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# Ourbusiness

## Who we are

National Australia Bank is a financial services organisation with over 12,100,000 customers and 50,000 people, operating more than 1,750 stores and Business Banking Centres globally.

Our major financial services franchises in Australia are complemented by businesses in New Zealand, Asia, the United Kingdom and the United States. Each of our brands is uniquely positioned, but built on a common commitment to provide our customers with quality products and services, fair fees and charges, and relationships built on the principles of help, guidance and advice.



## Our goal and strategy

Our goal is to deliver sustainable, satisfactory returns to more than 470,000 shareholders.

We continue to execute our strategy announced in 2009 to achieve these outcomes. Our strategy is built around four priorities:

- **Focus on the strong Australian franchise and manage international positions for value**
- **Maintain balance sheet strength**
- **Reduce complexity and cost**
- **Enhance our reputation.**

## Our responsibility

We recognise that a bank has a special responsibility.

Our business is founded on a belief in the potential of our customers and community – a belief that motivates our people to do the right thing.

This responsibility is an integral part of our strategy and our approach to Corporate Responsibility (CR).

# Our approach to Corporate Responsibility

We articulate our approach to Corporate Responsibility (CR) across three core areas: getting the fundamentals right with our customers, being a good employer and addressing our broader responsibility to society.

Our CR activities are underpinned by strong governance and engagement with our stakeholders. We have internal mechanisms at every level of the organisation to shape and manage our approach to important CR issues. These include an internal CR Council – which comprises the Australian members of our Group Executive Committee – as well as a Customer Council. We also use external mechanisms such as our Social Responsibility Advisory Council and our Indigenous Advisory Council.

To complement our ongoing stakeholder engagement, we undergo an annual process to identify the CR issues of greatest significance to our stakeholders and our business. The outcomes of this process guide the content of our Annual Review and link to the metrics in our CR Scorecard reported to the CR Council.

In 2011, the process involved input from investors, community partners, suppliers, government, non-government organisations, internal stakeholder workshops and employee engagement sessions. Key issues that were rated as material to NAB by our stakeholders and our business leaders included customer service, community investment, responsible finance, organisational culture, and fees and charges.

Last year, we made 24 CR commitments for the year ahead. We have completed 15 of these and are on track to achieve the remaining nine within expected timeframes.

For more information on our CR approach and activities, including a full update on how we have progressed on our 2011 CR commitments, visit [www.nabgroup.com/cr](http://www.nabgroup.com/cr)

## CUSTOMER

**Delivering fair value and quality advice.**

Fees and Charges, Transparency, Access to Services, Assisting those Experiencing Hardship, Customer Service, Complaints Resolution, Responsible Finance, Responsible Lending, Financial Literacy, Responsible Investment, Ethics and Business Conduct, Innovation and Product Development, Security, Fraud and Anti-Money Laundering.

## PEOPLE

**Investing in the skills and capabilities of our employees.**

Organisational Culture, Diversity and Inclusion, Talent Management, Health and Wellbeing, Learning and Development, Performance and Reward, Industrial Relations and Flexible Working.

## COMMUNITY

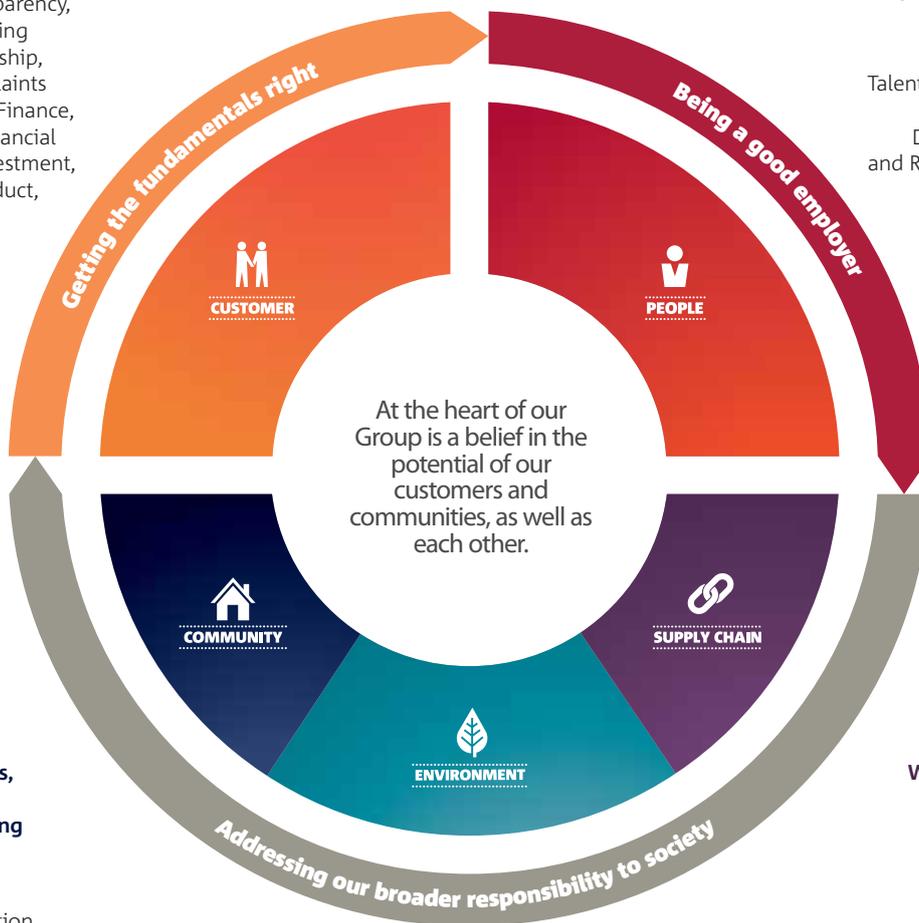
**Supporting communities, with a particular focus on inclusion and investing in our youth.**

Community Investment, Volunteering, Reconciliation Action, and Disaster Relief.

## SUPPLY CHAIN

**Working to have a positive impact through our purchasing decisions.**

Managing the Impact of our Purchasing, Selecting Sustainable Suppliers, Responsible Procurement Practices, Offshoring and Outsourcing.



## ENVIRONMENT

**Working to manage the direct impact of our operations and the indirect impacts we have through our customers.**

Environmental Impact of Operations, Managing Exposure to Environmental Risk, Financing Environmental Innovation and Business, Environmental Products and Services.

# Governance

The Group's corporate governance framework plays a key role in supporting the Group's business operations and provides clear guidance on how authority is exercised within the Group.

Good corporate governance is a fundamental part of the culture and business practices of the Group. The Group's corporate governance framework provides for effective decision making about the affairs of the Group, through the following practices:

- Strategic and operational planning.
- Risk management and compliance.

- Financial management and external reporting.
- Succession planning and culture.

The Board of Directors of the Company (the Board) is assisted in discharging its duties through its committees. Accordingly, with the Audit, Risk, Remuneration and Nomination committees, the Board determines the most

appropriate corporate governance practices for the Group. Outside of the authorities and powers reserved by the Board, the Group CEO has carriage of the management and operations of the Group. Below the level of the Board, key management decisions are made by the Group CEO and other management committees and individual members of management to whom authority has been delegated.

## Our corporate governance framework



\*Covering areas such as conflicts of interest, remuneration, continuous disclosure, ethics and behaviours, code of conduct, whistleblower program and securities dealings.

The Board represents the Company's shareholders and is responsible for directing the Group's affairs by creating and delivering value through effective governance of the Group's business, while meeting the appropriate interests of its shareholders and other stakeholders through transparent reporting and active engagement.

The Group employs a range of communication approaches, including direct written communication with shareholders, publication of all relevant Group information in the Shareholder Centre section of the Group's website, and webcasting of

significant market briefings and meetings (including the annual general meeting for shareholders). Shareholders are able to communicate their views with the Board via the various channels available. The Company Secretary assists the Board in responding effectively to shareholders.

### ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company has complied with the amended ASX Corporate Governance Principles and Recommendations for the 2011 year.

The key aspects of the Group's corporate governance framework and practices for the 2011 year are outlined in the Company's detailed corporate governance statement, which is available in the 2011 Annual Financial Report or online at [www.nabgroup.com/2011AnnualReport](http://www.nabgroup.com/2011AnnualReport) from 14 November 2011.

# Riskmanagement

## Effective risk management is fundamental to the ongoing success of the Group.

Our risk management function enables sustainable business performance by building and delivering strong risk capability, management and controls.

It is a challenging task, given an environment characterised by increased consumer and regulatory scrutiny, a much stronger focus on risk management and risk culture, and heightened sensitivity to and awareness of funding, liquidity and the broad spectrum of risk. Our challenge is to have the capacity and flexibility to support the business in this environment, while delivering on our strategic priorities.

**In these volatile times, resilience to external shocks is the key to good risk management. Our risk function has established a Risk Appetite Framework which enables this.**

### OUR PRIORITIES

Our strategic priorities align with and support the Group's strategy. They are:

- **Make risk identification and management easier** by simplifying and streamlining policies, processes, procedures and reporting.
- **Enable a culture for success** by developing a high-calibre, engaged team with the expertise and ability to deliver effective risk management and develop a resilient risk culture.
- **Build quality engagement with business partners** by clearly defining our operations and engagement models and ensuring sound risk frameworks to support the business.
- **Make risk insightful** by delivering robust knowledge management practices and enhanced scenario analysis capabilities, and further embedding the organisation's risk appetite.

### OUR APPROACH TO RISK MANAGEMENT

As well as maintaining oversight of our key risks at an enterprise level, our risk management capability is integrated into the day-to-day activities of our businesses.

Within every business, we have a Chief Risk Officer (CRO) who reports to both the Group CRO and the relevant Group Executive. The CROs sit on their individual business unit leadership teams and provide objective risk management advice. We manage risk through the Group Risk Inventory, which consists of our most significant risks.

The Group Risk Management Committee (GRMC), chaired by the Group CEO and made up of senior executives, is the principal risk strategy and policy decision-making management body for the business. The Board Risk Committee oversees the risk management framework and risk profile.

## Highlights for 2011

- Initiated changes to our risk operating model to ensure that we continue to support the business while maintaining the independence and authority to review and challenge management decisions.
- Commenced a Group-wide program to strengthen the business's capability in managing risk through comprehensive risk profiling and monitoring of controls.
- Continued to work collaboratively with the business to ensure quick responses to difficult market conditions.
- Sharpened our focus on risk analysis by improving expertise and simplifying systems and processes, thus providing valuable insights for management and decision-making.
- Further enhanced our articulation of risk appetite, and its integration with the strategic planning process, to ensure our risk posture is within agreed parameters.
- Continued the re-positioning of the Group's credit risk profile post-GFC.
- Created a separate Operational Risk team that reports directly to the Group CRO and works to further embed operational risk management disciplines across the business.