

**House of Representatives Standing Committee on Economics
Review of the Four Major Banks (Second Report)
National Australia Bank (NAB)**

NAB53QW: Please provide a detailed brief as to how the Bank's risk management framework proactively addresses the risk factors which are not captured by the APRA Prudential Standard CPS220.

Answer

APRA's CPS 220 requires NAB to have systems for identifying, measuring, evaluating, monitoring, reporting, and controlling or mitigating material risks that may affect its ability, or the ability of the group it heads, to meet its obligations to depositors and/or policyholders. These systems, together with the structures, policies, processes and people supporting them, comprise NAB's Group-wide Risk Management Framework (RMF).

The scope of the RMF covers all risks, not just those contemplated by CPS 220. These include Credit Risk, Compliance Risk, Conduct Risk, Operational Risk, Market Risk, Regulatory Risk, Balance Sheet & Liquidity Risk and Strategic Risk. We also have a set of Environmental, Social and Governance (ESG) Risk Principles, which provide an overarching framework for integrating ESG risk considerations into the RMF.

As outlined in response to the Committee's Question in Writing (2.2QW), asked following the October 2016 hearings, the RMF supports a proactive approach to risk management across the Group through:

- Identifying, analysing and understanding each of the material risks at all levels.
- Employing appropriate strategies, policies, effective operating controls and other mitigants.
- Applying appropriate balance to understanding our historical risk performance with our potential risk performance.
- Providing reliable and meaningful risk information (i.e. reporting) to decision-makers.
- Ensuring adequate oversight of the risk profile and effective operation of the RMF.