

Controlling Corporation
NATIONAL AUSTRALIA BANK LIMITED

ABN 12 004 044 937
Period to which the report relates
1 July 2011 – 30 June 2012

2012

National Carbon Offset Standard

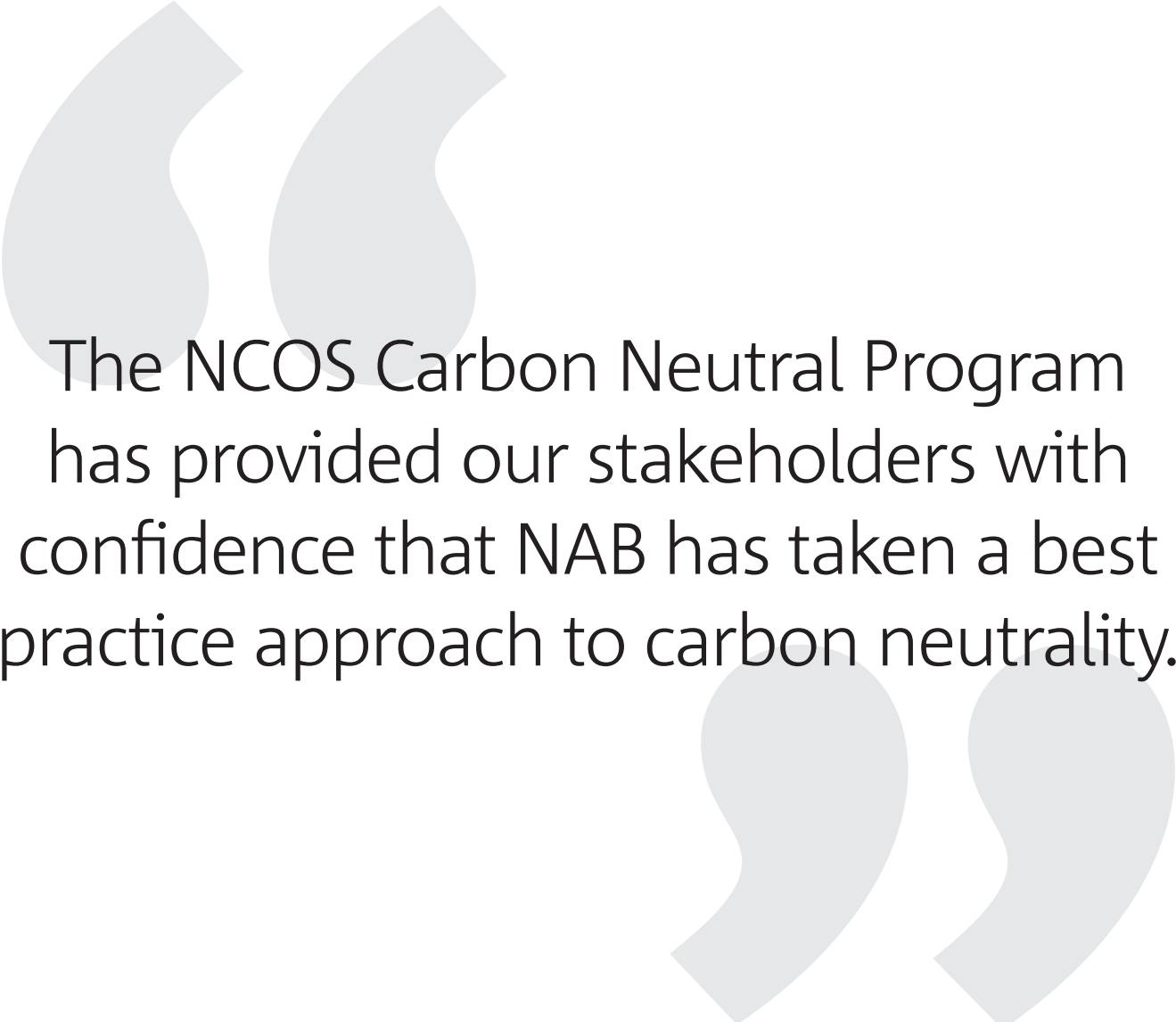
Public Disclosure Summary

Australian Region


Carbon neutral certification type: Organisation
Subject of certification: Organisational Inventory
Date of most recent NCOS biannual verification: 17/10/2011
Date of most recent NAB verification: 13/09/2012



An Australian Government Initiative



The NCOS Carbon Neutral Program has provided our stakeholders with confidence that NAB has taken a best practice approach to carbon neutrality.



Alison Read
Head of Environment
& Sustainability

The reporting year (NAB's environmental reporting year) for this annual Public Disclosure Summary is 1 July 2011 to 30 June 2012. In this reporting year Gross GHG emissions for our Australian business were: 238,455 tCO₂-e
The baseline year period for NAB's certification is 1 July 2009 to 30 June 2010. In the baseline reporting year, Gross emissions for our Australian business were: 255,534 tCO₂-e

Carbon Neutrality and NAB's Environmental Agenda

Our commitment to operating on a carbon neutral basis is part of NAB's response to addressing the issue of climate change, as well as our broader Environmental Agenda.

NAB recognises that our economy and way of life depends on the planet's capacity to continue to provide the ecosystem services and resources we use on a daily basis. Our Environmental Agenda focuses on three areas which we consider critical to the sustainability of our business and that of our customers, suppliers and the communities in which we operate – climate change, resource efficiency and accounting for natural capital (which we call natural value). The objectives of our Environmental Agenda are illustrated in Table 1.

Table 1: NAB's Environmental Agenda

Climate Change	Resource Efficiency	Natural Value
<p>Imperative</p> <p>We recognise the direct impact we can have through our operations and the impact climate change can have on:</p> <ul style="list-style-type: none"> • our business risk profile, particularly through our lending, investments and other business activities; • opportunities to advise and provide products and services for clients to help them manage environmental risk and mitigate emissions; • new regulatory requirements and future energy supply and costs; and • opportunities to become more energy efficient and less GHG intensive. 	<p>We recognise that increased competition for scarce natural resources has the potential to constrain economic growth and affect operational costs. We are seeing:</p> <ul style="list-style-type: none"> • changes to companies' ability to access resources as a result of (i) changes to government policy and regulatory requirements and (ii) actions taken by NGOs; • innovation opportunities as our customers and other stakeholders look for more efficient ways to use resources, as well as opportunities to reuse and recycle resources; and • increasing costs and potential for conflict where resource scarcity increases. 	<p>We recognise ecosystem services:</p> <ul style="list-style-type: none"> • are essential to sustaining human wellbeing and may be threatened by increasing biodiversity loss and ecosystem degradation; • need to be better understood so that companies can determine associated risks and opportunities; and • are not currently valued appropriately and that work is required to develop methodologies that help to value natural capital.
<p>Objectives</p> <p>Further develop our work to understand and manage our direct and indirect impacts and dependencies via:</p> <ul style="list-style-type: none"> • further develop our understanding of, and management of, environmental risks and opportunities; • further develop our products and services to help our customers respond to environmental challenges; • further advocacy and communication about environmental issues; • ensuring third-party validation of our processes and activities; • leading through our own actions, i.e. reducing our own carbon/environmental footprint and sharing our experience with others; and • continuing to engage and assist our people in their personal contribution to environmental sustainability. 		
<p>Strategy</p> <ul style="list-style-type: none"> • Continue to develop products and services to help our customers respond to, and manage the impacts of, climate change. • Continue to develop our understanding of, and manage, climate change risk and opportunities. • Continue to share our carbon neutral experience with others, encouraging their action. • Continue to engage our people and assist them with their personal actions. 		

Our Climate Change Response

Climate change is one of the most significant environmental, social, and economic challenges facing governments, business, and communities today. NAB believes the financial sector has an important role to play in addressing the issue of climate change.

Thus, in 2007, NAB became the first Australian bank to commit to reducing its contribution to climate change by becoming carbon neutral in 2010.

We achieved this goal through a responsible focus on addressing and reducing our energy consumption, switching some of our energy use to less emissions intensive fuel sources including GreenPower™ and natural gas where practicable, and offsetting our remaining emissions.

Carbon Neutral 2010 was the flagship operational program of our climate change response with a 20 per cent greenhouse gas (GHG) emissions¹ savings target set for the Australian region. We developed and delivered an energy efficiency program which systematically reduced our carbon emissions, exceeding the original target with savings of over 59,200 tonnes, or 25 per cent. This reduced the average operational carbon emissions per Australian employee from 9.5 tonnes to 8 tonnes per annum over the three year period to 2010.

In 2010, NAB committed to reducing Group carbon emissions from buildings-based energy use by 18,900 tCO₂-e², against a 2010 baseline, by 30 June 2013³. As at June 2012, our Australian business was on track to meet this reduction target, with buildings emissions per employee 14% lower than our baseline year of 2010. Further progress against our Group carbon emissions reduction target is reported in Note 8 in our 2012 Environmental Dig Deeper, available on line at www.nab.com.au.

In September 2010, NAB became the first Australian Bank to be certified carbon neutral under the National Carbon Offset Standard (NCOS) Carbon Neutral Program. NCOS certification is important to our organisation as it provides our stakeholders with confidence that NAB's approach to carbon neutrality meets NCOS' requirements for calculating, avoiding and offsetting the carbon footprint of our organisation, including the purchase of robust offsets.

Our energy efficiency program has helped to develop finance solutions for our customers to assist them in addressing the environmental impacts and challenges of their own operations.

Beyond Carbon Neutral

We recognise that the impact on the environment extends beyond the carbon emissions we produce and that increased competition for natural resources may potentially constrain economic growth and increase operational costs in the future. Consequently, in late 2010 we made a commitment to extend our program to the address our broader resource use.

Our *Beyond Carbon Neutral* program maintains a focus on carbon emission reduction, while addressing our paper and water use and seeks to reduce the amount of waste we generate.

Our Australian business has committed to the following *Beyond Carbon Neutral* targets by June 2013 (from a 2010 base year):

- 10% reduction in building energy emissions per employee⁴;
- 20% reduction in paper use per employee⁴;
- 20% reduction in the amount of waste we generate per employee⁴; and
- 0% increase in water use per employee⁴.

1. Herein referred to as carbon emissions.

2. This target applies to specific buildings-based sources of carbon emissions across our Australian, New Zealand and UK operations.

3. When we developed our 2013 Group carbon emissions target in 2010, it equated to an intensity target of around 9.2% per full time equivalent employees assuming no material change in emissions factors, FTE and levels of business activity when compared to the 2010 baseline year.

4. Where employee is measured as the average Full Time Equivalent (FTE) across the year.

Natural Value

NAB recognises that ecosystem services:

- are essential to sustaining human wellbeing and may be threatened by increasing biodiversity loss and ecosystem degradation;
- need to be better understood so that organisations can determine the associated risks and opportunities; and
- are not currently valued appropriately and that work is required to develop methodologies that help to value natural capital.

Therefore, NAB has committed to working towards a broader understanding of the direct and indirect impacts and dependencies we have on ecosystems and biodiversity.

NAB is the only Australian bank to date– and one of two inaugural signatories globally – to sign the United Nations Environment Program Finance Initiative’s (UNEP FI) Natural Capital Declaration (NCD). The NCD is a statement by financial institutions which recognises that natural value poses significant risks and opportunities. It commits us to work towards integrating natural capital considerations into risk management, product and service development and transactions with customers and suppliers.

This report provides an overview of our approach to maintaining our NCOS Carbon Neutral status and achievements in managing our carbon emissions.

About us

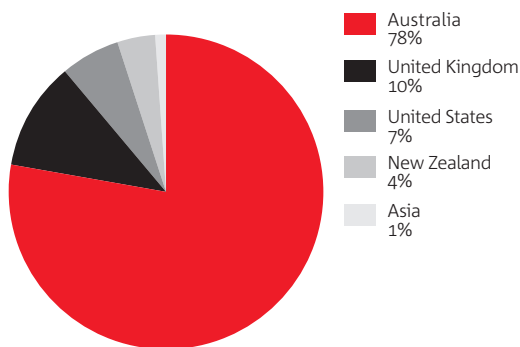
What we do

NAB is a financial services organisation that provides a comprehensive and integrated range of banking and financial products and services, including wealth management. NAB has operations based in Australia, New Zealand, the United Kingdom, the US and Asia.

Our Global Footprint

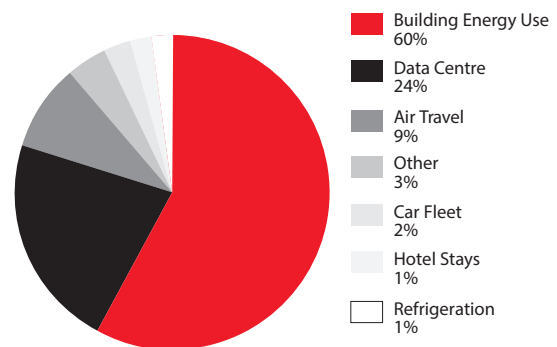
NAB's Australian operations account for around 78% of the NAB Group's global carbon inventory in 2012. See Figure 1.

Figure 1: Regional distribution of Group 2012 carbon inventory



NAB is a service-based organisation. Stationary energy use in buildings (including data centres) represents the most significant source of carbon emissions across the organisation. Business travel is the next most significant source currently included in NAB's Australian inventory. This is illustrated in Figure 2.

Figure 2: Percentage of 2012 Australian carbon inventory by significant emissions sources



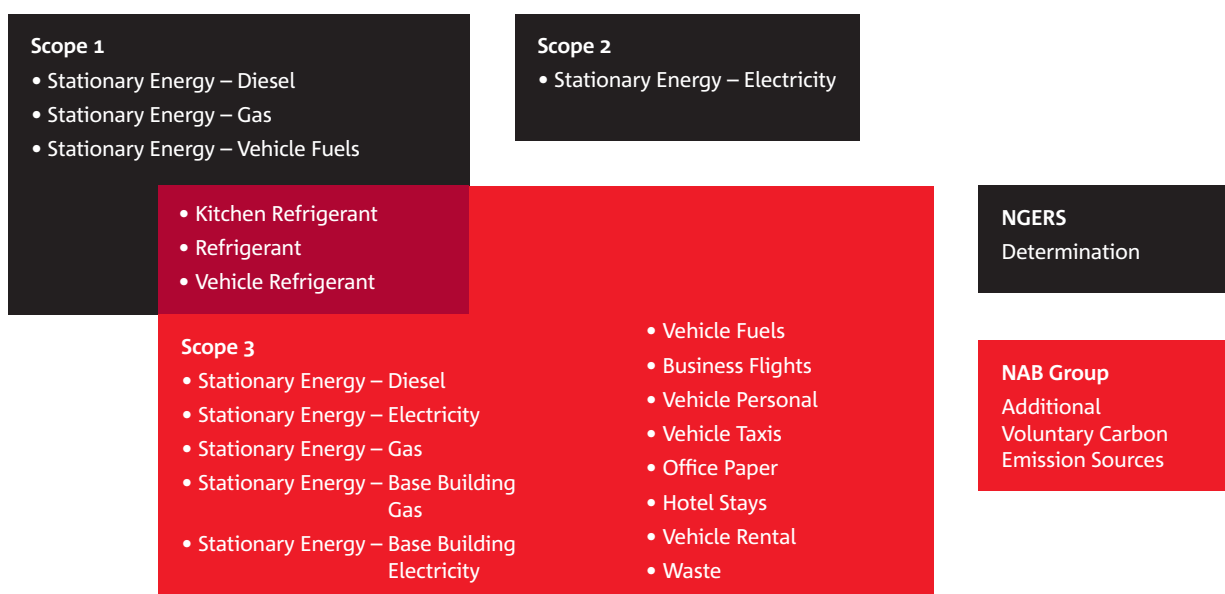
The 'Other' category in NAB's 2012 Australian carbon inventory includes emissions from A3 & A4 office paper, waste to landfill, fugitive emissions from refrigeration and HVAC⁵ in buildings and cars, employee vehicle claims, taxi use and rental cars – each of which represents no greater than 1% of the inventory.

5. Heating, Ventilation and Air Conditioning.

Our Inventory Boundary

NAB's certification under the National Carbon Offset Standard is for a defined inventory of carbon emissions resulting from the activities of its Australian-based business. NAB has generally defined the boundary for its emissions inventory using an operational control approach consistent with that required under the *National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER Act)*. The boundary requirements for NAB's Scope 2 and the majority of Scope 1 emissions are as required by the NGER Act to ensure that NAB's energy carbon reporting is aligned to its regulatory reporting requirements and supports compliance. See Figure 3.

Figure 3: Certification Boundary



NAB uses an operational control approach and principles set out in our Group Environmental Reporting and Offset Management Standard⁶ and summarised in Table 2 to ensure Scope 1 and Scope 3 emissions sources relevant to our operations are included in our inventory.

Table 2: Principles and Tests⁷

General principles	
1. Relevance	• Is the emission causing activity significant or believed to be significant relative to the NAB Group's Scope 1 and Scope 2 emissions?
2. Completeness	• Is the emission-causing activity crucial to the NAB Group's core business?
3. Consistency	• Do NAB Group's key stakeholders believe that it is important to account for particular emission-causing activities?
4. Transparency	• Can NAB Group reduce or mitigate some of the emissions?
5. Accuracy	• Does NAB Group outsource an activity that would have been previously categorized as producing Scope 1 emissions?
	• Is NAB Group able to readily find reliable data for the emission-causing activity?

6. Available at www.nab.com.au/environment

7. These principles are taken from, 'Hot Climate, Cool Commerce: A Service Sector Guide to Greenhouse Management' by the World Resources Institute May 2006 p19.

Within its carbon inventory NAB includes Scope 1, 2 and some Scope 3 carbon emissions from all relevant Kyoto Protocol gases and some CFCs and HCFCs under the Montreal Protocol.

Scope 3 carbon emissions also include emissions identified as mandatory for reporting under the framework of the World Resources Institute (WRI) Service Sector Guide; as well as a number of other sources of emissions which NAB has decided to report in accordance with its Group Environmental Reporting & Offset Management Standard⁸.

Some Scope 1 and 3 emissions included in NAB's carbon inventory represent a small percentage of our total inventory of carbon emissions. Whilst we include some minor emissions sources for relevance and completeness, due to their size, the requirement for accuracy is reduced and estimation techniques have been applied to the calculation of carbon emissions from activity data.

Some Scope 1 and all our Scope 2 carbon emissions are required to be reported under the NGER, therefore these emissions were calculated in accordance with the *National Greenhouse and Energy Reporting Act (Measurement) Determination 2008* (Compilation 1 July 2011).

Our carbon inventory has been subject to independent assurance by KPMG.⁹ Emissions that are also reported under the NGER Act were subject to a reasonable level of assurance. Scope 1 emissions not reported under the NGER Act and all the Scope 3 emissions were subject to limited level of assurance.

Most of NAB's carbon emissions come from energy use, and ensuring our buildings are energy efficient assists us to reduce our carbon footprint. In 2012, we commenced construction of 700 Bourke Street (Docklands, Victoria), which will replace older and less efficient sites.



8. Available at www.nab.com.au/environment

9. Assurance reports provided by KPMG are available at: www.nab.com.au/environment.

Our Australian Carbon Footprint

A breakdown of NAB's 2012 Australian carbon inventory is provided in Table 3. This table shows the reduction in carbon emissions achieved as a result of the purchase of GreenPower eligible Renewable Energy Certificates and NCOS Carbon Neutral products. This resulted in a net carbon footprint of 216,695 tCO₂-e for our Australian operations.

Table 3: Total carbon footprint

Emission source	Scope	Tonnes CO ₂ -e
Work use – vehicle fleet	1	4,418
Fuel combustion – stationary energy (diesel)	1	123
Fuel combustion – stationary energy (gas)	1	7,770
Refrigerant emissions – vehicle fleet	1	96
Refrigerant emissions – HVAC and domestic refrigerators	1	2,158
Electricity consumption	2	134,058
A3 & A4 office paper purchased (non NCOS certified Carbon Neutral)	3	20
Air travel	3	20,760
Base building energy use and associated transmission losses	3	39,448
Employee claims for work use of private vehicles	3	1,785
Hotel stays undertaken by Australian employees	3	3,316
Rental cars	3	389
Taxi travel	3	1,461
Transmission losses – Fuel combustion (diesel and gas) & electricity	3	19,392
Transmission losses – Work use – vehicle fleet	3	349
Waste to Landfill	3	2,913
TOTAL GROSS FOOTPRINT¹⁰		238,455
	Volume	Tonnes CO₂-e
GreenPower eligible RECs (LGCs)	16,000 MWh	21,760
NCOS Carbon Neutral product – Reflex Carbon Neutral UltraWhite A3 and A4 supplied by Australian Paper.	1,017 tonnes	1,316 ¹¹
TOTAL NET FOOTPRINT		216,695

10. Carbon emissions may not sum to total, due to rounding.

11. The emissions from carbon neutral paper are calculated as zero as part of our gross footprint as we apply an emission factor of zero. This data is for information only to show the equivalent emission reduction.

Offset purchase and retirement

We have developed an Environment Reporting & Offset Management Standard¹² and a Carbon Offset Acquisition Process Guide to ensure that all purchases we make meet our own quality standards, the requirements of our environmental agenda and any related carbon neutral accreditation or certification processes.

Governance and oversight of NAB's offset purchases is provided by our Group Environmental Committee, chaired by our Group Executive – Group Governance and Legal.

Offsets retired for forecast total NAB Group emissions (1 July 2012 – 30 June 2013)

A total of 300,402 tCO₂-e of offsets have been retired to cover the forecast Group carbon emissions occurring in the 2012–2013 reporting period. Of this, 238,455 tCO₂-e of offsets have been retired to cover 2012–2013 emissions from our Australian business.¹³

This conservative approach aligns to our emissions reduction target. We will reconcile forecast to actual carbon emissions for the 2012–2013 period, at the end of the year as part of our annual inventory and regulatory reporting assurance processes. Any shortfall will be met at the time of this reconciliation and reported in our 2013 public reporting.

Table 4: Offsets retired in advance for forecast 2013 Group carbon emissions

Offset Type	Project Name	Registry	Serial Number	Offset Quantity (tonnes CO ₂ -e)
VCU	Mitcon – Grouped Wind	Markit	931-43804009-43821071-VCU-020-TZ1-IN-1-429-01012008-31122008-0	17,063
VCU	CGN – Gansu	Markit	587-27210382-27214381-VCU-004-TZ1-CN-1-319-01012009-28042009-0	4,000
VCU	Mungcharoen Green Power	Markit	676-31004101-31014100-VCU-009-TZ1-TH-1-256-01012009-31052009-0	10,000
VCU	Cavalcante	Markit	778-34442896-34447347-VCU-009-TZ1-BR-1-34-01032009-31122009-1	4,452
VCU	Yunnan NameguoFaguo Hydro	Markit	171-6510954-6516039-VCU-014-TZ1-CN-1-112-01122007-25022009-0	5,086
VCU	Yunnan NameguoFaguo Hydro	Markit	598-27722870-27739784-VCU-014-TZ1-CN-1-112-26022009-25112009-0	16,915
VCU	Welspun	APX VCU Registry	1345-58367910-58385309-VCU-009-APX-IN-4-350-01012008-30092008-0	17,400
VCU	Mungcharoen Green Power	Markit	678-31050053-31050878-VCU-009-TZ1-TH-1-256-01012008-31122008-0	826
VCU	Yugur Run of River	APX VCU Registry	1552-64984227-65025727-VCU-014-APX-CN-1-666-28122008-27122009-0	41,500
VCU	Siam Cement	Markit	1401-60645210-60700677-VCU-008-MER-TH-4-403-01012009-30062009-0	55,468
VCU	Zhang Jiagang	APX VCU Registry	1329-57786662-57814502-VCU-004-APX-CN-1-511-01012008-18122008-0	27,841
VCU	Aydin Geothermal	APX VCU Registry	1108-49869976-49880877-VCU-008-MER-TR-1-120-01082009-31122009-0	10,902
VCU	Mitcon – Grouped Wind	Markit	1405-60780711-60826529-VCU-020-MER-IN-1-429-01082009-31122009-0	45,819
VCU	Aydin Geothermal	APX VCU Registry	1109-49882545-49899142-VCU-008-MER-TR-1-120-01012010-31072010-0	16,598
VCU	Siam Cement	Markit	1452-61655879-61662410-VCU-008-MER-TH-4-403-01012009-30062009-0	6,532
VCU	Siam Cement	Markit	1602-67153385-67173384-VCU-008-MER-TH-4-403-01012009-30062009-0	20,000
Total Offsets purchased for FORECAST 2012-2013 GROUP carbon inventory:				300,402

12. Available at www.nab.com.au/environment

Offsets retired for actual total NAB Group carbon emissions (1 July 2011 – 30 June 2012)

In 2011, NAB retired 226,463 tCO₂-e of offsets to cover the forecasted 2011–2012 carbon emissions from our Australian business. As a consequence of reducing the carbon emissions from our Australian operations, we saw an absolute reduction in carbon emissions of around 4.3% in 2012. This meant ahead of the 2012 year, we retired offsets against Australian emissions in excess of those actually required and therefore 9,768 tCO₂-e offsets have been reallocated to future reporting periods.

The final list of offset retired against our 2012 Group carbon emissions inventory is provided in the table below:

Table 5: Offsets retired against actual 2012 Group carbon emissions

Offset Type	Project Name	Registry	Serial Number	Offset Quantity (tonnes CO ₂ -e)
VCU	Tiefa Coal	APX VCU Registry	418-15942285-16001284-VCU-004-APX-CN-10-196-01012008-05122008-0	59,000
VCU	Mitcon – Grouped Wind	Markit	754-33942293-33956905-VCU-020-TZ1-IN-1-429-01042006-31122007-0	14,613
VCU	Mitcon – Grouped Wind	Markit	931-43821071-43844008-VCU-020-TZ1-IN-1-429-01012008-31122008-0	22,937
VCU	Siam Cement	Markit	922-43446746-43488112-VCU-008-TZ1-TH-4-403-01012007-30062007-0	41,367
AAU	TrustPower Taranaki Hydro Scheme	NZ Emissions Unit Register	31172838-31174981	2,081
VCU	ITC Paper Mill	APX VCU Registry	1059-47341135-47381134-VCU-001-APX-IN-1-502-28032006-31032009-0	40,000
VCU	Siam Cement	Markit	1400-60590678-60615677-VCU-008-MER-TH-4-403-01012008-30062008-0	25,000
VCU	India Bundled Wind	APX VCU Registry	926-43615057-43645056-VCU-009-APX-IN-1-412-01012008-31122008-0	30,000
VCU	GunungSalak	Markit	849-40629957-40650910-VCU-009-TZ1-ID-1-144-01042006-31032009-0	20,954
VCU	GunungSalak	Markit	849-40529780-40532779-VCU-009-TZ1-ID-1-144-01042006-31032009-0	3,000
VCU	GunungSalak	Markit	849-40527780-40529779-VCU-009-TZ1-ID-1-144-01042006-31032009-0	2,000
VCU	GunungSalak	Markit	849-40532780-40533537-VCU-009-TZ1-ID-1-144-01042006-31032009-0	758
VCU	GunungSalak	Markit	849-40523780-40524779-VCU-009-TZ1-ID-1-144-01042006-31032009-0	1,000
VCU	GunungSalak	Markit	849-40563481-40564480-VCU-009-TZ1-ID-1-144-01042006-31032009-0	1,000
VCU	YunnanDujican	APX VCU Registry	628-29111081-29126776-VCU-013-APX-CN-1-333-26012007-31122007-0	15,696
Total Offsets purchased for ACTUAL 2011-2012 GROUP carbon inventory:				279,406

13. In accordance with the NCOS, no Assigned Amount Units (AAU) purchased from NZ are included in the 216,695 offsets retired for our 2012 Australian operations.

Emission reduction measures

In 2010, NAB committed to reducing Group carbon emissions from buildings-based energy use by 18,900 tCO₂-e,¹⁴ against a 2010 baseline, by 30 June 2013.¹⁵

The Group target is to be achieved through reductions delivered by three of our key regional businesses over a three-year period (1 July 2010 to 30 June 2013), against a 2010 baseline year, including:

- a 10% reduction in building energy emissions (from electricity, gas and diesel) per employee in Australia
- a 3% reduction in building energy emissions (from electricity) in New Zealand
- a 5% reduction in building energy usage (from electricity and gas) in the United Kingdom.

As at June 2012, Australia was on track to meet this reduction target, with buildings emissions per employee 14% lower than our baseline year of 2010. Continued business growth and related energy demand, particularly in our data centres, means it will be challenging for us to achieve this target in 2013. Further progress against our Group carbon emissions reduction target is reported in Note 8 in our 2012 Environmental Dig Deeper, available on line at www.nab.com.au/environment.

In Australia, we have utilised the requirements of the *Energy Efficiency Opportunities Act 2006 (Cth) (EEO Act)* to develop a pipeline of energy efficiency projects to help deliver carbon emissions reductions. In total, since 2006 we have identified 943 energy efficiency opportunities of which 733 opportunities have been implemented to deliver annual expected savings of 263,239 GJ. A further 51 opportunities are currently under investigation or have been approved to proceed. If these 51 opportunities are implemented, they are expected to result in an additional 36,645 GJ of energy savings per annum.

In 2012, we purchased around 12% of our electricity as government accredited RECs. Our travel reduction program continues to transition NAB to a more sustainable Australian car fleet with over 50% of our fleet now comprising hybrid vehicles.

NAB believes energy efficiency is part of responsible business management and, combined with our carbon neutral commitment, it provides a focus for employee engagement through a growing voluntary network of green teams and champions across the Bank's operations in Australia.

Identifying energy efficiency opportunities helps our business to understand the potential for energy and costsavings so that we can forecast our energy use and carbon emissions and put in place meaningful and achievable reduction targets. Building a pipeline of energy efficiency projects has meant we have been able to develop a marginal abatement cost curve for our operations, to assist in our decision making in regard to investment in energy efficiency opportunities. A summary of the emissions reduction achieved through energy efficiency opportunities is provided in Table 6.

Table 6: Carbon emissions management and reductions

Emission reduction measures	Estimated emission reductions (in t CO ₂ -e)
Reduction measures implemented between 1 July 2006 and 30 June 2011	75,779
Reduction measures implemented between 1 July 2011 and 30 June 2012, comprising:	2,000
• Data Centre Opportunities (238)	
• Commercial Building Opportunities (227)	
• Retail Network Opportunities (1,535)	
Total quantity of emissions reduced	77,779

Prioritisation of our energy efficiency opportunities is based on implementing those projects which deliver the most effective outcomes as a priority, while considering the financial viability expected (from our internal capital expenditure rules). We continue to face challenges to our goal of reducing energy consumption, in particular from our data centres, as energy consumption from these operations continues to grow to meet increasing demand for data processing capacity.

14. This target applies to specific buildings-based sources of carbon emissions across our Australian, New Zealand and UK operations.

15. When we developed our 2013 Group carbon emissions target in 2010, it equated to an intensity target of around 9.2% per full time equivalent employees, assuming no material change in emissions factors, FTE and levels of business activity when compared to the 2010 baseline year.

Verification

Annual Independent Assurance of global carbon neutral GHG and offset data

Name of assurer:	KPMG
Period covered:	1 July 2011 – 30 June 2012
Date of assurance:	13 September 2012
Next assurance verification due:	September 2013

NCOS Biannual Verification

Name of verifier:	KPMG
Period covered:	1 July 2010 – 30 June 2011
Date of verification:	17 October 2011
Next verification due:	September 2013

Declaration

Signature:

Name: Michaela Healey

Title: Group Executive – Group Governance and Legal

Date: 31 October 2012

This Public Disclosure Summary was prepared in accordance with the requirements of the NCOS Carbon Neutral Program Guidelines.

Further information can be found at www.nab.com.au/environment.