



Introduction

Tim Costello, Chairman, NAB Community Advisory Council

I have had the privilege of being involved with NAB's community consultation activities since 1998, first as Chair of the NAB Stakeholder Forum, and more recently as Chair of its Community Advisory Council (CAC).

NAB's willingness to open up dialogue with the community sector has stepped up a level in the past year. The newly formed Community Advisory Council has demanded a higher level of input from the community participants, but equally a greater level of response and accountability from NAB and its management.

Much of the activity of the CAC during the year has been around refining exactly what NAB should be focusing on in terms of its community activities. Input was also provided on a range of decisions NAB made during the year that have a community impact.

Over the coming year the CAC will be challenging NAB to lift its activities in the community in a sound and pragmatic way while remaining vigilant about the impact its decisions have as a major financial services company in Australia.

Ahmed Fahour, Executive Director and CEO, NAB Australia

NAB considers its reputation in the community as a critical measure of its success as a thriving and sustainable company. The Community Advisory Council is a critical avenue to understand and direct our activities with a view to addressing our reputation in the eyes of our customers and their communities.

Throughout the year the CAC has had some very direct discussions around what NAB should be doing in the community. The discussions ranged from issues around specific banking products to the strategic agenda of the company.

The compelling feature of the Council, however, is the willingness of its members to be ready to debate the agenda at hand.

I would like to thank members of the CAC for their input during the year. I trust that this report and our actions during the year have demonstrated that we are listening and responding to the issues that matter.

History of the Community Advisory Council

In 1998 NAB established its first Stakeholder Forum to facilitate discussion with the community sector on grassroots community issues that faced NAB. In 2003 the breadth of the Forum was extended to cover other stakeholders in consumer and environmental groups.

In 2006 NAB sought to lift the activities and profile of the Forum by forming a seven-person advisory council. The Council is distinguished from the previous Stakeholder Forum by an increased level of formal engagement with NAB management. The Stakeholder Forum was also orientated more towards consultation whereas the Council places a higher level of accountability on NAB management to respond to issues raised by Council members.

Tim Costello has been Chair of NAB's Stakeholder Forum and CAC since inception.

Members of the Community Advisory Council

Tim Costello (Chair) Chief Executive, World Vision Australia

Ahmed Fahour Executive Director and CEO, NAB Australia

Daniel Gilbert Managing Partner, Gilbert + Tobin; Director, NAB Board

Betty Hounslow Deputy Chief Executive, The Fred Hollows Foundation

Marilyn Webster Manager, Policy and Research, Good Shepherd Youth & Family Service

Mark Yettica-Paulson The Yettica Group

Greg Sutherland Regional General Manager, Strategy and Marketing, NAB

Andrew Thorburn Executive General Manager, Retail Banking Australia, NAB

Role of the Council

The role of the NAB Community Advisory Council:

- To provide input into the community activities and approach of NAB in Australia.
- To receive reports from NAB on its community activities.
- To bring to the attention of NAB important community issues facing the bank.
- To provide feedback on how NAB is addressing community issues facing the bank.
- To report annually to the public on the activities of the Council.

The CAC has the ability to commission independent research on issues of relevance to the role of the Council.

Meetings held in 2007

The NAB Community Advisory Council meets quarterly. Meetings were held in August and December 2006, and March and July 2007. Details of the meeting agenda and outcomes can be found in Appendix A.

Terms for CAC members

Members of the NAB Community Advisory Council are asked to take on a two-year term, extendable and reviewed annually with the Chair. Members, excluding NAB executives and directors, are eligible to an annual \$5,000 honorarium, with the Chair eligible to an annual \$10,000 honorarium.

Overview of activities in 2007

Terms of reference and operation of the CAC

The NAB Community Advisory Council held its first meeting in August 2006 where the roles and responsibilities of the Council and its members were discussed.

Ahead of the first meeting members were canvassed on their views on the responsibility and activities of the CAC. This led to a draft set of terms of reference which were endorsed at the first meeting (see Role of the Council above).

The first meeting of the CAC went further to debate three specific issues:

- what success looks like for the CAC;
- themes for community leadership by NAB;
- additional specific functions of the CAC.

CAC members felt strongly that NAB needed to build its community programs to the point where the company stood for and was known for some identifiable community program or issue. Subsequent meetings during the year were used to explore this view (see Areas of focus below).

On specific activities of the CAC, members asked to be briefed on key changes to products and services that might impact the broader community – in particular, changes to bank fees – and be given the opportunity to comment on these. The CAC, for example, discussed the introduction of new transaction accounts and pricing changes to existing accounts, specifically the removal of exception fees on NAB's Concession Card Account, the introduction of an exemption fee free account and an increase to the non-NAB ATM fee.

Other activities that the CAC was kept informed on and discussed were:

- Progress with NAB's microfinance programs (StepUP low interest loans, NAB's capital release to No Interest Loans Schemes®, and the NAB Microenterprise Loans program).
- Results from reputation and other surveys with key stakeholders and customers.
- MLC's Fees vs Commissions debate for delivery of financial advice.
- Corporate Social Responsibility reporting.
- Plans to be carbon neutral by 2010.

At the March 2007 meeting the CAC asked for greater context to be provided for some of the decisions they were making. An orientation day on NAB activities and operations was subsequently provided for non-NAB members in June 2007.

Areas of focus

A consistent area of discussion by the CAC has been how NAB can be clearer on its areas of focus for its community activities. The CAC discussed:

- a briefing on community trends in Australia to help identify leadership opportunities that are reflective of Australian society needs;
- NAB's approach to supporting community activities in local area markets; and
- NAB's community and customer reputation framework.

The following arose from these discussions:

- the adoption by the CAC of a “customer and community engagement framework” (see Figure 1) as presented by NAB management on the links between business strategy and community investment;
- NAB’s first set of community principles to guide NAB activities in the community. These were released as a draft for comment by employees and customers before being finalised (see Appendix B).

NAB’s “customer and community engagement framework” is based on addressing three areas of major community concern (see Figure 1):

- being good at banking;
- being a good employer; and
- supporting the local community.

These three areas are used to guide major programs across NAB and are chosen for their ability to directly address the reputation of NAB and how customers, and hence the community, view and perceive the bank.

Figure 1: Areas of community focus for NAB

What are the major community concerns?

“Being good at Banking”	“Developing our staff, providing attractive employment”	“Support local community development”
<ul style="list-style-type: none"> > Pricing <ul style="list-style-type: none"> – Exception fees – Commissions – Transparency > Access for disadvantaged <ul style="list-style-type: none"> – Not excluding disadvantaged people from our services > Lending responsibility <ul style="list-style-type: none"> – Excessive credit that gets people into trouble > Security <ul style="list-style-type: none"> – Online fraud 	<ul style="list-style-type: none"> > Local employment > Development and training > Diversity > Labour relations > Volunteering/civic leadership 	<ul style="list-style-type: none"> > Local market decision making/ leadership > Core community “infrastructure” <ul style="list-style-type: none"> – Education – Health – Environment – Culture (Sport/Arts) > Philanthropy <ul style="list-style-type: none"> – Emergency relief

Level of community spend

At the March and July 2007 meetings the CAC discussed the level of community spend by NAB, in particular achieving a target of 1% of cash earnings as community investment over the medium term.

The 1% target spend on community investment was set by the NAB Board in 2005 as a medium term objective. NAB community investment in Australia is shown in Table 1 (for more information visit “Our Reports” at www.nab.com.au/community).

Table 1: Level of community investment by NAB in Australia

	Actual CCI spend	CCI as a % of cash earnings for NAB in Australia	CCI as a % of pre tax profit for NAB in Australia
2005	\$11.6m	0.46%	0.29%
2006	\$14.1m	0.52%	0.33%
2007	\$18.2m	0.63%	0.41%

Note: NAB’s CCI figure relates to the year ending 30 June while the % figures in this table are calculated for NAB’s financial result for the year ending 30 September.

CCI encompasses all forms of company support directly for the community including charitable donations, community projects, employer supported volunteering, community sponsorships and gifts in-kind. About one-third of NAB’s CCI is directed to donations and other activities with minimal or no links back into the business while the remaining two-thirds have some level of business connection to the community activity.

A key point to emerge from the CAC discussion on CCI was how the level of community investment grows out of a focus around the three areas for customer and community engagement identified in Figure 1. NAB discloses its CCI spend and the recipients annually (for more information see “Our Reports” at www.nab.com.au/community).

Other issues discussed by the Council

A range of other issues were discussed by the CAC during the year.

1. The need to better let customers and the community know exactly what NAB is doing in the community. To address this NAB has put in place a communications plan and resources to better advise customers and the public of the bank's community activities.
2. Provision of financial services for Indigenous Australia. In August 2007 NAB commenced a study to identify the need for financial services in Indigenous Australia. A final report was received in October 2007 with its recommendations presented to the CAC at the December 2007 meeting.
3. Better utilisation of the branch network to promote community activities: this issue has been taken on board as part of 1 above.
4. The importance of employee engagement in community activities. Efforts during the year to more fully engage employees in community activities have included:
 - improved internal communication on community activities;
 - a focus around local community sponsorships that originate from and involve employees;
 - direct linkages for NAB bankers and branches with microfinance programs;
 - additional resources to lift volunteering opportunities across Australia; and
 - consultation with employees on NAB's community principles.
5. The importance of sharing lessons and outcomes from our community activities. Limited activity took place on this issue during the year. NAB did participate in several seminars and workshops to share its experience with its microfinance programs.
6. Greater engagement between the CAC and senior NAB management. In August 2007, two further senior NAB executives joined the CAC – Andrew Thorburn and Greg Sutherland.

A forward look at 2008

Over the next year, the CAC will be looking to:

- encourage growth in NAB's level of community investment;
- increase NAB's level of communication activity to the public around what it does in the community;
- build NAB's focus around financial products and services for groups that are socially disadvantaged.

This document was reviewed and endorsed at the Community Advisory Council in October 2007.



The Community Advisory Council would like to acknowledge the contribution to the Council's activities by John Ilhan who died unexpectedly in October 2007.

John was a member of the Council from its inaugural meeting and brought a unique perspective to the role NAB should have in the community. From day one he encouraged NAB and the Council to bring the heart and soul of NAB employees to our thinking about what we should do in the community. He was passionate that we needed to talk more about what NAB is doing in the community – he believed we were doing much and needed to talk more about it. He would always ask "what if...?" as a way of pointing out what could be.

Reading this report of the CAC you will be able to see John's direct influence. We were very privileged to have had John on the Council. He was a unique individual who lived the values he talked about.

NAB Community Advisory Council members

Appendix A

Meetings held in 2007

The following meetings were held during 2007. Member input is sought prior to the meeting if they are unable to attend on the day.

4 August 2006 (inaugural meeting)

Agenda

- Scope and role of the CAC: draft terms of reference finalised.
- Identification of future discussion topics: the CAC discussed what success looks like for the CAC in 12 months' time, themes for community leadership and specific functions of the CAC.
- Review of NAB community activities for the quarter (noted).

Apologies: Betty Hounslow

4 December 2006

Agenda

- Revisit of outcomes from the first meeting (completed).
- Identification of community priorities and strategy: Quantum Market Research presented results from research on community trends to assist the discussion on community priorities and strategy for NAB. NAB's community strategy in light of the findings was requested to be presented at the March 2007 meeting.
- Finalisation of CAC role and membership (completed).

Apologies: John Ilhan

27 March 2007

Agenda

- Community priorities and strategy: The CAC reviewed a discussion paper on NAB community strategies and priorities. A draft set of community principles was endorsed by the CAC for employee and public feedback.
- Where to from here? The CAC was asked to review a discussion paper on future steps and activities under the five terms of reference.

Apologies: none

26 July 2007

Agenda

- Community priorities and strategy – update: an update on actions arising from the 27 March meeting was provided and discussed.
- Community principles: the draft community principles were finalised.
- Indigenous financial services: presentation of initial findings from research into the financial service needs of Indigenous Australia (discussion deferred to subsequent meeting).
- NAB customers and community: a lengthy discussion and endorsement of NAB's strategic framework for becoming a customer and community centric company (the NAB "customer and community engagement framework").

Apologies: Marilyn Webster, Tim Costello

Appendix B: NAB Community Principles

Our beliefs

NAB believes in people and communities, and in backing their ideas and dreams. This drives us to help all our customers and their communities to fulfil their aspirations. It leads us to seek and understand their needs and to build a genuine connection to grow vibrant and sustainable communities.

Our approach

NAB seeks to be a partner in all the communities in which we operate with a particular focus on activities that build social and economic wellbeing both now and in the future. To be successful we seek partnerships that:

- Deliver real and demonstrable value for a community
- Are local in their control and impact, but national in their significance and influence
- Are designed with a view to meeting the future needs of the community
- Give opportunities to all in the community (everyone deserves a chance)
- Involve our employees
- Use our capabilities, not just our cash
- Ensure senior management visibility and ownership
- Give us the chance to talk to our customers and the community about what we are doing and what we have learnt.