



**national
australia
bank**

NATIONAL AUSTRALIA BANK LIMITED

Group Environmental 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 National Australia Bank Limited (“NAB”) and the Group is committed to environmental management and stewardship. This Policy sets the minimum environmental management and stewardship requirements to enable our bankers and colleagues to operate in line with strategy and risk appetite and manage environmental risk and contribute to a clean, healthy and sustainable environment.
- 1.1.2 The purpose of this Policy is to ensure that NAB appropriately manages its environmental risks and performance. This will contribute to consistent appropriate and sustainable outcomes for customers and stakeholders.
- 1.1.3 The Policy covers:
- i. Environmental risk and opportunity management, performance, compliance, oversight and reporting arising from the Group’s business activities and operations, and where relevant, business relationships including customers and suppliers; and
 - ii. Management of, and advocacy related to, environmental issues, risks, and opportunities associated with, but not limited to, climate change, nature¹, resource scarcity, pollution, waste and the circular economy.
- 1.1.4 It is informed by environmental regulatory requirements, and where relevant, best practice environmental management standards, business and industry guidelines and recommendations², and voluntary commitments³.
- 1.1.5 This Policy applies to all colleagues of NAB and Group entities 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 environmental management and stewardship across all the Group’s business activities and operations.
- 1.2.2 The Policy Owner is responsible for ‘Review and Challenge’ of Policy implementation within periodic reviews, at minimum annually, of operational environmental performance (including performance targets), environmental risk management and regulatory and voluntary reporting and disclosures. Individual Businesses and Group entities are responsible for managing environmental risks and opportunities that are within their business area, including implementing processes and controls to

¹ Reference to nature includes biodiversity and ecosystems and related Indigenous knowledge and cultural values associated with the same.

² Recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) or other mandatory climate-related disclosure requirements which may supersede TCFD and the Taskforce for Nature-related Financial Disclosures (TNFD).

³ These include:

- the [United Nations \(UN\) Global Compact](#)
- UN Environment Program - Finance Initiative (UNEP-FI) [Principles for Responsible Banking](#)
- The Organisation for Economic Co-operation and Development (OECD) [Guidelines for Multinational Enterprises on Responsible Business Conduct](#)
- [Equator Principles](#)
- RE100
- [Net Zero Banking Alliance](#)
- Certification for net-zero status of operational emissions inventory in Australia and New Zealand

ensure compliance 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 overseeing environmental risks and performance.
- 1.2.4 The Climate Office is responsible for oversight of elements of climate-related strategy and opportunities
- 1.2.5 The Sustainability Council is responsible for aligning activity across NAB and overseeing progress against the Group's broader sustainability goals and targets.
- 1.2.6 Material risk owners, BNZ and relevant policy owners are responsible for incorporating consideration of environmental risks and opportunities into relevant policies, procedures, frameworks, oversight and associated training programs.
- 1.2.7 Group Strategy Performance & Execution is responsible for facilitating the inclusion of environmental risks and opportunities in the Group's Strategy, which in turn is reflected in business unit strategy as it relates to customers, colleagues and/or communities.
- 1.2.8 Businesses and Group entities are responsible for incorporating consideration of environmental risks and opportunities into relevant business strategies, action plans and procedures and for complying with all relevant requirements described in this Policy and related documents.
- 1.2.9 For the purposes of this Policy, Designated Group entities are responsible for geographical operational environmental performance (refer Glossary for listing).

1.3 Related Documents

- 1.3.1 Group Environmental Management Standard Operating Procedures
- 1.3.2 [Group Environmental Reporting and Offset Management Policy](#)
- 1.3.3 Group Environmental Reporting and Offset Management Standard Operating Procedures
- 1.3.4 [ESG Risk Principles](#)
- 1.3.5 [Environmental aspects and impacts](#)
- 1.3.6 [Group Supplier Sustainability Principles](#)
- 1.3.7 Group Outsourcing Policy
- 1.3.8 Group Procurement Policy
- 1.3.9 Stakeholder Advocacy and Action Management Standard Operating Procedure

2. POLICY REQUIREMENTS

2.1 Compliance

- 2.1.1 The Group must comply with all relevant environmental laws, regulations and voluntary commitments.
- 2.1.2 Designated Group entities responsible for geographical operational environmental performance must establish and maintain processes and systems to manage operational environmental

compliance and performance. This includes obtaining all required environmental licences and permits.

- 2.1.3 Businesses and Designated Group entities must monitor and internally report on environmental compliance, at minimum, on a six-monthly basis.

2.2 Environmental risk management

- 2.2.1 The Group must include consideration of environmental risks as part of its Risk Management Framework and processes and business strategy where relevant.
- 2.2.2 Material risk teams, Businesses and Group entities, including those responsible for geographical operational environmental performance, must assess direct and indirect environmental risk inherent in the Group's activities and business relationships⁴.
- 2.2.3 Where Divisions and Group entities identify material environmental risks, these risks must be escalated, reported and managed in accordance with the Group's Risk Management Framework, policies, procedures and practices and the Environmental Management Standard Operating Procedure (SOP).
- 2.2.4 The Policy Owner, Divisions and Group entities must at a minimum, annually monitor emerging and sensitive environmental issues of concern to stakeholders to enable appropriate proactive actions to be taken to mitigate risks.

2.3 Managing direct and indirect operational environmental impacts

- 2.3.1 The Group must take a risk-based approach to minimise its direct and indirect operational environmental impacts and to improve its operational environmental management and environmental performance⁵.

⁴ Business relationships include customer relationships arising from the provision of banking products and services, investments, advisory activities, and third-party relationships such as joint venture partners and suppliers.

⁵ These actions should include:

- pollution prevention
- minimising impacts on nature including purchasing post-consumer recycled, sustainably certified paper
- minimising greenhouse gas (GHG) emissions and use of natural resources
- improving resource efficiency (e.g. water, paper and energy use) and sustainable building design
- increasing recycling and reduce the volume of waste sent to landfill,
- transitioning to lower emissions vehicles and emissions energy sources aligned with the Group's RE100 commitment.

2.3.2 The Group must:

- i. Where it chooses to set targets related to operational environmental impact (excluding GHG emissions), and monitor environmental performance related to operations and business activities in line with best practice and periodically review environmental and supply chain-related commitments.
- ii. Set an operational GHG emissions reduction target based on climate science and monitor performance related to activities in line with best practice.
- iii. Where it chooses to set a target for renewable energy, it must do so based on climate science.
- iv. Minimise emissions prior to offsetting in accordance with the Carbon Mitigation Hierarchy.

2.3.3 Designated Group entities responsible for regional operational environmental performance must:

- i. Maintain resources to undertake operational environmental management and reporting.
- ii. Establish, implement and maintain SOPs to identify and mitigate direct environmental risks caused by the Group's relevant regional business operations.
- iii. Set environmental operational objectives.
- iv. Develop operational strategies for implementing the Group's environmental agenda and management of environmental risks and opportunities.
- v. Contribute to the Group's operational environmental performance targets.
- vi. Implement operational environmental management systems and practices consistent with and aligned to the requirements of the International Organization for Standardization (ISO); Environmental Management System Standard (ISO 14001) and relevant laws, regulations and voluntary commitments.
- vii. When engaging an external property services provider, at the time of contracting and/or renewal, require the property services provider to hold ISO 14001 certification covering the activities conducted on behalf of the Group, or hold it on NAB's or the entities own account.
- viii. Maintain current third-party accreditation of environmental management practices covering their operations, where relevant and available, to the country(ies) in which they operate.
- ix. Review any environmental management system, and outcomes of any independent audit of an environmental management system provided by an external property services provider to cover the Group's operational activities, and ensure they are helping to satisfactorily manage the Group's operational environmental performance, regulatory performance and voluntary commitments.
- x. Ensure that business continuity planning considers the impact of significant environmental events and disasters on the Group's business operations.

2.4 Managing indirect environmental impacts and opportunities arising from business relationships

2.4.1 Material risk owners, Policy Owners and Divisions must integrate environmental risk into risk assessment and due diligence processes associated with the origination and maintenance of business relationships with customers, suppliers and other third parties and in accordance with voluntary commitments.

2.4.2 The Group must:

- i. Annually monitor and review any environmental commitments that have been made and consider targets at a minimum of every five years to manage environmental risks and impacts arising from business relationships with suppliers and customers. These should be science-based wherever applicable, and data allows.

- ii. Use sector portfolio low-carbon transition pathways and scenarios aligned to net zero emissions by 2050 in setting any customer portfolio-related emissions reduction targets. These should be science-based wherever applicable, and data allows, to meet the requirements of the Net Zero Banking Alliance.
 - iii. Assess environmental risks in outsourcing and sourcing activities and engage with suppliers about the Group's environmental requirements.
- 2.4.3 Businesses and Group entities must develop and provide:
- i. Products and services that support customer adoption of low carbon and clean technologies.
 - ii. Processes that reduce environmental impacts or improve environmental outcomes and help customers to adapt and build resilience to climate change and manage natural capital risks and opportunities.

2.5 Engaging and supporting our colleagues

2.5.1 The Group must:

- i. Communicate about, and engage colleagues in, the delivery of the Group's environmental agenda, related strategies and programs and support them in practical ways to reduce their own environmental footprint.
- ii. Provide employees with: (a) training to support understanding of environmental risks and opportunities and integration of environmental considerations into their decision-making and work practices, and (b) opportunities to participate in environmentally focused volunteering activities.

2.6 Environmental engagement and advocacy

- 2.6.1 The Group must engage with relevant stakeholders (this may include government, investors, and non-government organisations) to further its understanding of its direct and indirect environmental impacts and contribute to consultation processes related to relevant public policy and regulation.
- 2.6.2 Where a material environmental risk is identified, Environmental, Social & Governance Risk Management (ESG Risk Management), material risk teams, Divisions and Group entities are expected to proactively engage with relevant stakeholders, to understand the issue or risk and identify actions to reduce or mitigate risk NAB's risk exposure. Any such engagement involving government and non-government organisations must be in consultation with Corporate Affairs and in accordance with relevant Group frameworks, policies and practices, including the Stakeholder Advocacy and Action Management Standard Operating Procedure.

2.7 Reporting and disclosure

2.7.1 The Group must:

- i. Measure and report publicly on its environmental management and any applicable regulatory requirements and voluntary commitments.
- ii. Disclose a summary of its approach to environmental performance and reporting, including carbon inventory and carbon offset portfolio management.

2.8 Environmental agenda and management framework

- 2.8.1 The Group must review its environmental agenda, related strategies and management framework, including policies and associated SOPs at least every three years.

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.

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
Business	A Division, Sub-Division or Business Unit.
Carbon Mitigation Hierarchy	This includes prioritised steps that lead to the best outcomes for people and nature. The steps are Avoid, Reduce, Restore, Offset in that order.
Circular economy	A circular economy is one in which economic activity is decoupled from the consumption of finite resources, and where waste is designed out of the system.
Climate change	Climate change is a change in the pattern of weather, and related changes in oceans, land surfaces and ice sheets, occurring over time scales of decades or longer. In particular it is a change apparent from the mid to late 20th century onwards and attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels.
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 (Group External Reporting) and Technology and Enterprise Operations (Property and strategic sourcing) and Corporate Affairs (Environment 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.
Direct environmental risk	Environmental risk arising from activities undertaken directly by NAB Group including potential threats or adverse effects to living organisms and the environment from effluents, emissions, wastes, and resource depletion etc.
Division	One of the organisation units reporting to the Chief Executive Officer within which, all services of NAB are structured.
Environmental agenda	The Group's environmental agenda has the following areas of focus: climate change, nature and resource efficiency/circular economy.
Environmental management and stewardship	The responsible use and protection of the natural environment through conservation and sustainable practices. It is a behavior that is demonstrated through continuous improvement of environmental performance, and a commitment to efficient and responsible use of natural resources, action on climate change, protection of biodiversity and ecosystems, and, where applicable, ensuring a baseline of compliance with environmental regulatory requirements.
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.
Indirect	Environmental risk arising from business relationships with customers, suppliers and other

Term	Definition
environmental risk	third parties.
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 team	Team responsible for managing a material risk. NAB's material risk categories include strategic risk, credit risk, market risk, operational risk, compliance risk and conduct risk.
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 or exception.
Review and Challenge	Review and Challenge is an oversight activity which provides the Board and management with an independent perspective on NAB's management of environmental risks and opportunities.
Resource efficiency	Means using the Earth's limited resources in a sustainable manner while minimising environmental impact.
Sustainability Risk	The risk that Environmental, Social or Governance (ESG) events or conditions negatively impact the risk and return profile, value or reputation of the Group or its customers and suppliers.
Paris Agreement	The Paris Agreement is an international treaty that seeks to reduce the emission of greenhouse gases to limit global warming. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.