



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

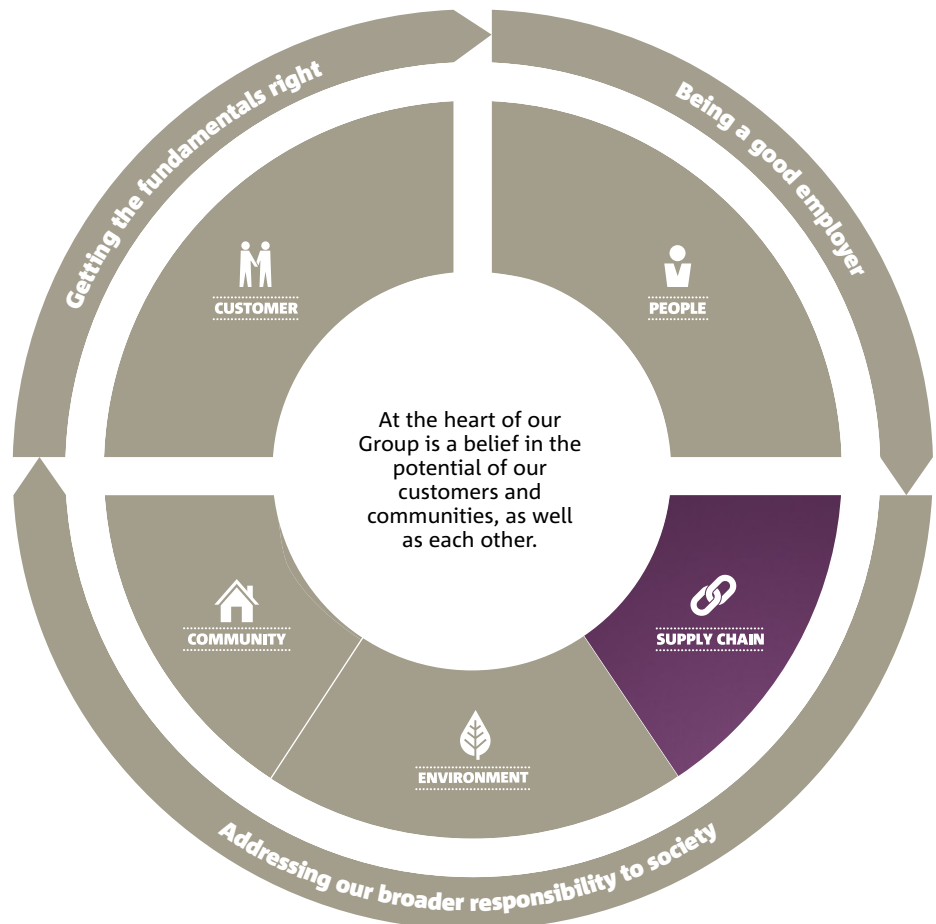
OUTSOURCING

RESPONSIBLE PROCUREMENT PRACTICES

SELECTING SUSTAINABLE SUPPLIERS

Committed to having a positive impact with our purchasing decisions

As a global business, more than 20,000 businesses supply us with over \$4 billion of goods and services each year. Our purchasing decisions can have a real impact on our suppliers, as well as the environment and communities in which we work.



THE PURPOSE OF OUR DIG DEEPER PAPERS

In 2010, for the first time, we combined our annual Shareholder Review and CR Review into an integrated report on our business. To focus the content in the Annual Review, we undertook a CR materiality process to assess the most significant issues in each of our CR segments. We then focused on including metrics in the report related to these issues (for more on our CR materiality process, visit our website <http://www.nabgroup.com/corporateresponsibility>).

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 recognising these diverse stakeholder demands, we have produced this series of *Dig Deeper* papers, to provide a broader suite of data for interested readers.

In pulling these papers together, we have referred to the Global Reporting Initiative Sustainability Reporting Guidelines (G3), as well as back to our CR issues map and materiality process.

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

We hope we've met your data needs below. If we haven't, please let us know by emailing corporate.responsibility@nab.com.au.

Unless otherwise stated, all data in this *Dig Deeper* is reported for the period 1 October 2009 to 30 September 2010 and all graphs represent Group-wide data from internal sources. Supply chain data is based on 11-month data with 1 month estimated due to timing requirements of reporting. Data does not include the US and Asia operations, due to limited reporting capability in these locations.

RESPONSIBLE PROCUREMENT

In 2010, more than 20,000 businesses supplied us with over \$4 billion of goods and services. Of the 28 significant supply chain contracts entered into in 2010, 68% contained specific CR clauses, while 46% involved a CR screening assessment.

In Australia, we introduced the Supplier Sustainability Program in 2008 and have been working to introduce NAB's Supplier Sustainability Principles into new contracts with key suppliers. In Australia, more than 75 suppliers are compliant with these.

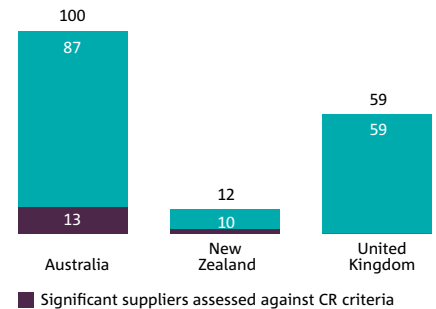
Find out more about our supply chain initiatives at www.nabgroup.com/cr/supplychain.

NUMBER OF SIGNIFICANT SUPPLIERS



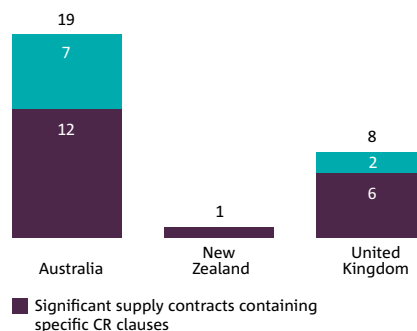
- 'Significant supplier' defined as a supplier in relation to whom the value of expenditure exceeds the following criteria:
 - in Australia: A\$5,000,000
 - in UK: £1,000,000
 - in NZ: NZ\$5,000,000

SIGNIFICANT SUPPLIERS ASSESSED AGAINST CR CRITERIA



- 'Assessed against CR criteria' defined as a process in which the performance of a supplier is reviewed against specific standards with regard to human rights, social or environmental assertions or obligations.
- The number of significant suppliers assessed against CR criteria only reflects those suppliers that were included in a tender during that period. Therefore, a large proportion of significant suppliers were assessed against CR when their contracts were established in previous periods.

CR CLAUSES IN NEW SIGNIFICANT SUPPLY CONTRACTS



- 'CR clauses' defined as including one or more clauses that require a human rights, social or environmental obligation over and above that required by law.
- 'Significant supply contract' is one entered into with a value (contracted or projected) greater than the relevant criteria in the definition of significant supplier.

NEW SIGNIFICANT SUPPLY CONTRACTS ASSESSED AGAINST CR CRITERIA



- A significant supply contract is considered assessed against CR criteria when there are CR criteria included in the tender and selection process.

ASSURANCE STATEMENT

ERM Independent Assurance Report to National Australia Bank Limited: Summary for the 2010 Annual Review and *Dig Deeper* papers.

Environmental Resources Management Australia Pty Limited (ERM) was engaged by National Australia Bank Limited (NAB) to provide independent limited assurance of its 2010 Annual Review and *Dig Deeper* papers to the scope of work outlined in ERM's Independent Full Assurance Report (see link provided below), which for Environment data relates to 1 July 2009 to 30 June 2010.

<http://annualreports.nabgroup.com/assurance.html> for details of ERM's scope of work, experience, independence and key findings.

Conclusion

ERM concludes that, based on the scope of work and related limitations, for the specified subject matter, NAB's 2010 Annual Review and *Dig Deeper* papers:

- Provide a balanced representation of the material issues concerning NAB's CR performance
- Report accurate CR metrics, based on the limitations outlined above and the representative sampling of a limited dataset
- Incorporate correctly transcribed greenhouse gas and energy data that has been subject to assurance by a third party

for the 12 months to 30 September 2010. In addition, ERM provides a more detailed Management Report to NAB.

Environmental Resources Management Australia Pty Limited (ERM),
9 November 2010, Melbourne, Australia

Please follow this link (<http://annualreports.nabgroup.com/assurance.html>) for ERM's Disclaimer Statement that applies to this *ERM Independent Assurance Summary Report*.

