



Social return on investment assessment

School-based and Full-Time Indigenous Trainee Programs

Background

National Australia Bank Ltd ('NAB') recognises the prevalence of Indigenous disadvantage in Australia, and aims to develop positive and sustainable change for Indigenous Australians as stated in its Reconciliation Action Plan.

In support of these aims, NAB has employed Indigenous trainees through its Indigenous Employment Program since 2009. The objective of the Indigenous Employment Program is to provide opportunities and pathways for talented Indigenous Australians to pursue meaningful careers in financial services via school-based traineeships, full-time traineeships, internships and general recruitment.

As part of the School-based and Full-time Traineeship Programs ('the Programs'), trainees are provided with the following:

School-based trainees*	Full-time trainees
<ul style="list-style-type: none">▶ Paid part-time employment over a 24 month period;▶ Enrolment in a TAFE Certificate II in Business Administration; and,▶ Mentoring from NAB employees and external partners.	<ul style="list-style-type: none">▶ Paid full-time employment over a 12 month period;▶ Enrolment in a TAFE Certificate III or IV in Business Administration; and,▶ Mentoring from NAB employees and external partners.

* Completion of year 12 is a condition of participation in the school-based traineeship.

Upon completion of the traineeships, NAB provides permanent employment opportunities to trainees that meet performance expectations. NAB aims to recruit 60 School-Based Trainees and 20 Full Time Trainees in the 12 months ending 30 September 2014 ('FY2014'). Further information on the Programs can be found at NAB's website: <http://cr.nab.com.au/what-we-do/supporting-indigenous-employment>.



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Scope of services

As part of our limited assurance engagement provided in relation to NAB's 2014 Reconciliation Action Plan, EY conducted an assessment of the social return on investment ('SROI') generated by the Programs ('the Assessment'). The Assessment was performed in line with the SROI Principles and Methodology as developed and maintained by the SROI Network¹. It quantified the social, economic and environmental outcomes for material stakeholders impacted by the school-based and full-time traineeships ('the Traineeships'). The Assessment was undertaken to help us form a view as to the effectiveness and value of the traineeships, and whether NAB's disclosures in relation to these were materially consistent with the outcomes of the Assessment.

The SROI calculated below is based on our professional judgment, and has been expressed as a range to demonstrate the sensitivity of the Assessment to underlying assumptions. The Assessment conducted is a forecast SROI with returns forecast over a 3 year period based on 2012 and 2013 historical performance.

Approach

The SROI methodology is a framework for measuring and accounting for the social, economic and environmental value resulting from activities under assessment. The Assessment has used stakeholder engagement with trainees, their families, NAB employees and representatives of group training organisations in conjunction with associated research to map, evidence and value the financial and non-financial outcomes associated with the traineeships.

Limitations

The scope of services described above are advisory in nature and thus do not constitute an audit or review in accordance with the Australian Auditing Standards. The Assessment relies on the representations of stakeholders with regards to inputs, outcomes and associated impacts; and formal data collation mechanisms to measure the impacts identified were not in existence to conduct an assessment of historical performance. Therefore, a forecast has been conducted based on anticipated performance. Surveys and interviews have been relied upon to estimate the impacts and outcomes associated with the Programs.

While the incidence of direct outcomes can be estimated through use of surveys and interviews, it is difficult to accurately measure the scale of outcomes in the absence of existing measurement frameworks. As a result, a standard quantum of change for each outcome has been estimated based on interviews and surveys with relevant stakeholders.

This Report is for information only for NAB management and provides findings related only to the scope of services described above and for no other purpose. We disclaim any responsibility for the use of our advice for a different purpose or in a different context. We disclaim all liability to any other party for all costs, loss, damage and liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of this Report or the reliance upon this Report by the other party.

¹ Documented in 'A guide to Social Return on Investment' and supporting documents. See http://www.thesroinetwork.org/publications/cat_view/29-the-sroi-guide

Findings from our SROI assessment

a) Identifying material stakeholders and associated outcomes
The following material stakeholders were identified based on our interviews and surveys:

- ▶ School-based and full-time trainees
- ▶ Families of trainees
- ▶ NAB - Group and branch managers where trainees are placed
- ▶ Group training organisations²

Other stakeholders were identified during stakeholder mapping stages, including Federal Government, communities of the trainees, other NAB employees and NAB customers, however were not assessed as being material to the SROI of the Programs. While the Federal Government may potentially benefit from reduced reliance on social welfare and increased tax revenue due to the Programs, it does not contribute financially to the Programs and the benefits are not considered material to the Federal Government.

Outcomes identified are included in the charts below.

b) Establishing the impact of the outcomes, calculating the SROI and conducting sensitivity analysis

With the application of financial proxies, deadweight, attribution, displacement and drop-off, the Assessment generated the future forecast SROI of the Programs as shown in the table below. Sensitivity analysis was conducted over a range of factors in the assessment to determine a likely range of the forecast three-year SROI ratio.

Program	School-based traineeships	Full-time traineeships
Forecast SROI ratio for 3 years from FY2014	1 : 2.71	1 : 3.14
SROI ratio range based on sensitivity analysis	2.51 - 3.79	2.78 - 3.77

The relativity of the outcomes is demonstrated in the charts at right.

While the 'other impacts' listed above were identified as material impacts through the stakeholder engagement process, the financial value attributable to these impacts was relatively low compared to the financial benefits for stakeholders.

c) Consideration of economic benefits in the assessment

The SROI methodology aims to capture the social, environmental and economic outcomes resulting from an activity.

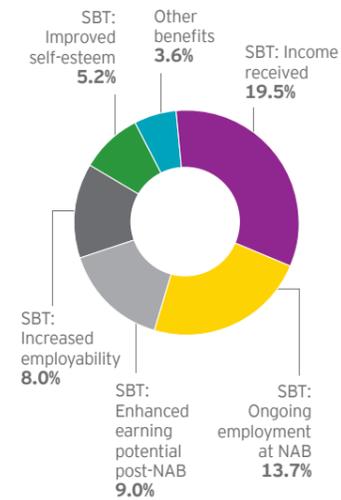
The economic benefits attributable to NAB, the trainees and the Group Training Organisations were included in the Assessment on the basis that the Programs are additional to existing employment programs at NAB. Indigenous trainees are funded by NAB Group, and are not included in Branch Manager resourcing allowances. In the absence of the Programs, NAB would not have received the benefit of the trainees' labour. To be consistent with this approach, the costs associated with employing the trainees have been included

² Group Training Organisations are responsible for identifying trainee candidates, placing them at NAB and providing ongoing mentoring and support

School-based trainee program

Outcomes for trainees and family

59% of total outcomes



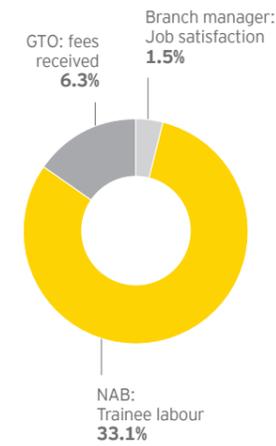
Other benefits (3.6%) include:

- ▶ Improved social and communication skills (SBT)
- ▶ TAFE accreditation (SBT)
- ▶ Increased cultural identity (SBT)
- ▶ Improved mathematical skills (SBT)
- ▶ Improved financial literacy (SBT, family)

School-based trainee program

Outcomes for NAB and Group Training Organisations

41% of total outcomes



as inputs. Benefits associated with the wages paid to trainees have been adjusted to take into account potential earnings in the absence of the Programs.

The income paid to trainees, labour received by NAB and fees payable to Group Training Organisations are the key drivers of the Assessment in monetary terms. This is to be expected, given the direct relationship between work performed and remuneration. These outcomes are proportionally higher for full-time trainees than school-based trainees, due to the higher remuneration associated with the traineeship as shown above.

If the outcomes associated with income paid to trainees, Group Training Organisation fees and labour provided to NAB are extracted from the Assessment, as well as the associated input costs, an SROI ratio of 1:10.75 is calculated for the school-based traineeship program, and 1:12.33 for the full-time traineeship program.

d) Summary of key outcomes:

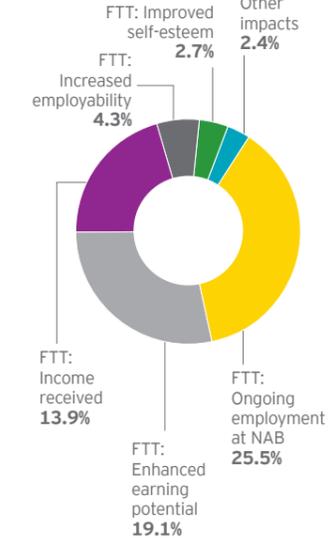
The following outcomes were identified to be key to driving the SROI:

- ▶ Employment and earning potential: Completion of the traineeship was assessed to significantly improve the potential financial situation of trainees, through improved employability, transferable skills, ongoing employment and access to higher potential income in the future. The financial proxies applied to value these outcomes were considered to be relatively conservative.

Full-time trainee program

Outcomes for trainees and family

67% of total outcomes



Other impacts (2.4%) include:

- ▶ Improved social and communication skills (FTT)
- ▶ TAFE accreditation (FTT)
- ▶ Improved mathematical skills (FTT)
- ▶ Improved financial literacy (FTT, family)
- ▶ Increased stress (FTT)

▶ Personal development: The most common outcomes reported by trainees were improved confidence and self-esteem, and improved social and communication skills resulting from the interaction with colleagues and customers. While the value of these impacts is low relative to income effects of the Programs, these outcomes were stressed by trainees interviewed.

▶ Financial literacy: The financial literacy and understanding of wealth creation developed by trainees is likely to have further benefits during the course of their careers, beyond the period of the Assessment.

▶ Indirect impacts: Indirect impacts such as diffusion of financial literacy to family members and improved job satisfaction for branch managers were difficult to measure, and as such conservative assumptions have been applied to estimate these impacts. There is scope to improve the measurement, and potentially valuation, of these impacts as part of the Programs in the future.

Recommendations have been provided separately to NAB detailing data collation mechanisms that could potentially be implemented to support the undertaking of an evaluative assessment in the future.

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