

# National Australia Bank Limited

## *Group Environmental Management Policy*

### Administration Information Schedule

Approval date	June / 2018
Next approval date	June / 2020
Document Owner	General Manager, Group Compliance
Issuing Department	Enterprise Risk
Highest approval authority	Group Regulatory, Compliance and Operational Risk Committee

## 1. Background and Context

- 1.1 The purpose of this Policy is to specify requirements for National Australia Bank (NAB) Group's (Group) environmental management and commitments.
- 1.2 This Policy sets out how the Group maintains a focus on environmental risk management, stewardship and sustainability across all its business activities and operations, including the development of operational environmental management systems and practices within each geographical region in which the Group operates.
- 1.3 The scope of this Policy includes assessment of environmental risk, environmental management, products and services, and environmental oversight, monitoring and reporting across the Group's operations.
- 1.4 For the purposes of this Policy, Group Divisions and entities responsible for geographical environmental operational performance include:
  - Environmental Sustainability (Technology and Operations) in Australia;
  - BNZ and JB Were in New Zealand;
  - NY Branch in the USA;
  - London Branch in the United Kingdom; and
  - Shared Services (nabAsia) coordinating with other nabAsia branches and representative offices.
- 1.5 All Performance Units, Business Units, Divisions, Entities and Regions will comply with all relevant Environmental Management requirements described in this Policy and related documents.

## 2. Policy Principles

All Divisions and entities of the Group will:

- 2.1 Comply with all relevant environmental laws and regulations and voluntary commitments
- 2.2 Consider environmental risks as part of risk appetite, assessment and profiling
- 2.3 Take action to minimise the direct and indirect impacts of the Group's operations on the environment and to continuously improve its environmental management and environmental performance
- 2.4 Set, monitor and review environmental objectives and targets for operations across the Group on a periodic basis
- 2.5 Identify and invest in opportunities, where appropriate, to support the Group's customers through products and services that assist them to realise their environmental objectives, and mitigate environmental risks and challenges such as climate change, biodiversity loss and ecosystem degradation and resource scarcity
- 2.6 Engage with stakeholders to further the Group's understanding of its direct and indirect environmental impacts and contribute to the development of public policy and regulation
- 2.7 Engage employees in the delivery of the Group's [Environmental Agenda](#) and support them in practical ways so they can reduce their own environmental footprints
- 2.8 Measure and report on the Group's performance in accordance with relevant national and international standards, and where applicable, have its environmental performance and reporting independently assured.

## 3. Roles and Responsibilities

- 3.1. The Board is ultimately responsible for environmental risk management, stewardship and sustainability across all NAB Group's business activities and operations.
- 3.2. In accordance with its Charter the Group Regulatory Compliance & Operational Risk Committee (GRCORC) will provide oversight over the Group's Environmental Agenda, environmental strategy, targets and offsets, regulatory requirements, operational performance and reporting.

## 4. Policy Requirements

### 4.1 Environmental Management – Assessment

#### ***Regulatory requirements and voluntary commitments***

- 4.1.1 Group Divisions and entities responsible for geographical environmental operational performance will:
- maintain registers of environmental laws, regulations and voluntary commitments applicable to their respective business, with compliance reported annually via the Requisitions on Management (ROMs) Process
  - establish and maintain processes and systems to manage operational environmental compliance and performance, including obtaining all required environmental licences and permits in accordance with the Compliance Obligations Management Policy
  - monitor environmental regulatory change and ensure that environmental regulatory requirements and reporting obligations relevant to the region are met.
- 4.1.2 The Group will monitor the regulatory and legal landscape to ensure a timely response to any changes in environmental laws and regulations applicable to the Group, manage relationships with key environmental regulators and maintain a register of voluntary environmental commitments relevant across the Group. Refer to Environmental Management Standard Operating Procedure: Register of voluntary commitments.

#### ***Risk assessment***

- 4.1.3 Sustainability Governance and Risk (SG&R) and material risk teams will integrate environmental risk into the Group's risk appetite with reference to the Group's Environmental, Social and Governance (ESG) Risk Principles. material risk teams and the Group Divisions and entities, particularly those responsible for geographical environmental operational performance, will identify, consider, control and mitigate environmental risk inherent in the Group's activities, including both direct risk associated with the Group's operations and indirect environmental impacts and dependencies that may arise from lending, investment, customer advisory activities and supply chain management.
- 4.1.4 For more information, see:
- Operational Risk Profiling Standard
  - Group Supplier Sustainability Principles
  - Group Credit Policy
    - 3.01.09 Environmental, Social and Governance (ESG) risk and Sensitive Areas
    - 3.01.11 Equator Principles

#### ***Risk analysis and evaluation***

- 4.1.5 Where a significant environmental risk is identified (and where appropriate), material risk teams and Group Divisions and entities may proactively engage with relevant stakeholders, to understand the issue or risk and identify ways to address the issue and/or reduce or mitigate the risk. This may include customers, suppliers, government, non-government organisations and local communities. Any such engagement must be in accordance with relevant Group frameworks, policies and practices, including the Stakeholder Advocacy and Action Management Standard Operating Procedure

### 4.2 Environmental Management – Implementation

- 4.2.1 Group Divisions and entities, particularly those responsible for regional environmental operational performance, will maintain a suitably resourced function to undertake operational environmental management and reporting, including management of relevant third party service providers.

### ***Environmental Agenda and Management Framework***

- 4.2.2 SG&R will coordinate the development of, and maintain, the Group's Environmental Agenda and Management Framework, including policies and related Standard Operating Procedures. This will be reviewed at least every two years.
- 4.2.3 Environmental Sustainability (Technology and Operations) (Australia) will:
- coordinate the development and aggregation of Group-level environmental operational performance targets in accordance with relevant Group Policies and Operating Procedures
  - coordinate the development of Group-wide operational strategies to execute the operational environmental performance aspects of the Group's Environmental Agenda and Management Framework.
- 4.2.4 Group Divisions and entities responsible for regional environmental operational performance, will set regional environmental operational objectives, develop regional operational strategies for implementing the Group's Environmental Agenda and Management Framework and contribute to Group-wide operational environmental performance targets.
- 4.2.5 The Group and regional environmental reduction targets will be set for at least a three year period to allow for budget allocation delivery of initiatives, such as capital works, which may be required to meet the targets.

### ***Risk treatment and mitigation***

- 4.2.6 Group Divisions and entities responsible for regional environmental operational performance will establish, implement and maintain Standard Operating Procedures (SOPs) to identify and mitigate risks caused by the Group's business operations that may impact the environment, including the Group's environmental objectives documented in the Environmental Agenda and Management Framework.
- 4.2.7 Where Group Divisions and entities identify material environmental risks, these risks should be escalated to relevant Risk Committee(s) for notification accompanied by a proposed mitigation plan

### ***Management system***

- 4.2.8 Group Divisions and entities responsible for geographical environmental operational performance will ensure that operational environmental management systems and practices in place are consistent with, and aligned to, the requirements of:
- the International Organization for Standardization (ISO) 14001 Environmental Management System Standard (ISO 14001)
  - relevant laws, regulations and voluntary commitments.
- 4.2.9 Group Divisions and entities, will maintain third party accreditation of environmental practices, where relevant, to the region they are in.
- 4.2.10 Environmental Policies and SOPs may be incorporated into existing management systems and are not required to be part of a standalone Environmental Management System.
- 4.2.11 Group Divisions and entities, will provide Group Compliance with evidence of the currency of environmental management certification covering their operations and a summary of audit findings following each external certification audit, unless an external property services provider has been contracted to implement environmental management.

### ***Use of external property services providers to implement environmental management***

- 4.2.12 Where an external property services provider is engaged to assist in the management of operational environmental performance, and the Group Divisions and entities do not have their own certified environmental management system, the Group Divisions and entities responsible for regional environmental operational performance will, at the time of contracting and/or renewing<sup>1</sup>, require the property services provider to hold ISO 14001 certification covering the activities conducted on behalf of the Group.

---

<sup>1</sup>This requirement may be included in a contract sooner if it can be negotiated within a current contract term.

4.2.13 Group Divisions and entities responsible for regional environmental operational performance will review and/or audit the external property services provider to ensure they are satisfactorily contributing to the management of the Group's environmental performance, regulatory performance and voluntary commitments. This should occur within the first year of any new services agreement and every 12 months thereafter.

4.2.14 The external property services provider will provide the regional Group Division/entity with evidence of their current ISO 14001 certification and a summary of audit findings and recommendations relevant to the activities undertaken on behalf of the Group following each external ISO 14001 surveillance and certification audit.

### **Impacts**

#### *Accidents and emergencies*

4.2.15 Group Divisions and entities responsible for regional environmental operational performance will:

- establish, implement and maintain SOPs to identify potential accidents, spills and emergency situations caused by Group's business operations that may impact the environment and develop response plans to prevent or mitigate any associated adverse environmental impacts (e.g. improper storage, handling and transportation of hazardous wastes or management of diesel spills).
- where an external property services provider is contracted to perform these activities on behalf of a Group Division or entity responsible for regional environmental operational performance, the responsible Division or entity will ensure that they are notified of any significant accidents, spills and emergency situations by the external property services provider in a timely manner following the accident, spill or emergency situation.

#### *Business continuity planning*

4.2.16 Group Divisions and entities responsible for regional environmental operational performance will ensure that business continuity planning considers the impact of significant environmental events and disasters, such as extreme weather and geophysical events, on the Group's business operations.

#### *Impact minimisation*

4.2.17 Group Divisions and entities responsible for regional environmental operational performance will act to:

- prevent pollution
- minimise greenhouse gas (GHG) emissions and use of natural resources
- improve resource efficiency (e.g. water, paper and energy)
- increase recycling and reduce the volume of waste sent to landfill
- transition to lower emissions energy sources (where practicable).

#### *Carbon inventory and offset*

4.2.18 Environmental Sustainability (Technology and Operations) (Australia) will:

- manage the Group's carbon offset portfolio in accordance with Group's Environmental Operational Reporting and Offset Management Policy.
- prepare annual public reporting on the Group's operational environmental performance and practices in accordance with the Environmental Operational Reporting and Offset Management Policy.

4.2.19 SG&R will externally publish a summary of the Group's approach to environmental performance and reporting, including carbon inventory and carbon offset portfolio management in accordance with the Environmental Operational Reporting and Offset Management Policy.

### ***Procurement and outsourcing***

4.2.20 Enterprise Property & Strategic Sourcing will coordinate the development and implementation of the Group's Supplier Sustainability Program to improve the environmental (and other sustainability) performance of the Group's supply chain.

4.2.21 Group Divisions and entities responsible for geographical environmental operational performance will:

- integrate environmental and social considerations into procurement and outsourcing activities and ensure all critical or material suppliers meet the requirements of the Group's Supplier Sustainability Principles (GSSP), the Group Procurement Policy and the Group Offshoring and Outsourcing Policy.
- inform suppliers about the environmental (and other sustainability) requirements of the Group Supplier Sustainability Principles and monitor adoption and implementation by suppliers.

### ***Customers***

4.2.22 Where appropriate and financially viable, Group Divisions and entities will provide financing which supports the adoption of low carbon and clean technologies and processes that reduce environmental impacts or improve environmental outcomes, and help customers to adapt and build resilience to climate change.

4.2.23 Group Credit Policy will include, where relevant, requirements to ensure bankers consider environmental risk in the risk assessment and due diligence processes for lending.

### ***Training and Awareness***

4.2.24 Group Divisions and entities responsible for regional environmental operational performance will develop operational environmental programs and communication to engage employees in meeting the Group's Environmental Agenda and relevant targets. In particular, Group Divisions and entities responsible for geographical environmental operational performance will provide employees with:

- training to enable them to understand environmental risks and integrate environmental considerations into their work practices
- opportunities to participate in community volunteer programs which have environmental objectives and outcomes
- information regarding relevant environmental targets and performance (this may be via the intranet and a range of other channels).

4.2.25 Environmental Sustainability (Technology and Operations) (Australia) will maintain up to date Group-wide environmental operational performance information on the Group's internet site.

4.2.26 Group Divisions and entities responsible for regional environmental operational performance may provide regional environmental operational performance information on applicable regional internet sites.

4.2.27 SG&R will integrate consideration of environmental risk into risk awareness training and other training as appropriate.

## **4.3 Environmental Management Reporting**

4.3.1 SG&R, Environmental Sustainability (Technology and Operations) (Australia) and Group Divisions and entities responsible for regional environmental operational performance will meet the operational environmental reporting requirements, roles and responsibilities set out in the Environmental Operational Reporting and Offset Management Policy and Standard Operating Procedures.

4.3.2 SG&R will prepare internal and external reporting on ESG risks and risk management as required for Group Governance and the Group's Risk Committees.

4.3.3 SG&R will maintain Group-wide ESG information on internet and intranet sites, including information on the Environmental Agenda, Environmental Management Framework and Carbon Risk Disclosure.

- 4.3.4 Environmental Sustainability (Technology and Operations) (Australia) will coordinate GSSP performance reporting for both internal and external reporting purposes.

*External reporting and information*

- 4.3.5 Group Divisions and entities responsible for regional environmental operational performance will update environmental information on their internet sites at least annually. Environmental Sustainability (Technology and Operations) (Australia) and the Group Divisions and entities responsible for regional environmental operational performance will on an annual basis, or as required for regulatory purposes, report publicly on Group and regional environmental performance and practices.

#### **4.4 Environmental Management Monitoring**

- 4.4.1 SG&R, with material risk owners, Divisional and entity risk teams and Procurement functions (Environmental Sustainability (Technology and Operations) in Australia), will regularly monitor emerging and sensitive environmental issues of concern to stakeholders to enable appropriate proactive actions to be taken to mitigate risks. This will, at least, involve the consideration of the Group's sensitive industry and activity list.

*Oversight and assurance*

- 4.4.2 SG&R will:

- incorporate oversight of the implementation of the Group's Environment Policy requirements and SOPs within their periodic oversight program related to environmental performance (including performance targets), environmental risk management and reporting.

- 4.4.3 Where applicable, Group Divisions and entities will participate in risk oversight and external assurance processes related to environmental risk management and operational performance reporting.

- 4.4.4 SG&R will:

- provide risk oversight and review of voluntary and regulatory reporting
- as a minimum, obtain independent assurance over regulatory reporting (reasonable assurance)
- where appropriate, obtain independent assurance over voluntary reporting (limited assurance or a higher level where specifically required for accreditation or certification purposes or voluntary commitments).

## **5. Related Documents**

- Compliance Obligations Management Policy
- Environmental Reporting and Offset Management Policy
- Environmental Reporting and Offset Management Standard Operating Procedures
- ESG Risk Principles
- Environmental Agenda
- Event Management Policy
- Group Supplier Sustainability Principles
- Offshoring and Outsourcing Policy
- Procurement Policy

## 6. Glossary of terms

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 the Business Leaders to execute their risk management accountabilities. The Business Leaders remain accountable.
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.
CRO	Chief Risk Officer
Divisions	All references to Division relate to Divisions, Divisional Areas, Business Line, Region or Legal Entity (NAB Ltd, BNZ, NAB Wealth) unless otherwise stated.
Group	National Australia Bank Limited (NAB) and its controlled entities
May <sup>1</sup>	Means the action is discretionary.
Must <sup>2</sup>	Means an action is an absolute requirement and any deviation from this will require a formal policy exemption.
Must not <sup>1</sup>	Means an action is explicitly prohibited and any deviation from this will require a formal policy exemption.
Should <sup>1</sup>	Means that in particular circumstances, valid reasons may exist to deviate from a requirement, but the full implications need to be understood and carefully weighed before choosing such a course of action.
Should not <sup>1</sup>	Means in particular circumstances, valid reasons may exist where the discouraged action is acceptable or even useful, but the full implications should be understood and the case carefully weighed before choosing such a course of action.

<sup>2</sup> Terms derived from Internet Engineering Task Force (IETF) RFC 2119