

NATIONAL AUSTRALIA BANK LIMITED

Group Environmental Reporting and Offset Management Policy

Policy Governance Schedule

Policy Approval Date	August 2025
Next Scheduled Review Due	August 2028
Policy Owner	Executive, Group Credit & Market Risk
Division	Group Credit & Market Risk
Approval Authority	Group Chief Risk Officer
FAR Accountable Person	Group Chief Risk Officer

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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 purpose of this Policy is to ensure that NAB manages its environmental reporting and disclosure and offset portfolio. This will contribute to consistent, appropriate and sustainable outcomes for customers and stakeholders.
- 1.1.3 The Policy covers:
- i. Regulatory reporting on greenhouse gas (GHG) emissions, energy and pollutants arising from operational activities;
 - ii. Management of, and reporting on, the Group’s environmental operational performance, government or other third-party net-zero emissions related certification or assurance, carbon credit 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) or mandatory climate-related disclosure requirements which may supersede TCFD in jurisdictions in which the Group operates; and (b) relevant voluntary commitments²;
 - iv. Nature-related information and data reported on the Group’s environmental strategy, risk management and performance 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 Bond certification, annual reporting and disclosures and;
 - vii. Equator Principles disclosures.
- 1.1.4 This policy applies to all NAB Group colleagues and extends to joint ventures and entities where the Group has operational control
- 1.1.5 Regional legislative requirements will take precedence unless the Policy places a higher requirement. In this case, the Policy will apply unless it results in a breach of local legislation.

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 nature -related risks, portfolio financed emissions reduction and any operational environmental targets, environmental finance and offsetting of residual emissions.

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 environmental voluntary initiatives including the Principles for Responsible Banking, Net Zero Banking Alliance, the UN Global Compact and RE100. The Group holds certification in Australia and New Zealand for net-zero status of its operational emissions inventory and reports voluntarily in accordance with the UK Streamlined Energy and Carbon Reporting requirements.

³ NAB’s climate change goals, targets and commitments can be found [here](#).

- 1.2.2 Businesses and Group entities are responsible for monitoring and reporting on relevant environmental performance, risks and opportunities within their business area. This includes 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 supports the Executive Risk and Compliance Committee (ERCC) in overseeing the Group's management of Sustainability Risk and is responsible for review and oversight of current and emerging Sustainability Risk, which includes environmental risks and performance.
- 1.2.4 Material risk owners, Group Finance, Technology and Enterprise Operations (Property and Strategic Sourcing) and Corporate Affairs (Environmental Affairs), 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 (Environmental Affairs) is responsible for centrally managing the Group's overall approach to carbon credits. BNZ (in respect of BNZ) and Corporate Affairs (Environmental Affairs) (in respect of the remainder of the Group) is responsible for centrally managing the carbon credit portfolio. BNZ (in respect of BNZ) and Technology and Enterprise Operations (Group Property) (in respect of the remainder of the Group) are responsible for centrally managing the purchase and management of renewable energy certificates.
- 1.2.6 For the purposes of this Policy, Designated Group entities are responsible for geographical operational environmental performance and targets (refer Glossary for listing).

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 Group Environmental Management Policy Standard Operating Procedures
- 1.3.4 [Group Supplier Sustainability Principles](#)
- 1.3.5 [NAB Green Bond Framework](#)
- 1.3.6 Group Compliance Obligations Management Policy

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 (where applicable) related to operations, and where applicable, for portfolio financed and facilitated 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 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 geographical operational environmental operational performance, to reflect changes in regulatory requirements, industry standards and common practice.

- vi. Align its climate-related risk disclosures to the recommendations of the TCFD or mandatory climate-related disclosure requirements which may supersede TCFD in jurisdictions in which the Group operates.
- vii. Meet the disclosure requirements of relevant voluntary commitments and mandatory environmental requirements⁴.
- viii. Publicly report on Green Bonds issued in accordance with the NAB 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 geographical operational carbon inventory and for aggregation into the Group's carbon inventory.
- 2.2.2 Designated Group entities responsible for geographical 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 Designated Group entities responsible for geographical 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 geographical 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 environment performance targets

⁴ NGER in Australia and ESOS in the UK

- 2.4.1 Group and geographical operational environmental reduction targets, where set, 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 where available.
- 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 Carbon credit portfolio and renewable energy certificates management reporting

- 2.5.1 The Group must:
 - i. Centrally determine its overall approach to carbon offsets and renewable energy certificates.
 - ii. Ensure that carbon offset portfolio and renewable energy certificates are managed in accordance with the Group's Environmental Reporting and Offset Management Policy.
 - iii. Purchase carbon offsets (offsets) that are real, quantifiable, 'additional' and permanent. Once purchased, the offsets must be retired on a reputable registry.
 - iv. Purchased offsets must be generated in accordance with best practice standards (national and international) as defined in the How to Record Offsets Purchase SOP and requirements for carbon neutral certification, where applicable.
 - v. Maintain a portfolio of offsets which is managed to avoid concentration risk (in accordance with Policy Guidance).
- 2.5.2 Carbon credits purchased to offset the Group's residual emissions from its Australian and international operations 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 In offsetting the Group's residual emissions, the Group must use a forward purchase model⁵, which must be annually reconciled with previously forecast emissions.
- 2.6.2 The Group must 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 Businesses and Group entities within the Group consider developing, marketing or selling products and services which claim to be:
 - i. Net-zero emissions, 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.

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.

- ii. Green, they must document the methodology used and retain documentation to support the green labelling.
- 2.7.2 Relevant Businesses and Group entities 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 Relevant Businesses and Group entities must align green products and services to recognised international or national standards and/or market best practice which may include:
 - i. The International Capital Markets Association's (ICMA) [Green Bond](#), [Social Bond](#), and [Sustainability-Linked Bond](#) Principles.
 - ii. The [ICMA Sustainability Bond Guidelines](#)
 - iii. The [ICMA Climate Transition Finance Handbook](#) and other related guidance
 - iv. The LMA⁶/APLMA⁷/LSTA⁸ [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability-Linked Loan Principles](#) and other related guidance.
 - v. 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 issued), 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.

3. POLICY EXEMPTIONS

- 3.1.1 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.
- 3.1.2 Authority for approval of exemptions is held by the Policy Owner and all exemption requests must only be approved by the Policy Owner (or their nominated delegate) in GRACE and will be granted at their discretion.
- 3.1.3 Exemptions and extensions to exemptions must be formally recorded as per requirements set out in the Group Policy Governance Policy. In circumstances where the exemption is expired and the business is not compliant with policy, it is considered a breach and an Event must be raised. Refer to the Exemptions Procedure Guide for further details.

⁶ Loan Market Association.

⁷ Asia Pacific Loan Market Association.

⁸ Loan Syndications and Trading Association.

4. POLICY EXCEPTIONS

- 4.1.1 An exception is required where a Customer, Colleague or business 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.
- 4.1.2 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) in GRACE and will be granted at their discretion.
- 4.1.3 Exception requests must be formally recorded as per requirements set out in the Group Policy Governance Policy.

5. POLICY BREACHES

- 5.1.1 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 Event Management Guidance Note or regional equivalent.
- 5.1.2 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

- 6.1.1 Administrative changes to this Policy may be approved by the Policy Owner or the Policy Manager.
- 6.1.2 All other changes to this Policy must be submitted by Policy Owner/Manager and approved by the Approval Authority.

7. GLOSSARY

Term	Definition
Annual	Refers to the NAB financial year commencing 1 October.
Business	A Division, Sub-Division or Business Unit.
Carbon inventory	A defined list of GHG emission sources that an organisation uses to calculate its carbon footprint.
Carbon credit	A credit that is purchased to negate an amount of carbon (one tonne) included in an organisation's carbon footprint.
Colleagues	Permanent employees of NAB Limited (directors, officers and other employees), secondees and contingent (contract) staff, including employees of subsidiaries, international branches and representative offices.
Designated Group entities	Designated Group entities include: <ul style="list-style-type: none"> • Group Finance, Technology and Enterprise Operations (Group Property) and Corporate Affairs (Environmental Affairs) in Australia • BNZ 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 • NAB Innovation Centre India.
Division	One of the organisation units reporting to the Chief Executive Officer within which, all services of NAB are structured.
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, GHG 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, any reduction targets, carbon credit-related 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.
Group	National Australia Bank Limited (NAB) and its controlled entities, including all subsidiaries, international branches and representative offices and "Group entity" means any one of them.
Material risk owners	Accountable individuals that are responsible for each material risk category.

Term	Definition
Must	An action is an absolute requirement and any deviation from this will require a formal policy exemption or exception.
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.