National Australia Bank submission

Productivity Commission *Five Pillars of Productivity inquiries*

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Contents

Foreword from NAB CEO, Andrew Irvine 3
Executive Summary 5
Interim report: Creating a more dynamic and resilient economy 7
- Corporate tax reform 7
- Regulating to promote business dynamism 8

Interim report: Investing in cheaper, cleaner energy and net zero transformation 10
- Reducing the cost of meeting emissions targets 10
- Speeding up approvals for new energy infrastructure 12
- Addressing barriers to private investment in adaptation 14

Interim report: Harnessing data and digital technology 18
- Enabling AI's productivity potential 18
- New pathways to expand data access 19
- Privacy regulation 20
- Digital financial reporting 21

Interim report: Building a skilled and adaptable workforce 23
- The best resources to improve school student outcomes 23
- Building skills and qualifications for a more productive workforce 23
- Fit-for-purpose occupational entry regulations 23
- Conclusion 24

Foreword from Andrew Irvine, Chief Executive Officer

Australia's long-term economic prospects demand an economic and policy environment that encourages more dynamism, investment and entrepreneurship.

For the past 100 years, generation after generation of children have enjoyed a better life than their parents based on population growth, participation and productivity.

But productivity has plateaued and our quality of life and ability to compete on a global stage are at risk. We find ourselves at a pivotal moment in our economic journey. We need to be ambitious again.

That is why the Federal Government's focus on economic reform, and the opportunity to return productivity to more globally competitive levels, is not just timely but essential.

Growing productivity means expanding our economic potential, which leads to better jobs, higher living standards and a more prosperous future for all Australians.

As Australia's largest business bank, representing nearly half of the nation's businesses, NAB's views are shaped by the voices of our customers. On behalf of those customers, we welcome the opportunity to contribute to the Productivity Commission's *Five Pillars of Productivity inquiries*.

Key to creating a more dynamic and resilient economy is engaging in a new discussion on holistic tax modernisation. The aim should be to broaden the tax base, attract investment, reduce the reliance on income tax, and identify taxes which produce unfavourable economic outcomes.

This needs to be achieved at the same time as we reduce the regulatory burden on businesses. A recent NAB survey of small business owners found 37 per cent of small businesses identified government policies and regulation as one of their primary concerns. NAB and our customers have long advocated for a simpler, more efficient regulatory environment. We welcome the willingness of regulators and government to work with businesses to deal with this challenge.

A key area of focus for this simplification must be Australia's housing sector. No sector has suffered more from regulatory burden, fragmented coordination and, as a result, weak productivity. Australia is not building enough homes to guarantee access to housing for all Australians, let alone maintain the dream of home ownership. We need to make it easier and faster to build affordable homes where people want to live. A stable and secure home is crucial to well-being and an equitable society.

To better respond to the labour-driven supply constraints in the construction sector, we need a broader conversation about skilled migration. Migrants have been the most dynamic part of our community for the past 100 years, contributing to our cultural richness and economic growth. We must maintain that while also ensuring we address our current and future labour challenges. That's why we support the introduction of an annual review of migration and an iterative approach to a points-based system that prioritises the skills the economy needs at that point in time.

Equally challenging to Australia's productivity capacity is the rising cost of energy, despite Australia's abundant renewable and transitional resources including natural gas and critical minerals. Spiralling energy costs are holding back manufacturing growth. NAB supports the Government's focus on energy security including the key role of gas in providing firming capacity. The accelerated roll-out of renewables generation, transmission, storage and system services is critical. Australia needs stable, reliable and affordable domestic energy, delivered in a way that balances environmental goals with economic and social needs.

An enabler of all of these solutions and a big driver of growth is innovation. Innovation and entrepreneurship must be encouraged, supported and celebrated. At the core of how we innovate is the growing use of artificial intelligence. AI is the industrial revolution of our time, offering profound change to what we do, and how fast and well we do it. It is already delivering better outcomes at speed for NAB's customers. We are and will continue to equip our colleagues with the skills they need to embrace AI and deliver more innovation. All Australian workers, particularly those working in small and medium enterprises (SMEs), should have the opportunity to build these skills so they too can innovate for their customers and be more productive.

Australians have plenty of reasons to be optimistic about their future. However, it requires government, policymakers, and businesses such as NAB to be ambitious in fostering a productive and dynamic economy that underpins a great quality of life for future generations.

NAB is determined to play our role.

Andrew Irvine
Chief Executive Officer
National Australia Bank

Executive Summary

NAB is pleased to contribute to the Productivity Commission's (PC) *Five Pillars of Productivity inquiries* consultation and welcomes the opportunity to provide feedback on the interim report's draft recommendations.

NAB strongly endorses the Government's focus on regulatory reform, particularly efforts to streamline approvals processes, harmonise occupational licensing, and reduce duplicative compliance burdens. We acknowledge and welcome the release of over 400 ideas from Commonwealth regulators to reduce regulatory burden and support productivity growth in our economy. Our customers, particularly in the SME sector, consistently report that fragmented, state-based obligations and outdated entry requirements stifle growth and innovation.

NAB acknowledges the PC's contributions to the tax reform debate with draft recommendations specific to the corporate tax system. NAB does not support the proposed reforms, noting they would introduce further complexity while acting as a disincentive to investment, but welcomes the broader national conversation on tax reform. We recommend the introduction of targeted measures to incentivise investment, including making accelerated depreciation and asset write-off mechanisms permanent. NAB also welcomes the Government's focus on removing nuisance tariffs.

Technology and innovation are central to Australia's productivity future. NAB supports the PC's outcomes-based, risk-proportionate approach to AI regulation, and cautions against broad and premature frameworks that may inhibit low-risk innovation. We advocate leveraging existing legal mechanisms and conducting gap analyses before introducing new AI-specific regulations. NAB's use of AI demonstrates the transformative potential of responsible innovation, from fraud prevention to enhanced customer experience.

We also support reforms to introduce a copyright exception for AI training with an opt-out mechanism for rights holders, expanding data access and modernising privacy regulation. These changes will help ensure Australia's digital economy reflects our cultural values and supports local innovation.

Although not captured by one of the PC's five pillars, housing remains the biggest productivity challenge facing our country. Over the past 30 years, there has been a 53% decline in dwellings completed per hour worked, while broader economic labour productivity increased by 49%, highlighting a significant productivity gap.[1]

NAB welcomes the PC's focus on streamlining approval processes and reforming occupational licensing regimes. We support further consultation on investment in scalable housing innovation, including modular construction, and co-ordinated zoning reform to encourage medium-density dwellings in established suburbs.

There are also opportunities to augment existing programs to streamline regulatory obligations in the housing sector. For example, in partnership with NAB, the Resilient Building Council (RBC) has developed a fit-for-purpose national resilience rating system that could be scaled nationally with

[1] Housing construction productivity: Can we fix it? (2025). Available at: https://www.pc.gov.au/research/completed/housing-construction/housing-construction.pdf

government support. This system includes a consumer-facing self-assessment app that has facilitated more than 57,000 bushfire assessments and supported $206 million in household upgrades. By integrating with insurance underwriting processes and offering premium reductions from insurers, the program streamlines the regulatory environment and significantly boosts productivity by providing clear, actionable steps for homeowners to enhance their home's resilience.

NAB supports Australia's transition to net zero by balancing the urgency of the response to climate change with the prioritisation of stable, reliable and affordable domestic energy. The Government's Future Gas Strategy highlights the importance of gas for firming renewable energy, supporting industrial processes and maintaining energy security during the transition. At the same time the accelerated build-out of renewables generation, transmission, storage and system services will ensure Australia can remain globally competitive in clean industries and green exports, and Australians benefit from cheaper, cleaner power sooner.

Australia needs effective environmental and planning laws that enable efficient approval of critical energy infrastructure while ensuring environmental and biodiversity protection. Early and genuine consultation with industry, local communities and the public in the design of renewable energy infrastructure to ensure adequate landowner support and broader community benefit is crucial.

NAB supports emissions reduction incentives, including those targeting heavy vehicles, and frameworks that support transparency to achieve targets at least cost. NAB also supports the creation of a centralised database to support homeowners, small businesses and industry respond to and manage climate risk.

NAB supports reforms to build a more skilled and adaptable SME workforce, expand access to educational technology and AI tools, and streamline credit transfer and recognition of prior learning. We also support targeted financial incentives and advisory services to increase training uptake in SMEs, where time and cost constraints remain key barriers. NAB data shows 56% of SMEs struggle to find suitably skilled candidates, with vacancy fill rates significantly lower than for larger firms.[2]

[2] Unlocking growth for small and medium enterprises Backing our businesses. (2024). Available at: https://news.nab.com.au/wp-content/uploads/2024/10/NAB-SME-Insights-Paper.pdf.

Interim Report: Creating a more dynamic and resilient economy

Corporate tax reform

NAB supports a holistic review of Australia's tax settings to ensure they are fit for purpose, incentivise investment in innovation and growth, and support budget neutrality. Core principles for tax reform include broadening the tax base, incentivising growth and investment, ensuring simplicity and efficiency, and promoting intergenerational equity.

The Report's Draft Recommendations 1.1, 1.2, and 1.3 propose a fundamental shift in the corporate tax system. NAB recognises the intention of reducing the company tax rate to enhance competitiveness and attractiveness for investors but is concerned about the economic impact of raising the tax rate for large companies and introducing further complexity to the tax system.

The proposed reforms do not adequately account for the substantial contributions to government revenue made by major financial institutions through both the standard 30% corporate income tax rate and the Major Bank Levy (MBL). In FY2024–25, NAB is expected to contribute approximately $400 million through the MBL, with the levy projected to raise $1.85 billion in 2025-26.[3] NAB has paid $2.75 billion under the MBL since its inception on 1 July 2017 to FY24.[4] This is in addition to a growing range of state-based taxes and levies.

NAB is concerned that the proposed reforms, particularly the introduction of a net cashflow tax and reduction in the headline company tax rate, could undermine the stability and predictability of Australia's corporate tax system. These changes would represent a fundamental shift in the tax base and risk creating distortions in investment decisions. The complexity of transitioning to a dual tax system, with both income and cashflow-based elements, would impose a significant compliance and administrative burden on businesses and the Australian Taxation Office. It could also create uncertainty for global investors, potentially deter foreign capital and complicate cross-border tax arrangements.

The PC may instead wish to consider targeted proposals to incentivise investment as part of a broader review of the tax system. NAB supports making accelerated depreciation and asset write-off mechanisms permanent, which would allow businesses to claim tax deductions on capital assets more rapidly than under conventional schedules. Instant asset write-offs are well understood by the small business sector and have proven to effectively stimulate business investment, particularly in sectors and firms where capital costs are a barrier to growth. These measures improve after-tax cash flow, lower the net present cost of investment and shift marginal projects into the realm of financial viability by allowing a larger proportion of a project's cost to be deducted in the early years.

Internationally, the Organisation for Economic Cooperation and Development (OECD) has found that accelerated depreciation schemes correlate with higher business investment across member

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[3] 2025-26 Federal Budget Paper No. 1, Table 4.6 indicates that the Treasury expects MBL to contribute $1.85bn for 2025-26 year.

[4] In FY24 NAB paid over $3.1bn in tax (including corporate tax and the MBL) National Australia Bank Limited, 2024. *Tax Transparency Report for the year ended 30 September 2024*. [pdf] NAB. Available at: https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/tax-transparency-report-2024.pdf

countries, particularly for capital-intensive industries.[5] The Reserve Bank of Australia (RBA) has determined that such incentives have been effective in stimulating business investments in economic downturns in Australia.[6]

These policies work best in concert with broader, well-designed tax and regulatory frameworks that provide certainty and incentivise productive investment.

Regulating to promote business dynamism

Australia's regulatory environment plays a crucial role in the stability of our economy. While well-designed regulation is essential to prevent harm and protect the public interest, excessive and duplicative regulation can have adverse consequences for competition, investment and productivity. The PC's call for a balanced approach that considers the costs of over-regulation is welcome.

NAB agrees that regulatory incentives are often skewed towards risk avoidance, with insufficient consideration of broader economic impacts. This imbalance introduces new forms of risk and undermines the capacity for innovation, growth and productivity improvements. NAB supports the PC's Draft Recommendations 2.1-2.3 to address this.

Examples of burdensome regulation (**Information Request 2.1**)

Below are examples from the current regulatory framework that NAB considers create unnecessary burden and should be prioritised for reform.

1. Regulatory reporting

   APRA-regulated institutions must report a variety of information to APRA in reporting returns. In some cases, there is a lack of definitional alignment across returns, information is duplicated in other sources, or returns that were introduced during the COVID-19 period have not been retired, e.g. ARF 923.1: COVID-19 Provisioning - Group Books. There is an opportunity for regulators to consider where reporting frequency could be reduced or where some non-critical reporting obligations could be deferred to distribute requirements more evenly through the year. Simplifying or retiring some reporting obligations would reduce administrative overhead and operational pressure, allowing resources to be redirected to more productive activities.

2. Data retention obligations

   There is inconsistency in data retention obligations across federal and state legislation. Terms such as "minimum expectation", "financial record" and "system of record" vary in definition and application, creating confusion and unnecessary complexity. For example, retention periods for employment-related records range from 28 days to 40 years depending on the jurisdiction, which is particularly challenging for businesses operating nationally or looking to expand into new jurisdictions. This lack of clarity has led to a culture of over-retention of documents and data, increasing costs and exposing customers to heightened cyber security risks. Introduction of a harmonised, risk-based retention framework that leverages Digital ID to

[5] Organisation for Economic Cooperation and Development. (2019). "Tax Policy Reforms 2019: OECD and Selected Partner Economies." OECD Publishing.

[6] Win, N.N., Hambur, J. and Breunig, R., "Are Investment Tax Breaks Effective? Australian Evidence", February 2025, Reserve Bank of Australia, Research Discussion Paper RDP 2025-1,

reduce the need for duplicate identity documentation could help mitigate over-retention, reduce compliance costs and help mitigate cyber security risk.

3. Standardise common and overlapping concepts

Complexity arises when dealing with similar but not entirely aligned concepts across a regulatory regime. Examples of concepts that could be rationalised or harmonised include:

- Overlapping references to senior people within businesses or corporations such as ‘Officers’ and ‘Senior Managers’ under the *Corporations Act*; ‘Senior Managers’ under the reforms to the *Anti-Money Laundering/ Counter-Terrorism Financing (AML/CTF) Act*; ‘Accountable Persons’ under the Financial Accountability Regime; and ‘Key Management Personnel’ under Accounting Standards. Harmonisation of these definitions would simplify and clarify the compliance obligations on senior executives across the Australian economy.
- Fairness obligations embedded across multiple legislative instruments including the *ASIC Act*, *Competition and Consumer Act*, *Corporations Act* and *National Consumer Credit Protection Act*. These are further layered within industry codes and state-based legislation, resulting in a fragmented regime that is difficult to interpret and comply with. A unified approach would improve regulatory certainty and consistency while still achieving the desired customer protections.

How to measure, track and report on regulatory burden (Information Request 2.2)

The Business Council of Australia has produced in-depth analysis of the regulatory burden faced by Australian businesses, both nationally and by state.[7][8] This analysis, including the methodologies used to quantify regulatory burden, may be a helpful starting point for benchmarking regulatory burden.

Efforts to streamline Australia’s regulatory environment should focus on small businesses in the first instance, noting SMEs often bear a disproportionate compliance burden. NAB welcomes the additional measures related to state-based occupational licensing frameworks proposed in the PC’s *Building a skilled and adaptable workforce*.

To achieve a more balanced approach, governments should provide clear guidance (Information request 2.4) that articulates the dual mandate of regulation: to protect against harm while enabling progress. NAB supports the establishment of a whole-of-government regulatory reform agenda using tools such as a Regulatory Initiatives Grid (RIG) to improve coordination and visibility across agencies.

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[7] Business Council of Australia. (2024). *Regulation Rumble*. Available at: https://assets.nationbuilder.com/bca/pages/9666/attachments/original/1733176504/Regulation_Rumble_2024.pdf?1733176504

[8] Business Council of Australia. (2025). *Better Regulation Report*. Available at: https://www.bca.com.au/better_regulation_report [Accessed 26 Aug. 2025].

Interim report: Investing in cheaper, cleaner energy and net zero transformation

Reducing the cost of meeting emissions targets

Reducing emissions in the electricity sector after 2030 (Draft Recommendation 1.1)

Despite Australia's abundant natural resources, increasing energy costs have contributed to our constrained productive capacity. Balancing the urgency of the global response to climate change with the need for stable, reliable and affordable energy for domestic consumers and businesses, is critical to maintaining a strong and well-functioning economy.

The global transition is resulting in structural changes in energy markets. Fossil fuel-based energy use is materially declining over time and use of renewable energy is increasing. The Government's Future Gas Strategy highlights the importance of gas for firming renewable energy, supporting industrial processes and maintaining energy security during the transition. NAB welcomes the Government's Gas Market Review to ensure domestic supply needs are prioritised.

The accelerated build-out of renewables generation, transmission, storage and system services will ensure Australia can remain globally competitive in clean industries and green exports, and that Australians can benefit from more affordable and cleaner power sooner.

NAB is supportive of the recommendation to prioritise broad-based electricity sector market settings beyond 2030. The following factors should be considered:

- Localised generation and storage, enabled by mechanisms like virtual power plants, standardisation of regulations and shared-value models to enhance grid stability, and to support energy resilience in regional and remote areas.
- Ongoing investment in transmission infrastructure to connect Renewable Energy Zones and deliver energy reliably, supported by early and genuine consultation with the community. Investment incentives should incorporate measures that promote reliability and system security.
- Impact analysis of the phase-out of jurisdictional and technology-specific incentives (i.e. state government investments).
- Apprenticeships, targeted training and skilled migration to support labour capability and capacity, alongside incentives for lower-cost energy and emissions reduction.

The Safeguard Mechanism should cover more industrial facilities and carbon leakage provisions should be improved (Draft Recommendation 1.2)

NAB recommends quantifying the emissions reduction impact of lowering the Safeguard Mechanism threshold and comparing the potential expansion of the scheme with alternative approaches. For example, it may be appropriate to explore whether there is a point at which efforts and incentives are better directed to specific emissions reduction levers rather than compliance with the Safeguard Mechanism.

Key considerations for implementation should include:

- Alignment of any review or expansion of the Safeguard Mechanism with the Government's soon-to-be-released sectoral decarbonisation plans.
- Management of carbon leakage for trade-exposed industries. The EU's Carbon Border Adjustment Mechanism is an example of a scheme that minimises carbon leakage while supporting the competitiveness of EU domestic producers, who already face carbon pricing under the EU Emissions Trading Scheme.
- Targeted support for those industries with varying levels of access to practical and cost-effective abatement options (e.g. incentives for R&D investment).
- Additional costs associated with managing compliance including those arising from measurement, reporting, assurance and other costs (including the creation of Australian Carbon Credit Units (ACCUs)). Simplified, standardised processes can lessen the burden and improve information quality (e.g. the UK Streamlined Energy and Carbon Reporting regime).
- Assessing supply requirements for ACCUs, including determining whether there are adequate ACCUs to address the potential increase in demand from an expanded Safeguard Mechanism scheme. This assessment should consider both current supply as well as the development pipeline and supply chain. Management and market function should also be considered as part of any reforms, including the role of market makers in supporting a well-functioning market.

Introduce an emissions-reduction incentive for heavy vehicles and phase-out policy overlaps for light vehicles (Draft Recommendation 1.3)

NAB supports emissions-reduction incentives for heavy vehicles and any related infrastructure, recognising the significant upfront costs involved in adopting low and zero emissions technologies in this sector. Well-designed incentives can help accelerate uptake and support industry transition, noting vehicles purchased now will remain in the fleet into the future.

Key considerations for implementation should include:

- Technology-neutral emissions reduction incentives, including a range of low emissions options such as electric vehicles, hydrogen, biofuels and other alternatives as they emerge.
- The varying size of businesses comprising the industry. Smaller entities may require more targeted support to decarbonise due to differing investment capacity, and the long asset life of heavy vehicles will mean long-term incentives are needed.
- Addressing existing barriers to the uptake of Battery Electric Vehicles (BEVs) before phasing out EV-specific subsidies (e.g. high upfront costs, patchy availability of charging infrastructure, vehicle availability).
- Minimising any gaps and overlap in the design of emissions reduction incentives, including alignment with state policies when phasing out existing - or adopting new - measures.
- Directing support towards refuelling and charging infrastructure, and the development of appropriate skills and capacity, acknowledging that heavy haulage is a network-driven sector with fragmented stakeholders.

- Using BEVs to load balance, stabilise and improve flexibility of the grid as well as reducing infrastructure costs (e.g. the potential for BEVs to support grid stability through vehicle-to-grid (V2G) services, noting technical and regulatory challenges to the practical adoption of V2G remain).

Apply frameworks to achieve emissions targets at least cost and improve transparency (Draft Recommendation 1.4)

NAB supports clear, consistent frameworks to achieve emissions targets that are cost effective. Transparency is also important, as there is potential for carbon values to be utilised by businesses in evaluating their own strategies and transition plans.

Any framework for extending emissions-reduction to new sectors, including costs or assigned carbon values, should be reviewed periodically. Where carbon values or abatement costs change for a particular sector, the impact on other related policies needs to be considered. For example, if abatement costs rise for a sector pursuing an ambitious decarbonisation pathway, both its targets and those of other sectors may need adjusting to ensure overall balance, focusing on areas where decarbonisation becomes comparatively cheaper.

Alignment with the Government's sectoral pathways should also be a key consideration to support consistency across the economy.

Speeding up approvals for new energy infrastructure

Reform national environmental laws (Draft Recommendation 2.1)

NAB is broadly supportive of the recommendations of the 2020 independent Samuel Review of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) where these recommendations enhance the objective of the EPBC Act and achieve greater clarity and certainty for customers. Australia needs effective environmental and planning laws that enable efficient approval of critical energy infrastructure, while ensuring environmental and biodiversity protection as well as community engagement and support.

▶ *Introduce national environmental standards*

NAB supports the establishment of robust national environmental standards as a cornerstone for effective environmental protection and regulatory clarity. Standards should be co-designed with input from science, environmental, business and First Nations stakeholders, as well as technical experts. This will help provide certainty to proponents and decision makers regarding assessment benchmarks, while enabling accredited state and territory governments to make informed decisions on projects.

▶ *Facilitate regional planning, particularly within renewable energy zones*

Regional plans, as outlined in the Samuel Review, should be developed in close partnership with state and territory governments to deliver a practical framework for sustainable development, while supporting long-term environmental protection and community confidence.

▶ *Provide accessible high-quality information about the environment and past assessment decisions*

Access to reliable, high-quality environmental data is essential for informed decision-making and sustainable growth. NAB supports the appointment of an independent environmental data custodian, with dedicated funding to enhance the quality and accessibility of government-held environmental information. Making this data publicly available benefits proponents, the broader community and industry by creating a common baseline.

Consideration of both primary and secondary users of data, such as financiers and project proponents, is vital to provide clear, robust datasets including insights from prior decisions. This empowers lenders and investors to conduct thorough due diligence and monitor compliance, supporting outcomes-based assessments and sustainable project development. The approach to data sharing must balance utility, transparency and privacy, making information available to the public in a way that promotes confidence and clarity.

Robust governance and capability are critical, particularly regarding the stewardship and sharing of sensitive information. Data should be provided in practical, user-friendly formats (e.g. GIS) to support a wide range of stakeholders.

▶ *Improve offsetting arrangement efficiency*

As highlighted in the Samuel Review, it is essential to review offset arrangements under the EPBC Act.

▶ *Clear expectations about engagement with local communities and Aboriginal and Torres Strait Islander peoples*

Australia's First Nations people make a crucial contribution to the stewardship and conservation of our natural environment. Effective and high-quality First Nations engagement is fundamental to both consultation and project approval processes under the EPBC Act.

NAB supports the establishment of a national environmental standard on First Nations engagement that:

- Has due regard to the principles of the UN Declaration of Human Rights and the UN Guiding Principles on business and human rights.
- Clarifies legal expectations around these engagements, while avoiding unnecessary duplication of state and federal heritage requirements.
- Sets out best practices for incorporating traditional knowledge within the broader context of the Act's obligations.

This approach will foster meaningful partnerships, promote transparency and ensure First Nations' voices are appropriately considered in environmental decision-making.

Recent findings from the Farmers for Climate Action Agricultural Insights Study highlight that climate change is a top concern for 57% of surveyed Australian farmers.[9] The study also found nearly 80% support updates to energy infrastructure, regulations and mechanisms to ensure the benefits of renewable energy are spread across the regional community. This includes reforms that allow farmers to move the electricity they create around their own properties and consistent community benefit funds tied to all energy projects. These insights reinforce the importance of early and

[9] Farmers for Climate Action (2005). *Australian Agricultural Insights Study*. Available at: FCA-Agricultural-Insights-Study-2025.pdf

genuine consultation with industry, local communities and the public in the design of renewable energy infrastructure to ensure adequate landowner and broader community benefit and support.

Addressing barriers to private investment in adaptation

Set up a climate risk information database covering all climate hazards (Draft Recommendation 3.1)

▶ *Customer Protection and Empowerment*

Homeowners and small businesses are increasingly exposed to climate hazards including floods, bushfires and heatwaves, yet have limited access to information that assists them to understand current and evolving risks. A reliable central database would improve understanding and communication with customers about property location risks, support targeted engagement, education and insights.

Central climate-hazard data could support the provision of tailored financial products that focus on improving resilience and long-term sustainability of homes and businesses. General insurance companies may include such information in their underwriting practices as part of their continual efforts to enhance resilience and offer financial incentives for resilience-related investment. It will be important to include and differentiate between short and long-term climate risks, noting they impact different outcomes and market participants.

Access to this information supports customers to make informed decisions about where they build or buy and may support earlier investments in resilience. It can also provide more direct and timely information to policymakers at various levels of government, which could facilitate the identification of situations where policy interventions are suitable.

Banks face challenges building out and sharing this type of data due to its complexity and rapid change. A centralised national database could reduce the risks of data being inaccurate or incomplete by providing a common baseline and reduce any scope for home and business owners being disadvantaged through organisations providing different or inconsistent data.

While a central database has advantages, its use for climate hazard data should remain optional, allowing private organisations to add their expertise and use their own models as needed to supplement those available centrally. If the central database was to be used to inform planning decisions and approvals, transparency would be important, including consistent methods and risk thresholds to build public trust.

▶ *Improved risk Management*

In addition to utilising natural hazard data to gain detailed insights and more tailored engagement with customers, banks may explore the use of consistent, centralised data to support the management of credit, market and operational risks related to climate change while also supporting customers where possible through tailored finance solutions. This could include loans that incentivise property resilience upgrades or tailored products that assist recovery after an extreme weather event.

It can also aid in scenario analysis and stress testing. A central database would help to establish uniform standards across industry and governments, minimise duplication and facilitate regulatory compliance.

Other considerations in support of a national database include:

- The role of a shared database in supporting stakeholders, including banks and communities, in their understanding of climate risk assessments. A common understanding of climate risk would help ensure consistency in approach and contribute to financial system stability, especially in regions that are most exposed.
- A national database likely providing higher quality data, being delivered more quickly and costing less overall than relying on multiple actors in the private sector to generate their own such database, as is the current approach. Faster delivery of a single source of quality data is likely to unlock faster and more effective responses to the risks identified.
- The requirement for banks to start disclosing their climate risks under the Australian Sustainability Reporting Standards (ASRS) in 2026. A central database would further support consistent, comparable and credible disclosures across the sector.

Develop a nationally consistent climate resilience rating system for housing (Draft Recommendation 3.2)

NAB supports the adoption of a nationally consistent, outcome-based climate resilience rating system for housing. Such a system could empower customers to future proof their homes against climate hazards, improve their credit risk rating and access more affordable insurance. It would enable households, builders, insurers and financial institutions to better and more consistently understand and manage property-level physical risks.

A combination of initial self-assessment and third-party verification is recommended to support an accessible and efficient consumer experience which drives participation and uptake at scale. Third party verification (either on site or remotely) ensures the integrity of the rating system score and checks the risk reduction benefits from any adaptation measures undertaken are realised. Property data should be aligned with existing benchmarks and/or standards such as NatHERS and NABERS, which offer credible frameworks and established governance structures.

A fit-for-purpose national resilience rating system already exists, developed by the RBC. NAB was the first bank to partner with RBC to develop this rating system for bushfire in 2022, co- funded with the federal government, Bluescope and IAG. A consumer facing self-assessment app was also developed, which provides homeowners with tailored action plans to boost their home's resilience, specific to their property and the local risk. As at September 2025, the app has facilitated more than 57,000 bushfire assessments and supported an investment of $206 million in home upgrades. It is also the first resilience ratings system to integrate with the insurance underwriting process, with participating insurers such as Suncorp and NRMA offering premium reductions to consumers who take the recommended actions and have the works certified independently. This verification is conducted via remote certification and on-site third-party verification. This year, NAB extended our partnership with RBC to co-fund the expansion of the self-assessment app to become 'multi-hazard' – including flood, storm, cyclone and heatwave, thus increasing the utility for a greater number of households.

NAB recommends government invest in scaling this system nationwide. RBC's existing infrastructure and partnerships provide a strong foundation for a national rollout. Rollout recommendations include: (i) long-term Commonwealth funding to scale free assessments and certification; (ii) mandating ratings at key decision points (sale, lease, rebuild, post-disaster recovery); and (iii) embedding ratings in insurance, lending, valuation and sustainable finance frameworks. The Resilience Ratings System is grounded in scientific evidence and co-designed with industry, research bodies and government, including the National Emergency Management Agency. It is a proven, evidence-based program that delivers personalised home risk assessments, independent action plans and integration with insurance pricing to reward adaptation. Adopting this system would also enable access to granular postcode and household level data on adaptation and risk mitigation.

Enhanced property resilience could be recognised and rewarded through improved access to affordable insurance. Insights from RBC show participating insurers are providing up to 60% reduction in the peril component of insurance premiums for homes with certified Bushfire Resilience Ratings of 3+ Stars, reducing total insurance premiums by up to 21% for households in high bushfire risk areas. Without coordinated action from insurers and government, homeowners may remain financially vulnerable despite physical upgrades. This has implications for credit risk, property values and lending viability. NAB is working with RBC to develop financial incentives to support household adaptation, including encouraging retrofits and rating improvements to qualify for insurance premium reductions from eligible insurers.

While the current focus on housing is critical, it may be valuable to consider how this scalable model provides resilience and affordability solutions that could be applied across other sectors, such as agriculture and SMEs, where climate risks are also driving insurance pressures.

Governments should agree on a series of actions to improve housing resilience over time (Draft Recommendation 3.3)

NAB supports a coordinated national approach to improving housing resilience, particularly for older housing in high-risk areas. Rising insurance premiums and declining availability have led to increased underinsurance or non-insurance among homeowners. This heightens vulnerability for mortgage holders and affects resale value and future lending, given insurance is required at point of home loan origination.

In addition to NAB's work with RBC, we are helping to reduce customer risk and lower exposure to natural hazards by providing tools, education and incentives to support household-level resilience. Improving housing resilience delivers systemic benefits such as safer homes and livelihoods, more affordable insurance, reduced claims for insurers, and lower disaster recovery costs for government.

Government consideration of how Australia manages adaptation to the physical and economic risks of climate change could include:

- Formal recognition of the Resilience Ratings System methodology by RBC.
- Investment in nationally consistent data systems that measure risk reduction and resilience value.

- Integration of the Resilience Ratings System with NatHERS and the National Construction Code to raise minimum resilience standards for existing homes.
- Inclusion of resilience ratings in property valuations, as demonstrated in the current NatHERS pilot.
- Funding to lower barriers to adoption, such as covering valuation verification fees for consumers.
- Targeted support for vulnerable households to ensure equitable access to resilience upgrades and prevent widening financial hardship.

These actions support alignment with the Australian Sustainable Finance Taxonomy's environmental objectives. As the taxonomy evolves to include climate change adaptation and resilience, it could incorporate the Resilience Ratings System into its guidance and leverage its technical expertise to inform scope, definitions and methodology.

Funding solutions are essential to unlock private investment in resilience. Robust data on property-level resilience would support the private sector to help customers mitigate, adapt and build resilience to climate impacts. The Clean Energy Finance Corporation (CEFC) provides a strong model for how public finance can mobilise private capital at scale. NAB encourages exploration of similar mechanisms to support increased investment in home adaptation measures.

This could incentivise the resilience market and support banks to offer household funding solutions including resilience loans, mortgage discounts and targeted grants. NAB also sees potential in integrated finance platforms like FourTwoThree (a NAB joint venture with other global banks), which maps property-level climate risks against sustainability frameworks and connects consumers with green lenders, suppliers and installers.

Give the Climate Change Authority responsibility for monitoring, evaluation and learning regarding adaptation policy (Draft Recommendation 3.4)

▶ *Improved Policy Transparency and Accountability*

Banks benefit from clear, consistent and credible adaptation policy signals. Regular progress reports from the Climate Change Authority (CCA) would support banks' ability to track government commitments and align their own risk management and lending strategies accordingly. In giving the CCA additional responsibility to monitor and evaluate progress in adapting to climate change, it will be critical to specify the scope including which market participants (public sector entities or private sector organisations that disclose publicly) will be covered under monitoring arrangements.

▶ *Support for Resilience Finance*

Banks are increasingly involved in financing more resilient housing, infrastructure, community projects as well as agricultural projects with nature-based outcomes. Regular and consistent progress reports from the CCA could help identify gaps and opportunities for private finance to support impactful adaptation and resilience initiatives.

Interim report: Harnessing data and digital technology

Enabling AI's productivity potential

AI is a once-in-a generation opportunity. It has the potential to transform our economy through its ability to uplift productivity by driving innovation, enhancing decision-making processes and creating new job opportunities in emerging fields. The transformative power of AI has the potential to lead to significant economic growth and improved quality of life for individuals and communities.

NAB supports the PC's draft recommendations aimed at enabling AI-driven productivity, particularly its outcomes-based and risk-proportionate approach to regulation. NAB agrees existing legal frameworks should form the foundations of AI governance, with targeted updates only where genuine regulatory gaps are identified (Draft Recommendation 1.1). AI-specific regulation should be considered as a last resort, where risks cannot be adequately addressed through existing or technology-neutral laws (Draft Recommendation 1.2). NAB also supports the recommendation to pause implementation of mandatory guardrails for high-risk AI until comprehensive gap analyses are completed (Draft Recommendation 1.3).

NAB endorses a regulatory focus on material impact of AI outputs, not technical proxies such as computational power or model size, which do not reliably indicate risk and may inhibit low-risk innovation. NAB urges the Government to ensure Australia remains internationally competitive, reflecting lessons from the unintended consequences of the EU's *AI Act,* including the withdrawal of AI products from the EU market due to regulatory burden.[10]

AI use cases driving productivity at NAB

AI acts as a catalyst for boosting workplace efficiency, empowering our colleagues to work more effectively while delivering superior outcomes for our customers. For example, NAB's Customer Brain is a proprietary AI engine that powers personalised customer experiences at scale. In 2024, the Customer Brain enabled 336 million customer decisions across 250 million customer interactions, drawing on more than 2,000 adaptive models across seven channels.[11] It leverages over 1,000 customer data attributes to deliver more than 200 next-best actions, driving operational efficiency and improved customer outcomes.[12]

NAB is deploying generative AI to transform how frontline staff access and use knowledge. A new AI-powered Knowledge Management Tool reduces manual effort by summarising content and surfacing relevant information from internal process documents and resources in real time, enabling bankers to resolve customer queries more efficiently.

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[10] Oona Lagercrantz (2024). *Europe's AI Blues: US Companies Slow Deployment*. [online] Centre for European Policy Analysis. Available at: https://cepa.org/article/europes-ai-blues-us-companies-slow-deployment/.

[11] National Australia Bank Limited (2024) *2024 Full Year U.S. Disclosure Document*. Available at: https://www.nabcapital.com.au/content/dam/nab-capital/documents/supplementary-business-and-financial-disclosure/2024-Full-Year-U.S.-Disclosure-Document.pdf.coredownload.pdf

[12] NAB News. (2025). *The Brain Behind Better Banking: How NAB's AI is Making Banking More Human - NAB News*. [online] Available at: https://news.nab.com.au/news/the-brain-behind-better-banking-how-nabs-ai-is-making-banking-more-human/.

AI plays a critical role in NAB's fraud and scams prevention systems. AI models are used to monitor transactions for suspicious activity, prompt customers to reconsider risky transfers and detect abusive language in digital banking channels. These tools have contributed to a reduction in investment scams, particularly those involving cryptocurrency. Predictive analytics and behavioural biometrics help to identify threats in real time while maintaining customer trust and compliance with regulatory obligations.

NAB's use of AI is governed by NAB's Data Ethics governance principles and framework, a human rights-based approach that goes beyond legal compliance to ask not whether data can be used, but whether it should be.[13] This principle is embedded in NAB's change delivery processes through Data Ethics Assessments and helps ensure fairness and identifies and mitigates risks such as bias and unintended harm. NAB's approach is grounded in a mature risk governance structure and a commitment to transparency, accountability and customer trust. In 2023, NAB partnered with the Australian Human Rights Commission to develop the human rights impact assessment tool (HRIA tool). This tool assists banks to consider and measure the risk to human rights posed by AI systems and implement strategies to address them.[14]

Given how deeply embedded AI already is in everyday operations, changes to industrial relations requiring employee agreements for every instance of AI implementation would create an unreasonable level of complexity. This includes lifts in buildings and computer software with GenAI features, which may be updated regularly, posing the question of when and how often these agreements would need to be reissued. In banking, automation is a long-standing practice and NAB has established processes for managing role changes, making additional external approval layers unnecessary and obstructive.

NAB supports the introduction of a copyright exception for AI training, provided it includes a practical opt-out mechanism for rights holders. Legal certainty in this area is essential to enable the development of AI models that reflect Australian culture and values, and support innovation by local businesses. Unlike large global tech companies that can absorb legal risk, smaller Australian firms face significant barriers due to current uncertainties, including those that have long surrounded search engine operations. A clear exception, aligned with international best practice and incorporating an opt-out mechanism akin to robots.txt, would strike a balance between the rights of creators and the public interest. This reform would also help build user confidence in generative AI tools, which may otherwise be undermined by concerns about potential copyright liability.

New pathways to expand data access

NAB supports the principle of establishing lower-cost and more flexible regulatory pathways to expand basic data access for individuals and small businesses (Draft Recommendation 2.1).

There should be further consultation with industry to establish what data types deliver the most value to Australian individuals and businesses. The productivity outcomes will not be automatically tied to the amount of data included, but through careful system design. Practical lessons from the

[13] Data ethics | Data Ethics Principles - NAB

[14] Humanrights.gov.au. (2023). *HRIA Tool: AI in Banking*. [online] Available at: https://humanrights.gov.au/our-work/technology-and-human-rights/publications/hria-tool-ai-banking.

introduction of the Consumer Data Right (CDR) in banking should guide design and implementation. In this instance, significant complexity and strong emphasis on data completeness has come at the expense of innovation and, ultimately, customer adoption.

Privacy regulation

An alternative compliance pathway for privacy (Draft Recommendation 3.1)

NAB supports in principle Draft Recommendation 3.1 to introduce an alternative, outcomes-based compliance pathway under the *Privacy Act 1988* (Cth), specifically the 'defence' model. NAB continues to advocate for privacy regulation that is proportionate, risk-based and adaptable to evolving technologies and business models.

An outcomes-based framework that prioritises demonstrable privacy outcomes would help enable compliance for small businesses and entities that are not currently subject to privacy obligations. This may be particularly applicable for obligations which have a high compliance burden on smaller entities, such as consent regimes.

This proposed framework could also give regulated entities the ability to tailor their compliance strategies to their operational context while maintaining high standards of protection. In general, outcomes-based regulation is preferable as it allows entities to choose the procedures or controls that are best suited to their individual business. Further consultation on what should be classified as a core restriction and what would be outcomes based is needed.

Do not implement a right to erasure (Draft Recommendation 3.2)

NAB supports Draft Recommendation 3.2. Existing obligations under the Australian Privacy Principles already provide individuals with meaningful avenues to access, correct and manage their personal information without adding the operational and legal complexity associated with erasure rights.

NAB notes it is not always possible to destroy data, particularly where data is in legacy systems or intermingled with other data. NAB also notes EU firms have consistently rated the right to erasure, known as the 'right to be forgotten', as the hardest obligation to implement under General Data Protection Regulation (GDPR).

NAB supports the broader focus on reforming Australia's data retention framework to reduce duplication, improve clarity and ensure a better balance between privacy, security and operational efficiency. As highlighted in NAB's submission to the Attorney-General's Department's 2023 Data Retention Review, the current patchwork of federal and state retention obligations, particularly under Anti-Money Laundering legislation, creates significant compliance complexity and inhibits the safe destruction of customer records.[15] NAB recommends a more uniform and risk-based retention regime, supported by tools such as a centralised ID register to reduce unnecessary data storage and mitigate cyber security and privacy risks. Aligning legislative requirements and conducting cross-agency reviews would help reduce regulatory complexity and improve compliance outcomes.

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[15] Australian Government (2023). *Government Response | Privacy Act Review Report*. [online] Available at: https://www.ag.gov.au/sites/default/files/2023-09/government-response-privacy-act-review-report.PDF.

Digital financial reporting

NAB recognises the potential benefits of the PC's proposal to make digital financial reporting the default for reporting entities. These benefits include improving data accessibility, streamlining regulatory reporting and reducing the cost of capital, particularly for investors seeking greater transparency and comparability across entities.

NAB encourages the PC to consider the evolving role of AI in financial reporting. AI tools are increasingly capable of interpreting and standardising diverse reporting formats, potentially reducing the need for rigid taxonomies. For example, AI could be used to translate terminology across annual reports to support benchmarking and analysis, without requiring entities to adopt uniform tagging frameworks.

It should be noted that the transition to mandatory digital financial reporting would impose significant costs on reporting entities. In certain components of reporting, NAB outsources tagging and applies it retrospectively to publicly available information, a model that is not scalable under a mandatory regime. Internal estimates suggest implementing digital financial reporting across NAB's systems would be substantially greater than the costs estimated in the interim report, with ongoing annual costs comparable to those incurred for APRA statistical reporting. These costs are compounded by the need to ensure compliance with existing obligations such as CPS234 and cybersecurity obligations, alongside the introduction of new regulations (e.g. new accounting standards under IFRS 18). The implementation of such changes requires robust controls over data integrity and system resilience.

NAB also notes that audit capabilities for digital financial reports remain underdeveloped in Australia. The cost of external audit services is material and not adequately reflected by the PC recommendations. For example, a simple audit of a small NAB subsidiary in 2024 approached $100,000.

The current alternative methods between the data requirements of ASIC, the ATO and APRA present a challenge for unified delivery. APRA's low-level data tagging contrasts with the higher-level queries typically received, increases the resource burden for analysis and categorisation. Clarity is also sought on how the proposed changes would align with APRA's direction of increasing low level data requirements under the future detailed data capture initiative.

While digital financial reporting has been implemented in other jurisdictions, it is important to acknowledge the significant increase in regulatory reporting requirements in Australia over the past decade. Since the proposal was first raised, mandatory climate disclosures, Basel III liquidity reporting, Economic and Financial Statistics (EFS) reporting and other complex obligations have been introduced. In this context, any new mandatory requirement should be accompanied by a reasonable implementation timeframe. NAB recommends a minimum of five years to allow for both internal and external system upgrades, process redesign, as well as data lineage and stakeholder engagement.

Regarding the implementation of mandatory digital financial reporting, NAB's preference is for submissions to be in Inline Extensible Business Reporting Language (iXBRL) format, which fulfils the dual use case of being able to be read digitally or by humans. As noted in the interim report, comparable jurisdictions have opted for this format. Digital financial reports should be submitted in one central location, such as an online ASX portal.

NAB notes the PC's request for further information on amending the *Corporations (Fees) Regulations 2001 (Cth*) (schedule 2, item 16), which specifies ASIC must charge a fee for access to financial reports. NAB supports the principle of making the reports freely available, however notes that further consultation may be required to fully assess the implications of this change.

Additionally, if digital financial reporting is to replace PDF-based shareholder reporting, regulatory adjustments may be needed to ensure retail shareholders can access and interpret digital formats. Without these changes, entities may be required to maintain dual reporting formats, undermining the efficiency gains of the proposed reform.

NAB supports the intent of Draft Recommendation 4.1 but urges the PC to consider the cost, complexity, and accessibility for users and timing of implementation. A phased approach, supported by regulatory harmonisation and technological innovation, will be essential to ensure the benefits of digital financial reporting are realised without adding complexity for reporting entities.

Interim report: Building a skilled and adaptable workforce

The best resources to improve school student outcomes

NAB supports the PC's draft recommendations to lead efforts ensuring equitable access to educational technology and AI tools in schools. These initiatives are essential to prepare students for the digital economy and address Australia's cyber skills shortage. NAB actively promotes inclusive and secure technology adoption, including through workshops and STEM programs with school-aged and university participants, and industry partnerships.

Building skills and qualifications for a more productive workforce

NAB supports the PC's Draft Recommendation 2.1 to move towards a national system of credit transfer and recognition of prior learning. We recognise that a more integrated and transparent tertiary education system is essential to enabling lifelong learning and workforce adaptability. NAB welcomes efforts to streamline credit recognition processes, particularly where they support individuals to upskill and reskill to meet changing industry demands. We encourage the PC to ensure any national database or framework is designed with input from industry and education providers to ensure usability, consistency and alignment with workforce needs. While NAB acknowledges skills and education is largely the remit of the states and territories, skills policy has a collective, nationwide impact on availability of skills and labour. Similar training and upskilling opportunities should be available nationwide, with no Australian barred from accessing opportunities based on their state or territory of residence.

NAB also supports Draft Recommendation 2.2 to trial financial incentives and advisory services aimed at increasing work-related training in SMEs. In NAB's submission to the Treasurer's Economic Reform Roundtable, we advocated for regulatory simplification and targeted support for SMEs who often bear a disproportionate compliance burden and lack the resources to invest in workforce management and development. Engagement with our small business customers and industry bodies has highlighted that time and cost constraints are key barriers to training uptake. We welcome proposals such as tax credits and SME advisory services, which could help address these barriers and build capability in a sector that is critical to Australia's economic resilience. We encourage the PC to ensure any trials are designed to be scalable and responsive to the diverse needs of SMEs across sectors and regions.

Fit-for-purpose occupational entry regulations

NAB supports Draft Recommendation 3.1 to remove excessive occupational entry regulations that offer limited benefit.

NAB continues to advocate for greater consistency in state-based regulations, including for occupational entry and licensing. We welcome measures by some state governments to better recognise qualifications across state borders.

As highlighted in NAB's 2024 SME Insights research, small businesses face a disproportionate level of regulation which stifles growth and innovation.[16] Supporting small business owners to find and employ suitable candidates with the right mix of skills – including via a skilled migration system that prioritises the skills the economy needs - would help solve one of the key pressures for SMEs and help free up time to manage and grow their business.

Additionally, inconsistent licensing and entry requirements across jurisdictions are significant time and cost barriers for SMEs who often lack the in-house expertise to navigate these complexities. NAB suggests that government map small business regulation nationally to identify barriers preventing small businesses from expanding across state and territory borders and accessing talent. Consistency in skills and training pathways nationally will ensure that small businesses have greater access to a pool of skilled labour in their local communities.

NAB supports Draft Recommendations 3.2 to 3.4, which propose expanding entry pathways, streamlining qualification requirements and improving the review and reform of occupational entry regulations. These measures are essential to addressing the skills shortages that continue to constrain small business growth. NAB's SME Insights research shows that hiring and retaining staff is a significant challenge faced by for SMEs, with many reporting difficulties in finding qualified candidates and navigating wage pressures. [17]

Streamlining qualification pathways and introducing sunset reviews of outdated regulations would help ensure occupational entry requirements remain fit-for-purpose and responsive to industry needs. NAB also supports the use of the National Competition Policy process to incentivise reform, particularly where it can reduce red tape and improve productivity in SME-dominated sectors.

Conclusion

NAB appreciates the opportunity to respond to the PC's interim reports and looks forward to continued engagement. We welcome further opportunities to discuss the ideas raised in this submission.

[16] Unlocking growth for small and medium enterprises Backing our businesses. (2024). Available at: https://news.nab.com.au/wp-content/uploads/2024/10/NAB-SME-Insights-Paper.pdf.
[17] Unlocking growth for small and medium enterprises Backing our businesses. (2024). Available at: https://news.nab.com.au/wp-content/uploads/2024/10/NAB-SME-Insights-Paper.pdf.