

NAB IMPROPER LAND ACQUISITION POLICY STATEMENT

*Progress
Report 2016*

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NAB Limited (NAB) first published its Improper Land Acquisition Policy Statement (policy statement) in December 2014, following the publication of Oxfam’s *Banking on Shaky Ground* report, which raised the issue of improper land acquisition or ‘land grabbing’ and the role of the four major Australian banks.

NAB made its policy statement public to help stakeholders understand its approach to improper land acquisition and to provide detail about how the bank manages environmental, social and governance (ESG) risk issues. As part of this policy statement, NAB publicly reaffirmed that it considers the practice of improper land acquisition to be unacceptable.

NAB’s policy statement contains eight commitments to demonstrate how it manages the issue of improper land acquisition.

In addition to these commitments, the policy statement reaffirms NAB’s desire to engage with stakeholders to understand their concerns and take appropriate steps to respond to any issues raised, including other human rights and social risk issues.

The following table contains a progress update on the eight commitments.

Progress update on NAB’s eight commitments	
<p>1. NAB commits to respecting the land rights of communities that are, or may be, impacted by our customers and suppliers through the inclusion of land rights in our approach to ESG risk management, relevant policies and tools.</p>	<ul style="list-style-type: none"> NAB includes the issue of land rights in our <u>ESG risk assessment processes</u> for lending and procurement. This issue is particularly relevant when we assess proposals for lending to companies in the soft commodities, forestry and mining sectors, where there is potential for land acquisition issues to impact on indigenous communities/ landholders in developing countries. NAB’s new <u>Human Rights Policy</u> was approved in September 2016. It sets out NAB’s approach to respecting human rights in order to meet the bank’s obligations with respect to international conventions, legal and regulatory requirements and <u>voluntary commitments</u>. The NAB Human Rights Policy includes a requirement to consider the risk of improper land acquisition.
<p>2. NAB will not knowingly finance or provide advice to companies that have a prevailing conviction for improper land acquisition or against which NAB considers there is credible evidence of material violations of applicable laws and regulations.</p>	<ul style="list-style-type: none"> In 2016, our ESG risk assessment processes did not identify any cases in which NAB considered there was credible evidence of material violations of applicable laws and regulations.
<p>3. NAB will review customer relationships where there is a risk of a customer operating outside the law or not meeting NAB requirements. If this risk is not addressed to NAB’s satisfaction, NAB may exit the banking relationship.</p>	<ul style="list-style-type: none"> Consideration of improper land acquisition is part of NAB’s ESG risk assessment and due diligence undertaken as part of our credit risk processes. In 2016, we continued to review relevant large institutional and corporate customers. Where applicable, we consider the actions they are taking to manage this risk. NAB continues to monitor a small number of customers that have faced allegations of improper land acquisition to understand how they address and manage the issue. NAB continues to share its policy statement with relevant customers. Where customers have made commitments to address the issue, we monitor their progress.
<p>4. NAB will investigate and, if appropriate, join relevant multi-stakeholder and industry initiatives, which seek to address and prevent, the occurrence of improper land acquisition – this may include standards, certification or verification systems.</p>	<ul style="list-style-type: none"> We have deferred decisions about how we engage with sector initiatives that give consideration to preventing improper land acquisition (e.g. Roundtable on Sustainable Palm Oil and Bonsucro) to 2017. However customer membership of such organisations, and delivery on related commitments, is a consideration in how NAB assesses customer management of this risk. NAB has been a signatory to the Equator Principles since 2007. When providing project finance in non-designated countries¹ (defined in the Equator Principles III), this includes applying International Finance Corporation (IFC) Performance Standards². Standards 5 (Land Acquisition and Involuntary Resettlement) and 7 (Indigenous Peoples) are particularly relevant, when we review how our customers manage land rights and potential impacts on local communities.

Progress update on NAB's eight commitments	
<p>5. NAB will work towards implementing risk processes by 2020, so that major lending and advisory customers whose operations include significant land acquisition, can verify to NAB that their operations are giving appropriate consideration to land rights of local and indigenous communities, particularly in developing countries.</p>	<ul style="list-style-type: none"> • Work completed to satisfy commitments 1 and 4 (above) and 6 (below) will help NAB deliver on commitment 5 by 2020.
<p>6. NAB is committed to building understanding and recognition of the issue of land rights and improper land acquisition and how it can be prevented through:</p> <ul style="list-style-type: none"> - engaging and educating our employees, particularly bankers - engaging with our customers, suppliers and other stakeholders to encourage business best practice in respecting and protecting land rights of relevant communities. 	<ul style="list-style-type: none"> • We continue to include information on improper land acquisition in our ESG risk training and presentations to credit managers and relevant bankers. • Bankers have shared NAB's improper land acquisition policy statement with relevant customers in the soft commodities, forestry and mining sectors. • The need to consider improper land acquisition is included within NAB's new Human Rights Policy (approved September 2016). • Since publishing NAB's policy statement on improper land acquisition in December 2014, and as reported in our 2016 Dig Deeper Report (see pages 18 and 40 in the downloadable PDF [1.9MB]), NAB continues to review, monitor and engage with relevant large institutional and corporate customers where indigenous land rights issues could arise. To minimise the potential for human rights and improper land acquisition concerns in the bank's own operations, NAB has continued to purchase Fair Trade tea, coffee, sugar and cocoa and FSC certified paper in Australian offices and branches. • We have updated our website to provide more detail on how affected external parties can provide feedback or raise concerns (including human rights related concerns such as improper land acquisition). This can be done by contacting our NAB Resolve team.
<p>7. NAB will work within our sector and with our customers to encourage standardised disclosure on social and environmental risks.</p>	<ul style="list-style-type: none"> • NAB continues to participate in industry initiatives which support standardisation of ESG risk information. These include the Equator Principles, the Portfolio Carbon Initiative, and CDP Water and Forestry Surveys³.
<p>8. NAB will report publicly on an annual basis on the actions NAB has taken to meet the commitments in our improper land acquisition policy statement.</p>	<ul style="list-style-type: none"> • We included an update on our actions in NAB's 2016 Dig Deeper (see pages 18 and 40 in the downloadable PDF [1.9MB]). • See our case study – engaging with our customers on soft commodities customer, Wilmar. • This progress report is available on NAB's website, and NAB will continue to report annually on a calendar year basis.

What is improper land acquisition?

Improper land acquisition occurs largely in developing countries, where disputes arise over rights to land and natural resources. These disputes arise because:

- (i) land rights are not clearly defined and large scale commercial land acquisition may have proceeded without free, prior and informed consent of local and indigenous communities or without due regard to legal processes; or
- (ii) adverse impacts have occurred, or been alleged to have occurred, impacting local and indigenous communities, their livelihoods, human rights and food and water security.

Such disputes are exacerbated by the inadequate recognition of customary rights to land and resources, where rule of law has not yet codified customary ownership.

Further information:

Further information about NAB's approach to ESG risk management is also available at www.nab.com.au/cr

1. Non-designated countries are those countries not found on the [list of designated countries](#) published by the Equator Principles Association.
 2. See http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/performance+standards/
 3. NAB is a signatory to CDP's water, forest, climate change and carbon action surveys.