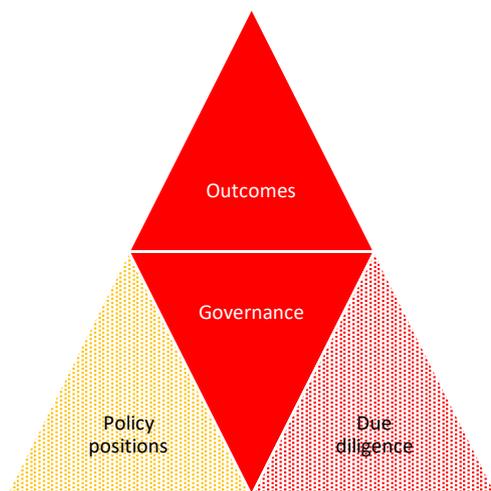


NATIONAL AUSTRALIA BANK YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

Company Name	NATIONAL AUSTRALIA BANK LIMITED
Industry	Big 4 Bank
FY end	30 September 2019
Revenue FY19	\$17.931 bn
Employees	34,370
Retail divisions	consumer banking and wealth, parts of NZ banking
CLIS divisions	Business and Private Banking, Corporate and Institutional Banking, parts of NZ banking
Law reform contributions	3, 7, 13, 14, 15, 18
Overall level of disclosure	Extensive disclosure

Our overall rating of NAB's human rights performance for each domain is set out below



RETAIL: RED

NAB's Human Rights policy signals the group's recognition and commitment to respect human rights, while indicating that the specifics of these elements are reflected in relevant other policies. It was on this basis that we drilled down into those other policies we could find (including summaries of policies) to assess NAB's approach to governance, policy positions and due diligence relevant to the retail customer domain.

NAB currently lacks a comprehensive governance of human rights risk across our six human rights categories. We note the Board's Customer Committee established in March 2019 to oversee the voice of the customer inside the organisation. We also note its remit to review products and services but could see that this work was not completed in FY19.

We found some policy positions that addressed issues such as privacy and customer complaints handling, although we were unable to see the specifics of these policies.

There was no evidence of any feasible due diligence process to address any one of our human rights categories. While we appreciate that there will be financial due diligence undertaken as part of any decision to supply lending products to retail customers, it is

unclear to us if that assessment also includes assessment of human rights impacts of the products.

In terms of outcomes, we note that several NAB products achieved 5-star ratings from Canstar. Yet we also note that NAB featured in several Hayne Royal Commission case studies across its range of retail products and services. We also note the resulting legal cases brought by ASIC around retail customers. We note the levels of customer complaints (both internal and via AFCA), and the amounts paid by way of remediation. As a composite, these suggest poor performance outcomes.

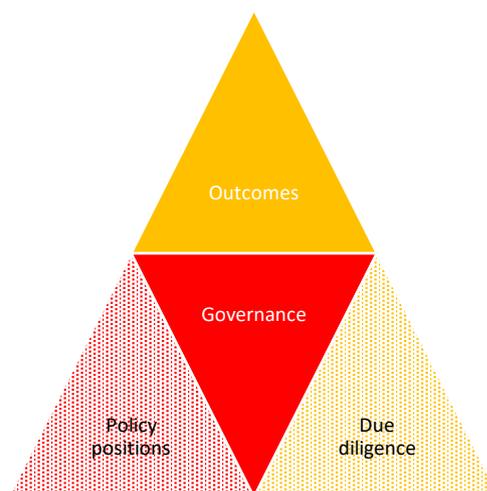
COMMERCIAL LENDING INVESTMENTS AND SERVICES (CLIS): AMBER

NAB's CLIS activities include lending and services to its commercial clients, including its farming sector clients, as well as its project financing activities and its investments. Our rating of performance is a composite result of these activities. We note our earlier comment under 'Retail' above re our approach to NAB's Human Rights policy.

Given the importance of NAB's role as Australia's largest agri-lender, we found virtually no discussion of how NAB approaches human rights risks arising from this activity, either via governance, policy positions or due diligence (noting that while some form of financial due diligence process occurs it was unclear the extent to which it includes human rights risks). In terms of outcomes we note the changes made by NAB to its approach to farm debt mediation, including changes to its practices around charging of default interest to drought impacted farmers.

Similarly, we found virtually no discussion of how NAB approaches human rights risks arising from its banking, lending and other services to SMEs for governance, policy positions or due diligence. We note its decision to reduce default interest margin to 1% on business loans and overdrafts for SME customers (a policy position) but without disclosure of the outcomes of these decisions, we cannot comment on this issue.

We found more discussion on how NAB approaches climate change risk in its project finance, asset finance and its advisory, underwriting and arranging services. We could see the outcomes in terms of the levels of activity, even if only on a cumulative total basis, there is no assessment of the GHG implications of these activities. We also found no substantial discussion of governance, policy positions or due diligence for human rights risk in these activities. We found least visibility regarding NAB's investment activities. While we found detailed information on its social responsible investments, it is also clear that this is a fraction of its overall investment activities. There was no discussion to allow us to conclude whether there is an appropriate governance of the human rights risks arising from these activities.

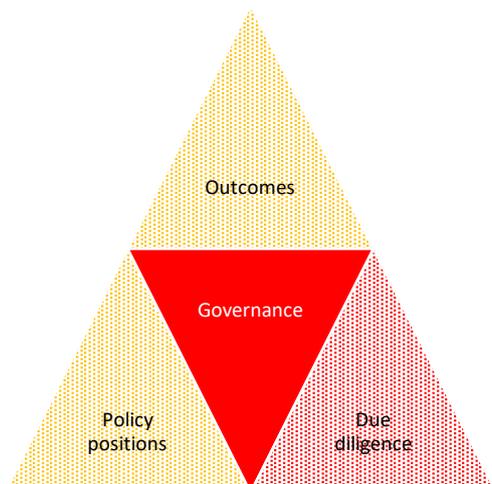


This report is presented for the purpose of disseminating information and research findings for the benefit of the public. It has been prepared on the basis of evaluation of human rights performance based on publicly available material for the 22 ASX listed entities included in the sample.

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EMPLOYEES: AMBER



As one of the largest employers in our FSE sample, NAB’s approach to governance of this activity does not appear to holistically address human rights risks arising across our six categories. We found evidence of policy positions for many of our six human rights categories but were unable to find full policies or adequate summaries of these policies. Our coding reflects this.

We did not find any evidence of a feasible human rights due diligence process for these activities. In terms of outcomes, we note that NAB devotes considerable attention to its diversity profile, as well as providing detailed information on the extent of the gender pay gap (although plans on how to address this are not made clear), and data on use of parental leave, return to work and lost time frequency rates. We note the data on whistleblowing, as well as the Code of Conduct breaches and consequences.

We also note that NAB is currently resolving issues around wages underpayment detected in FY20 that relate back to earlier financial years. We further note issues around implementation of its Enterprise Agreement during FY20 that appear to have extended into FY21, while noting some of the positive outcomes in that EA for pay increases and leave requirements.

SUPPLY DOMAIN: AMBER

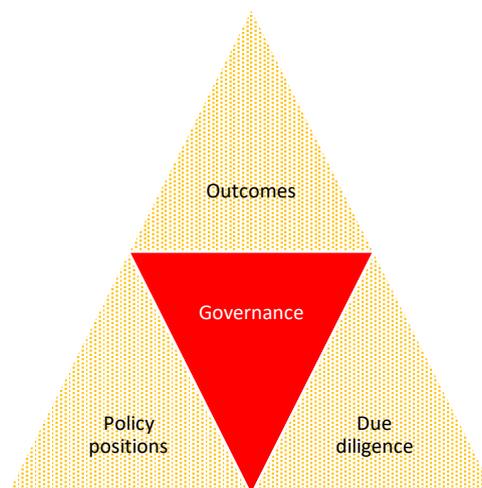
NAB’s FY19 supplier spend of \$4.71 billion with 1,830 contracted suppliers, including 74 material suppliers (per the APRA CPS 321 definition). These suppliers are across a number of industries, including ICT, property services, business process offshoring, logistics and correspondence, consulting and other professional services, and finance services (other banks, brokers, contracted portfolio managers, insurers, third-party investment managers, investment advisers and investment administrators).

While NAB does recognise its supply chain as a source of human rights risk and commits to respect human rights, its governance of this risk, as well as the risks arising from its relationships with all of its suppliers, does not appear to cover the specifics of all of our six human rights categories.

We found evidence of policy positions to cover some of our six human rights categories, including the Group Supplier Sustainability Principles (GSSP), as well as its status as a signatory to the Australian Supplier Payment Code.

We found some evidence of a feasible human rights due diligence process.

The coding for outcomes is common across our FSE sample for this year. We note 98% of the material suppliers are signatories to NAB’s GSSP and we note 100% ESG risk assessment of the high risk suppliers (but no indication of how many suppliers fall into this category). We also note NAB’s supply spend with indigenous, minority-led and women-led businesses, as well as with social enterprises, though these are small components of its overall supplier spend.



SOCIETY: RED

There is no recognition at Board level of public policy advocacy as a source of human rights risk, although NAB was an active participant in law reform, responding to six of the law reform inquiries in our study.

In the absence of such Board level recognition, it is unsurprising to find no policy positions specifically addressing this domain, nor any feasible due diligence processes.

In terms of the submissions made by NAB, there is mixed evidence of its positions being positive for human rights. Regarding privacy, for example, its submission to the ACCC Consumer Data Right (CDR) Rules Framework supported a prohibition of on-selling data and direct marketing services for customer data acquired via CDR. And further, NAB also raised questions around the issues of effective consent. In a submission to another reform opportunity NAB endorsed backdating AFCA jurisdiction and a general expansion of its remit (right to remedy).

Regarding other inquiries, however, notably where responses are sought in reply to an early submission from a customer in terms of NAB’s complaints handling, the position taken is largely defensive. In light of the Hayne Royal Commission, its own complaints data, AFCA

data and evidence from various court determinations involving ASIC, as well as the customer remediation payments made (all of these are covered in other domains), such a position appears to be of questionable merit.

