

MARCH 2012

UNITED NATIONS GLOBAL COMPACT AND NATIONAL AUSTRALIA BANK
COMMUNICATIONS
OF PROGRESS

Overview

At the heart of our Group is a belief in the potential of our customers and communities, and in each other. We look for positive, value-creating and sustainable relationships and solutions.

We are motivated:

- TO DO THE RIGHT THING
- TO HELP OUR CUSTOMERS AND COMMUNITIES
- TO REALISE POTENTIAL

This belief also places a high standard for our behaviours and asks all employees to be authentic and respectful, work together and create value through excellence.

As a financial services organisation with over 12 million customers and over 45,000 employees, our operations interface with a number of stakeholders across the industries and regions we operate in. We recognise that a bank has a special responsibility. Our CR Approach outlines our approach to corporate responsibility across five focus areas: our customers, our people, the communities in which we operate, our suppliers and the environment.

Examples of our activities in these areas include:

PEOPLE	CUSTOMER	COMMUNITY	ENVIRONMENT	SUPPLY-CHAIN
Diversity and inclusion, workplace relations, occupational health and safety.	Financial inclusion, hardship, responsible lending/investment, fees and charges, accessibility.	Disaster response, support for indigenous communities, local community partnerships and community engagement.	Operational efficiency, environmental risk management, project financing, including commitment to the Equator Principle commitments and United Nations Environment Programme Finance Initiative and Carbon Disclosure Project membership.	Outsourcing, Supplier Sustainability Principles, social procurement, fair trade.

Human Rights

UNGC PRINCIPLES

BUSINESSES SHOULD:

1. support and respect the protection of internationally proclaimed human rights.
2. make sure that they are not complicit in human rights abuses.

GRI REFERENCE

- DMA HR
- EC5
- LA6-9
- HR1-7
- S01
- PR9

COMMITMENT

The framework for the protection of human rights is formed by our policies, which apply across the Group.

In these policies we commit ourselves to international standards of conduct including the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the Universal Declaration of Human Rights.

A range of initiatives and policies help us to meet the requirements of the Human Rights aspects of these commitments.

POLICIES AND PROCESSES

We do not directly operate in areas considered at high risk of human rights abuses. Economic and social governance considerations are incorporated into our risk framework, including human rights.

Our policies and business practices reflect our commitment to creating an inclusive culture. Our work in areas such as diversity, equal opportunity and financial inclusion help us achieve this within our own operations.

We have been signatories to the Equator Principles since 2007, committing ourselves to a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing.

When we assess project finance opportunities within high-income OECD countries, we evaluate them for compliance with the relevant domestic regulatory requirements.

For projects in all other countries, we apply International Finance Corporation (IFC) and World Bank safeguard policies (as a minimum). We apply these policies - regardless of the monetary value of

the project - if there are concerns that for example environmental habitats, Indigenous peoples and community rights may be at risk.

As at 30 September 2011, NAB Group's project finance portfolio did not include any lending in low-income OECD countries.

Our procurement process clearly informs potential suppliers of our expectations, policies and requirements and outlines our preference to do business with suppliers that have sound environmental, workplace and human rights practices.

In 2009, NAB introduced a Supplier Sustainability Program in Australia to educate, influence and support our supply chain to improve their sustainability performance. In 2011 BNZ also developed a Supplier Sustainability Resource pack to educate suppliers.

Our Group Outsourcing Policy specifically states our commitment to supporting fair and non-discriminatory employment practices and fair workforce standards for international operations. These are encapsulated in the following

international benchmarks in our own operations and requiring demonstration of operating policies and practices that support these same standards from our suppliers.

- We are committed to upholding the OECD Guidelines for Multi National Enterprises and the UN Declaration on Human Rights.
- We are a signatory to the Equator Principles and our project financing assessments incorporate consideration of these voluntary standards for social and environmental risk.
- Our commitment to supporting Indigenous communities is described in our Reconciliation Action Plan, which covers three main areas of focus including financial inclusion, access to real jobs, and cultural awareness.

It also explains what sustainability in the supply-chain means for us, including understanding what products are made of, where they come from and how they are made. For services this means looking at who is providing the services and how the services are managed, particularly in relation to work place practices and human rights.

Human Rights

KEY ACTIONS IN 2011

- Continued to educate staff more broadly on environmental and social governance (ESG) issues, including human rights. Examples of this include holding a session on human rights at our Global Climate Change & Environment Conference. The three-day event in Melbourne brought together over 100 NAB Group employees for presentations, panel discussions and interactive workshops on climate change related topics.
- Included an ESG module in our employee compliance training - compulsory for all employees.
- Published our fourth Reconciliation Action Plan in Australia.
- Recognised as an Employer of Choice for Women for the fifth year running by the Equal Opportunity for Women in the Workplace Agency (EOWA).
- Commenced a review of our operations against the Business Principles for Human Rights as part of a wider social risk review.

FURTHER INFORMATION

- Details of our approach to **diversity**, including our **Group Gender Diversity Targets**, can be found in our 2011 Annual Review and People Dig Deeper paper [here](#).
- More information on our approach to **financial inclusion** can be found [here](#).
- More about our support for **Indigenous** communities in Australia can be found in our Reconciliation Action Plan [here](#).
- Our **Australian Supplier Sustainability Principles** can be found [here](#). (New Zealand also has a set of Supplier Sustainability Principles however they are not currently published externally).

Labour

UNGC PRINCIPLES				GRI REFERENCE
BUSINESSES SHOULD UPHOLD:				
3.	4.	5.	6.	
the freedom of association and the effective recognition of the right to collective bargaining.	the elimination of all forms of forced and compulsory labour.	the effective abolition of child labour.	the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none">• DMA LA• LA4-5, LA13-14• HR1-7• EC7• SO5

COMMITMENT	<p>NAB Group plays a significant role in the lives of over 45,000 employees. Our focus on leadership, culture and capability supports our business strategy to become a great place to work and an organisation with which our customers want to do business.</p> <p>We take diversity seriously with an understanding that attracting and supporting a diverse workforce is critical to our business success. In Australia we have a focus on gender, age and flexibility, with measurable group gender diversity targets and we report on our progress annually.</p>	<p>An effective diversity agenda needs to be ‘owned’ and led by the business in order to fully integrate diversity into our culture and all elements of business planning. Responsibility for this ‘business led and business owned’ framework does not lie solely with senior leadership - it is shared by NAB’s Diversity Forum, our Diversity & Inclusion team, and all our employees.</p> <p>Our commitment to diversity and inclusion underpins our interaction with all our stakeholders, from customers, to our employees, to suppliers and our partners.</p> <p>We have a number of objectives, targets and measures to enable us to create a fair and open workplace that supports freedom of association and recognition of the right to collective bargaining as aligned with regional laws and regulations.</p>	<p>Our enterprise behaviours encourage employees to speak up and have open, honest and constructive conversations, and encourage others to share their ideas and actively listen to, and respect their ideas.</p> <p>We employ an adult professional workforce in all countries in which we operates and do not currently operate in areas considered at high risk of forced or underage labour. We include criteria around fair social and labour practices in our Supplier Sustainability Principles in Australia and New Zealand and sustainability criteria in supplier contracts in the UK.</p>
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POLICIES AND PROCESSES

NAB Group recognises the rights of employees to join and be represented by a union without suffering from any form of discrimination or prejudice. The National Australia Group covering the NAG operations in Australia, United Kingdom and New Zealand have signed a Global Unions Engagement Strategy with the relevant unions in those constituencies, recognising employee rights to freedom of association and collective bargaining

All NAB Australian and National Wealth Management Services (NWMS) employees are covered by a collective agreement. This agreement recognises the right of employee union representatives and a reasonable entitlement to paid leave to attend to their representational duties.

Enterprise Agreements have been set up in Australia and New Zealand that have delivered a number of workplace changes that will drive a flexible and supportive work environment.

The agreements include Off-shoring Principles in line with our Group Corporate Responsibility Procurement Policy and commitment to Fair International Workforce Standards. NAB Group believes it complies with all relevant freedom of association legislation, regulatory requirements and ILO Conventions 87 and 98.

Our Group Outsourcing Policy highlights our support for fair and non-discriminatory employment practices and Fair Workforce Standards encapsulated in the following international benchmarks in our own operations and requiring the demonstration of operating policies and practices that support these same standards from our suppliers:

- The OECD Guidelines for Multinational Enterprises; and
- The UN Declaration of Human Rights.

We are committed to creating a diverse and inclusive workplace, one in which individual differences are valued and respected, and which reflects the customers we support and the communities we live in. It's good for our people, and good for the business. Our Group Diversity Policy outlines our approach to creating a more diverse and inclusive workforce and the expectations and behaviours that drive this.

Our commitment to Indigenous Australians is detailed in our fourth Reconciliation Action Plan. We continue to focus on three areas that play to our strengths as an organisation and aligns with our goal to build strong, sustainable and more inclusive communities:

- Provide greater access to financial products and services to promote financial inclusion.
- Build access to valuable, long lasting and meaningful employment opportunities that are delivered in a sustainable way.
- Support greater organisational understanding of and respect for Indigenous Australians, their culture and aspirations.

We also continue to leverage the experience we have in other community focussed programs such as microfinance, and pilot each program before progressing further. This ensures we can continually refine how we deliver in the early stages.

Our African Australian Inclusion Program is a joint initiative between NAB, Jesuit Social Services (JSS)*, and Adult Multicultural Education Service (AMES). Lack of work experience in the Australian business sector is the single largest barrier for qualified African-Australians to gain employment, The AAIP seeks to address this by providing commercial experience and opportunities for qualified African-Australians, with a view to increasing the chances of becoming and remaining sustainably employed in a chosen field in the Australian workforce.

From January 2012 all our preferred external recruitment suppliers will need to demonstrate that they comply with NAB's Diversity and Inclusion Policy, have a written diversity policy/framework for their business, and undertake appropriate diversity training for their people.

Furthermore, as the largest Fair Trade accredited workplace in the world (as accredited by the Fairtrade Association of Australia and New Zealand in 2011), we actively make purchasing decisions to support better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world.

Labour

KEY ACTIONS IN 2011

- Reviewed our Enterprise Agreements in Australia and New Zealand.
- Review and update the Global Unions Engagement Agreement.
- Recognised as the largest Fair Trade accredited workplace in the world by Fairtrade Australia.
- Published Group Gender Diversity targets.
- Continued to expand our African Australian Inclusion Program.
- Launch of Women's networking Group and external 'Pearls' program in the UK and 'WiNA' Women's networking Group in Asia.
- Took part in the annual Stonewall Workplace Equality Index in the UK which benchmarks public and private sector organisations to achieve a place in the top 100 employers. In 2011 we reached 87 and in 2012 we were ranked 67.

FURTHER INFORMATION

- More information about our **industrial relations** can be found [here](#).
- More information on our commitment to diversity, including our **Group Gender Diversity targets** can be found in our 2011 Annual Financial Report [here](#).
- Information on our **Supply-chain practices** can be found in our 2011 Annual Review and Supply-chain Dig Deeper Paper [here](#).
- Information on our **Fair Trade** accreditation can be found [here](#).
- Details of our **Social Procurement Panel** can be found [here](#).

Environment

UNGC PRINCIPLES			GRI REFERENCE
BUSINESSES SHOULD:			
7. support a precautionary approach to environmental challenges.	8. undertake initiatives to promote greater environmental responsibility.	9. encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none">• 4.11• EN1 to EN23• EN26-28• So5

COMMITMENT	<p>We are committed to managing the impact of our business on the environment. We have a role to play in the long-term sustainability of our planet and its natural resources by reducing the direct and indirect environmental effects of our operations. A sustainable approach to managing our business is important not only for the environment but also for the long-term growth and resilience of our business.</p> <p>Our environmental agenda incorporates strategies covering:</p> <ul style="list-style-type: none">• Climate Change• Resource Efficiency: Beyond Carbon Neutral• Natural Value	<p>Becoming Carbon Neutral is just one example of our commitment to tackling environmental challenges.</p> <p>We were the first major Australian corporate to be certified carbon neutral under the Australian government’s National Carbon Offset Standard. We have also published Greenhouse Gas Reduction and ‘Beyond Carbon Neutral’ targets. These outline how we hope to continue reducing our resource use and waste through to 2013. Our Beyond Carbon Neutral Report for the Australian region, identifies future areas of focus for us that include leveraging our experience to support our customers and suppliers as they address their environmental impacts, and monitoring the impact of our operations on biodiversity and ecosystems.</p> <p>Our operational focus in the Australian region has also expanded in Beyond Carbon Neutral to more explicitly include initiatives targeted at reducing resource consumption and waste. This is supported by reduction targets we have put in place to date in Australia and the UK.</p>	<p>Additionally, we have continued to increase our focus on sustainable supply chain management.</p> <p>As a provider of capital, we recognise the important role we have to play in helping our customers to move towards a lower carbon way of doing business. We have expanded our range of environmental finance products and services and continued our support of renewable energy development through project finance.</p> <p>NAB embeds risk management as part of our day-to-day business practices. These are described on our Group website. Where environmental challenges are identified and viewed as material because they are likely to impact on our operations or our credit risk processes, wherever practicable, we undertake a risk assessment and may modify our policies, processes and procedures to account for these risks.</p>
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Environment

POLICIES AND PROCESSES

NAB Group considers that responding to the risks and opportunities of climate change through our Climate Change Strategy is part of sound business management.

Our Group-wide Climate Change Strategy has five key elements:

- Developing products and services to help our customers respond to, and manage the impacts of, climate change;
- Understanding and management of climate risks and opportunities – including consideration of the impact of climate change in our lending and investment decisions, as well as other areas of relevant operational policy, including building design;
- Advocacy, communication and third party validation;
- Leadership through our own actions – reducing our own carbon footprint and sharing our experience with others; and
- Engaging and assisting our people.

We recognise that in addition to reducing our own environmental footprint, significant opportunities exist to help our customers as they transition to a lower carbon way of operating, and adapt to, and manage, the risks of climate impacts, natural resource constraints, biodiversity losses and changing environmental policy and regulatory requirements.

We are committed to:

- being a leading financier of renewable energy development;
- building capability in servicing carbon markets; and
- offering new financial products and services to help our customers, where they are responding to environmental challenges and/or regulatory changes.

Business opportunities, such as the provision of environmental products and services, are identified and prioritised through the strategic planning process both at the Group and business line level.

More information on our new product initiatives can be found [here](#).

Our environmental product and advisory teams in Australia and New Zealand are also providing:

- advisory and financing work around Clean Development Mechanism (CDM) and Carbon Farming Initiative projects;
 - Kauri bond issues;
 - through BNZ, directly providing debt on the back of carbon revenues from forestry;
 - Environmental Upgrade Agreements (building retrofits to make residential and commercial properties more efficient).
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Environment

KEY ACTIONS IN 2011

- Launched new Greenhouse reduction targets.
- Launched our Beyond Carbon Neutral resource efficiency program in Australia.
- Launched energy efficiency financing for commercial buildings in the form of environmental upgrade agreements, in collaboration with Low Carbon Australia and Eureka Funds Management.
- BNZ has co-developed green lease guidelines for all new leases and lease renewals for existing buildings in conjunction with NZ Property Council.
- Signed the UNEP FI Natural Capital Declaration - a statement by global financial institutions that recognises natural value as an issue that may bring risks and opportunities.
- Attained our first National Australian Built Environment Rating System (NABERS) Energy certificate for our office at 100 St Georges Terrace, Perth.
- Completed the design phase for our new building at 700 Bourke Street, Melbourne. Some of the sustainable design features for the new building are:
 - A central atrium that will distribute air flow and daylight throughout the building
 - High performance façade design to assist with heat load and glare
 - 6 star green star base building energy rating
 - Blackwater treatment plant
 - Rainwater harvesting
- Launched our new Green Action Program champion network with our employees in Australia.
- Implemented new carbon management software in New Zealand.
- National Australia Bank's UK operations placed 362 out of over 2000 companies in the CRC Energy Efficiency Scheme league table published by the UK's Environment Agency.
- Retained our ISO 14001 certification at Merrion Way, Leeds, UK.
- Centralised our office and paper supplier in the US so 100% of paper products purchased by Great Western Bank have recycled content.
- Established an Asia Environmental Sustainability Working Group to lead on environmental sustainability matters in Asia.
- Continued developing our regional PaperCuts and Green IT programs for Asia.

FURTHER INFORMATION

- Details of our initiatives to **reduce our environmental impact** and **promote sustainable practices** can be found in our 2011 Annual Review and Environment Dig Deeper paper [here](#).
- Information on our **environment and risk governance** can be found at [here](#).
- Information on our understanding of **Natural Value** can be found [here](#).
- Our **Beyond Carbon Neutral** targets can be found at [here](#).

Anti-Corruption

UNGC PRINCIPLES	GRI REFERENCE
BUSINESSES SHOULD: 10. work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none">• DMA So• So2-8

COMMITMENT	<p>NAB Group is committed to providing a professional environment managing financial crime (such as money-laundering and counter-terrorism; bribery & corruption; and trading with sanctions/embargoed countries and entities) in addition to meeting regulatory requirements in these areas.</p> <p>Good corporate governance is a fundamental part of the culture and business practices of NAB Group in the prevention of financial crime. Our corporate governance framework along with our financial crime program, policies and procedures provides for effective decision making about the affairs of the Group and our customers.</p>	<p>The Financial Services Industry is vulnerable to financial crime including internal and external fraud. As such, the Group is committed to ensuring that the risk of, and opportunities for financial crime are reduced.</p> <p>Effective risk management is a key capability of a successful financial services provider. NAB Group's approach is based on three lines of defence, and the principle that, to be effective, risk management must be embedded in front line teams and supported by objective insight, appetite and oversight.</p>	<p>The Board and Executive Management Committees monitor and oversee the Group's risk management framework and application, which include the financial crime risks facing the Group.</p>
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Anti-Corruption

POLICIES AND PROCESSES

NAB Group's Anti-Money Laundering and Counter Terrorism Financing, Anti-Fraud, Corruption and Bribery Policies detail management strategies to minimise the risk of opportunities for financial crime within the Group. These policies are owned by the Group AML, Bribery & Sanctions Compliance Team.

The policies outline employee's responsibilities to act honestly and adhere to internal controls and procedures designed to prevent any form of financial crime and to report such acts should they be identified.

The Group's Policies on Financial Crime are supported by a range of policies and guidelines as outlined below:

- Group Whistleblower Policy; Group Securities Trading Policy
- Group Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Policy
- Group Anti-Money Laundering and Counter-Terrorism Financing Guidelines
- Group Operational Risk Framework
- Group External Auditor Independence Policy
- Group Government Contact & Political Donations Policy
- Group Compliance Risk Framework
- Group Procurement & Outsourcing Policy
- Group Conflicts of Interest Policy;
- Gifts and Conflicts of Interest Register;
- Code of Conduct
- Group Disclosure and External Communication Policy
- Group Sanctions & Embargoes Policy

Key documents that outline our significant commitment to corporate governance include our Corporate Governance Statement and Principal Board Charter.

External commitments and activities in Financial Crime Prevention include:

- Adoption and commitment to the Financial Action Task Force (FATF) 40 +9 Recommendations, a set of recommended policies and processes to combat money laundering and terrorism financing.
- Adoption and commitment to the Wolfsberg Group AML Principles.
- Adhering to international Sanctions & Embargoes notices and Counter-Terrorism SDN lists on an ongoing basis.

Mitigation of reputational and operational risk is an integral part of our risk management processes.

A summary of the Group's risk processes can be found [here](#).

Serious breaches in Group Policy and Compliance can result in adverse performance outcomes and/or termination of employment.

Across the Group, our Code of Conduct and enterprise behaviours outline expected standards for all NAB employees. The Code of Conduct applies to all employees and directors of the Group, with the conduct of the Board and each director also governed by the Board charter.

The Code of Conduct covers:

- personal conduct;
- honesty;
- relations with customers;
- financial advice to customers;
- conflict of interest; and
- disclosure.

The Group's Enterprise Behaviours together with the Company's Code of Conduct take into account the Company's legal obligations and the reasonable expectations of the Group's stakeholders, and emphasise the practices necessary to maintain confidence in the Company's integrity. A copy of the Group's Enterprise Behaviours and Code of Conduct can be found [here](#).

We have a range of training, awareness-raising, monitoring and review activities to support adherence to the Code. Reflecting our commitment to upholding these enterprise behaviours, reward and performance for all NAB employees is directly linked to demonstrating these enterprise behaviours.

NAB invests in sophisticated monitoring, surveillance, prevention and detection systems and techniques to ensure that the risk of, and opportunities for, fraud and corruption are minimized.

Anti-Corruption

KEY ACTIONS IN 2011

- Updating the Group Anti-Fraud and Corruption Policy to incorporate Bribery and consider the requirements of the UK Bribery Act (2010).
- Running community workshops aimed at educating the elderly on financial scams and fraud to prevent financial abuse of the elderly in BNZ.

FURTHER INFORMATION

- Our **Corporate Governance** Statement can be found [here](#).
- Our **Principal Board Charter** can be found at [here](#).
- A summary of our **Group Risk** processes can be found [here](#).
- Our **Code of Conduct** can be found [here](#).
- Information on our **Supplier Sustainability Program** can be found [here](#).
- Our **Supplier Sustainability Principles** can be found [here](#).
- Our fourth **Reconciliation Action Plan** can be found [here](#).
- Our **2011 Annual Review** suite of reporting documents can be found [here](#).
- Our **Group Corporate Responsibility Procurement Policy** can be found [here](#).
- Our **Beyond Carbon Neutral Report 2011** for the Australian region can be found [here](#).
- Our **Group Environment Policy** can be found [here](#).

NOTES:

References to 'nab', 'NAB', the 'National', 'National Australia Bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' refers to the National Australia Bank Limited and its controlled entities. All **data** in this Communication on Progress is as at 30 September 2011 (NAB's financial year end) except where stated otherwise.
