



CHAIR SPEECH

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*** CHECK AGAINST DELIVERY ***

Governance and culture, within the context of a global economy that is urgently decarbonising, is my focus today.

It is a timely and critical discussion, almost one year on from the Federal Government's legislation of 2030 and 2050 emissions reduction targets and associated changes. This provided welcome certainty and motivated Australian governments, industry and businesses to move faster on climate change.

Actions taken include expanding the Safeguard Mechanism, a commitment to develop sectoral decarbonisation plans, federal and state government renewable energy investments and more businesses setting net-zero goals.

These are important steps, but they are far from the whole journey.

Beyond our shores, advanced economies have ambitious decarbonisation plans propelled by government policy settings, funding and investment mandates. Of greatest significance is the Inflation Reduction Act passed by the U.S. Congress containing more than AUD 520 billion in programs and funding.

At the same time, we continue to see signs of accelerating climate change, unleashing devastating human and environmental harm.

Understandably, the extremity of the northern hemisphere summer is making people in the southern hemisphere nervous of what's to come.

Climate change is a key focus for Boards. As one example, the National Australia Bank Board acts to ensure the Bank sees long-term opportunities and challenges clearly and acts appropriately.

Taking this long-term view is critical to protect and build value for shareholders and the communities that we serve. All your Boards have the same responsibility, regardless of size or industry sector.

Investors are looking deeply into the governance of their investment portfolios. They want to know what the companies they hold are doing to prepare for a net-zero carbon world.

That includes their investments in our Bank. Climate has moved from being a topic raised only occasionally by our investors, to the subject of regular dedicated briefings.

Among investors, these conversations typically focus on the actions we are taking to align our lending portfolio to net-zero emissions by 2050. Investors are demanding to know how we manage the risks that climate change poses to our business, and equally the opportunities in financing the transition.

This is very much a tale of two halves in that regard.

Our opportunities include our commercial products and solutions, such as business finance for green equipment and energy efficient agriculture equipment, and Carbonplace, the carbon credit settlement platform NAB developed in collaboration with eight other banks globally.

Last year, NAB published its first standalone climate report. It details NAB's climate governance, strategy, risk management, metrics and targets. It represents a new level of transparency with the market on how we will support customers and the progress we are making toward achieving the goals of the Paris Agreement.

Climate change is also an increasing part of our conversations with customers and colleagues, from personal, small and large businesses through to corporate and institutional. NAB's role is clear – to support our customers through the transition and help fund the investments required.

Our goal is to align our operational and financed emissions with pathways to net-zero emissions by 2050.

In November, NAB set interim 2030 decarbonisation targets for the emissions-intensive priority sectors of power generation, oil and gas, thermal coal mining and cement production.

We used the International Energy Agency's Net Zero Emissions 2050 scenario as the reference point to guide our decarbonisation pathways for these sectors and include both on-balance sheet lending and investment activities.

We plan to set targets for a further six sectors by May next year, in line with requirements as a member of the UN-convened Net Zero Banking Alliance.

By 2050, Australia's economy will look very different; it will have to be so, to achieve net-zero. There is no question a redirection of capital needs to happen and this is where a bank like NAB is helping.

Earlier this year, NAB completed transition maturity assessments for 100 of our largest greenhouse gas-emitting customers, ahead of our target date of September 2023. The assessment showed transition maturity varies across industries and that some sectors will need more help than others.

Last year, NAB created a new position and appointed its first Chief Climate Officer – Jacqueline Fox. Jacqui’s appointment reflects the increasing requirements of all parts of the economy, and all parts of the bank, to support our customers in making the transition.

Maximising the potential in the transition to net-zero also requires effective management of risk, which is an inherent part of our business.

The NAB Board oversees sustainability-related risks and opportunities, including climate and nature-related risks.

In 2022, NAB participated in APRA’s Climate Vulnerability Assessment. This involved using scenario analysis to model the estimated future financial impact of climate change on our business, as well as how we might respond to the resulting physical and transition risks. The exercise served to highlight to us the importance of working with customers to build climate resilience and reduce risk.

Australia is getting better at highlighting the opportunities created in a decarbonising economy.

NAB wants to make well informed and proactive contributions to the national discussion on Australia's transition, and to help frame the discussion around the opportunities it presents.

Last year, NAB commissioned research by Deloitte Access Economics that found Australia's economy needs to be structurally different from today and requires a significant reallocation of capital investment to transition to net-zero.

Building on this, NAB last week published the second report in this series titled *All Systems Go: Powering Ahead*.

The new report considers Australia's economy within the context of a global market that is thirsty for renewable energy resources, which Australia has in abundance: sun, wind and critical minerals.

It recognises that these natural endowments, alongside other low-emissions products and services, present significant export

potential for Australia and will become the bedrock of Australia's future economic prosperity, as traditional exports decline.

It calls out renewable energy, green hydrogen, critical minerals and enhanced metals manufacturing as potential key economic drivers and enablers of new green export opportunities for Australia, which can more than offset a slowing, or stopping, of global demand for high-emissions commodity exports.

Importantly, this report provides an economic evidence base that shows how the cost of transition for Australia varies depending on how and when we get there.

It shows that to lower the economic cost of transition and set up our economy to capitalise on the opportunity before us, what we achieve between now and 2030 is critically important.

Again, upside and downside are finely balanced.

If all Australia does is the minimum necessary to hit our targets, by 2050 Australia risks becoming a materially poorer country than we are today.

Avoiding this calls for significant coordination of public and private planning and investment to seize Australia's share of global demand for low emissions energy and minerals as economies become net-zero.

Specifically, we need to transform and replace industries that have been at the centre of our historic economic growth and create a new green industrial base for export.

The task ahead is immense, but crucial. Australia will need to build fast to export decarbonisation to the world.

For Australia to reach our renewable energy targets and leverage our natural advantages to go further and establish a compelling green industrial base for export to the rest of the world, Australia will need to build new infrastructure on an unprecedented scale for our country.

According to industry experts, Australia will need 10,000 kms of new transmission, 44 gigawatts of new renewables and 15 gigawatts of firming capacity this decade.

These opportunities can only be realised through necessary local changes.

We need to bring down lead-times for renewables production, storage and transmission projects. We also need to have the labour to build them, as well as improved consultation and a consistent national framework for decision-making that delivers major green infrastructure projects that have widespread community support.

This report highlights the scale of the challenge and opportunity for Australia in the climate transition and what we stand to lose.

Deloitte Access Economics modelling shows that using Australia's natural advantages in solar, wind and critical minerals could add up to \$435 billion to the national economy by 2050.

It also shows that if we don't leverage our natural advantages and Australia fails to grow new export opportunities, under today's net-zero policies Australia's existing exports are projected to decline by \$270 billion out to 2050.

NAB is already playing its part in financing Australia's renewable energy transition. As of March this year, 70 percent of NAB's financing for power generation goes toward renewables – solar, wind and hydro. This is an increase from 58 percent six years ago. NAB continues to be the number one Australian bank for global renewables transactions, and we are well progressed to source 100 percent of our own electricity from renewable sources by 2025.

Climate transition in action is no clearer to me than when I'm out spending time with our customers, learning about their businesses and what Australia's targets and policies mean for them.

Over the past 18 months I've spent time with NAB customers who are both intensive generators and consumers of energy. I've met with leading businesses in raw materials and

manufacturing industries, as well as innovative agricultural businesses.

It is a privilege to spend time with customers. The openness with which most of our customers are working with us on the climate transition is fantastic to see.

However, solving decarbonisation at a macro level for Australia can't be done by companies independently. There needs to be a coordinated effort and organising framework from all levels of government working with the private sector.

There is a call to action for government to take an active role in ensuring the framework enables investment decisions to be made quickly, so we can get Australia's transition moving forward with a sense of urgency.

A strategic approach will not only bolster Australia's long-term economic resilience but foster innovation within its industries.

There are good examples of this in action. We are looking forward to seeing outputs from the Federal Government's

\$15 billion National Reconstruction Fund, aimed at reconstructing the manufacturing and innovation sectors in Australia, although the scale of change will require substantially more.

Australia's transition to a low carbon economy is at a critical stage. If we get it right from now to 2030, the opportunities are immense in both protecting our environment and growing our economy.

NAB is supporting customers to decarbonise and build resilience to climate change.

Of equal importance is the work we're doing internally with our colleagues.

Climate change is a meaningful issue for the current generation of workers who want meaning and purpose in their work; they want to be part of a company that shares their personal values.

In an already tight labour market, there is a global sense of urgency to decarbonise economies faster, which is driving up

global competition to attract the resources needed: technology, capital and talent.

Therefore, we need to work hard to attract and retain the best talent. That's why NAB continues to invest in the climate skills and training of its people.

Earlier this month, NAB announced it is developing a Bank-wide climate training program in partnership with Melbourne Business School to increase the climate capability of our people.

The new program builds on climate risk and adaptation training undertaken by 350 NAB Agribusiness bankers last year, as well as the training of around 100 Corporate and Institutional bankers over the past two years.

When a customer's climate or sustainability goals have been better understood – because they were supported by a banker who had been climate trained – it puts into perspective how important our people are in helping our customers achieve their net-zero goals.

Australia needs to act quickly to ensure we are equipped with the people, finance and technology our country needs to successfully meet our decarbonisation targets and to maximise the economic benefits available to us.

We all have a role to play in delivering on this potential, for ourselves and future generations.

How Australia transitions matters, and we need to get it right.
Thank you.

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