

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB24QW:

- (a) How many employees does the bank have?
- (b) How do you define employee misconduct?
- (c) How many employees have been cautioned for misconduct over the past five years?
- (d) How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct over the past five years?
- (e) How many employees have been terminated for misconduct over the past five years?
- (f) How many employees have been cautioned for misconduct over the past five years, as a share of all employees over that timeframe?
- (g) How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct over the past five years, as a share of all employees over that timeframe?
- (h) How many employees have been terminated for misconduct over the past five years, as a share of all employees over that timeframe?
- (i) What are the processes available for whistle-blowers into misconduct within the bank

Answer:

The data provided covers a four-year period, from 1 October 2015 to 30 September 2019 for financial years (FY) 2016 to 2019. Figures from FY15 are not comparable to FY16 onwards, and are not an accurate reflection of the consequence management landscape at the time. This is due to changes in the data capture process as well as policy changes which significantly altered requirements to refer conduct matters to NAB's Employee Relations team, and increased awareness and responsibility for managers with respect to conduct management.

(a) How many employees does the bank have?

The number of NAB Full Time Equivalent (FTE) employees as at 30 September 2019 is 34,370, as per NAB's FY19 Annual Financial Report (spot figure).

For calculations for below questions (f) (g) and (h) the average FTE for financial years FY16 – FY19, as reported in NAB's Annual Financial Reports, has been used. NAB does not record the rolling number of FTE throughout each financial year.

FTE (average) across financial years:

- FY16: 34,567
- FY17: 33,746

- FY18: 33,747
- FY19: 33,950

Average FTE FY16 – FY19: 34,003

(b) How do you define employee misconduct?

At NAB, the expectation is that all employees behave in a professional manner that fosters trust, confidence and goodwill in our customers, colleagues, competitors, suppliers, shareholders, regulators and the wider community.

Employee misconduct is considered any circumstance where an employee’s conduct falls short of our expected standards, which are set out in our Code of Conduct and other NAB policies and procedures.

(c) How many employees have been cautioned for misconduct over the past five years?

Between the period FY16-FY19, **1,641** employees received warnings, but did not received a financial penalty.

Warnings are issued where employee misconduct has occurred and may have financial penalties attached. Warnings with penalties attached are incorporated in the response to part (d).

(d) How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct over the past five years?

Between the period FY16-FY19, **2,338** employees received warnings with a financial penalty attached, such as loss of bonus or forfeiture of equity.

Warnings are issued where employee misconduct has occurred and may have financial penalties attached. Warnings without penalties attached are incorporated in the response to part (c).

(e) How many employees have been terminated for misconduct over the past five years?

Between the period FY16-FY19, **1,265** employees exited the business as a result of misconduct.

This number includes terminations and resignations during the conduct investigation process or as the result of a substantiated conduct breach. Employees sometimes opt to resign if they believe they are not meeting our conduct expectations ahead of a final outcome being delivered.

The types of misconduct in relation to these employee exits cover a broad range of circumstances and range from failing to complete mandatory risk learning to more severe breaches such as conflicts of interest, lending policy breaches and discrimination/harassment.

(f) How many employees have been cautioned for misconduct over the past five years, as a share of all employees over that timeframe?

| Total # warnings with no financial penalty (FY16-FY19) | Avg. # warnings with no financial penalty per annum (FY16-FY19) | Avg. total # FTE p.a. (FY16-FY19) | Average annual % |
|--|---|-----------------------------------|------------------|
| 1,641 | 410 | 34,003 | 1.2% |

NAB reports FTE figures twice annually in its financial reports. It does not record the total number of FTE employed throughout each financial year.

The average FTE figure for financial years FY16 – FY19, as reported in NAB’s Annual Financial Reports, has been used. The average number of warnings per year with no financial penalty attached across this timeframe has been used to best answer the question.

(g) How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct over the past five years, as a share of all employees over that timeframe?

| Total # warnings with financial penalty (FY16-FY19) | Avg. # warnings with financial penalty per annum (FY16-FY19) | Avg. total # FTE p.a. (FY16-FY19) | Average annual % |
|---|--|-----------------------------------|------------------|
| 2,338 | 585 | 34,003 | 1.7% |

NAB reports FTE figures twice annually in its financial reports. It does not record the total number of FTE employed throughout each financial year.

The average FTE figure for financial years FY16 – FY19, as reported in NAB’s Annual Financial Reports, has been used. The average number of warnings per year with a financial penalty attached across this timeframe has been used to best answer the question.

(h) How many employees have been terminated for misconduct over the past five years, as a share of all employees over that timeframe?

| Total # exits* (FY16-FY19) | Average # exits per annum (FY16-FY19) | Avg. total # FTE p.a. (FY16-FY19) | Average annual % |
|----------------------------|---------------------------------------|-----------------------------------|------------------|
| 1,265 | 316 | 34,003 | 0.9% |

* “Exits” includes terminations and resignations during the conduct investigation process, or as the result of a substantiated conduct breach.

NAB reports FTE figures twice annually in its financial reports. It does not record the total number of FTE employed throughout each financial year.

The average FTE figure for financial years FY16 – FY19, as reported in NAB’s Annual Financial Reports, has been used. The average number of exits per year with no financial penalty attached across this timeframe has been used to best answer the question.

(i) What are the processes available for whistle-blowers into misconduct within the bank?

NAB encourages everyone to speak up about wrongdoing, including misconduct.

In the first instance, employees are encouraged to raise concerns with line management or specialist teams (i.e. risk, compliance, legal, employee relations).

As part of NAB’s commitment to a ‘speak up’ culture, employees are provided with a Whistleblower Program; a safe and confidential channel for raising concerns about wrongdoing. The Whistleblower Program’s primary role is to provide a safe environment that supports and protects NAB’s employees. The Program has been established as an independent function with day to day operations managed by the Group’s Internal Audit team, and with direct escalation and reporting lines to the NAB’s Board Audit Committee via a Group Whistleblower Committee.

NAB does not tolerate any form of reprisal against employees for raising wrongdoing concerns.

NAB has worked hard to enhance employee awareness of the Whistleblower policy and the Program. Employees are provided with a choice of internal and external avenues to escalate concerns about wrongdoing (telephone, web, email, post or fax) and can raise concerns via NAB's Faircall service, an independently monitored external hotline, anonymously if they prefer.

NAB's external internet site has been updated to include a summary of the policy and information about the external reporting service (particularly to inform and assist former employees). NAB has also expanded its Whistleblower Champion network to promote awareness of the Whistleblowing Program across the Group. We now have 101 whistleblower champions across the Group. We are continuing to implement initiatives to bring to life the Board and the Executive's commitment to promoting the safety of whistleblowers.

Enhancements to the NAB's Whistleblower Policy

NAB's whistleblowing policy and processes have been updated, effective November 2019, to align with changes to legislation under the Treasury Laws Amendment (Enhancing Whistleblower Protections) Bill 2018. The Policy complies with Australian law, ASIC Guidance and relevant laws in all NAB's other operating jurisdictions.

NAB recently engaged an external consulting firm to review our Whistleblower Program & Group Whistleblower Protection Policy, identifying enhancements to ensure the Policy meets the new law and acts as an effective tool to encourage whistleblowers.

The policy has been designed to be user-friendly and provides clarity about the whistleblower experience for disclosing persons, eligible recipients and respondents, including about:

- The purpose and principles of the Program;
- What concerns can be reported and how to report concerns;
- The protection and support available; and
- What an investigation looks and 'feels' like for all participants.

The revised Policy has been drafted to stand-alone, with no need for a separate guidance note.

NAB has trained all new 'eligible recipients' (including senior managers and internal auditors) on the requirements of the new laws so they can manage whistleblower disclosures. NAB has also reviewed its governance framework to ensure whistleblower cases continue to be handled and investigated in accordance with the policy and the new laws.