



NATIONAL AUSTRALIA BANK LIMITED

Group Environmental Reporting and Offset Management Policy

Policy Governance Schedule

Policy Approval Date	June / 2022
Next Schedule Review Due approval date	June / 2025
Policy Owner	Executive, Resilience Risk
Division	Resilience Risk
Approval Authority	Group Chief Risk Officer

CONTENTS

1. OVERVIEW	3
1.2 Roles and Responsibilities	3
1.3 Related Documents	4
2. POLICY REQUIREMENTS	5
2.1 General requirements	5
2.2 Carbon inventory and operational environmental performance metrics	5
2.3 Operational environmental performance reporting	6
2.4 Operational environmental performance targets	6
2.5 Offset portfolio and renewable energy certificates management and reporting	6
2.6 Forward purchase model and offsets register	7
2.7 Products and Services	7
2.8 Second line oversight and external assurance	7
3. POLICY EXEMPTIONS	8
4. POLICY EXCEPTIONS	8
5. POLICY BREACHES	8
6. POLICY CHANGES	8
7. GLOSSARY	9

1. OVERVIEW

1.1 Purpose and Scope

1.1.1 The purpose of this Policy is to specify National Australia Bank Limited (“NAB”) and Group requirements for managing its environmental finance, financed emissions and operational performance data and targets, and other related information and reporting (both internal and external) to help the Group manage and meet environmental-related regulatory obligations and voluntary goals, targets and commitments.

1.1.2 The Policy covers:

- (i) Regulatory reporting on greenhouse gas (GHG) emissions, energy and pollutants arising from operations
- (ii) Management of, and reporting on, the Group’s environmental operational performance, carbon neutral certification, carbon offset portfolio, renewable energy certificates and RE100 commitment¹;
- (iii) Climate-related information reported to meet: (a) NAB’s commitment to implement the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD); (b) NAB’s commitment to implement the Net Zero Banking Alliance requirements; and (c) other relevant voluntary commitments²;
- (iv) Nature-related information and data reported on NAB’s natural value program and aligned, where applicable, to any relevant disclosure standards;
- (v) Environmental finance information reported to show progress against the Group’s environmental finance and climate change-related goals, targets and commitments³
- (vi) Green and SDG⁴ Bond certification, annual reporting and disclosures; and
- (vii) Equator Principles disclosures

1.1.3 It applies to all directors, officers, employees, secondees and contingent (contract) labour, of National Australia Bank Limited (NAB) or a Group member and extends to joint ventures and entities where the Group has operational control.

1.2 Roles and Responsibilities

1.2.1 The Board is ultimately responsible for the Group’s public reporting on environmental management, performance and risk, including but not limited to, operational environmental performance, climate and natural capital-related risks; portfolio financed emissions reduction and operational environmental targets, environmental finance and carbon neutrality

1.2.2 Individual Business Units are responsible for monitoring and reporting on environmental performance, risks and opportunities within their business area. This includes

¹ RE100 is a global initiative bringing together businesses from across the world committed to 100% renewable electricity.

² NAB Group has become a signatory to the following voluntary initiatives which include environmental, including climate-related commitments: Climate Active (carbon neutral certification), the Principles for Responsible Banking, the UN Global Compact, RE100, and the Natural Capital Declaration.

³ NAB’s climate change goals, targets and commitments can be found here.

⁴ SDG means Sustainable Development Goals.

implementing and confirming effectiveness of processes and controls to comply with the requirements of this Policy relevant to their business operations and activities.

1.2.3 The Group Credit and Market Risk Committee is responsible for:

- (i) review and oversight of the Group's environmental performance, commitments, goals, targets and voluntary and regulatory environmental reporting associated with non-financial risks (Operational, Compliance and Regulatory Risks) and performance.
- (ii) review and oversight of environmental risk disclosures and regulatory reporting, including climate and natural capital-related risks, associated with credit and market risks and related emerging environmental risks.

1.2.4 Material risk owners, Property (Technology and Operations), Corporate Affairs (Social Impact), BNZ and relevant policy owners are responsible for incorporating environmental considerations, including those related but not limited to climate change and natural capital, into relevant policies and procedures for internal and external reporting and disclosure.

1.2.5 Corporate Affairs is responsible for centrally managing the Group's offset portfolio and renewable energy certificates.

1.2.6 For the purposes of this Policy, Divisions and Group members responsible for geographical operational environmental performance and targets include:

- Property (Technology and Operations) and Corporate Affairs (Social Impact) in Australia;
- BNZ and JB Were in New Zealand;
- New York branch in the USA;
- NAB Europe in France;
- London Branch in the United Kingdom;
- Shared Services (nabAsia) coordinating with other nabAsia branches and representative offices;
- Vietnam Technology Centre; and
- NAB Innovation Centre India

1.3 Related Documents

1.3.1 Group Environmental Reporting and Offset Management Standard Operating Procedures

1.3.2 Group Environmental Management Policy

1.3.3 Environmental Management Policy Standard Operating Procedures

1.3.4 Group Supplier Sustainability Principles

1.3.5 NAB SDG Green Bond Framework

1.3.6 NAB Social Bond Framework

2. POLICY REQUIREMENTS

2.1 General requirements

2.1.1 The Group must:

- (i) Monitor and report on compliance with all relevant environmental laws, regulations and voluntary commitments.
- (ii) Set, monitor and, at a minimum, annually review environmental and supply chain-related commitments, goals, performance and targets related to operations, and where applicable, for portfolio financed emissions and environmental financing across the Group.
- (iii) Measure its environmental performance and prepare reporting in keeping with relevant national and international standards, guidelines and methodologies.
- (iv) Prepare climate-related and carbon risk and environmental financing disclosures on at least a half-yearly basis
- (v) Review its GHG emissions calculations methodologies, in consultation with NAB Divisions and entities responsible for regional operational environmental performance, to reflect changes in regulatory requirements, industry standards and common practice.
- (vi) Align its climate-related risk disclosures to the recommendations of the Taskforce on Climate-related Financial Disclosures.
- (vii) Meet the disclosure requirements of the Net Zero Banking Alliance.
- (viii) Publicly report on Green Bonds issued in accordance with the NAB SDG Green Bond Framework, including annual impact and allocation reporting.
- (ix) Publicly disclose its approach to environmental performance and reporting, including carbon inventory and carbon offset portfolio management, portfolio financed emissions and operational environmental targets and environmental finance reporting.

2.2 Carbon inventory and operational environmental performance metrics

2.2.1 The Group must establish and document guiding principles for determining which emission sources (Scope 1, 2 and 3 – refer Glossary) must be included in each regional operational carbon inventory and for aggregation into the Group's carbon inventory.

2.2.2 Divisions and Group members responsible for regional operational environmental performance must:

- (i) Manage and report on the defined Scope 1, 2 and 3 GHG emissions and operational environmental performance indicators set out in the Group Environmental Reporting and Offset Management Policy Standard Operating Procedures.
- (ii) Develop appropriate programs or activities to influence employee and third-party behaviour to reduce indirect operational environmental impacts and Scope 3 emissions.

2.3 Operational environmental performance reporting

2.3.1 Divisions and Group members responsible for regional operational environmental performance must:

- (i) Collate, prepare and enter operational environmental performance source data into the Group's environmental reporting system in accordance with this Policy and associated Standard Operating Procedures (SOPs) and reporting guidelines;
- (ii) Report on key operational environmental programs for internal and external environmental operational performance monitoring and reporting at least six-monthly;
- (iii) Escalate and report instances of environmental non-compliance, spills, fines and penalties in accordance with the Group's Risk Management Framework and notify the Policy Owner as soon as practical; and
- (iv) Develop, document and maintain regional SOPs or provide work instructions in the Group environmental reporting system for operational environmental performance activity data capture, calculation, reporting and quality control.

2.4 Operational environmental performance targets

2.4.1 Group and regional operational environmental reduction targets must be set for a minimum five-year period.

2.4.2 Science-based operational GHG emissions reduction targets must be set in line with the methodologies endorsed by the Science-Based Targets Initiative.

2.4.3 If public targets are changed mid-timeframe, they must be clearly restated in public disclosures. Target restatements must meet the requirements of the Environmental Performance Reporting Restatement SOP.

2.5 Offset portfolio and renewable energy certificates management and reporting

The Group must:

2.5.1 The Group must centrally manage its carbon offset portfolio and renewable energy certificates in accordance with the Group's Environmental Reporting and Offset Management Policy.

2.5.2 The Group must purchase carbon offsets (offsets) that are real, quantifiable, 'additional' and permanent. Once purchased, the offsets must be retired on a reputable registry as approved by Environmental Social & Governance Risk Management (ESG Risk Management).

2.5.3 Purchased offsets must be generated in accordance with best practice standards (national and international as defined in SOP) and requirements for carbon neutral certification.

2.5.4 The Group must maintain a centrally maintained portfolio of offsets, on behalf of all Divisions and Group members, which satisfies the following conditions:

- (i) No one project to comprise more than 40% of the retired and allocated offsets in any one year.
- (ii) No one project type to comprise more than 50% of the retired and allocated offsets in any one year.

2.5.5 Offsets purchased to maintain the Group's carbon neutral status must, at least once in every two years where an offset purchase occurs, include some offsets generated within

the regions in which the Group operates. These offsets must have co-benefits that are additional to carbon reduction.

2.6 Forward purchase model and offsets register

- 2.6.1 To maintain the Group's carbon neutral status, the Group must use a forward purchase model⁵, which must be annually reconciled with previously forecast emissions.
- 2.6.2 The Group must centrally keep records of due diligence, offset purchase and retirement processes for each offset purchase in accordance with the Group's Environmental Reporting and Offset Management SOP: *How to Record Offsets Purchases*.

2.7 Products and Services

- 2.7.1 Where Divisions and Group members within the Group develop, market or sell products and services which claim to be:
 - (i) Carbon neutral, they must take a life cycle approach to calculating the GHG emissions associated with the relevant product or service and retain supporting documentation to support the life cycle analysis.
 - (ii) Green, they must document the methodology used and retain documentation to support the green labelling.
- 2.7.2 Relevant Divisions and Group members must document and disclose (where required and appropriate), as defined in SOPs, frameworks or criteria for green products and services, the methodologies used for emissions calculation, setting of targets and environmental financing disclosures.
- 2.7.3 Green products and services must be aligned to recognised international or national standards and/or market best practice which may include:
 - (i) The International Capital Markets Association's (ICMA) Green Bond Principles
 - (ii) The ICMA Social Bond Principles
 - (iii) The ICMA Sustainability Bond Guidelines
 - (iv) The ICMA Sustainability-Linked Bond Principles
 - (v) The ICMA Climate Transition Finance Handbook and other related guidance
 - (vi) Applicable Climate Bonds Initiatives Standards, Taxonomy and Sector Criteria.

2.8 Second line oversight and external assurance

- 2.8.1 The Group must undertake second line oversight and independent external assurance over key disclosures related to climate risk, emissions calculations, environmental-related targets and environmental finance (including Green Bonds), and other environmental performance and reporting.
- 2.8.2 At a minimum the Group must undertake: (i) reasonable level assurance over regulatory reporting, and (ii) limited level assurance where assurance is specifically required for accreditation or certification purposes or voluntary commitments.
- 2.8.3 The Group must obtain annual independent assurance from a suitably qualified provider.

⁵ A forward purchase model calculates forecast greenhouse gas emissions for the forthcoming year using the actual GHG emissions reported in the prior year's audited carbon inventory.

3. POLICY EXEMPTIONS

- 3.1 An exemption is required where a business is unable to comply with the mandatory requirements of this Policy for a defined period no greater than 12 months and immediate action cannot be taken to achieve compliance.
- 3.2 Authority for approval of exemptions is held by the Policy Owner and all exemption requests must only be approved by the Policy Owner and will be granted at their discretion.
- 3.3 Exemptions and extensions to exemptions must be formally recorded as per requirements set out in the Group Policy Governance Framework. In circumstances where the exemption is expired and the business is not compliant with policy, it is considered as a breach and an event must be raised. Refer to the Exemptions Procedure Guide for further details.

4. POLICY EXCEPTIONS

- 4.1 An exception is required where a Customer, Employee, Division, Sub- Division or Business Unit is unable to comply with the mandatory requirements of this Policy for a defined transaction on a case-by-case basis and immediate action cannot be taken to achieve compliance.
- 4.2 Authority for approval of exceptions is held by the Policy Owner and all exceptions must be submitted to the Policy Owner (or their nominated delegate) and will be granted at their discretion.
- 4.3 Exception requests must be formally recorded as per requirements set out in the Group Policy Governance Framework.

5. POLICY BREACHES

- 5.1 Breaches of this Policy (i.e. non-compliance that is not managed via the formal exemption or exception process) must be managed in accordance with the Colleague Conduct Framework(including the Misconduct Procedure or any superseding policy or framework)and recorded per the Events Management Standard Operating Procedures or regional equivalents.
- 5.2 All Policy breaches must be communicated immediately to divisional / regional Chief Risk Officer teams. Any material or systemic breach of this Policy must be communicated to the Policy Owner and appropriate remediation measures agreed and implemented.

6. POLICY CHANGES

6.1 Administrative Changes

- 6.1.1 Administrative changes to this Policy may be approved by the Policy Owner (or if applicable their nominated delegate)

6.2 Other Changes

6.2.1 All other changes to this Policy must be submitted by Policy Owner/Manager and approved by the Approval Authority.

7. GLOSSARY

Term	Definition
Additionality	Additionality is a term used in markets for tradable greenhouse gas (GHG) emissions reductions (carbon offsets). It means that a project or activity that reduces GHGs would not have happened without the offset buyer or collective buyers in the market.
Business Leader	All references to Business Leaders correspond to first line Division/BU/PU management accountabilities. The role of Management Assurance is to support the Business Leaders to execute their risk management accountabilities. The Business Leaders remain accountable.
Business Unit (BU)	Business Unit is a business area within a Division.
Carbon inventory	A defined list of greenhouse gas emission sources that an organisation uses to calculate its carbon footprint.
Carbon offset	A credit that is purchased to negate an amount of carbon (one tonne) included in an organisation's carbon footprint.
Carbon Neutral	Means a situation where the net emissions associated with an organisation's activities, products or services are zero.
Environmental performance	Measurement and monitoring of how well an organisation manages the environmental aspects of its activities, products and services, and the impact they have on the environment. This also includes reporting on its implementation of voluntary environmental commitments and environmental financing goals.
(Operational) environmental performance	Includes consideration of energy consumption and production, greenhouse gas emissions arising from direct and indirect operations (Scope 1, 2 and 3), paper usage, waste and recycling, transport and travel, water consumption and trade effluent discharge, reduction targets, offset activities and natural value. See Standard Operating Procedure for details of each Scope.
Financed emissions	In current carbon accounting models, financed emissions are the Scope 3 emissions of a financial institution that are attributable to GHG emissions associated with investment and/or financing activities including lending.
GCRO	Group Chief Risk Officer
CRO	Chief Risk Officer
Division	One of the organisational units reporting to the Chief Executive Officer within which, all services of NAB are structured.

Term	Definition
Group	National Australia Bank Limited (NAB) and its controlled entities, including all subsidiaries, international branches and representative offices and “Group member” means any one of them.
Material risk	Material risks are those that could have a material impact, both financial and/or non-financial, on the Group or on the interests of our customers. For more information refer to the risk management section of NAB Corporate Governance.
Material risk owners	Accountable individuals that are responsible for each material risk category.
Must	An action is an absolute requirement and any deviation from this will require a formal policy exemption.
Scope 1 Greenhouse Gas (GHG) emissions	Scope 1 GHG emissions are direct GHG emissions which occur from sources that are owned or controlled by a company. For example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment.
Scope 2 GHG emissions	Scope 2 GHG emissions are a special type of indirect emissions. They account for GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organisational boundary of a company via a third-party supplier. Scope 2 emissions physically occur at the facility, owned by the supplier, where electricity is generated.
Scope 3 GHG emissions	Scope 3 GHG emissions represent an optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of a company as a result of its use of third-party products and services and activities, where the emissions sources are not owned or controlled by the company. Some examples of scope 3 emissions generating activities are extraction and GHG emissions arising from corporate travel, water use, paper use and the companies that we lend to.