please explain
Office paper use continues to decrease due to the continued digitisation of our workforce. Our paper use decreased by 20% (142 t) when compared to the prior year.

Description
Other, please specify (Water)

Metric value
387598

Metric numerator
Water Withdrawal (kL)

Metric denominator (intensity metric only)
Not applicable

% change from previous year
3

Direction of change
Decreased

Please explain
Potable water use decreased by 3% (13,057kL) compared to the prior year. Water use decreased in Australian office buildings due to a focus on reducing after-hours air conditioning and improved landlord building management practices.

Description
Waste

Metric value
1948

Metric numerator
metric tonnes

Metric denominator (intensity metric only)
Not applicable

% change from previous year
15

Direction of change

Decreased

Please explain
Waste to landfill has decreased by 15% (357 t) compared to the prior year. Australia and New Zealand waste to landfill has decreased, due largely to a decrease in the number of bins collected from our sites. Our United Kingdom (UK) Branch has zero waste to landfill, as all waste is recycled or sent to incineration. All waste in Asia is recycled or diverted from landfill.

Description
Other, please specify (Gross GHG emissions)

Metric value
181316

Metric numerator
metric tonnes CO2-e

Metric denominator (intensity metric only)
Not applicable

% change from previous year
3

Direction of change
Decreased

Please explain
Gross GHG emissions decreased by 3% (6,109 tCO2-e). A number of initiatives implemented in EY18 can be attributed to this reduction, including the decommissioning of an older commercial site and entry into a new energy efficiency purpose built building, installing solar PV panels on our branches and a data centre, improvements to HVAC and lighting and cooling, as well as upgrading and optimising assets within our buildings, including chiller upgrades, condenser replacements and dishwasher upgrades.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

Scope
Scope 1

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
NAB 2018_KPMG assurance report_carbon neutrality and SBT.pdf
NAB 2018_KPMG assurance report_NGER.pdf

Page/ section reference
All. The two assurance reports attached are standalone assurance statements. We have reasonable assurance for Australian Scope 1 and 2 emissions we report under the National Greenhouse and Energy Reporting Act (attached). The remainder of our Group emissions have limited assurance covered by our Carbon Neutral assurance report (attached).

Relevant standard
Other, please specify (ISAE3000 and ISAE3410)

Proportion of reported emissions verified (%)
100

Scope
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
NAB 2018_KPMG assurance report_carbon neutrality and SBT.pdf
NAB 2018_KPMG assurance report_NGER.pdf

Page/ section reference
All. The two assurance reports attached are standalone assurance statements. We have reasonable assurance for Australian Scope 1 and 2 emissions we report under the National Greenhouse and Energy Reporting Act (attached). The remainder of our Group emissions have limited assurance covered by our Carbon Neutral assurance report (attached).

Relevant standard
Other, please specify (ISAE3000 and ISAE3410)

Proportion of reported emissions verified (%)
100

Scope
Scope 2 market-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
NAB 2018_KPMG assurance report_carbon neutrality and SBT.pdf
NAB 2018_KPMG assurance report_NGER.pdf

Page/ section reference
All. The two assurance reports attached are standalone assurance statements. We have reasonable assurance for Australian Scope 1 and 2 emissions we report under the National Greenhouse and Energy Reporting Act (attached). The remainder of our Group emissions have limited assurance covered by our Carbon Neutral assurance report (attached).

Relevant standard
Other, please specify (ISAE3000 and ISAE3410)

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope
Scope 3- all relevant categories

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Attach the statement
NAB 2018_KPMG assurance report_carbon neutrality and SBT.pdf
NAB 2017_KPMG assurance report_National-Carbon-Offset-Standard.pdf
NAB 2018_KPMG assurance report_NGER.pdf

Page/section reference
All. We have reasonable assurance for Australian Scope 1 and 2 emissions reported under the National Greenhouse and Energy Reporting Act (attached). The remaining emissions have limited assurance covered by our Carbon Neutral assurance report (attached). We also undertake required triennial (every 3 years) assurance of our Australian carbon neutrality under the National Carbon Offset Standard. NAB's most recent NCOS assurance audit occurred in 2017 (see attached). Next audit is due in 2020.

Relevant standard
Other, please specify (ISAE3000 and ISAE3410)

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?
Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C1. Governance	Other, please specify ((Environmental finance commitment) NAB's environmental financing commitment is to provide $55bn in environmental finance by 2025 (between 1 October 2015 -30 September 2025) to assist the low carbon transition. KO add references.)	ISAE3000 and ISAE3410	KPMG conducts limited assurance over data points included in NAB's carbon risk and opportunity disclosures. This includes the environmental financing data which is aggregated so NAB can publicly report on its environmental financing commitment, including financing to assist our customers in making the low carbon transition. This data has been used in NAB's CDP responses. NAB 2018_KPMG assurance report_carbon risk dislcosures.pdf
C2. Risks and opportunities	Other, please specify ((% RE in power generation portfolio) NAB annually reports the % of renewable energy (RE) in its power generation portfolio. This is a strategic opportunity which reduces climate risk. Ref: Q2.3 (Risk X), 2.5 (Products & Services and 2.6 (Revenues).)	ISAE3000 and ISAE3410	KPMG conducts limited assurance over data points included in NAB's carbon risk and opportunity disclosures. This includes the % of renewable energy generation in our power generation book which is publicly reported in our half and full year investor packs, and our Sustainability Report demonstrating how we are helping customers to make the low carbon transition, This data has been used in NAB's CDP responses. NAB 2018_KPMG assurance report_carbon risk dislcosures.pdf
C4. Targets and performance	Progress against emissions reduction target	ISAE3000 and ISAE3410	KPMG conducts limited assurance over NAB's progress against its science-based emissions reduction target. NAB 2018_KPMG assurance report_carbon neutrality and SBT.pdf

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Yes

C11.1a

(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.

Other carbon tax, please specify (CRC Energy Efficiency Scheme)

Carbon Reduction Commitment Energy Efficiency Scheme

C11.1c

(C11.1c) Complete the following table for each of the tax systems in which you participate.

Other carbon tax, please specify

Period start date
April 1 2017

Period end date
March 31 2018

% of emissions covered by tax
0

Total cost of tax paid
0

Comment
In the United Kingdom, our London Branch leased its building facilities during the reporting period. We had no reportable energy supplies and therefore no emissions covered by this tax because our energy consumption is paid for by the landlord and we pay for our energy consumption to the landlord as part of our tenancy agreement. We have not had direct energy bills since we divested Clydesdale and Yorkshire Banking Group in 2016. Under the Carbon Reduction Commitment Energy Efficiency Scheme, participants must directly pay for their energy consumption to be taxed. We are still captured under the Carbon Reduction Commitment Energy Efficiency Scheme and submitted a zero return in 2018. More detail on this approach is provided in C11.1d.

C11.1d

(C11.1d) What is your strategy for complying with the systems in which you participate or anticipate participating?

In the United Kingdom, NAB's London Branch (NAB UK) was a registered in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EE Scheme) Scheme for the reporting period 1 April 2017 to 31 March 2018. NAB UK initially qualified for the Scheme in 2008 and reported its GHG emissions, under the CRC EE Scheme for the first time in July 2011.

The GHG emissions reportable under the CRC EE Scheme for the 2017/2018 compliance year (year ended 31 March 2018) were 0 tCO2-e. NAB submitted a zero return in 2018 in accordance with CRC EE Scheme requirements as we no longer have any reportable energy supplies in the UK (we occupy leased offices where the landlord pays the energy bills and includes a recharge in our lease outgoings).

Our strategy for reducing our UK-based emissions remains focused on energy efficiency – this strategy is Group-wide. Our UK operations are still covered by voluntary carbon neutrality. As part of our NAB Group-wide emissions reduction strategy, NAB UK contributes to the Group's science-based GHG emissions reduction target of 21% by 2025 and our energy reduction target of 5% by 2020, both with a 2015 baseline.

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?
Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase
Credit purchase

Project type
Biomass energy

Project identification
National Bio Energy Changtu Biomass Power Plant, Serial number: GS1-1-CN-GS2503-9-2015-6012-45543 to 69860 and GS1-1-CN-GS2503-9-2016-6011-41759 to 87440

Verified to which standard
Gold Standard

Number of credits (metric tonnes CO2e)
70000

Number of credits (metric tonnes CO2e): Risk adjusted volume
70000

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Hydro

Project identification
Sarbari-I small hydro project, serial number: 5706-255982354-256004975-VCU-034-APX-IN-1-483-01012016-31122016-0, 5708-256005601-256011043-VCU-034-APX-IN-1-483-01092015-31122015-0, 5709-256011044-256041213-VCU-034-APX-IN-1-483-01012017-31122017-0 and 5707-256004976-256005600-VCU-034-APX-IN-1-483-01012018-31012018-0

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
58860

Number of credits (metric tonnes CO2e): Risk adjusted volume
58860

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Geothermal

Project identification
Gunung Salak Geothermal project, serial number: 5734-257275298-257345297-VCU-005-APX-ID-1-144-01012015-31122015-0

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
70000

Number of credits (metric tonnes CO2e): Risk adjusted volume
70000

Credits cancelled

Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Forests

Project identification
Maraeroa C forestry project, serial number: 50053032267-50053033271

Verified to which standard
Other, please specify (New Zealand ETS)

Number of credits (metric tonnes CO2e)
1005

Number of credits (metric tonnes CO2e): Risk adjusted volume
1005

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Other, please specify (Savanna Burning)

Project identification
Oriners & Sefton Savanna Burning Project, serial number: 3769835480-3769843835

Verified to which standard
Emissions Reduction Fund of the Australian Government

Number of credits (metric tonnes CO2e)
8356

Number of credits (metric tonnes CO2e): Risk adjusted volume
8356

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?
Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price
Stakeholder expectations
Change internal behavior
Drive energy efficiency
Drive low-carbon investment
Identify and seize low-carbon opportunities

GHG Scope
Scope 1
Scope 2
Scope 3

Application
A uniform carbon price is applied to each region in which we operate.

Actual price(s) used (Currency /metric ton)
7.5

Variance of price(s) used
Average market price as informed through our purchasing processes.

Type of internal carbon price
Implicit price
Offsets

Impact & implication
NAB has an internal implicit cost of carbon which is used in our standard business case template for capital projects related to energy efficiency, greenhouse gas reduction and renewable energy generation. Our internal carbon price is calculated based upon both the costs of buying renewable energy and the actual average price paid for carbon offsets purchased to maintain NAB's carbon neutral status. Our experience shows that an internal carbon price can bring forward investment in energy efficiency, greenhouse gas reduction and renewable energy generation projects, as investment in projects that reduce GHG emissions reduces the future cost that would otherwise be paid for carbon offsets. Our internal carbon price for the 2018 environmental year reporting period was $7.50 per tonne. This is informed by the cost of renewable energy certificates in Australia and our purchases of carbon offsets from the international voluntary carbon market and our domestic indigenous Australian offset purchase.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?
Yes, our suppliers
Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement
Innovation & collaboration (changing markets)

Details of engagement
Run a campaign to encourage innovation to reduce climate impacts on products and services

% of suppliers by number
33.89

% total procurement spend (direct and indirect)

9.29

% Scope 3 emissions as reported in C6.5
33

Rationale for the coverage of your engagement
NAB Group leases the majority of its building portfolio and the majority of the GHG emissions from these buildings are considered by NAB to be under our operational control (as per the definition of operational control in the National Greenhouse and Energy Reporting Act) and are already accounted for in our Scope 1 and 2 GHG emissions. We have regular engagement with our landlords to work together to reduce the energy use and associated generation of scope 3 GHG emissions for NAB. This includes green lease clauses which require regular engagement between tenant and landlord to focus on reducing the environmental impact of our operations. for our 6 major commercial buildings, we share details on energy efficiency targets (NABERS Ratings). This data refers to our Scope 3 GHG emissions from base-building energy use (diesel, gas) and electricity not under NAB's operational control. Base-building GHG emissions represent our share of emissions from energy use to operate common facilities such as heating, cooling, ventilation and lifts within buildings we occupy.

Impact of engagement, including measures of success
NAB has achieved a 5% (1,098 tCO2-e) reduction in Scope 3 Base Building emissions across the Group since 2017. This is in part due to the delivery of energy efficiency initiatives in Australia including the installation of LED lighting and air conditioning upgrades undertaken by our landlords in areas of the building shared with NAB.

Comment

Type of engagement
Information collection (understanding supplier behavior)

Details of engagement
Collect climate change and carbon information at least annually from suppliers

% of suppliers by number
1.04

% total procurement spend (direct and indirect)
0.03

% Scope 3 emissions as reported in C6.5
3

Rationale for the coverage of your engagement
NAB engages with our waste providers to reduce our waste to landfill and improving our diversion to recycling streams. Total waste generation decreased by 16% from 5,022 metric tonnes in 2017 to 4,202 metric tonnes in 2018. 54% of total waste generated was diverted from landfill. This is a result of our engagement with our waste providers to implement additional recycling streams across the business and to provide advice to employees on best practices waste management.

Impact of engagement, including measures of success
NAB has reduced its carbon emissions from landfill waste across the Group by 15% since 2017. Waste continues to be a passionate topic among our staff with this being one of the most popular topics for feedback to the Environment team. Some of this feedback is acted upon in conjunction with our waste and recycling suppliers e.g. introduction of disposable coffee cup recycling and reducing waste to landfill and associated Scope 3 GHG emissions.

Comment

Type of engagement
Innovation & collaboration (changing markets)

Details of engagement
Other, please specify (Offer financial incentives when the supplier reduces our upstream emissions (Scope 3))

% of suppliers by number
0.05

% total procurement spend (direct and indirect)
0.58

% Scope 3 emissions as reported in C6.5
30

Rationale for the coverage of your engagement

Travel is an important and necessary part of our business and contributes significantly to NAB's Scope 3 emissions. Whilst we travel with a range of service providers in airlines and hotel providers, we engage directly with our travel provider for our Australian business in regard to climate change.

Impact of engagement, including measures of success
100% of NAB's Scope 3 emissions generated through our travel provider are offset and in turn, our business is able to remain carbon neutral. As travel is a requirement of our business and the geographical reach of our organisation, we have looked at innovative ways to ensure our staff are mindful of the greenhouse gas emissions impact of their travel. Working in conjunction with our travel supplier, we carefully account for our annual travel emissions and report this to the business. Raising awareness, as well as travel related bans across the business, has led to a reduction in Scope 3 travel related emissions by 11% since 2017.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Education/information sharing

Details of engagement
Run an engagement campaign to education customers about your climate change performance and strategy

% of customers by number
68

% Scope 3 emissions as reported in C6.5
0

Please explain the rationale for selecting this group of customers and scope of engagement
This is an example of the type of climate-related customer engagement undertaken by NAB. We identified that many of our investor clients would like to know more about climate change adaptation and opportunities for adaptation finance. To assist customers, we worked with the Australian Investor Group on Climate Change to run a seminar on this topic. The event had presentations from a range of experts. There was also opportunity for attendees to network and talk with each other. 62 customers were invited to the event and 42 attended. Therefore, this represents around 68% of our invited customers that engaged in this event. We have used this figure for size of engagement (% of invited customers attending by number). None of the attendees were representatives of clients represented by the estimated share of the Scope 3 investment emissions reported in C6.5 (the customers covered by emissions in C6.5 are customers in the power generation sector).

Impact of engagement, including measures of success
We measure the success of this style of customer engagement through seeking feedback from participants on the seminar. Customers provided positive feedback and indicated that they felt more informed about climate change adaptation and adaptation finance opportunities.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?
Direct engagement with policy makers
Trade associations
Funding research organizations
Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Mandatory carbon reporting	Support	Responding with a submission to the Climate Change Authority's review of Australian Government's National Greenhouse and Energy Reporting Legislation (the National Greenhouse and Energy Reporting (NGER) Act).	The Climate Change Authority proposed review, minor amendments and continuation of the NGER Act. We commended the Authority for undertaking this review and agreed was timely to the view the reporting scheme as it had been in operation for ten years. We consider the scheme had proved itself to be an effective and easy-to-use means for measuring and reporting greenhouse gas emissions and energy production and use. We believe that Australia's reporting scheme is the benchmark in terms of utility, ease-of-use, and effectiveness in how emissions and energy are being managed throughout the economy. We were supportive of improvements to increase effectiveness of the scheme.
Other, please specify (Australian Prudential Regulatory Authority Climate Change Survey)	Support	Completing a climate change survey of Australian Prudential Regulatory Authority (APRA).	This was a survey undertaken by APRA to understand the range of activities and strategic responses that its regulated entities are adopting to assess and mitigate these climate-related risks. NAB provided feedback to the survey outlining the climate related risk work we have undertaken to date on both risks and opportunities, our alignment to TCFD and our piloting of the TCFD recommendations as part of the UNEPFI TCFD banking pilot.
Other, please specify (Climate Change Mitigation and Adaptation Opportunities in the Northern Territory: Discussion Paper)	Support	Engagement in one-on-one consultation meeting with Northern Territory Government	The Discussion Paper and consultation focuses sought input on how the Northern Territory should: • manage its greenhouse gas emissions effectively • adapt to climate change • take opportunities for innovative approaches to mitigation and adaptation. NAB was supportive of this process and engaged to provide our thoughts and ideas for consideration.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association
Business Council for Sustainable Development Australia

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
Business Council for Sustainable Development Australia's (BCSD Australia) vision is that Australia can meet its energy needs in a manner that is sustainable, renewable and affordable. BCSD Australia supports investment in energy efficiency and clean technology and a policy environment that encourages the transition to a low carbon economy to take place. BCSD Australia's position on climate change is that: • climate change is a material risk issue for business; • global emissions reductions need to be made in a manner that is consistent with limiting global average temperature rise to 2oC while respecting the national circumstances of each country (the Paris Agreement); • implementation of the Paris Agreement must be supported by sound policy signals and effective economic mechanisms, in concert with strong leadership, action and solutions from business; • a transformation of the global economy on a scale to achieve the emissions reductions needed to address climate change, will require multi-lateral cooperation and significant investments in technology development and diffusion. This will require business action, incentivised by public policies, consumer demand and market structures; • action to address climate change should start now assisted by global and local partnerships to support structural transformation, technological change and innovation, as well as ambitious action at the company level; • climate actions should take place in a stable, predictable, simple and transparent policy framework that supports innovation and investment, including market signals and coherent, harmonised regulations; • action by governments and business will require further capacity building and the support of additional sources of climate finance to incentivise and enable investment in low carbon solutions; • transparency on climate-related performance (including having science-based GHG reduction targets) and climate risk will support business decision making and investment; and • consideration and implementation of adaptation initiatives is critical to building business and supply chain resilience and supporting delivery of the Sustainable Development Goals.

How have you influenced, or are you attempting to influence their position?
NAB monitors the engagement opportunities provided by BCSDA and engages in the discussion and submissions when the issues are relevant to our Business.

C12.3d

(C12.3d) Do you publicly disclose a list of all research organizations that you fund?
Yes

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

We participated in a range of climate change related engagement and activities, including:

· Participated in the Asia Pacific Loan Market Association (APLMA) Green Loan Working Group for development of Green Loan Principles which were launched in March 2018.

· Convened and workshop on financing adaptation and resilience with the Australian Investor Group on Climate Change.

· Participated in the development and launch of Australia/NZ Green Infrastructure Investment Opportunities report by the Climate Bonds Initiative.

· Held approximately 10 client sessions on the Australian National Outlook Project, which includes a key work stream on climate scenarios and the energy shift required in Australia.

· Presented at a range of conferences including the Australian Investor Group on Climate Change.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

NAB is committed to engaging responsibly in climate change policy development. This continues our longstanding approach to constructively engage in the policy development process, where it is relevant to our business. NAB has an internal consultative process aimed to ensure that our direct and indirect activities that influence policy are consistent with the climate change area of focus in our Environmental Agenda, as well as being consistent across business divisions and geographies. Under this process, representatives from relevant business units (such as Specialised Finance, Capital Financing Solutions, Advisory and others) and Group functions such as Risk, Corporate Affairs, Government Affairs and Legal meet together (as appropriate) to review policy changes and determine the relevance and impact of those policy changes, as they relate to NAB Group. Formal approval from relevant internal stakeholders is sought prior to the formal submission on proposed regulatory or policy changes.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In mainstream reports, in line with the CDSB framework (as amended to incorporate the TCFD recommendations)

Status
Complete

Attach the document
NAB 2018-annual-financial-report (1).pdf

Page/Section reference
NAB 2018 Annual Financial Report page references: TCFD-related disclosures covering governance, strategy, risk management and metrics and targets - refer to pgs 31 to 34 Disclosure on Risk Factors (incorporates climate risk) - refer pgs 15, 18, and 19

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other, please specify (Climate finance)

Comment

Publication
In mainstream reports

Status
Complete

Attach the document
NAB 2018-full-year-investor-presentation.pdf

Page/Section reference
NAB 2018 Full Year Investor Presentation, slides as follows: Strategy - Slide 54, alignment of reporting to TCFD Risk & opportunities - Slide 54, portfolio exposures to coal mining and renewables, project finance for renewables, ESG credit risk policy setting changes to reflect changes made as a result of climate-related portfolio review Emissions figures - Slide 55 Other metrics - Slide 52, carbon neutrality

Content elements
Risks & opportunities
Emissions figures
Other metrics
Other, please specify (Climate finance)

Comment

Publication
In other regulatory filings

Status
Complete

Attach the document
NAB 2018-national-carbon-offset-standard_Public Disclosure Summary.pdf

Page/Section reference
NAB 2018 National Carbon Offset Standard Public Disclosure Summary: All pages

Content elements
Emissions figures

Comment

Publication
In voluntary communications

Status
Complete

Attach the document
NAB 2018-annual-review.pdf

Page/Section reference
NAB 2018 Annual Review page references: - pg 13 progress against our environmental finance commitment - pg 28 reporting on risk management and TCFD - pg 31 reporting on climate change and environmental finance to support the low carbon transition

Content elements
Risks & opportunities
Emissions figures
Emission targets
Other metrics
Other, please specify (Risk management and TCFD)

Comment

Publication
In voluntary sustainability report

Status
Complete

Attach the document
NAB 2018-sustainability-report.pdf

Page/Section reference
NAB 2018 Sustainability Report page references: - pg 4 Snapshot – environmental finance metric - pg 5 performance against targets - pg 11 CR strategy, incl. climate change (CC) - pg 12, link to SDG 13 - pgs 18-20 info. on project finance including renewable energy - pg 27 our Environmental Agenda, including CC - pg 28 helping drought affected communities/ information on targets - pgs 36-42 TCFD aligned disclosures: climate-related governance, strategy, risk management and metrics and targets

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics
Other, please specify (Climate finance)

Comment

Publication
In voluntary sustainability report

Status
Complete

Attach the document
NAB 2018-sustainability-data-pack.pdf

Page/Section reference
NAB 2018 Sustainability Data Pack page references: - pgs 2-3 for reporting on NAB's exposures to (i) the resources sector, including coal, (ii) the energy sector including renewables, and (ii) project finance metrics - pg 4 for reporting on NAB's environmental finance commitment - pgs 21-27 for reporting on greenhouse gas metrics and targets related to operations

Content elements
Emissions figures
Emission targets
Other metrics
Other, please specify (Climate finance)

Comment

C14. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C14.1

(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Group Chief Executive Officer	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?
English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

Please confirm below
I have read and accept the applicable Terms