



NATIONAL AUSTRALIA BANK LIMITED

Group Environmental Management Policy

Policy Governance Schedule

Approval date	June / 2020
Next approval date	June / 2022
Policy Owner	Executive, Resilience Risk
Division	Resilience Risk
Approval Authority	Group Chief Risk Officer

1. PURPOSE AND SCOPE

- 1.1 National Australia Bank (NAB) Group (“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.
- 1.2 The Policy covers:
 - 1.2.1 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
 - 1.2.2 Management of, and advocacy related to, environmental issues, risks, and opportunities associated with, but not limited to, climate change, natural capital, resource scarcity, pollution, waste management and the circular economy (refer Glossary).
- 1.3 It is informed by environmental regulatory requirements, and where relevant, best practice environmental management standards, business and industry guidelines, and voluntary commitments¹.
- 1.4 This Policy applies to all employees including contingent (contract) labour, within National Australia Bank Limited (NAB), its divisions, its wholly owned subsidiaries and extends to joint ventures and entities where the Group has operational control.

2. ROLES AND RESPONSIBILITIES

- 2.1 The Board is ultimately responsible for environmental management and stewardship across all NAB Group’s business activities and operations.
- 2.2 Individual Business Units are responsible for managing environmental risks and opportunities that are within their area, including implementing processes and controls to ensure compliance with the requirements of this Policy relevant to their business operations and activities.
- 2.3 The Group Non-Financial Risk Committee is responsible for review and oversight of the Group’s Environmental Agenda, environmental risk and opportunities (including those related to climate change and natural capital) associated with non-financial risks associated with non-financial risks (Operational, Compliance and Regulatory Risks) and performance.
- 2.4 The Group Credit and Market Risk Committee is responsible for review and oversight of Environmental, Social and Governance (ESG)-related risk and opportunities (including

¹ These include:

- (a) the United Nations (UN) *Global Compact*;
- (b) UN Environment Program — Finance Initiative (UNEP-FI) *Principles for Responsible Banking*; and *Collective Commitment to Climate Action*
- (c) Carbon neutrality and Australian Government *Climate Active certification*
- (d) *The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multi-National Enterprises*
- (e) Natural Capital Declaration
- (f) *Equator Principles*
- (g) Recommendations of the *Taskforce on Climate-related Financial Disclosures*
- (h) *RE100*.

those related to climate change and natural capital) associated with credit and market risks and related emerging environmental risks.

- 2.5 Material risk owners, BNZ, MLC Wealth and relevant policy owners are responsible for incorporating consideration of environmental risks and opportunities into relevant policies, procedures, frameworks, oversight and associated training programs.
- 2.6 Group Strategy & Innovation facilitates 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.
- 2.7 All Performance Units, Business Units, Divisions, Entities and Regions 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.
- 2.8 For the purposes of this Policy, Group Divisions and entities responsible for geographical environmental operational performance include:
 - Enterprise Sustainability (Technology and Enterprise Operations) in Australia;
 - BNZ and JB Were in New Zealand;
 - New York Branch in the USA;
 - London Branch in the United Kingdom; and
 - Shared Services (nabAsia) coordinating with other nabAsia branches and representative offices.

3. POLICY REQUIREMENTS

Compliance

- 3.1 The Group must comply with all relevant environmental laws, regulations and voluntary commitments.
- 3.2 Group Divisions and entities responsible for geographical environmental operational performance must establish and maintain processes and systems to manage operational environmental compliance and performance. This includes obtaining all required environmental licences and permits.
- 3.3 Environmental compliance status must be monitored and internally reported, at minimum, on a six-monthly basis.

Environmental risk management

- 3.4 The Group must include consideration of environmental risks as part of its Risk Management Framework and processes and business strategy.
- 3.5 Material risk teams, Group Divisions and entities, including those responsible for geographical environmental operational performance, must assess Direct and Indirect environmental risk inherent in the Group's activities and business relationships².
- 3.6 Where Group Divisions and entities identify material environmental risks, these risks must be escalated, reported and managed in accordance with the Group's Risk Management

² 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.

Framework, policies, procedures and practices and the Environmental Management Standard Operating Procedure (SOP).

- 3.7 The Policy Owner, Group Divisions and 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.
- 3.8 The Policy Owner must incorporate '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.

Management of direct and indirect operational environmental impacts

- 3.9 The Group must take a risk-based approach to action to minimise its Direct and Indirect environmental operational impacts and to improve its environmental management and environmental performance³.
- 3.10 The Group must:
- i. Set targets and monitor performance related to operations and business activities in line with best practice, and at minimum annually review environmental and supply chain -related commitments.
 - ii. Set a science-based operational greenhouse gas emissions reduction target and a target for purchasing renewable energy and maintain its carbon neutral status to support achievement of the United Nation's Paris Agreement.
- 3.11 Group Divisions and entities responsible for regional environmental operational 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 business operations.
 - iii. Set environmental operational objectives.
 - iv. Develop operational strategies for implementing the Group's Environmental Agenda and Management Framework.
 - 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) 14001 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 renewing, 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.

³ These actions should include:

- pollution prevention
- minimising impacts on natural capital 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.

- 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 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.

Managing indirect environmental impacts and opportunities arising from business relationships

- 3.12 Material Risk Owners and Policy Owners 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.
- 3.13 The Group must:
- i. Set, monitor and review environmental commitments (annually) and targets (at minimum every five years) to manage environmental risks and impacts arising from business relationships with suppliers and customers.
 - ii. Consider sector portfolio low carbon transition pathways and scenarios aligned to the Paris Agreement temperature goals in setting any customer portfolio-related targets.
 - iii. Assess environmental risks in outsourcing and sourcing activities and engage with suppliers about the Group's environmental requirements.
- 3.14 Group Divisions and entities must develop and provide:
- i. Products and services which 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.

Engaging and supporting our colleagues

- 3.15 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: (i) training to support understanding of environmental risks and opportunities and integration of environmental considerations into their decision-making and work practices, and (ii) opportunities to participate in environmentally-focused volunteering activities.

Environmental engagement and advocacy

- 3.16 The Group must undertake engagement with relevant stakeholders (this may include government, investors, and non-government organisations etc) to further its

understanding of its direct and indirect environmental impacts and contribute to consultation processes related to relevant public policy and regulation.

- 3.17 Where a significant environmental risk is identified, Sustainability Governance & Risk, material risk teams and Group Divisions and entities should proactively engage with relevant stakeholders⁴, 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 accordance with relevant Group frameworks, policies and practices, including the Stakeholder Advocacy and Action Management Standard Operating Procedure.

Reporting and disclosure

- 3.18 The Group must:
- i. Measure and report publicly on its environmental management and performance in accordance with the Group's Environmental Reporting and Offset Management Policy.
 - ii. Disclose a summary of its approach to environmental performance and reporting, including carbon inventory and carbon offset portfolio management in accordance with its Environmental Reporting and Offset Management Policy.

Environmental Agenda and management framework

- 3.19 The Group must review its Environmental Agenda, related strategies and Management Framework, including policies and associated SOPs at least every two years.

4. POLICY EXEMPTIONS

- 4.1 An exemption is required where a business is unable to comply with the mandatory requirements of this Policy for a defined period of time no greater than 12 months and immediate action cannot be taken to achieve compliance⁵.
- 4.2 The Approval Authority delegates the approval of exemptions to the Policy Owner.
- 4.3 Exemption requests⁶ must be submitted to the Policy Owner and will be granted at their discretion. Refer to the Exemptions Procedure Guide for further detail.

5. POLICY EXCEPTIONS

- 5.1 An exception is required where a 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 compliance⁵.
- 5.2 Exceptions requests must be submitted to the Policy Owner and will be granted at their discretion.

⁴ This may include customers, suppliers, government, non-government organisations and local communities.

⁵ If there is an inconsistency between regional legislative requirements and the Group, the regional 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. Where local legislation results in non-compliance to Policy a breach, exemption or exception is not required.

⁶ Exemptions must go through the Exemption database for endorsement by CRO and Policy Owner. It then goes to the Approval Authority for approval via the appropriate governance pathways listed in the NAB Ltd Policy Approval and Review Matrix. Regional exemptions (excluding Australia) will follow their own exemption procedures.

6. POLICY BREACHES

- 6.1 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 Employee Conduct Management Policy and recorded per the Events Management Standard Operating Procedures or regional equivalents⁵.
- 6.2 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.

7. POLICY CHANGE

- 7.1 Administrative changes⁷ to this policy must be submitted to the Policy Owner and will be approved at their discretion⁸.
- 7.2 All other changes to this policy must be submitted to the Approval Authority and will be approved at their discretion⁸.

8. RELATED DOCUMENTS

- Environmental Management Standard Operating Procedures
- Environmental Reporting and Offset Management Policy
- Environmental Reporting and Offset Management Standard Operating Procedures
- ESG Risk Principles
- Environmental Agenda
- Environmental aspects and impacts
- Event Management Standard Operating Procedures
- Group Supplier Sustainability Principles
- Group Outsourcing Policy
- Procurement Policy
- MSL ESG Policy
- NULIS Responsible Investment Policy
- Stakeholder Advocacy and Action Management Standard Operating Procedure

9. GLOSSARY

Term	Definition
Business Leader	All references to Business Leaders correspond to first line Division/BU/PU management accountabilities. The role of Management Assurance is to support

⁷ As defined in the Group Policy Governance Framework.

⁸ For publishing of Policies on Group Policy Central a Policy Change Request must be submitted with evidence of approval.

Term	Definition
	the Business Leaders to execute their risk management accountabilities. The Business Leaders remain accountable.
Business Unit (BU)	For the purposes of this Policy, Performance Unit/Business Unit ("PU/BU") incorporates all of the various naming conventions in place across the Group.
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.
GCRO	Group Chief Risk Officer
CRO	Chief Risk Officer
Direct environmental risk	Environmental risk arising from activities undertaken directly by NAB Group.
Divisions	All references to Division relate to Divisions, Divisional Areas, Functional Business Line, Region or Legal Entity (NAB Ltd, BNZ, NAB Wealth) unless otherwise stated.
Environmental Agenda	The Group's Environmental Agenda has three key areas of focus: climate change, natural value and resource efficiency.
Environmental Risk	Actual or potential threat of adverse effects on living organisms and environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities.
Group	National Australia Bank Limited (NAB) and its controlled entities
Indirect environmental risk	Environmental risk arising from business relationships with customers, suppliers and other third parties.
Material Risk teams	Are teams which manage Material risk categories as defined in the Group's Risk Management Strategy including Strategic, Credit, Market, Balance Sheet and Liquidity Risks, Operational, Compliance, Conduct and Regulatory Risk.
Natural value	Natural value is the way NAB Group defines its strategic approach to understanding the risk and opportunities related to natural capital. Natural capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this natural capital that humans derive a wide range of services, often called ecosystem services, which make human life possible.
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.
Paris Agreement	The Paris Agreement is an international treaty that seeks to reduce the emission of greenhouse gases to limit global warming.