

Supply chain
Dig Deeper paper



Committed to having a positive impact with our purchasing decisions

As a global business, more than 24,000 businesses supply us with over \$4.5 billion of goods and services. Our purchasing decisions can have a real impact on our suppliers, as well as the environment and communities in which we work.

SUPPLY CHAIN ISSUES

As part of our Corporate Responsibility (CR) materiality process, we engage with our stakeholders to identify relevant CR-related supply chain issues for our Company. The CR supply chain issues identified as relevant to NAB are:

- Managing the impact of our purchasing
- Outsourcing
- Responsible procurement practices
- Selecting sustainable suppliers



THE PURPOSE OF OUR DIG DEEPER PAPERS

2011 is our second year producing an integrated report on our business – combining our previously separate Shareholder Review and Corporate Responsibility Review.

To inform the content of our report we undertake an annual Corporate Responsibility (CR) materiality process to assess the most significant issues in each of our CR segments. We then focus on including metrics in the report related to these issues (for more on our CR materiality process, visit our website www.nabgroup.com/cr).

We understand, however, that we have a diverse range of stakeholders, with a wide range of interests in our business. In the interest of transparent reporting, and to add more detail to the data included in the Annual Review, we have produced this series of *Dig Deeper* papers. It provides a broader suite of data for each of our CR segments and more information on methodologies and calculations where required.

The content of these papers is informed by the Global Reporting Initiative Sustainability Reporting Guidelines (G3), as well as our own CR issues map and materiality process.

Further information on how we manage key issues, along with program details, case studies and news stories, can be found at www.nabgroup.com/cr

If you have any feedback or want more information on our performance data, please let us know by emailing corporate.responsibility@nab.com.au

Responsible procurement

Number of significant suppliers



'Significant supplier' is a supplier in relation to whom the value of expenditure exceeds:

- in Australia: AUD\$5,000,000
- in United Kingdom: GBP1,000,000
- in New Zealand: NZD\$5,000,000.

AUSTRALIA

In Australia, NAB introduced the Supplier Sustainability Program in 2009 and we have been working to introduce NAB's Supplier Sustainability Principles into new contracts with significant suppliers. Of the 45 significant supply chain contracts entered into in 2011, 40% contained specific CR clauses. In total, we have 144 suppliers who are signatories to the Principles, which represents 16% of NAB's expenditure.

Last year, we set a target for 150 suppliers to be compliant with NAB's Sustainability Principles by 30 September 2011. We expect to meet this target at 20 September 2011.

CR clauses in new significant supply contracts 2011



'CR Clauses' means a human rights, social or environmental obligation over and above that required by law is imposed on a NAB Group entity in the relevant supply contract.

'Significant supply contract' is one entered into with a significant supplier.

NEW ZEALAND

In New Zealand, BNZ introduced Supplier Sustainability Principles in 2009 and now has 35 suppliers who are signatories. 32% of BNZ's expenditure on procurement is with these suppliers.

This year, we are developing a target percentage of total spend with signatories to the Australia and BNZ supplier sustainability principles.

UNITED KINGDOM

In the United Kingdom we have a Supplier Council, established in 2010, to ensure that all arrangements with UK suppliers are managed in a consistent and competent manner. For the year 30 September 2011, 75% of all our Category 1 Suppliers were subject to a Joint Risk Review, which included a review of a number of key sustainability criteria, e.g. financial strength, probity checking, environmental policies, business continuity plans etc. This completed the review of all our Category 1 Suppliers. Each Category 1 Supplier is now reviewed on a quarterly basis.

Expenditure with significant suppliers with CR clauses in their contracts has increased significantly over the past year.



All Fairtrade Certified products carry the FAIRTRADE label. For more information, visit www.fairtrade.com.au