



INTEGRATING HUMAN RIGHTS INTO RISK MANAGEMENT: NAB – A CASE STUDY

JOINT WEBINAR – THAILAND GOVERNMENT PENSION FUND - UNEP FI - THE STOCK EXCHANGE OF THAILAND

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Integrating Human Rights into Risk Management

- ESG Risk & our ESG Risk Principles
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ESG RISK AND OUR ESG RISK PRINCIPLES

- NAB's *ESG Risk Principles* provide broad guidance on ESG Risk

ESG Risk =

Environmental, Social & Governance Risk

- Material risk owners like Credit, Operational Risk, etc are expected to establish appetite, processes and controls to oversee, monitor, and report on ESG Risk
- We recognise that ESG performance can give rise to ESG risks (including human rights-related risks) that may impact on credit risk, and by association, the Bank's reputation



OUR ESG RISK PRINCIPLES

Environmental responsibility

1

We will:

- consume resources responsibly
- look for opportunities to minimise both the direct and indirect negative environmental risk and impacts from our operations, products and services
- give consideration to reducing the indirect environmental risks that may arise from relationships with customers and suppliers.

Social responsibility

2

We will encourage diversity and support and respect the protection of internationally proclaimed human rights and labour standards and will not knowingly engage in business in situations where we could be complicit in human rights abuses.

3

We are committed to providing inclusive, fair and responsible products and services.

Governance responsibility

4

We will conduct ourselves with honesty and integrity.

5

We will work against bribery, corruption, extortion, money laundering and other financial crime.

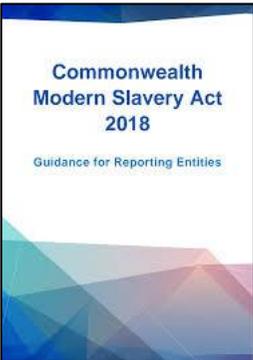
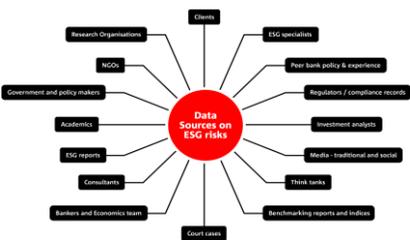
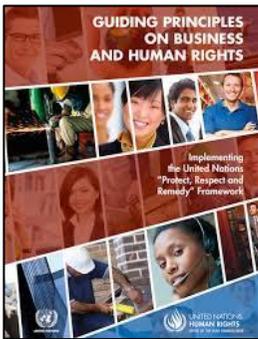
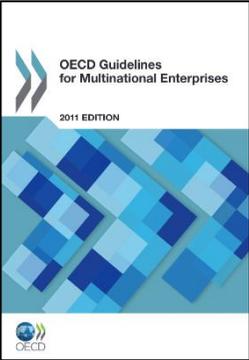
6

We will meet the voluntary standards and principles we have committed to uphold; comply with regulatory requirements in the jurisdictions in which we operate; and take legal compliance into account in making decisions about customers and suppliers.

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INTEGRATING HUMAN RIGHTS INTO THE RISK MANAGEMENT PROCESS



Be informed
 (Identify and assess potential ESG risks via research and consultation – internal & external)



Review risk appetite & policy, processes and controls

Set risk appetite & policy
 (Establish risk settings including principles, and sensitive sectors/activities)

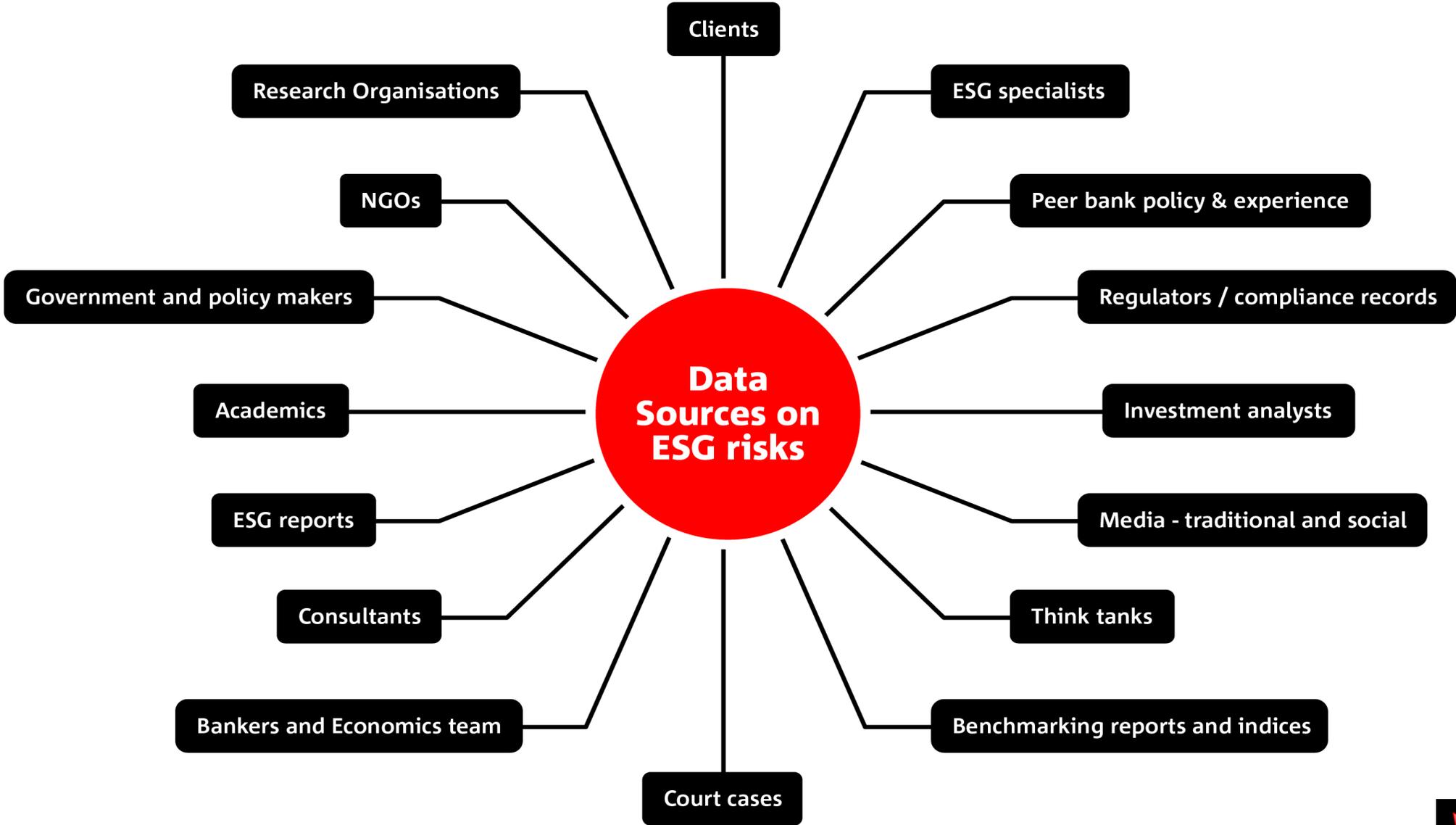


Monitor and report
 (Aggregate portfolio level exposure and report regularly to relevant management committees)

Manage risk
 (Undertake due diligence – assess transaction level risk, escalating high risk transactions to senior management/Exec, where appropriate)



INFORMATION SOURCES USED TO IDENTIFY AND ASSESS RISKS AND ISSUES



OUR HUMAN RIGHTS POLICY

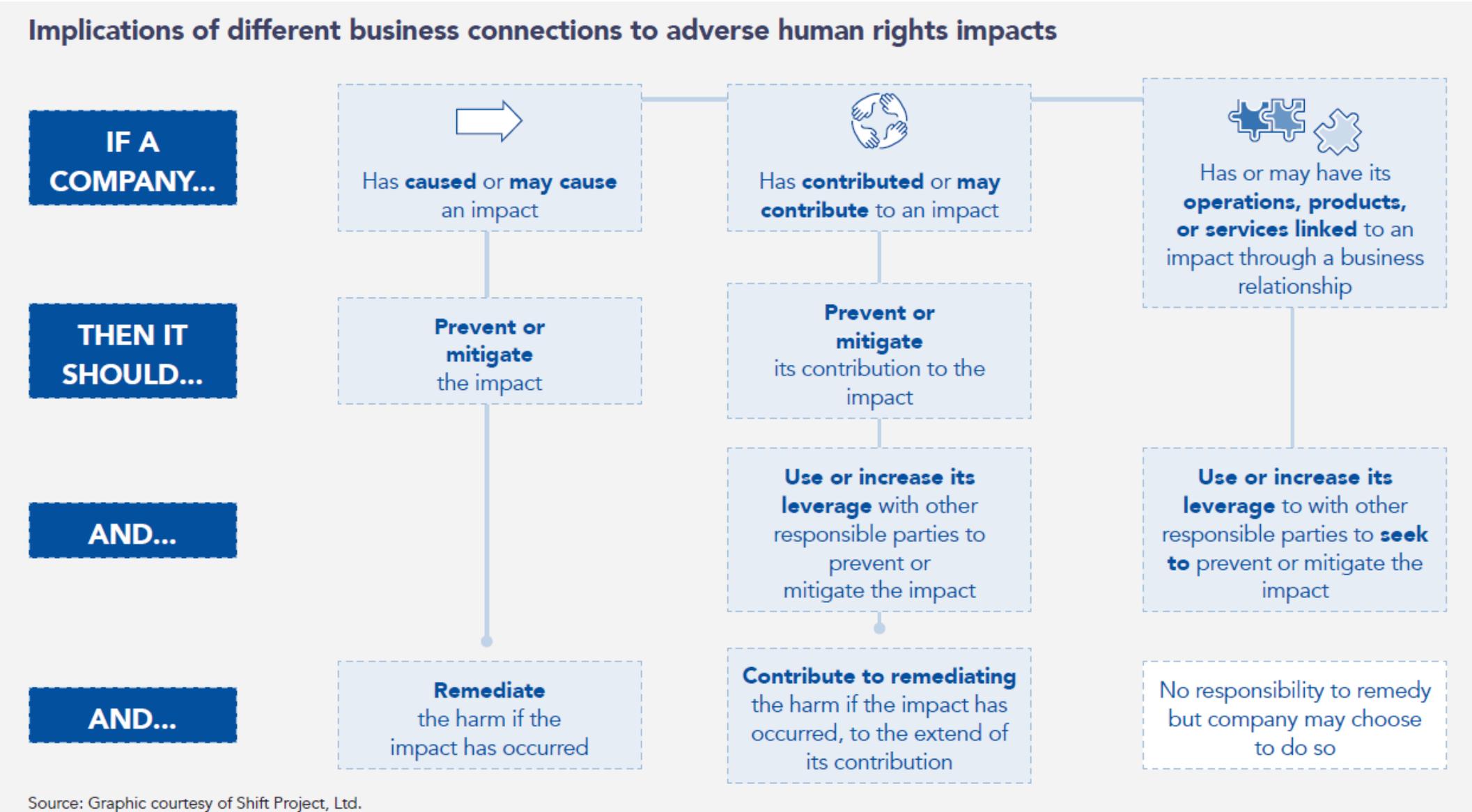
- NAB’s Human Rights Policy covers requirements that include legal and regulatory obligations and voluntary commitments which require protection of, or respect for, human rights
- NAB recognises that human rights concerns can arise not only through our operations, but also via interactions with external parties – in particular, business relationships, customer interactions, financing and investments, supply chain management
- NAB is committed to respecting human rights in our interactions with its employees, customers, communities and suppliers through “How we Work’.
- NAB’s human rights commitment is demonstrated through being a signatory to, or otherwise committing to uphold, a number of international commitments which incorporate human rights requirements:
 - the UN’s Universal Declaration of Human Rights and related conventions
 - UN Guiding Principles on Business and Human Rights
 - UN Global Compact
 - UNEP FI Principles for Responsible Banking
 - International Labour Organisation’s (ILO) eight core conventions
 - OECD Guidelines for Multinational Enterprises
 - Equator Principles



Policy requirements in the HR Policy cover:

- Respecting the human rights of our people
- Respecting human rights in our business relationships (customers, JV, and suppliers)
- Due Diligence, monitoring and review
- Training and communication
- Stakeholder engagement, grievance and remedy
- Reporting and disclosure.

IMPLICATIONS OF CONNECTIONS TO ADVERSE HUMAN RIGHTS IMPACTS



MODERN SLAVERY what is it?

- Practices that constitute modern slavery include:
 - Human trafficking
 - Slavery or servitude
 - Forced and/or compulsory labour (including prostitution)
 - Forced begging
 - Debt bondage and bonded labour
 - Forced marriage
 - The worst forms of child labour (and exploitation including sexual exploitation).
- Modern slavery includes situations where people are:
 - forced to work – through coercion, or mental or physical threat
 - owned or controlled by an 'employer', through mental or physical abuse or the threat of abuse
 - dehumanised, treated as a commodity or bought and sold as 'property'
 - physically constrained or have restrictions placed on their freedom of movement.

Modern slavery does not include practices like substandard working conditions or underpayment of workers, though these practices are also harmful and may be present in some situations of modern slavery.



Over a million people are estimated to be forced to pick cotton in Uzbekistan and Turkmenistan by their own governments every year

MODERN SLAVERY where is it occurring?

The 10 countries with the highest prevalence of modern slavery are:

1. North Korea*
2. Eritrea*
3. Burundi*
4. The Central African Republic
5. Afghanistan
6. Mauritania
7. South Sudan
8. Pakistan
9. Cambodia
10. Iran

It is estimated that **40.3 million people** were living in some form of modern slavery across **167 countries in 2016**

Modern Slavery Index ranking and estimated no. of victims in countries where NAB operates:

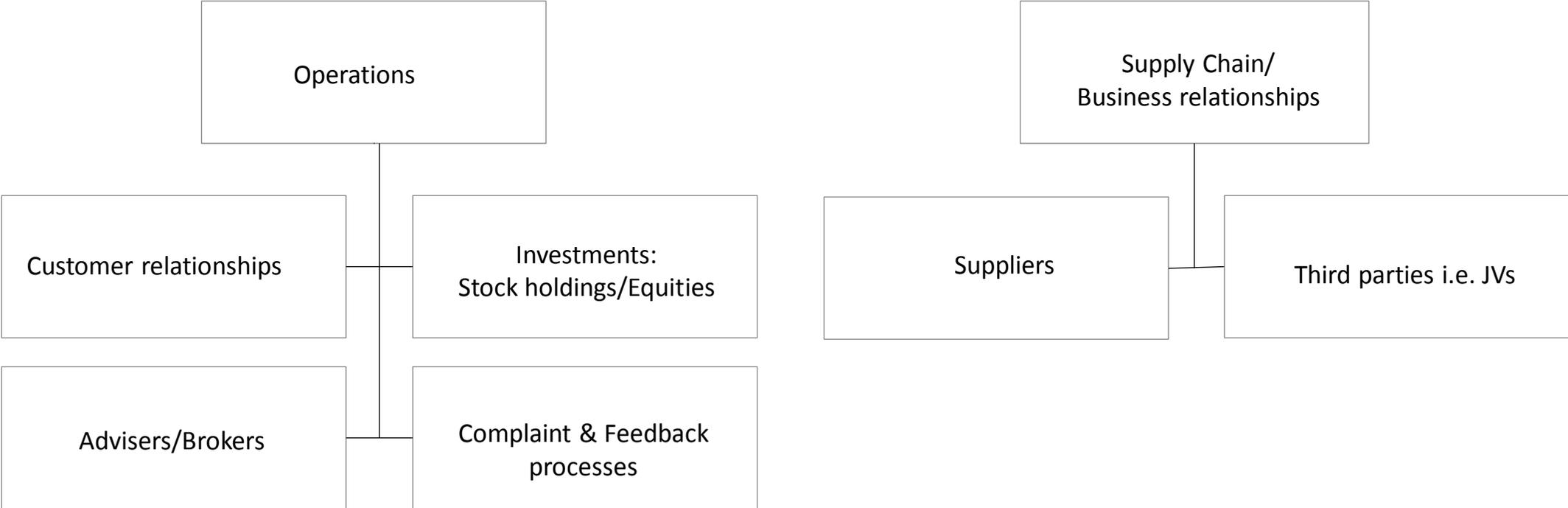
- Australia (163rd) – 15,000
- New Zealand (164th) – 3,000
- United Kingdom (132nd) – 136,000
- United States (158th) – 403,000
- China (111th) – 3,864,000
- Japan (167th) – 37,000
- Indonesia (74th) – 1,220,000
- India (53rd) – 7,989,000

The **10 countries** with the **largest estimated absolute numbers of people in modern slavery** include – India, China, Pakistan, North Korea, Nigeria, Iran, Indonesia, Democratic Republic of the Congo, Russia, and the Philippines – they account for **60 percent** of people living in modern slavery.

MODERN SLAVERY REGULATORY TRANSPARENCY REQUIREMENTS

	UK Modern Slavery Act (2015)	Modern Slavery Act 2018 (Cmth)	NSW Modern Slavery Act 2018 (not proclaimed)
Trigger thresholds	Annual turnover ≥£36 million	Annual consolidated revenue ≥\$100 million	Annual turnover ≥ \$50 million and less than \$100 million
Coverage	Extra-territorial	Extra-territorial	Extra-territorial
When must statement be published?	Within 6 months of financial year-end Annually	Within 6 months of financial year-end Annually	Within 6 months of financial year-end Annually
Where must statement be published?	Link from website homepage	Border Force online register	Submit to Anti-Slavery Commissioner of NSW
Who must approve statement?	Board	Principle Governing Body (Board)	Principle Governing Body (Board)
Who must sign statement?	Director (e.g. Managing Director)	Responsible member	Responsible member
Content of modern slavery statement	Not mandated	Mandated	Mandated
- Description of organisation's structure, operations and supply chains	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
- Policies in relation to slavery and human trafficking	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
- Due diligence and remediation processes in relation to slavery and human trafficking in its business and supply chains	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
- Describe operations and supply chains where there is a risk of slavery and human trafficking taking place, and steps taken to assess and manage the risk	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
- Description of organisation's effectiveness in ensuring that slavery and human trafficking is not occurring in its operations and supply chains, (measured against such performance indicators as it considered appropriate)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
- Training for staff about slavery and human trafficking.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Consultation with other controlled/owned entities where a joint statement is published	Not required	Required	Required

POSSIBLE EXPOSURE POINTS TO MODERN SLAVERY FOR A FI



MANAGING MODERN SLAVERY RISK

NAB is taking a risk-based approach to understanding, assessing and addressing the potential human rights impacts of business relationships and transactions.

- Incorporated reference to modern slavery in our Human Rights Policy and Group Procurement policies.
- Modern slavery is included in annual Risk Awareness training.
- Training for NAB's KYC and Financial Crime Due Diligence (DD) and Investigations teams. The NAB FCO Major Investigations team developed an Investigations Guide for Fin. Crime investigation and DD.
- UAR reports can be raised by staff and are investigated by NAB's Investigations teams.
- Incorporated modern slavery within NAB's Whistleblower program (so we can protect – to the best of our ability – our people and any modern slavery victims that may become known to NAB in the course of doing business).
- NAB has implemented risk management processes to identify, assess, mitigate and monitor potential risk areas where it could be exposed to human rights concerns, including modern slavery and human trafficking – in third-party risk management/sourcing/ lending activities.
- Modern slavery questions have been incorporated into ESG risk checklists for lending.
- NAB has taken action to ensure key products are purchased from responsible suppliers. This includes purchase of:
 - office consumables such as tea, coffee, sugar, and cocoa supplied in kitchens
 - corporate clothing
 - print and promotional goods and services.
- Participating in industry working groups (ABA, RIAA, UNGCA) and government consultations.
- Published modern slavery statements: <https://www.nab.com.au/about-us/social-impact/modern-slavery-statement>

NAB has a global supply chain made up of around **1,830 contracted suppliers.**

NAB & BNZ are among the largest corporate purchasers of **Fair Trade tea, coffee, sugar and cocoa**

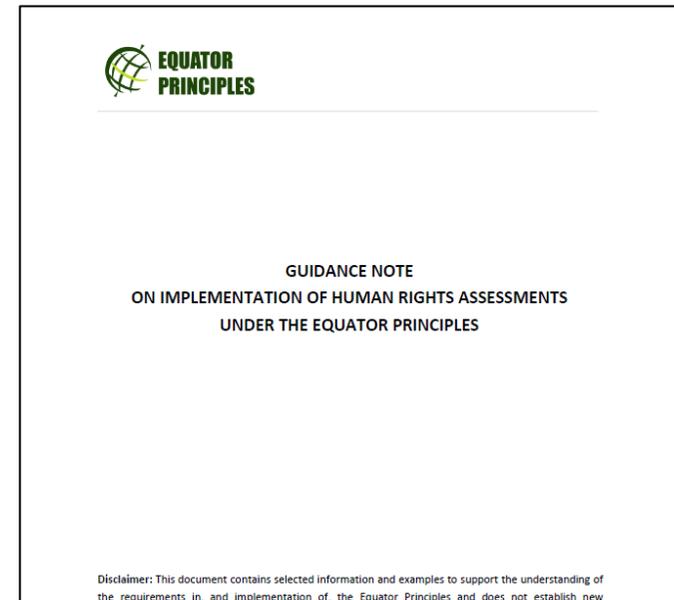
EQUATOR PRINCIPLES – HUMAN RIGHTS REQUIREMENTS

- Equator Principles (Version 4) strengthened expectations for managing human rights and alignment to the UN Guiding Principles on Human Rights with a requirement for **human rights risk assessment**

“Equator Principles Financial Institutions (EPFIs) will fulfill the responsibility to respect Human Rights in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) by carrying out Human Rights due diligence on the projects EPFIs finance (EP4, Preamble).”

- **Free, Prior and Informed Consent (FPIC)** must be considered where Indigenous communities are involved

“Globally for Projects that require FPIC, EPFIs will require a qualified independent consultant to evaluate the consultation process with Indigenous Peoples, and the outcomes of that process, against the requirements of host country laws and IFC Performance Standard 7.”



EQUATOR PRINCIPLES – HUMAN RIGHTS RISK ASSESSMENT

STEP 1:

- **Scale:** How serious are the impacts for the victim (s)?
- **Scope:** How many people could be affected by the harm?
- **Remediability:** Will a remedy restore the victim to the same or equivalent position before the harm?
- **Likelihood:** What is the likelihood of the impact occurring? At the screening phase, this likelihood can be understood as a combination of different elements, including:
 - 1) inherent risks related to the business model in general or a particular high-risk operating context that are difficult to mitigate, even for experienced companies; and
 - 2) evidence that the specific client has faced similar risks that it has failed to properly mitigate, leading to impacts.

STEP 2:

- **Lower-risk** → Document a high-level summary of risks and the risk mitigation employed by the client.
- **Higher-risk** → Further assessment and more in-depth documentation required.



EXAMPLES OF RESOURCES

MODERN SLAVERY REPORTING – GUIDE FOR INVESTORS
NOVEMBER 2019



riaa Responsible Investment Association Australasia

acsi AUSTRALIAN COUNCIL OF SUPERANNUATION INVESTORS



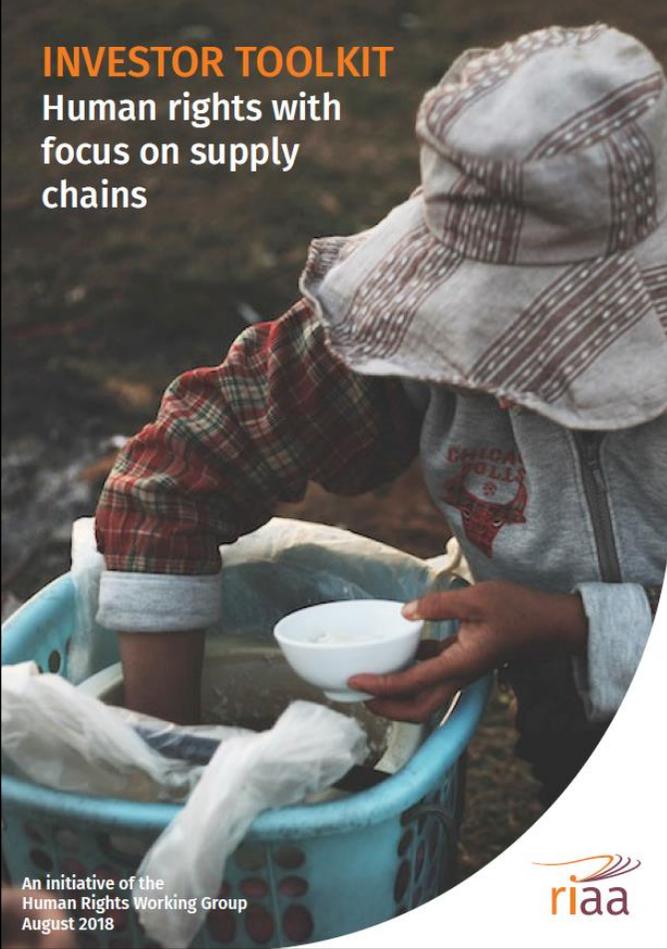
anti-slavery
today's fight for tomorrow's freedom

Ethical Trading Initiative
Respect for workers worldwide

Base Code Guidance: Modern Slavery



INVESTOR TOOLKIT
Human rights with focus on supply chains



An initiative of the Human Rights Working Group
August 2018

riaa



**THE EQUATOR PRINCIPLES
JULY 2020**

A financial industry benchmark for determining, assessing
and managing environmental and social risk in projects
www.equator-principles.com

<https://equator-principles.com/wp-content/uploads/2021/02/The-Equator-Principles-July-2020.pdf>



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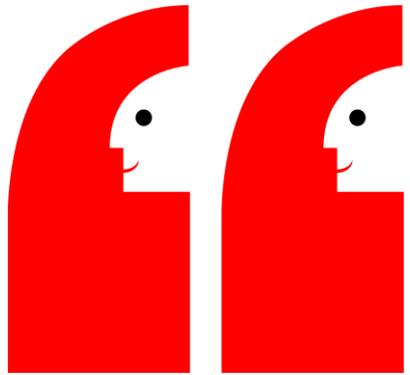
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THANK
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