

**National Australia Bank Limited**

ABN: 12 004 044 937 AFSL & ACL: 230686  
A National Australia Bank Group Company



28 April 2017

Dr Joshua Forkert  
Inquiry Secretary  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
Canberra ACT 2600

Dear Mr Forkert

**Re: Inquiry into Establishing a Modern Slavery Act in Australia**

National Australia Bank Limited (NAB) welcomes the opportunity to provide a submission in response to the Inquiry into establishing a Modern Slavery Act in Australia.

NAB's submission is based on our experience as an organisation subject to the *Modern Slavery Act 2015 (UK)*<sup>1</sup>, having published our first Modern Slavery Statement in November 2016.

**General comments**

NAB provides a range of financial services, principally in Australia and New Zealand, as well as through branches in the UK, US, and Asia.

NAB has a global supply chain made up of more than 1700 contracted suppliers.<sup>2</sup> Our supply chain relationships include suppliers from the following sectors: information, communications, and technology; property services (including facilities management, utilities, cleaning, waste management and security); business process offshoring; logistics and correspondence; consulting services; marketing; print and promotional goods and services; fleet management; office supplies; and corporate clothing.

NAB seeks to do business with suppliers that have similar values, ethics and sustainable business practices, including those related to human rights. NAB recognises that as a large purchaser of goods and services, the business conduct of our suppliers can have a significant impact on our performance and reputation.

As well as being a signatory to the UN Global Compact, NAB has undertaken to uphold a number of international commitments which incorporate human rights requirements. These include:

- Universal Declaration of Human Rights;
- UN Guiding Principles on Business and Human Rights;
- UN Environment Program – Finance Initiative;
- Equator Principles; and
- OECD Guidelines for Multinational Enterprises.

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<sup>1</sup> NAB triggers the thresholds for compliance with the UK Modern Slavery Act due to its London Branch operations.

<sup>2</sup> In addition to contracted suppliers, NAB procures goods and services through purchase orders and corporate purchasing cards. These typically cover one-off purchasing and items like travel expenses, catering, office supplies and miscellaneous goods and services

NAB has also developed a Human Rights Policy. Further information on NAB's approach to human rights and a copy of our Human Rights Policy is available [here](#).

NAB seeks to avoid knowingly engaging in business activities where it could be complicit in human rights abuses. We do so through appropriate consideration of human rights commitments, our Human Rights and Improper Land Acquisition policies and our compliance with the *Modern Slavery Act 2015 (UK)*. NAB does not tolerate slavery, human trafficking, forced or child labour or child exploitation.

## **Response to the Terms of Reference**

### **NAB's processes and policies**

NAB has implemented risk management processes to identify, assess, mitigate and monitor potential areas where human rights concerns, including modern slavery and human trafficking, may arise.

Potential risk areas in our supply chain include:

- purchase of office consumables such as tea, coffee, sugar, cocoa and biscuits;
- cleaning services employed by building owners or facilities managers for buildings occupied by NAB;
- purchase of corporate clothing; and
- print and promotional goods and services.

NAB has a Supplier Sustainability Program in place to manage Environmental, Social and Governance (ESG) risks, including those such as human trafficking and modern slavery, within our material supply chain relationships.

NAB's 2016 Modern Slavery Statement (available [here](#)) provides further information on our ESG risk management processes and approach to sustainable supply chain management. Our statement also provides information about the ESG risk assessment we have undertaken on our supply chain to identify potential for exposure to modern slavery and human trafficking through our relationships with suppliers and the actions we have taken to mitigate this risk.

As a financial institution, NAB also recognises that modern slavery and human trafficking is a potential risk in relation to financing activities. NAB's ESG credit risk policies and processes incorporate a risk-based approach to assess human rights issues (incorporating modern slavery and human trafficking) as part of credit risk assessment and due diligence. This includes use of the 'High Risk ESG sectors and sensitive areas list' to determine customers that may have a higher risk of ESG issues. Further information on our approach to ESG risk management can be found [here](#).

### **Identifying best practice**

NAB welcomes the efforts of the Inquiry to identify international best practice for the prevention of modern slavery and human trafficking. Should Government proceed with the introduction of a Modern Slavery Act in Australia, we consider it appropriate to review the relevance of the UK legislation for potential application, particularly as there are already a number of Australia corporations subject to the UK Act.

NAB's implementation of policy, systems and processes to identify and mitigate against human trafficking and modern slavery has included:

- developing a Human Rights Policy that incorporates consideration of modern slavery and human trafficking and embedding consideration of the risk of modern slavery in other relevant policies;
- taking a risk-based approach to understanding, assessing and addressing the potential human rights risks in our business relationships and transactions;
- providing our employees with training about the requirements of the *Modern Slavery Act 2015 (UK)* and how to recognise and safely report instances of modern slavery;
- incorporating modern slavery reporting requirements into our Whistleblower Policy and program (so we can protect, to the best of our ability, our people, and any victims of modern slavery that may become known to them in the course of their work); and
- incorporating consideration of modern slavery and human trafficking risks via human rights requirements within NAB's Group Supplier Sustainability Principles and NAB's Supplier Sustainability Program – particularly so we can closely monitor our direct supply chain, where we have formal contractual relationships.

Identifying, preventing and mitigating human rights risks across global supply and value chains can be complex, challenging and resource intensive. It also requires relationships with a range of experts and stakeholders external to business organisations to be able to understand the risks and issues and to develop policies and programs to mitigate them. All this will take time and capacity building within business and supporting organisations to be effective.

If an Act is introduced in Australia we would encourage a period of at least 12 months after the Act enters into force, to allow business to prepare for compliance with disclosure requirements (such as Part 6 in the UK Act). This would reflect the process undertaken in the UK.

Organisations and their supply chains can vary considerably in size and complexity. As such, NAB considers that the introduction of a transparency/disclosure and reporting requirement for business would be an appropriate approach under the requirements of an Australian Act, consistent with the approach taken in the UK Act. Our experience suggests that a disclosure requirement encourages business action, while providing organisations with the flexibility to develop appropriate capability, approaches and best practice to tackling modern slavery and human trafficking. Our experience in corporate sustainability reporting shows that when organisations disclose information, there is a reputational driver that leads to improved performance.

### **Introducing a Modern Slavery Act in Australia**

NAB believes that any Australian Act which is introduced should mirror the UK Act's disclosure obligations. NAB is concerned that if an Australian Act contained significantly different requirements to those in the UK, given extraterritorial nature of the UK Act obligations, that this would create administrative burden and potentially lead to confusion. It would be difficult to communicate varying expectations and requirements of different Governments, effectively operating within the same jurisdiction, without causing confusion for employees, suppliers and other relevant stakeholders.

Based on NAB's experience, the introduction of the UK Act has made a significant contribution to building awareness of the occurrence of modern slavery amongst UK-based businesses (including multi-nationals) and equipped business and communities with information to enable reporting of suspect situations and individuals. It has also increased

business disclosure and action to identify, assess and, where applicable, address modern slavery and human trafficking in global value chains.

An Australian Act that included similar business transparency requirements to those in the UK would support efforts to prevent trafficking and slavery and grow awareness of the issue of slavery both globally and Australia. Based on our experience to date, business transparency requirements are not costly, and given our existing ESG risk management approach it has been readily integrated into relevant policies, risk management controls, monitoring and training, as well as our supply chain requirements. Nonetheless, this may present a challenge for small to medium sized enterprises (SMEs), with less developed risk management frameworks for identifying, managing and reporting on the social impacts of their global supply chains. This should be considered when setting trigger thresholds and reporting requirements as part of the development of any Australian Act.

NAB considers that introducing a business transparency requirement is an appropriate strategy to help address and reduce modern slavery as those organisations already taking action can quickly and simply articulate the work already underway and planned, and augment what they are doing year on year.

Initial Modern Slavery Statements or disclosures can form a baseline line to show how organisations are starting or planning to act on the issue. An Australian Act and any accompanying implementation guidance should describe the key areas recommended for disclosure, but allow flexibility in how companies report and respond.<sup>3</sup> This flexibility is important given the range of organisations that fall within its scope.

Guidance from the UK Home Office sets out that a business should state the steps they have taken during the financial year to ensure slavery is not taking place, or if they have taken no steps at all. The UK Act prescribes how the statement should be published and who must approve it. Whilst there here are no material statutory sanctions for non-compliance to accompany these requirements, the principal deterrent for not taking steps to publish a statement is driven largely by the potential reputational risk of no action. This can be a strong motivator for public companies with well-known brands. NAB supports this non-punitive approach.

NAB considers that publication of guidance material and providing opportunities for capability building are important to support the introduction of any legislated modern slavery and human trafficking requirements and to provide commonality in approach across reporting entities. Providing business with information, education and tools including case study examples to help people identify modern slavery will be crucial to success.

## **Other matters**

### *Identification and reporting of instances of modern slavery*

It is important to have a safe and well understood mechanism to support any company, group or individual who may identify an instance of modern slavery in Australia to ensure the safety of both the reporter and any victim or victims of modern slavery. For companies, this should be via the use of whistleblower processes. A single designated contact point or agency for reporting of modern slavery instances in Australia would be helpful.

### *Maintaining a register of Modern Slavery disclosures*

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<sup>3</sup> This is the approach taken in the UK. Section 54(5) of the UK MSA outlines what a statement may include, but there is no prescribed form of content or length for a statement.

If a Modern Slavery Act is introduced in Australia which required disclosure by business, a Government Department or agency should be given the responsibility for maintaining a public register of Australian modern slavery disclosures and for reporting on the outcomes achieved through implementation of such an Act. Government can provide this register in an independent manner. A central repository of Statements would facilitate development of best practice and support reporting organisations learning from each other. In the UK, at least two registers have been developed by non-government organisations.<sup>4</sup>

*Monitoring, benchmarking and compliance*

In the UK, non-government organisations have been tracking and benchmarking companies with respect to the quality of their modern slavery disclosures.<sup>5</sup>

NAB considers that it is in the best interests of governments and business to co-operatively develop a standard approach to disclosure on modern slavery and human trafficking. This would also facilitate exchange of information between different jurisdictions.

Should you have any queries about the information provided in this submission, please contact Aron Whillans, Government Affairs & Public Policy |

Yours sincerely

Nicky Parsons  
General Manager, Group Risk, Appetite & Analytics  
National Australia Bank Limited

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<sup>4</sup> Two key Modern slavery statement registers have been developed in the UK. Refer to the following references: (1) <https://business-humanrights.org/en/uk-modern-slavery-act-registry> and (2) <http://stronger2gether.org/central-repository-modern-slavery-statements/>

<sup>5</sup> References: <https://www.ashridge.org.uk/faculty-research/research/current-research/research-projects/corporate-leadership-on-modern-slavery/> and <https://business-humanrights.org/en/uk-modern-slavery-act-analysis-of-early-company-statements-new-guidance-available> and <https://www.herbertsmithfreehills.com/latest-thinking/the-uk-modern-slavery-act-one-year-on>