national australia bank

Climate Report
2024

National Australia Bank Limited ABN 12 004 044 937

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Contents

About this Report

This 2024 Climate Report ('Report') outlines NAB's climate action-related activities, progress on our climate strategy and how we are supporting our customers to decarbonise and to build resilience.

This Report has been prepared to meet the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is structured in accordance with the disclosure categories identified by the TCFD. Refer to page 70 for our TCFD index.

In 2021, NAB became a signatory to the United Nations convened Net Zero Banking Alliance (NZBA). This Report also outlines the actions we are taking as an NZBA member, which includes setting sector decarbonisation targets in high-emitting sectors. The sector decarbonisation targets set out in the *Metrics and targets* section on pages 41 to 62 and related *Supporting information* sections on pages 73 to 89, are informed by the United Nations Environment Programme Finance Initiative Guidelines for Climate Target Setting for Banks version 2 (UNEP FI Guidelines).

Boundaries

Bank of New Zealand (BNZ) is a subsidiary of NAB and operates in New Zealand. New Zealand has both a mandatory climate reporting regime, that requires assessment of climate related risks and opportunities in line with the New Zealand External Reporting Board Climate Standards, and a different emissions profile to address in the transition to a low carbon economy. BNZ has its own climate strategy to address these differences. BNZ is also a member of the NZBA and has set its own sector decarbonisation targets to meet its NZBA commitment. Refer to BNZ's climate reporting at www.bnz.co.nz/about-us/sustainability/reports for further details.

Accordingly, some references to 'NAB', 'Group', 'our' and 'the bank' in this Report refer to National Australia Bank Limited and its controlled entities, excluding BNZ.

Refer to page 96 for further details on the geographic boundaries of each section of this Report.

Acknowledgement of Country

NAB acknowledges the Traditional Custodians of the land as Australia's First Peoples and recognises their continuing connection to lands, water and country. We make this acknowledgement with the ambition to continue supporting a reconciled Australia through our actions and voice.

Important information

This Report contains statements that are, or may be deemed to be, forward looking statements, including climate-related goals, targets, pathways and ambitions. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group. This may cause actual results to differ materially from those expressed or implied in such statements. There are uncertainties, assumptions and judgements underlying climate-related information (including climate-related metrics, methodologies and modelling) that limit the extent to which climate-related information is useful for decision-making and you are cautioned not to place undue reliance on the information in this Report. The forward looking statements in this Report reflect the Group's best estimates, assumptions and judgements (including in relation to customer and other third party data over which the Group has no control) as at the date of this Report, however, the uncertainty in climate-related information (including metrics, methodologies and modelling) may lead to the Group changing its views in the future.

Certain definitions

The Group's financial year ends on 30 September. The financial year ended 30 September 2024 is referred to as 2024 and other financial years are referred to in a corresponding manner. References in this Report to the year ended September 2024 are references to the twelve months ended 30 September 2024. References in this Report to the environmental reporting year are references to the twelve months ended 30 June 2024, unless otherwise stated. Due to the timing and availability of customer emissions data which is reported in line with the environmental reporting year (ending 30 June), there is a lag between the date of NAB's reporting period (financial year ending 30 September) and the date for financed emissions reporting. In this Report, financed emissions data is for the year ending 30 June 2023 (except for the shipping sector decarbonisation target, which is 31 December 2023 in line with global shipping industry reporting). Other environmental reporting years are referred to in a corresponding manner.

The abbreviations $m and $bn represent millions and thousands of millions (i.e. billions) of Australian dollars respectively.

Exposure at default (EAD) is a key metric used in this Report. EAD is an estimate of the credit exposure outstanding if a customer defaults and its calculation is as defined by the Australian Prudential Regulation Authority (APRA). While sector EAD is used as a metric in both the *Risk Management* and *Metrics and Targets* sections, the boundaries vary slightly. Refer to the *Metrics and Targets* section for further details on EAD used in decarbonisation targets.

Key terms used in this Report are contained in the *Glossary*.

Chair quote

"Climate change, and the economic restructuring needed to decarbonise, is a societal issue of inordinate scale and complexity. It is challenging us as a collective to respond with unprecedented coordination, to unearth new technologies and innovations, and to act with urgency.

We all have a role to play and NAB's is clear – we are supporting our customers to make the investments necessary to reduce emissions, adapt and build resilience. I'm pleased with the progress the bank is making in transitioning towards the national goal of net zero emissions by 2050."

Philip Chronican
Chair

Chief Climate Officer message

This is NAB's third standalone annual Climate Report, disclosing progress on our climate strategy. NAB believes that both the transition to an inclusive net zero emissions economy by 2050 and action for our customers are critical. We are continuing to:

- Reduce our operational and financed emissions.
- Support our customers with products and other propositions to help with the transition.
- Educate and mobilise our colleagues to support customers to transition and build resilience.
- Measure, report, disclose, and evolve, as data improves and we work to prepare for upcoming mandatory reporting and other requirements.

Climate change continues to represent a significant challenge with increases in average temperatures, shifting rainfall patterns and rising sea levels projected to continue in Australia[1]. It is clear these challenges are not shared equally across the community which adds an important social dimension. Our external environment is also moving rapidly and practical and tangible actions are expected. Recent developments in Australia demonstrate momentum, including:

- Progress towards mandatory climate-related financial disclosure.
- Financial market regulators' focus on corporate climate risk management.
- Australia-specific sectoral decarbonisation pathways and plans to guide the nation's transition to the legislated target of net zero greenhouse gas (GHG) emissions by 2050.
- Progress on the Australian Sustainable Finance Taxonomy.

There are however a range of barriers and key dependencies for the transition to occur in Australia, such as the decarbonisation of the electricity grid, taking into account sustainability, affordability and energy security goals. NAB is committed to playing its part to support decarbonisation and believes that concerted actions from public and private sectors can play a crucial role in enabling and accelerating shifts in development pathways.

In 2024, we made progress on our climate strategy with a focus on supporting our customers and colleagues, leveraging a 'whole of bank' approach, including:

- For our customers – launching a new environmental finance ambition of $80bn by 2030[2] and a new Green Finance for Commercial Real Estate (CRE) proposition, complementing our existing Green Finance for Agribusiness and Vehicles and Equipment offerings, and continuing to identify how we can support individuals and families to help reduce their emissions with the provision of partner offers currently in development.
- For our colleagues – rolling out new sector-specific climate training programs across NAB, building on our existing climate foundational and risk training programs.
- Further building our capabilities across risk and governance as well as continuing our investment and partnership efforts into key market capabilities in support of customers' transition.
- Development of a Customer Transition Plan assessment framework for specific Corporate and Institutional Banking customers in the power generation, oil and gas and metallurgical coal sectors[3].
- Updating our ESG risk policy and appetite settings for coal, oil and gas[4].
- Advocating on important issues related to climate change and the net zero emissions transition through contribution to industry associations, participation in industry roundtables and in direct consultation with government and other stakeholders, as well as research and publications.
- Setting five further decarbonisation targets: *CRE - office*, *CRE - retail*, *residential real estate (RRE)*, *transport - road* and *transport - shipping*, as disclosed in NAB's June 2024 Supplementary Climate Disclosures. NAB has now set and disclosed twelve decarbonisation targets in eight of the nine high-emitting sectors listed in the UNEP FI Guidelines.

Our 2024 Climate Report provides further updates on how we are delivering our strategy and supporting our customers to decarbonise and build resilience. NAB continues to act and to make progress on our roadmap to 2050 and to support our customers to take action too.

Jacqueline Fox
Chief Climate Officer

(1) For further information refer to https://www.csiro.au/en/research/environmental-impacts/climate-change/climate-change-information
(2) For further information refer to *Environmental financing ambition* on page 63.
(3) For further information on the assessment framework, including scope, sector boundaries and definitions, refer to *Customer Transition Plans* on page 28.
(4) For further information refer to *ESG risk-related policy and appetite settings* on page 26.

Overview

NAB has a key role to play in supporting Australia's transition to net zero. In 2024, we made further progress against our climate strategy and continued to lay the foundations for 2025 and beyond.

2024 Highlights

12
sector decarbonisation targets now set across 8 high-emitting sectors

$7.3bn
towards NAB's $80bn by 2030 environmental finance ambition

57%
reduction in NAB's operational Scope 1 and 2 (market-based method) GHG emissions compared with 2022

~8,000
colleagues supported with foundational climate training to date

For broader environmental, social and governance (ESG) and nature-related disclosures, refer to NAB's 2024 Annual Report.

For further information refer to *Metrics and targets*, pages 41 to 68.

Progress against our strategic priorities

Building on more than 20 years of support for customers on climate

	2022 - 2023	2024	2025 and beyond
Supporting our customers to decarbonise and to build resilience	• Exceeded 2025 $70bn environmental financing target set in 2015. • Launched Green Finance for Agribusiness. • Launched Green Finance for Vehicles and Equipment. • Launched carbon market capability. • Completed transition maturity assessment for 100 of our largest GHG-emitting customers.	• Established $80bn by 2030 environmental finance ambition. • Launched Green Finance for Commercial Real Estate. • Progressed Customer Transition Plan assessment framework.	• Ambition to achieve $80bn of environmental finance by 2030. • Continue to invest in our climate capabilities, advocacy and partnerships. • Requirements for Customer Transition Plans to be in place for in-scope lending and customers from 1 October 2025. Continue to mature approach over time. • Review sector decarbonisation targets at least every five years, in line with NZBA commitment. • Thermal coal mining exposures to be reduced to effectively zero(1) by 2030. • Target to use 100% renewable electricity by 2025. • Target to reduce Scope 1 and 2 (market-based method) GHG emissions by 72% against a 2022 baseline by 2030. • Align to upcoming mandatory reporting requirements. • **Ambition to achieve net zero across our financed and facilitated emissions, and operations by 2050.** This represents some of our key future goals and targets on the road to our net zero emissions by 2050 ambition.
Investing in climate capabilities	• >200 bankers completed climate training in partnership with Melbourne Business School (MBS) and launched bank-wide e-learning training. • Appointment of Chief Climate Officer. • Data science and engineering team established. • Completed first Climate Vulnerability Assessment for APRA.	• Almost 8,000 colleagues have completed our Climate Foundations training and over 10,000 completions of sector specific training. • Invested further in climate data foundations including physical risk analysis tools HomeID and FarmID.	
Investing in climate advocacy and partnerships	• Worked with the Australian Banking Association on its ISSB's draft sustainability standards submission. • Commissioned first "All Systems Go" report by Deloitte Access Economics. • Participated in the UNGC Think Lab on Just Transition. • Reviewed alignment of key industry associations' climate positions with NAB's climate strategy.	• Advocated for a just transition and important issues related to the transition to net zero emissions by 2050. • Partnered with third party experts on climate research.	
Reducing financed emissions	• Published seven sector decarbonisation targets, with the first four including power generation, thermal coal, oil and gas and cement.	• Published five further sector decarbonisation targets, resulting in 12 sector decarbonisation targets now set across eight high emitting sectors.	
Reducing operational emissions	• Set new target for a 72% reduction in Scope 1 and 2 (market-based method) GHG emissions by 2030 from a 2022 baseline. • Set target to use 100% renewable electricity by 2025.	• 57% reduction in Scope 1 and 2 (market-based method) GHG emissions against 2022 baseline. • 95% of electricity sourced from renewables.	

Based on NAB's financial reporting year.

(1) 'Effectively zero' refers to the fact that NAB may still hold some exposures to thermal coal in 2030, only through residual performance guarantees to rehabilitate existing coal mining assets. These guarantees are excluded from the financed emissions coverage of NAB's thermal coal sector target. For the purposes of NAB's ESG-related settings, thermal coal exposure means direct exposure to customers and projects whose primary activity is thermal coal mining, based upon the recorded 1993 ANZSIC codes on a net EAD basis. EAD for these ESG-related settings include lending, derivatives, financial guarantees and performance guarantees for the rehabilitation of existing assets. It excludes metallurgical coal mining, diversified mining customers and transactional banking (including deposit services) that do not give rise to EAD and similar ancillary products and services. NAB's NZBA-aligned thermal coal sector decarbonisation target includes diversified mining customers with revenue >5% from direct sale of thermal coal and excludes metallurgical coal mining customers (who are included in the NZBA-aligned iron and steel decarbonisation target). For completeness, these NZBA EAD targets exclude transactional banking (including deposit services), risk management products and similar ancillary products and services. These products and services are not in scope of accepted approaches for net-zero aligned target setting.

Supporting customers to decarbonise and build resilience

Funding customer transition and commercial opportunities

2024 highlights

$7.3bn towards NAB's $80bn by 2030 environmental finance ambition

>$3bn Renewables finance provided to large scale projects

>$3bn Capital markets activities – green bond arranging and underwriting

$800m New lending via NAB Green Finance for CRE, Vehicles & Equipment and Agribusiness

#1 Australian bank for global renewables transactions[1]

80% Renewables proportion of NAB's total energy generation finance

94 Green, social, sustainability and sustainability-linked customer bond and loan transactions supported

1st NAB acted as Joint Lead Manager and Joint Structuring Advisor on Australia's first Sovereign Green Bond

(1) Rankings based on IJGlobal League Table MLA, Renewables, both cumulative data from 1 January 2010 to 30 September 2024 and for the 12 months ending 30 September 2024.

For further information on NAB's environmental finance ambition, refer to page 63.

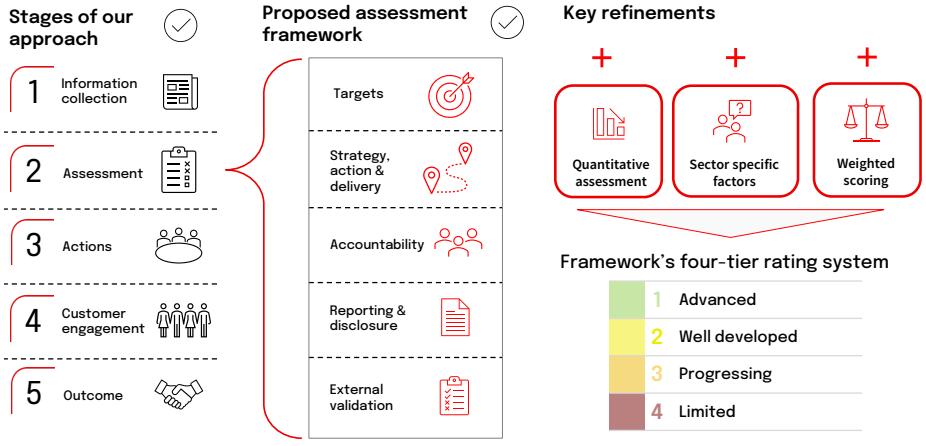
Update on our approach to Customer Transition Plans

In 2021, we commenced work to understand the transition maturity of 100 of our largest GHG emitting customers. This work was completed in 2023 and provided the foundations to develop our proposed Customer Transition Plan (CTP) approach and initial assessment framework, for Corporate and Institutional Banking customers in certain sectors. Details on a proposed framework were initially included in NAB's June 2024 Supplementary Climate Disclosures. An external review has since been completed and refinements made as part of the progress towards our 1 October 2025 implementation date.

Updates

External review completed in August 2024 and helped to refine how the framework will be applied by incorporating:

- A quantitative assessment of emissions reduction performance[1].
- Sector specific factors.
- Weighted scoring approach.
- Four-tier rating system.



Next steps

Ahead of the 1 October 2025 implementation, NAB intends to focus on operationalising the assessment of Customer Transition Plans and completing assessments for in-scope Corporate and Institutional Banking customers.

From 1 October 2025, while an in-scope customer does not have a Customer Transition Plan in place, or is unable to demonstrate progress beyond an overall rating of "Limited", the Company will not provide new or renewed corporate, project, or trade finance facilities or facilitate capital markets activities[2].

For further information on our Customer Transition Plans, refer to pages 28 to 29.

(1) Scope 1 and 2 only for power generation and oil and gas. For metallurgical coal, the pathway includes Scopes 1, 2 and 3, however it is expected that most customers report Scope 1 and 2 only.

(2) Excludes transactional banking (including deposit services), risk management products and similar ancillary products and services. In the context of Customer Transition Plans, capital markets activities means all types of bonds, syndicated loans and US Private placements. It excludes advice or services to a customer by JBWere.

Investing in climate capabilities

Colleagues

Bank-wide foundational awareness and specialised role-specific climate training in partnership with Melbourne Business School.

Almost 8,000 colleagues have completed our Climate Foundations training and over 10,000 completions of sector specific training to date.

Ongoing investment in management and Board capability.

Data and technology

Development of a Climate Data Ecosystem to improve the quality of monitoring and reporting.

Investing in building data and analytical capabilities through climate risk tools FarmID and HomeID.

Entering into partnerships and investing to develop additional capability to support our customers.

For further information refer to pages 13 and 19.

Reducing financed emissions

2024 updates:

- 12 decarbonisation targets in eight high-emitting sectors now set.
- Estimated target coverage of approximately 71% of financed emissions arising as a result of NAB's total lending[1].
- Inclusion of facilitated emissions in targets for fossil fuel sectors (power generation, thermal coal and oil and gas).

For further information on our financed emissions targets refer to pages 41 to 62, and financed emissions coverage methodology on page 89.

Reducing operational emissions

2024 updates:

57% reduction in Scope 1 and 2 (market-based method) GHG emissions against a 2022 baseline.

95% of electricity sourced from renewables.

Engaged with select suppliers representing 39% of NAB's qualified Scope 3 emissions to understand their transition plans and emissions profile and explore opportunities to reduce NAB's emissions from these activities.

For further information on our operational emissions, refer to pages 64 to 68.

(1) Excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions. Figure as at June 2023.

Risk management

Updated ESG-related settings

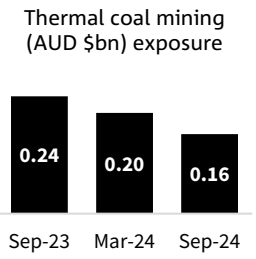
As part of its annual review process, NAB is updating its coal, oil and gas ESG-related policies and risk appetite settings. This includes new settings related to:

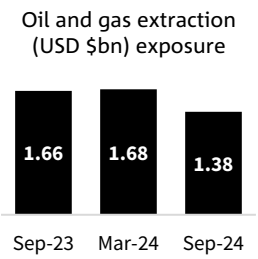
- Fossil-fuel related infrastructure.
- Oil and gas expansion.
- Metallurgical coal mining.
- Capital markets[1] products and services.

For further information refer to page 26 to 27.

Thermal coal and oil and gas extraction exposures

Thermal coal and oil and gas extraction exposures are monitored in accordance with ESG-related policy settings.





For further information of included exposures, refer to pages 22 to 33.

Climate-related scenario analysis

NAB uses climate-related scenario analysis to help inform its strategy, risk appetite and risk management.

In 2024, we incorporated a drought scenario in our Internal Capital Adequacy Assessment Process (ICAAP) and further progressed the development of our FarmID and HomeID tools.

Assessing physical climate risk

Australian agribusiness customers

FarmID

Invested in enhancing the geospatial data capabilities in our FarmID tool, intended to provide granular data for location, land use and climate considerations.

Australian home lending customers

HomeID

Further expanded HomeID, physical risk analysis tool for the home lending portfolio so NAB and our customers can make more effective decisions in response to the potential physical risk impacts arising from climate change.

For further information on FarmID and Home ID, refer to pages 32 to 33.

(1) Capital markets activities means all types of bonds, syndicated loans and US private placements. It excludes advice or services provided to a customer by JBWere.

Strategy

Climate strategy

NAB's climate strategy is aligned to our strategic ambition. Climate change is a significant risk to the planet and a major challenge for society to address. Beyond this risk, there is an immense economic opportunity as the world transitions to a low-carbon future. We are working with customers as they decarbonise, adapt and build resilience, while pursuing new climate opportunities for a prosperous future.

NAB is seeking to act as a catalyst for climate action through the financing we provide and the insights we share with customers. This approach is underpinned by core beliefs including:

- Climate transition can create growth for the economy.
- Management of climate transition is core to our business, not an adjacency.
- Our approach is relationship-led, supported by strong enabling capabilities.
- Sector decarbonisation targets should be science-based.

Our climate strategy aims to maximise the climate transition's economic benefits for customers, NAB and the community, and to help achieve emissions reduction consistent with a maximum temperature rise of 1.5˚C above pre-industrial levels by 2100. Since our climate strategy was released in 2022, we have leveraged our strength as a relationship-led bank, with the aim to support customers to reduce their emissions and finance associated opportunities. Our climate initiatives span our Business and Private Banking, Personal Banking, Corporate and Institutional Banking divisions and BNZ.

NAB's climate strategy also captures our operational emissions targets, which includes our international offices, in addition to the capability of our colleagues to support our customers through the transition.

Figure 1: NAB's climate strategy priorities

Supporting our customers to decarbonise and to build resilience

- Funding customer transitions and commercial opportunities.
- Supporting customers with their transition plans.
- Connecting customers to carbon capital markets and sustainable investments.
- Financing and investing in new industries contributing to the sustainable energy supply chain.
- Providing measurements, insights and advice to customers to help them understand their climate transition needs and opportunities to reduce their emissions.

Investing in climate capabilities

- Investing in colleagues.
- Investing in data and technology.
- Investing in risk management.

Investing in climate advocacy and partnerships

- Progressing climate-related research and thought leadership including with community partners.
- Supporting 1.5°C-aligned climate advocacy through industry associations and memberships.
- Working with government, industry and community stakeholders on public policy that supports the transition to net zero emissions by 2050.

Reducing financed emissions

- Investing in colleagues, processes and technology to support emissions monitoring and achieving targets.
- Member of Net Zero Banking Alliance.
- Setting sector decarbonisation targets, prioritising emissions-intensive sectors, where there is sufficient data availability and quality.

Reducing operational emissions

- Target: source 100% renewable energy by 2025.
- Reducing operational footprint through emissions avoidance and reduction, offsetting residual emissions.

Supporting our customers to decarbonise and to build resilience

Climate action is everyone's job. We will play our part by working to provide customers with the financing, insights and support they need to transition and achieve their goals.

Funding customer transition and commercial opportunities

NAB is actively working to support customers across a broad range of sectors, of different business sizes, and with different goals and needs. We have products and solutions to support our customers as they are making investments in sustainability for a better future towards 2030 and beyond. In 2024, NAB established a new environmental finance ambition of $80 billion for the period 1 October 2023 to 30 September 2030. For further information refer to our *Environmental finance ambition* on page 63.

Supporting our large corporate and institutional customers

NAB's products provide corporate and institutional customers with solutions to assist them in achieving their sustainability objectives, including environmental outcomes. We offer a wide range of sustainable finance and investment options, which include Green bonds, Sustainability bonds, Sustainability-linked loans and bonds, Green loans, sector specific propositions such as NAB Green Finance for CRE and markets solutions such as carbon trading and ESG derivatives.

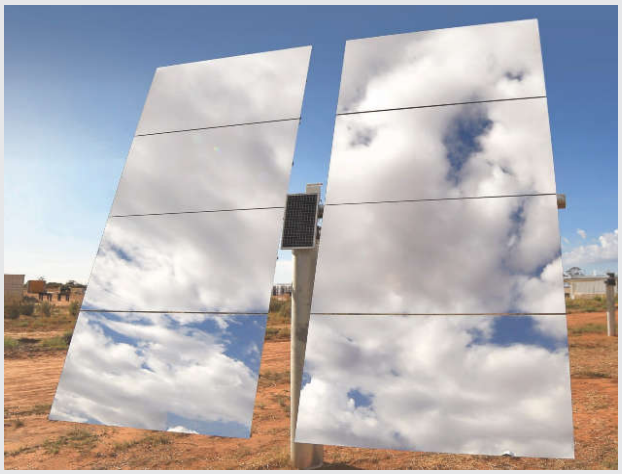
In 2024, NAB has been recognised as Australia's leading bank for project finance to the global renewable energy sector(1). Renewables now make-up 80% of the total finance that NAB provides to energy generation, up from 73% in 2023(2). NAB has provided $3,235 million of lending to large scale renewables projects, and $3,266 million in Green Bond arranging and underwriting.

Case study: Uungula windfarm

NAB's lending to renewable energy customers is linked to continued growth in renewable projects globally. In Australia, continuing to support these customers will help Australia meet its 2030 renewable energy target of 82% and aligns with the Australian Energy Market Operator's Integrated System Plan 2024, which outlines that installed grid-scale wind and solar renewables needs to grow from around 21GW in 2022-23 to over 55GW in 2030-31.

NAB is supporting customers in the renewable energy sector. In 2024, this included financing and supporting the development of Squadron Energy's Uungula Wind Farm in New South Wales. Once completed, the 69-turbine wind farm is expected to generate enough electricity to power more than 220,000 homes and prevent more than 560,000 tonnes of carbon emissions annually.

Case Study: The first Australian Sovereign Green Bond



Sovereign Green Bonds help boost the scale and credibility of a country's green finance market and attract more green capital to that country by increasing transparency around climate outcomes and the volume of green investments available.

In April 2023, the Australian Government announced it would develop a Green Bond Framework and seek to issue Australia's first Sovereign Green Bond by mid-2024.

In July, NAB was mandated as one of two joint structuring advisors to assist the Australian Government and Australian Office of Financial Management (AOFM), before being announced in March 2024 as a Joint Lead Manager of the bond issuance alongside four other banks.

After extensive domestic and international investor engagement, in June 2024 NAB supported the Australian Government to issue its inaugural AUD $7 billion Green Bond, the biggest Green Bond ever issued in the Australian market.

The Australian Government expects that the projects supported by the bond will deliver significant environmental benefits, including lowering greenhouse gas emissions, increasing Australia's renewable energy production and bolstering our biodiversity conservation, restoration and adaptation, and NAB played a pivotal role.

(1) Rankings based on IJGlobal League Table MLA, Renewables, cumulative data from 1 January 2010 to 30 June 2024 and for the 12 months ending 30 September 2024.
(2) Figure is at 30 September 2024. NAB methodology (based upon the 1993 Australian and New Zealand Standard Industrial Classification (ANZSIC) codes) on a EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where the majority of their generation activities are sourced from renewable energy.

Supporting customers with their transition plans

Customers progressing their transition plans will support NAB's sector decarbonisation targets, and helps NAB to understand what products or services our customers may need.

In the 2023 Climate Report we detailed our intention to require a Customer Transition Plan to be in place from 1 October 2025 for new or renewed corporate lending or project-level lending[1] for Corporate and Institutional Banking customers in the power generation, oil and gas and metallurgical coal sectors[2]. In NAB's June 2024 Supplementary Climate Disclosures, we detailed our intention to extend this same requirement to NAB's capital markets activities[3] for customers in these sectors. NAB has now developed an assessment framework to support the review of Customer Transition Plans and engagement with customers on their actions and progress. For further information refer to *Customer Transition Plans* in the *Risk Management* section on page 28.

Supporting our corporate, small and medium-sized enterprises (SMEs) and agribusiness customers

As Australia's largest business lender[4], NAB plays an important role in helping Australian business and Agribusiness customers transition towards a more sustainable future with commercial solutions to assist them, leveraging the significant economic and environmental opportunities associated with reducing emissions. In 2024, NAB provided $799 million in new lending to our business customers through our three green labelled lending propositions - NAB Green Finance for CRE, NAB Green Finance for Vehicles and Equipment and NAB Green Finance for Agribusiness.

NAB Green Finance for CRE

In February 2024, NAB launched Green Finance for CRE to support investment in the acquisition and ownership of low-emissions buildings, the development of low-emission buildings as well as major retrofit projects for building performance upgrades that are designed to achieve a reduction in operating emissions intensity[5].

NAB Green Finance for Vehicles and Equipment

NAB Green Finance for Vehicles and Equipment supports Australian businesses to invest in solutions which may improve operational efficiency and reduce their emissions. These can include electric and plug in hybrid vehicles, electric trucks and buses, renewable energy generation equipment (including solar panels), sustainable agricultural equipment, waste management and recycling equipment and manufacturing equipment dedicated to zero emission technology.

NAB Green Finance for Agribusiness

NAB Green Finance for Agribusiness assists Australian farmers through financing of eligible on-farm projects and practices such as on-farm solar projects, establishing trees to generate on-farm benefits, projects to reduce emissions from fertiliser use, land management changes to increase ground cover and crop or pasture diversity, and controlled traffic cropping systems to improve soil and water conservation.

Case study: Alceon Group

Many commercial real estate businesses across Australia are opting to retrofit existing buildings to reduce their emissions footprint by lowering building operational emissions and reduce their operating and energy costs.

Alceon Group is a specialist property fund manager managing the retrofit of an iconic Brisbane building which is intended to house a Queensland Government tenant. The building currently has a 0-star NABERS rating, and has a 5-star performance target, expected to reduce building emissions by over 80%.

The retention of the existing building structure during the recent repurposing and refurbishment of the building is expected to save over 6,000 tonnes of embodied carbon. The retention of the existing form also served a broader social role in preserving the local history of a prominent and familiar landmark.

NAB supported Alceon with this project by providing NAB Green Finance for CRE to finance this project.

(1) This includes (i) lending at a corporate level (for example, general facilities made available to the parent company of a group of companies), (ii) at a project-level (that is on an individual project basis for a specific project purpose), and (iii) trade finance.
(2) Referenced sectors are consistent with sector definitions used for NAB's target setting emissions baseline, although metallurgical coal forms part of the iron and steel sector. For further information refer to the *Supporting information* section. NAB does not intend to apply this requirement to customers in the thermal coal sector because NAB has set a target to reduce financed emissions for this sector to zero by 2030 (for further information refer to the *Thermal coal* sector target on page 49).
(3) Capital markets activities means all types of bonds, syndicated loans and US private placements. It excludes advice or services provided to a customer by JBWere.
(4) Market share of APRA Business Lending (excluding Financial Institutions, Government, and Community) at September 2024. For further information refer to https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics.
(5) For further information refer to NAB's June 2024 Supplementary Climate Disclosures. NAB Green Finance for CRE forms part of the NAB Green Business Lending Framework and uses independent NABERS and Green Star ratings to assess the environmental performance of buildings.

Case study: Dyers Distribution

The transport sector is critical to the movement of materials, products, and people, and contributes materially to Australia's GDP and employment. Helping businesses shift to lower emitting travel options as well as operational and technical energy efficiency measures can help reduce the carbon intensity of all transport modes on the path to net zero emissions by 2050.

In 2024, NAB supported distribution and logistics company Dyers with Green Finance for Vehicles and Equipment to purchase 30 new electric forklifts for use in its warehouse. This helped Dyers reduce its operational emissions and improve its operational efficiency.

NAB Green Finance for Vehicles and Equipment can assist customers in upgrading their existing vehicles and equipment to more efficient models.

Case study: Tiverton Agriculture Impact Fund

Farmers are increasingly adopting profitable, sustainable, and regenerative farming practices.

NAB Green Finance for Agribusiness is a tailored proposition supporting agribusiness customers to invest in eligible on-farm practices and technologies, reduce their operational emissions, and build resilience against climate-related risk.

The Tiverton Agriculture Impact Fund (Tiverton) aim to implement sustainable farming practices that improve the resilience of agricultural production to climate risks alongside improved outcomes for biodiversity. With the help of NAB Green Finance for Agribusiness, they do this through undertaking proven soil health practices such as the use of organic fertiliser and cover cropping whilst also setting aside and investing in land for conservation of threatened species.

Case study: Salta Properties

The demand for energy-efficient commercial properties is growing, with the sector accounting for about 25% of overall electricity use and 10% of the nation's total carbon emissions.

NAB partnered with Salta Properties to provide the first NAB Green Finance for CRE loan in Victoria.

The building, a mixed-use office and retail project called Industry Lanes, is located in the inner-Melbourne suburb of Richmond. The sustainability features of Industry Lanes included air-cooled heat pumps for heating, ventilation and air conditioning, rainwater collection and storage, CO_2 sensors for improved ventilation, and motion sensor controls for lighting public areas including amenities, lobbies, car parking, and for back-of-house areas, plant rooms and stairwells.

The features helped Industry Lanes quickly attract high-calibre tenants, with the project now 98 per cent leased. They also enabled the project, co-owned by Salta and Abacus Group, to achieve a 5-star Green Star rating from the Green Building Council of Australia, reflecting its sustainability performance.

Supporting individuals and Australian families

NAB is continuing to develop solutions with the aim of supporting individuals and families across Australia to help reduce their emissions. In 2024, NAB entered a strategic partnership[1] with fintech lender Plenti Group Limited (Plenti), combining NAB's brand and deep customer relationships with Plenti's award-winning consumer finance experiences, efficiency and technology. In September 2024, Plenti and NAB announced that their first product under their strategic partnership, the NAB Car Loan 'powered by Plenti', was made available to NAB's Personal Banking customers and can be used to finance the purchase of internal combustion engines, hybrid or electric vehicles[2].

Connecting customers to carbon markets and sustainable investments

Carbon markets

Carbon markets can play a key role in helping customers achieve their climate ambitions, particularly for those companies operating in hard-to-abate industries. In 2023, NAB launched its carbon markets capability providing risk management solutions across domestic and international markets to support customers' carbon and renewable energy needs. Supported products include Australian Carbon Credit Units (ACCU), Large Scale Generation Certificates (LGC) and European Union Allowances (EUA).

This follows the development of Carbonplace, a carbon credit settlement platform jointly developed by NAB and some of the world's largest financial institutions, to support the development of the voluntary carbon market. While these capabilities will take some time to be fully developed and scaled, we believe they will play a key role in supporting our customers achieve their climate ambitions.

Sustainable investments

NAB acts as lead manager on green, social, sustainability and sustainability-linked (GSSS) bonds issued by customers, providing sustainable investment opportunities for domestic and international investors (for further information refer to *Environmental finance ambition* on page 63).

Capital markets activities

NAB continues to support a broad range of global issuers including sovereigns, semi-sovereigns, local governments, financial institutions, corporates, social housing providers and securitisation funders to develop their own sustainable debt issuance programmes and issue into global sustainable debt markets. Over the past 12 months, the Group continued to support customers across the United States, the United Kingdom, Europe, Asia, New Zealand and Australia issue in sustainable debt format to support their own climate transition and decarbonisation activities, and provide sustainable investment opportunities for global investors. In 2024, the Group supported customers to bring a total of 94 labelled GSSS bond and loan transactions to market, which have raised over $80 billion[3].

NAB Green Bond issuance

NAB has been an Australian market leader in GSSS bond issuance since becoming the first Australian bank issuer of a Certified Green Bond under the Climate Bonds Standard in 2014. NAB Green Bonds provide an opportunity for investors to direct capital towards projects and assets which may contribute towards the objectives of the Paris Agreement or address environmental challenges. In August 2024, NAB issued a 5.5-year EUR 1.25 billion senior unsecured Green Bond, certified under the Climate Bonds Standard. To date, NAB has issued six Climate Bonds Initiative (CBI) certified Green Bonds and two CBI certified green Residential Mortgage-Backed Securities (RMBS). For further information on NAB's Green Bond issuances refer to NAB's capital and funding website at capital.nab.com.au/green-and-sri-bonds.

Providing measurements, insights and advice to help customers understand their climate transition needs and opportunities to reduce emissions

In 2024, NAB further invested in the development of capabilities to help our business and personal customers with climate-related measurements and insights. These investments included the development of a decarbonisation platform focused on assisting SME and commercial customers to accelerate their decarbonisation journey. For further information refer to *Investing in climate capabilities* on page 13. While these capabilities will take some time to be fully developed and scaled, as data accuracy and availability improve, we believe these will play a key role in supporting our customers.

(1) For further information refer to https://announcements.asx.com.au/asxpdf/20231128/pdf/05xw8l3hx40nh3.pdf
(2) For further information refer to https://www.plenti.com.au/newsroom/nab-powered-by-plenti-customer-launch/
(3) The total NAB labelled GSSS bond and loan transactions reflect the AUD equivalent of the total transaction amounts, and not NAB's pro-rated share across all transactions.

Investing in climate capabilities

We are investing in our capabilities, including in our colleagues, data, technology and innovation, to realise our ambition to be a catalyst for climate action and support efforts to limit global warming to a maximum temperature rise of 1.5˚C.

Investing in colleagues

As a relationship-led bank, a key priority is developing banker climate knowledge, skills and capabilities. We are continuing to:

- Provide colleagues with foundational knowledge and awareness.
- Facilitate specialised training to relevant colleagues.
- Build management and Board capability (for further information on Board capability refer to the *Governance* section on pages 18 to 21).

In 2023, NAB launched the NAB Climate Learning Series, a partnership with Melbourne Business School's Centre for Sustainability and Business that aims to equip bankers with climate knowledge and confidence to support our customers to decarbonise and transition. The series comprised of four climate learning programs providing colleagues with subject matter expertise and insights. Since the launch of the Climate Learning Series, almost 8,000 colleagues across NAB have completed the first program Climate Foundations. A further three additional sector-specific programs were launched to focus on the Transport, Agriculture, and Real Estate (commercial and residential) sectors, which contribute significantly to national carbon emissions and represent significant customer exposure. Across the three additional sector-specific programs, there have been over 10,000 completions by colleagues to date.

In 2024, a refreshed climate risk module was rolled out as part of NAB's annual risk awareness training for colleagues. This included a case study to help colleagues better understand and recognise climate risk (both transition and physical risk) in a customer context. The module was mandatory for certain risk and customer-facing colleagues and voluntary for others. Since its launch, close to 16,000 colleagues have completed it across NAB.

Investing in climate data and technology

To maximise transition benefits for customers and manage climate risk, we need to be able to measure customer-level GHG emissions. Since 2023, NAB has invested in technology to build capability, via the creation of a dedicated Climate Data Science and Engineering team. This team helps inform the development of decarbonisation targets across customer facing business units as well as the management of physical risk (for further information on 'Farm ID' and 'Home ID' refer to *Using climate-related scenarios* in the *Risk management* section on page 32).

NAB continues to enhance its reporting and monitoring capabilities to enable our business units to track, analyse and forecast financed emissions on a regular basis. Investment in data and analytics has extended beyond financed emissions into understanding possible impacts of climate change on NAB's diverse customer base. As our capabilities mature, we intend to develop insights which could be provided to customers to support them with their individual abatement and adaptation efforts.

Investing in innovation

In 2023, a climate investment capability was established, to provide equity funding to innovative early-stage companies, joint ventures, partnerships and new businesses with the potential to accelerate our climate capability and support our customers to successfully transition. This includes investments in climate data measurement, reporting and verification, transition planning, abatement and adaptation as well as in our ability to provide our customers with access to fulfilment and capital to support their carbon markets activity.

A standalone Climate Investment Committee was established to help oversee equity investments and ensure alignment with our climate strategy. NAB has invested in the development of a digital decarbonisation platform to assist SMEs and corporate customers to accelerate their decarbonisation journey. NAB has also invested in AgTech innovation to support the research, development and scaling of promising technologies to reduce on-farm emissions, with BNZ's investment in AgriZeroNZ, which will help drive insights and innovation in livestock decarbonisation[1].

In addition to the establishment of the climate investment fund and the above investments, in 2023, NAB partnered with CoreLogic to trial the RapidRate tool which uses AI to estimate the energy performance of existing homes and applies a NatHERS rating to the home.

(1) Shares in AgriZeroNZ are held by National Australia Group (NZ) Limited, BNZ's holding company. For further information on AgriZero refer to BNZ's climate reporting at www.bnz.co.nz/about-us/sustainability/reports

Investing in climate advocacy and partnerships

We are investing in climate advocacy and partnerships to realise our ambition to be a catalyst for climate action and support efforts to limit global warming to a maximum temperature rise of 1.5°C.

NAB continues to work with a range of parties, including universities, research initiatives, start-ups and other corporates, to understand how to best support and advocate for Australia's climate transition, reduce emissions and build climate resilience.

Partnering for climate research

NAB is an advocate for Australia's transition to a low-carbon economy and understands the importance of developing expertise and knowledge through dedicated research and partnerships that can benefit our customers and the community.

In 2024, NAB invested in the Macdoch Foundation Farming for the Future research into the relationship between farm natural capital and business resilience. This research program is designed to support farmers to make informed and strategic decisions about their natural capital investments including to enhance resilience to climate change. For further information refer to NAB's 2024 Annual Report.

Additionally, between 2021 and 2024 the NAB Foundation provided $2 million to Greening Australia and the World Wide Fund for Nature Australia for their Climate Ready Restoration project developing nature-based solutions to natural disaster mitigation. For further information refer to NAB's 2024 Annual Report.

Climate change advocacy

NAB advocates on important issues related to climate change and the transition to net zero emissions by 2050 through direct consultation with our customers, government and other stakeholders; participation in industry round tables; and through contribution to the Australian Banking Association and other industry association submissions and statements. This includes issues such as sectoral pathways, sustainable finance, emissions reduction, energy efficiency and electrification, climate disclosure and consistent reporting regimes, managing climate risk, just transition for workers and communities, natural disasters, climate resilience and biodiversity.

In 2024, this included activities in relation to:

- Department of Agriculture, Fisheries and Forestry consultation into development of an *Agricultural and Land Sectoral Plan*.
- Department of Treasury consultations on *Australia's Sustainable Finance Strategy* and on *Climate-related Financial Disclosure: Exposure Draft Legislation*.
- Australian Sustainability Reporting Standards Boards consultation on *Exposure Draft (ED SR1)-Disclosure of Climate-related Financial Information*.
- Department of Climate Change, Energy, Environment and Water *National Adaptation Plan Issues Paper*.
- Climate Change Authority's *2024 Issues Paper: Targets, Pathways and Progress*.
- Australian Sustainable Finance Initiative (ASFI) consultation on draft sustainable finance taxonomy, as well as a role on ASFI's Taxonomy Technical Expert Group.

Supporting a just transition

Given NAB's role in communities where we and our customers live, work and operate, NAB has an important part to play in planning for and supporting economies' and communities' transition to a net zero world. It is critical that we help ensure this transition is not only environmentally responsible but also inclusive and fair for all: workers, communities, affected and vulnerable populations, and future generations.

The economic resilience of our regional communities is particularly important to ensure the benefit and burden of the transition is shared.

In 2023, we outlined NAB's guiding principles which help guide our role over time in support of a just and inclusive transition. Table 1 outlines these guiding principles as well as details of our highlights in 2024 including the initiatives and activities we have undertaken both internally and externally.

NAB will continue to engage, including through our membership of the United Nations Global Compact Network Australia (GCNA), to iteratively develop these principles and collaborate on initiatives, particularly those that focus on the implications for the corporate sector and financial institutions in Australia.

Table 1: NAB's guiding principles for a just and inclusive transition and progress in 2024

Principle	Details	Highlights in 2024
Build awareness and advocate	• Initiatives and activities to raise awareness and build understanding of the social dimensions in the transition. • Identifying opportunities to include considerations around just transition in policy advocacy activities.	• Hosted a Women in Sustainable Finance panel on just transition. • Sponsored and participated in a United Nations GCNA *Uniting Business Live Conference* plenary session on *Australia's actions for a just transition*. • Just transition considerations included in NAB's submissions to government consultations (for further information refer to *Investing in climate advocacy and partnerships* on page 14).
Operationalise just transition	• Embedding just transition as an important factor of climate strategy. • Improving understanding of how just transition considerations can be better embedded in ESG due diligence, decision making and product development processes. • Empowering colleagues to raise questions and concerns to better inform the overall approach.	• Just transition considerations included as a factor in NAB's Customer Transition Plan assessment framework (for further information refer to *Customer Transition Plans* on page 28). • Maintained a dedicated human rights grievance mechanism with instructions in multiple languages to enable representation and generate dialogue, including in relation to transition impacts (for further information refer to the Respecting human rights section in NAB's 2024 Annual Report).
Engage and develop partnerships	• Engaging across sectors, customers and governments. • Seeking to collaborate through partnerships with key stakeholders to facilitate a cohesive, comprehensive, and inclusive transition.	• NAB Foundation partnership with Australian Business Volunteers established to develop a pilot regional economic resilience program. • Commenced participation in a Climate Finance Asia-convened facility-level just transition working group, with the support of the Growald Climate Fund and Sumitomo Mitsui Banking Corporation. The working group aims to present practical facility-level guidance that can be incorporated into financing policies.
Improve transparency	• Importance of including just transition considerations and social dimension in climate-related reporting.	• Continuing to mature how we engage on just transition and how we report our progress.

Reducing financed emissions

NAB is working to reduce the emissions attributable to our financing, aligned with pathways to net zero emissions by 2050.

Our approach is to:

- Understand the emissions attributable to our lending and investment activities.
- Set sector-level decarbonisation targets to achieve an overall reduction in our attributable financed emissions, prioritising emissions-intensive sectors.
- Mobilise investment in colleagues, processes, technology and partnerships that will support us in achieving our targets.
- Monitor and manage portfolio financed emissions in sectors where targets have been set.

We recognise the most significant impact we can have on emissions reduction is through the finance we provide, and by training our bankers so that they can support customer decarbonisation ambitions.

Member of Net Zero Banking Alliance

In 2021, NAB joined the NZBA, an industry-led, UN-convened alliance bringing together a group of leading global banks committed to transitioning their lending and investment portfolios to align with pathways to net zero emissions by 2050.

As part of our NZBA commitments, our decarbonisation targets will be reviewed and updated as required, and at least every five years in the lead up to 2050. The decarbonisation targets may be reviewed and updated more frequently where significant circumstances warrant. This approach recognises the inherent uncertainty and complexity in setting medium and long-term targets, and amongst other things, the dependency the finance sector has on customers progressing their own transition plans and, in Australia, the dependency on the overall decarbonisation of the electricity grid.

Decarbonisation targets

NAB has set decarbonisation targets in eight of the nine high-emitting sectors identified by the NZBA and has deferred setting a target for the ninth sector, agriculture, in the short term. NAB estimates that our sector decarbonisation targets cover approximately 71% of financed emissions arising as a result of NAB's total lending portfolios(1) and approximately 84% of our financed emissions arising from NAB's total lending(1) to the nine high-emitting sectors(2). For further information, refer to the *Metrics and targets* section on pages 41 to 62.

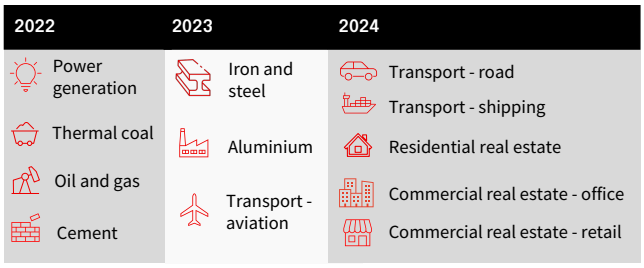
NAB continues to work to increase the scope and boundaries of its targets. Key changes this year are:

- The inclusion of facilitated emissions targets for fossil fuel sectors (power generation, thermal coal, oil and gas), in line with the updated UNEP FI Guidelines.
- The methodology for calculation of EAD has been revised to incorporate APRA's prudential standards for the revised capital framework (RCF).

The impacts of these changes were reflected in updated baselines and targets where applicable. For further information on design choices and methodology refer to the *Metrics and Targets* and *Supporting Information* sections.

To date, NAB has set 12 sector decarbonisation targets. NAB will update the market on its approach to decarbonising its agriculture portfolio in its 2025 reporting.

Figure 1: Sector targets set by NAB



Our financed emissions targets

For further information on each sector decarbonisation target refer to *Metrics and Targets* from pages 47 to 62.

(1) Excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions. Figure as at June 2023.
(2) Refer to the list of carbon intensive sectors located in NZBA targets-related *Financed emissions coverage estimation methodology* on page 89.

Reducing operational emissions

Reducing the footprint of our own operations is an important part of our climate strategy.

The majority of NAB's operational emissions are associated with energy used in buildings, and so we continue to focus on increasing renewable energy purchases as the primary approach to reducing operational emissions, as well as further building energy efficiency initiatives. This includes targets:

- To source 100% renewable electricity to cover our electricity consumption needs by 30 June 2025 (progress as at 30 June 2024 is 95.1%).
- To reduce Gross Energy use (GJ) by 30% by 30 June 2025 (progress as at 30 June 2024 is a 51% reduction against a 2019 baseline).

Additionally, our Scope 1 and 2 (market-based method) science-based GHG emissions reduction target[1] seeks to align to NAB's ambition to have net zero emissions by 2050 with the best available science and pathway for a 1.5˚C warming scenario above pre-industrial levels by 2100. In the 2024 environmental year:

- The Group progressed towards its 72% Scope 1 and 2 GHG emissions (market-based method) 2030 reduction target, having now decreased GHG emissions by 57% against a 2022 baseline.

The Group continues to play its part by reducing its own operational footprint through emissions avoidance and reduction, and then offsetting its residual emissions. NAB's Australian operations have been certified under the Climate Active Standard for Organisations since 1 July 2010. BNZ and JBWere NZ[2] are both Toitū net carbonzero organisation certified.

Our operational environmental performance and targets

For further information on our operational environmental performance and targets refer to *Reducing operational emissions* on pages 64 to 68.

(1) This target is science-based and has been developed using the SBTi target-setting tool and criteria. It has not been submitted to SBTi for validation.
(2) JBWere NZ was certified on 13 February 2024. The certification is valid until 29 November 2025. NAB completed the disposal of its New Zealand wealth businesses on 30 April 2024 from which point JBWere NZ ceased to be part of NAB's operational emissions boundaries.

Governance

Governance

Role of the Board and committees

The Board oversees ESG-related matters, including climate-related risks and opportunities.

Table 1: Role of the Board and Board committees

The Board	• Retains oversight of ESG-related matters including climate-related risks and opportunities. ESG considerations are integrated into business strategy, operations and risk management. • The Board receives reports on climate-related matters which may include strategy, goals and targets, risks and opportunities, ESG-related policies and risk appetite settings, environmental operational performance, scenario analysis and stress testing, climate-related regulatory change and reporting submissions and concerns raised by stakeholders. • In 2024, key climate-related matters presented to the Board included: – The 2023 Climate Report and climate disclosures for 2024, including progress updates regarding decarbonisation targets. – Sector decarbonisation targets and a new environmental finance ambition as disclosed in NAB's June 2024 Supplementary Climate Disclosures. – Risk appetite and related performance. – Updates on the Group's environmental performance and related regulatory reporting.
Board Audit Committee (BAC)	• The Board is supported by the BAC, which provides an objective, non-executive review and oversight of the effectiveness of the Group's financial and external reporting (including climate reporting). • BAC is responsible for oversight of the financial statements and for reviewing the adequacy of the financial and external reporting processes of the Group. As part of its oversight role, BAC reviews reports on how management satisfies itself that climate reports provide stakeholders with appropriate information to make informed decisions about the Group's performance and position related to climate-related matters.
Board People & Remuneration Committee	• The Board is supported by the Board People & Remuneration Committee in discharging its responsibilities relating to people and remuneration strategies, policies and practices of the Group, including sustainability-related risk and performance measures. In undertaking these activities, the Committee monitors how remuneration and performance frameworks are applied across the Group, particularly ensuring effective connections between risk management and remuneration outcomes. • The Committee considers the performance of the Group and makes a recommendation to the Board for the Group Variable Reward Plan. The Committee evaluates individual executive performance in the context of Group performance and recommends to the Board the fixed remuneration and variable rewards outcomes for the Group CEO, Group Executives and certain other senior executives.
Board Risk & Compliance Committee (BRCC)	• Ultimate accountability for risk oversight, risk appetite and risk management rests with the Board. The Board is supported by the BRCC which has responsibility for oversight of the Group's risk profile and risk management. This includes ESG risk, within the context of Board determined risk appetite. • The BRCC 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. • At most BRCC meetings in 2024, members received updates on sustainability risk, which included climate change matters. Climate-related risks were also considered in NAB's Risk Management Strategy, Risk Appetite and Risk Settings Statements, which the BRCC reviewed and endorsed to the Board, as well as the Internal Capital Adequacy Assessment Process document, which incorporated a climate change scenario for stress testing purposes.
Board Customer Committee (BCC)	• The BCC supports the Board with overseeing the importance given to the voice of the customer and the focus on customer outcomes at NAB. • The BCC received a demonstration on tools NAB is developing to support customers with decarbonisation and Directors met with customers to hear firsthand perspectives on decarbonisation transition.
Board Nomination & Governance Committee	• In 2024, the Board Nomination & Governance Committee and Board continued to prioritise increasing the combined capabilities of the Board on ESG topics including climate change through continuing education. This included sessions on climate transition (risks, opportunities, target setting methodologies and practices and disclosures) and nature-related risks more broadly (global developments in risk management practices, measurement and disclosures). Continuing education included engagement with external experts and customers.

Board capability

Each year, NAB assesses the skills and experience of each director and the combined capabilities of the Board.

To prepare the skills matrix, each director rates their skills, expertise and experience against several competency areas that are then mapped to the skills matrix. The self-assessment ratings and skills matrix are reviewed and calibrated by the Board Nomination & Governance Committee on behalf of the Board. In 2024, the Board assessed its combined skills and capabilities from an environmental and social perspective as strong.

Board and Board committees

For further information on the role of the Board and Board committees, and the Board's current skills matrix refer to the Corporate Governance Statement section of NAB's 2024 Annual Report.

Management's role in assessing and managing climate-related risks and opportunities

Led by the Group CEO, the members of the ELT have a key role in driving the implementation of NAB's climate strategy and in assessing climate-related risks and opportunities.

The Group Chief Financial Officer (CFO)[1] is accountable for advising on the execution of NAB's climate strategy (excluding BNZ), key climate-related innovation investment and climate-related goals and targets, including those related to the NZBA.

The Chief Climate Officer (CCO)[1], oversees and aligns NAB's strategic response by working closely with relevant Group Executives on their divisional climate strategies and NZBA sectoral implementation plans to achieve NAB's decarbonisation targets, bringing a coordinated approach. In addition, the CCO also engages with a sub-group of the ELT to ensure enterprise alignment on climate-related priorities and provides periodic reporting to ELT and the Board.

The Group Chief Risk Officer (CRO) is accountable for developing and co-ordinating the implementation of risk management strategies and frameworks for climate risk.

The Group Executive, Legal & Commercial Services[1][2] is Chair of the Sustainability Council, which is responsible for aligning activity across NAB and overseeing progress against NAB's broader sustainability goals and targets.

The Group Executive, Technology & Enterprise Operations is accountable for NAB's property portfolio, technology operations and supply chain management. This includes managing risks and opportunities associated with capital works and programs that can contribute to NAB's energy efficiency performance and GHG emissions profile. This includes the purchase of large-scale energy generation certificates and power purchase agreements to help the Group meet its operational renewable energy target.

The Group Executive, People & Culture is responsible for overseeing the Group's performance and reward framework. The Board is responsible for determining, assessing and approving the GPI, that inform the Group Variable Reward Plan outcomes.

Risk Governance

For further information on risk governance refer to the *Risk management* section of this Report and the Risk management section of NAB's 2024 Annual Report.

The Group has the following executive-level risk oversight committees, product and people committees which consider sustainability risk including climate.

Table 2: Executive committees	
Executive Risk & Compliance Committee (ERCC)	The ERCC, NAB's most senior executive-level risk committee, has oversight over the Group's management of financial risks and non-financial risks and emerging risks. In doing so, it is supported by its eight specialist risk oversight sub-committees. At most ERCC meetings in 2024, members received updates on sustainability risk, which included climate change matters.
Group Credit & Market Risk Committee (GCMRC)	The GCMRC is an executive level risk oversight committee which has oversight of credit, market risks and ESG risks, and the Group's environmental compliance and performance.
Group Asset & Liability Committee (GALCO)	The GALCO is an executive level risk oversight committee which has oversight of financial risks including Funding & Liquidity risk, and Capital risk. This includes oversight of Climate risk where it has direct impact on capital calculations.
Enterprise Product Committee (EPC)	The EPC is an executive level management committee that evaluates new and existing product offerings, including sustainable finance products and their appropriateness for our customers.
People & Culture Executive Committee (PCEC)	The PCEC is an executive level oversight committee which has oversight on people and culture matters. This includes oversight on the Group's remuneration and performance framework, which incorporates sustainability-related risk and performance measures.

For further information on risk oversight committees refer to the *Risk Management* section on page 22.

(1) In 2024, the CCO reported to the Group CFO. From 1 October 2024, the CCO will report to the Group Executive, Customer & Corporate Services. Therefore, certain Climate accountabilities will move to the Group Executive, Customer & Corporate Services from 2025.
(2) Effective 1 October 2024, Legal & Commercial Services was renamed to Customer & Corporate Services.

Climate-related management groups and forums

The Group has established a number of executive level groups and forums designed to drive enterprise collaboration, alignment and visibility on strategy, innovation, opportunities, execution activities and emerging risks (refer to table 3 below)[1]. The chairs of the below groups and forums provide periodic reporting to the ELT and Board and have the power to refer matters of significant importance to the Group CEO, relevant Financial Accountability Regime (FAR) accountable persons or the ELT.

Table 3: Climate-related groups and forums

Sustainability Council	**Chair**: Sharon Cook, Group Executive, Legal & Commercial Services[1] **Remit**: NAB's over-arching strategic direction as it relates to sustainability performance. Considers stakeholder expectations and NAB's voluntary obligations.
Group Climate Governance Forum	**Chair**: Jacqueline Fox, Chief Climate Officer **Remit**: Drive collaboration, alignment, and visibility across NAB on strategy, innovation and opportunities and execution activities related to climate change and the transition to a low carbon economy.
Climate Investment Committee	**Chair**: Jacqueline Fox, Chief Climate Officer **Remit**: The advisory committee, which reviews and endorses potential climate investment proposals, and where appropriate, recommends these investments for approval to the NAB Ventures Board.

(1) Effective 1 October 2024, Legal & Commercial Services was renamed to Customer & Corporate Services.

NAB's performance framework

The Group's performance, including that of the Group CEO, is assessed on achievement of financial and non-financial measures as set out in the GPI scorecard. The GPI is linked to the Group's key strategic priorities, and has regard to a qualitative assessment of risk, quality of performance (including consideration of financial, sustainability and customer outcomes and progress made against strategy) and any other matters as determined by the Board.

When determining the GPI outcome, the Board retains discretion to adjust the final outcome based on a consideration of qualitative factors including progress on sustainability matters. This includes climate change, support for customers (including affordable housing, First Nations affairs, customers experiencing vulnerability and scam and fraud prevention), and community initiatives.

As part of our governance process, the GPI outcome may be modified by the Board due to unsatisfactory risk or conduct findings. The Group Risk Performance assessment, undertaken by the Group CRO, reviews the Group's practices, including through the lens of conduct and risk, with findings presented to the Board and the BRCC.

For specific Group Executives, sustainability-related measures are included within their individual performance scorecards, including progress against NAB's environmental finance ambition, and progress against existing 2030 sector decarbonisation targets and establishing new targets. Colleagues' individual performance measures may also contain sustainability goals and performance indicators where relevant to their roles (for example, within teams focused on executing the Group's climate strategy).

Together with our financial measures, our non-financial performance objectives seek to reinforce the link between individual performance and remuneration outcomes with the delivery of our strategy, and the achievement of sustainable long-term performance that create value for all stakeholders.

Annual variable reward

For further information on about how ESG risks are reflected in the GPI and how the annual variable reward is calculated, together with a qualitative assessment of other factors and individual performance refer to the Remuneration Report in NAB's 2024 Annual Report.

ESG and sustainability matters

For further information on other ESG and sustainability matters considered by the Board in 2024 refer to NAB's 2024 Annual Report.

(1) NAB's major subsidiary, BNZ, also has sustainability-related (including climate) management groups and councils. Details on BNZ's approach to relevant governance matters will be available in its climate and sustainability reporting. For further information on BNZ's climate reporting refer to www.bnz.co.nz/about-us/sustainability/reports.

Risk management

Risk management

Managing climate-related risk within our business

Managing our risk profile is helping to facilitate our ambition to transition towards net zero emissions by 2050. It is important for two key reasons. One, so we can reduce the risk of potential future losses caused by disruption to our operations and increased customer defaults due to the impacts of climate change (both transition and physical risk). And two, because of the opportunities that are presented to help our customers successfully decarbonise their businesses and homes and build resilience to climate change.

Sustainability risk (or ESG risk), which includes consideration of climate-related risks, has been a material risk category within the Group's Risk Management Framework (RMF) since October 2021. The Group defines Sustainability risk as "the risk that ESG events or conditions negatively impact the risk and return profile, value or reputation of the Group or its customers and suppliers". ESG risk can manifest in other material risk categories. 'ESG risk' and 'Sustainability risk' are used interchangeably in this section and throughout this Report.

Climate-related risks are identified, measured, monitored, reported and overseen in accordance with the RMF, as described in the Group's Risk Management Strategy, and shown in Figure 1. Supporting risk frameworks used to operationalise components of the RMF include:

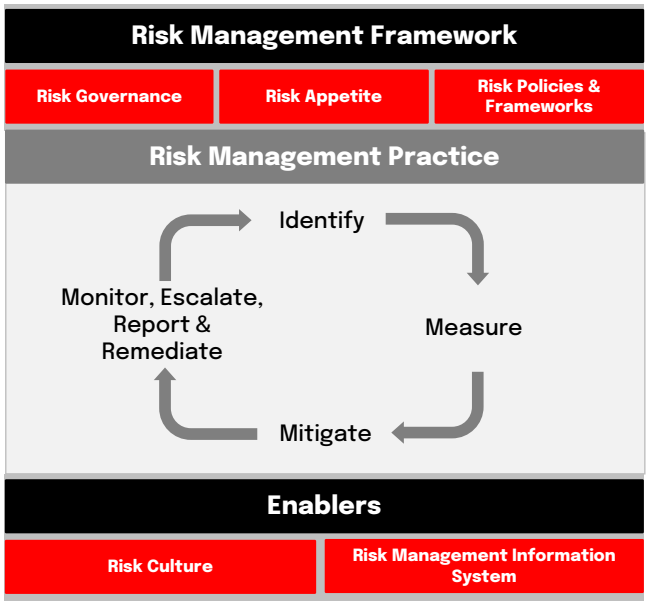
- **The Enterprise Risk Taxonomy** - which classifies risks, like Sustainability risk, including climate risk, into enterprise risks.
- **The Risk Appetite Framework and Group Risk Appetite Statement (RAS)** - which respectively set out: (i) how the bank approaches the development of risk appetite; and (ii) the Group's tolerance for risks, in either qualitative or quantitative terms, including caps or limits on key emissions intensive exposures like coal, oil and gas. The RAS is reviewed and updated annually. In 2024, this included review of climate-related tolerances and risk settings. NAB also maintains a High Risk ESG Sectors and Sensitive Areas list, which sets out additional ESG-related policy settings, including restrictions on certain sectors and activities. For further information refer to *ESG risk-related policy and appetite settings* on page 26 in this section.
- **The Group Policy Governance Policy** - which sets out the minimum requirements for policies.
- **The Operational Risk Management Policy** - which outlines the methodology and key processes for identifying, assessing, measuring, monitoring and reporting risks.

Risk profiling and assessment processes are key mechanisms to identify and understand internal and external risks and their causes, including climate change, to operations and strategy execution. Risk profiling aims to identify and understand the root causes that drive change in ESG risk (including climate risk) and identify and support early mitigating actions, while risk assessments help to make informed decisions about the risks the Group is willing to accept, reject or mitigate.

In 2024, a range of activities were undertaken to continue to integrate climate risk considerations into our risk management practices. These included:

- Ongoing development of tools (FarmID and HomeID), which will use climate scenarios, to help NAB understand and assess physical climate risk within the mortgage and agribusiness portfolios. For further information refer to *Using climate-related scenarios* on page 32.
- Further training for bankers and credit colleagues to continue to build their capability to understand and assess customer's exposure to, and management of, climate risk (transition and physical), including their transition planning, as part of the credit risk and due diligence process. For further information refer to *Investing in climate capabilities* on page 13.
- Further integration of climate risk into NAB's credit risk appetite framework.
- Tool development to digitise ESG risk assessments for Corporate and Institutional Banking customers.

Figure 1: The Group's Risk Management Strategy and Framework



ESG risk management oversight

The Group CEO oversees enterprise-wide risk management through the ERCC and its supporting sub-committees, including the GCMRC. The GCMRC supports the ERCC in overseeing the Group's management of credit risk, market risk and sustainability risk (including climate risk) and related emerging risks. Key responsibilities of GCMRC include oversight and monitoring of:

- ESG risk appetite settings, including those for emissions-intensive, climate sensitive and low-emissions sectors.
- Risk profiles, sector limits and portfolio exposures.
- Assessment of customer-related ESG risk.
- ESG-related policies, including those related to human rights and environment, including climate change.
- Compliance with ESG-related obligations (including climate-related regulatory requirements, voluntary initiatives, goals and targets).

As required, matters are escalated by the GCMRC to the ERCC, BRCC and the Board. Also see Table 1 in the *Governance* section on page 19 for our governance structure.

Where ESG and associated reputation risk is high, ESG matters are escalated by customer-facing teams for discussion and consideration in business units (Business and Private Banking and Corporate and Institutional Banking). These forums involve senior management, executives and other key internal stakeholders including Risk and Corporate Affairs. BNZ also has a specialist customer risk assessment team, and a forum attended by senior management, executives and other relevant internal stakeholders, to escalate ESG matters when required.

ESG risk assessment of customers is undertaken by bankers during the credit risk and due diligence process, as required

by policy. Bankers managing customers in carbon intensive sectors such as those covered by NZBA targets and NAB's Customer Transition Plan requirements, are expected to consider the following, in addition to other ESG-related risk issues:

- Does the customer satisfy risk appetite requirements?
- How may the customer impact on NAB's ability to achieve its sector decarbonisation targets?
- Where applicable, how does the customer's transition plan rate according to NAB's Customer Transition Plan assessment framework?

Processes used to determine material financial impacts

The Group considers climate-related risks, impacts and opportunities on short, medium, and long-term time horizons based on environmental scanning and scenario analysis in accordance with the Group's RMF.

NAB uses a mix of qualitative and quantitative measures, including financial measures, to manage risk, including climate risk. The Group's Operational Risk Management Policy provides guidance in the form of likelihood and consequence matrices to enable colleagues to assess the significance of financial and non-financial impacts, including strategic impacts, on the Group, including those arising from climate change.

A financial or strategic impact arising from climate-related risks would be deemed substantive/major in accordance with the Group's RMF, internal policies and operating procedures if the financial impact was at least $20 million or the risk had non-financial impacts that may include: substantial impact to customers' health, safety or livelihood, considerable effort to fix the issue, colleague physical or emotional impacts leading to significant harm for an extended period, or regulatory impacts leading to imposed conditions, investigations or enforced undertakings.

Reputation risk may also be considered substantive based on the number and type of stakeholders raising concerns, impact on reputation benchmarking scores and direct stakeholder feedback including that obtained through NAB's annual ESG materiality process. NAB's annual ESG materiality process involves engagement with internal and external stakeholders to seek their views on material issues facing NAB.

Climate-related issues raised in NAB's 2024 materiality assessment included:

- NAB's financing of fossil fuel sectors and associated risk settings and practices.
- Development, testing and application of Customer Transition Plan assessment framework.
- Quantification of physical risks in the lending portfolio.
- Actions taken to progress sector decarbonisation.
- NAB's engagement in public policy.
- NAB's approach to offsets (in our own operations and assessing Customer Transition Plans).
- Readiness for emerging mandatory reporting requirements.
- Integration of just transition principles.
- Interconnection of climate, human rights, and nature.

Refer to NAB's 2024 Annual Report for detail on NAB's ESG materiality assessment.

As stated in *Note 19 Financial risk management* in NAB's 2024 Annual Report, the Group may recognise forward looking adjustments (FLA) to the provision for credit impairment for the impact of adverse climate events. In the 2024 financial year, the Group recognised a FLA of $nil (30 September 2023: nil).

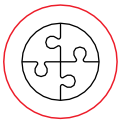
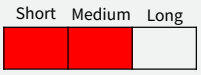
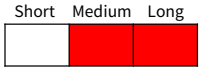
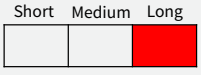
Participation in industry-based climate risk initiatives

For further information on climate risk-related capability activities undertaken in 2024 refer to the *Investing in climate capabilities* section on page 13.

Types of climate risks considered

The following table presents the climate risk types and potential impacts on other material risk categories, to help inform risk management across the Group:

Figure 2: Types of climate risks considered

Climate risk type	Risk driver	Impact	Impact time horizon[1]	Impact on Group material risk categories
 **Transition risk**	Current and emerging regulation	• Increased reporting obligations and associated costs. • Higher operating costs for carbon intensive customers (e.g. carbon tax). • Increased potential for non-compliance. • Increased potential capital requirements for the financing of emission intensive sectors.	 Short to Medium-term	• Operational • Credit • Compliance • Sustainability
	Technology	• Write-offs and early retirement of existing assets due to technology changes. • Cost of/investment in transition to less carbon intensive products and services.	 Medium to Long-term	• Credit • Operational • Sustainability
	Legal	• Legal action resulting from the misalignment of public commitments and financing decisions. • Legal action resulting from greenwashing risk.	 Short to Medium-term	• Credit • Compliance • Operational • Conduct • Sustainability
	Market	• Re-pricing and/or stranding of assets or increased market volatility during transition. • Reduced demand for products or services due to shift in consumer preferences. • Increase in operational costs (e.g. energy).	 Short to Medium-term	• Credit • Strategic • Balance sheet & liquidity • Market • Sustainability
	Reputation	• Financing decisions for carbon intensive sectors, or climate policies that reduce emissions do not meet customer and investor expectations.	 Short to Medium-term	• Conduct • Market • Strategic • Sustainability
 **Physical risk**	Acute	Increased severity and frequency of extreme weather events could lead to: • Impacted supply chains or end customer markets. • Increased insurance and capital costs or operational outages. • Losses due to physical damage and inability to meet customers' demands due to business interruptions.	 Short, Medium and Long-term	• Credit • Market • Operational • Sustainability
	Chronic	Changes in weather patterns (e.g. temperature, sea levels) could cause: • Impacts to ecosystems, living and working conditions, agricultural systems and infrastructure. • Impacts to existing assets and valuations.	 Long-term	• Credit • Operational • Market • Balance sheet & liquidity • Strategic • Sustainability

(1) The Group defines short-term as 0-3 years (one business planning cycle), medium-term as 3-6 years (two business planning cycles), and long-term as extending past two business planning cycles (>6 years). The Group considers a longer-term future outside immediate business planning cycles where a variety of uncertain potential scenarios are modelled to assess how risks and opportunities could evolve over longer time horizons.

ESG risk-related policy and appetite settings

Annual review process

The Group annually reviews its customer-related ESG policies and appetite settings, including those related to its exposure to emissions-intensive, climate sensitive and low-emissions sectors. This process considers a range of factors, including those related to climate risk, for example:

- Various climate change scenarios for both transition[1] and physical risk[2].
- Customer strategies and plans and their alignment to science-based emissions reduction goals, including net zero emissions by 2050.
- Industry trends and updates to key industry documents such as the IEA Net Zero by 2050: A Roadmap for the Global Energy Sector.
- Trends in Group exposures to these sectors.

Through this annual process, the Group has developed customer-related ESG policies and risk settings for a number of sectors over time. These policies and settings provide qualitative risk appetite descriptions (see Figure 3 for our coal, oil and gas ESG-related policies and risk settings) and quantitative tolerances or limits (see Figure 3 and Charts 1 and 2) with respect to what the Group will and will not finance in order to assist in managing climate risk. They are formalised in line with the Risk Management Strategy and Operational Risk Management Policy through the Group's RAS, our High ESG Risk Sectors and Sensitive Areas list and Divisional credit strategies. Implementation is supported by policy, guidance, processes and controls.

2024 review of ESG-related policy settings for coal, oil and gas

In 2024, NAB reconsidered its coal, oil and gas ESG-related policies and risk settings as part of its annual review of ESG related appetite. During this process, we considered the Australian Government's recently released Future Gas Strategy[3], in addition to the factors described above. As a result of this review, NAB is updating its coal, oil and gas ESG-related settings as highlighted in bold text in Figure 3.

The Group's policies, settings and tolerances guide colleagues' decisions on a day-to-day basis and help ensure that decisions made, suppliers engaged and customers supported, are within the Group's risk appetite. Regular reporting to senior management, the BRCC and Board supports oversight and monitoring of this.

Thermal coal mining and oil and gas limits

The RAS contains quantitative limits which set upper boundaries for how much exposure the Group is willing to have to particular sectors or sub-sectors. Charts 1 and 2 show the Group's thermal coal and oil and gas extraction exposures which are monitored against portfolio limits in accordance with ESG-related policy settings.

Chart 1: Thermal coal mining (AUD$bn) exposure[1]

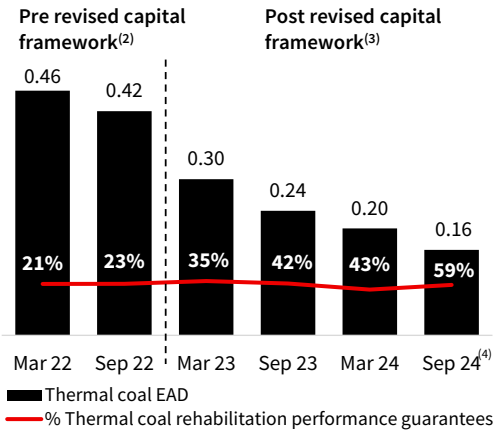
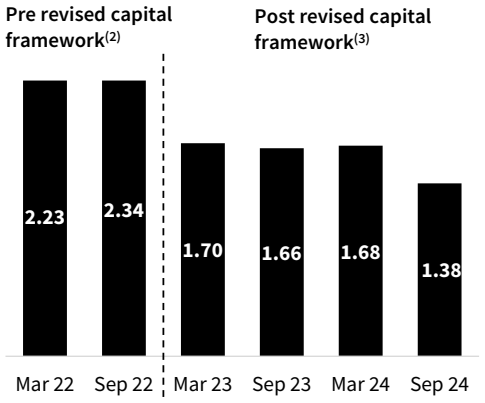


Chart 2: Oil and gas extraction - (USD$bn) exposure[5][6]



(1) Thermal coal exposures includes direct exposure to customers whose primary activity is thermal coal mining. Includes financial guarantees and performance guarantees for the rehabilitation of existing coal mining assets. Excludes metallurgical coal mining and diversified mining customers.
(2) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's Half Year 2023 Pillar 3 report.
(3) Disclosures from March 2023 reported under APRA's revised capital framework, effective from 1 January 2023.
(4) At September 2024, rehabilitation performance guarantees account for 59% of NAB's thermal coal mining exposure, the remaining exposure is predominantly financial guarantees.
(5) Relevant exposure conversions based on rates of AUD/USD 0.74855 (Mar 22); AUD/USD 0.64925 (Sep 22); AUD/USD 0.67140 (Mar 23); AUS/USD 0.64765 (Sep 23); AUS/USD 0.65115 (Mar 24); AUS/USD 0.69295 (Sep 24).
(6) Oil and gas extraction exposures includes lending (e.g. revolving/term lending and guarantees) and other markets-related exposures (e.g. derivatives, repurchase agreements).

Coal, oil and gas ESG-related policy settings

As a result of NAB's ESG-related policies and risk settings, NAB has reduced its exposure to fossil fuels over time, and no longer has any corporate lending to thermal coal mining customers or project finance in respect of thermal coal mining assets, assessed against the sector definition for our thermal coal mining settings. As part of its annual review process, NAB is updating its coal, oil and gas ESG-related policies and risk appetite settings.

This includes new settings related to:

- Fossil-fuel related infrastructure
- Oil and gas expansion
- Metallurgical coal
- Capital markets[4] products and services.

For further information refer to Figure 3.

(1) For the purpose of this work, transition risk is defined as the impact of low-carbon policy and transition to low-carbon technology on markets and industries.
(2) For the purpose of this work, physical risk is defined as the risk resulting from climate variability, extreme weather events and longer-term changes in climate patterns.
(3) For further information refer to https://www.industry.gov.au/publications/future-gas-strategy
(4) Capital markets activities means all types of bonds, syndicated loans and US private placements. It excludes advice or services provided to a customer by JBWere.

Figure 3: Group coal, oil and gas ESG-related settings

	Coal[1]	Oil and gas[5]
Tolerances	• The Group has capped thermal coal mining EAD at 2019 levels, and set a goal to reduce thermal coal mining exposures by 50% by 2026, reducing to effectively zero[2] by 2030 apart from residual performance guarantees to rehabilitate existing thermal coal mining assets.	• The Group has capped oil and gas[6] EAD at USD $2.28 billion and will reduce our exposure from 2026 through to 2050, aligned to the IEA NZE 2050.

ESG-related policy settings	• The Group will not finance new thermal coal mining projects or take on new- to-bank thermal coal mining customers.
	• **The Group will not provide new project finance for greenfield infrastructure connected to greenfield thermal coal mining projects.**
	• **The Group will not support capital markets activities[3] for thermal coal mining customers.**
	• The Group separately reports its thermal coal-related rehabilitation performance guarantees as part of reporting its resources exposures.
	• The Group will not finance new or material expansions of coal-fired power generation facilities.
	• The Group recognises that currently there are no readily available substitutes for the use of metallurgical coal in steel production. The Group will continue providing finance to its customers in this segment, subject to enhanced due diligence which further considers underlying ESG risks.
	• **The Group will not provide project finance for a greenfield metallurgical coal mine.**
	* Updates denoted in **bold**.
		• The Group will not directly finance greenfield gas extraction, **or expansion** projects outside Australia.
		• The Group will only consider directly financing greenfield gas extraction, **or expansion,** in Australia where it plays a role in underpinning national energy security.
		• The Group will continue to support **existing** integrated liquefied natural gas (LNG) in Australia and neighbouring countries[7].
		• The Group will not directly finance greenfield oil extraction, **or expansion** projects or onboard new customers with a predominant focus on oil extraction.
		• The Group will not finance oil and gas extraction, production or pipeline projects within, or impacting, the Arctic National Wildlife Refuge area or any similar Antarctic Refuge.
		• The Group will not directly finance oil/tar sands or ultra-deep-water oil and gas extraction projects.
		• **The Group will not directly finance new:**
		  ◦ **Floating Production Storage and Offloading infrastructure.**
		  ◦ **LNG liquefaction assets.**
		  ◦ **Transmission pipelines.**
		where these assets are dedicated solely to greenfield oil and gas extraction projects, unless they play a role in underpinning national energy security.
		* Updates denoted in **bold**.

Lending exposure updates	**Thermal coal mining** NAB has further reduced exposure to thermal coal and, as at 30 September 2023, NAB no longer has any (a) corporate lending to thermal coal mining customers or (b) project finance in respect of thermal coal mining assets. NAB intends to maintain this position into the future. BNZ is exiting all lending to thermal coal mining by the end of 2025. **Coal-fired power generation** NAB has had no direct lending[4] to coal-fired power generation assets since March 2022.	**Oil extraction** NAB has no direct lending to oil extraction projects.

(1) For the purposes of NAB's ESG-related settings, thermal coal exposure means direct exposure to customers and projects whose primary activity is thermal coal mining, based upon the recorded 1993 ANZSIC codes on a net EAD basis. EAD for these ESG-related settings include lending, derivatives, financial guarantees and performance guarantees for the rehabilitation of existing assets. It excludes metallurgical coal mining, diversified mining customers and transactional banking (including deposit services) that do not give rise to EAD and similar ancillary products and services. NAB's NZBA-aligned thermal coal sector decarbonisation target includes diversified mining customers with revenue >5% from direct sale of thermal coal and excludes metallurgical coal mining customers (who are included in the NZBA-aligned iron and steel decarbonisation target). For completeness, these NZBA EAD targets exclude transactional banking (including deposit services), risk management products and similar ancillary products and services. These products and services are not in scope of accepted approaches for net-zero aligned target setting.

(2) 'Effectively zero' refers to the fact that NAB may still hold some exposures to thermal coal in 2030, only through residual performance guarantees to rehabilitate existing coal mining assets. These guarantees are excluded from the financed emissions coverage of NAB's thermal coal sector target.

(3) Capital markets activities means all types of bonds, syndicated loans and US private placements. It excludes advice or services provided to a customer by JBWere.

(4) For the purposes of NAB's ESG-related settings, coal-fired power generation asset exposure is based upon the recorded 1993 ANZSIC codes on a net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers are included and categorised as renewable where majority of their generation activities are sourced from renewable energy. NAB has no direct lending to coal-fired power generation assets remaining, however, there is indirect exposure to coal-fired power within the Mixed Fuel category as a result of NAB's corporate level exposure to gentailers, which have a mix of generation assets (including coal, gas and renewables) within their generation portfolios.

(5) For the purposes of NAB's ESG-related settings, oil and gas EAD exposures means oil and gas extraction (upstream); LNG production (not at refineries -downstream LNG); and LNG production at wellhead (integrated LNG), based upon the recorded 1993 ANZSIC codes on a net EAD basis. Oil and gas extraction exposures includes lending (e.g. revolving/term lending and guarantees) and other markets-related exposures (e.g. derivatives, repurchase agreements).

(6) In 2021, a cap of USD $2.4 billion was determined giving consideration to the three-year average exposure up to 30 September 2021 due to COVID-19 impacts. USD was used for the purposes of this cap to account for currency movement because the majority of the portfolio is USD denominated. The RCF came into effect from 1 January 2023. This resulted in a reduction in EAD due to changes in the calculation of off-balance sheet EAD for certain undrawn commitments. To reflect the impact of the RCF changes, the Group reduced its oil and gas cap to USD $2.28 billion.

(7) Support for LNG is not currently provided in the New Zealand market.

Sector decarbonisation targets

NAB has set 12 sector decarbonisation targets in eight high-emitting sectors, informed by requirements of the NZBA and the UNEP FI Guidelines. Further information about these targets is set out in *Metrics and targets* (refer to pages 41 to 62). There are some differences in financing activity scope between our ESG-related policies and risk settings and our sector decarbonisation targets (for further information refer to *EAD used in decarbonisation targets* on page 45).

Customer Transition Plans

We continue to build on our efforts to support some of the economy's largest emitters with their climate transition.

Assessing Customer Transition Plans

In NAB's 2023 Climate Report, we detailed our intention to require a Customer Transition Plan to be in place from 1 October 2025 for new or renewed corporate lending or project-level lending[1] for Corporate and Institutional Banking customers in the following sectors[2]:

- Power generation, where at time of lending, 25% or more of the electricity generated by the customer is from thermal coal.
- Oil and gas.
- Metallurgical coal.

In NAB's June 2024 Supplementary Climate Disclosures, we detailed our intention to extend this same requirement to NAB's capital markets activities[3] for customers in these sectors.

In early 2024, NAB developed a proposed assessment framework to support the review of Customer Transition Plans and engagement with customers on their actions and progress.

In development of a proposed framework, we drew from existing transition plan assessment frameworks and guidance including materials published by:

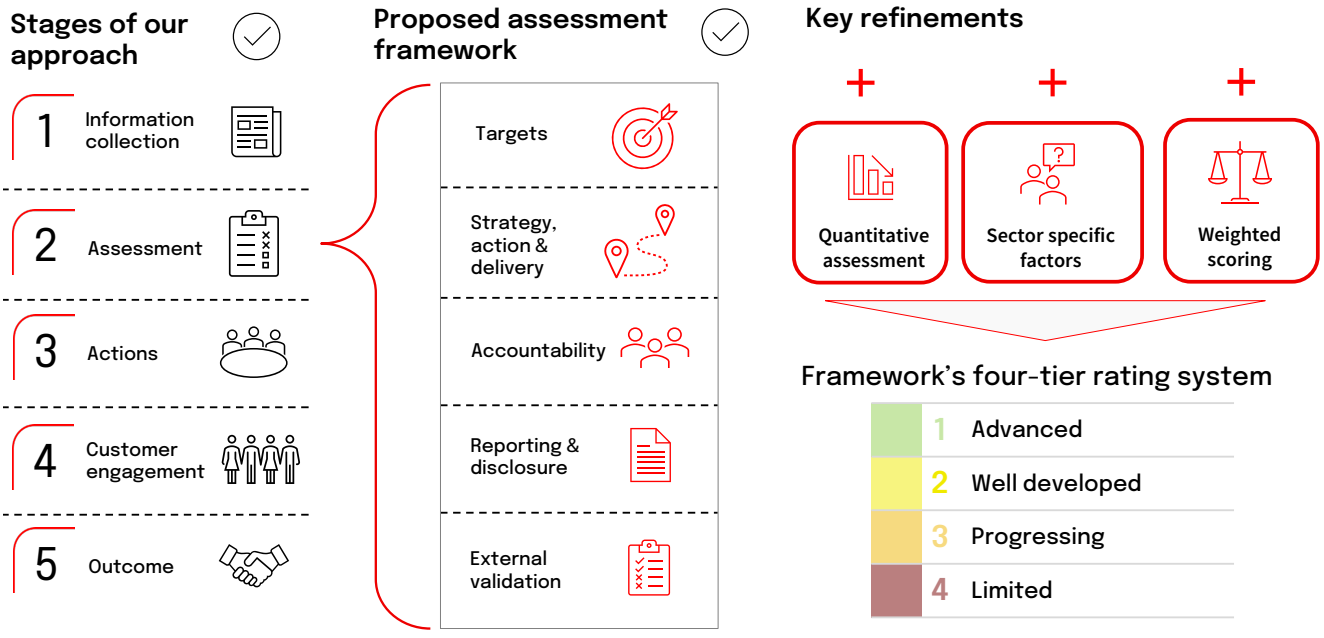
- Climate Bonds Initiative.
- Glasgow Financial Alliance for Net Zero (GFANZ).
- World Benchmarking Alliance.
- Transition Plan Taskforce.
- Investor Group on Climate Change.
- Climate Action 100+.

NAB's application of its Customer Transition Plan assessment framework will be in addition to existing ESG review processes which include consideration of climate-related risks, as well as decisions NAB may make on a case-by-case basis to support progress in achieving NAB's decarbonisation targets.

Our assessment framework

NAB engaged an external party to review the proposed approach and assessment framework and identify improvements in line with international best practice and guidance. Key improvements from the review were incorporated into NAB's assessment framework:

- Inclusion of a quantitative assessment of a customer's current emissions and interim targets against Paris Agreement aligned scenarios.
- Inclusion of sector-specific factors to better assess sector-specific transition credibility.
- Weighted scoring and expansion of the outcome system to a four-tier rating system.



(1) This includes (i) lending at a corporate level (for example, general facilities made available to the parent company of a group of companies), (ii) at a project-level (that is on an individual project basis for a specific project purpose), and (iii) trade finance.

(2) Referenced sectors are consistent with sector definitions used for NAB's target setting emissions baseline, although metallurgical coal forms part of the iron and steel sector. For further information refer to the *Supporting information* section on page 73 for further details. NAB does not intend to apply this requirement to customers in the thermal coal sector because NAB has set a target to reduce financed emissions for this sector to zero by 2030 (refer to the *Thermal coal* sector target on page 49 for further details).

(3) Capital markets activities means all types of bonds, syndicated loans and US private placements. It excludes advice or services provided to a customer by JBWere.

Key refinements

Quantitative assessment

NAB's assessment framework incorporates a quantitative emissions component. This involves setting quantitative thresholds to assess whether a customer's emissions performance and interim targets are on a Paris-aligned trajectory[1]. This helps our understanding of the progress a customer is making against its publicly announced targets, and also helps us understand how their progress may impact NAB's sector decarbonisation targets.

Sector specific factors

NAB has incorporated sector-specific factors which are in addition to the factors used to assess all in-scope Customer Transition Plans and ensure the framework can be adapted for other sectors in future.

Figure 4: Updated Customer Transition Plan assessment framework

Pillar	Factors to be considered
Targets	• Current emissions performance. • 2030 interim and net zero target against a science-based Paris aligned pathway. • Emission Scopes covered (Scope 1, 2 and material Scope 3).
Strategy, action & delivery	• Net zero strategy or commitment. • Details of action plan to achieve targets and net zero. • Level of reliance on offsets. • Degree of capital expenditure alignment to enable transition. • Consideration of just transition.
Accountability	• Level of Board oversight and engagement. • Executive performance KPIs connected to targets and actions.
Reporting & disclosure	• Review schedule of transition plan and disclosure of progress. • Alignment of engagement with industry groups and/or external parties and stated commitments.
External validation	• Extent of independent assessment or assurance of transition plan, targets and emissions.
Sector specific factors (*new*)	• Sector-specific assessment factors in line with primary decarbonisation levers that are available.

Quantitative assessment
Uses thresholds to assess whether emissions performance and interim targets are on a Paris-aligned trajectory.

Proposed sector specific factors

Power generation
- Plans and timing of retirement of coal assets.
- Planned growth of renewables.

Oil and gas
- Interim methane reduction plans and target.
- Approach to capping/reducing hydrocarbon output.
- Approach to carbon capture, utilisation and storage.

Metallurgical coal
- Interim methane reduction plans and target.
- Production plans.

Weighted scoring methodology

NAB has developed a weighted scoring methodology to assess Customer Transition Plans. The factor weightings enable granular scoring outcomes and will allow for future recalibration as industry standards and external expectations evolve.

Four-tier rating system

NAB will use a four-tier rating system that will support client engagement, planning and decision making.

1	Advanced
2	Well developed
3	Progressing
4	Limited

(1) Scope 1 and 2 only for power generation and oil and gas. For metallurgical coal, the pathway includes Scopes 1, 2 and 3, however it is expected that most customers report Scope 1 and 2 only.

Future review

The Customer Transition Plan assessment framework will be subject to annual review having regard to emerging best practice.

Other considerations

The transition looks different from customer to customer and sector to sector. We are seeking to take a sectoral approach and included sector-specific factors in the assessment framework. Consideration will also be given to how the relevant customer transition plans may, in aggregate, impact on NAB's interim sector decarbonisation targets.

Recognising that expectations in relation to Customer Transition Plan assessments are evolving rapidly, NAB will continue to mature its approach in relation to our Customer Transition Plan assessment framework for Corporate & Institutional Banking customers, including considering whether it is appropriate to expand the framework to select parts of the fossil fuel value chain.

Next steps

Ahead of the 1 October 2025 implementation, NAB intends to focus on operationalising the assessment of Customer Transition Plans and completing assessments for in-scope Corporate and Institutional Banking customers.

From 1 October 2025, while an in-scope customer does not have a Customer Transition Plan in place, or is unable to demonstrate progress beyond an overall rating of "Limited", the Company will not provide new or renewed corporate, project, or trade finance facilities or facilitate capital markets activities[1].

(1) Excludes transactional banking (including deposit services), risk management products and similar ancillary products and services. In the context of Customer Transition Plans, capital markets activities means all types of bonds, syndicated loans and US private placements. It excludes advice or services provided to a customer by JBWere.

Assessing potential climate risk using scenarios

The Group uses climate-related scenario analysis to help inform its strategy, risk appetite and risk management. The Group's use of scenarios has been two-fold;

1. Understand the long and short-term vulnerability of the Group's lending portfolio and its customers in key high-emitting segments to transition and/or physical risk. This includes stress testing and counterparty sensitivity analysis to climate risk using scenarios. Stress tests assess how banks manage risk in a hypothetical scenario that is severe, but plausible. Prudential regulators use stress tests to understand banks' resilience to extreme shocks and their ability to continue supporting the economy. Short-term time frames are considered in the context of assessing impacts on market risk and capital adequacy and long-term time frames are used to help us understand the changing impact of climate risk on the lending portfolio over extended periods out to 2050 or further.
2. Understand the sectoral decarbonisation pathways needed to transition to net zero emissions by 2050, set sector decarbonisation targets and establish sector transition plans to achieve that goal.

It is important to note the scenarios used for climate-related scenario analysis represent possible futures and that there is a high degree of uncertainty related to both the qualitative and quantitative outcomes produced in scenario analysis, which means impacts could be significantly larger or smaller, depending on actual future events that may occur.

A summary of the scenarios we used in 2024 is provided in Table 1.

Table 1: Scenario summaries

Used for climate risk analysis	
Delayed Transition	• Assumes global annual emissions do not decrease until 2030. • Assumes new climate policies are not introduced until 2030 and the level of action differs across countries. • Australia is likely to achieve its Paris agreement target through decarbonisation of the electricity system rather than new policies.
Physical Risks	• Assumes non-climate and current policies to stringent climate policies to limit emissions. • Emissions peak until 2022 and 2040 in RCP 2.6 and RCP 4.5 scenarios respectively, whereas emissions continue to rise in RCP 8.5 scenario, leading to about 1.1°C – 4.8°C of warming leading to high/severe physical risks.
Used for sectoral decarbonisation target setting	
Net Zero by 2050	• Provides a technology pathway to a clean, dynamic and resilient energy economy dominated by renewables like solar and wind instead of fossil fuels. • Requires deployment of all available clean energy technologies between now and 2030.
Waypoint 2050	• Technology, energy systems and operational measures can be used for the complete decarbonisation of air transport. • Assumes support from governments, the finance sector, the energy industry and research institutions.
International Aluminium Institute (AIA) 1.5°C Scenario	• Details full life cycle emissions for aluminium products. • Majority of emissions are reduced through decarbonising the electricity used in manufacturing of aluminium. • Other decarbonisation comes from increased aluminium recycling in the smelting process.
SBTi Buildings	• Aligned with the IEA NZE scenario. • Stays within the 500Gt carbon budget necessary to align with a 1.5°C scenario.
Inevitable Policy Response 1.5° aligned Required Policy Scenario	• Demonstrates the policy responses that would be needed to limit warming to 1.5°C. • Deepens analysis on policy, land use, emerging economies, NETs and value drivers. • Key reductions expected through reduction in unabated coal generation, phase out of vehicles using fossil fuels and increases in renewable generation.
Poseidon Principles (PP) Pathway (2018)	• Supported by industry specific climate alignment methodology. • Provide a method to apply and establish a target carbon intensity for ships.

For further information on climate scenarios refer to *Climate scenarios for climate risk analysis* from pages 85 to 89.

Using climate-related scenarios

Application of scenario analysis

Climate risk-related scenario analysis (both at a portfolio and customer level) is complementary to that required for assessing customers transition plans and determining NAB's sectoral portfolio decarbonisation pathways.

In 2024, the Group continued to consider and leverage key learnings from its climate risk-related scenario analysis. These included:

- Integrating climate risk considerations within risk appetite, credit appetite strategies and ESG-related policy settings, where appropriate to manage climate-related risks.
- Ongoing development of physical risk analysis tools, such as HomeID, to help colleagues assess and understand climate risk-related physical impacts on the home lending portfolio, and FarmID, to help agribusiness colleagues understand climate risk-related physical risk impacts on agribusinesses. Development of these tools is building internal capability for geospatial analytics. Refer to further details provided below.
- Incorporating knowledge and understanding of climate risk into climate-related training for colleagues. For further information refer to the *Investing in climate capabilities* on page 13.
- Integrating consideration of climate risk within credit risk assessment and due diligence procedures and processes.

Assessing physical climate risk

In 2024, following successful proof of concept and piloting in 2023, NAB continued its investment in tools that are intended, once fully operational and deployed, to help bankers, credit and risk colleagues to be able to assess and consider physical climate risk in our mortgage (HomeID) and agribusiness (FarmID) portfolios at both a customer and portfolio level. These tools incorporate key learnings from participating in APRA's Climate Vulnerability Assessment in 2022, in addition to other research NAB has undertaken, both itself and through partnerships with other organisations. A key feature of these tools has been to build internal capability for applying geospatial analytics to the lending portfolio. This will provide us with an ability to drill down from the portfolio-level to individual customer-level granularity when full functionality is delivered.

Both FarmID and HomeID contain physical risk-related climate data based on three key Intergovernmental Panel on Climate Change scenarios: RCP8.5 (<4.8˚C by 2100), RCP4.5 (<2.6˚C by 2100) and RCP2.6 (<1.7˚C by 2100).

Further details on each of these tools is provided below. Pending successful implementation of FarmID and HomeID in 2025, NAB plans to expand the range of these tools to cover commercial real estate.

Supporting climate risk management for the agribusiness portfolio: FarmID

In 2024, NAB has further invested in building its geospatial climate data and analytical capabilities for agribusiness lending in our tool called 'FarmID'. The initial focus of FarmID is on the dairy, beef and wheat sectors, due to the size of these sectors in NAB's portfolio and the importance of these sectors to the Australian economy. To date, FarmID has only considered chronic impacts of climate change on agri production systems. Acute physical risk impacts are planned for future work in 2025. Final testing and roll-out of the tool, with its analytical capabilities is planned for 2025. FarmID is intended to help target growth and enable risk management of NAB's Agricultural business lending portfolio by providing accurate and granular data for location, land use and climate considerations across Australia.

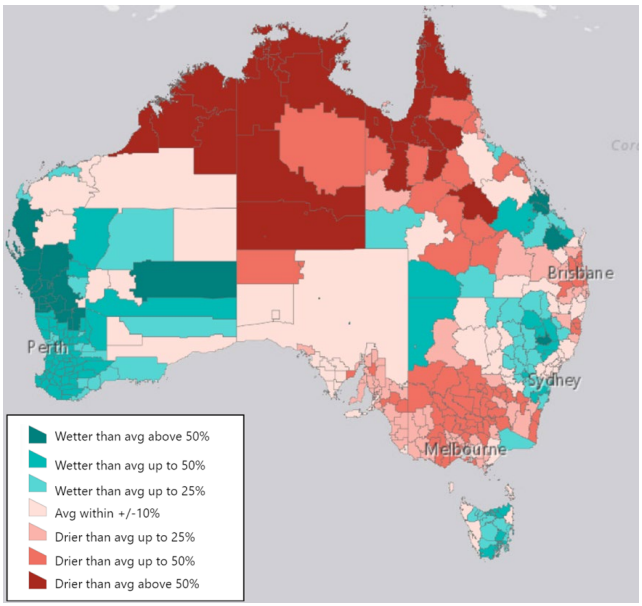
FarmID is being built using a combination of internal and external data sets. Internal data includes exposure, revenue, credit metric and collateral data. External data includes official Land Titles Office records, spatial representation of cadastral parcels defined by the State and Territory governments of Australia, climate scenario data and the modelled impact to productivity of key agricultural sectors (dairy, beef and wheat) within NAB's lending portfolio.

Current climate variables within the tool include:

- For beef and wheat – seasonal (Winter/Summer) rainfall and temperatures
- For dairy – spring soil moisture (due to the dominance of the effects of soil moisture on dairy productivity).

An illustrative example of the portfolio analytics which will be available in FarmID once it is in production is shown in Figure 5.

Figure 5: Illustrative example of FarmID output - chart showing trends in rainfall relative to historical averages by Local Government Area.



FarmID will initially be a portfolio management tool to allow aggregated macro decision making. NAB intends to continue to enhance FarmID in the future to be able to present customer level data and insights to business lending, credit and risk colleagues. These insights will lead to better client conversations around climate risks, including the ability to provide insights on potential adaptation initiatives for agribusiness and industry trends. They will also help NAB to enhance its customer and portfolio level climate risk management practices, including ESG-related policy setting and appetite.

Supporting climate risk management for the mortgage portfolio: HomeID

In 2024, following a HomeID proof-of concept pilot which covered seven postcodes in seven Local Government Areas in 2023, NAB invested in the scale-up of HomeID to provide national lending portfolio coverage.

The goal of HomeID is to provide access to a data asset for the home lending portfolio so NAB can make more effective decisions in response to the potential physical risk impacts arising from climate change. HomeID is integrating external

data sources (climate, insurance and property data) with NAB's internal data (property information and lending exposures). NAB plans to leverage HomeID outputs for a range of potential use cases to help assess and manage impacts arising from a range of climate hazards including flood, bushfire, cyclone and storm.

Current features of HomeID are set out in Table 2.

Table 2: Data attributes and HomeID data

Data attribute	HomeID data
Granularity	Address and portfolio level
Physical risk scenarios	Current risk and projected risk at 2030, 2050 and 2100 using RCP 2.6,4.5 and 8.5, including tail risks
Peril information	Individual climate peril damage scores covering flood, bushfire, cyclone, and storm.
Event severity	Annual average and severe 1-in-X-year events where the return period (X) equals 1, 5,20,25,50,100, 200, 250, 500 and 1000 years.

In 2024, NAB finalised the HomeID proof of concept and commenced building a full version of the tool. This will be released in a full production version, following final testing, in 2025.

When released for use by customer-facing, credit and risk colleagues, HomeID will generate insights across the home lending portfolio based on both current and future physical climate risk exposure, based on the three key climate scenarios noted above. In 2024, we used HomeID to undertake targeted customer engagement in relation to insurance adequacy.

Other scenario analysis

In 2024, NAB conducted additional work to understand changes in our business lending portfolio with respect to transition risk and to explore the impact of climate risk on Market Risk (a material risk category for the Group). This work included:

- A refresh and review of NAB's business lending portfolio exposures applied to the Delayed Transition scenario stress testing undertaken as part of the 2022 APRA Climate Vulnerability Assessment for our business lending portfolio. The Delayed Transition scenario is one of a set provided by the Network for Greening the Financial System (NGFS). This work indicated: (i) the changes NAB is making in the portfolio through sectoral risk appetite tolerances (caps on high-emitting sectors, which for thermal coal has been decreasing each year since 2019), and (ii) the setting and operationalisation of sector decarbonisation targets, is shifting our business lending portfolios away from high and moderately high risk portfolio segments and reducing the overall potential transition risk in the business lending portfolio.
- The establishment of stress testing scenarios for the NAB and BNZ liquidity portfolios and trading book. For the liquidity portfolios this focused on the impact of climate risk events on the valuations of government and financial securities by using a rating downgrade approach. For the trading book this used specifically designed climate risk scenarios from the International Swaps and Derivatives Association. This initial methodology will undergo further review and testing.

Case study: Drought scenario included in ICAAP

Since 2022, NAB has incorporated a climate scenario in its annual Internal Capital Adequacy Assessment Process (ICAAP).

In 2024, this involved the inclusion of a 3-year long 1-in-100-year drought scenario impacting agriculture on the Australian East Coast and in New Zealand. The scenario included a 2-year drought but ran for three years to allow for lags in financial impact experienced by customers, which continue even after the physical drought has ended.

This short-term scenario was created by NAB and BNZ but was informed by data and information provided in the Reserve Bank of New Zealand's 2023 Climate Stress Test and the 2022 APRA Climate Vulnerability Assessment.

The key segments considered in the drought scenario used in the 2024 ICAAP focused on three agricultural segments – dairy, livestock and crops. Stress was applied at an individual agricultural customer level by making changes to customers' revenues, expenses and asset prices as a result of the drought scenario. This allowed NAB to understand the resulting impact on customer credit ratings and the rate of customer defaults under the scenario conditions, which then in turn has an impact on customer. It also allowed NAB to understand the potential impact of asset price falls as a result of the drought on customer's Loss Given Default, credit losses and Risk Weighted Assets. NAB used its agribusiness credit experts to help iteratively refine and calibrate the application of the drought scenario inputs and results.

Key learnings from this short-term drought stress scenario as part of the ICAAP were as follows: Overall, the agribusiness portfolio is expected to be resilient against a severe drought, due to:

- Strong starting positions, where customers have capital reserves and often large water supplies that will help to mitigate the impact of the drought. For example, NAB has $2bn of cotton exposures, which is extremely water dependent, but going into this severe drought these customers have several years of water holdings.
- A well secured portfolio that is not expected to see as large property price falls as in a severe macroeconomic stress scenario, with recent experience indicating the impact may be lower than has been modelled.

Sector decarbonisation

Sector decarbonisation

NAB is prioritising efforts in portfolio emissions reductions for emissions-intensive sectors where it can have the greatest impact.

Sector dynamics and considerations

Technology, policy and industry investments are moving rapidly in emissions-intensive sectors. In this section, we focus on key developments in each sector to provide additional context on our efforts to reduce our financed emissions and provide support to our customers with their own transition efforts. As one of Australia's leading banks, NAB is involved in financing and capital markets activities across the spectrum of economic activity. Accordingly, we seek to understand the drivers and barriers to decarbonisation across the economy, including the high-emitting sectors into which we lend. We also understand and expect our customers to have specific transition needs and to follow their own pathways, which might not always be aligned to NAB's specific sector-level pathways.

This section of our Report should be read in conjunction with the *Metrics and targets* section on pages 41 to 62 where we detail our approach for achieving our sector decarbonisation targets, our progress to date, as well as other important assumptions and challenges relevant to our targets. Refer also to the *Strategy* section on pages 7 to 17 for further details on the actions NAB is taking to achieve its strategic ambition to support customers to decarbonise and build climate resilience.

Australia's energy transition

Australia became a signatory to, and ratified, the Paris Agreement in April 2016. The country's energy transition is underway, with a Federal Government policy of 43% reduction in 2005 level emissions by 2030, legislated under the Climate Change Act 2022, and an ambition for 82% of electricity to be supplied from renewable sources. Under the Paris Agreement, Australia is due to publish its 2035 Nationally Defined Contribution (NDC) to emissions reduction in 2025.

Key progress, commitments and objectives

Key aspects of Australia's progress, commitments and objectives to meet Australia's NDC have also been highlighted in key measures, strategies and plans published to date, including:

- The Future Made in Australia plan, outlined in the 2024-25 Federal budget[1], classifies each sector into either a 'net zero transformation' stream or a 'economic security and resilience' stream.
- The 2024 Australian Energy Market Operator (AEMO) Integrated System Plan (ISP)[2], which provides a roadmap for the development and transition of the National Electricity Market to meet future energy needs and enable a net zero emissions economy by 2050.
- The Future Gas Strategy[3] outlining the Australian Government's principles used to guide gas policymaking to support the transition to net zero.
- The Climate Change Authority review[4] of the potential technology transition and emissions pathways for Australia to reach net zero emissions by 2050. This work is key in supporting the 2035 NDC which will further guide actions and investment for major sectors of our economy: Electricity and Energy; Built Environment; Industry; Resources; Transport and Infrastructure; Agriculture and Land.

Barriers and dependencies

There are however a range of barriers (including for example financial, workforce, data and information, technological, and supply chain) and some key dependencies for the transition to occur in Australia, taking into account sustainability, affordability and energy security goals. Some barriers are more sectorally specific, while others, such as the decarbonisation of the energy grid, have economy-wide implications. NAB believes that concerted actions from public and private sectors can play a crucial role in enabling and accelerating shifts in decarbonisation pathways.

Power generation

Rapid transformation of the energy system is a critical dependency for the broader decarbonisation of the Australian economy. The Climate Change Authority's Sector Pathways Review[4] released in September 2024, found that while progress is being made, there are persistent barriers to progressing the energy transition at sufficient scale and pace. Navigating the significant challenges, and realising the potential opportunities associated with the decarbonisation of the electricity grid in Australia will require a coordinated approach from governments, businesses and the community.

Energy accounted for around 85% of Australia's net emissions in 2022-23, with electricity alone accounting for around one third of emissions[5]. Electricity generation in Australia is increasing year-on-year and electricity consumption from the grid is expected to at least double from today to 2050[6]. The 2024 AEMO ISP provides a clear plan for essential infrastructure to meet future energy needs, building on the Australian Government's target of 82% renewable electricity by 2030 and existing policies and programs across the Commonwealth, state and territories. The Future Made in Australia plan, outlined in the 2024-25 Federal budget, further clarified Australia's ambition to be a "renewable energy superpower" through innovation (Australian Renewable Energy Agency (ARENA) and Australian Innovation Fund), financing (Clean Energy Finance Corporation) and production and incentives (including the Hydrogen Production Tax Incentive

(1) For further information refer to https://budget.gov.au/content/03-future-made.htm
(2) For further information refer to https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2024-integrated-system-plan-isp
(3) For further information refer to https://www.industry.gov.au/publications/future-gas-strategy
(4) For further information refer to https://www.climatechangeauthority.gov.au/sector-pathways-review
(5) For further information refer to https://consult.dcceew.gov.au/electricity-and-energy-sector-plan-discussion-paper
(6) For further information refer to https://aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-isp.pdf?la=en

and Hydrogen Headstart program). Escalation of investment in transition activities will be required if Australia is to meet the AEMO ISP expectation that Australian's energy transition will support Australians households and businesses buildings in becoming more energy efficient, progressively meeting their growing needs for electric appliances, including electric vehicles (EVs), as well as creating employment opportunities and investment into key regions across the country. The Climate Change Authority's Sector Pathways Review recognised the significant contribution of the electricity and energy sector to Australia's total emissions and emphasised the importance of achieving the Government's 82% renewable energy target by 2030. While acknowledging the progress made towards the target, the review also underscored key barriers such as planning and approval constraints, social license and shortages related to materials and workforce, as well as critical enablers including incentives to medium-and-long term investment. The Sector Pathways Review also underlined the importance of operational and behavioural choices across society, including around what technologies to deploy when, and how.

The phaseout of high-emitting assets and the shift to renewable sources of energy – including the deployment of large-scale renewables and those for domestic and small business uses, along with the associated transmission and storage – will be critical to reducing emissions and Australia achieving its decarbonisation goals.

Renewables now make-up 80% of the total finance that NAB provides to energy generation, up from 73% in 2023[1].

NAB is:

- Financing renewable-powered generation, including large scale renewable energy sources (solar, wind, battery storage, and transmission grid upgrades). For further information refer to *Supporting our customers to decarbonise and to build resilience* on page 9).
- Continuing to finance gentailers who are committed to decarbonising their operations.
- From 1 October 2025, requiring certain Corporate and Institutional Banking power generation customers to have a Customer Transition Plan in place for new or renewed corporate lending or project-related lending (for further information refer to *Customer Transition Plans* on page 28 for further details).

Resources

Reducing reliance on thermal coal and oil and gas is critical in Australia's transition to a net zero economy. Fossil fuels contributed 65% of total electricity generation in 2023, including coal (46%), gas (17%) and oil (2%). The share of coal in the electricity mix is continuing to decline and renewables contribution continues to increase and represented 35% of total electricity generation in 2023, including solar (16%), wind (12%) and hydro (6%)[2].

Thermal coal

Thermal coal mining currently contributes approximately 8%[3] of Australia's total Scope 1 emissions, and is a significant source of emissions for power generation domestically and internationally. Emissions reduction will be achieved through substituting coal-fired power with renewable energy and curbing exports of thermal coal. AEMO is expecting coal generation to be 100% withdrawn by 2038 (46% by 2030) and renewable energy supply to increase in the meantime supporting the overall transition and replacement opportunities[4]. AEMO's ISP also called out some key transition risks, including early coal retirement without relevant replacement, the grid not being ready for 100% renewables and consumer energy resources not adequately integrated into the grid. The Climate Change Authority's Sector Pathways Review[5] underscored the impact of coal mining fugitive emissions to the Resources sector, contributing 25% of the Resource sector's total emissions.

NAB is reducing exposure to thermal coal mining customers and is closely monitoring thermal coal exposure via metallurgical coal miners and diversified miners.

Oil and gas

Reducing emissions across oil and gas extraction and production will require significant industry change in Australia. These activities account for more than 10%[3] of domestic Scope 1 emissions. Decreasing demand for oil and gas is linked to the transition of other key sectors, such as power generation, where gas currently accounts for about 17% of the Australian electricity generation fuel mix, and transport, where petrol and diesel cars represent the significant majority of vehicles. Australia's Future Gas strategy[6] maps the Australian Government's plan for the role of gas in the Australian economy's transition to net zero. It outlines guiding principles to be used by the Government to guide policy making as it relates to key objectives such as supporting decarbonisation as well as safeguarding energy security and affordability. The 2024 AEMO ISP outlined that renewable energy backed up by gas-powered generation is the lowest cost-way to supply electricity to homes and businesses. The Climate Change Authority's Review[5] identified the contribution of fugitive emissions and fuel combustion in the oil and gas sector as representing more than 40% of emissions in the Resources sector more broadly. A key source of emissions includes consumption of gaseous fuels within LNG and production and gas processing facilities for turbine operation for compression and liquefaction of gas product. Identified levers within the sector include electrification, hydrogen fired turbines and post combustion carbon capture and storage.

NAB is:

- Managing portfolio exposures in line with our 2030 oil and gas sector decarbonisation target (for further information refer to *Oil and gas* on page 50) and in line with NAB's ESG-related risk settings which include an exposure cap for the oil and gas sector (for further information refer to the *ESG risk-related policy and appetite settings* section on page 26).
- From 1 October 2025, requiring Corporate and Institutional Banking oil and gas customers to have a Customer Transition Plan in place for new or renewed corporate lending or project-related lending (for further information refer to *Customer Transition Plans* on page 28).

(1) Figure is at 30 September 2024. NAB methodology (based upon the 1993 Australian and New Zealand Standard Industrial Classification (ANZSIC) codes) on a EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where the majority of their generation activities are sourced from renewable energy.
(2) For further information refer to https://www.energy.gov.au/energy-data/australian-energy-statistics/electricity-generation
(3) For further information refer to https://www.dcceew.gov.au/climate-change/publications/national-inventory-by-economic-sector
(4) For further information refer to https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2024-integrated-system-plan-isp
(5) For further information refer to https://www.climatechangeauthority.gov.au/sector-pathways-review
(6) For further information refer to https://www.industry.gov.au/publications/future-gas-strategy

Heavy industry

NAB acknowledges heavy industry, while being a material emissions contributor across key industrial supply chains, contributes significantly to Australia's GDP and employment. The sectors outlined in this section are expected to play a role in Australia's energy transition and as such, demand is expected to grow. NAB recognises that while certain industrial processes are harder-to-abate and face technological and commercial challenges, Australia must keep pace with the development and implementation of technologies in a decarbonised future.

Cement

As a key component of concrete, cement is one of the most used materials in the world. Its demand is expected to grow as it plays an important role in the global transition to net zero through its use in important infrastructure such as wind farms, climate-resilient housing and low-carbon transport. However, the cement sector is also a large source of global GHG emissions, contributing around 1% of Australia's Scope 1 emissions, and about 7% of global emissions(1). Focused efforts on increasing the use of alternative fuels and raw materials as well as energy efficiency measures can contribute to reducing cement manufacturing emissions. The Climate Change Authority's Sector Pathways Review(2) recognised substituting high carbon materials for those with lower emissions intensity will only be a partial solution. It highlighted the main opportunities for reducing built environment emissions will be during the early stages of the design and planning process, where the optimisation of material requirements can be done with a focus on lower emissions. Decarbonisation of the cement industry in the short to medium term is heavily dependent on the commercialisation and uptake of carbon capture technology across the sector at scale by 2030.

NAB is prioritising lending to customers with lower-emitting operations, or customers working to reduce the emissions intensity of their operations.

Aluminium

Aluminium is an important input to several technologies critical to the energy transition, but the sector is also a significant source of GHG emissions, emitting ~1.1 $BtCO_2e$ per year globally (~3% of total global emissions)(3). Demand for aluminium is forecast to increase by up to 80% by 2050(4). The aluminium supply chain comprises three components: bauxite mining, alumina refining and aluminium smelting. The Australian aluminium industry is heavily skewed to the extractive end of this value chain, with the majority of local companies focused on bauxite extraction and alumina refining. Australia is the second-largest producer of bauxite in the world, the second-largest producer and largest exporter of alumina in the world and is expected to be the world's largest producer of high purity alumina by 2025, with 49% of global output(5). The Future Made in Australia plan, outlined in the 2024-25 Federal budget outlines the plan to coordinate a package of reforms and initiatives to support the growth of vital industries and benefit, including 'green metals' which includes green aluminium, supported by Australia's solar and wind resources, mineral resources and skilled workforce. The Australian Government's May 2024 consultation paper, *Unlocking green metals opportunities for a Future Made in Australia*(5), suggested green metals could be worth up to $122 billion a year to our economy by 2040(5). NAB considers the decarbonisation of the aluminium sector as largely dependent on the decarbonisation of Australia's electricity supply given the majority of emissions from the aluminium production process arises due to electricity consumption during smelting(6). Decarbonisation of the aluminium sector is therefore heavily reliant on the uptake of renewable energy.

NAB is prioritising lending to customers with lower-emitting operations, or customers who are working to reduce the emissions intensity of their operations.

Iron and steel

The iron and steel sector is both a critical enabler of climate transition and a key contributor of carbon dioxide (CO_2), emitting 2.6 $GtCO_2e$ globally(7)(7% of total) annually. Global steel demand is forecast to grow by more than 30% by 2050(8). Steel production's large share of emissions is due to the role of fossil fuels for energy and as a reductant during production. For every tonne of crude steel produced, 1.4 tonnes of direct CO_2 emissions and 0.6 tonnes of indirect CO_2 emissions are released on a sectoral average basis(9).

The decarbonisation levers for iron and steel are limited, especially in the near term. There are currently no viable substitutes for metallurgical coal in the primary steel-making process, at commercial scale, and electrification of the furnace (Electric Arc Furnace, or EAF) is not commercially viable in Australia due to limited access to scrap. Longer term, Direct Reduction Iron (DRI) technologies are likely to be commercialised, allowing for the reduction of metallurgical coal used in the smelting process. Given the size of existing Australian steelmaking facilities, the transition will not be gradual or linear with several large investment decisions around retrofit, replacement and additional capacity to support demand being required.

NAB recognises the decarbonisation levers for steel production are likely to be limited prior to 2030. Post 2030, further decarbonisation is dependent on the development and adoption of emerging technologies to reduce emissions from operations. NAB acknowledges the Government policy settings, commitment to reduce emissions and investment to support the clean energy transformation, through the CEFC, ARENA, National Reconstruction Fund, Northern Australia Infrastructure Facility and Export Finance Australia as well as through grants under the Powering the Regions Fund.

For iron and steel customers, in addition to prioritising lending to customers with lower-emitting operations, or customers working to reduce the emissions intensity of their operations, NAB is:

- Reducing exposure to metallurgical coal extraction over time. Financing to customers is subject to enhanced due diligence which further considers underlying environmental, social and governance risks.
- From 1 October 2025, requiring Corporate and Institutional Banking metallurgical coal customers to have a Customer Transition Plan in place for new or renewed corporate

(1) For further information refer to https://sciencebasedtargets.org/sectors/cement
(2) For further information refer to https://www.climatechangeauthority.gov.au/sector-pathways-review
(3) For further information refer to https://international-aluminium.org/aluminium-industry-reports-decline-in-greenhouse-gas-emissions/
(4) For further information refer to Aluminium Industry - The Net-Zero Industry Tracker | World Economic Forum (weforum.org)
(5) For further information refer to https://consult.industry.gov.au/unlocking-green-metals
(6) For further information refer to https://www3.weforum.org/docs/WEF_Net_Zero_Tracker_2023_ALUMINIUM.pdf
(7) For further information refer to https://www.iea.org/energy-system/industry/steel
(8) For further information refer to https://www.weforum.org/publications/the-net-zero-industry-tracker/in-full/steel-industry/#steel-industry
(9) For further information refer to energy-transitions.org/wp-content/uploads/2021/12/MPP-Steel_Transition-Strategy.pdf

lending or project-related lending (for further information refer to *Supporting our customers to decarbonise and build resilience* on page 9).

Transport

The transport sector is critical to the movement of materials, products and people, contributing materially to Australia's GDP and employment. Australia's transport sector is the third largest source of Australia's greenhouse gas emissions, amounting to 21% of national emissions in 2023(1). Since 2005, transport sector greenhouse gas emissions increased 19% and are currently projected to be the largest in Australia by 2030.

The Climate Change Authority's Sector Pathway Review for Transport noted that, in order to support Australia's net zero ambitions, adoption of existing technologies (battery EVs, active and public transport) will need to accelerate and developing technologies (electrification for heavy vehicles, alternative fuels) will need to mature and then be rapidly adopted.

Decarbonisation barriers to be overcome include roll out of supporting infrastructure, high up-front costs, the combination of low technology maturity and long asset lives for heavy transport, and uncertainty around the future supply of alternative fuels. Continued policy and government action to support the decarbonisation of this sector will be required to enable transition to net zero emissions by 2050. If this does not occur, it will be very difficult for NAB to reduce transport sector financed emissions in line with 2030 sector decarbonisation targets.

NAB has developed financing propositions to support customers and is building the climate capability of its transport sector bankers through a bank-wide climate training program that includes transport specific modules.

Road - cars and light commercial vehicles (LCVs)

In 2023, global emissions from transport grew to approximately 8.4 $GtCO_2$-e(2). In Australia, transport made up approximately 23%(3) of total emissions, equivalent to 98 $MtCO_2$-e(4), with cars and LCVs contributing 59 $MtCO_2$-e(5), or about 60% of Australia's transport emissions for the year. Sector decarbonisation will be driven by the uptake of EVs and hybrids, particularly in the car and LCV segments of Australia's transport emissions. Decarbonisation of the road transport sector is a priority for the Australian Government, with recent initiatives including the National EV Strategy, a House of Representatives Committee inquiry into the transition to electric vehicles and the New Vehicle Efficiency Standard. Significant investment and co-operation between Local, State, Federal governments, and private industry (including banks) will be required to enable the EV transition in Australia.

NAB is working to support our customers and the decarbonisation of this sector through a range of levers. These include:

- Providing NAB Green Finance for Vehicles and Equipment which includes financing for electric and plug-in hybrid cars and light commercial vehicles, electric buses and trucks, and electric machinery (for further information refer to *Supporting our customers to decarbonise and to build resilience* on page 9).
- Working towards consumer offerings which better position NAB to participate in financing the transition to lower emissions vehicles. The NAB Car Loan 'powered by Plenti', is now available to NAB's Personal Banking customers and can be used to finance the purchase of internal combustion engines, hybrid or electric vehicles (for further information refer to *Supporting our customers to decarbonise and build resilience* on page 9).
- Transitioning our vehicle fleet to lower emissions vehicles and targeting a 50% reduction in fuel usage across Australia and New Zealand by 2025 (for further information refer to *Reducing operational emissions* on page 64 for further details).

Aviation

Globally, the aviation sector contributes over 770 $MtCO_2$-e(6) (2% of total CO_2-e) annually and demand is forecast to grow. In Australia, the sector is responsible for 9.4 $MtCO_2$-e (9% of total transport CO_2-e) per annum. The International Civil Aviation Organisation (ICAO) is a United Nations agency, established to support technical, legal, and administrative cooperation amongst airlines. ICAO has started to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which will mandate the use of at least 10%(7) blend of Sustainable Aviation Fuel (SAF) by 2027, noting that supply and availability of SAF will need to increase in the intervening years to enable this. SAF penetration currently remains low but is increasing rapidly, with the International Air Transport Association (IATA) estimating SAF production is expected to triple to 1.9bn litres or 0.53% of aviation's fuel need and 6% of renewable fuel capacity(8). Unlocking supply remains the primary barrier, with policy support required to diversify supply of feedstock, promote investment and increase processing capacity in places accessible to feedstock supply. Most corporate airlines have made ambitious public commitments to decarbonise. Beyond SAF usage, decarbonisation of the aviation sector in the short to medium-term will rely on engine and aircraft efficiencies (e.g., improved aerodynamics and reduction in weight) and carbon offsets. Longer-term, hydrogen-fuelled aircraft are likely to support decarbonisation of the sector. If the decarbonisation levers referred to above are delayed or cannot be utilised to the extent required, NAB expects offsets will be needed to bridge the gap between what is needed and what can occur. This is over and above the level of offsetting NAB already expects will be needed to reach the required levels of decarbonisation.

In addition to building the climate capability of its transport sector bankers, NAB is managing our portfolio towards customers with 2030 decarbonisation commitments and airlines with more efficient aircraft and operations.

Shipping

Globally, the shipping sector contributes 706 $MtCO_2$-e(9) (2% of total global CO_2-e) annually and demand is forecast to grow. In Australia, the sector is responsible for around 2 $MtCO_2$-e (0.4% of Australia's total CO_2-e)(9) per annum and is responsible for transporting over 99% of our international trade volumes,

(1) For further information refer to https://www.infrastructure.gov.au/infrastructure-transport-vehicles/towards-net-zero-transport-and-infrastructure
(2) For further information refer to https://www.iea.org/energy-system/transport
(3) For further information refer to https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-gas-inventory-quarterly-update-december-2023
(4) For further information refer to https://www.statista.com/statistics/1462520/australia-yearly-greenhouse-gas-emissions-from-transport-sector/
(5) For further information refer to https://www.dcceew.gov.au/energy/transport
(6) For further information refer to https://www.iea.org/energy-system/transport/aviation
(7) For further information refer to https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx
(8) For further information refer to https://www.iata.org/en/pressroom/2023-releases/2023-12-06-02/
(9) For further information refer to https://www.iea.org/energy-system/transport/international-shipping

making it vital to our economy. The International Maritime Organisation (IMO), the United Nations agency responsible for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships, has a GHG strategy to reach net zero total emissions by or around 2050, with an interim ambition to reduce absolute emissions by 20-30% by 2030[1] compared to 2008 levels. In the short term, decarbonisation of the sector will be driven by gains in operational efficiencies, improved ship maintenance and improved engine and ship design. Longer term, low and zero emission fuels such as green methanol and ammonia (hydrogen) will drive decarbonisation of the sector. Industry momentum behind the transition is building, with approximately 45% of tonnage ordered globally in 2023 being low and zero carbon fuel-capable[2].

In addition to building the climate capability of its transport sector bankers, NAB is managing our portfolio towards customers with 2030 decarbonisation commitments and to owners and operators with more efficient vessels and operations.

Real estate

The built environment includes the buildings where people live, work, conduct business and enjoy recreational activities. For the purposes of this Report, 'real estate' includes all residential and commercial real estate including standalone houses, apartments, investment properties, offices, and industrial, retail and specialty buildings.

Decarbonising Australia's electricity grid is the primary enabler to reducing emissions across residential and commercial real-estate and a coordinated effort by government and industry is required to achieve the necessary renewables mix in the grid. Further enablement through the National Construction Code (NCC) 2022, expansion of Australia's national energy rating schemes, and plans to integrate smart metering capability for all Australian households and small businesses in the National Electricity Market by 2030 is expected to drive further reductions in Australia's built environment emissions. The Climate Change Authority's Sector Pathways Review[3] identified capacity for the built environment to reduce emissions by 69% from 2005 levels by 2030, substantially above the projected reduction under current policy settings. The Climate Change Authority has the stated view that complete electrification of buildings in the long term is the optimal decarbonisation approach. Barriers to uptake of the required opportunities and enablers identified by the Authority include upfront costs, supply chain and workforce constraints and information gaps.

NAB has developed financing propositions to support customers and is building the climate capability of its real estate sector bankers through a bank-wide climate training program which includes real estate specific modules.

Commercial real estate

The CRE sector in Australia comprises more than one million properties. It encompasses a range of property types, with retail buildings representing the largest proportion by building count at 17%, followed by factories and other secondary production building at 14% and commercial and office buildings at 13%[4]. In Australia, CRE buildings are responsible for around 25% of overall electricity use and more than 10% of total carbon emissions[4]. Energy delivered to commercial buildings generates 5% of its emissions as Scope 1, primarily from natural gas and 95% of its emissions from electricity consumption as Scope 2 emissions. The decarbonisation of Australian CRE will be primarily driven by the transformation of the electricity grid (at least 82% renewables by 2030, in line with government commitment). Other levers include increased adoption of rooftop solar, reduced consumption of gas, and increased energy efficiency of CRE buildings by 2030. The Australian Government is working with State and Territory Governments to improve energy efficiency of new and existing buildings. The Climate Change Authority's Sector Pathways Review[3] identified 3 $MtCO_2e$ reduction in CRE building emissions to 2050 under a 1.5 degree scenario with a floor space growth of 56% over that time. Electrification in CRE buildings is not projected to see the same level of increase in electricity consumption as RRE due to the lower reliance on natural gas and liquid petroleum gas. Overall, the Review confirmed that electrification coupled with decarbonisation of the electricity system will be critical to the decarbonisation of the sector.

NAB is working to support our customers and the decarbonisation of this sector through a range of levers. These include:

- Providing direct financing to owners of commercial real estate to upgrade their assets to improve their energy efficiency.
- Offering green lending propositions to customers to help finance investment in new energy efficient buildings and in refurbishment of existing buildings (for further information refer to *Supporting our customers to decarbonise and to build resilience* on page 9).

Residential real estate

The residential real estate (RRE) sector in Australia comprises approximately eleven million properties of which approximately 30-35% are mortgaged[5]. Standalone properties represent around 85% while 15% are apartments or flats. Property type determines the array of decarbonisation strategies available to customers, for example apartment/flat owners may have less ability to make structural building efficiency upgrades or install rooftop solar. In Australia, residential buildings are responsible for around 24% of overall electricity use and more than 10% of total carbon emissions[6]. Energy delivered to households generates around 11 $MtCO_2$-e of its emissions as Scope 1, primarily from natural gas, and around 41 $MtCO_2$-e of its emissions from electricity consumption as Scope 2 emissions[7]. The Australian Government is working with State and Territory Governments to improve energy efficiency of new and existing homes. The Climate Change Authority[3] identified 9 $MtCO_2e$ emissions reduction in RRE building emissions to 2050 under a 1.5 degree scenario with growth in number of dwellings of 65% over that time. Electrification is identified as being of particular importance for RRE buildings due to the current prevalence of natural gas and liquid petroleum as on-site energy. Overall, the Review confirmed electrification coupled with decarbonisation of the electricity system are critical to the decarbonisation of the sector.

(1) For further information refer to https://www.imo.org/en/OurWork/Environment/Pages/2023-IMO-Strategy-on-Reduction-of-GHG-Emissions-from-Ships.aspx
(2) For further information refer to Clarksons hails 'hugely significant' year for shipping industry decarbonisation | TradeWinds
(3) For further information refer to https://www.climatechangeauthority.gov.au/sector-pathways-review
(4) For further information refer to Commercial buildings - DCCEEW
(5) For further information refer to https://www.abs.gov.au/statistics/people/housing/housing-census/2021
(6) For further information refer to https://www.dcceew.gov.au/energy/energy-efficiency/buildings/residential-buildings
(7) For further information refer to 2024SectorPathwaysReviewBuilt Environment.pdf

NAB is working to support our customers and the decarbonisation of this sector through a range of levers. These include:

- Exploring propositions with the potential to help customers upgrade their homes and/or investment properties to improve energy performance.
- Continuing to work with DCCEEW, CoreLogic and the CSIRO on RapidRate and evolving tools with the potential to assist customers decarbonise their homes (for further information refer to *Investing in climate capabilities* on page 13).

Agriculture and land

Australia's agriculture sector is a key contributor to jobs, GDP[1] and exports, and it provides high quality food and fibre to Australians and the rest of the world. Demand for the commodities produced by the Australian agricultural sector is forecast to continue to grow to meet the needs of a growing population. In Australia, the sector emits 77 $MtCO_2e$ per year (18% of national total CO_2-e)[2] with the majority of emissions coming from livestock: beef (49%), sheep (19%), dairy (9%) and remaining subsectors collectively contributing the remaining 23%. Decarbonisation and adaptation will become critical for the ongoing sustainability of the sector from a productivity and market access perspective. However, this must be balanced with care for its role in regional communities and the domestic and global food supply. Near-term emissions reductions are likely to be driven by livestock and fertiliser productivity improvements, however technologies to reduce enteric fermentation (the largest source of sector GHG emissions) are more likely to be viable at commercial scale over the medium term.

NAB recognises the significant scale of the challenges to decarbonisation in the agricultural sector, and the complex socio-economic interdependencies at play. We are currently considering the implications of more recent developments, such as the Climate Change Authority's Agriculture and Land Sector Pathway[3], which recognised the industry faces a range of barriers (financial, workforce, data and information, and supply chain) to accelerating decarbonisation. Although some options to address these challenges were identified (including targeted research funding, tax incentives, provision of practical guidance and support), these measures alone are unlikely to result in anything other than modest decarbonisation through to 2050 and do not solve the challenges NAB faces in setting a decarbonisation target for this sector.

NAB is working to support our customers and the decarbonisation of this sector through a range of levers. These include:

- Policy advocacy through participation in government and industry initiatives and providing input on relevant government consultations related to decarbonisation, climate reporting and disclosures.
- Financing decarbonisation through deployment of NAB Green Finance for Vehicles and Equipment as well as NAB Green Finance for Agribusiness propositions, supporting customers to invest in activities to reduce carbon emissions (for further information refer to *Supporting our customers to decarbonise and to build resilience* on page 9).
- Investing in AgTech innovation to support the research, development and scaling of promising technologies to reduce on-farm emissions, such as BNZ's investment in AgriZero NZ, which will help drive insights and innovation in livestock decarbonisation (for further information refer to *Investing in climate capabilities* on page 13).
- Building the climate capability of its agriculture sector bankers through a bank-wide climate training program that includes agriculture specific modules.

Though NAB hasn't set a decarbonisation target for agriculture, it has developed a transition plan based on the GFANZ framework. This will ensure we continue to improve measurement and management of the portfolio and support customers in their decarbonisation activities. It also includes investment in initiatives that will help to capture farm-level emissions data and share actionable insights with customers, and exploring opportunities to invest in technologies and partnerships in emissions reduction technology and data capture.

NAB's financed agriculture portfolio extends across Business and Private Banking, and Corporate and Institutional Banking. Agriculture aggregate EAD[4] as at 30 June 2023 was $40 billion, representing 9% of our financed emissions[5].

As described in detail in NAB's June 2024 Supplementary Climate Disclosure, released in June 2024, NAB has temporarily deferred setting a decarbonisation target for the agriculture sector. NAB will continue to monitor government-led policy developments, ongoing research and emerging pathways, and continue to engage with customers. NAB will update the market on its approach to decarbonising its agriculture portfolio in its 2025 reporting.

(1) For further information refer to https://www.abs.gov.au/statistics/economy/national-accounts/australian-system-national-accounts/latest-release
(2) For further information refer to https://greenhouseaccounts.climatechange.gov.au/
(3) For further information refer to https://www.climatechangeauthority.gov.au/sector-pathways-review
(4) For further information on EAD used in decarbonisation targets refer to *Understanding financed emissions* on page 44 in *Metrics and targets*. The scope of product, customer and EAD is consistent with the approach followed in the Metrics and targets section.
(5) NAB's financed emissions calculations are a percentage of the total estimated financed emissions for the NZBA-defined priority sectors.

Metrics and targets

Performance summary

This section provides an update on the metrics and targets the Group uses to assess and manage relevant climate-related risks and opportunities, aligned to our net zero emissions by 2050 ambition. The targets detailed in this section should be read in conjunction with details provided in the *Supporting information* section.

Climate-related targets

Portfolio alignment target

Net zero by 2050

12 sector decarbonisation targets now published

Environmental finance ambition

$80bn

Environmental finance ambition for the period 1 October 2023 to 30 September 2030(1)

Operational emissions reduction target

72%

Target to reduce Scope 1 and 2 (market-based) GHG emissions by 2030 against a 2022 baseline

Sourcing renewable energy target

100%

Target to source 100% of Group operational electricity from renewables by 2025(2)

Table 1: Performance summary

Sector	Metric	Updated baseline(1)	2030 Target (reduction %)(1)	2023 (% reduction to date)(1)	Reference
Power generation	tCO_2-e/MWh	**0.17**	0.14 (18%)	**0.18 (-2%)**	Page 47
Thermal coal	$MtCO_2$-e	**4.9**	0.0 (100%)	**0.9 (82%)**	Page 49
Oil and gas	$MtCO_2$-e	**3.4**	2.5 (25%)(2)	**1.3 (62%)**	Page 50
Cement	tCO_2-e/tCement	**0.57**	0.46 (19%)	**0.56 (2%)**	Page 52
Aluminium	tCO_2-e/tAluminium	**1.8**	5.0 (n/a)	**1.4 (22%)**	Page 53
Iron and steel	$MtCO_2$-e	**6.1**	4.8 (22%)(2)	**0.9 (85%)**	Page 54
Transport					
Transport - road	gCO_2/vkm	**217**	133 (39%)	**212.5 (2%)**	Page 55
Transport - aviation	gCO_2-e/pkm	**104.0**	77 (26%)	**104.5 (-0.5%)**	Page 57
Transport - shipping	Alignment delta %(3)	**-1.0%**	0% (19%)(3)	**-3.6% (5%)(3)**	Page 58
Real estate					
Commercial real estate (CRE) - office	$kgCO_2e/m^2$	**70.8**	29.6 (58%)	**65.7 (7%)**	Page 60
CRE - retail	$kgCO_2e/m^2$	**78.4**	32.6 (58%)	**78.8 (-1%)**	Page 61
Residential real estate (RRE)	$kgCO_2e/m^2$	**35.1**	15.4 (56%)	**33.8 (4%)**	Page 62

Other metrics				2024	
Environmental finance	$ billion		80	**7.3**	Page 63
Operational emissions	% reduction v 2022 baseline		(72%)	**(57%)**	Page 64
Sourcing renewable energy(4)	% operational electricity from renewables		100%	**95.1%**	Page 65

(1) Figures are based on baselines, targets and 2023 progress metrics updated for methodological changes processed in 2024. For further information on the methodology changes and updates refer to *Understanding financed emissions* on pages 44 to 46.
(2) Baseline and target figures have been rounded. Percentage reduction is calculated on unrounded figures.
(3) Alignment delta is a measure of portfolio variance against a linear emissions reduction reference pathway. Maintaining a 0% alignment delta requires 2.5% reduction of portfolio emissions intensity year on year.
(4) Target to source 100% of Group operational electricity from renewables by 2025.

(1) Refer to *Environmental finance ambition* on page 63 for further details.
(2) Refers to the end of environmental year 2025 (ending 30 June 2025). Refer to page 64 for further details.

Sector decarbonisation performance against targets

The pace of change in high-emitting sectors is significant. As technology, regulation and best practice evolves, so too will NAB's approach to supporting the sectors. Reporting on these sectors is intended to give a holistic picture of progress.

See below for an overview of sector decarbonisation targets and progress to date[1]. Percentage movements have been calculated using unrounded figures throughout the *Metrics and targets* section.

	Absolute financed emissions ($MtCO_2$-e)[1][2]							Portfolio update[3]				Data quality			
	2023			2022								2023		2022	
Sector	Scope 1 and 2	Scope 3	Total	Scope 1 and 2	Scope 3	Total	2023 financed emissions as a % of total estimated financed emissions[4]	Metric[5]	Base-line	2030 Target	2023 Position	Scope 1 and 2	Scope 3	Scope 1 and 2	Scope 3
Power generation	**2.7**	**-**	**2.7**	2.7	-	2.7	**16.9%**	tCO_2-e/MWh	0.17	0.14	**0.18**	**1.8**	**n/a**	1.3	n/a
Thermal coal	**0.02**	**0.75**	**0.8**	0.1	2.8	2.8	**4.8%**	$MtCO_2$-e	4.9	0.0	**0.9**	**1.4**	**1.5**	1.0	2.0
Oil and gas	**0.1**	**1.0**	**1.1**	0.2	2.0	2.1	**7.2%**	$MtCO_2$-e	3.4	2.5	**1.3**	**1.5**	**2.2**	1.1	1.8
Cement[6]	**0.2**	**-**	**0.2**	0.8	-	0.8	**1.0%**	tCO_2-e/tCement	0.57	0.46	**0.56**	**2.5**	**n/a**	2.2	n/a
Aluminium	**0.1**	**-**	**0.1**	0.2	-	0.2	**0.7%**	tCO_2-e/tAluminium	1.8	5.0	**1.4**	**1.9**	**n/a**	1.7	n/a
Iron and steel[7]	**0.9**	**-**	**0.9**	6.8	-	6.8	**5.5%**	$MtCO_2$-e	6.1	4.8	**0.9**	**2.0**	**n/a**	2.2	n/a
Transport															
Transport - road	**0.1**	**-**	**0.1**	n/a	n/a	n/a	**0.7%**	gCO_2/vkm	217	133	**212.5**	**5.0**	**n/a**	5.0	n/a
Transport - aviation	**1.5**	**-**	**1.5**	1.4	-	1.4	**9.3%**	gCO_2-e/pkm	104	77	**104.5**	**2.6**	**n/a**	2.3	n/a
Transport - shipping	**0.7**	**-**	**0.7**	n/a	n/a	n/a	**4.5%**	Alignment delta %	-1.0%	0%	**-3.6%**	**2.4**	**n/a**	2.5	n/a
Real estate															
CRE - office	**0.3**	**-**	**0.3**	n/a	n/a	n/a	**1.9%**	$kgCO_2e/m^2$	70.8	29.6	**65.7**	**4.0**	**n/a**	4.0	n/a
CRE - retail	**0.4**	**-**	**0.4**	n/a	n/a	n/a	**2.6%**	$kgCO_2e/m^2$	78.4	32.6	**78.8**	**4.0**	**n/a**	4.0	n/a
RRE	**2.6**	**-**	**2.6**	n/a	n/a	n/a	**16.2%**	$kgCO_2e/m^2$	35.1	15.4	**33.8**	**4.0**	**n/a**	4.0	n/a

(1) Totals may not sum due to rounding.
(2) Excludes facilitated emissions.
(3) Includes facilitated emissions.
(4) Financed emissions coverage estimate as a proportion of estimated total financed emissions attributable to NAB's lending portfolios.
(5) Where targets have been set, the metric has been selected as either absolute emissions or emissions intensity.
(6) Due to data availability, the cement baseline estimate may include a small amount of rehabilitation bonding, but quantity is not considered significant compared to overall baseline for the sector.
(7) Includes metallurgical coal customers.

(1) EAD figures for sector decarbonisation targets are as at 30 June 2023, to align with the Clean Energy Regulator reporting under the National Greenhouse and Energy Reporting (NGER) Act. The exception to this is that EAD for shipping is as at 31 December 2023 to align with the International Maritime Organisation (IMO) reporting.

Understanding financed emissions

Emissions reduction across the lending portfolio is unlikely to be linear. Financed emissions metrics are influenced by a number of non-emissions-related factors which can drive variability. These include, for example:

- Changes to operational production output (e.g., new assets coming online or ramping up capacity to meet demand).
- Changes to portfolio mix, especially in small portfolios.
- Changes to company valuations (in response, for example to changes in commodity prices).
- Updates to methodologies, improvements in data quality.

Measuring financed emissions involves considerable complexity and uncertainty, and there are challenges relating to the availability and quality of data and methodologies. In developing and reporting these metrics and targets, NAB continues to work on and improve its methodologies, including adding granularity and updating external customer and industry data as it becomes available over time. The *Financed emissions methodology* section sets out further details of the methodologies adopted and key challenges and complexities involved in measuring financed emissions.

The transition looks different from customer to customer, sector to sector. A sector-specific approach to attributable financed emissions enables NAB to consider factors such as technological advances or supply and demand, that may impact absolute emissions reduction across the economy.

Customers within sectors will have varied emissions reduction trajectories. NAB's targets should be viewed at a sector portfolio level, rather than at an individual customer level. Customers may have emissions profiles that differ from NAB's sector decarbonisation targets or transition plans that are based on data, reference scenarios, assumptions and methodologies that are different to those used by NAB in setting its targets. NAB may continue lending to such customers if doing so is consistent with NAB's targets at a portfolio level.

Subject to NAB's ESG risk policy and appetite settings, and stated requirements around Customer Transition Plans, new lending will occur, including to enable and accelerate customers' transition to net zero. This may lead to a temporary increase in absolute financed emissions and emissions intensity in some reporting years between now and 2030, however these are intended to decline over time towards NAB's sector decarbonisation targets and to meet our ambition to have net zero emissions by 2050.

NAB will consider national energy security requirements in relation to the power generation and oil and gas sectors. It is expected that decisions based on national energy security would be by rare exception. Such decisions may impact on NAB's ability to achieve sector decarbonisation targets.

The Group's customer-related ESG risk policy and appetite settings relevant to high-emitting sectors complement its sector decarbonisation targets. For further information refer to *ESG risk-related policy and appetite settings* on page 26.

Attributable financed emissions

Refer to the *Financed emissions methodology* section in *Supporting information* on pages 73 to 89 for details on how NAB measures its attributable financed emissions.

Updates to sector decarbonisation targets

NAB continues to work to increase the scope and boundaries of its targets. Key changes this year are:

- The inclusion of capital markets activity[1] in targets for fossil fuel sectors (power generation, oil and gas, and thermal coal), in line with the updated UNEP FI Guidelines. For these sectors, and where appropriate to the context, references to financed emissions include facilitated emissions.
- The methodology for calculation of EAD has been revised to incorporate APRA's prudential standards for the RCF.
- The cement sector boundaries have been updated to exclude cement wholesalers erroneously included in the original baseline.

Impacts of these changes have been reflected in updated baselines and targets if applicable.

As part of the portfolio target monitoring process, underlying assumptions have been reviewed. This process resulted in updating the reference pathway for oil and gas from the 2021 version of IEA NZE 2050 to the 2023 version, which in turn resulted in a change to the target. The review found no cause to change the reference scenario for any of the other sectors.

Further details of design choices and methodology can be found in the *Financed emissions methodology* section from pages 73 to 82.

Scope of financing activities

Financing activities included in scope of sector emissions targets include:

- Corporate and project finance lending.
- Asset financing and leasing.
- Working capital facilities.
- Trade finance.
- Bank guarantees and letters of credit, except for AEMO bonds and rehabilitation bonds.
- Primary debt capital markets activity, including public debt (bonds), US private placements and syndicated loans.
- Lending secured by commercial real estate.
- Lending secured by cars and light commercial vehicles.
- Mortgages.

Sector emissions targets exclude:

- Markets activity including derivatives.
- Transactional banking, deposits, and risk management products.
- Green bonds.
- Securitisation.
- Investing activity, including NAB Ventures.

Customers in scope

Customers in the energy and heavy industry sectors are identified through ANZSIC codes and are limited to customers in the Corporate and Institutional Banking.

Other customers in target sectors are identified by the type of lending product:

- Real estate: CRE sector includes lending where the underlying security is commercial real estate and RRE sector includes mortgages.
- Road: includes lending secured by a car or LCV.

(1) Capital markets activity, where included in sector targets, means bonds, syndicated loans and US private placements. It excludes activity where NAB is co-manager and advice or services provided to a customer by JBWere.

- Shipping: includes exposure to shipping operators (mostly asset financing and leasing arrangements).
- Aviation: includes exposure to aircraft lessors (asset financing and leasing arrangements) plus business lending to airline operators.

For further information refer to *Sector definitions* on page 84.

EAD used in decarbonisation targets

Exposure to customers in target sectors is defined by EAD. APRA's prudential standards for the RCF came into effect on 1 January 2023, changing the methodology for calculation of EAD. This is NAB's first environmental reporting period under the new RCF standards and so a re-baselining process has been undertaken. For each sector target, pre and post-RCF EAD is provided to aid comparability. Where the RCF resulted in a change to baseline, the target for the sector was reviewed and updated as necessary, consistent with original design decisions [1]. A more detailed methodology for the re-baselining process is provided in *Financed emissions methodology* section from pages 73 to 82.

The variance in EAD between the *Metrics and Targets* and *Risk management* sections is due to differences in financing activity scope. For further information on the sector decarbonisation targets scope, see Scope of financing activity above. For further information on EAD refer to *Certain definitions* on page 2.

Table 2: Impact of RCF

	2023		2022
Sector	Post-RCF EAD $bn	Pre-RCF EAD $bn	Pre-RCF EAD $bn[1]
Power generation	**5.5**	7.2	6.7
Thermal coal	**0.3**	0.5	0.6
Oil and gas	**0.9**	1.1	1.3
Cement	**0.27**	0.31	0.79
Aluminium	**0.04**	0.06	0.07
Iron and steel	**0.1**	0.3	0.3
Transport			
Transport - road (cars and LCVs)	**2.9**	2.9	2.7
Transport - aviation	**3.0**	3.0	3.2
Transport - shipping	**1.9**	1.9	3.1
Real estate			
CRE - office	**14.3**	14.7	15.2
CRE - retail	**16.5**	17.1	16.4
RRE	**358.8**	358.5	344.1

(1) For further information on EAD used in decarbonisation targets refer to *Understanding financed emissions* on page 44 in *Metrics and targets*. The scope of product, customer and EAD is consistent with the approach followed in the Metrics and targets section.

Note that EAD figures for decarbonisation targets are as at 30 June 2023, to align with reporting under the National Greenhouse and Energy Reporting (NGER) Act published by the Clean Energy Regulator. This is consistent with the approach taken in previous reports. The exception to this is that EAD for shipping is as at 31 December 2023 to align with the IMO reporting. Refer to the *Glossary* term 'EAD used in decarbonisation targets for further detail on exposure exclusions that are particular to financed emissions reporting.

Scope of emissions

NAB's approach to emissions scope inclusion has been informed by the UNEP FI Guidelines.

Our sector targets include Scope 1 and 2 emissions for all sectors, and Scope 3 emissions for the fossil fuel sectors (thermal coal, oil and gas and metallurgical coal in the iron and steel sector), where end user combustion (Scope 3) represents the majority of emissions for the sector. NAB has obtained or where unavailable, estimated, production data and applied emission factors to calculate Scope 3 emissions for lending to fossil fuel sectors. NAB will seek to include Scope 3 emissions for remaining targets, where significant and where data and methodologies allow, in accordance with the requirement to do so by 2026.

In line with UNEP FI Guidelines, and as part of its periodic target review processes, NAB will look to expand emissions scope inclusions where methodologies and data allow.

Coverage of financed emissions

NAB estimates that our sector decarbonisation targets cover approximately 71% of financed emissions arising as a result of NAB's total lending portfolios[2], approximately 84% of our financed emissions arising from NAB's total lending[2] to the nine high-emitting sectors[3] listed in the UNEP FI Guidelines and approximately 58% of EAD[2]. These reported ratios have increased since last year due to updates to methodology. As high-emitting sectors decarbonise, portfolio coverage is likely to naturally decrease over time (i.e., the numerator is likely to decrease faster than the denominator).

The methodology for these estimates has been updated to use more publicly available actual emissions data and fewer assumptions, but does still rely on some qualitative judgement. Refer to *NZBA targets-related Financed emissions coverage estimation methodology* on page 89 for further details.

The UNEP FI Guidelines expressly acknowledge that methodological and data limitations present challenges for precisely measuring financed emissions and are therefore subject to a degree of uncertainty. NAB's methodology for estimating financed emissions portfolio coverage will continue to be refined and improved over time as methodology and data allow.

Design decisions

Developing sector decarbonisation targets involves a range of design decisions, including establishing the key assumptions on which each target is based. NAB will continue to monitor the evolution of each sector against these key assumptions and consider the impact of any significant changes to assumptions on our ability to achieve our targets. The approach NAB has applied to target design and information about key design decisions are set out in the *Financed emissions methodology* section from pages 73 to 82.

BNZ's NZBA commitment

NAB's baselines and targets for sector decarbonisation targets exclude BNZ, which has separately signed up to the NZBA and is setting its own sector decarbonisation targets. Learn more about BNZ's progress in its climate reporting at www.bnz.co.nz/about-us/sustainability/reports.

(1) Separately to the process of updating for RCF, the reference pathway for oil and gas was updated, resulting in a slightly more aggressive emissions reduction target
(2) Excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions. Figure as at June 2023.
(3) Refer to the list of carbon intensive sectors located in *NZBA targets-related financed emissions coverage estimation methodology* on page 89.

Decarbonisation of the electricity grid

Decarbonisation of the electricity grid is a critical dependency upon which decarbonisation of many sectors of the economy will turn – particularly in the short to medium term. This is especially the case for the real estate and aluminium sectors, where the majority of emissions are associated with electricity use, but also true for many other sectors. Decarbonisation of the electricity grid is therefore critical to meeting Australia's and NAB's sector decarbonisation targets. The Australian government's commitment to an electricity grid mix of 82% renewables by 2030 is ambitious and will require an acceleration of both generation, storage and distribution infrastructure over the remainder of the decade. This will require a co-ordinated approach from governments, business and the community to be achieved. NAB is committed to playing its part in this effort. Given the criticality of this outcome, NAB will continue to focus lending to renewable energy projects and monitor energy sector dynamics (including AEMO forecasts and further updates to the Integrated Systems Plan) for changes to this underlying assumption, given many of our targets will be influenced by the speed and energy mix of the grid decarbonisation effort for some time to come.

For further information on NAB's outlook for the decarbonisation of the electricity grid, including key sector-level dynamics and challenges refer to *Sector decarbonisation* section on pages 34 and 36.

Operationalising the targets

Governance, approval and oversight

NAB's decarbonisation targets have been subject to internal Risk review including model validation and independent limited assurance and have been reviewed and approved by the ELT and the Board.

NAB's climate-related obligations, including those related to the NZBA, are recorded and managed in our enterprise risk management system. Accountabilities are assigned to relevant executives, with associated controls reviewed on an annual basis. NAB's governance of climate-related risks and opportunities, including sector targets, is discussed further in the *Governance* section from pages 19 to 21 of this Report.

Integrating sector targets within NAB's processes

In the sectors where decarbonisation targets have been set, NAB has introduced processes to monitor and manage progress, which it will mature over time. This includes:

- Creating obligations in NAB's internal risk management systems and assigning ownership to relevant executives.
- Regular internal portfolio reporting to inform portfolio steering and decision making.
- Policy guidance on NAB's status as a signatory to NZBA, NAB's sector targets, and the obligations that flow from them, to support colleagues.
- Updated lending policies and guidance notes to ensure simplicity and consistency with NAB's sector targets.
- Foundational and sector-specific climate training for colleagues with responsibility for lending decisions within relevant sectors.

For sectors where individual transactions may impact NAB's ability to meet sector targets, additional tools and processes have been introduced:

- A tool to calculate the expected impact of a new or refinancing transaction on NAB's attributable financed emissions and ability to meet its targets.
- Guidance to record the existence, details and maturity of customer transition plans and to inform decision making and provide clear approval escalation pathways where required.
- An escalation process for governing financing decisions on individual transactions.

NAB is building maturity in its approach to meeting requirements of its participation in the NZBA and is evolving enablers, such as data systems, policy and risk settings, and training and partnerships, required to achieve its strategic ambition.

Key updates this year include:

- Continuing to invest in a climate data ecosystem to improve the quality of reporting, including reducing the necessity for manual input and judgement.
- Development of a Customer Transition Plan assessment framework for specific Corporate and Institutional Banking customers in the power generation, oil and gas and metallurgical coal sectors[1]. For further information on the requirements refer to *Customer Transition Plans* on page 28.
- Development and ongoing refinement of internal sector transition plans for all sectors where targets have been set. Plans are based on the GFANZ Transition Plan framework and will guide the strategy, portfolio management, decision making and stakeholder engagement within these sectors. Sector transition plans are expected to evolve and mature over time.

The decarbonisation targets are intended to help guide NAB's decision making over time at a sector portfolio level, rather than being a commitment to specific outcomes at an individual customer level.

Important note about sector targets

Other sections of this Report include important information that is relevant to NAB's sector targets and which will assist readers in assessing and understanding the targets NAB has set. For further information also refer to the following sections of this Report for information relevant to NAB's sector targets:

- *Complexities and limitations in measuring financed emissions and setting targets* on page 80.
- Information relating to financed emissions methodology, target setting methodology and other measures, metrics and methodologies relevant to sector targets in *Financed emissions methodology* from pages 73 to 89.
- Key sectoral decarbonisation challenges, dependencies and barriers in *Sector decarbonisation* from pages 34 to 40.
- Key assumptions and dependencies on which we have modelled our ability to reach each sectoral target in *Supporting information* from page 83.
- *Notes on forward looking statements* on page 96.

(1) Refer to *Customer Transition Plans* on page 28. for more details on the assessment framework, including scope, sector boundaries and definitions.

Power generation

Sector boundaries

Includes electricity generation from fossil fuels and renewable sources. Excludes transmission, distribution and storage due to their immateriality to value chain emissions.

Decarbonisation target overview

Element	Approach
2021 baseline(1)	0.17 tCO_2-e/MWh
Metric	Emissions intensity (tCO_2-e/MWh)
Emissions Scope	Scope 1 and 2
2030 Target(1)	0.14 tCO_2-e/MWh (18% reduction against 2021 baseline)
Reference pathway	IEA NZE 2050 (2021)
Data quality score (2023)	Average PCAF score: 1.8 (Scope 1 and 2)

(1) Updated for changes to methodology and boundaries as summarised below.

Portfolio update

NAB's portfolio emissions for power generation are as follows. Changes to methodologies and boundaries are included in this data.

	2023 Post-RCF (Pre-RCF)	2021 baseline Post-RCF (Pre-RCF)	2030 target
Power generation (tCO_2-e/MWh)	**0.18 (0.20)**	0.17 (0.20)	0.14
EAD ($bn)(1)(2)	**5.5 (7.2)**	(5.8)	n/a
EAD as % of total EAD (%) (1)(2)	**0.8%**	(0.7%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**2.7**	(3.0)	n/a
Absolute facilitated emissions ($MtCO_2$-e)	**0.4**	0.3	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and AEMO performance guarantees (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

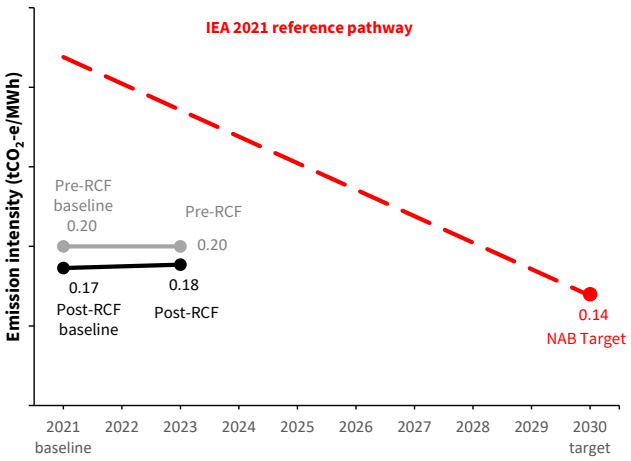
In this Report there are two changes to the way emissions are reported for this sector:

- EAD has been updated to reflect APRA's RCF (reduced baseline by ~16%).
- Capital markets activity(1) has been included (increased baseline by ~1%).

The changes have the net impact of decreasing the baseline by ~15% but do not impact the 2030 target since it is an emissions intensity target meeting the reference pathway at 2030. The required percentage reduction to meet the target is lower.

NAB's sector target for power generation is a 18% reduction in emissions intensity (tCO_2-e/MWh) by 2030, against the baseline. In 2023, the emissions intensity was 0.18 tCO_2-e/MWh, an increase of ~6% against the baseline. Sector exposure was $5.5 billion EAD, a year-on-year increase of ~7%(2).

Figure 1: Power generation sector target and IEA NZE 2050 (2021)



NAB's power generation portfolio emissions intensity increased slightly compared to the baseline. This is due to increased emissions intensity from the non-renewables generation part of the portfolio, which was partially offset by an increase in funding to renewables. The emissions reduction trajectory for this sector is unlikely to be linear and will depend on the flow of capital to renewables and the ongoing need for working capital by integrated generator/retail customers.

The focus of customer engagement in this sector is with the Australian integrated generator/retail customers, who have made public commitments to transitioning their businesses however, there are challenges to be overcome including government guidance for timing of plant closure and increasing risk of blackouts.

For further information on NAB's decarbonisation outlook for the power generation sector, including key sector wide dynamics and challenges, refer to the *Sector decarbonisation* section on page 35.

NAB's approach

NAB has identified three broad avenues of action to achieve the targeted reduction:

- Supporting customers to decommission coal and gas-powered assets.
- Increasing financing to renewable power generation.
- If necessary, on application for new or renewed lending, considering contractual protections or reduction of exposure to customers not transitioning their operations in line with our targets.

NAB's thermal coal sector risk policy settings (for further information refer to *ESG risk policy and appetite* in the *Risk management* section on page 26) are also expected to help NAB meet this target.

The need to manage the phase out of high-emitting power generation assets over time will require continued investment. As NAB provides lending to support this transition, including to support investment in emissions reduction activities, emissions may increase in the short-term. NAB does not anticipate a linear pathway between now and 2030.

Reporting on this sector target in future periods may consider the application of specific managed phase-out frameworks as developed by the GFANZ.

(1) Capital markets activity, where included in sector targets, means bonds, syndicated loans and US private placements. It excludes activity where NAB is co-manager and advice or services provided to a customer by JBWere.
(2) Pre-RCF EAD used for comparison purposes.

NAB will consider national energy security requirements in relation to the power generation sector. It is expected that decisions based on national energy security would be by rare exception. Such decisions may impact on NAB's ability to achieve emissions reduction targets.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* section on page 36.

Key assumptions

NAB has selected the IEA NZE 2050 (2021) reference scenario for the power generation sector. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

NAB's modelling of the achievability of meeting its sector decarbonisation targets for power generation also depends on the following additional assumptions:

- NAB's forecast for its financed emissions in power generation assumes that customers' existing asset retirement plans remain the same (or are retired by 2030 at the latest).
- When non-renewable generation capacity is retired, it is replaced with renewable generation (i.e. no new non-renewable power generation assets).
- Government policies and incentives, along with market economics, support an orderly transition to renewable forms of power generation at the levels and within the time frames anticipated by those plans.

NAB will continue to monitor the evolution of the power generation sector against these key assumptions (including renewables penetration) and consider the impact of any significant deviation (such as delays in the retirement of coal-fired power generation assets) on our ability to achieve our target. If the above assumptions (and those on which our reference pathway is based, as set out in *Supporting information* on page 86) do not occur as anticipated, NAB's sector target for power generation will be difficult to achieve without some other government action and/or significant technological improvements in the sector.

Thermal coal

Sector boundaries

Includes mining of black coal, brown coal and lignite and includes diversified miners where these activities make up greater than 5% of their revenues[1]. Excludes emissions associated with metallurgical coal mining customers, including those with more than 5% revenue from thermal coal sales, as these are captured within the *Iron and steel* sector emissions per UNEP FI Guidelines (for further information refer to page 54).

Decarbonisation target overview

Element	Approach
2021 baseline[1]	4.9 $MtCO_2$-e
Metric	Absolute emissions ($MtCO_2$-e)
Emissions Scope	Scope 1, 2 and 3
2030 Target[1]	0.0 $MtCO_2$-e (100% reduction against 2021 baseline)
Reference pathway	IEA NZE 2050 (2021)
Data quality score (2023)	Average PCAF score: 1.4 (Scope 1 and 2), 1.5 (Scope 3)

(1) Updated for changes to methodology and boundaries as summarised below.

Portfolio update

NAB's portfolio emissions for thermal coal are as follows. Changes to methodologies and boundaries are included in this data.

	2023 Post-RCF (Pre-RCF)	2021 baseline Post-RCF (Pre-RCF)	2030 target
Thermal coal ($MtCO_2$-e)	**0.9 (1.0)**	4.9 (5.1)	0.0
EAD ($bn)[1][2]	**0.3 (0.5)**	(0.7)	n/a
EAD as % of total EAD (%)[1][2]	**0.04%**	(0.09%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.8**	(5.1)	n/a
Absolute facilitated emissions ($MtCO_2$-e)	**0.1**	0.2	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and performance guarantees to rehabilitate existing thermal coal mining assets (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

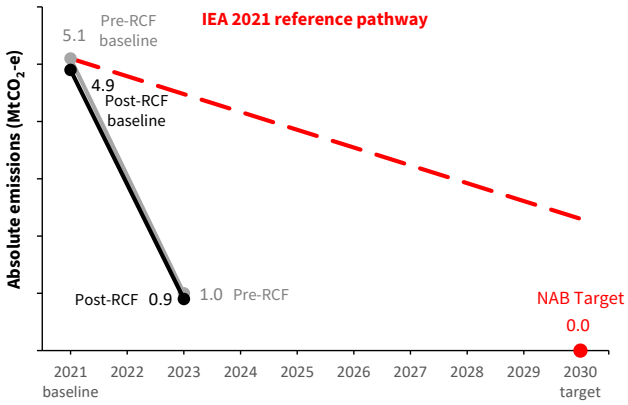
In this Report there are two changes to the way emissions are reported for this sector:

- EAD has been updated to reflect APRA's RCF (decreased baseline by ~10%).
- Capital markets activity[2] has been included (increased baseline by ~4%).

The changes have the net impact of lowering the baseline by ~6% but do not impact the 2030 target, which remains zero emissions by 2030 (see Figure 2).

NAB's sector target for thermal coal is a 100% decrease in absolute emissions by 2030, against the baseline. In 2023, absolute financed and facilitated emissions were 0.9 $MtCO_2$-e, a decrease of 82% against the baseline. Sector exposure was $0.3 billion, a year-on-year decrease of ~17%[3].

Figure 2: Thermal coal sector target and IEA NZE 2050 (2021)



The emissions in this sector decreased due to a reduction in exposure. Note that since emissions are apportioned based on enterprise value, volatility of enterprise value may lead to volatility of attributed emissions.

For further information on NAB's decarbonisation outlook for the thermal coal sector, including key sector wide dynamics and challenges refer to the *Sector decarbonisation* section on page 36.

NAB's approach

Achieving this target will require reducing exposure to customers that are not transitioning their operations in line with this target.

NAB's ESG-related thermal coal sector policy settings (for further information refer to *ESG risk policy and appetite* in the *Risk management* section on page 26) are also expected to help NAB meet this target.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* section on page 36.

Key assumptions

NAB has selected the IEA NZE 2050 (2021) reference scenario for the thermal coal sector. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

(1) NAB applies a materiality floor of $1 million EAD in identifying relevant diversified mining customers and may still hold some exposures to thermal coal in 2030, only through residual performance guarantees to rehabilitate existing coal mining assets. These guarantees are excluded from the boundary of this target. For further information refer *Approach to sector target-setting* on pages 73 to 80.
(2) Capital markets activity, where included in sector targets, means bonds, syndicated loans and US private placements. It excludes activity where NAB is co-manager and advice or services provided to a customer by JBWere.
(3) Pre-RCF EAD used for comparison purposes.

Oil and gas

Sector boundaries

Includes extraction and production of natural gas, LNG, liquefied petroleum gas (LPG) and oil (i.e. upstream oil and gas activities). Excludes exploration activities due to immateriality of emissions associated with exploration.

Decarbonisation target overview

Element	Approach
2021 baseline(1)	3.4 $MtCO_2$-e
Metric	Absolute emissions ($MtCO_2$-e)
Emissions Scope	Scope 1, 2 and 3
2030 Target(1)	2.5 $MtCO_2$-e (25% reduction against baseline(2))
Reference pathway	IEA NZE 2050 (2023)
Data quality score (2023)	Average PCAF score: 1.5 (Scope 1 and 2), 2.2 (Scope 3)

(1) Updated for changes to methodology and boundaries as summarised below.
(2) Baseline and target figures have been rounded. Percentage reduction is calculated on unrounded figures.

Portfolio update

NAB's portfolio emissions for oil and gas are as follows. Changes to methodologies and boundaries are included in this data.

	2023 Post-RCF (Pre-RCF)	2021 baseline Post-RCF (Pre-RCF)	2030 target Post-RCF (Pre-RCF)
Oil and gas ($MtCO_2$-e)	**1.3 (1.5)**	3.4 (4.1)	2.5 (3.2)
EAD ($bn)(1)(2)	**0.9 (1.1)**	(1.9)	n/a
EAD as % of total EAD (%)(1)(2)	**0.1%**	(0.2%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**1.1**	(4.1)	n/a
Absolute facilitated emissions ($MtCO_2$-e)	**0.1**	0.06	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and performance guarantees to rehabilitate existing oil and gas assets (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

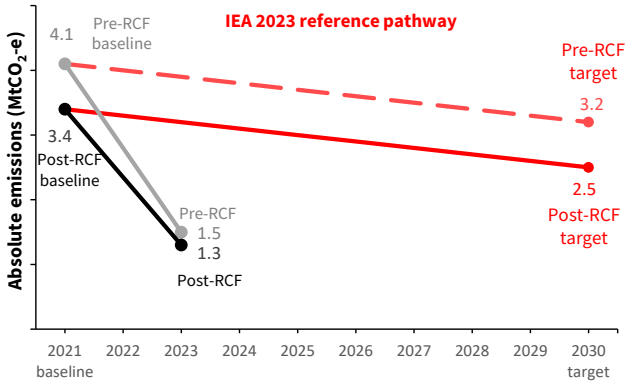
In this Report there are two changes to the way emissions are reported for this sector:

- EAD has been updated to reflect APRA's RCF (decreased baseline by ~19%).
- Capital markets activity(1) has been included (increased baseline by ~2%).

The changes have the net impact of lowering the baseline by ~17%.

The 2030 target for this sector has been updated to reflect the change to the baseline as described above and also to reflect alignment to an updated version of IEA NZE 2050 (2023). The updated reference pathway is based on actual global emissions for the oil and gas sector that weren't available in 2021 and results in a steeper emissions reduction trajectory.

Figure 3: Oil and gas sector target and IEA NZE 2050 (2023)



NAB's updated sector target for oil and gas is a 25% decrease in absolute emissions to 2.5 $MtCO_2$-e by 2030, against the baseline. In 2023, financed and facilitated emissions were 1.3 $MtCO_2$-e, a decrease of 62% against the baseline. Sector exposure was $0.9 billion, a year-on-year decrease of 15%(2).

Emissions reduction in this sector was driven by a reduction in exposure.

Emissions are apportioned based on enterprise value and therefore volatility of enterprise value may lead to volatility of attributed emissions. The portfolio emissions are currently under the 2030 target, however future volatility in customer market valuation (driven, for example, by commodity price fluctuations), may drive fluctuations of portfolio emissions.

Across the sector, we see customers increasingly disclosing their transition plans. In general, these plans include reduced fuel, flare and fugitive emissions, co-located renewable development, and carbon capture and storage and/or afforestation/biodiversity projects.

Evolving government energy policies, a dynamic set of considerations around the role of gas in the energy transition, and the commercialisation of carbon capture and storage technology are key influences for decarbonisation of this sector.

For further information refer to NAB's decarbonisation outlook for the oil and gas sector, including key sector wide dynamics and challenges in the *Sector decarbonisation* section on page 36.

NAB's approach

NAB has identified a number of core strategies to assist it to meet its target, and that it will seek to deploy in combination, depending on the progressive rate of decarbonisation within its oil and gas lending portfolio. This includes supporting customers with financing to reduce their Scope 1 and 2 emissions by decarbonising their extraction operations, such as through the reduction of methane leaks and flaring, investment in carbon capture and storage, and diversifying their businesses into low or zero carbon activities.

NAB's oil and gas sector risk policy settings, which includes reducing exposure from 2026 through to 2050 in line with IEA NZE 2050, (for further information refer to *ESG risk policy and appetite* on page 26) are also expected to assist NAB to meet this target.

NAB will consider national energy security requirements in relation to the oil and gas sector. It is expected that decisions based on national energy security would be by

(1) Capital markets activity, where included in sector targets, means bonds, syndicated loans and US private placements. It excludes activity where NAB is co-manager and advice or services provided to a customer by JBWere.
(2) Pre-RCF EAD used for comparison purposes.

rare exception. Such decisions may impact on NAB's ability to achieve emissions reduction target,

For further information on actions NAB is taking refer to the *Sector Decarbonisation* section on page 36.

Key assumptions

NAB has selected the IEA NZE 2050 (2023) reference scenario for the oil and gas sector. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89. NAB will continue to monitor the evolution of the oil and gas sector against these key assumptions (including the commercialisation at scale of carbon capture and storage) and consider the impact of any significant deviation on our ability to achieve our targets.

Cement

Sector boundaries

Includes portland and hydraulic cement manufacturing. Excludes concrete and lime manufacturing.

Decarbonisation target overview

Element	Approach
2021 baseline[1]	0.57 tCO_2-e /t
Metric	Emissions intensity (tCO_2-e /t)
Emissions Scope	Scope 1 and 2
2030 Target[1]	0.46 tCO_2-e /tCement (19% reduction against 2021 baseline)
Reference pathway	IEA NZE 2050 (2021)
Data quality score (2022)	Average PCAF score: 2.5

(1) Updated for changes to methodology and boundaries as summarised below.

Portfolio update

NAB's portfolio emissions for the cement sector are as follows. Changes to methodologies and boundaries are included in this data.

	2023 Post-RCF (Pre-RCF)	2021 baseline Post-RCF (Pre-RCF)	2030 target
Cement (tCO_2-e/tCement)	**0.56 (0.56)**	0.57 (0.60)	0.46
EAD ($bn)[1][2]	**0.27 (0.31)**	(0.80)	n/a
EAD as % of total EAD (%)[1][2]	**0.04%**	(0.09%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.2**	(0.7)	n/a

(1) EAD excluding derivatives (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

In this Report there are two changes to the way financed emissions are reported for this sector:

- EAD has been updated to reflect APRA's RCF (decreased baseline by <1%).
- The boundary has been amended to remove some cement wholesalers who were erroneously included in the initial sector boundary (decreased baseline by 5%).

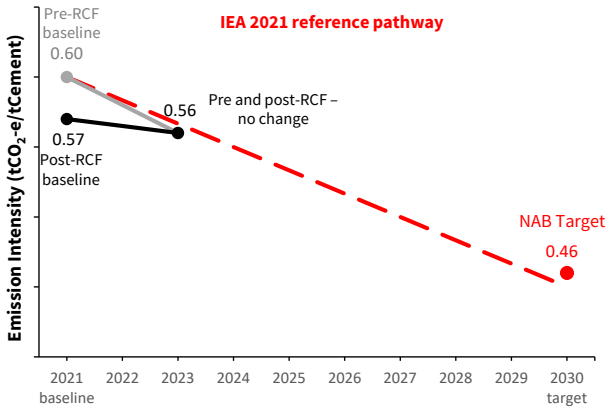
The changes have the impact of lowering the baseline by 6% but do not impact the 2030 target since it is an emissions intensity target, meeting the reference pathway at 2030.

NAB's sector target for cement is a 19% decrease in emissions intensity (tCO_2-e/tonne cement produced) by 2030, against the baseline. In 2023, the portfolio emissions intensity was 0.56 CO_2-e/tCement, a decrease of 2% against the baseline. Sector exposure was $0.27 billion, reflecting a reduction in number of customers in the sector boundary.

Flatter year-on-year performance for 2023 versus 2022 was a result of the combination of the update to EAD methodology and the removal of lower-emitting wholesale customers from the sector boundary.

For further information on NAB's decarbonisation outlook for the cement sector, including key sector wide dynamics and challenges refer to the *Sector decarbonisation* section on page 37.

Figure 4: Cement sector target and IEA NZE 2050 (2021)



NAB's approach

NAB considers that actively supporting customers with finance to decarbonise their operations is a credible action to achieve our cement sector target, and is prioritising lending to customers with lower-emitting operations, or customers who are working to reduce the emissions intensity of their operations.

NAB's lending exposure to the cement industry is concentrated across a small number of customers. Any change in the composition of NAB's lending exposure to the cement industry could significantly impact NAB's progress toward achieving its target for the cement sector.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* section on page 37.

Key assumptions

NAB has selected the IEA NZE 2050 (2021) reference scenario for the cement sector. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

NAB will continue to monitor the evolution of the cement sector against these key assumptions and consider the impact of any significant deviation on our ability to achieve our targets. If the assumptions do not occur as anticipated, NAB's sector target for cement will be difficult to achieve without some other government action and/or significant technological improvements in the sector.

Aluminium

Sector boundaries

Includes bauxite mining, alumina refining, aluminium smelting.

Decarbonisation target overview

Element	Approach
2022 Baseline(1)	1.8 tCO_2-e/tAluminium Emissions intensity represents the average emissions intensity of customers in our portfolio (whether they engage in extraction, refining and/or smelting) indexed to metric tonnes of primary aluminium production. This impacts comparability against both the Reference Scenario metric, and with peers with differing portfolio mix. See below for further details.
Metric	Emissions intensity (tCO_2-e/tAluminium)
Emissions Scope	Scope 1 and 2
2030 Target(1)	5.0 tCO_2-e/tAluminium (upper bound)
Reference pathway	International Aluminium Institute Greenhouse Gas Pathway (IAI GHG) (2021)
Data quality score	Average PCAF score: 1.9

(1) Updated for changes to methodology as summarised below.

Portfolio update

NAB's portfolio emissions for aluminium are as follows.

	2023 Post-RCF (Pre-RCF)	2022 baseline Post-RCF (Pre-RCF)	2030 target
Aluminium (tCO_2-e/tAluminium)	**1.4 (1.4)**	1.8 (1.7)	5.0
EAD ($bn)(1)(2)	**0.04 (0.06)**	(0.07)	n/a
EAD as % of total EAD (%) (1)(2)	**0.01%**	(0.01%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.1**	(0.2)	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and AEMO performance guarantees (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. The change has the impact of slightly increasing the baseline by ~2% but does not impact the 2030 target, which remains 5.0 tCO_2-e/tAluminium by 2030.

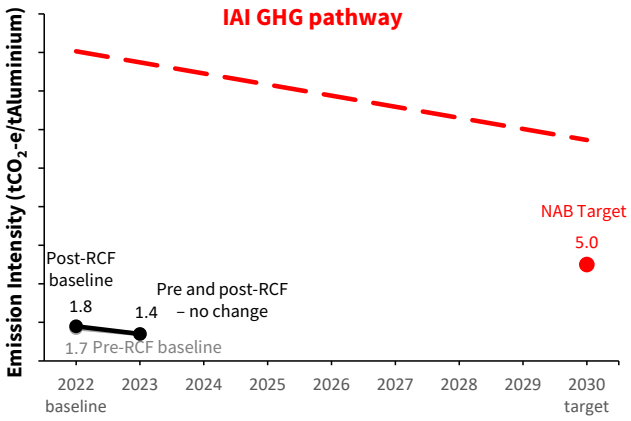
In 2023, the emissions intensity was 1.4 tCO_2-e/tAluminium, a decrease of 22% against the baseline. Sector exposure was $0.04 billion, a year-on-year decrease of 14%(1).

NAB's approach

NAB's sector target for aluminium represents an appetite to increase emissions against the baseline under certain circumstances in recognition of the role that aluminium has in the energy transition, as outlined in the Future Made in Australia plan, outlined in the 2024-25 Federal budget(2). It does not reflect an intention to support existing customers to increase the emissions intensity of their production. Rather, NAB seeks to support customers to reduce their emissions intensity. NAB's appetite to increase emissions against the baseline acknowledges that the relative composition of NAB's aluminium sector portfolio may change over the period, from its current skew towards customers in lower-emissions mining and refining activities, to potentially include more customers involved in higher-emissions smelting activities. Although direct comparison is difficult, the 2030 intensity target remains well within the 11.5 tCO_2-e/tAluminium value-chain target in the IAI GHG reference scenario. For further information on the financed emissions calculations and the target-setting design, refer to *Approach to sector target-setting* on pages 73 to 80.

For further information on actions NAB is taking refer to the *Sector decarbonisation* section on page 37.

Figure 5: Aluminium sector target and IAI GHG pathway to 2050 (2021)



Key assumptions

NAB has selected the IAI GHG 2050 (2021) pathway, which is aligned to, but gives more granularity than, IEA NZE 2050. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

The upper bound target for this sector has been set noting that the current portfolio is not reflective of the full value chain and with the assumption that the makeup of the Australian aluminium market, and the relative need for investment, stays weighted to bauxite and alumina through to 2030.

Australia's alumina refiners are well progressed with their decarbonisation plans: the 2030 alumina target implied by the IAI GHG pathway is 2.1 tCO_2e/tAluminium and further emissions reductions are likely to be minimal. Those reductions are still likely to be driven by electrification and decarbonisation of the power grid. In modelling portfolio trajectory, we have assumed that the electricity grid decarbonises in line with Federal Government policy (82% electricity from renewable sources by 2030). If this economy-level ambition is not achieved, it will be difficult for customers in this sector to achieve emissions reductions.

NAB will continue to monitor the evolution of the aluminium sector against these key assumptions (including as set out in *Target scope and boundaries* on page 83) and consider the impact of any significant deviation on our ability to achieve our target (for further information refer to *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89).

(1) Pre-RCF EAD used for comparison purposes.
(2) For further information refer to https://budget.gov.au/content/03-future-made.htm

Iron and steel

Sector boundaries

Includes steel smelting and metallurgical coal mining. Excludes iron ore mining and steel fabricators due to their immateriality to value chain emissions[1].

Decarbonisation target overview

Element	Approach
2022 baseline[1]	6.1 $MtCO_2$-e
Metric	Absolute emissions ($MtCO_2$-e)
Emissions Scope	Scope 1, 2 and 3 for metallurgical coal. Scope 1 and 2 only for steel smelters. This treatment accounts for the fact that the majority of emissions are generated during the smelting process, which is Scope 1 for smelters and Scope 3 for miners.
2030 Target[1]	4.8 $MtCO_2$-e (22% reduction against 2022 baseline[2])
Reference pathway	IEA NZE 2050 (2022)
Data quality score	Average PCAF score: 2.0

(1) Updated for changes to methodology as summarised below.
(2) Baseline and target figures have been rounded. Percentage reduction is calculated on unrounded figures.

Portfolio update

NAB's portfolio emissions for iron and steel are as follows.

	2023 Post-RCF (Pre-RCF)	2022 baseline Post-RCF (Pre-RCF)	2030 target Post-RCF (Pre-RCF)
Iron and steel ($MtCO_2$-e)	**0.9 (1.0)**	6.1 (6.8)	4.8 (5.3)
EAD ($bn)[1][2]	**0.14 (0.3)**	(0.3)	n/a
EAD as % of total EAD (%)[1][2]	**0.02%**	(0.05%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.9**	(6.8)	n/a

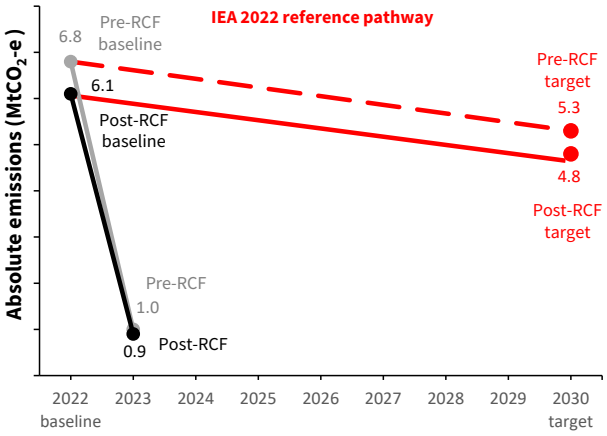
(1) EAD excluding derivatives (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. This change has the impact of lowering the baseline by 10% and lowering the 2030 target since the reference scenario requires a set percentage reduction from the baseline.

NAB's updated target for iron and steel is a 22% decrease in absolute emissions to 4.8 $MtCO_2$-e by 2030, against the baseline. In 2023, the absolute financed emissions reduced to 0.9 $MtCO_2$-e, a decrease of 85% against the baseline. Sector exposure was $0.1 billion, a year-on-year decrease of 12%[2].

Portfolio emissions decreased disproportionately to reduction in exposure to this sector due to a change in exposure to one of the higher-emitting customers. This is reflective of the methodology for calculating emissions attributable to the portfolio being sensitive to portfolio shifts, rather than being reflective of absolute emissions reduction across the portfolio more generally. Further portfolio mix changes may occur and this may lead to non-linear emissions trajectory over time.

Figure 6: Iron and steel sector target and IEA NZE 2050 (2022). Updates to methodologies and boundaries have been included.



For further information on NAB's decarbonisation outlook for the iron and steel sector, including key sector wide dynamics and challenges refer to the *Sector decarbonisation* section on page 37.

NAB's approach

Given NAB's portfolio composition (skewed to metallurgical coal mining) and the limited abatement options for this sector, the key lever to reduce emissions will be to reduce exposure.

NAB's lending exposure to the iron and steel sector is concentrated across a small number of customers and so any change in the composition of the portfolio could impact NAB's progress toward achieving its target for the sector. As with all absolute targets, changes to customer enterprise values may result in volatility in financed emissions calculations.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* section on page 37.

Key assumptions

NAB's has selected the IEA NZE 2050 (2022) reference scenario for this sector. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

NAB has also made the following additional assumptions:

- Limited decarbonisation of this sector will occur between now and 2030, given the lack of input (scrap) availability in the Australian market and the ongoing demand for metallurgical coal (especially overseas).
- Emissions reductions achieved by smelting customers will be largely via optimising existing assets and processes and for metallurgical coal miners' via reduction of operational emissions.

NAB will continue to monitor the evolution of the iron and steel sector against these key assumptions and consider the impact of any significant deviation on our approach to achieving our target.

(1) Iron ore mining represents <1% of value chain emissions and steel fabricators emissions are negligible.
(2) Pre-RCF EAD used for comparison purposes.

Transport – road (cars and light commercial vehicles)

Sector boundaries

Sector scope includes loans secured by cars[1] and light commercial vehicles (LCVs)[2].

We are continuing to monitor data and methodologies in the heavy vehicle (rigid trucks) sub-sector (EAD $2.3 billion in 2023) for which decarbonisation levers differ to the car and LCV segments. Buses, and motorbikes have also been excluded due to our relatively small exposure (EAD $0.3 billion and $3 million in 2023 respectively). Personal or business loans for the use of financing of cars and LCVs (including through mortgage offsets and redraw facilities) that are not explicitly secured against specific vehicles have been excluded due to data limitations. We will continue to monitor developments within the excluded sub-sectors with a view to expanding our boundaries as data and methodologies allow.

Decarbonisation target overview

Element	Approach
2022 baseline[1]	217 gCO_2/vehicle kilometre (vkm)
Metric	Emissions intensity (gCO_2/vkm)
Emissions Scope	Scope 1[2]
2030 Target[1]	133 gCO_2/vkm (2050 convergence, 39% reduction against 2022 baseline)
Reference pathway	Inevitable Policy Response 1.5 degree aligned Required Policy Scenario (IPR 1.5°C RPS) (2021)
Data quality score	Average PCAF score: 5.0

(1) Updated for changes to methodology as summarised below.
(2) The national average emission intensity is limited to Scope 1 CO_2 tailpipe emissions of vehicles.

Portfolio update

NAB's portfolio emissions for transport - road are as follows.

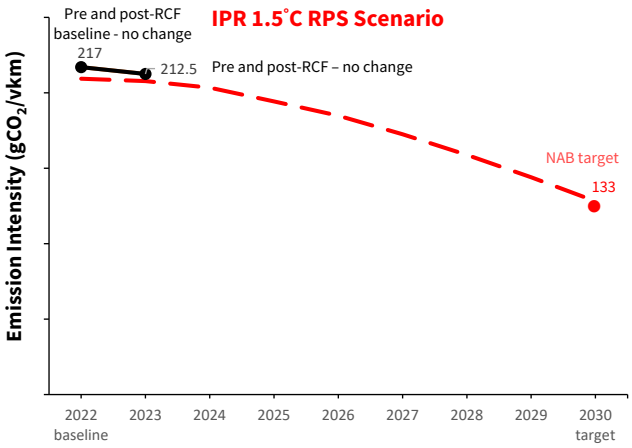
	2023 Post-RCF (Pre-RCF)	2022 base-line post-RCF (Pre-RCF)	2030 target Post-RCF (Pre-RCF)
Transport - road (gCO_2/vkm)	**212.5 (212.5)**	217 (217)	133 (133)
EAD ($bn)[1][2]	**2.9 (2.9)**	(2.7)	n/a
EAD as % of total EAD (%)[1][2]	**0.4%**	(0.4%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.1**	n/a	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and AEMO performance guarantees (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. This change does not materially impact the baseline or the 2030 target, which remains 133 gCO_2/vkm.

In 2023, emissions intensity reduced to 212.5 gCO_2/vkm, a decrease of 2% against the baseline. Sector exposure was $2.9 billion, a year-on-year increase of 7%[3].

Figure 7: Transport - road (cars and LCVs) sector target and UN PRI 1.5°C (2021)



The target for this sector continues to use top-down industry-level data to estimate the emissions intensity of the portfolio. At a sector level, there has been an increase in uptake of EVs, reducing the average emissions intensity for cars but this is countered partially by an increase in the average emissions intensity of LCVs.

For further information on NAB's decarbonisation outlook for transport – road cars and LCVs) sector, including key sector wide dynamics and challenges refer to the *Sector decarbonisation* section on page 38.

NAB's approach

The decarbonisation of the car and LCV portfolio is heavily dependent on an accelerated switch from internal combustion engines (ICEs) to battery electric vehicles and hybrids, and improvements to the fuel efficiency for new ICE vehicles prior to their phase-out. As set out under the assumptions below, these changes are in turn heavily dependent on government policies in both the vehicle and stationary energy sectors.

While some of the key external drivers of decarbonisation of this sector are outside of NAB's direct control, NAB considers the key internal lever to achieving its target is to support customers to buy more energy efficient cars and LCVs, particularly as supply increases in the coming years.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* on page 38.

Key assumptions

NAB has selected the IPR 1.5°C RPS Australian scenario commissioned by the UN PRI as the reference pathway. As this pathway does not consider emissions on a per vehicle kilometre basis, NAB has used activity forecasts published by DCCEEW to derive the relevant emission intensity pathway, equating to a 39% reduction in portfolio emission intensity between 2022 and 2030. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

NAB's modelling of the achievability of meeting its sector decarbonisation target for transport – road (cars and LCVs) also depends on the following additional assumptions:

(1) Cars include sedans, hatches, sports utility vehicles and 4WDs.
(2) LCVs are defined as goods vehicles with a 'Gross Vehicle Mass' not exceeding 3.5 tonnes, including utes and vans.
(3) Pre-RCF EAD used for comparison purposes.

- Australia's New Vehicle Efficiency Standard (NVES)[1] will result in an average emissions intensity reduction of 60% for cars and 50% for LCVs by 2030.
- There will be a 10% increase in total vehicle kilometres travelled between 2022 and 2030 (in line with DCCEEW's estimate)[2].
- The electricity grid will decarbonise in line with AEMO's ESOO 2023 Step Change scenario (which assumes an 82% renewables mix by 2030).
- Governments and industry invest in the required infrastructure to support an increase in demand for EV charging.

NAB will continue to monitor the evolution of the transport – road (cars and LCVs) sector against these key assumptions and consider the impact of any significant deviation on our ability to achieve our target. Should the key scenario assumptions and those on which our reference pathway is based (as set out in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89) not occur as anticipated, for example if the electricity grid does not decarbonise in line with current government ambition or if policy settings to accelerate EV adoption, including investment in the required infrastructure, it will be difficult for NAB to achieve its target.

(1) For further information refer to https://www.infrastructure.gov.au/infrastructure-transport-vehicles/vehicles/new-vehicle-efficiency-standard
(2) Available at https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2023.pdf Table 21.

Transport - aviation

Sector boundaries

Includes scheduled passenger aviation (both domestic and international). Excludes freight and business jets.

Decarbonisation target overview

Element	Approach
2019 baseline(1)	104 gCO_2-e/passenger kilometres (pkm)
Metric	Emissions intensity gCO_2-e/pkm
Emissions Scope	Scope 1 and 2 for aircraft operators
2030 Target(1)	77 gCO_2-e/passenger kilometres (pkm) (26% reduction against 2019 baseline)
Reference pathway	ATAG Waypoint 2050 (2021)
Data quality score	Average PCAF score: 2.6

(1) Updated for changes to methodology as summarised below.

Portfolio update

NAB's portfolio emissions for transport - aviation are as follows.

	2023 Post-RCF (Pre-RCF)	2019 baseline post-RCF (Pre-RCF)	2030 target
Transport - aviation (gCO_2-e/pkm)	**104.5 (104.5)**	104 (104)	77
EAD ($bn)(1)(2)	**3.0 (3.0)**	(6.9)	n/a
EAD as % of total EAD (%)(1)(2)	**0.4%**	n/a	n/a
Absolute financed emissions ($MtCO_2$-e)	**1.5**	n/a	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and AEMO performance guarantees (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector has been updated to reflect APRA's RCF. This change does not materially impact the baseline or the 2030 target, which remains 77 gCO_2-e/pkm.

In 2023, emissions intensity was 104.5 gCO_2-e/pkm, which is a reduction of 13% since 2022 (but it is <1% higher than the 2019 baseline). Sector exposure was $3.0 billion, a decrease of 57%(1) since baseline.

The 2023 emissions intensity of this portfolio is a reflection of a return to relative business-as-usual after COVID-driven spikes in 2020 to 2022.

For further information on NAB's decarbonisation outlook for the aviation sector, including key sector wide dynamics and challenges refer to the *Sector decarbonisation* section on page 38.

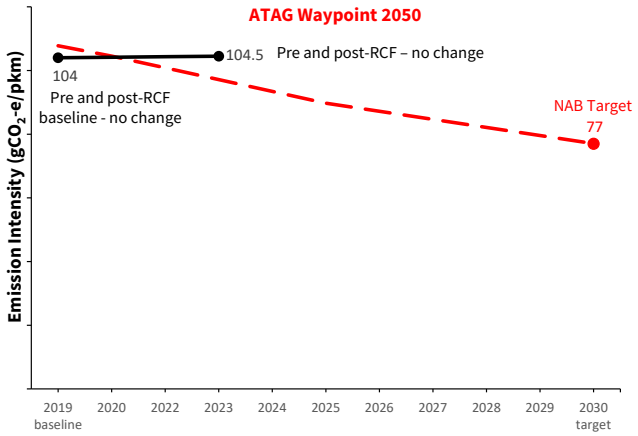
NAB's approach

NAB's aviation portfolio is a mix of corporate lending to airlines and asset financing to aircraft lessors. The primary lever to decarbonise NAB's aviation portfolio is to manage exposures towards airlines with 2030 decarbonisation commitments.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* on page 38.

(1) Pre-RCF EAD used for comparison purposes.

Figure 8: Transport - aviation sector target and ATAG Waypoint 2050 (2021)



Key assumptions

NAB selected the ATAG Waypoint 2050 (2021) as the reference pathway for the aviation sector target because it was developed by an industry body with contributors across the value chain. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89. Of note, the ATAG Waypoint pathway includes offsets as a key lever to decarbonise the aviation sector in the short-to-medium term. NAB will also allow certified, high integrity, additional carbon offsets in this sector, to supplement decarbonisation in line with climate science.

In assessing NAB's portfolio trajectory, we have made two key additional assumptions which underpin NAB's ability to achieve the target for this sector, regarding the activities and emissions of customers and operators of leased aircraft:

- Those portfolio companies with public 2030 decarbonisation commitments achieve them.
- All portfolio companies (even those without public commitments) comply with the International Civil Aviation Organisation's Carbon Offsetting Reduction Scheme for International Aviation mandate, which requires airlines in almost all jurisdictions (125 member states) to cap absolute emissions at 2019 levels. Combined with the forecast increase in demand for passenger air travel, this is estimated to result in an average reduction of ~15% in emissions intensity.

NAB will continue to monitor the evolution of the aviation sector against these key assumptions (including SAF penetration and efficiencies derived from airline fleet renewals) and consider the impact of any significant deviation on our ability to achieve our target. If the above assumptions (and those on which our reference pathway is based, as set out in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89) do not occur as anticipated, NAB's sector target for aviation will be difficult to achieve without some other government action and/or significant technological improvements in the sector.

Transport - shipping

Sector boundaries

Sector inclusions have been determined in reference to the data and methodology requirements of the Poseidon Principles (PP), which are linked to IMO emissions standards reporting requirements, and includes secured lending to customers in Corporate and Institutional Banking for:

- Vessels governed by IMO emission standards and mandatory reporting of data to the IMO Data Collection System (DCS) applies.
- Vessels over 5,000 GT that are engaged in international freight.
- Vessels for which a PP trajectory exists.

Passenger vessels have been excluded due to lack of available data (including proxies). Unsecured lending to shipping companies and domestic freight vessels have been excluded due to the small size of the exposure.

Portfolio update

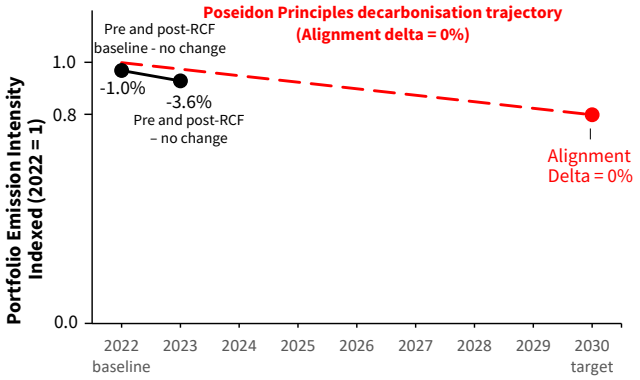
NAB's portfolio emissions for transport - shipping are as follows.

Decarbonisation target overview

Element	Approach
Metric	Alignment delta % (measures the difference between the portfolio's average carbon-efficiency rating (adjusted for vessel type) and the PP pathway(1))
2022 baseline(2)	-1.0% alignment delta (i.e., NAB's portfolio currently sits slightly under (is more efficient than) the PP pathway)
Emissions Scope	Scope 1(3)
2030 Target(2)	0% alignment delta (i.e. NAB's portfolio aligned with the PP pathway) which will require a 19% reduction in emission intensity(4).
Reference pathway	Poseidon Principles (PP) Pathway (2018)
Data quality score	Average PCAF score: 2.4

(1) If the Portfolio Alignment Delta % is positive, the portfolio is said to be misaligned. i.e. the average carbon intensity of the portfolio is greater than the carbon intensity required for decarbonisation in line with the reference scenario. If the Alignment Delta % is 0%, the portfolio is aligned with the reference scenario, and if it is negative, it is outperforming the reference scenario.
(2) Updated for changes to methodology as summarised below.
(3) Scope 1 emissions from the combustion of fuel represent the majority of emissions for this sector.
(4) For a portfolio to maintain a 0% alignment delta, it will need to reduce its emissions intensity by 20% between 2022 and 2030. Given NAB is starting below the pathway (i.e. portfolio has a slight negative Alignment Delta %), the resulting reduction in carbon intensity that is required for NAB portfolio to achieve the target alignment delta of 0% by 2030 is 19%.

Figure 9: Transport - shipping sector target and Poseidon Principles Pathway (2018)



	2023 Post-RCF (Pre-RCF)	2022 base-line post-RCF (Pre-RCF)	2030 target
Transport - shipping (Alignment delta %)	**-3.6 (-3.6)**	-1.0 (-1.0)	0.0
EAD ($bn)(1)(2)	**1.9 (1.9)**	(3.1)	n/a
EAD as % of total EAD (%)(1)(2)	**0.3%**	(0.4%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.7**	n/a	n/a

(1) Excluding off-balance sheet and markets-related EAD including derivatives and AEMO performance guarantees (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. This change does not materially impact the baseline or the 2030 target, which remains 0% alignment delta (refer to notes above on interpreting alignment delta).

In 2023, the alignment delta was -3.6% which represents a 5% reduction of emissions intensity against the baseline. Sector exposure was $1.9 billion, a year-on-year decrease of 39%(1). Unlike other sector targets, shipping is reported as at 31 December 2023 (to align with IMO reporting periods).

For further information on NAB's decarbonisation outlook for the shipping sector, including key sector wide dynamics and challenges, refer to the *Sector decarbonisation* section on page 38.

NAB's approach

NAB's shipping portfolio is a mix of lending to shipping companies and asset financing to tonnage providers secured over vessels. The primary lever to decarbonise NAB's shipping portfolio is to manage exposure towards customers with 2030 decarbonisation commitments.

For further information on actions NAB is taking refer to *Sector decarbonisation* on page 39.

Key assumptions

NAB has selected the Poseidon Principles (2018) reference scenario as it provides a framework and methodology for measuring performance, leveraging data required to be provided to the international shipping regulator and used widely in the industry to measure emissions performance. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

(1) Pre-RCF EAD used for comparison purposes.

In assessing NAB's portfolio trajectory, NAB has assumed operational and maintenance efficiency gains of at least 15% by 2030, as required by IMO minimum standards.

NAB's ability to achieve its target assumes that no material prolonged disruption to shipping routes will occur as such disruptions could reduce the operational efficiency of vessels.

NAB will continue to monitor the evolution of the shipping sector against these key assumptions and consider the impact of any significant deviation on our ability to achieve our target. If the above assumptions (and those on which our reference pathway is based, as set out in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89) do not occur as anticipated, NAB's sector target for shipping will be difficult to achieve without some other government action and/or significant technological improvements in the sector.

Commercial real estate

Sector boundaries

CRE sector inclusions have been defined according to APRA Reporting Standard *ARS 230.0 Commercial Property*, which outlines NAB's CRE reporting obligations to APRA. The scope includes all secured, on-balance sheet CRE lending where the collateral is located in Australia and where the property is used for CRE purposes. The scope does not include vacant land or pre-development sites. NAB has set targets for the office and retail sub-sectors as they are the largest (by EAD) of the sub-sectors. This scope includes 54% (by EAD) of all NAB's CRE lending[1].

Other sub-sectors, such as industrial buildings, are excluded at this stage due to methodology and scenario limitations, and unsecured assets have been excluded as data limitations prevent the application of the emissions estimation methodology. We will continue to monitor developments within the excluded sub-sectors and intend to extend scope once the data and methodologies are available.

Decarbonisation target overview

Element	Approach
2022 Baseline[1]	Office 70.8 $kgCO_2e/m^2$
	Retail 78.4 $kgCO_2e/m^2$
Metric	Emissions intensity ($kgCO_2e/m^2$)
Emissions Scope[2]	Scope 1 and 2 (of the building)
2030 Target[1]	Office 29.6 $kgCO_2e/m^2$ (58% reduction against 2022 baseline)
	Retail 32.6 $kgCO_2e/m^2$ (58% reduction against 2022 baseline)
Reference pathway	SBTi Buildings (Australia) Office, Retail (v0.2, 2023)
Data quality score	Average PCAF score: 4.0

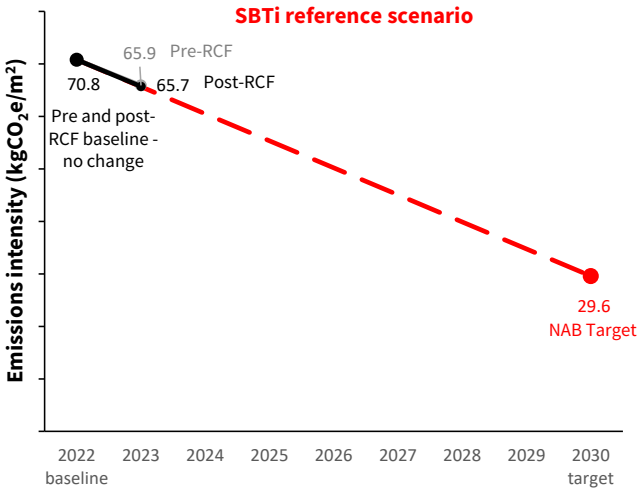
(1) Updated for changes to methodology as summarised below.
(2) We note that emissions associated with energy purchased by tenants, which may be categorised as Scope 3 (category 13 downstream leased assets) emissions for building owners, have been included in our Scope 1 and 2 target. It does not include other categories of Scope 3 emissions, such as embodied emissions. In addition, our Scope 1 and 2 target is limited to gas and electricity energy-based emissions, and excludes other forms of building emissions such as refrigerant gas hydrofluorocarbons.

Portfolio update

The financed emissions calculation model has been improved for CRE (both CRE - office and CRE - retail), with more properties being accurately identified and classified. This results in a more accurate estimation but makes it more difficult to quantify real portfolio financed emissions changes year-on-year. Sensitivity testing showed that the magnitude of this change did not warrant rebaselining. As data quality and calculation methodologies improve, further variability in progress reported against targets CRE may be expected, and drivers will be noted where relevant.

For further information on NAB's decarbonisation outlook for the CRE sector, including key sector wide dynamics and challenges, see the *Sector decarbonisation* section on page 39.

Figure 10: CRE office sector target and SBTi reference scenario



CRE - office

NAB's portfolio emissions for CRE - office is as follows. Changes to methodologies and boundaries are included in these data.

	2023 Post-RCF (Pre-RCF)	2022 base-line post-RCF (Pre-RCF)	2030 target
CRE - office ($kgCO_2e/m^2$)	**65.7 (65.9)**	70.8 (70.8)	29.6
EAD ($bn)[1][2]	**14.3 (14.7)**	(15.2)	n/a
EAD as % of total EAD (%)[1][2]	**2.1%**	(2.1%)[3]	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.3**	n/a	n/a

(1) EAD excluding derivatives (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.
(3) Figure has been updated to align with 2023 EAD calculation methodology.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. This change does not materially impact the baseline or the 2030 target.

In 2023, emissions intensity reduced to 65.7 $kgCO_2/m^2$, a decrease of 7% against the baseline. Although changes to the emissions calculation methodology make it difficult to make year-on-year comparisons, emission factors for buildings did decrease during the period[2], driven by an increased proportion of renewables in the electricity grid.

Sector exposure was $14.3 billion, a year-on-year decrease of 3%[3].

(1) NAB's portfolio mix is not reflective of the national property mix.
(2) For further information refer to emission factors in Australian National Greenhouse Accounts Factors Table 1 (2022) and Australian National Greenhouse Accounts Factors Table 1 (2023).
(3) Pre-RCF EAD used for comparison purposes.

CRE - retail

NAB's portfolio emissions for CRE - retail are as follows. Changes to methodologies and boundaries are included in these data.

	2023 Post-RCF (Pre-RCF)	2022 base-line post-RCF (Pre-RCF)	2030 target
CRE - retail ($kgCO_2e/m^2$)	**78.8 (78.8)**	78.4 (78.4)	32.6
EAD ($bn)[1][2]	**16.5 (17.1)**	(16.4)	n/a
EAD as % of total EAD (%)[1][2]	**2.4%**	(2.3%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**0.4**	n/a	n/a

(1) EAD excluding derivatives (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. This change does not materially impact the baseline or the 2030 target.

In 2023, emissions intensity increased slightly to 78.8 $kgCO_2/m^2$, a slight increase (<1%) against the baseline. Although changes to the emissions calculation methodology make it difficult to make year-on-year comparisons, emission factors for buildings did decrease during the period[1], driven by an increased proportion of renewables in the electricity grid.

Sector exposure was $16.5 billion, a year-on-year increase of 4%[2].

NAB's approach

While decarbonisation of the electricity grid will be the main driver of decarbonisation of this sector, NAB considers the key internal lever to achieving the targets is supporting customers to invest in more energy efficient buildings and upgrades to existing buildings.

Depending on portfolio trends over time and the rate of energy grid decarbonisation, these levers alone may not result in portfolio intensity aligned with the target. Accordingly, NAB has identified a range of further strategies with the potential to assist meeting the target and will continue to assess the impact of these strategies, and the combination of levers that should be deployed in response to portfolio and external decarbonisation trends, as it monitors portfolio progress against the targets.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* on page 39.

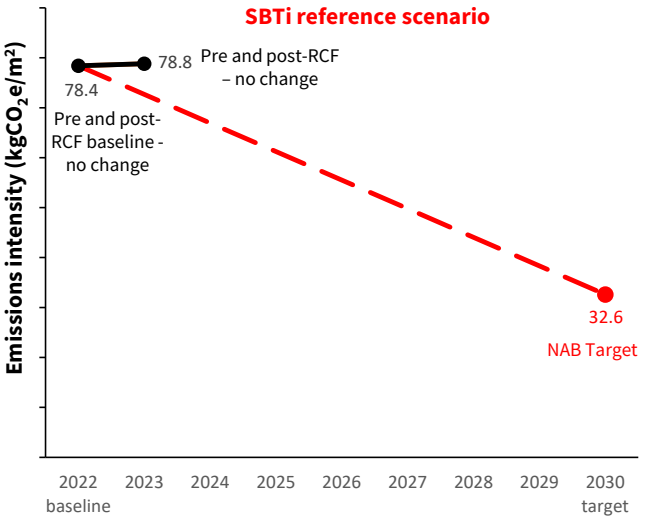
Key assumptions

NAB has selected the SBTi (Australia) Buildings - office and retail reference scenarios for the CRE sub-sectors. Key assumptions associated with the scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

Additionally, NAB has applied assumptions set out in the AEMO ESOO 2023 Step Change scenario to model pathways to the targets. Key assumptions of this model include:

- Achievement of the Federal Government's legislated commitment to 82% renewable energy.
- Reduced gas consumption in CRE buildings (6% reduction by 2030).

Figure 11: CRE retail sector target and SBTi reference scenario



- Increased energy efficiency of CRE buildings producing energy savings of 4% by 2030.

Given the dependence on the electricity grid for decarbonisation, along with investment in building-level improvement, and commitments made by Federal, State and Territory governments to provide support, these levers are critical to reducing emissions at a rate required to rapidly decarbonise the sector and any delays or changes to government commitments or the above assumptions will make it difficult for NAB to meet these targets.

Decarbonisation is also reliant on the property owners' willingness and ability to install rooftop solar systems and battery storage and invest, over time, in building upgrades to improve energy efficiency to reduce the property's carbon emission footprint, particularly for existing buildings.

Should the key assumptions above not occur as anticipated, for example if the electricity grid does not decarbonise in line with current government ambition, or if policy settings to support building energy reduction are delayed or are not implemented, then the gap to the target will increase and make it very difficult for NAB to achieve its targets.

NAB will continue to monitor the evolution of the CRE sector against these key assumptions and consider the impact of any significant deviation on our ability to achieve our targets.

(1) For further information refer to emission factors in Australian National Greenhouse Accounts Factors Table 1 (2022) and Australian National Greenhouse Accounts Factors Table 1 (2023).
(2) Pre-RCF EAD used for comparison purposes.

Residential real estate

Sector boundaries

Includes all on-balance sheet residential lending where the collateral is located in Australia and the property is used for residential purposes[1].

Decarbonisation target overview

Element	Approach
2022 baseline[1]	35.1 $kgCO_2e/m^2$
Metric	Emissions intensity ($kgCO_2e/m^2$)
Emissions Scope	Scope 1 and 2
2030 Target[1]	15.4 $kgCO_2e/m^2$ (56% reduction against 2022 baseline)
Reference pathway	SBTi Residential Buildings (Australia) (v0.2, 2023)
Data quality score	Average PCAF score: 4.0

(1) Updated for changes to methodology as summarised below.

Portfolio update

NAB's portfolio emissions for RRE are as follows.

	2023 Post-RCF (Pre-RCF)	2022 base-line post-RCF (Pre-RCF)	2030 target
RRE ($kgCO_2e/m^2$)	**33.8 (33.8)**	35.1 (35.1)	15.4
EAD ($bn)[1][2]	**358.8 (358.5)**	(344.1)	n/a
EAD as % of total EAD (%)[1][2]	**51.6%**	(48.1%)	n/a
Absolute financed emissions ($MtCO_2$-e)	**2.6**	n/a	n/a

(1) EAD excluding derivatives (refer to page 44 for scope of financing).
(2) EAD for the purposes of setting targets is as at 30 June 2023, to align with the regulatory reporting period for the NGER Act and excludes BNZ.

Reported financed emissions for this sector have been updated to reflect APRA's RCF. This change does not materially impact the baseline or the 2030 target.

In 2023, portfolio emissions intensity reduced to 33.8 $kgCO_2/m^2$, a decrease of 4% against the baseline. Sector exposure was $358.8 billion, a year-on-year increase of 4%[2].

The reduction in portfolio emissions intensity was driven by an increased proportion of renewables in the electricity grid[3].

For further information on NAB's decarbonisation outlook for the RRE sector, including key sector wide dynamics and challenges refer to *Sector decarbonisation* section on page 39.

NAB's approach

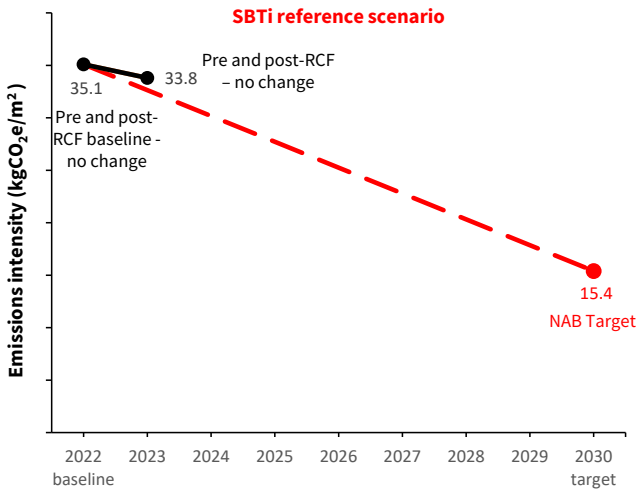
NAB has selected the SBTi Residential Buildings (Australia) reference scenario. This is a downscaled IEA NZE 2050 pathway with regional specificity. It was developed in partnership with CRREM which sources AEMO's emission factors (see below Additional NAB assumptions).

NAB does not intend to manage its target by restricting lending where customers do not meet 'green' criteria, but considers the key internal lever to achieving this target is supporting customers to invest in more energy efficient homes and upgrades to existing homes.

We will continue to assess the impact of these levers, and the combination of options that should be deployed in response to portfolio and external decarbonisation trends, as we monitor portfolio progress against our target.

For further information on actions NAB is taking refer to the *Sector Decarbonisation* on page 39.

Figure 12: RRE sector target and SBTi (Australia)



Key assumptions

Key assumptions for the SBTi Residential Buildings (Australia) reference scenario are provided in *Climate scenarios for sectoral decarbonisation target setting* from pages 86 to 89.

NAB has additionally applied the assumptions set out in the AEMO ESOO Step Change scenario to model pathways to the 2030 RRE target. Key assumptions of this model include:

- The Australian Government's 82% renewable energy commitment being achieved by 2030.
- Increased energy efficiency of homes through home improvements and new builds (10% improvement by 2030).
- Increased household rooftop solar adoption (over 50% of households by 2032).
- Reduced gas consumption (27% reduction by 2030).

Further, decarbonisation relies on the uptake of home owners installing rooftop solar and battery storage systems. It also depends on the rate that home owners invest in more energy efficient products and appliances over time to reduce the property's carbon emission footprint – this is particularly important for existing properties.

Commitments made by Federal, State, and Territory governments to support decarbonisation are critical to reducing household emissions at a rate required to rapidly decarbonise this sector, and any delays or changes to government commitments or the above assumptions will make it difficult for NAB to meet this target.

NAB will continue to monitor the evolution of the RRE sector against these key assumptions and consider the impact of any significant deviation on our ability to achieve our targets.

(1) Off-balance sheet exclusions, such as undrawn but committed mortgages and capital relief Residential Mortgage-Backed Securities (RMBS) amount to $56 billion. Lending activity to Special Purpose Vehicles to finance third-party lenders and investments in RMBS securities are also excluded.
(2) Pre-RCF EAD used for comparison purposes.
(3) For further information refer to emission factors in Australian National Greenhouse Accounts Factors Table 1 (2022) and Australian National Greenhouse Accounts Factors Table 1 (2023).

Environmental finance ambition

NAB has supported customers to improve environmental outcomes by providing $7,301 million of environmental finance in 2024. This includes $4,034 million of lending activity and $3,266 million of facilitated capital markets activity.

NAB's environmental finance ambition and its purpose

NAB's Group Strategy includes a strong focus on how we can drive commercial responses to societal challenges. This includes setting financing ambitions for priority areas of climate action, affordable and specialist housing and indigenous economic advancement.

In the lead-up to 2030, Australian businesses are estimated to require substantial investment to secure a competitive edge in the net zero global economy[1]. Recognising this challenge and in support of NAB's climate strategy, in June 2024 NAB established an environmental finance ambition of $80 billion for the period 1 October 2023 to 30 September 2030. The ambition aims to support customers as they invest in their sustainable future towards 2030 and beyond. The ambition is a cumulative measure of financing provided to NAB customers across lending, capital markets and trading activity.

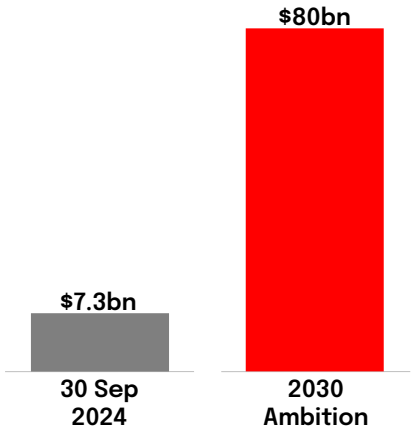
Progression of NAB's environmental finance ambition

NAB launched the ambition in June 2024. It included certain key sectors of the bank's lending and capital markets activity as set out in Table 3 below. Key highlights include:

- Inclusion of lending to large scale renewables.
- Focus on contributions from NAB's Green labelled business lending offerings across CRE, equipment finance and agribusiness.
- NAB's arranging and underwriting activities to support customer Green Bond issuance locally and globally.

Contributions from NatHERS 7 Star energy efficient home lending are also to be counted from 2025[2]. Future contributions from ACCU trading activity are expected to flow towards the Ambition from 2025.

Figure 13: Progress towards NAB's environmental finance ambition



Basis for calculation

See the *Environmental finance methodology* section on page 91 for more information on how environmental financing is defined and calculated:

- For the period from 1 October 2023 to 30 September 2030.
- On a cumulative basis, new and refinanced lending facilities and NAB's share of Green Bond arranging and underwriting activity.
- Lending measured by reference to facility limits at origination.

Reporting and scope

- Annual reporting of progress towards the ambition to be provided in NAB's Annual Reporting Suite.
- Scope to update the ambition for quantum and composition through the period.
- Where lending presents both environmental and other relevant social benefits they may be reported under both those respective social targets and this ambition.

Table 3: Environmental finance ambition progress[1]

Total environmental finance as at 30 September 2024	2024 $m
Lending activities	
Large scale renewables	3,235
Green labelled business lending propositions (CRE, Vehicles and Equipment, Agribusiness)	799
Total lending activity	**4,034**
Capital markets activities	
Green Bond arranging and underwriting	3,266
Total	**7,301**

(1) Totals may not sum due to rounding.

(1) All systems go: Powering ahead | Deloitte Australia. Available at https://news.nab.com.au/news/all-systems-go-powering-ahead/
(2) Energy efficient home lending is linked to construction and new home lending for NatHERS 7+ star homes. The NCC 2022 implementation started on 1 October 2023. As timelines from housing approvals to lending deployment for construction are around 12 months, NAB has elected to place a 12 month delay on counting new construction lending and new home lending to ensure eligibility of the lending provided.

Reducing operational emissions

The Group is committed to reducing its GHG emissions through a comprehensive approach that prioritises emissions avoidance and reduction, with residual emissions being offset.

Reducing operational emissions and environmental impact

Our approach to reducing operational emissions involves identifying significant emission sources and implementing effective reduction measures in line with the GHG emissions reduction hierarchy.

The Group adheres to the 'operational control' method for establishing our emissions reporting boundary, as defined by GHG Protocol[1] and Reporting Standard and the NGER Act 2007.

The Group's operational GHG inventory includes:

- Scope 1 (Direct): Emissions which are from sources owned or controlled by the Group, including stationary energy combustion in our buildings, fugitive emissions from refrigeration and air conditioning and emissions from our vehicle fleet.
- Scope 2 (Indirect): Emissions arising from purchase of energy (electricity) to operate our facilities including corporate offices, branches and business banking centres, data centres and ATMs.
- Scope 3 (Indirect): Emissions which are from sources not owned or controlled by the Group. For example, emissions associated with colleagues working from home and commuting to work, key supplier emissions, and business-required travel.

All references to the Group's operational emissions correspond to the Group's environmental reporting year (1 July - 30 June).

Scope 1 and 2 operational emissions

In 2023, NAB updated its science-based operational emissions reduction target[2] to align with a pathway to limit global warming to 1.5˚C. We extended the target out to 2030 to align to the time frame being used for our NZBA targets. Our target is to reduce combined operational Scope 1 and 2 emissions by 72% by 2030, based on a 2022 baseline.

To achieve this target, NAB regularly monitors its emissions reductions, including assessing reductions as part of the business case for building improvements, and implements energy-saving measures across its building portfolio and data centres. Additionally, NAB aims to source 100% of its electricity from renewable sources by 30 June 2025. Given that Scope 2 emissions accounted for 87.1% of total Scope 1 and 2 emissions in 2024, the purchase of renewable energy is crucial to NAB's ability to meet its targets (refer to page 65 for more information).

The Group has also committed to transitioning its vehicle fleet to lower emissions vehicles in order to reduce its GHG emissions.

In 2024, we undertook an assessment of NAB's future electric vehicle infrastructure requirements. This included a survey of all current fleet users to understand their specific work-related needs. The next step in 2025, will be to develop and run a pilot to test our approach to use of electric vehicles in our Australian fleet. As of 2024, 69% of NAB's fleet is hybrid, while BNZ's fleet comprises 99% plug-in hybrid and electric vehicles. This change in our vehicle fleet in Australia and New Zealand has contributed to a 38% reduction in fuel usage from 2019 to 2024 in Australia and New Zealand, moving towards our 50% reduction target by 2025.

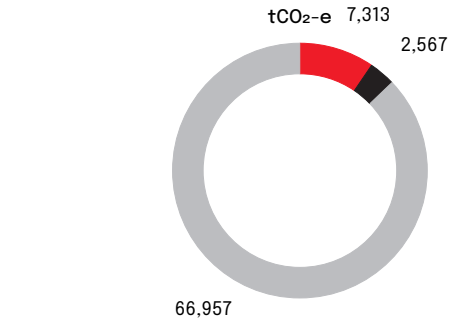
Scope 3 operational emissions

The Group regularly assesses its Scope 3 operational emissions. This process and subsequent changes to the Group's Scope 3 emissions inventory helps ensure the Group includes relevant items within its inventory that reflect its business activities aligned to GHG Protocol Scope 3 emissions categories and notes exclusions where Scope 3 emissions categories are not relevant.

The Group has expanded its Scope 3 emissions inventory in 2024 to include employee commuting for the first time. Refer to the *Supporting Information* section on page 93 of this Report for further details. This takes into account employee commuting emissions from full-time equivalent employees (FTE) (excluding casual employees) commuting to and from key commercial office locations in Australia. The calculation methodology takes into account employee leave data, key commercial office location access data and 2016 Australian Bureau of Statistics (ABS) data on commuting patterns. The methodology will be iterated as data processes are matured.

In 2024, Scope 3 emissions rose to 66,957 tCO_2-e from 50,474[3] tCO_2-e. This was mainly due to the inclusion of NAB's Australian employee commuting emissions of 12,987 tCO_2-e and emissions from our operations in India and Vietnam increased by 3,712 tCO_2-e.

Chart 1: NAB's market-based operational emissions by scope



(1) Scope 3 emissions for NAB's operational footprint excludes financed emissions. For detail on how NAB is assessing Scope 3 emissions attributable to its financing, refer to pages 73 to 89.

Table 4: Scope 3 operational boundaries

Scope 3 GHG operational boundary 2024
• Purchased goods and services
• Fuel and energy-related activities
• Upstream transportation and distribution
• Waste generated in operations
• Business travel
• Working from home
• Upstream leased assets
• **Employee commuting (new in 2024)**

(1) The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) are referred to in this Basis for Conclusions as "GHG Protocol".
(2) This target is science-based and has been developed using the SBTi target-setting tool and criteria. It has not been submitted to SBTi for validation.
(3) The Group has restated its 2023 market-based operational emissions number from 64,566 to 65,515 tCO_2-e. Market-based Scope 3 emissions were restated by 949 tCO_2-e to reflect an increase primarily related to corrections in supplier data for BNZ as well as an amendment to a Courier, postage and freight emission factor for NAB.

Progress towards RE100 target

The Group continues to make progress in relation to its RE100[1] target to source 100% of its electricity from renewable sources by 30 June 2025. This includes using on-site solar generation at our main data centre in Australia, as well as power purchase agreements and contracts for renewable energy certificates. The proportion of the Group's electricity consumption that was sourced from renewable electricity increased from 88.3% in the 2023 environmental reporting year to 95.1% in the 2024 environmental reporting year.

Chart 2: Group electricity consumption (MWh) by fuel source type

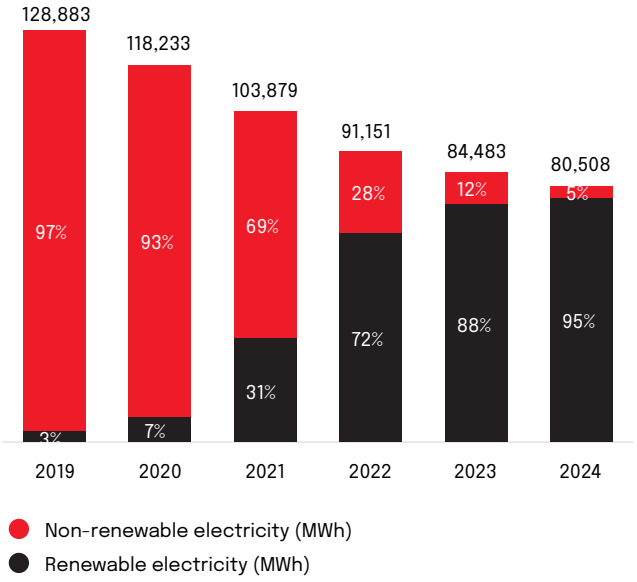
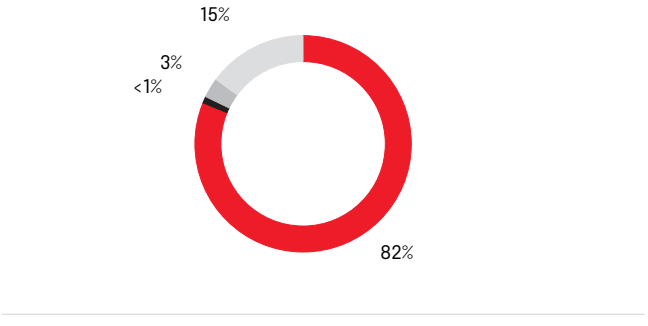
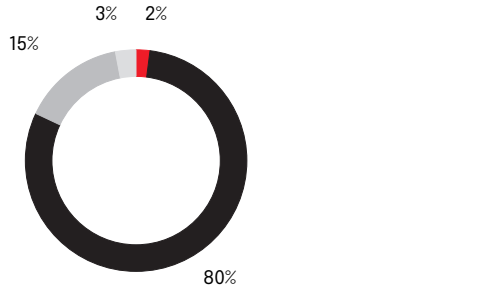


Chart 3: Group renewable energy by technology type[1]



(1) Total shown in chart may not sum due to rounding.
(2) NAB London and BNZ have supply contracts with Ecotricity, which purchased electricity from a mixture of sources including Wind, Solar and Hydro.

Chart 4: Group renewable energy by sourcing method



Approach to offsetting residual operational emissions

The Group first avoids and reduces greenhouse gas emissions associated with NAB's operational Scope 1, 2 and 3 emissions (excluding financed emissions) and then retires carbon offsets for residual emissions. The Group retired and allocated 76,837 offsets for its 2024 emissions liability. The Group retired an additional 2,030 offsets to account for a restatement of NAB's emissions associated with Courier, postage and freight. EY conducts limited assurance procedures over our global carbon inventory, and its assurance statement is available on NAB's sustainability performance and reporting website.

NAB's Australian operations are certified under the Climate Active Standard for Organisations. BNZ[2] and JBWere NZ[3] are both Toitū net carbonzero organisation certified.

The Group purchases quality accredited carbon offsets to neutralise remaining emissions. NAB maintains a *Group Environmental Reporting and Offset Management Policy*, to guide the purchasing and retirement of offsets, which are also disclosed annually in NAB's Climate Active Public Disclosure Statement available at www.climateactive.org.au/buy-climate-active/certified-members/national-australia-bank, as part of the certification of NAB's Australian operations.

NAB has previously purchased and maintains a bank of Verified Carbon Standard international offsets, and ACCUs from Australian sources, with a particular focus on Indigenous-led savanna burning projects which utilise traditional Indigenous land-practices. NAB intends to continue to prioritise projects that deliver social value and other environmental co-benefits for communities, with a focus on Australia and other jurisdictions where NAB has a significant presence.

This year, BNZ has separately purchased offsets through Toitū to meet its Toitū certification requirements for BNZ operations. For more information go to https://www.toitu.co.nz/our-members/members/bank-of-new-zealand.

(1) RE100 is a global corporate leadership initiative bringing together businesses committed to 100% renewable electricity.
(2) BNZ is a Toitū net carbon zero certified organisation. This voluntary carbon certification programme requires adherence to a set of standards and rules on an annual basis, focusing on measuring and reducing GHG emissions according to International Organization for Standardization 14064-1: 2018 standards.
(3) JBWere NZ was certified on 13 February 2024. The certification is valid until 29 November 2025. NAB completed the disposal of its New Zealand wealth businesses on 30 April 2024 from which point JBWere NZ ceased to be part of NAB's operational emissions boundaries.

Decarbonising the Group's supply chain

Working with suppliers and understanding their relevant climate policies, targets and actions will support the Group achieving its own targets.

In 2023, NAB completed a transition maturity assessment for approximately the top 50% of supplier spend. This assessment was completed with reference to the Transition Maturity Diagnostic previously adopted for 100 of our largest GHG emitting customers.

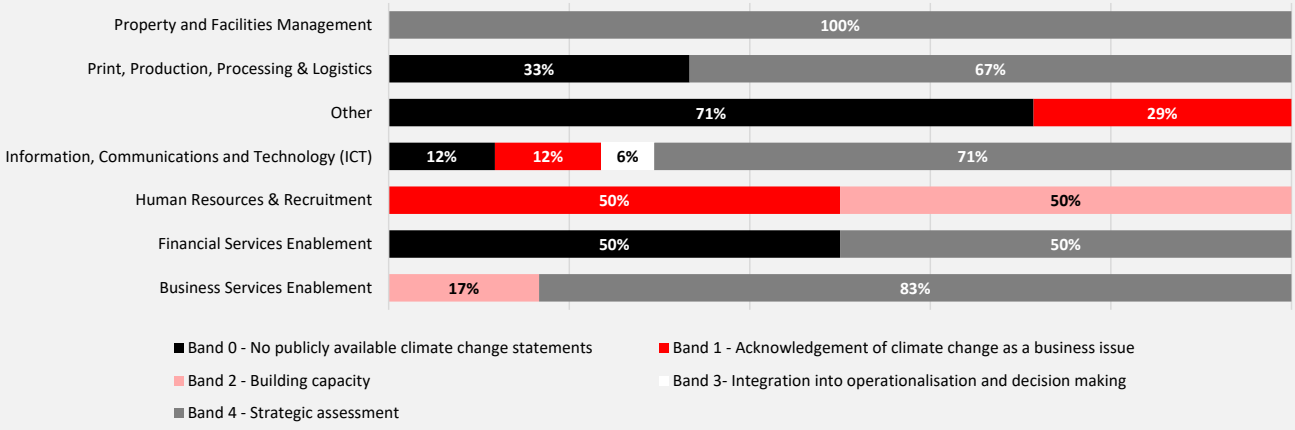
In 2024, NAB:

- Undertook an updated transition maturity assessment for the same set of suppliers as in 2023 to help understand improvement over time and where NAB can provide support. This is particularly important with the introduction of mandatory climate-related financial disclosures and our expectation that some of our suppliers will be captured, including in the earliest group of companies that will need to report under the legislation.
- Engaged with select suppliers across various sectors, together which make up approximately 39% of Scope 3 emissions in NAB's qualified emissions boundary, to understand their transition plans and emissions profile and explore opportunities to reduce NAB's emissions from these activities. These include suppliers in the following categories:
  - Business travel including air travel, hotel stays and ground transport.
  - Courier, postage and freight.
  - Third party data centres.
  - Stationery supplies including for paper purchased.
- Commenced a review of the Group's Scope 3 business travel emissions to identify strategies for reduction to be considered for implementation in 2025.
- Established a climate and sustainability focused resource within NAB's strategic sourcing team to help us deepen our sustainability-linked engagement with suppliers and increase our understanding both of their current emissions profile and transition plans.

Supplier transition maturity assessment

- 74% of suppliers assessed have acknowledged climate change as a business issue, increased from 72% in 2023.
- 74% of suppliers assessed have set a goal to be net zero emissions by 2050 or sooner, increased from 70% in 2023. Additionally, a number of suppliers assessed have increased their net zero ambition, with a 4% increase of suppliers' net zero target being 2035 or earlier.
- 59% have publicly available climate action or decarbonisation strategies to achieve their net zero targets, increased from 33% in 2023.
- Transition maturity continues to vary across industries and within industries, particularly for smaller sized companies, but overall transition maturity for assessed suppliers has improved since 2023.

Figure 14: Transition maturity of suppliers accounting for approximately 50% supplier spend by sector[1]



Case study: Australia Post

Australia Post is the leading postal service in Australia, responsible for delivering mail and parcels across the country and internationally. Australia Post is NAB's primary postal service, which makes up approximately 3% of NAB's annual operational emissions.

Australia Post is targeting net zero emissions by 2050. Australia Post's 2025 Sustainability Roadmap outlines the initiatives that will drive the achievement of this target. By 2025, Australia Post is aiming to reduce emissions by 15 per cent against the FY19 (1 July 2018 – 30 June 2019) baseline.

In 2023 (1 July 2022 – 30 June 2023), Australia Post purchased more renewable electricity than ever before, and generated 27 per cent more electricity than the previous financial year. Australia Post operates Australia's largest fleet of electricity delivery vehicles (eDVs): 5,098. eDVs comprise more than 37 per cent of Australia Post's total fleet and complete 49 per cent of all of its delivery rounds.

These initiatives are expected to have positive flow-on effects to NAB's Scope 3 emissions.

(1) Percentage breakdown per sector may not sum to 100 due to rounding.

Environmental operational targets summary

The Group has a number of environmental operational targets which contribute to reducing our impact on the environment, operational efficiency, and emissions reduction for NAB's Scope 1, 2 and 3 emissions. Performance against these targets is shown in Table 5 below. With these targets due by 30 June 2025, the Group will undertake a review of the targets in 2025 to determine the best approach to drive the Group's environmental ambition and action out to 2030 and beyond.

The Group's Scope 1 and 2 (market-based method) science-based GHG emissions reduction target also serves to align the Group's ambition to be net zero emissions by 2050 with the best available science and pathway for a 1.5°C warming scenario. For further information on the target and actions being taken to reduce Scope 1 and 2 emissions refer to page 64.

Regulatory and voluntary operational environmental reporting

The Group's operations are subject to the NGER Act. This is part of Australia's legislative response to climate change. The NGER Act requires the Group to report on an environmental reporting year (1 July - 30 June). For further information refer to NAB's 2024 Annual Report.

The Group is voluntarily reporting data required for the Streamlined Energy and Carbon Reporting (SECR) requirements which are implemented through the *Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018* (United Kingdom) in this 2024 Climate Report. The Group's United Kingdom-based (London Branch) energy use reported, and aligned to the SECR for the 2024 environmental reporting year was 497,665 KWh (2023: 543,941 KWh). The associated total gross GHG emissions from fuel combustion (Scope 1) and from electricity use (Scope 2) were 102 tCO_2-e (2023: 111 tCO_2-e). This equates to 199 KWh and 0.04 tCO_2-e per metre squared of property space occupied by the Group's London Branch. Further London Branch and Group energy and GHG emissions data is provided in Table 6 below to satisfy SECR requirements.

In 2014, the Group's United Kingdom-based operations became subject to the ESOS, introduced by the United Kingdom ESOS Regulations 2014. The ESOS requires mandatory energy assessments (audits) of organisations' buildings and transport to be conducted every four years. The Group's London Branch completed an ESOS energy efficiency assessment in 2023 as part of preparation for its ESOS submission. However, due to having moved our London office into a new energy efficient commercial building in July 2019, only four small energy efficiency opportunities were identified. The Group submitted its ESOS return by 5 June 2024. In accordance with new ESOS requirements introduced in 2024, the Group's London Branch will now also develop and submit an ESOS action plan by 5 December 2024 outlining the energy efficiency initiatives it plans to implement over the Phase 3 compliance period and submit annual progress reports in the two years remaining in the Phase 3 compliance period following submission of the action plan.

Sustainability Data Pack

Additional detail on NAB's environmental and climate-related performance is provided in the 2024 Sustainability Data Pack available at nab.com.au/annualreports.

Table 5: Progress on 2030 environmental operational targets

Indicator	2024	2023	2019 / 2022 baseline (1)(2)	Target (%)	Target date	2024 vs baseline (%)
Scope 1 and 2 (market-based method) science-based GHG emissions(1)	**9,880**	15,041	23,018	▼72	2030	(57%)
Gross Energy use (GJ)	**375,325**	401,137	759,096	▼30	2025	(51%)
Office paper (A3, A4 and A5) (tonnes)	**169**	188	514	▼20	2025	(67%)
Customer eStatements (proportion online only - Aus and BNZ only) (%)	**77%**	74%	64	▲to 80	2025	n/a
Water use (potable water withdrawal) (kL)	**199,997**	181,331	385,005	▼5	2025	(48%)
Waste to landfill (tonnes)	**772**	620	1,871	▼10	2025	(59%)
Vehicle fuels (GJ) (Aus and BNZ only)	**74,516**	76,085	120,686	▼50	2025	(38%)

(1) In 2024, the Group continued to use a market-based approach as its primary electricity accounting method, having used a location-based approach until 2023. Market-based figures will vary from Climate Active reporting as the Climate Active methodology for calculating market-based emissions incorporates the renewables applicable to the Large-scale Renewable Energy Target (LRET) for the reporting period. The renewables applicable to the LRET are not included in NAB's other publicly reported market-based emissions calculations due to applicable emissions accounting requirements.

(2) Except for Scope 1 and 2 (market-based method) science-based GHG emissions reduction target, other environmental performance targets have not been re-baselined. Other environmental performance targets baseline figures include data from MLC Wealth operations as NAB had operational control at the time of calculation. As the divestment from MLC Wealth did not have a material impact on the baseline figures (<5%), these have not been restated.

SECR disclosure

Key GHG emissions and energy use from 1 July 2023 to 30 June 2024.

Table 6: GHG emissions and energy use

	London Branch		Group (excluding London Branch)		Group Total[1]	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
GHG emissions and energy use						
Energy from gas consumption (KWh)	**49,260**	65,360	**2,591,787**	3,190,641	**2,641,047**	3,256,001
Energy from vehicle fleet fuel use (KWh)	**0**	0	**20,834,210**	21,233,027	**20,834,210**	21,233,027
Energy from electricity consumption (KWh)	**448,405**	478,581	**78,113,179**	84,004,737	**78,561,584**	84,483,318
Total energy for SECR reporting (KWh)[2]	**497,665**	543,941	**101,539,176**	108,428,405	**102,036,841**	108,972,346
GHG emissions from energy use (Scope 1 – Gas) (tCO_2-e)	**9**	12	**488**	598	**497**	610
GHG emissions from vehicle fleet (Scope 1) (tCO_2-e)	**0**	0	**5,138**	5,293	**5,138**	5,293
GHG emissions from energy use (Scope 2, location-based – electricity) (tCO_2-e)	**93**	99	**49,472**	57,221	**49,565**	57,320
Total gross Scope 1 and 2 GHG emissions for SECR reporting (tCO_2-e)[2]	**102**	111	**55,098**	63,111	**55,200**	63,222
Total gross Scope 3 emissions (tCO_2-e)[3]	**831**	937	**71,009**	54,091	**71,840**	55,028
Intensity ratio: Energy (KWh)/$ Financial metric[4]	**0.001**	0.002	**0.010**	0.010	**0.009**	0.009
Intensity ratio: Gross Scope 1 and 2 GHG (tCO_2-e)/ $ Financial Metric[4]	**0.0000003**	0.0000004	**0.0000053**	0.0000056	**0.0000051**	0.0000054
Intensity ratio: Energy (KWh)/ m^2	**199**	218	**178**	188	**178**	188
Intensity ratio: GHG (tCO_2-e)/ m^2	**0.04**	0.04	**0.10**	0.11	**0.10**	0.11
Intensity ratio: Energy (KWh)/ FTE	**1,844**	1,895	**2,663**	2,987	**2,657**	2,979
Intensity ratio: GHG (tCO_2-e)/ FTE	**0.38**	0.39	**1.44**	1.74	**1.44**	1.73
Emissions from electricity use (Scope 2, market-based – electricity) (tCO_2-e)	**0**	0	**2,567**	7,451	**2,567**	7,451
Total gross location-based Scope 1, 2 and 3 GHG emissions (before renewable energy)[2][3]	**933**	1,048	**127,785**	118,890	**128,718**	119,938
Total net market-based Scope 1, 2 and 3 GHG emissions (after renewable energy)[3]	**728**	908	**76,109**	64,607	**76,837**	65,515
Carbon offsets retired	**728**	908	**76,109**	64,607	**76,837**	65,515
Net carbon emissions	**0**	0	**0**	0	**0**	0

(1) This data is an extract of the Group's full energy and GHG emissions inventory data to satisfy SECR requirements. A full set of the Group's assured energy use and emissions data is available in the Group's 2024 Sustainability Data Pack.

(2) London Branch operations consume no Scope 1 diesel for stationary energy purposes (backup generators). The Group (excluding London Branch) figures include diesel used for backup generators (2023: KWh 268,024 and tCO_2-e – 68; 2024: KWh 164,574 and tCO_2-e – 42). The Total net Scope 1, 2 and 3 GHG emissions (after accounting for UK and Australian renewable energy) figures also includes Scope 1 refrigerant gases from Australian and New Zealand vehicle fleets and heating, ventilation, and air conditioning systems and domestic refrigeration in offices and branches.

(3) The Group has restated its 2023 operational market-based emissions number from 64,566 to 65,515 tCO_2-e. Market-based scope 3 emissions were restated by 949 tCO_2-e to reflect an increase primarily related to corrections in supplier data for BNZ as well as an amendment to a Courier, postage and freight emission factor for NAB.

(4) The Group has used 'Underlying profit' as a financial metric (rather than other financial measures of profit or economic activity) for normalisation of its environmental performance as this allows for meaningful comparison to prior years' data and to financial intensity measures used in the Group's Sustainability Data Pack and CDP disclosures due to the nature of its underlying business activities.

Methodology

The Group utilises and adheres to GHG Protocol and NGER Scheme legislation in setting its methodology to measure and disclose its energy and GHG emissions data. Subsequently, the Group has selected the operational control approach to account for emissions and utilises utility billing, including meter reads or estimates, to capture energy consumption data.

Emissions sources included in the Group's 2024 Carbon inventory are shown along with the relevance tests applied to emissions sources in *Carbon inventory and exclusions for operational emissions* on page 93.

The Group has applied the latest emission factors available at the time of reporting to the current year. Refer to methodology documents on NAB's climate change page website at nab.com.au/about-us/sustainability/environment/climate-change for a full list of the emission factor sources. Prior year figures reflect the emissions reported in that year, unless otherwise stated.

Intensity ratio calculations in the *SECR reporting* above have been calculated using location-based emission factors.

The financial intensity metrics in the *SECR reporting* above use an activity data numerator which is reported for the Group's environmental reporting year (1 July – 30 June) and a financial metric denominator which is reported for the Group's financial year (1 October– 30 September). This is to ensure that the Group uses metrics which are publicly available as much as possible and because of the difference in the Group's environmental reporting and financial years.

Supporting information

TCFD content index and NZBA summary index

TCFD - content index

TCFD recommendation	Reference
Governance	
a) Board's oversight of climate-related risks and opportunities.	• Board's role and capability is on page 19. Further detail is available in the *Corporate Governance Statement* section of NAB's 2024 Annual Report.
b) Management's role in assessing and managing climate-related risks and opportunities.	• Management's role is on page 20.
Strategy	
a) Climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	• Processes to integrate climate-related risks is on page 24.
Banks should describe significant concentrations of credit exposure to carbon-related assets.	• Credit exposures to carbon-related assets on page 92.
Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending.	• Climate-related risks are considered in the context of other risk categories on page 25.
b) Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	• Potential impacts of risks are identified on page 25.
c) The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2˚C or lower scenario.	• Consideration of resilience to different climate-related scenarios on pages 31 to 33.
Risk management	
a) The organisation's processes for identifying and assessing climate-related risks.	• Processes for identifying and assessing climate-related risks on page 24.
Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk. Banks should also consider describing any risk classification frameworks used.	• Climate-related risks are considered in the context of other risk categories on page 25.
b) The organisation's processes for managing climate-related risks.	• Processes for managing climate-related risks, including transition and physical risks detailed on page 26.
c) How the processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• Processes to integrate climate-related risks are described on pages 23 to 33.
Metrics and targets	
a) Disclose metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Metrics are disclosed on pages 42 to 68, and cover financed and operational emissions, exposure to emissions-intensive or sensitive sectors and finance intended to drive positive impact.
Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending business activities in the short, medium, and long term.	• Financing of climate-related opportunities is on page 63.
Banks should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities.	• Credit exposures to carbon-related assets is on page 92.
Banks should describe the extent to which their lending and other financial intermediary business activities, where relevant, are aligned with a well below 2˚C scenario, using whichever approach or metrics best suit their organizational context or capabilities.	
Banks should also indicate which financial intermediary business activities (e.g. loans to specific sectors or industries) are included.	
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	• The Group's Scope 1, 2, and, where relevant, Scope 3 operational emissions on pages 64 to 68.
Banks should disclose GHG emissions for their lending and other financial intermediary business activities where data and methodologies allow.	• NAB's Scope 3 financed emissions are available on page 43.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• The targets that have been set by NAB on pages 42 to 68.

NZBA - requirements summary index

NZBA Requirements	Action taken	Reference
Transition the operational and attributable GHG emissions from lending and investment portfolios to align with pathways to net zero by 2050 or sooner.	• Updated Scope 1 and 2 (market-based method) science-based GHG emissions reduction target to align ambition to be net zero by 2050 with the best available science and pathway for a 1.5˚C warming scenario. • Reducing operational footprint through emissions avoidance and reduction, and offsetting residual emissions. • Goal set to align to net zero for lending by 2050.	• Pages 42 to 68
Within 18 months of joining, set 2030 targets (or sooner) and a 2050 target, with intermediary targets to be set every five years from 2030 onwards.	• Decarbonisation targets have been set for power generation, thermal coal, oil and gas, cement, aluminium, iron and steel, transport (road, aviation and shipping), CRE (office and retail) and RRE.	• Pages 42 to 62
Banks' first 2030 targets will focus on priority sectors where the bank can have the most significant impact, i.e. the most GHG-intensive sectors within their portfolios, with further sector targets to be set within 36 months.	• Initial target-setting has covered the most emissions-intensive sectors where NAB has sufficient quality data. • Further update on NAB's approach to decarbonising its agriculture portfolio to be provided in its 2025 reporting.	• Pages 42 to 62
Annually publish absolute emissions and emissions intensity in line with best practice and within a year of setting targets, disclose progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies.	• Published financed emissions attributable to lending portfolio since 2020.	• Pages 42 to 62 • Page 8
Take a robust approach to the role of offsets in transition plans.	• NAB's approach to offsetting residual operational emissions prioritises the avoidance and reduction of GHG emissions and then retires carbon offsets for residual emissions. • Development of the Customer Transition Plan assessment framework to further structure discussions and decision-making with customers in fossil-fuel sectors(1).	• Page 65 • Page 28

(1) For further information refer to *Customer Transition Plans* on page 28 for more details on the assessment framework, including scope, sector boundaries and definitions.

Transition plan - TCFD table of equivalence

NAB has integrated key elements of its transition plan within this Report following the guidelines and recommendations for financial institutions published by the GFANZ.

A table of equivalences between both is as follows:

GFANZ financial institution net zero transition plan framework	Component	TCFD	Page reference
Foundations	Objectives and priorities	Introduction	3
Implementation Strategy	Products and services	Metrics and targets	41
	Activities and decision-making	Strategy	7
		Governance	18
		Risk management	22
		Sector decarbonisation	34
	Policies and conditions	Risk management	22
		Metrics and targets	41
Engagement Strategy	Engagement with customers and portfolio companies	Strategy	7
		Sector decarbonisation	34
	Engagement with industry	Strategy	7
		Sector decarbonisation	34
	Engagement with government and public sector	Strategy	7
		Sector decarbonisation	34
Metrics and Targets	Metrics and Targets	Strategy	7
		Risk management	22
		Sector decarbonisation	34
		Metrics and targets	41
Governance	Roles, responsibilities, and remuneration	Governance	18
	Skills and culture	Strategy	13

Financed emissions methodology

Approach to financed emissions

Where possible, customer/asset-level emissions have been estimated for the sectors where decarbonisation targets have been set (covers approximately 58% of NAB's total EAD and approximately 71% of total financed emissions)[1], while estimations for the rest of the portfolio are higher-level. An overview of methodologies are provided in this section. NAB's approach to target-setting is also described.

Some content relevant to the calculation of financed emissions is covered in the *Metrics and Targets* section.

- EAD used for financed emissions, refer to page 44.
- Scope and boundaries, refer to page 83.
- Financing activity boundaries, refer to page 44.
- Data reporting timelines, refer to page 44.

Financed emissions estimates are based on data to 30 June 2023 (31 December 2023 for shipping), which aligns with industry-wide reporting dates (including NGERS[2] and IMO[3]). This results in a lag between the date of NAB's reporting period end (30 September 2024) and the reporting period of financed emissions data. NAB will continue to work with customers, industry, government and partners to improve the quality and timeliness of emissions data over time.

PCAF alignment

NAB has estimated financed emissions across its lending portfolio in accordance with PCAF GHG accounting methodologies (PCAF Standard)[4]. PCAF's definition of lending only includes on-balance sheet loans and lines of credit, while NAB has expanded its definition to include off-balance sheet, off-market products (which includes financial guarantees and overdrafts). This is a conservative approach to cover the broader exposures of the bank, not only limited to cash flows.

For clarity, and in line with PCAF guidance, NAB's financed emissions reporting excludes:

- Derivatives (excluded as movement in foreign exchange or commodity prices are not related to underlying lending).
- Rehabilitation performance guarantees and AEMO bonds as they are not directly linked to any emissions-generating activities.
- Transaction banking activities.
- Securitisation.

Reporting may not be fully aligned to PCAF guidelines where data and/or methodological limitations exist:

- There may be instances where not all Kyoto gases are covered, including refrigerant gases and sulphur hexafluoride (SF6).
- Emissions are reported as gross (i.e., before the impact of removals) for all sectors apart from Aviation. There may be instances where customers report net emissions or our data providers supply net figures, which we include as received.
- NAB has not applied any inflation adjustments to enterprise value including cash (EViC) for any of its valuations.

Customer use of offsets

As with NAB's own approach, the expectation of customers is to prioritise investments in avoiding or reducing emissions before relying on offsets. However, NAB recognises that for certain harder-to-abate sectors, offsets have a role to play in the short-to-medium term. For most sectors, and where customer data allows, financed emissions have been estimated as gross, i.e., before offsets. Transport - aviation is the only sector where offsets are counted, as they are explicitly accepted in the selected reference scenario (ATAG Waypoint 2050 (2021)). This is in line with UNEP FI Guidelines.

NAB's strategy is focused on supporting our customers to decarbonise and build resilience. The limited role we see for offsets in pursuing sector decarbonisation targets is explained in relation to relevant sector targets below, and more broadly in the development of our Customer Transition Plan assessment framework (for further information refer to *Supporting our customers to decarbonise and build resilience* on page 9).

We also support our clients by providing finance for carbon sequestration projects, and access to carbon markets (for further information refer to *Supporting our customers to decarbonise and build resilience* on page 9).

Approach to sector target-setting

NAB has considered the following key principles in its approach to target-setting.

Key principles for target-setting

- **Alignment with UNEP FI Guidance** and decarbonisation objectives.
- **Alignment with scientifically credible pathways** in line with Australian market conditions.
- **Consistent** design across the portfolio where possible; departures may be made where the resulting baseline and/or target is more consistent with local market conditions and/or portfolio make-up.
- **Consideration of market practice** and alignment to emerging disclosure regimes.
- **Simplicity in reporting and operationalising** the targets that have been set.

Reference scenario selection

NAB assessed a range of net zero scenarios aligned to its net zero emissions by 2050 ambition and selected scenarios which have the following characteristics:

- Widely accepted, science-based from credible and well recognised sources.
- Limited reliance on negative emissions technologies and carbon sequestration achieved through nature-based solutions and land use change, and aligned to "no overshoot" or "low-overshoot" scenarios.
- Designed to maximise alignment with other United Nations Sustainable Development Goals, where possible.
- Closely aligned to Australian market conditions, including underlying assumptions and scope inclusions.
- Suitable for use by banks (i.e., with large and diverse portfolios).

Reference scenarios and decarbonisation technologies continue to develop and evolve. NAB will review reference scenario selection (and associated targets) as more relevant or localised are published.

(1) Excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions. Figures as at June 2023.
(2) National Greenhouse Energy Reporting Scheme
(3) International Maritime Organisation
(4) Available at: www.carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

A summary of the scenarios that have been used are available in *Climate scenarios for sectoral decarbonisation target setting* on page 86. Sector specific scenario assumptions are outlined in each sector target.

For further details on how NAB draws on scenarios for target setting and more generally risk management and strategy, refer to *Assessing potential climate risk using scenarios* page 31.

Metric selection

NAB considers it appropriate to adopt absolute emissions reduction targets for fossil fuel industries, as decline in the use of fossil fuels is a key driver of emissions reductions.

Note that enterprise value is used in the calculation of absolute financed emissions, and volatility in this value may lead to volatility of reported absolute financed emissions, even if exposure and customer emissions are unchanged. This external driver of emissions change is noted where pertinent in the relevant sector metrics and targets section.

Emissions intensity targets are considered appropriate for sectors expected to grow to support living standards and transition activities. Setting emissions intensity targets for these sectors will enable NAB to identify and preferentially allocate capital towards investments and businesses whose activities are in line with its net zero ambitions.

Inclusion of facilitated emissions

Capital markets activity has been included in the targets for power generation, thermal coal and oil and gas. Other sectors are expected to be included in the future.

Design considerations are informed by PCAF Guidelines and NZBA and consider NAB's ability to operationalise (availability and reliability of data, ability to leverage existing systems and processes). For consistency, sector boundaries and material design decisions made as part of the financed emissions target setting have been carried through for facilitated emissions.

NAB has aligned its facilitated emissions target inclusions with the PCAF Standard. Included activities are bonds, syndicated loans and US private placements. It excludes activity where NAB is co-manager and advice or services provided to a customer by JBWere.

Securitisation and Green Bonds are examples of excluded activity, as PCAF methodologies don't currently exist for calculation of attributable emissions for these specific activities.

A 3-year rolling average has been used to reduce the lumpiness of these activities. This results in reasonably smooth, representative data.

Facilitated emissions has been combined with financed emissions for target-setting as there is significant overlap between the customer sets, and this allows NAB to manage the customer portfolio together.

NAB has used the PCAF default of a 33% weighting for facilitated emissions. Share of deal is also factored (i.e., if two lead bookrunners, a 50% weighting is applied).

Baseline restatement

APRA's RCF, introduced on 1 January 2023, changed the methodology for calculating EAD. The change generally has the impact of reducing EAD (driven by a discount to undrawn limits) and, as in input to financed emissions calculations, can result in a change to portfolio baselines and targets. Where changes to EAD do not result in a change to baseline, there has been no change to target. Impacts on each sector are described in the *Metrics and Targets* section from pages 41 to 62.

We were not able to retrospectively calculate EAD under the RCF for baseline years and so the impact of this change has been estimated by comparing pre- and post-RCF data on 30 June 2023 and applying the proportionate change to the baseline (e.g., if RCF resulted in a 10% reduction in the 2023 sector emissions metric, the baseline was reduced by 10%). Sensitivity testing (mix of drawn and undrawn lending in each sector portfolio) was undertaken to validate that the estimations based on 2023 data do not materially misrepresent the actual baselines.

Financed emissions calculations

Methodology 1: Absolute financed emissions associated with equity investments, private companies and listed companies

Absolute emissions have been calculated using the approaches illustrated in Figures 1 and 2 below.

Figure 1: Absolute financed emissions calculation methodology for business loans and unlisted equity

For business loans and equity investments to/in private companies:

$$Financed\ emissions = \sum_{c} \frac{Outstanding\ amount_c}{Total\ equity + debt_c} \times Company\ emissions_c$$

For business loans to listed companies:

$$Financed\ emissions = \sum_{c} \frac{Outstanding\ amount_c}{Enterprise\ Value\ Including\ Cash_c} \times Company\ emissions_c$$

$(with\ c = borrower\ or\ investee\ company)$

Source: PCAF Standard, page 71.

Methodology 2: Absolute financed emissions associated with assets

Figure 2: Absolute emissions calculation methodology for lending secured by assets

$$Financed\ emissions = \sum_{a} \frac{Outstanding\ amount_a}{Total\ value\ at\ origination_a} \times Asset\ emissions_a$$

(with a = asset)

Treatment of lending for project finance and corporate entities

Lending can occur at a corporate level (for example, general facilities made available to the parent company of a group of companies), or at a project finance level, that is on an individual project basis for a specific project purpose.

EAD has been assigned to the entity it was lent to, or the operator of a particular asset. This may mean that NAB has separate line items for project finance and then the corporate entity that controls the project. NAB has kept these separate so as to preserve the valuation to EAD dynamics and apportion emissions as per the PCAF Standard. Emissions have been captured at the level of the corresponding counterparty where possible.

Figure 3: Absolute financed emissions calculation methodology for project finance

$$Financed\ emissions = \sum_{p} \frac{Outstanding\ amount_p}{Total\ equity + debt_p} \times Project\ emissions_p$$

$(with\ p = project)$

Source: PCAF Standard, page 82.

Methodology 3: Financed emissions intensity (weighted average)

Portfolio emissions intensity has been calculated using the approach illustrated in Figure 4 below. This approach, known as the weighted average method, involves weighting company-level emissions intensities by the outstanding loan amount for each customer. This approach is consistent with global peers(1) and removes the need to use company valuations in financed emissions estimations when calculating emissions intensity.

Figure 4: Portfolio emissions intensity calculation methodology

$$\frac{\sum_{Customer} \left(\frac{Emissions}{Production} \times Outstanding\ loan\ amount\right)}{\sum_{Customer} Outstanding\ loan\ amount}$$

Methodology 4: Absolute facilitated emissions

Where capital markets activity is included in the boundary of a sector target, the following equations is used to calculate absolute facilitated emissions.

Figure 5: Absolute facilitated emissions methodology

$$\frac{Facilitated}{emissions} = \sum_{c} \frac{Facilitated\ amount_c}{Company\ value} \times Weighting\ factor \times Annual\ emissions_c$$

$(with\ c = the\ issuing\ company)$

Methodology 5: Portfolio weighted average financed and facilitated emissions intensity

The following equation is used to calculate a combined financed and facilitated portfolio emissions intensity

Figure 6: Financed and facilitated emissions intensity methodology (weighted average)

$$\frac{Emissions}{intensity} = \sum \frac{Loan\ amount_{client} + (Facilitated\ amountclient \times Weighting\ factor)}{Total\ loan\ amount\ and\ (Facilitated\ amount \times Weighting\ factor)_{all\ clients}} \times \frac{GHG\ emissions_{client}}{Physical\ metric_{client}}$$

Sector-specific approach

Power generation

Approach

While NAB has selected a global reference scenario to inform its power generation target, NAB has given specific consideration to the Australian energy market dynamic, including government and market operator plans(2). The need to manage the phase out of high-emitting power generation assets over time will require continued investment. As NAB provides lending to support this transition, including to support investment in emissions reduction activities, financed emissions to power generation will likely increase in the short-term. NAB does not anticipate a linear pathway between now and achieving its 2030 target. NAB selected an emissions intensity measure (tCO_2-e /MWh) recognising the underlying scenario anticipates increase in energy demand. Reporting on this sector target in future periods may consider the application of specific managed phase-out frameworks as developed by the GFANZ. NAB will consider national energy security requirements in relation to the power generation sector. It is expected that decisions based on national energy security would be by rare exception. Such decisions may impact on NAB's ability to achieve financed emission reduction targets.

Target metric calculation

NAB uses ***methodology 1*** to estimate absolute financed emissions associated with its power generation portfolio, ***methodology 4*** to estimate facilitated emissions, ***methodology 3*** to estimate financed emissions intensity and ***methodology 5*** to estimate combined financed and facilitated portfolio emissions intensity.

Sourcing sector data

NAB has assessed its lending portfolio to identify customers outside of the power generation sector that generate more than 5% of their revenue directly from sale of thermal coal-fired electricity. NAB has identified one customer in its power generation portfolio as at 30 June 2023. Note this information has been sourced from public sources of coal generation assets, alongside company production information and revenue data where available. For further information on particular challenges associated with identifying diversified companies for this purpose and potential gaps in emissions capture resulting from those challenges refer to *Challenges in allocating emissions to sectors* on page 81.

NAB has a relatively high level of confidence in the data, with 97% of emissions production data sourced from national government inventories across Australia (NGERS) and the United States (EPA), and direct company disclosures (United Kingdom). The remaining 3% is sourced from third-party sources. See *Data Quality* in the *Financed emissions methodology* section for detail on data quality scores and limitations.

Thermal coal mining

Approach

NAB's target for thermal coal mining is zero emissions associated with financing to the sector by 2030, which reflects our belief that no further growth in the sector is required, and in fact should be phased out as soon as practicable. NAB may still hold some exposures to thermal coal in 2030, only through residual rehabilitation guarantees. These exposures are not included in the boundary for this target. The boundary includes diversified mining customers with revenue >5% from direct sale of thermal coal. It excludes metallurgical coal mining customers, as these customers are captured within the *Iron and steel* sector decarbonisation target per UNEP FI Guidelines.

Target metric calculation

NAB uses ***methodology 1*** to estimate absolute financed emissions associated with its thermal coal portfolio and ***methodology 4*** to estimate facilitated emissions. Facilitated

(1) We undertook a benchmarking exercise to assess how global and local peers have calculated intensity measures. We found this method to be commonly used across multiple peer banks.

(2) This target and assumptions are based on the 2021 version of the reference pathway. NAB's consideration of key assumptions from the IEA NZE 2050 (2021) relevant to power generation. This list is not exhaustive. This target and assumptions are based on the 2021 version of the reference pathway - IEA Net Zero by 2050 – A road map for the global energy sector

and financed emissions are added together to find total facilitated and financed emissions (i.e., tCO_2e financed emissions + tCO_2e facilitated emissions).

Sourcing sector data

To identify and include emissions from companies with greater than 5% of revenue generated directly from thermal coal mining, NAB has matched a global database of coal mines to its customer list to identify customers with associated coal-based assets and revenues.

There are particular challenges associated with identifying diversified companies for this purpose (for further information refer to *Challenges in allocating emissions to sectors* on page 81) involving significant manual processing and analysis. It is often the case that small, diversified mining companies do not disclose breakdowns of their revenue or production, making it extremely difficult to identify them for the purposes of the 5% revenue threshold. NAB applied a series of materiality thresholds in performing this analysis, including a $1 million EAD floor. This has the potential to result in some customers with relatively low absolute EAD, but who derive greater than 5% of their revenues from thermal coal mining, not being identified within NAB's thermal coal target. NAB has identified one customer outside of the thermal coal sector that has been captured in the thermal coal target per UNEP FI Guidelines. For further information refer to Table 1 in the *Supporting information* section for further details.

100% of company Scope 1 and 2 emissions have been sourced from customer-reported sources (e.g. Company reporting, NGER reporting). 96% of Scope 3 emissions have been sourced from production estimates, with the remainder from customer reported sources.

Oil and gas

Approach

NAB has selected a global reference scenario (IEA NZE 2050 (2023)) for its oil and gas target in recognition that Australia's oil and gas industry is oriented towards the export market. NAB will consider national energy security requirements in relation to the oil and gas sector. It is expected that decisions based on national energy security would be by rare exception. Such decisions may impact on NAB's ability to achieve financed emission reduction targets.

Target metric calculation

NAB uses ***methodology 1*** to estimate absolute emissions associated with its oil and gas portfolio and ***methodology 4*** to estimate facilitated emissions. Facilitated and financed emissions are added together to find total facilitated and financed emissions (tCO_2e financed emissions + tCO_2e facilitated emissions).

Sourcing sector data

NAB has calculated its attributable financed emissions from oil and gas extraction and production based on Scope 1, 2 and 3 emissions relative to its customers EAD.

76% of customer Scope 1 and 2 emissions have been sourced from company reports, with the remaining sourced from third party reports, or calculated using equity-based estimates. 82% of Scope 3 emissions are derived from production-based estimates, with the remainder sourced from company reports.

Cement

Approach

NAB has selected a global reference scenario (IEA NZE 2050 (2021)) for its cement target, and an intensity metric to reflect its ongoing role in a decarbonised economy.

Target metric calculation

NAB uses ***methodology 1*** to estimate absolute emissions associated with its cement portfolio and ***methodology 3*** to estimate portfolio financed emissions intensity.

Sourcing sector data

NAB has calculated its attributable financed emissions from cement manufacturing based on Scope 1 and 2 emissions relative to its customers' EAD. Scope 3 emissions have been excluded from this stage of target-setting due to data availability issues, as NAB has found Scope 3 emissions are currently rarely reported by customers in the cement sector.

50% of company emissions data was sourced directly from customer-reported sources, with the remainder estimated using sector wide emissions intensity ratio, as production data is not readily accessible for cement companies(1).

Aluminium

Approach

NAB has selected the IAI GHG 2050 (2021) pathway, which is aligned to, but gives more granularity than, IEA NZE 2050. The pathway includes bauxite mining, alumina refining and aluminium smelting, and therefore captures a complete view of the sector value chain.

Note NAB's 2022 baseline emissions intensity data and 2030 (upper bound) target do not reflect an emissions intensity figure equivalent to the full value chain metric applied by the IAI GHG. This is because:

- NAB's sectoral lending book reflects the skew of the Australian aluminium industry to upstream activities, in bauxite mining and alumina refining (the lower-emissions intensity activities within the value chain).
- NAB's reporting and target boundary excludes Scope 3 emissions.

NAB has utilised publicly available industry conversion metrics to convert bauxite and alumina volumes to aluminium tonnes (for the purposes of estimating the emissions intensity (tCO_2-e /tAluminium)).

Inclusion of Scope 3 emissions from bauxite and alumina customers would help to provide value chain equivalency, however significant data challenges exist in the estimation of the downstream (scope 3) smelting emissions associated with those upstream activities. This is due to the wide variation in emissions depending on the country and facility in which that smelting occurs, such that 'averages' do not provide a valid proxy.

A portfolio which is more heavily weighted to smelting customers will likely have a higher emissions intensity, simply due to customer mix. This means that comparison across portfolios of different compositions is difficult. NAB will look for opportunities to refine its aluminium sector intensity methodologies to incorporate downstream scope 3 (smelting) emissions of upstream customers, as data and methodologies improve.

As an interim metric, based on our current methodology that incorporates only scope 1 and 2 emissions for upstream

(1) Estimated through calculation from revenue and average cement price data and supplemented with PACTA data.

customers, the upper bound for portfolio intensity is 5.0 tCO_2-e /tAluminium. This is intended to provide NAB with the option to increase exposure to support smelting customers, whilst remaining significantly below the 11.5 tCO_2-e /tAluminium 2030 full value chain threshold indicated under the IAI GHG. Given aluminium is a critical material required in the transition to a net zero economy, this is consistent with NAB's ambition to be a catalyst for the economy's decarbonisation.

As with other small sector portfolios, a change in the composition of NAB's customers or lending exposure could impact the reported emissions in subsequent reporting years.

Target metric calculation

NAB uses ***methodology 1*** to estimate absolute emissions associated with its aluminium portfolio and ***methodology 3*** to estimate portfolio financed emissions intensity.

Sourcing sector data

NAB has calculated our attributable financed emissions based on customers' Scope 1 and 2 emissions. 100% of company emissions data was sourced directly from customer reported sources.

Iron and steel

Approach

NAB has chosen to align its iron and steel portfolio to the IEA NZE 2050 reference scenario. This is a global scenario, and while NAB's customers are concentrated in Australia, they do export the majority of their production.

NAB has included metallurgical coal mining in the iron and steel sector scope due to its key role in the steel value chain. NAB's iron and steel portfolio (and sector emissions profile) is currently reflective of the Australian market: skewed towards metallurgical coal mining, rather than smelting customers. As technology in this sector matures, it is expected that demand for metallurgical coal and associated emissions will decrease.

Target metric calculation

NAB uses ***methodology 1*** to estimate absolute emissions associated with its iron and steel portfolio.

Sourcing sector data

NAB has calculated its attributable financed emissions based on steel smelting customers' Scope 1 and 2 emissions and metallurgical coal mining customers' Scope 1, 2 and 3 emissions. 8% of company emissions data was sourced directly from customer-reported sources, with the remainder estimated using sector wide emission factors based on production[1].

Transport - road (cars and LCVs)

Approach

NAB has selected the IPR 1.5°C RPS Australian scenario commissioned by the UN PRI as the reference pathway. This pathway does not consider emissions on a per vehicle kilometre basis, NAB has used activity forecasts published by DCCEEW[2] to derive the relevant emission intensity pathway, necessitating a 39% reduction in portfolio emission intensity between 2022 and 2030. NAB's road portfolio is skewed towards larger cars and LCVs, reflecting the customer base financing vehicles through Business and Private Banking.

Due to data limitations, unsecured personal or business loans for the use of financing of cars and LCVs have been excluded as they are not able to be clearly identified. It is the intention that any future secured Personal Banking loans will be captured within the scope - including future loans via the partnership with Plenti.

Target metric calculation

Top-down industry-level data has been used to estimate the emissions intensity of the portfolio.

The majority of the secured assets within NAB's portfolio are heavy sports utility vehicles (SUVs) and LCVs. Accordingly, we have applied the national average emission intensity for the SUV and LCV segments as a proxy for the emissions intensity for this portfolio[3]. 2021 data was used to reflect the average age of assets in 2023.

NAB uses methodology 2 to estimate absolute emissions associated with its Transport - road (cars and LCVs) portfolio, where asset emissions are a product of emissions intensity and average vehicle kilometres (based on the asset's state of registration[4]).

NAB is continuing to work to improve its asset-level data in forthcoming systems updates.

Transport - aviation

Approach

The aviation sector experienced severe disruption during the COVID-19 pandemic: overall emissions decreased due to reduced flight numbers but emissions intensity increased due to social distancing requirements. This resulted in non-representative emissions metrics across the sector in 2020 - 2022. For this reason, we have used 2019 as a more representative baseline year for this sector, enabling better comparison over time.

Air freight has been excluded from this target as it relatively immaterial (represents <1% of the sector portfolio), and business jets as they are not directly financed.

The ATAG Waypoint 2050 reference pathway was selected because it was developed by an industry body with contributors across the value chain and takes into account the impact of the pandemic on the industry's emissions and trajectory.

UNEP FI guidelines state that offsetting can play a role that is supplemental to sectoral and economy-wide decarbonisation, and that use in target setting should be aligned with climate science-based net zero scenarios. ATAG notes that offsets will be required to decarbonise residual emissions in this hard-to-abate sector in the short-to-medium term, given the limited viability of other alternatives to reduce emissions. NAB will accept the use of certified, additional carbon credits purchased by its aviation customers while viable alternatives to reduce their operational emissions do not exist.

Target metric calculation

Where NAB finances lessors of an aircraft, and the operator is known, the average intensity of the aircraft operator has been applied. Where EAD was not easily allocated to an individual airline or where the operator of an aircraft was not known, we have used a portfolio average (relevant to the year) to estimate the emissions intensity.

(1) Emission factors sourced from the National Greenhouse Accounts Factors.
(2) Available at https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2023.pdf, Table 21
(3) Available at https://www.ntc.gov.au/sites/default/files/assets/files/CO2 Emissions Intensity for New Australian Light Vehicles 2022.pdf
(4) Available at https://www.abs.gov.au/methodologies/survey-motor-vehicle-use-australia-methodology/12-months-ended-30-june-2020

Sourcing sector data

NAB has calculated its attributable financed emissions for the aviation sector based on operators' Scope 1 and 2. Where the customer is not the operator of the aircraft (i.e., for aircraft lessors), the average emissions of the operating companies has been used. 57% of company emissions data was sourced directly from operator-reported sources, with the remainder assumed to be in line with the portfolio average.

Transport - shipping

Approach

The PP were selected as they provide a framework and methodology for measuring performance, leverage data required to be provided to the international shipping regulator and are used widely in the industry to measure emissions performance.

NAB has chosen to adopt the 2018 version of the PP pathway, which is aligned to the IMO's 2018 GHG strategy, noting however that while the 2018 PP pathway is in line with IEA's Beyond 2˚C Scenario (B2DS) it is not 1.5˚C aligned.

In February 2024, PP released a methodology for a more ambitious pathway (requiring approximately a 60% reduction in emissions intensity over the same 2022 to 2030 period[1]) (Updated Methodology).

However, NAB has determined that it is premature to adopt the Updated Methodology at this time. This is for reasons that include a number of outstanding pathway assumptions (many of which remain subject of on-going debate within the shipping industry) and the fact that the IMO regulations by which the pathway will be operationalised are not scheduled to be finalised until 2025[2].

NAB will monitor the finalisation of the Updated Methodology and review the updated pathway and target as appropriate.

Target metric calculation

Emissions have been estimated at the asset level for this sector (bottom-up methodology). Actual customer fuel consumption data has been used where available, and where unavailable, a modelled estimate from a specialist third-party provider has been used. The third-party provider models vessel emissions based on several factors including vessel type, vessel capacity, actual distance travelled and fuel type.

The PP methodology has been used to calculate NAB's baseline in this segment.

The PP use a carbon intensity metric, the Annual Efficiency Ratio (AER), to calculate the carbon intensity of a given vessel.

Figure 7: AER calculation

$$AER = \frac{Fuel\ consumed\ \times fuel\ emissions\ factor}{Distance\ travelled\ (nm) \times dwt^{31}}$$

The AER is compared to a predetermined trajectory for a given vessel type and size to generate an alignment delta (%).

Figure 8: Alignment delta calculation

$$\Delta_i = \left(\frac{x_i - r_s}{r_s} \right) 100$$

where x_i is the carbon intensity of vessel i and r_s is the required carbon intensity for the ship type and size class for time period t multiplied by 100 to convert into percentage terms.

The portfolio delta is the weighted average delta (by EAD) of each of the individual vessel alignment deltas.

Figure 9: Portfolio delta calculation

$$\Delta_p = \sum_{i=1}^{N} w_i \Delta_i$$

where w_i is the vessel's EAD as a share of the total EAD and Δ_i is the vessel alignment delta %.

- Data used to compute a vessel's AER is either:
  - Actual data received from customers; or
  - Modelled from a third-party provider.
- An alignment delta of 0% implies the portfolio is aligned with the pathway, a positive delta implies the portfolio is misaligned (i.e., more energy intensive), and a negative delta implies the portfolio is outperforming the pathway.

Sourcing sector data

61% of vessel emissions data was sourced directly from customers and represents actual performance. Emissions intensity for the balance of the portfolio has been estimated on a vessel-by-vessel basis via a specialist third-party provider. The modelled data considers ship design characteristics and operational parameters to calculate an estimate for the vessel's emission intensity. Following mandatory IMO data reporting requirements which commenced on 1 January 2023, NAB intends to improve data quality and access over time by increasing the percentage of actual versus estimated emission data used in target setting.

CRE

Approach

NAB has aligned to the subsector-specific Science Based Targets initiative (SBTi) Buildings (Australia) reference pathways for the office and retail sub-sectors, which are downscaled from the International Energy Agency's Net Zero by 2050 scenario (IEA NZE 2050) pathway with regional specificity. The pathways, which are specific to CRE sub-sectors, were developed in partnership with the Carbon Risk Real Estate Monitor (CRREM) which sources AEMO's emission factors (see below Additional NAB assumptions).

NAB's 2030 targets are split into office and retail sub-sectors, reflecting the different baseline emissions intensities across the building types as well as different decarbonisation strategies.

CRE emissions can be split into commercial gas use (Scope 1, approximately 4% of Australian CRE energy use) and commercial electricity use (Scope 2, approximately 96%).

(1) When compared to an equivalent portfolio which would require a 20% reduction in emission intensity under the 2018 PP Methodology to achieve an Alignment Delta of 0% in 2030.
(2) Refer PP version 4.1, August 2022, page 51. Available at http://www.poseidonprinciples.org/finance/wp-content/uploads/2019/07/Poseidon_Principles.pdf

Fugitive hydrofluorocarbon emissions from refrigerants have not been estimated and Scope 3 emissions are not included in the baseline calculation.

The scope of the CRE sector has been defined according to *ARS 230.0 Commercial Property* (see *In-scope assets* section below) post September 2023.

In-scope assets

CRE definition is aligned to *ARS 230.0 Commercial Property*, which can be summarised as follows:

Property with both of the following characteristics have been included within scope:

- Facility purpose is flagged as 'Commercial Property' and
- CRE ANZSIC is 7711 or 7712.

In addition, properties with all of the following characteristics have also been included:

- Facility purpose is flagged as 'Commercial Property' and
- A property is flagged as 'Investment' and
- Servicing is flagged as 'Property-related'.

Vacant land and properties under development are excluded from scope. Any assets that are not Office or Retail are also excluded from scope.

Target metric calculation

- NAB commercial lending data comprises EAD, property location (e.g., property addresses and other location identifiers), asset type (e.g., office) and associated property value.
- Floor space estimates (F) in m^2 were obtained using a third-party capability by matching property details (parcel IDs) from internal NAB data. The third-party provider modelled floor space (building area, height and volume) based on satellite and aerial imagery to estimate whole-of-asset floorspace(1).
- Electricity and gas consumption intensity (T) in MJ/m^2 was obtained from the DCCEEW Commercial Building Baseline Study 2022. Intensities are given by SA4 geographic region and asset type. The DCCEEW Baseline Study uses Gross Lettable Area (GLA), consistent with our floorspace estimate.
- Electricity consumption (E) in MJ is the product of an asset's consumption intensity (T) and floorspace (F).
- Electricity and gas emission factors (K) were sourced from DCCEEW National Greenhouse Accounts Factors 2022.
- Attribution Factor (A) = EAD / property value at origination (or latest valuation on/before the reporting date where property value at origination is not available)

Figure 10: Emissions intensity calculation

$$\text{Collateral emissions intensity } \left(\frac{kgCO_2e}{m^2}\right) = \frac{\left(\text{Energy consumption}_{(E)} \times \text{Emission factor}_{(K)}\right)}{\left(\text{Floorspace}_{(F)}\right)}$$

$$\text{Portfolio emissions intensity } \left(\frac{kgCO_2e}{m^2}\right) = \sum_{Collateral_i} \left(\text{Collateral}_i \text{ emission intensity} \times \frac{Collateral_i EAD}{Total\ in-scope\ sub-sector\ EAD}\right)$$

Figure 11: Financed emissions calculation

$$\text{Financed emissions } (kgCO_2e) = \text{Energy consumption}_{(E)} \times \text{Emission factor}_{(K)} \times \text{Attribution factor}_{(A)}$$

Sourcing sector data

NAB has calculated its attributable financed emissions intensity (Scope 1 and 2 for each asset) by aggregating the emissions and floorspace of its CRE portfolio.

Floorspace for each property was estimated using a third-party provider. This was for the entire building area including any tenanted areas. Where the third party was unable to provide floorspace, NAB has used SA4 geographic region averages for floorspace by asset type.

Emissions were estimated at the asset level using electricity and gas consumption averages based on sub-sector and geographic information sourced from the Department of Climate Change, Energy, the Environment and Water (DCCEEW).

Emissions intensity for each sub-sector was then calculated by dividing each property's emissions by its floorspace and weighting it by its EAD relative to NAB's total in-scope CRE EAD for that sub-sector.

Over time, more property-level data will be required to distinguish NAB's portfolio from the sector averages. Further adoption of the National Australian Built Environment Rating System (NABERS) is one important initiative to achieve this. A range of initiatives are being explored to improve data availability and quality. As NAB's reliance on proxy data reduces and the inclusion of actual portfolio data increases, it is possible that the trajectory of NAB's CRE portfolio decarbonisation against target will not be linear. NAB will monitor the need for re-baselining to reflect any such changes in data quality and composition.

Complexities and limitations specific to sourcing and using data for this sector include:

- Our third-party capability was only able to match 62% of properties. Where a property could not be matched, SA4 geographic region averages for floorspace by asset type have been used.
- The DCCEEW Commercial Building Baseline Study has captured actual grid consumption data which is net of any solar installed. It therefore means our grid consumption data is net of average rooftop solar rather than rooftop solar specific to NAB's portfolio.

(1) Alignment with National CRE baseline methodology (DCCEEW and CSIRO).

RRE

RRE emissions can be split into residential gas use (Scope 1, approximately 25% of Australian RRE energy use) and residential electricity use (Scope 2, approximately 75%). Scope 3 emissions are not included in the baseline calculation.

All NAB's on-balance sheet Home Loan exposures to Australian residential property have been included in the calculation of emissions for this sector.

Approach

NAB has selected the SBTi Residential Buildings (Australia) reference scenario. This is a downscaled IEA NZE 2050 (2021) pathway with regional specificity. It was developed in partnership with CRREM which sources AEMO's emission factors (see below Additional NAB assumptions).

Target metric calculation

- NAB residential lending data was taken across all home lending products.
- NAB residential lending data comprises EAD, property details (i.e., property addresses), and associated property value at origination.
- Floor space estimates (F) in m^2 were obtained by a third-party provider by matching property addresses from NAB portfolio data. The third-party provider obtained the floor space estimates from several sources including Valuers General (availability differs by state), listing sources and valuation data where permitted (e.g., NAB PAD licence) and this data is not derived.
- Conversion factors from floor area to person headcount was then obtained using NCC whole-of-home-component 2022 resource from Federal Government (necessary as energy consumption estimate is done based on a per person basis).
- Electricity and gas consumption data by climate zone and postcode were calculated using the Australian Energy Regulator (AER) 2021 estimates relative to household size. This is based on actual measured grid consumption which therefore factors in rooftop solar. We have added back the consumption that would have been associated with rooftop solar based on state average solar uptake as this is accounted for below using a separate third-party provider to estimate solar uptake specific to NAB's portfolio.
- Base solar estimate (reducing electricity usage) has been calculated using a separate third-party provider. The third-party provider estimates solar panel area and capacity based on satellite data and aerial imagery. This provides rooftop solar uptake specific to NAB's portfolio by matching parcel IDs between both third-party providers. Multi-dwelling parcels are excluded from the matching due to inability to attribute solar to the exact property/address.
- Electricity and gas emission factors (K) were sourced from DCCEEW National Greenhouse Accounts Factors 2022.

Figure 12: Portfolio emissions intensity calculation

$$\text{Baseline emissions intensity } \left(\frac{kgCO_2e}{m^2}\right) = \frac{\sum_{Collateral}\left(\text{Energy consumption}_{(E)} \times \text{Emission factor}_{(K)}\right)}{\sum_{Collateral}\left(Floorspace_{(F)}\right)}$$

Sourcing sector data

NAB has calculated its attributable financed emissions intensity (Scope 1 and 2) by aggregating the emissions and floorspace of its RRE portfolio.

Floorspace for each property was estimated using a third-party provider.

Emissions were estimated at the property-level by estimating inhabitants per property, sourced from ABS, and applying electricity and gas consumption per inhabitant by climate zone sourced from the Australian Energy Regulator (AER). Conversion of consumption to emissions was estimated using state averages, sourced from DCCEEW.

Rooftop solar uptake within the NAB portfolio was estimated using a third-party provider. This estimate was based on AER state-averages and reflects a reduction in household electricity consumption.

Over time, more property-level data will be required to distinguish NAB's portfolio from the sector averages and initiatives to achieve this are progressing, including the roll out of smart meters. As NAB's reliance on proxy data reduces and the inclusion of actual portfolio data increases, it is possible that the trajectory of NAB's RRE portfolio decarbonisation against target will not be linear. NAB will monitor the need for re-baselining to reflect any such changes in data quality and composition.

Complexities and limitations specific to sourcing and using data for this sector include:

- There was no third-party data readily available for the Advantedge portfolio (approximately 10% EAD) at the time of target setting, preventing us from accessing our other third-party provider data for that portion of our portfolio. Therefore, our method for estimating base solar cannot be applied to this portion of the book. Third-party data will be made available for this portion in future.
- We are currently unable to disaggregate EV energy consumption at the home from residential energy consumption. Therefore, the consumption data we have relied upon will include electricity to charge EVs. Given we are using an intensity target, this additional consumption is not expected to significantly impact our trajectory.
- Loans for vacant land and construction are included in scope. Since these properties do not have a measurable floorspace, they are assigned a floorspace based on NAB's RRE portfolio average. It is not expected that their inclusion and treatment will materially impact the intensity baseline or ability to reach the target.
- NAB has not applied an attribution factor (e.g., Loan to Value Ratio) to our financed emission calculation of each property. Internal analysis found that leverage ratios did not materially differ between states and therefore this omission is not expected to be material.

Complexities and limitations

Climate-related metrics are underpinned by methodologies containing uncertainties, assumptions and judgements that limit the extent to which they can be relied upon. This applies to all climate-related metrics, including (without limitation) historical metrics relating to emissions and forward looking climate metrics, such as goals, targets, climate scenarios or projections and pathways.

A summary of NAB's understanding of the main challenges associated with climate-related data, methodology and metrics follows. This is a non-exhaustive thematic summary of certain key risks that are relevant to consider in relation to climate related metrics and information, but they are not the

only risks, and each thematic risk will in turn involve a range of particular and specific risks that impact the quality, utility and effectiveness of climate-related information:

- Data availability, quality and timeliness vary considerably within and across businesses, industries and geographies. This impacts both the ability to measure existing financed emissions and to set appropriate targets to reduce financed emissions. Measurement of financed emissions is, in many cases, based on estimates, and relies on data that NAB does not generate or control. The methodologies for estimating and calculating GHG emissions or emissions intensities and other climate-related metrics vary widely in their approaches. This may result in under or overestimates of climate-related risks or performance and/or financed emissions.
- While there has been improvement, there is a lack of common definitions and standards for reporting climate-related information, which may impact on the accuracy of estimates of financed emissions and targets based on existing estimates. In particular, climate metrics, measurement, other methodologies and reporting are not supported by a globally accepted framework or standard that facilitates efficiency, comparability and transparency. Frameworks and methodologies are often voluntary and a range of frameworks and methodologies are used by corporate organisations reporting on climate related information and metrics. This makes comparison by investors and others evaluating the climate performance of corporate organisations difficult.
- Estimating financed emissions is complex and requires significant methodological choices, judgements and assumptions. Methodologies to estimate financed emissions are evolving as understanding increases and data availability changes. This means methodologies used to estimate financed emissions are likely to change over time, impacting existing estimates, and targets based on existing estimates.
- When setting targets for reducing financed emissions, the inherent uncertainty in estimating financed emissions is exacerbated by the long time periods involved, for example, to set targets aligning to net zero emissions by 2050.
- Climate science, and the decarbonisation trajectory that it implies, is continually evolving. Climate scenarios are inherently uncertain, and there are limitations of climate modelling, including climate scenario modelling. Climate scenarios are modelled over a significantly longer time-frame than more traditional financial scenario modelling and therefore the complexity and risk of error is higher.
- Many factors relating to the achievement of financed emissions sector decarbonisation targets are outside the control of NAB.
- NAB's customer-base is not fixed. Changes to NAB's customer base over time can alter both the absolute level of financed emissions and the intensity of financed emissions. In addition, revenue and production for individual customers is volatile and subject to variation year-on-year.
- The reliance on customer data can lead to significant lags between the time of the emissions being generated, and the publishing of NAB's financed emissions reporting. For example, financed emissions data published in NAB's 2024 Climate Report is based on emissions data, and in order to match this timing, EAD is as at 30 June 2023.
- Scenarios, and customers' transition plans, may have varying reliance on the commercialisation of currently unproven technologies to meet emissions reduction targets. Investment in these technologies may fail to achieve the intended outcomes. Over-reliance on unproven technologies to meet targets may impact NAB's assessment of those transition plans.
- Absolute emissions and emissions intensity values are inclusive of both Scope 1 and Scope 2 emissions for all sectors, as well as Scope 3 emissions for thermal coal, oil and gas, and the metallurgical coal portion of Iron and Steel. The Scope 1 emissions created by the power generation sector are included in the total Scope 2 emissions for all other sectors. In order to fairly present emissions arising within each sector, NAB has included this 'double-count' within its attributable emissions estimate.

These challenges reduce the accuracy of estimated financed emissions, and mean that targets may not always be achieved despite NAB using best efforts to pursue its targets.

Challenges in allocating emissions to sectors

ANZSIC codes

When a lending transaction is created in NAB's systems, for most loans, the relevant customer is assigned an ANZSIC code based on their primary business activity. It is not NAB's current practice, and NAB does not consider it to have been historic common industry practice, to assign or otherwise record secondary ANZSIC codes for customers with diversified business activities.

As such, under NAB's current methodology, estimated customer emissions and sector-specific emissions estimates are applied to each customer's EAD with the assumption that the emissions are 100% attributable to the assigned primary business activity. Accordingly, if a customer is diversified across business activities, the estimate of their emissions may be under or overstated in sectors for which they have secondary operations.

Further limitations associated with reliance on ANZSIC codes to identify financed emissions, which could impact the accuracy of the sector under which financed emissions are captured and/or the accuracy of total financed emissions captured, include:

- The possibility of manual processing error in ANZSIC coding at the time of loan origination and/or renewal.
- Any changes in customer activities between origination and renewal.
- Any lending undertaken by NAB without an ANZSIC code being recorded for the borrower. Manual efforts to identify all such lending may not have been successful.

For further information refer to *Sector definitions* on page 84.

UNEP FI Guidelines 5% revenue threshold

The UNEP FI Guidelines outline that any bank customer with more than 5% of its revenue coming directly from thermal coal mining, and electricity generation activities, shall be included in the scope of targets.

To identify and include emissions from companies with greater than 5% of revenue generated directly from thermal coal mining or coal-fired electricity generation, NAB has matched a global database of coal mines and coal generation assets to its customer list to identify customers with associated coal-based assets and revenues.

There are particular challenges associated with identifying diversified companies for this purpose, involving significant manual processing and analysis. It is often the case that small, diversified mining companies do not disclose breakdowns of

their revenue or production, making it extremely difficult to identify them for the purposes of the 5% revenue threshold. To address this, NAB applied a series of materiality thresholds in performing this analysis, including a $1 million EAD floor. This has the potential to result in some customers, who are classified outside the power generation or thermal coal mining sector, with relatively low absolute EAD, but who derive greater than 5% of revenues from thermal coal mining, not being identified within NAB's thermal coal or power generation targets.

Data collection

Emissions

NAB's collection of emissions data is detailed in Financed emissions methodology by sector, above.

Production

In addition to emissions data, production data was required for each customer to derive emissions intensity figures. We obtained or estimated production figures from a variety of sources, including:

- Customer reports that state production levels or capacity figures.
- Operator data that states production levels.
- Publicly available third-party and industry reports that provide production level data.
- Revenue-based estimates that have used an assumed price for the particular commodity in question combined with company revenue to derive an estimate of production.

Valuation

We sourced customers' enterprise value as at 30 June 2023 for public companies from Bloomberg, Refinitiv and company statements. For unlisted companies or special purpose vehicles, we used valuations as at 30 June 2023 which we sought internally within NAB to attribute the proportion of financed emissions. This process aligns to pages 67–78 of the PCAF Standard for business loans and unlisted equity and pages 80–83 for project finance.

Data quality

NAB's assessment of data quality in accordance with the PCAF Standard is shown below, where a score of 1 equals highest data quality and a score of 5 equals lowest data quality. Refer to *Partnership for Carbon Accounting Financials alignment* for further details.

Table 1: Methodology of NAB's % revenue threshold

Customer grouping	Step	Resulting customers
NAB Corporate and Institutional Banking and Business and Private Banking customers	Compiled list of Corporate and Institutional Banking and Business and Private Banking customers, including primary ANZSIC classification and EAD.	250,000+
Customers with coal/power asset ownership	Used a Jaccard index(1) for customer names to asset owners in a global data base of 20,000 power stations and 3,000 coal mines.	51+
	Filtered out customers with <$1 million EAD,(2) <90% customer-owned name match confidence or with correct sector already assigned.	
Customers not in existing sector analysis	Manually reviewed list to filter out customers where prior analysis has already reclassified into the correct sector.	5
Additional customers added to sector	Compared revenue from thermal coal/electricity sales to customer total revenue.	2
	Where revenue was not available, estimates of revenue were based on production, this was particularly relevant in the case of thermal coal mining.	
	Majority of customers either used the coal/electricity for their own operations (not sold) or sales constituted <5% of total revenue.	
	One customer was found to have >5% of revenues from thermal coal sales.	

(1) Jaccard index compares two sets of names to see which characters are used in both. It is used to gauge the similarity between two datasets, in this case databases of names, to identify similar matches.
(2) Refer to explanation of materiality thresholds for the 5% revenue threshold requirement on page 82.

Table 2: Sector data quality

Sector	2023 Scope 1 and 2 Data Quality	2023 Scope 3 Data Quality	2022 Scope 1 and 2 Data Quality	2022 Scope 3 Data Quality
Power generation	**1.8**	n/a	1.3	n/a
Thermal coal	**1.4**	**1.5**	1.0	2.0
Oil and gas	**1.5**	**2.2**	1.1	1.8
Cement	**2.5**	n/a	2.2	n/a
Aluminium	**1.9**	n/a	1.7	n/a
Iron and steel	**2.0**	n/a	2.2	n/a
Transport				
Transport - road (cars and LCVs)(1)	**5.0**	n/a	5.0	n/a
Transport - aviation	**2.6**	n/a	2.3	n/a
Transport - shipping(1)	**2.4**	n/a	2.5	n/a
Real estate				
CRE - office	**4.0**	n/a	4.0	n/a
CRE - retail	**4.0**	n/a	4.0	n/a
RRE	**4.0**	n/a	4.0	n/a
Agriculture	**5.0**	n/a	5.0	n/a

(1) Includes only Scope 1 emissions.

Target scope and boundaries

An overview of the coverage, scope and boundaries of NAB's decarbonisation targets is provided in *NAB's approach to financed emissions* in Table 3. For further information refer to *Sector definitions* on page 84.

Table 3: Geographic boundary and Scope inclusions for NAB's attributable financed emissions estimate

Sector	EAD ($bn)	EAD (% of NAB's total EAD)(1)	Geographic boundary(2)	Operational boundary	Metric	Updated baseline	Baseline year
Power generation	**5.5**	0.8%	Global	Scope 1 and 2	tCO_2-e/MWh	0.17	2021
Thermal coal	**0.3**	0.04%	Global	Scope 1, 2 and 3	$MtCO_2$-e	4.9	2021
Oil and gas	**0.9**	0.1%	Global	Scope 1, 2 and 3	$MtCO_2$-e	3.4	2021
Cement	**0.27**	0.04%	Global	Scope 1 and 2	tCO_2-e/tCement	0.57	2021
Aluminium	**0.04**	0.01%	Global	Scope 1 and 2	tCO_2-e/tAluminium	1.8	2022
Iron and steel	**0.1**	0.02%	Global	Scope 1, 2 and Scope 3 for metallurgical coal	$MtCO_2$-e	6.1	2022
Transport							
Transport - road (cars and LCVs)	**2.9**	0.4%	Australia	Scope 1	gCO_2/vkm	217	2022
Transport - aviation	**3.0**	0.4%	Global	Scope 1 and 2	gCO_2-e/pkm	104	2019
Transport - shipping	**1.9**	0.3%	Global	Scope 1	Alignment Delta %	-1.0%	2022
Real estate							
CRE - office	**14.3**	2.1%	Australia	Scope 1 and 2	$kgCO_2e/m^2$	70.8	2022
CRE - retail	**16.5**	2.4%	Australia	Scope 1 and 2	$kgCO_2e/m^2$	78.4	2022
RRE	**358.8**	51.6%	Australia	Scope 1 and 2	$kgCO_2e/m^2$	35.1	2022

(1) Excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions. Figure as at June 2023.
(2) Global exposures include NAB's exposures outside of Australia, excluding exposures of NAB's New Zealand banking subsidiary, BNZ, which has separately signed up to the NZBA.

Sector definitions

We have used the following subsector definitions and categories to capture exposures in the emissions baselines for NAB's targets. In line with UNEP FI Guidelines, NAB has defined its sectors in accordance with nationally and internationally recognised sector classification codes, ANZSIC 1993 and 2006, and International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4.

Table 4: Sector definitions for NAB's target setting emissions baseline

Sector	NAB definition[1]	ANZSIC (1993)	ANZSIC (2006)	ISIC (Rev. 4)	Product types
Power generation	Electricity Generation	3610	261	3510	See *Scope of financing activities*
	Electricity Generation Using Coal	3610	2611	3510	
	Electricity Generation Using Gas	3610	2611	3510	
	Hydro-Electric Power Generation	3610	2612	3510	
	Renewable Energy	3610	2619	3510	
	Wind Farms	3610	2619	3510	
Thermal coal	Black Coal Mining - Steaming	1101	0600	0510	See *Scope of financing activities*
	Brown Coal Mining	1102	0600	0510	
	Brown Coal Mining Not Elsewhere Classified (NEC)	1102	0600	0510	
	Lignite Mining	1102	0600	0520	
Oil and gas	Gas, Natural Extraction	1200	0700	0620	See *Scope of financing activities*
	L.N.G. Production At Wellhead	1200	0700	0620	
	Liquefied Petroleum Gas Production	1200	0700	0620	
	Natural Gas Separation At The Wellhead	1200	0700	0620	
	Oil Shale Mining	1200	0700	0610	
	Oil and Gas Extraction NEC	1200	0700	0610, 0620	
Cement	Cement Mfg (Except Adhesive Or Refractory)	2631	2031	2394	See *Scope of financing activities*
	Hydraulic Cement Mfg	2631	2031	2394	
	Portland Cement Mfg	2631	2031	2394	
	Other Cement and Lime Manufacturing NEC	2631	2031	2394	
Aluminium	Bauxite mining	1312	0802	0729	See *Scope of financing activities*
	Alumina refining	2721	2131	2420	
	Aluminium manufacturing	2721	2131	2420	
	Aluminium smelting	2722	2132	2420	
Iron and steel	Black Coal Mining - Coking	1101	0600	0510	See *Scope of financing activities*
	Flat-Rolled Products, Iron or Steel Manufacturing	2711	2110	2410	
Transport - road (cars and LCVs)	Australian cars and light commercial vehicles	n/a	n/a	n/a	Secured lending for Australian cars and LCVs
Transport - aviation	Aircraft used for scheduled passenger flights	n/a	n/a	n/a	Asset finance and leasing
Transport - shipping	International Sea Transport - Freight Transport Service	6301	4810	5012	Secured lending for eligible International Freight Vessels
	International Sea Transport n.e.c	6301	4810	5012	
	Other Transport Equipment Leasing	7742	6619	7730	
CRE[2]	Residential Property operators - Self Managed Superannuation Fund (SMSF) - Multi (4+)	7711	6711	6810	Commercial Real Estate Lending Products
	Residential Property operators - residential property/ies Single Site - Multi (4+)	7711	6711	6810	
	Commercial property/ies	7712	6712	6810	
	Commercial property and developers - Large Real Estate Investors[3]	7712	6712	6810	
	Commercial property and developers - SMSF	7712	6712	6810	
RRE	Lending for Australian residential properties	n/a	n/a	n/a	Home Lending Products

(1) NAB has used an internal classification system that provides greater granularity than ANZSIC 4 digit. The names of sectors included in NAB's targets and the concordance to ANZSIC 4 digit 1993 and 2006 are found within the table.
(2) ANZSICs determined by APRA ARS230.0 Commercial Property definition. Internal classification of asset type (Office, Retail) determined by Commercial Property Returns (CPR) flag in internal systems and banker knowledge of assets.
(3) Greater than $250 million assets.

Companies with significant operations in one of the categories specified above, but which are classified under a different sector, have been included on the advice of NAB's banking team. This provides NAB with a more comprehensive view of its attributable financed emissions that may not have been captured under a stricter use of the classification.

Climate scenarios for climate risk analysis

Table 5: Summary of climate scenarios used by NAB in 2024 for climate risk analysis

	Delayed Transition[1]	Physical risks
Description	The Delayed Transition scenario assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2˚C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies. Australia continues on its current policy direction to 2030, likely achieving its Paris agreement target principally through economic decarbonisation of the electricity system rather than new emissions policies. From 2030, Australian emissions follow a global emissions trajectory towards net zero emissions by 2050, with a single global price for emissions and offsets. This scenario tests sensitivity and resilience to high transition risk.	The Intergovernmental Panel on Climate Change (IPCC) Represented Concentration Pathway (RCP) scenarios (RCP 2.6, 4.5 and 8.5) were used to test our resilience to acute and chronic physical effects of climate change. A higher RCP indicates greater greenhouse gas (GHG) concentration, which is associated with greater temperature increase. Across these RCPs, global mean temperature is projected to rise by 0.3 to 4.8 ˚C by 2100. RCP 2.6 emissions scenario, also called a "peak" scenario, assumes that GHG emissions are reduced substantially over time. The scenario requires stringent climate policies to limit emissions. RCP 4.5 is a stabilization scenario which assumes employment of a range of technologies and strategies for reducing GHG emissions. RCP 8.5 is characterized by increasing GHG emissions over time, representative of the high range of non-climate policy scenarios.
Scenario used	Network for Greening the Financial System (NGFS) – Delayed Transition	IPCC's RCP 2.6, 4.5 and 8.5
Scenario application	Used to inform the development of climate risk tools and other climate risk analysis	Used to assess the change and magnitude of physical risks and identify measures for adaptation
Global warming by 2100	1.6˚C	0.3 -1.7˚C, 1.1 – 2.6˚C, 2.6 – 4.8˚C[2]
Policy reaction	Delayed	Net Zero 2050, Delayed, Current Policies
Technology change	Slow/Fast	Slow/Fast
Use of carbon dioxide removal	Low-medium use	Sustained removal
Regional policy variation	High variation	High variation
Physical impacts	Low	High/Medium
Carbon price range per tonne CO_2-e from 2030 to 2050	Portfolio modelling USD $37-USD $144[3]. Customer-level analysis USD $0.63-USD $497[4]	Carbon price to induce changes due to physical risks range from USD $300 – USD $600[5]
Associated Representative Concentration Pathway (RCP)	RCP 2.6	RCP 2.6, 4.5 and 8.5

(1) NGFS scenario descriptions are adapted from the NGFS Scenarios Portal: NGFS Scenarios Portal available at www.ngfs.net/ngfs-scenarios-portal/explore/
(2) The Fifth Assessment report of the Intergovernmental Panel on Climate Change.
(3) The forecasted carbon price from a private consultant has been used for portfolio modelling.
(4) The forecasted carbon price from the NGFS REMIND-MAgPIE 2.1-4.2 model has been used for customer-level analysis.
(5) RCP 2.6: Exploring the possibility to keep global mean temperature increase below 2°C.

BNZ's participation in the RBNZ's 2023 Climate Stress Test

During 2023, BNZ participated in the Reserve Bank of New Zealand's (RBNZ) 2023 Climate Stress Test (CST). The scenario designed by RBNZ was called 'Too Little, Too Late' (TLTL). It combined high physical risks from climate change with high transition risks resulting from limited and delayed global policy action which is insufficient to prevent significant climate change. The scenario covered the period from 2023 to 2050, with most climate impacts occurring after 2030 and global temperatures increasing by 0.8˚C from 2020 to 2050, reaching 2˚C of warming from pre-industrial levels. In the scenario, a large number of countries only begin to act on reducing GHG emissions in 2036, through a rapid increase in carbon price. Economic growth slows significantly in the decade from 2031 as New Zealand transitions to a lower-emitting economy. Later in the decade, the global slowdown lowers trade and capital flows to New Zealand.

Underlying socioeconomic assumptions, e.g. for population growth, technological progress and productivity growth, were aligned to Shared Socioeconomic Pathway 2 (SSP2) used by Phase III NGFS scenarios[1]. For further scenario details see 2023 CST Scenario at www.rbnz.govt.nz. Macroeconomic, physical climate, transition and global emissions scenario variables made available for use in the CST can be found at www.rbnz.govt.nz/financial-stability/stress-testing-regulated-entities/climate-stress-test.

RBNZ published high-level results of the CST April 2024 in its Bulletin Vol.87, No.5 which can be found here: https://www.rbnz.govt.nz/financial-stability/stress-testing-regulated-entities/climate-stress-test. The RBNZ reported that: (i) the

(1) A brief explainer of SSPs is provided at rbnz.govt.nz/hub/-/media/project/sites/rbnz/files/publications/bulletins/2023/rbb-2023-86-02.pdf (p. 5). Narratives for the various SSPs are presented by Riahi et al. (2017): "The Shared Socioeconomic Pathways and their energy, land use, and greenhouse gas emissions implications: An overview" www.sciencedirect.com/science/article/pii/S0959378016300681

"scenario on its own did not threaten bank solvency or financial stability with banks able to maintain their capital ratios" however, it did impact shareholder dividends and lower profits compared to a base case without climate-related risks, and (ii) aggregate results showed that "Climate-related risks, if not managed, could significantly reduce bank dividends, profitability and raise credit risk-weighted assets over the medium to long-term which would lessen the resilience of the system to other shocks[1]".

Climate scenarios for sectoral decarbonisation target setting

Table 6: Summary of climate scenarios used by NAB in 2024 for sectoral decarbonisation target setting

	International Energy Agency (IEA) [1]	Aviation Transport Authority Group (ATAG)[2]	International Aluminium Institute (IAI)
Description	Provides a technology pathway resulting in a clean, dynamic and resilient energy economy dominated by renewables like solar and wind instead of fossil fuels. This scenario requires massive deployment of all available clean energy technologies – such as renewables, electric vehicles and energy efficient building retrofits – between now and 2030. Most reductions in CO_2 emissions through to 2030 come from technologies available today. But in 2050, almost half the reductions will come from technologies that are currently at the demonstration or prototype phase.	The Aviation Transport Authority Group Waypoint 2050 demonstrates that there are several potential options for the almost complete decarbonisation of air transport. This is shown through a range of measures including technology, energy system and operational measures. The scenario assumes the right level of support from governments, the finance sector, the energy industry and research institutions. The majority of CO_2 emissions come from innovations in fuel efficiency through new generation aircraft, operational improvements such as air traffic management, deployment of sustainable aviation fuel and investment in out of sector carbon reduction market based measures (offsets).	The International Aluminium Institute's 1.5˚C scenario details full life cycle, cradle to grave emissions for aluminium products. This includes processes from mine and end of life product collection to fabrication. In this scenario, the majority of emissions are reduced through decarbonising the electricity used in the manufacturing of aluminium. Other significant decarbonisation comes from reduction of process emissions and increased aluminium recycling in the smelting process.
Scenario used	Net Zero Emissions 2050	Waypoint 2050 (2021)	IAI 1.5˚C Scenario (2021)
Scenario application	Used for sectoral decarbonisation target setting in the power generation, thermal coal, oil & gas, cement and iron & steel sectors.	Used for sectoral decarbonisation target setting in the transport - aviation sector.	Used for sectoral decarbonisation target setting in the aluminium sector.
Global warming by 2100	0.3˚C–1.7˚C	1.5˚C	1.5˚C
Policy reaction	High – significant cooperation	High – significant cooperation	Not specified
Technology change	Fast	Fast	Fast
Use of carbon dioxide removal	Medium use	High use	None
Regional policy variation	Low variation	Low variation	Low variation
Physical impacts	Low	Low	Low
Carbon price range per tonne CO_2-e from 2030 to 2050	USD $130–USD $250[3]	Not specified	Not specified
Associated RCP	N/A	N/A	N/A
Key assumptions	**Power generation (2021 version)** • Emissions fall by 57% between 2020 to 2030 and carbon intensity decreases by 68% in the same period. • Renewables growth is initially driven by additional solar PV capacity, followed closely by wind before 2030. • Generation from coal drops to 9% in 2030, with 9% of coal-fired generation coming from plants fitted with carbon capture utilisation and storage (CCUS) technology.	• Impacts of COVID-19 include reduced technology and infrastructure investment and reduced passenger volumes and therefore reduced efficiency. • Improvements in aircraft technology, operations and infrastructure efficiency and increased usage of SAF will all contribute to decarbonisation of	• Aluminium primary production is expected to grow from its current 64 million tonnes to 68 million tonnes in 2050, with recycled production growing from 19 million tonnes to 81 million tonnes.

(1) Bulletin Vol. 87, No5, 22 April 2024 2023 Climate Stress Test results, page 4 available at: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/bulletins/2024/rbb-2024-87-05.pdf

	International Energy Agency (IEA) [1]	Aviation Transport Authority Group (ATAG)[2]	International Aluminium Institute (IAI)
	• Unabated natural gas-fired generation peaks by 2030. • Unabated coal-fired generation is phased out in advanced economies by 2030. • Coal-fired plants are retrofitted to co-fire with ammonia and gas turbines with hydrogen by 2025. **Thermal coal (2021 version)** • No new coal mines or extensions are required beyond those already committed. • Coal emissions decline by 55% by 2030 from 2021. **Oil and gas (2023 version)** • No exploration is required and no new oil or gas fields are needed beyond those that have already been approved for development from 2023. • Demand for oil declines by 23% from 2022 to 2030. • Demand for gas declines by 18% from 2022 to 2030. • Reductions in operational emissions of more than 50% via: – Ending flaring and methane leaks from oil and gas supply chains. – Using CCUS with centralised sources of emissions. – Electrification and enhanced efficiency of upstream operations. 75% decrease from 2020-2030 in methane emissions using emissions reduction measures and technologies. **Iron and steel (2022 version)** • Fossil fuel share of overall fuel mix dropping from 85% in 2020 to just over 30% in 2050. • Technologies currently on the market deliver 85% of the emissions savings in steel production to 2030. • Share of steel production using an electric arc furnace grows from 24% in 2020 to 37% in 2030 and 53% in 2050. • Technology shift features prominently in the scenario, with electricity and other non-fossil fuels accounting for 70% of final energy demand in the sector, up from just 15% in 2020. This shift is driven by technologies such as scrap-based electric arc furnaces, hydrogen based DRI facilities, iron ore electrolysis and the electrification of ancillary equipment. **Cement (2021 version)** • Globally, cement production increases by 5% by 2030. • Increased blending of alternative materials into cement to replace a portion of clinker, and energy efficiency measures deliver around 40% of emissions reductions by 2030. • The clinker-to-cement ratio declines by about 0.8% per year, leading to a global average ratio of 0.65 by 2030. • CCUS technologies in cement production are commercialised by 2030.	the sector, but offsetting mechanisms will play a major role, especially through to 2030. • Of the emissions reduction required, ATAG expects SAF to reduce emissions intensity by ~7%, operational emissions to reduce by a further ~7% and the remainder of the reduction (~20%) to come from offsets.	• The majority of emissions reductions are expected to come from the switch to renewable energy.
Key limitations	• Not derived from Intergovernmental Panel on Climate Change models. • Trajectories lack granular local context: Australia is not currently designated as its own region. • Only covers CO_2 not CO_2e. • Significant reliance on technological improvements.		

(1) Description adapted from IEA's NZE 2050 summary available at: Net Zero by 2050 – Analysis – IEA available at www.iea.org/reports/net-zero-by-2050
(2) Description adapted from ATAG Waypoint 2050 summary available at: Waypoint 2050 (www.aviationbenefits.org)
(3) These numbers are based on USD 2019 dollars and relate to advanced economies only. Refer to Table 2.2 in the IEA Net Zero by 2050: A Roadmap for the Global Energy Sector and Table 2.2 in the Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach – 2023 Update

BNZ's scenario use for sectoral decarbonisation setting

BNZ separately signed up to the NZBA in October 2021 and is publishing its own emissions reduction targets for its lending portfolio. BNZ has currently set targets for four sectors: oil and gas, power generation, coal and agriculture - dairy. BNZ's climate-related disclosures will be published on or before the mandatory deadline of 31 January 2025 and will be published on the Bank's website at the following address: https://www.bnz.co.nz/about-us/sustainability/reports.

To date, BNZ has used the following scenarios for modelling its sectoral decarbonisation targets:

- IEA Net Zero Emissions 2050 scenario for the oil and gas sector.
- CCC Demonstration Pathway scenario for the dairy sector.
- CCC Tailwinds scenario for the power generation sector.

For further details see BNZ Net Zero Banking Alliance targets disclosure at Environment and climate - BNZ.

Table 7: Summary of climate scenarios used by NAB in 2024 for sectoral decarbonisation target setting (cont.)

	Science Based Targets initiative [1]	Inevitable Policy Response[2]	Poseidon Principles[3]
Description	The SBTi Building scenario are pathways developed in partnership with the Carbon Risk Real Estate Monitor. The pathways are aligned with the IEA NZE scenario. The pathway stays within the 500Gt carbon budget that SBTi has determined is necessary to align with a 1.5 degree scenario.	The Inevitable Policy Response Required Policy Scenario demonstrates the policy responses that would be needed to limit warming to 1.5 degrees. The pathway draws on insights from 200 global policy experts with a regional breakdown of policy status and responses required. The scenario builds on the IEA NZE scenario by deepening analysis on policy, land use, emerging economies, NETs and value drivers. Key emissions reductions are expected through reductions in unabated coal generation, phase outs of fossil cars in almost all markets and significant increases in renewable generation. Carbon prices are supplemented with subsidies and other policy responses to stimulate these changes.	The Poseidon principles are a framework for assessing the climate alignment of ship finance portfolios. They are supported by a specific industry climate alignment methodology and establish transparency requirements for signatories. The principles provide a method to apply and establish a target carbon intensity for a given ship type and size class in a given year.
Scenario used	SBTi Buildings (2021)	1.5°C aligned Required Policy Scenario (2021)	Poseidon Principles (PP) Pathway (2018)
Scenario application	Used for sectoral decarbonisation target setting in the CRE - office, CRE - retail and RRE sector.	Used for sectoral decarbonisation target setting in the transport - road (cars and LCVs) sector	Used for sectoral decarbonisation target setting in the transport - shipping sector
Global warming by 2100	1.5˚C	1.5˚C	2.0˚C
Policy reaction	Not specified	High - significant cooperation	Not specified
Technology change	Not specified	Fast	Medium
Use of carbon dioxide removal	Not specified	Limited	None
Regional policy variation	Not specified	Low variation	Not specified
Physical impacts	Low	Low	Low
Carbon price range per tonne CO_2-e from 2030 to 2050	Not specified	Not specified	Not specified
Associated RCP	N/A	N/A	N/A
Key assumptions	• Global floor area will increase by around 15% to 2030[4]. • Sector emissions converge to net zero by 2050. • SBTi pathways were developed in partnership	• 33% reduction in absolute emissions from cars and LCVs in Australia between 2022 and 2030. • New fossil fuel light duty vehicle sales are phased out by 2035 in Australia and globally by 2045.	• Modelled off the Initial IMO GHG Strategy. • 50% reduction in Global CO_2 emissions between 2008 and 2050. • Global transport demand (billion tonnes nautical miles) increases

	Science Based Targets initiative [1]	Inevitable Policy Response[2]	Poseidon Principles[3]
	with CRREM, which references the AEMO Integrated Systems Plan (ISP) 2022 in its emission factor development. Both the AEMO ISP 2022 and the AEMO Electricity Statement of Opportunities (ESOO) 2023 align to the Federal Government's legislated commitment of 82% renewable energy by 2030.		by 160%[5] between 2008 and 2050. • Absolute emissions reduce by 50% between 2008 and 2050. • Reduction in intensity of 81% between 2008 and 2050. • Constant rate of improvement in emission intensity on average across the fleet year on year between 2012 and 2050, i.e., on a straight-line basis. • Widespread reporting of tank-to-wake emissions[6].
Key limitations	• Does not provide a pathway for all Commercial Property types that NAB finances • No immediate link between SBTi and AEMO or DCCEEW resources, however pathways have been formulated in partnership with CRREM which does reference AEMO.	• Does not provide emissions on a per vehicle kilometre basis.	• Not 1.5°C aligned, not net zero. • Annual Efficiency Ratio is based on a vessel's capacity rather than tonnage carried. • Fuel emission factors account for CO_2 emissions only and do not incorporate other GHG's. • Does not cover Scope 2 or 3 emissions. • Significant reliance on alternative fuels for decarbonisation.

(1) Available at http://www.iea.org/reports/net-zero-by-2050
(2) Available at https://www.unpri.org/inevitable-policy-response/what-is-the-inevitable-policy-response/4787.article
(3) Available at https://www.poseidonprinciples.org/download/Poseidon_Principles.pdf
(4) This is a global assumption and is differentiation for Office and Retail sub-sectors.
(5) Available at poseidonprinciples.org/finance/wp-content/uploads/2019/07/Poseidon_Principles.pdf
(6) Emissions that result from burning of fuel once it is already onboard. It does not include emissions related to upstream or downstream activities associated with the fuel production, storage, or transportation.

Financed emissions coverage estimation methodology

NAB has estimated its financed emissions coverage, represented by the NZBA sector decarbonisation targets it has set to date (referred to below as NZBA Targets), using a combination of portfolio data and third-party proxy data from the Australian National Greenhouse Accounts (NGA) in the 2022 Paris Inventory[1]. Note that only financing activity has been included in this estimate (i.e., it excludes facilitation activity).

Sector coverage estimate

NAB has disclosed three metrics in relation to portfolio coverage of its NZBA Targets, as follows:

- Coverage ratio 1: coverage as % of financed emissions arising as a result of NAB's total lending portfolios.
- Coverage ratio 2: coverage as a % of financed emissions arising from NAB's total lending to the nine high-emitting sectors listed in the UNEP FI Guidelines (NZBA Sectors).
- Coverage ratio 3: coverage as a % of total EAD.

Each coverage ratio excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions. Ratios are as at 30 June 2023.

To estimate coverage ratio 1, NAB has taken the estimated total financed emissions for the NZBA Targets and divided this by an estimate of financed emissions attributable to NAB's lending portfolios.

In simplified form, this may be presented as

Estimated Sector Coverage = A/B, where:

A = estimated financed emissions for the NZBA Targets

B = estimated financed emissions attributable to NAB's lending portfolios.

To estimate coverage ratio 2, NAB has taken the estimated total financed emissions for the NZBA Targets and divided this by an estimate of financed emissions attributable to NAB's lending portfolios within the NZBA Sectors. This includes commercial real estate and agriculture emissions not covered in our targets.

In simplified form, this may be presented as

Estimated Sector Coverage = A/B, where:

A = estimated financed emissions for the NZBA Targets

B = estimated financed emissions attributable to NAB's lending portfolios within the NZBA Sectors

To estimate coverage ratio 3, NAB has taken the estimated total financed emissions for the NZBA Targets and divided this by NAB's total EAD as reported in its 2024 Pillar 3 Report minus the exclusions listed above.

Data sources for coverage estimate

A hierarchy of data sources/approaches has been used to estimate the portion of NAB's financed emissions covered by NZBA targets.

1. Customer emissions data as reported to the National Greenhouse and Energy Reporting Scheme (NGERS). This data source is used for customers covered by NZBA sectors and others that report to NGERS. NGERS is estimated to cover 65% of Australia's total GHG emissions.
2. Emissions data is estimated as part of the work to set targets (for customers not covered by NGERS, including RRE, most of CRE, and most of the Transport subsectors).
3. Sector-specific methodologies
   - Agriculture has been estimated using the NAB share of national emissions in these sectors (portfolio financed

(1) Available at https://greenhouseaccounts.climatechange.gov.au/, Emissions inventories - Paris Agreement inventory.

emissions = national sector total * Farms with debt (%) * NAB market share * average debt/equity ratio).

- Financed emissions from CRE-other and Transport-other have been estimated by extrapolating GHG emissions per dollar of EAD (CO_2-e/EAD) from calculated CRE and Transport - road sectors.

4. Scope 1 and 2 emissions not covered by 1 or 2 above in its lending activities, was estimated by calculating the Scope 1 and 2 emissions per dollar of lending to RRE (secured) and extrapolating for EAD not covered under 1 or 2.

Financed emission coverage figures for NAB lending portfolio as at 30 June 2023. Excludes BNZ, facilitated emissions, derivatives and exposures to sovereigns and financial institutions.

		Included[1]			
		2023 Post-RCF EAD		Absolute financed emissions	
Sector	**Description**	**$bn**	**% total**	**$MtCO_2$-e**	**% total**
Energy					
Power generation		5.5	0.8%	2.7	16.9%
Thermal coal		0.3	0.04%	0.8	4.8%
Oil and gas		0.9	0.1%	1.1	7.2%
Energy total		**6.7**	**0.97%**	**4.6**	**29.0%**
Heavy industry					
Cement		0.27	0.04%	0.2	1.0%
Aluminium		0.04	0.01%	0.1	0.7%
Iron and steel		0.1	0.02%	0.9	5.5%
Heavy industry total		**0.5**	**0.07%**	**1.1**	**7.2%**
Transport					
Road - cars and LCVs		2.9	0.4%	0.1	0.7%
Aviation		3.0	0.4%	1.5	9.3%
Shipping		1.9	0.3%	0.7	4.5%
Transport total		**7.7**	**1.1%**	**2.3**	**14.5%**
Real estate					
CRE - office		14.3	2.1%	0.3	1.9%
CRE - retail		16.5	2.4%	0.4	2.6%
RRE		358.8	51.6%	2.6	16.2%
Real estate total		**389.6**	**56.1%**	**3.3**	**20.6%**
Covered total		**404.6**	**58.2%**	**11.4**	**71.3%**

		Excluded[1]			
		EAD		Financed emissions	
Sector	**Description**	**$bn**	**% total**	**$MtCO_2$-e**	**% total**
Other					
Other transport	Heavy vehicles	2.6	0.4%	0.1	0.6%
CRE - other	Unsecured CRE, CRE-industrial, other CRE	27.6	4.0%	0.6	4.0%
Agriculture		40.0	5.8%	1.4	8.9%
Other		220.3	31.7%	2.4	15.3%
Excluded total		**290.5**	**41.8%**	**4.6**	**28.7%**
Total EAD	**All Sectors**	**695.1**	**100.0%**	**15.9**	**100.0%**

(1) Totals may not sum due to rounding.

Environmental finance methodology

Environment focused lending activity

The eligibility criteria for each category of activity classified by NAB as falling within its environmental finance criteria is set out in the NAB Green Bond Framework[1], Green Finance for Agribusiness[2], Green Finance for CRE[3] and Green Finance for Vehicles and Equipment[4] pages. The calculation of performance against the ambition has been conducted according to an internal methodology. A brief summary of the nature of in-scope activities is set out below. It is noted that Energy efficient residential real estate lending and ACCU trading will be counted from 2025.

Specialised and structured finance

- For the 2024 year this only includes large scale renewables lending. Currently includes specialised lending and structured financing[5] for various activities which are set out in the NAB Green Bond Framework under the category of renewables.
- This category also includes finance for low carbon businesses such as providers of solar and energy storage systems, and solar installers.
- Where only a proportion of the activities or assets funded are eligible, NAB only counts the proportion of funding provided that is attributable to the eligible activity or asset.
- If the lending is a syndicated facility only the NAB proportion is counted. The reported figure for large scale renewables includes amortisation for refinanced facilities where relevant.

Green Finance for Commercial Real Estate (CRE)

- This category of environmental finance includes new financing or re-financing of commercial real estate within NAB's Green Finance for CRE lending proposition.
- NAB includes finance for properties which qualify for the Green CRE proposition through demonstration of a NABERS 5.5-6 Star rating or through compliance with the Climate Bonds Standard Low Carbon Buildings criteria.
- This meets the criteria set out in the Green Building Council of Australia and NABERS Sustainable Finance Guide[6].

Green Finance for Vehicles and Equipment

NAB's Green Finance for Vehicles and Equipment includes support for a range of vehicles, energy efficient equipment and renewable energy sources, and sets out specific performance criteria for each equipment related use of proceeds. Equipment eligible includes:

- Electric vehicles.
- Electric and hybrid trucks and buses.
- Renewable energy generation equipment, including solar panels.
- Sustainable agricultural equipment.
- Waste management and recycling equipment.
- Manufacturing equipment dedicated to zero emissions technology.

Green Finance for Agribusiness

NAB's Green Finance for Agribusiness includes financing and refinancing for a range of agricultural practices, on-farm equipment and projects. NAB's Green Finance for Agribusiness proposition sets out specific performance criteria for each related use of proceeds or qualifying activity. Eligibility requirements are linked to the Climate Bonds Standard Agriculture criteria. Eligible activities and investments include:

- On-farm solar projects.
  - Projects to reduce emissions from fertiliser use.
- Registered land-based Emissions Reduction Fund projects.
- Establishing legumes in a livestock-pasture system.
- Tree planting activities.
- On-farm bioenergy projects.
- Sustainable use of crop residues.
- Other sustainable and low emissions projects and practices.

Lending linked with the Climate Bonds Standard Agri criteria is assessed on an annual basis as part of NAB's programmatic certification under the Climate Bonds Standard.

Energy efficient residential real estate (RRE) lending

- From 2025, mortgage lending for new construction and major renovation of freestanding and semi-detached homes which rank within the top 15% of energy efficiency based on the approach set out in the Climate Bonds Standard Buildings criteria[7] for energy performance and utilising the National House Energy Rating Scheme (NatHERS) ratings as a benchmark.
- For all homes (freestanding, semi-detached and apartment) built from 1 October 2023 onwards which have a minimum 7-Star NatHERS (or equivalent) energy efficiency rating have been selected.
- To estimate and monitor eligibility within the top 15% of the percentage of lending for homes within the selected benchmark, total housing stock is calculated using census data and construction start data from the Australian Bureau of Statistics.

Capital markets and ACCU trading activity

Arranging and underwriting

- NAB includes the value of bond issuances where it is arranging or underwriting provided that the activities meet the definitions of green financing as per the NAB Green Bond Framework or are otherwise deemed to be eligible as green under such benchmarks as the Climate Bonds Standard or Green Bond Principles by external review.
- If NAB is not the sole advisor, arranger or underwriter, then NAB only includes its proportion of the advisory, arranging or underwriting activity towards NAB's environmental finance target.

Environmental unit trading activity

- From 2025, NAB's Carbon trading and related derivative offerings for Australian Carbon Credit Units (ACCUs) and trading including swap activity for customers.
- ACCU trades for thermal coal customers are excluded from contribution to the ambition.

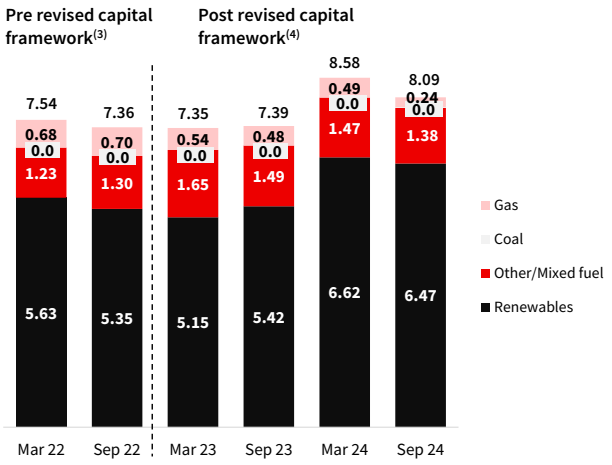
(1) Available at https://capital.nab.com.au/content/dam/nab-capital/documents/green-and-sri-bonds/2022-NAB-Green-Bond-Framework-April-2022.pdf
(2) Available at https://www.nab.com.au/business/loans-and-finance/agribusiness-loans/green-finance-agri#ciypmbe
(3) Available at https://www.nab.com.au/business/loans-and-finance/business-loans/commercial-real-estate
(4) Available at https://www.nab.com.au/business/loans-and-finance/vehicle-or-equipment/green-equipment-finance/asset-eligibility
(5) NAB is proposing to include renewables as a dedicated metric for reporting.
(6) Available at https://gbca-web.s3.amazonaws.com/media/documents/gbca-sustainable-finance-final.pdf
(7) Available at https://www.climatebonds.net/files/files/sector-criteria-buildings-criteria-v2-1-dec2023.pdf

Exposure to high-emitting sectors

The Group monitors its exposure to high-emitting sectors, climate sensitive and low carbon sectors in order to understand our potential exposure to transition and physical risk through our customers.

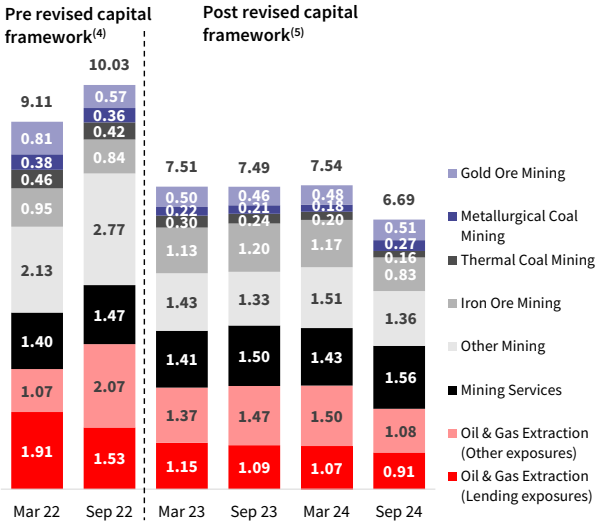
The Group's exposure to key high-emitting sectors, with potentially high levels of transition risk, are shown in Charts 1, 2 and 3 below. The values included in these Charts are based on the EAD as at 30 September 2024.

Chart 1: Group energy generation EAD by fuel source[1][2] (AUD$bn)



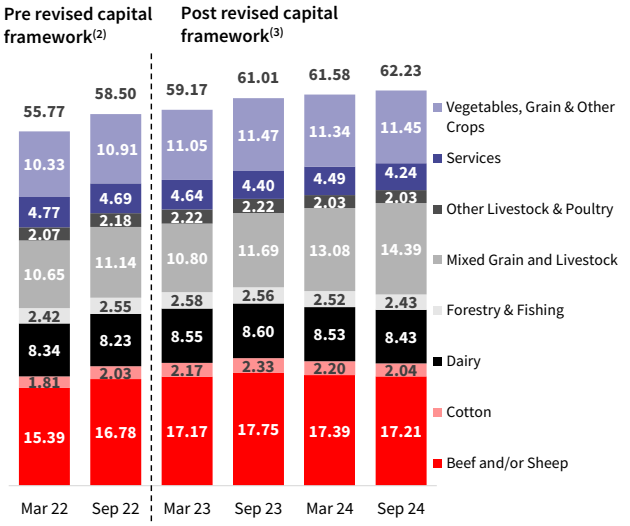
(1) Totals presented in chart may not sum due to rounding.
(2) NAB methodology (based upon the 1993 ANZSIC codes) at net EAD basis. Excludes exposure to counterparties predominantly involved in transmission and distribution. Vertically integrated retailers included and categorised as renewable where majority of their generation activities sourced from renewable energy. NAB has no direct lending to coal-fired power generation assets remaining. Note there is indirect exposure to coal fired power within the Mixed Fuel category as a result of NAB's corporate level exposure to gentailers, which have a mix of generation assets (including coal, gas and renewables) within their generation portfolio.
(3) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's 1H23 Pillar 3 report.
(4) Disclosures from March 2023 reported under APRA's revised capital framework, effective from 1 January 2023.

Chart 2: Group resources EAD by type[1][2][3] (AUD$bn)



(1) Totals presented in chart may not sum due to rounding.
(2) Oil and gas extraction exposures includes lending (e.g. revolving/term lending and guarantees) and other markets-related exposures (e.g. derivatives, repurchase agreements).
(3) Thermal coal exposures includes direct exposure (including lending and guarantees) to customers whose primary activity is thermal coal mining. Includes financial guarantees and performance guarantees for the rehabilitation of existing coal mining assets. Excludes metallurgical coal mining and diversified mining customers.
(4) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's 1H23 Pillar 3 report.
(5) Disclosures from March 2023 reported under APRA's revised capital framework, effective from 1 January 2023.

Chart 3: Group agriculture, forestry and fishing exposure[1] (AUD$bn)



(1) Totals presented in chart may not sum due to rounding.
(2) The revised capital framework refers to revisions to APRA's capital adequacy and credit risk capital requirements for ADIs. For more information on the impact of the revised capital framework and impacts on NAB's reported EAD, see NAB's 1H23 Pillar 3 report.
(3) Disclosures from March 2023 reported under APRA's revised capital framework, effective from 1 January 2023.

Exposures to other high-emitting sectors are outlined below as reported for NAB's Pillar 3 reporting as at 30 September 2024. The Pillar 3 industry may not align to the TCFD supplemental guidance provided for Financial Disclosures[1] which describes non-financial groups with the highest likelihood of climate-related financial impacts.

Table 8: Other exposures to high-emitting sectors

Pillar 3 industry	EAD $m	EAD (% of total EAD)[1]
Transport and storage	23,429	2.2
Agriculture, forestry, fishing and mining	68,917	6.4
Materials and buildings[2]	57,698	5.3
Residential mortgages[3]	476,271	43.9
Commercial property[3]	84,551	7.8

(1) Total EAD for the Level 2 regulatory group, excluding EAD for securitisation exposures within the scope of APS 120 Securitisation.
(2) Materials and Buildings includes the Pillar 3 classifications of Business services and property services, Construction and Manufacturing.
(3) Residential mortgages and commercial property are not specified as sectors in the TCFD supplemental guidance for reporting but have been included due to their proportion of total EAD they represent. Data for these two sectors can be found in NAB's September 2024 Pillar 3 report.

(1) Refer to the *Task Force on Climate-Related Financial Disclosures: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021* page 56 Table 4 at www.fsb-tcfd.org/publications/

Carbon inventory and exclusions for operational emissions

Emissions sources included in the Group's 2024 Carbon inventory for operational emissions are as follows:

Scope	GHG Protocol category	Emissions source	Australia	New Zealand	Asia	United Kingdom	Europe	United States
1	Stationary combustion	Diesel, natural gas	X	X		X		
	Fugitive emissions	Building-based refrigerants (in HVAC and refrigerators)	X	X	X	X		X
		Vehicle air conditioning refrigerant	X	X				
	Mobile combustion	Fuels used for NAB Group's vehicle fleet	X	X				
2	Purchased energy	Purchased electricity	X	X	X	X	X	X
3	Category 1: Purchased goods and services	Office paper	X	X	X	X	X	X
		Customer statement paper		X				
		External data centre - electricity[1]		X		X		X
		Vehicle fleet - electricity		X				
		Water	X	X	X	X	X	X
	Category 3: Fuel and energy-related activities	T&D losses & WTT - diesel, natural gas, electricity	X	X	X	X	X	X
	Category 4: Upstream transportation and distribution	Courier, freight and postage	X	X				
	Category 5: Waste generated in operations	Waste to incineration			X	X		
		Waste to landfill	X	X	X		X	X
		Materials recycled/diverted from landfill		X				
		Wastewater		X				
	Category 6: Business travel	Business travel – air travel	X	X	X	X	X	X
		Business travel – hotel stays	X	X	X	X	X	X
		Other business travel[2]	X	X	X	X	X	X
	Category 7: Employee commuting	Working from home	X	X	X	X	X	X
		Employee commuting[3]	X					
	Category 8: Upstream leased assets	Base building energy - diesel, natural gas, electricity	X					

(1) Emissions associated with the services provided by the property manager so this inventory has been included in category 1.
(2) Other business travel includes colleague vehicles, rail (UK, Europe and Japan), rental cars, taxi use and work use vehicles.
(3) The Group has a policy of offsetting all emissions within its carbon inventory. Both NAB and BNZ quantify and disclose emissions associated with employee commuting. NAB has offset employee commuting in line with the requirements of the Climate Active Carbon Neutral Standard for Organisations, and these emissions have been included in the Group's carbon inventory. BNZ is not required to offset employee commuting under the terms of the Toitū net carbonzero certification standard, and these emissions have not therefore been included in the Group's carbon inventory.

The below emission sources have been excluded from the Group's 2024 Carbon inventory for operational emissions as they are either not applicable to the Group's business model or have not passed two or more criteria of the relevance test as outlined in the table below. Scope 3 'financed emissions' and 'facilitated emissions" are outside NAB's operational emissions inventory boundary. However, NAB separately reports financed emissions attributable to its lending in emissions-intensive sectors associated with its goal to align with pathways to net zero by 2050 and its NZBA membership. Detail on this approach is available in *Sector decarbonisation* on page 35.

Emission sources tested for relevance [1]	Size	Influence	Risk	Stakeholders	Outsourcing	Justification
Other purchased goods and services	N	N	N	N	N	**Size:** Emissions from purchased goods and services is material. The Group includes certain sub-categories in our operational emissions boundary: *office paper, customer statement paper, etc.* Other sub-categories are being assessed and will be considered for inclusion in the future. **Influence:** The Group does not have full operational control to influence certain sub-categories. **Risk:** The Group is not exposed to greenhouse gas risk from this emissions source. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** This emissions source, insofar as it relates to outsourcing, is generally not included within our organisation's boundary.
Capital goods	N	N	N	N	N	**Size:** The Group as a financial services provider, is not a significant purchaser of capital goods that have material climate change impacts compared to other sectors. The GHG emissions arising from capital goods such as buildings, cars, IT equipment are not material compared to the Group's footprint. **Influence:** The Group does not have full operational control to influence emissions reduction for this source. **Risk:** The Group is not exposed to greenhouse gas risk from this emissions source. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.
Downstream transportation and distribution	N	N	N	N	N	**Size:** 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. **Influence:** The Group has limited ability to influence emissions from this source. **Risk:** This emissions source does not contribute to significant GHG risk exposure. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.
Processing of sold products	N	N	N	N	N	**Size:** Due to the intangible nature of financial products and services we do not require processing of sold physical product. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business. **Influence:** The Group has limited ability to influence emissions from this source. **Risk:** This emissions source does not contribute to significant GHG risk exposure. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.
Use of sold products	N	N	N	N	N	**Size:** The Group as a financial services provider sells intangible products. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business. **Influence:** The Group has limited ability to influence emissions from this source. **Risk:** This emissions source does not contribute to significant GHG risk exposure. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders.

Carbon inventory and exclusions for operational emissions (cont.)

Emission sources tested for relevance [1]	Size	Influence	Risk	Stakeholders	Outsourcing	Justification
						Outsourcing: The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.
End-of-life treatment of sold products	N	N	N	N	N	**Size:** The Group as a financial services provider sells intangible products that don't require actual end-of-life treatment. Accordingly, we have assessed this source of emissions as being not relevant to our industry sector and business. **Influence:** The Group has limited ability to influence emissions from this source. **Risk:** This emissions source does not contribute to significant GHG risk exposure. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.
Downstream leased assets	N	N	N	N	N	**Size:** The Group 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. Emissions from downstream leased assets are not large relative to the Group's total emissions. **Influence:** The Group has limited ability to influence emissions from this source. **Risk:** This emissions source does not contribute to significant GHG risk exposure. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.
Franchises	N	N	N	N	N	**Size:** The Group does not have franchises, therefore this emissions source is not relevant. **Influence:** The Group has limited ability to influence emissions from this source. **Risk:** This emissions source does not contribute to significant GHG risk exposure. **Stakeholder:** This emissions source is deemed irrelevant by key stakeholders. **Outsourcing:** The Group does not undertake this activity within our organisation's boundary. Comparable organisations do not typically undertake this activity within their boundary.

(1) The relevance test applied by the Group is adapted from GHG Protocol – Corporate Standard (WBCSD and WRI, 2004). An emissions category is considered relevant if it meets two or more of the five relevance criteria, as outlined in the table above.

Additional information

Boundaries

Some references to 'NAB', 'Group' , 'our' and 'the bank' in this Report refer to National Australia Bank Limited, excluding BNZ. BNZ has its own climate strategy and its climate reporting is available at www.bnz.co.nz/about-us/sustainability/reports.

Accordingly, references to 'NAB', 'our' and 'the bank' in the *Introduction*, *Strategy*, *Sector decarbonisation*, and in the sector targets and related information in *Metrics and targets* sections of this Report refer to National Australia Bank Limited and its controlled entities, excluding BNZ.

The information in the *Governance* and *Risk management* sections of this Report refers to NAB Group policies, frameworks and processes,

Information in *Metrics and targets* related to operational emissions includes BNZ in the reporting boundaries.

Specific parts of *Supporting information* include BNZ - refer to the below table which shows the boundaries in each section of this Report.

Table 9: Boundaries by section

Section	NAB	BNZ	Group
Introduction	✓		✓
Strategy	✓		
Sector decarbonisation	✓		
Metrics and targets - financed emissions	✓		
Metrics and targets - environmental finance ambition	✓		
Metrics and targets - operational emissions	✓	✓	✓
Supporting information - TCFD and NZBA index and transition plan	✓		✓
Supporting information - financed emissions methodology excluding climate scenarios	✓		
Supporting information - climate scenarios	✓	✓	
Supporting information - environmental finance ambition methodology	✓		
Supporting information - exposure to high-emitting sectors	✓	✓	✓
Supporting information - carbon inventory	✓	✓	✓

Understanding this Report

All figures quoted are in Australian dollars unless otherwise stated. A reference to '$' is to an amount in Australian dollars. References to 'NAB', 'our', 'the bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' refers to NAB and its controlled entities.

The Group's financial year ends on 30 September. The financial year ended 30 September 2024 is referred to as 2024 and other financial years are referred to in a corresponding manner. References in this Report to the year ended September 2024 are references to the twelve months ended 30 September 2024. References in this Report to the environmental reporting year are references to the twelve months ended 30 June 2024.

Data for NAB's 'financed emissions' is based on the year from 1 July 2022 to 30 June 2023 as this aligns with customers' emissions data availability, reported in alignment with the *National Greenhouse and Energy Reporting Scheme* Act 2007 (except for Shipping, where the reporting year is the twelve months ending 31 December 2023).

Further information on non-financial information boundaries is available in NAB's 2024 Sustainability Data Pack. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated.

Note on forward looking statements

This report contains statements that are, or may be deemed to be, forward looking statements, including climate-related goals, targets, pathways and ambitions. These forward looking statements may be identified by the use of forward looking terminology, including the terms "ambition", "believe", "estimate", "plan", "project", "anticipate", "expect", "goal", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. The sector decarbonisation targets set out on pages 43 to 62, the various targets relating to operational emissions reduction set out on pages 64 to 68 and the environmental finance ambition set out on page 63 are all forward looking statements.

As at the date of this report (7 November 2024), NAB considers there to be a reasonable basis for making the forward looking statements contained in this Report. However, you are cautioned not to place undue reliance on such forward looking statements. The measures and forward looking statements in this Report reflect best estimates, assumptions and judgements (including in relation to customer and other third-party data over which the Group has no control) as at the date of this Report. There is a risk that these judgements, estimates or assumptions may subsequently prove to be incorrect.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of NAB. This may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

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

Forward looking statements may also be made – verbally and in writing – by the Group's directors or management in connection to this Report. Such statements are subject to the same limitations, qualifications and assumptions set out in this Report.

Subject to applicable disclosure requirements, NAB expressly disclaims any obligation to update or revise the information, measures, or forward looking statements contained in this Report, whether to reflect any change in its expectations regarding those forward- looking statements, any change in events, conditions or circumstances on which any statement is based, or otherwise.

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

Our Conclusion:

Ernst & Young ('EY', 'we') were engaged by National Australia Bank Limited ('NAB') to undertake a limited assurance engagement as defined by Australian Auditing Standards, hereafter referred to as a 'review', over the Subject Matter defined below, and for the periods defined below. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria defined below.

What our review covered

We reviewed the following Subject Matter in NAB's Climate Report ("CR") and Sustainability Data Pack ("SDP"):

What our review covered (Subject Matter)	Criteria applied by NAB (Criteria)	Period	Location
NAB's reported performance of its financed emissions including: ▸ Financed emissions for the year ended 30 June 2023), other than Transport – Shipping for the year ended 31 Dec 2023 ▸ Facilitated emissions for the years ended 30 June 2021, 30 June 2022, and 30 June 2023 ▸ Application of NAB's Exposure at Default ('EAD') 2024 adjustment methodology [Appendix A for detailed metrics]	The Global GHG Accounting and Reporting Standard Part A: Financed Emissions (Second Edition, PCAF, 2022) NAB Group's publicly disclosed Financed Emissions Methodology and Target Setting Baseline Methodology NAB Group's publicly disclosed Exposure at Default Adjustment Methodology	1 July 2020 – 30 June 2021 (Facilitated Emissions and EAD adjustment only) 1 July 2021 – 30 June 2022 (Facilitated Emissions and EAD adjustment only) 1 July 2022 – 30 June 2023 (excluding EAD adjustment) 1 January 2023 – 31 December 2023 (Transport – Shipping Financed Emissions only)	CR
NAB's reported performance on specified environmental data for the London Branch, NAB Group (excluding London Branch) and NAB Group (including London Branch) [Appendix B for detailed metrics]	Greenhouse Gas Protocol: *A Corporate Accounting Reporting Standard* World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol NAB Group's Environmental Reporting and Offset Management Policy	1 July 2023 to 30 June 2024	CR

What our review covered (Subject Matter)	Criteria applied by NAB (Criteria)	Period	Location
	Streamlined Energy and Carbon Reporting (SECR) obligation (implemented through the Companies (Directors Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (UK)	1 July 2023 to 30 June 2024	
NAB's specified GHG emissions and offset data from operations in Australia, New Zealand, United Kingdom, France, United States and Asia [Appendix C for detailed metrics]	NAB Group Environmental Reporting and Offset Management Policy Sections 2.5.1 -2.5.3 of the NAB Group Environmental Reporting and Offset Management Policy (for quantity of carbon offsets purchased and retired for the year ended 30 June 2024) Section 2.6 of the NAB Group Environmental Reporting and Offset Management Policy (for quantity of carbon offsets purchased and retired for the forecast year ending 30 June 2025)		CR, SDP
NAB's progress for the year ended 30 June 2024 towards its 2030 science-based operational emissions target to reduce Scope 1 and 2 (market-based method) GHG emissions from operations, from a 2022 base-year as previously disclosed in NAB's 2023 Climate Report [Appendix D for detailed metrics]	Sectorial Decarbonisation Approach (SDA) methodology published by the Science-Based Target Initiative and developed jointly by CDP, the World Resources Institute and World Wide Fund (WWF)		
NAB's reported performance of its renewable energy generation as a proportion (%) of NAB Group's exposure to the power generation sector, expressed as Exposure at Default (EAD) [Appendix E for detailed metrics]	NAB Group Methodology as reported in the Climate Report and Sustainability Data Pack disclosures	1 October 2023 to 30 September 2024	
NAB's environmental finance ambition disclosures [Appendix F for detailed metrics]	NAB Environmental Finance Ambition (EFA) Methodology as reported in the Climate Report disclosures		

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Other than as described in the preceding paragraphs, which set out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the CR or SDP, and accordingly, we do not express an opinion or conclusion on this information.

Key responsibilities

NAB's responsibility

NAB's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibility and independence

Our responsibility is to express a conclusion on the Subject Matter based on our review.

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM *1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our approach to conducting the review

We conducted this review in accordance with the Australian Standard for *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000'), Assurance Engagements on Greenhouse Gas Statements (ASAE 3410), and the terms of reference for this engagement as agreed with NAB.That standard requires that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Criteria, and to issue a report.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other review procedures.

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. The procedures we performed included, but were not limited to:

- Conducting interviews with personnel to understand the business, reporting processes and systems for collecting and collating data.
- Undertaking analytical review procedures to support the reasonableness of the data underpinning the Subject Matter.
- Testing, on a sample basis, underlying source information to inspect the accuracy of the data.
- Evaluating that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the criteria.
- Identifying and testing underlying assumptions related to the Subject Matter.
- Evaluating the appropriateness of the presentation of selected performance disclosures in the report.

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

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Inherent Limitations

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

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

The greenhouse gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of greenhouse gases. Additionally, greenhouse gas procedures are subject to estimation and measurement uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other Matters

We have not performed assurance procedures in respect of any information relating to prior reporting periods, except as noted above for Facilitated Emissions and Exposure at Default. Our review does not extend to any disclosures or assertions made by NAB relating to future performance plans and/or strategies disclosed in the CR and SDP.

Use of Our Assurance Statement

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

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

Ernst & Young

Ernst & Young
Melbourne
7 November 2024

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Appendix A

NAB's reported performance of its financed emissions (FE), facilitated emissions and EAD adjustment methodology, broken down as follows:

Sector	Absolute Emissions ($MtCO_2$-e)	Facilitated Emissions[3] ($MtCO_2$-e)	Portfolio Emissions Intensity	Coverage Ratio[4] (%)		EAD Adjustment to baseline[5] (%)
				% EAD	% total FE	
Power generation	2.7	0.4	0.18 (tCO_2-e/MWh)	0.8	16.9	-16
Thermal coal[1]	0.8	0.1	0.9 ($MtCO_2$-e)	0.04	4.8	-10
Oil and gas[1]	1.1	0.1	1.3 ($MtCO_2$-e)	0.1	7.2	-19
Cement	0.2		0.56 (tCO_2-e/tCement)	0.04	1.0	0
Aluminum	0.1		1.4 (tCO_2-e/tAluminium)	0.01	0.7	2
Iron and steel	0.9		0.9 ($MtCO_2$-e)	0.02	5.5	-10
Transport – road	0.1		212.5 (gCO_2/vkm)	0.4	0.7	
Transport – aviation	1.5		104.5 (gCO_2-e/pkm)	0.4	9.3	
Transport – shipping[2]	0.7		-3.6% (alignment delta %)	0.3	4.5	
Transport – other (incl. rail and heavy vehicles)	0.1			0.4	0.6	
Commercial real estate (CRE) – office	0.3		65.7 ($kgCO_2e/m_2$)	2.1	1.9	
Commercial real estate (CRE) – retail	0.4		78.8 ($kgCO_2e/m_2$)	2.4	2.6	
Commercial real estate (CRE) – other	0.6			4.0	4.0	
Residential real estate	2.6		33.8 (kgCO2e/m2)	51.6	16.2	
Agriculture	1.4			5.8	8.9	
Whole portfolio	15.9			100	100	

[1] Inclusive of Scope 3 emissions
[2] Transport - Shipping reporting period is 1January 2022 to 31 December 2023
[3] Facilitated Emissions includes an average of arrangements across a 3-year period for FY21, FY22 and FY23
[4] Percentage of EAD and percentage of financed emissions
[5] Application of NAB's Exposure at Default ('EAD') methodology applied to the 7 portfolios with a 2022 baseline

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Appendix B

NAB's reported performance on specified environmental data for the London Branch, NAB Group (excluding London Branch) and NAB Group (including London Branch), broken down as follows:

#	Non-financial performance metrics	London Branch	NAB Group (excl. London Branch)	NAB Group (incl. London Branch)
1	Energy from gas consumption (KWh)	49,260	2,591,787	2,641,047
2	Energy from vehicle fleet fuel use (KWh)	0	20,834,210	20,834,210
3	Energy from electricity consumption (KWh)	448,405	78,113,179	78,561,584
4	Total energy for SECR reporting (KWh)	497,665	101,539,176	102,036,841
5	GHG emissions from energy use (Scope 1 – Gas) (tCO_2-e)	9	488	497
6	GHG emissions from vehicle fleet (Scope 1) (tCO_2-e)	0	5,138	5,138
7	GHG emission from energy use (Scope 2, location-based – electricity) (tCO_2-e)	93	49,472	49,565
8	Total gross Scope 1 and 2 GHG emissions for SECR reporting (tCO_2-e)	102	55,098	55,200
9	Total gross Scope 3 GHG emissions for SECR reporting (tCO_2-e)	831	71,009	71,840
10	Intensity ratio: Energy (KWh)/$ Financial Metric	0.001	0.010	0.009
11	Intensity ratio: Gross Scope 1 and 2 GHG emissions (tCO_2-e)/$ Financial Metric	0.0000003	0.0000053	0.0000051
12	Intensity ratio: Energy (KWh)/m_2	199	178	178
13	Intensity ratio: GHG (tCO_2-e)/m_2	0.04	0.10	0.10
14	Intensity ratio: Energy (KWh)/FTE	1,844	2,663	2,657
15	Intensity ratio: GHG (tCO_2-e)/FTE	0.38	1.44	1.44
16	Emissions from electricity use (Scope 2, market-based – electricity) (tCO_2-e)	0	2,567	2,567
17	Total gross location-based Scope 1, 2 and 3 GHG emissions (before renewable energy)	933	127,785	128,718
18	Total net market-based Scope 1, 2 and 3 GHG emissions (after renewable energy)	728	76,109	76,837
19	Carbon offsets retired	728	76,109	76,837
20	Net carbon emissions	0	0	0

Appendix C

NAB's specified GHG emissions and offset data from operations in Australia, New Zealand, Asia, United Kingdom, Europe and United States, broken down as follows:

#	Non-financial performance metrics	Tonnes of carbon dioxide equivalent (tCO_2-e)
1	Actual consolidated Scope 1, Scope 2 (market-based method) and selected Scope 3 (as determined by NAB) net GHG emissions for the year ended 30 June 2024 (after renewable energy)	76,837
2	Actual quantity of carbon offsets purchased and retired for the year ended 30 June 2024	76,837
3	Estimated consolidated Scope 1, Scope 2 (market-based method) and selected net GHG emissions for the forecast year ending 30 June 2025	76,837
4	Actual quantity of carbon offsets purchased and retired for the year ending 30 June 2025 based on emissions for the 1 July 2023 - 30 June 2024 period	76,837

Appendix D

#	Non-financial performance metric	Percentage %
1	NAB's progress for the year ended 30 June 2024 towards its 2030 science-based emissions target to reduce Scope 1 and 2 (market-based method) GHG emissions from operations, from a 2022 base-year	57

Appendix E

#	Non-financial performance metric	Percentage (%)
1	NAB's reported performance of its renewable energy generation as a proportion (%) of NAB Group's exposure to the power generation sector, expressed as Exposure at Default (EAD)	80

Appendix F

#	Environmental finance ambition non-financial performance metrics	Value as at 30 September 2024 ($m)
Lending activities		
1	Large scale renewables	3,235
2	Green labelled business lending propositions (CRE, Vehicles and Equipment, Agribusiness)	799
Capital markets activities		
1	Green bond arranging and underwriting	3,266

Glossary

ABS
Australian Bureau of Statistics.

ACCU
Australian Carbon Credit Units.

AEMO
Australian Energy Market Operator.

AER
Australian Energy Regulator.

ANZSIC
Australian and New Zealand Standard Industrial Classification (2013).

APRA
Australian Prudential Regulation Authority.

BNZ
Bank of New Zealand, a subsidiary of National Australia Bank Group.

Capital markets activities
The definition of capital markets activities is drawn from the Partnership for Carbon Accounting Financials (PCAF) Facilitated Emissions Standard December 2023 being the primary issuance of capital market instruments (whether debt or equity-based) and loan syndication. For specific inclusions and exclusions refer to

- ESG risk-related policy and appetite settings on page 26.
- Customer Transition Plans on page 28.
- Sector decarbonisation targets on page 44.

CBI
Climate Bonds Initiative.

CDP (formerly Carbon Disclosure Project)
Not-for-profit organisation that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. It provides a dataset of environmental and climate metrics.

Climate Vulnerability Assessment (CVA)
The Climate Vulnerability Assessment (CVA), a Council of Financial Regulators (CFR) initiative led by APRA, was an exercise adopting scenario analysis to assess the nature and extent of the financial risks that large banks in Australia may face due to climate change.

Climate-related opportunities
Refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market and industry in which an organisation operates.

Climate-related risks
Refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g. cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g. sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses and reputational considerations.

CO_2-e
Carbon dioxide equivalent (CO_2-e) is a measurement used to compare emissions from various GHG emissions based on their global warming potential. Other gas amounts are converted into the equivalent amount of carbon dioxide to provide a single emissions metric. Conversion factors vary based on the underlying assumptions.

CRE
Commercial real estate.

Customer Transition Plan
A customer's time-bound decarbonisation plan which details the customer's interim and long-term emissions reduction targets and outlines the overall strategies and actions to meet those targets. Such plans may also cover other climate-related issues including governance, just transition and scenario analysis.

EAD used in decarbonisation targets
EAD used in decarbonisation targets baselines and for setting sector targets excludes securitisation exposures within the scope of APS 120 Securitisation, off-balance sheet EAD (including performance guarantees to rehabilitate existing thermal coal mining and oil and gas assets) and markets-related EAD (including derivative exposures). Australian Energy Market Operator (AEMO) bonds have also been excluded as they are a requirement to participate in domestic electricity and gas markets for any entity not regulated by the Australian Prudential Regulation Authority.

Energy attribute certificates
Standardised, tradable instruments issued to a unit of generation (generally, one MWh) which are used to aggregate and track energy attributes.

Environmental finance ambition
NAB's projected ambition for new lending, capital markets activity and trading activity where the uses of proceeds and activities are linked to an environmental benefit.

Environmental year
Year ended 30 June, in alignment with relevant environmental regulatory reporting requirements.

ESG
Environmental, Social and Governance.

ESOO
Electricity Statement of Opportunities.

EUA
European Union Allowances.

Executive Leadership Team (ELT)
Executive Leadership Team means the Group CEO and the Group Executives.

Exposure at Default (EAD)
EAD is an estimate of the credit exposure amount outstanding if a customer defaults. EAD is presented net of eligible financial collateral.

Facilitated emissions
Facilitated emissions attributable from capital markets activity, including loan syndication, bond arranging and US private placement.

FAR
Financial Accountability Regime.

FAR accountable person
For the purposes of the FAR, NAB has registered certain individuals (the directors, Group Executives, Executive Internal Audit and Executive Group Money Laundering Reporting Officer) as 'Accountable Persons' with APRA and ASIC.

Financed emissions
Indirect GHG emissions attributable to financial institutions due to their involvement in providing capital or financing to the original emitter. Financed emissions are included within Category 15 'Investments' of the Greenhouse Gas Protocol Standard.

Financial year
Year ended 30 September.

Full-time equivalent employees (FTE)
Includes all full-time, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees and external contractors either self-employed or employed by a third-party agency. Note: This excludes consultants, IT professional services, outsourced service providers and non-executive directors.

Gentailers
Vertically integrated power companies operating in the National Electricity Market, where generators own and operate a retail arm.

Greenhouse gas (GHG) emissions
Gaseous pollutants released into the atmosphere that amplify the greenhouse effect. Gases responsible include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Greenhouse Gas Protocol
Comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards.

Group
NAB and its controlled entities.

Group Performance Indicators (GPI)
A scorecard of financial and non-financial performance measures linked to the Group's key strategic priorities, overlaid by a qualitative assessment. The GPI is used to assess the Group's performance for the purpose of the Annual VR Plan.

IEA
International Energy Agency.

IEA NZE 2050 (2021)
Refers to the International Energy Agency's Net Zero by 2050 scenario and report, October 2021 (4th revision).

IEA NZE 2050 (2022)
Refers to the International Energy Agency's Net Zero by 2050 scenario and report, October 2022 (5th revision).

IEA NZE 2050 (2023)
Refers to the International Energy Agency's Net Zero by 2050 scenario and report, September 2023 (6th revision).

Just transition
Global effort to transition to a low carbon economy in a way that is as fair and inclusive as possible to all people, creating decent work opportunities and leaving no one behind.

Large-scale generation certificate (LGC)
One LGC is evidence that one megawatt hour of electricity has been generated from renewable energy sources.

LCV
Light commercial vehicle.

LGC
Large Scale Generation Certificates.

Location-based accounting
An emissions accounting approach that calculates electricity emissions based on the average emissions intensity of the electricity grid in the location (state) in which the electricity consumption occurs. Location-based accounting therefore does not recognise the surrender of LGCs as evidence of renewable electricity use.

Market-based accounting
An emissions accounting approach that allows total electricity consumption to be reduced by the megawatt hours of renewable electricity consumed by the company before applying an emission factor to grid-imported electricity. Market-based accounting therefore recognises the surrender of LGCs as evidence of renewable electricity use.

NAB
'NAB', 'our', 'the bank' or the 'Company' means National Australia Bank Limited ABN 12 004 044 937.

NAB Green Finance for Agribusiness
The NAB Green Finance for Agribusiness is a tailored NAB business loan to finance eligible activities that are aligned to the independent taxonomy and requirements set out under the Climate Bonds Standard Agriculture Criteria.

NAB Green Finance for Vehicles and Equipment
Green Finance for Vehicles and Equipment refers to financing provided to categories of vehicles and equipment that NAB has determined are eligible to be financed under its Equipment Finance Green Asset framework.

NABERS
National Australian Built Environment Rating System.

NatHERS
Nationwide House Energy Rating Scheme is administered by the Australian Government and accredits a number of tools that can measure and rate a home's energy efficiency.

National Construction Code (NCC)
The NCC is a uniform set of technical provisions for the design, construction and performance of buildings and plumbing and drainage systems throughout Australia. The 2022 update includes, among other things, new requirements to facilitate the future installation of electric vehicle charging infrastructure in carparks.

National Greenhouse Accounts (NGA)
A collection of Australia's historical greenhouse gas emissions data. Australia uses this data to track progress towards national emissions reduction targets.

Natural capital
The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.

Net zero emissions by 2050
Net zero emissions by 2050 refers to achieving an overall balance between GHG emissions produced and GHG emissions taken out of the atmosphere. NAB's approach is informed by the UNEP FI Guidelines pathways to net zero emissions that are aligned with limiting warming to a maximum of 1.5°C above pre-industrial levels.

Network for Greening the Financial System (NGFS)
A group of authorities willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy.

New Vehicle Efficiency Standard (NVES)
A new vehicle efficiency standard is a legislative framework that regulates CO_2 emissions from vehicles, by applying an average CO_2 target to a suppliers' fleet of new vehicles.

NZBA
Net Zero Banking Alliance.

Operational environmental measures
Refers to environmental-related performance measures within NAB's operational control. This includes Scope 1, Scope 2, and selected Scope 3 emissions (excluding financed emissions). It also includes broader operational environmental measures such as waste generation, water usage and energy consumption.

Paris Agreement
Refers to the agreement adopted within the United Nations Framework Convention on Climate Change in December 2015 and entered into force in November 2016. The agreement commits all participating countries to limit global warming to well-below 2°C, striving for 1.5°C above pre-industrial levels, to build resilience to adapt to impacts of climate change, and regularly increase efforts over time.

Paris Agreement Capital Transition Assessment (PACTA)
Building off a vast climate-related financial database, the PACTA tool aggregates global forward looking asset-level data (such as the production plans of a manufacturing plant over the next five years), up to parent company level. The tool then produces a customized, confidential output report, which allows investors to assess the overall alignment of their portfolios with various climate scenarios and with the Paris Agreement.

Paris Agreement Inventory 2022
Australia's greenhouse gas inventory reported under the United Nations Framework Convention on Climate Change, submitted under the Paris Agreement.

PCAF
Partnership for Carbon Accounting Financials.

Plenti
Plenti Group Limited.

Poseidon Principles (PP)
The Poseidon Principles are a global framework for assessing and disclosing the climate alignment of financial institutions' shipping portfolios.

Power purchase agreement (PPA)
An arrangement between an independent power generator and purchaser for the sale and supply of renewable energy.

Revised capital framework (RCF)
APRA's revised capital framework, applied since 1 January 2023.

RMF
Risk Management Framework.

RRE
Residential real estate.

Scope 1
This includes direct emissions from within an organisation's boundary. These emissions are from sources that the organisation owns or controls such as:
- Combustion of fuel in boilers, furnace or generators that are owned or controlled by the reporting company.
- Generation of electricity, steam or heat in equipment that is owned or controlled by the reporting company.
- Business travel in vehicles such as company cars or corporate jets that are owned or controlled by the reporting company, colleague commuting in company-owned or controlled vehicles, such as company cars.
- Hydrofluorocarbon emissions from company-owned or controlled refrigeration or air-conditioning equipment.

Scope 2
Indirect emissions from electricity that is used by the organisation but is generated outside the organisation's boundary by another company, such as an electricity provider. This is called 'purchased electricity'. This includes indirect emissions from purchased or acquired electricity, steam, heat or cooling.

Scope 3
All other indirect emissions that occur outside the boundary of the organisation as a result of the activities of the organisation, including indirect emissions from:
- Business travel in non-company owned or controlled vehicles, such as rental cars, colleague cars, rail and commercial planes.
- Combustion of fuel in boilers or furnaces not owned or controlled by the reporting company.
- Energy used by colleagues working from home.
- Third-party production or manufacture of materials and resources used by the reporting company, such as furniture, paper and equipment.
- Indirect losses resulting from the transmission of electricity and other fuels.
- Emissions generated through the investments a company makes, see definition for 'Financed emissions'.

Sector decarbonisation targets
Refers to interim 2030 sector-specific decarbonisation targets set towards achieving over-arching net zero emissions by 2050 targets. Also referred to as 'sector targets'.

SME
Small and medium-sized enterprises.

Streamlined Energy and Carbon Reporting (SECR)
Reporting of emissions sources required under the United Kingdom's Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Sustainability risk
Sustainability risk is defined as the risk that ESG events or conditions negatively impact the risk and return profile, value or reputation of the Group or its customers and suppliers.

TCFD
The Financial Stability Board Task Force on Climate-related Financial Disclosures.

Thermal coal
Coal that is almost exclusively used as a fuel for steam-electric power generation.

Trade finance
Trade finance exposures included within NAB's sector decarbonisation targets are considered lending for the purpose of this requirement.

Transport - road (cars and LCVs)
Australian cars and light commercial vehicles.

UNEP FI
United Nations Environment Programme Finance Initiative.

UNEP FI Guidelines
UNEP FI Guidelines for Climate Target Setting for Banks version 2.