

**March 2013**



**United Nations Global Compact – 2013**

# **Communication of Progress.**

# Overview

## Who we are:

National Australia Bank is a financial services organisation with over 12.9 million customers, 43,000 employees, operating more than 1,800 stores and business banking centres and is responsible to more than 480,000 shareholders.

While our core franchise is Australian-based, we also have interests in New Zealand, Asia, the United Kingdom and the United States.

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.

**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.**

Our operations interact with a large number of stakeholders across the industries and regions we operate in and we recognise that a bank has a special responsibility. Our Code of Conduct guides how we do business and clearly sets out the standards of responsibility and ethical conduct required of every employee and everyone working on our behalf – including contractors, consultants and directors. Our Corporate Responsibility (CR) Framework outlines our approach to CR 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, flexibility, workplace (labour) relations and occupational health and safety.	Financial inclusion, hardship, responsible lending/investment, fees & charges, accessibility, customer service including complaints resolution and prevention.	Education, financial and social inclusion, mental health support services, community engagement, giving and volunteering, supporting development of Indigenous Australia and measuring our performance against peers through the London Benchmarking Group methodology.	Areas of focus for our environmental agenda include climate change, resource efficiency and natural value. Other key activity areas include environmental risk management and project financing – particularly for renewable energy. We are signatories to the Equator Principles, the United Nations Environment Programme Finance Initiative, the Natural Capital Declaration and the Carbon Disclosure Project.	Responsible procurement practices, sustainable supply chain management and supplier diversity and inclusion.

More information on our approach to CR can be found on our website ([www.nabgroup.com/cr](http://www.nabgroup.com/cr)).

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# Overview

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## About this Communication of Progress:

The majority of information included in this Communication is based on NAB's 2012 Financial Reporting Year: 1 October 2011 – 30 September 2012. However, our environmental information is based on our environmental reporting year – 1 July 2011 to 30 June 2012 (to allow for alignment to relevant regulatory reporting requirements). Where appropriate we have included material updates and items that have occurred between 30 September 2012 and the date of this Communication.

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 National Australia Bank Limited and its controlled entities.

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# Human Rights

UNGC Principles		GRI References
<b>Businesses should:</b>		
<b>1.</b> support and respect the protection of internationally proclaimed human rights.	<b>2.</b> make sure that they are not complicit in human rights abuses.	DMA HR EC5 LA6-9 HR1-7 SO1 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, however we are nonetheless committed to managing human rights along with other economic and social governance considerations as part of our risk framework.

Our Group-wide policies and business practices aim to respect and promote human rights. For example, we have extensive programs and initiatives in place to support our commitments in the areas of diversity, equal opportunity, health and safety, indigenous development, education and financial inclusion.

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 all project financing.

When we assess project finance opportunities within high-income OECD countries, we evaluate them for compliance with the relevant domestic regulatory requirements. We report our performance publicly in our Customer Dig Deeper paper published annually online.

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 2012, 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 expectation that suppliers we do business with have sound environmental and social standards in place, including those relating to workplace and human rights practices.

In 2012, we consolidated our existing regional approaches to sustainable supply chain management and launched our Group Supplier Sustainability Principles to monitor and manage sustainability risks, including the protection of human rights, across our supply chain. Importantly, this will enable a consistent approach to managing supply chain performance across our regions of operation.

Our Group Outsourcing Policy specifically states our commitment to supporting fair and non-discriminatory employment practices and fair workforce standards for international

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# Human Rights

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operations. We are committed to upholding the OECD Guidelines for Multi National Enterprises and the Universal Declaration on Human Rights and we require our suppliers to demonstrate they have operating policies and practices in place that support these standards.

Our Group Outsourcing Policy 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 workplace practices and human rights.

We recognise that a significant human rights issue in Australia is the social and financial exclusion of Indigenous communities. We continue to support the inclusion of Indigenous Australians with specific actions described in our Reconciliation Action Plan in the areas of: financial inclusion, access to real jobs, cultural awareness and building business partnerships.

## Key Achievements in 2012

- Launched our Group Supplier Sustainability Principles (a consolidation of existing regional approaches).
  - Continued employee education initiatives to engage our people more broadly on environmental, social and governance (ESG) issues, including human rights. Examples of this include our biennial Corporate Responsibility Conference, which brought together over 150 NAB Group employees for presentations, panel discussions and interactive workshops on human rights issues such as diversity and Indigenous inclusion.
  - Included an ESG module in our employee risk compliance training – compulsory for all employees. To date this training has been completed by over 28,000 employees.
  - Recognised as an Employer of Choice for Women for the sixth consecutive year running by the Equal Opportunity for Women in the Workplace Agency (EOWA).
  - Continued to invest in the development of our women and more specifically targeted activity to increase female representation in leadership positions. The **NAB Realise Program** is tailored to support women to transition into such roles. This group mentoring program aims to help participants develop themselves and their career resiliency skills, develop and build on skills, debate a range of topics and introduce high profile guest speakers to share their experiences.
  - Continued to support International Women's Day (IWD) to help us to connect women around the world, to inspire them to achieve their full potential and support them in doing so, and also help to create awareness of how NAB supports gender equality.
  - Launched our Accessibility Action Plan 2012 – 2014 in December 2012. The Accessibility Action Plan has five key objectives with supporting actions which aim to improve access for all people who have a disability.
  - Conducted a series of Financial Independence and Social Media events across Australia for women and their daughters 14 years+ with the objective to empower women economically.
  - Developed partnerships with Australian Women's Chamber of Commerce, Women on Boards and Australian Institute of Company Directors to deliver a series of education and personal development workshops focused on improving women's financial confidence and independence.
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# Human Rights

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## Key Actions Planned for 2013

- Publish our fifth Reconciliation Action Plan in Australia outlining our continued commitment to financial inclusion, meaningful employment, cultural understanding and building business partnerships with Indigenous Australia.
- Finalise a review, commenced in 2012, of our operations against various international human rights frameworks, as part of a wider social and governance risk review. The scope of this review includes assessing NAB's compliance with its voluntary commitments, including how the organisation meets the requirements of the UN Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Human Rights. Expected completion of this review is early 2013.
- Development of a supplier assessment framework and tool which will assist us to better manage the risks and opportunities within our supply chain. Human rights will be incorporated into this framework.
- Implement the aligned actions for the first year of the Accessibility Action Plan 2012-2014 and continue to monitor their effectiveness to ensure that improvements to initiatives are sustained over the long term.
- Continue to conduct Financial Independence events for women and their daughters 14 years and older.
- Announcement and launch of the inaugural NAB Women's Agenda Leadership Awards.
- Continue a series of partnerships to deliver educational and development workshops focussed on improving women's financial confidence and independence.
- Continue to foster a flexible working environment and where appropriate develop new policies and practices that support NAB employees, with a specific focus on empowering women in our workforce.

## Further information

- Details of our approach to improving the working conditions and operation of organisation for our employees, including details of our approach to **diversity and inclusion** can be found in our 2012 Annual Review and People Dig Deeper paper [here](#).
  - More information on our approach to **financial inclusion** and **responsible lending** (including **Equator Principles**) can be found [here](#) and in our [Customer Dig Deeper paper](#).
  - More about our support for **Indigenous** communities in Australia can be found in our Reconciliation Action Plan [here](#).
  - Our **Group Supplier Sustainability Principles** can be found [here](#) and more detail on our approach to the Supply Chain can be found on our [website](#) and in our [Supply Chain Dig Deeper paper](#).
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# Labour

UNGC Principles				GRI References
<b>Businesses should uphold:</b>				DMA LA LA4-5, LA13-14, HR1-7 EC7 SO5
<b>3.</b> the freedom of association and the effective recognition of the right to collective bargaining.	<b>4.</b> the elimination of all forms of forced and compulsory labour.	<b>5.</b> the effective abolition of child labour.	<b>6.</b> the elimination of discrimination in respect of employment and occupation.	

## Commitment

The NAB Group plays a significant role in the lives of over 43,000 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.

We're committed to sustaining an inclusive culture that supports every employee to reach their full potential throughout the various stages of their lives and careers. This is achieved by recognising 'diversity of thought' and valuing differences among our people. In Australia, we have a focus on gender, age, flexibility and disability, with measurable group gender diversity targets and we report on our progress annually.

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 Group Diversity Forum, our Diversity and Inclusion team, and all our employees. Our commitment to diversity and inclusion underpins our interaction with all our stakeholders, from customers, to our employees, to suppliers, our partners and our shareholders.

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.

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 the ideas of their colleagues.

We employ an adult professional workforce in all countries in which we operate and do not currently operate in areas considered at high risk of forced or underage labour. We include criteria around workplace practices and human rights in our Supplier Sustainability Principles.

As discussed in the *Human Rights – Policies and Processes* section, our Group Outsourcing Policy explains what sustainability in the supply chain means for us, particularly in relation to labour standards, workplace practices and human rights.

## Policies and Processes

The NAB Group recognises the rights of employees to join and be represented by a union without suffering from any form of discrimination or prejudice. We have signed a Global Unions Engagement Agreement with the relevant unions in our major areas of operation, recognising employee rights to freedom of association and collective bargaining applying to all operations within the NAB Group.

In these regions our people are represented by the following unions:

- Australia – Finance Sector Union
- New Zealand – First Union
- United Kingdom – Unite

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# Labour

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All NAB Australian and National Wealth Management Services (NWMS) employees are covered by a collective bargaining agreement (referred to as an “Enterprise Agreement”). This agreement recognises the Finance Sector Union (FSU) as the relevant union to represent the interests of NAB Australia’s employees. The agreement outlines the rights of employee union representatives, including: a reasonable entitlement to paid leave to attend to their representational duties and access to induction sessions convened by NAB for new employees.

Enterprise Agreements in Australia and New Zealand 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 Outsourcing Policy and commitment to Fair International Workforce Standards. We endeavour to comply with all relevant freedom of association legislation, regulatory requirements and ILO Conventions 87 and 98.

Our Group Outsourcing Policy specifically states our commitment to supporting fair and non-discriminatory employment practices and fair workforce standards for international operations. We are committed to upholding the OECD Guidelines for Multinational Enterprises and the Universal Declaration on Human Rights and we require our suppliers to demonstrate they have operating policies and practices in place that support these standards.

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. Our Group Diversity Policy outlines our approach to creating a more diverse and inclusive workforce and the expectations and behaviours that drive this, including those relating to discrimination.

## **Providing pathways to employment:**

We also have an important role to play in fostering a more inclusive society and as a significant employer we can do this by enabling pathways to employment for people experiencing disadvantage.

Our commitment to Indigenous Australians is detailed in our Reconciliation Action Plan (RAP), including building access to valuable, long lasting and meaningful employment opportunities that are delivered in a sustainable way, through traineeships and full-time employment. Our RAP also sets out our commitment to improving the financial inclusion and supporting greater organisational understanding of and respect for Indigenous Australians.

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

From January 2012 all our preferred external recruitment suppliers have needed 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 Fairtrade accredited workplace in the world (as accredited by the Fairtrade Association of Australia and New Zealand in 2012), we actively make purchasing decisions to support communities in the developing world who can use the funds to invest in local businesses, hospitals, schools and infrastructure. Fairtrade gives farmers, workers and communities improved working conditions and a better quality of life.

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# Labour

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## Key Actions in 2012

- Launched our [Accessibility Action Plan](#) – detailing our commitments to improving access for all people who have a disability.
- Reviewed and updated the Global Unions Engagement Agreement.
- Continued recognition as the largest Fairtrade accredited workplace in the world by Fairtrade Australia & New Zealand.
- Continued to make progress on our Group Gender Diversity targets, for example, as 30 September 2012, we have achieved female representation of 30% in Executive Management, the top three layers of the organisation, against target of 33% by 2015.
- Continued to support ‘Connecting Women’, an employee led network group set up primarily but not exclusively, for women working at NAB which aims to connect and inspire NAB women by providing opportunities to network and to motivate our people to be recognised and consulted as leaders on women’s career and development issues.
- Continued to support International Women’s Day (IWD) to help us to connect women around the world, to inspire them to achieve their full potential, to support them in doing so and also help to create awareness of how NAB supports gender equality.
- Continued to expand our African Australian Inclusion Program. In 2012 we celebrated our 78th participant through the program.
- Increased the number of Indigenous Australians employed by NAB to 142 in 2012, and increased the number of trainees who have transitioned to full-time employment from six in 2011 to 30 in 2012.
- Establishment of Pride@nab – NAB’s first LGBTI employee network.
- Recognised as an Employer of Choice for Women for the sixth consecutive year running by the Equal Opportunity for Women in the Workplace Agency.
- Continued to support the external ‘Pearls’ program in the UK and ‘WiNA’ Women’s networking Group in Asia and the UN Women Empowerment Principles in New Zealand.
- 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 2012 we were ranked 67.

- Completed our second Gender Pay Equity audit in conjunction with the Finance Sector Union Australia – a first for any Australian bank.

## Key Actions Planned for 2013

- Work with stakeholders to create our next Enterprise Agreement. Our current Enterprise Agreement expires on 31st December 2013.
- Complete a Social Return on Investment study into the impact of our African Australian and Indigenous employment programs.
- Continue to progress towards our Group Gender Diversity Targets of 2015.
- Implementation of the Accessibility Action Plan.
- Establishment of ‘Nability’ – an employee network for people with disability
- Develop a ‘Realise’ program offering for our community partners and business customers to help the support and development of women to transition into leadership positions. We aim to work with our networks to help women to develop themselves, their career resiliency skills and form greater connection with our external network of women.

## Further Information

- More information about our **workplace relations** can be found [here](#) and more information is available in our [People Dig Deeper paper](#).
  - More information on our commitment to diversity, including our **Group Gender Diversity targets** can be found in our 2012 Annual Financial Report [here](#) and in our [People Dig Deeper paper](#).
  - Our Accessibility Action Plan is available [here](#).
  - Information on our **Supply chain practices** can be found in our 2012 Annual Review and Supply Chain Dig Deeper Paper [here](#).
  - Information on our **Fairtrade** accreditation can be found [here](#).
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# Environment

UNGC Principles			GRI References
<b>Businesses should:</b>			4.11 EN1 to EN23 EN26-28 SO5
<b>7.</b> support a precautionary approach to environmental challenges.	<b>8.</b> undertake initiatives to promote greater environmental responsibility.	<b>9.</b> encourage the development and diffusion of environmentally friendly technologies.	

## Commitment

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.

We recognise that our planet has limited capacity to continue to provide the ecosystem services and natural resources we depend upon. We have responded by expanding our Environmental Agenda to include three priority areas – climate change, improving resource efficiency and considering natural value (or the valuation of natural capital). Our environmental agenda therefore incorporates strategies covering these areas.

Becoming Carbon Neutral is just one example of our commitment to tackling environmental challenges.

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.

Our operational focus in the Australian region has expanded 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, New Zealand and the UK.

Additionally, we have continued to increase our focus on sustainable supply chain management, including the management of environmental impacts.

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.

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 we undertake a risk assessment, wherever practicable, and may modify our policies, processes and procedures to account for these risks.

## Policies and Processes

The NAB Group considers that addressing our environmental impacts and dependencies is more than just doing the right thing; it is responsible business practice, and therefore, an imperative for our business.

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# Environment

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Our Environmental Agenda has a number of elements:

- Climate Change
  - Continue to develop products and services to help our customers respond to, and manage the impacts of, climate change.
  - Continue to develop our understanding of, and manage, climate change risk and opportunities.
  - Share our carbon neutral experience with others, encouraging their action.
  - Engage our people and assist them with their personal actions.
- Resource Efficiency
  - Continue to reduce Greenhouse Gas emissions.
  - Improve resource efficiency with an increased focus on water, paper and waste.
  - Continue to grow employee engagement and develop positive environmental behaviours.
  - Embed sustainability into our purchasing decisions.
- Natural Value
  - Build NAB's thought leadership position.
  - Consider risks and revenue dependencies.
  - Review our operational and supplier decisions.
  - Participate in initiatives to develop business tools and valuation methodologies.
  - Drive awareness and employee engagement.
  - Build product and service responses.

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.

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

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

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

## Key Actions in 2012

- In Australia, we completed the first two Environmental Upgrade Agreements, energy efficiency financing for commercial buildings, in collaboration with Low Carbon Australia and Eureka Funds Management.
  - Moved to support locally Australian made Forestry Stewardship Council (FSC) certified 100% post-consumer recycled office paper – commencing in January 2013.
  - Switched to a range of recycled paper products including copy paper, paper towels and cups in our Great Western Bank operations in the US.
  - Completed a waste audit in New Zealand, which resulted in improved waste sorting processes.
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# Environment

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- Continued our work as a signatory of the United Nations Environment Programme Finance Initiative Natural Capital Declaration – a statement by global financial institutions that recognises natural value as an issue that may bring risks and opportunities.
- Commenced the construction of our new consolidated building at 700 Bourke Street, Melbourne for occupancy in 2013. 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.
- Retained our ISO 14001 certification at Merrion Way, Leeds, UK.
- Continued support of our voluntary Green Team Community which has grown from 1200 in 2011 to 1500 at 30 June 2012. Completed development of Environmental, Social and Governance (ESG) Risk Principles to further embed ESG risk considerations into our day-to-day business decision making, and continued to refine our processes and tools for managing ESG risks.
- Implement water reduction initiatives at a range of Australian regional sites.
- Expand the program of energy efficiency works to our Australian network sites (Stores, Business Banking Centres and kiosks). Works undertaken include lighting control and daylight sensors, de-lamping and lamp upgrades, occupancy sensors, timers on equipment such as vending machines and chilled/hot water units and adjusting room temperature control (broader comfort zone).
- Trial PV solar at sites in NSW and SA to determine current viability of this investment. Since NAB last reviewed solar installations, key inputs such as electricity price and unit cost have changed significantly.
- Trial reflective roof paint at sites in QLD and SA to determine accurate energy savings.

## Further Information

- Details of our initiatives to **reduce our environmental impact** and **promote sustainable practices** can be found in our 2012 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](#).
- Information on our environmental targets can be found [here](#).
- Our **Group Environment Policy** can be found [here](#).
- Our 2012 Energy Efficiency Opportunities report is available [here](#).

## Key Actions Planned for 2013

- Develop Group environmental performance targets for FY14 – FY16.
  - Increase awareness and application of ESG Risk Principles across the Group.
  - Reduce Group Greenhouse Gas emissions from building-based energy use by 18,900 tCO<sub>2</sub>-e against a 2010 baseline, by 30 June 2013.
  - Rollout of new environmental management software across the Group.
  - Deliver the 2010-2013 resource efficiency targets in water, emissions and paper.
  - Implement further waste reduction initiatives in Australia including direct measurement via site based weighbridges and third party waste audits. Refresh of waste signage at all commercial sites to industry best practice.
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# Anti-Corruption

UNGC Principles	GRI References
<b>Businesses should:</b>	DMA SO SO2-8
<b>10.</b> work against corruption in all its forms, including extortion and bribery.	

## Commitment

We are committed to the active management of all forms of financial crime (such as money-laundering and counter-terrorism; fraud, bribery & corruption; and trading with sanctions/embargoed countries, entities and politically exposed persons (PEPs)) in addition to meeting our regulatory requirements in these areas.

Good corporate governance is a fundamental part of our culture and business practices in the prevention of financial crime. Our corporate governance framework along with our specific financial crime policies and procedures provides for effective decision making about the affairs of the Group and our customers.

The Financial Services industry is vulnerable to financial crime including internal and external fraud. As with any organisation, we are not immune to cases of bribery and corruption and acknowledge that fraud, corruption and money laundering/terrorist financing are intrinsically linked. As such, we are committed to ensuring that the risk of, and opportunities for, financial crime are reduced.

Effective risk management is a key capability of a successful financial services provider. Our 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. All incidents of criminal activity are thoroughly investigated by a dedicated team within our Financial Crime Centre of Excellence with oversight and advice provided by our Group AML/CTF, Bribery and Sanctions Compliance Team.

The Board and Executive Management Committees monitor and oversee the NAB Group's risk management framework and application, which includes the financial crime risks we face.

## Policies and Processes

Our Group Anti-Money Laundering and Counter Terrorism Financing, Sanctions and Embargoes, Anti-Fraud and Anti-Bribery and Corruption policies detail management strategies to minimise the risk of opportunities for financial crime. These policies are owned by the Group AML, Bribery & Sanctions Compliance Team and apply to all NAB employees, contractors, agents and other people that are acting on behalf of the NAB Group.

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. We take a proactive stance towards the prevention of financial crime, which also includes not permitting any form of facilitation payment in any circumstances, as the bank considers these payments to be bribes. We have effective processes in place to monitor and report on charitable and political donations and sponsorships.

The above referenced policies are supported by a range of policies and guidelines as outlined below:

- Group Whistleblower Policy (further information provided below)
- Group Securities Trading Policy
- Group Anti-Money Laundering and Counter-Terrorism Financing Guidelines
- Group AML/CTF Program (applicable to Australia only)
- Group Sanctions & Embargoes Policy
- Group Sanctions and Embargoes Guidelines
- Group Anti-Bribery and Corruption Guidelines

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# Anti-Corruption

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- Group Operational Risk Framework
- Group External Auditor Independence Policy
- Group Government Contact & Political Donations Policy
- Group Compliance Risk Framework
- Group Outsourcing Policy
- Group Procurement Policy
- Group Conflicts of Interest Policy
- Gifts and Conflicts of Interest Register
- Group Disclosure and External Communication 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) Recommendations, a set of recommended policies and processes to combat money laundering and terrorism financing.
- Adoption and commitment to the Wolfsberg Group AML Principles and Questionnaire which are available from Bankers Almanac.
- Maintaining and making publicly available NAB's Patriot Act – Certification regarding correspondent accounts for Foreign Banks. The Patriot Act Certificate is available to any financial institution that requires a Patriot Act Certificate from the NAB Group.
- Full compliance with the AML/CTF Act in Australia.
- 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](#). Our approach extends to our supply chain and we include criteria around bribery, corruption and other prohibited business practices in our Supplier Sustainability Principles.

All suppliers to NAB Group must comply with all relevant local and national laws and regulations in relation to bribery, corruption and other prohibited business practices.

Serious breaches of Group policy and compliance can result in adverse performance outcomes and/or termination of employment. All incidents of criminal activity (both internal and external) will be investigated by a dedicated team within our Financial Crime Centre of Excellence. NAB invests in sophisticated customer name and payment scanning, transaction monitoring systems and monitoring, surveillance, prevention and detection systems and techniques to ensure that the risk of, and opportunities for, money laundering/terrorism financing, sanctions, bribery, fraud and corruption are minimised.

We maintain Codes of Conduct for all regions in which we operate. These Codes detail the standards of responsibility and ethical conduct required of every employee and everyone working on our behalf – including contractors, consultants and directors, with the conduct of the Board and each director also governed by the Board charter.

The Codes of Conduct cover such areas as:

- personal conduct
- honesty and integrity
- conflicts of interest
- compliance with regulatory obligations
- confidentiality and privacy; and
- disclosure.

NAB's Enterprise Behaviours together with the Codes of Conduct take into account our legal obligations and the reasonable expectations of the Group's stakeholders, and emphasise the practices necessary to maintain confidence in the Group's integrity. Our [Enterprise Behaviours](#) and [Codes of Conduct](#) are available online.

We have a range of training, awareness-raising, monitoring and review activities to support adherence to the Codes of Conduct. NAB employee reward and performance is directly linked to adherence with the Codes of Conduct and the demonstration of NAB's Enterprise Behaviours.

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# Anti-Corruption

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NAB's Group Whistleblower Policy is applicable to all employees and subcontractors across our operations. The Group Whistleblower Policy complements the normal communication channels that exist for raising concerns between people leaders and employees without fear of reprisal and a Confidential Alert Line can be accessed to report any suspected criminal activity.

Our Chief Audit Officer, supported by the Internal Audit team, is accountable for governance and implementation of our Group Whistleblower Policy. This is delegated authority on behalf of the Principal Board Audit Committee. Day-to-day management of the Policy is undertaken by Whistleblower Protection Officers.

Where a disclosure is highly sensitive in nature, or is so important it warrants specific Board attention, disclosures can be made directly via a special email address to the Principal Board Audit Committee or regional equivalents.

## Key actions in 2012

- Reviewed and updated the Group Anti-Fraud and Corruption Policy to take into account the requirements of the UK Bribery Act (2010) and the US Foreign Corruption Practice Act. This resulted in the publication of two new and distinct documents: NAB Group Anti-Bribery and Corruption Policy and a Group Fraud Policy.
- Continued to host community workshops aimed at educating the elderly on financial scams and fraud to prevent financial abuse of the elderly in BNZ.
- Revised and updated the Australian AML/CTF Program and engaged an external consultant to undertake an independent review.
- Undertook a maturity evaluation across the NAB Group to gauge the compliance maturity of AML/CTF and Sanctions.

## Key actions planned for 2013

- Embedding the requirements of the new Group Anti-Bribery & Corruption Policy across the NAB Group.
- Develop and implement new financial crime role specific training modules.
- Undertake a review of Agency, Distribution agreements and intermediately contracts to include provisions regarding compliance with Anti-Bribery and Corruption Laws.
- Commenced a review of supplier and third party contracts to incorporate Anti-Bribery and Corruption.
- 2012 – 2013 communication strategy to roll-out and embed the new Anti-Bribery and Corruption Policy and guidance notes.

## 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 **2012 Annual Review** suite of reporting documents can be found [here](#).