

National Australia Bank Limited

Group Environmental Reporting and Offset Management Policy

Administration Information Schedule

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1. Background and Context

1.1 The purpose of this Policy is to specify the National Australia Bank (NAB) Group (Group) requirements for managing its environmental performance data, information and reporting. This includes maintenance of the Group's:

- Carbon inventory and other environmental operational performance data and information.
- Carbon offset portfolio.
- Carbon neutral status.
- Carbon risk information
- Green Bond certification and disclosures

1.2 The scope of this Policy includes environmental performance data, information and reporting related to NAB Group's operational performance, products and services.

1.3 All Performance Units, Business Units, Divisions, Entities and Regions must comply with all relevant requirements described in this Policy and related documents.

1.4 The purpose of this Policy, the following definitions apply:

- 'Environmental performance' is the 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.
- "Environmental operational performance" includes consideration of energy consumption and production, greenhouse gas 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, reduction targets, offset activities and natural value. See Standard Operating Procedure for details of each Scope.
- A 'carbon inventory' is a defined list of greenhouse gas emission sources that an organisation uses to calculate its carbon footprint.
- A 'carbon offset' is a credit that is purchased to negate an amount of carbon (one tonne) included in an organisation's carbon footprint.
- 'Carbon neutral' refers to a situation where the net emissions associated with an organisation's activities, products or services are zero.
- 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 (na bAsia) coordinating with other na bAsia branches and representative offices.

2. Policy Principles

All Divisions and entities of the Group will:

2.1 Where required, monitor and report on compliance with all relevant environmental laws, regulations and voluntary commitments in accordance with the Compliance Obligations Management Policy.

2.2 Set, monitor and review environmental objectives and targets for operations, and where appropriate, for environmental financing across the Group on a periodic basis.

- 2.3 Measure and report on its environmental performance in keeping with relevant national and international standards and, where applicable, have its carbon risk and environmental finance (including Green Bonds) disclosures, environmental performance and reporting independently assured.
- 2.4 Offset their emissions to maintain the Group's carbon neutral status.

3. Roles and Responsibilities

- 3.1 The Board is ultimately responsible for the Group's public reporting on environmental management, environmental performance, carbon risk, environmental finance and offset management.
- 3.2 In accordance with its Charter, the Group Regulatory Compliance & Operational Risk Committee (GRCORC) will provide oversight over the Group's environmental performance, commitments, targets and offsets, voluntary and regulatory environmental reporting.

4. Policy Requirements

4.1 Environmental Reporting and Offset Management – Assessment

Criteria for inclusion of greenhouse gas (GHG) emissions within the Group's carbon inventory

- 4.1.1 Group Divisions and entities must apply the guiding principles set out in the Environmental Reporting and Offset Management Standard Operating Procedure: *How to Identify Criteria for Carbon Inventory Inclusion* to determine which emission sources should be included in each regional inventory, which aggregate into the Group's carbon inventory.
- 4.1.2 Sustainability, Governance and Risk (SG&R) must consult annually with the Group Divisions and entities responsible for reporting on geographical environmental operational performance to agree any changes (exclusions or additions) to the applicable inventory.

Carbon offset criteria

- 4.1.3 Environmental Sustainability (Technology and Operations) (Australia) must, on behalf of the Group Divisions and entities, purchase carbon offsets (offsets) that are real, quantifiable, additional and permanent. Once purchased, the offsets must be retired on a reputable registry.
- 4.1.4 Environmental Sustainability (Technology and Operations) must purchase offsets generated in accordance with one of the following standards, subject to local jurisdiction and 'additionality' requirements:
 - emissions permits issued from a formally regulated market (e.g. European Union Allowances, Certified Emission Reductions, New Zealand Units, and any similar carbon units made available as part of a regulated market in Australia)
 - Australian Carbon Credit Units (ACCU) issued by the Clean Energy Regulator in accordance with the framework established by the Carbon Credits (Carbon Farming Initiative) Act 2011.
 - Certified Emissions Reductions (CERs) issued as per the rules of the Kyoto Protocol from Clean Development Mechanism projects, with the exception of:
 - long term (ICERs) and temporary (tCERs); and
 - CERs from nuclear projects, the destruction of trifluoromethane, the destruction of nitrous oxide from adipic acid plants or from large-scale hydro-electric projects not consistent with criteria adopted by the EU (based on the World Commission on Dams guidelines)
 - Removal Units (RMUs) issued by a Kyoto Protocol country on the basis of land use, land-use change and forestry activities under article 3.3 or 3.4 of the Kyoto Protocol
 - Voluntary Emissions Reductions (VERs) issued by the Gold Standard VERs backed-up by 'Gold Standard-approved Eligible Cancellation Units', where the applicable 'Eligible Cancellation Unit' would also have been eligible under the National Carbon Offset Standard.

- Verified Carbon Units (VCUs) issued by the Verified Carbon Standard
- Renewable Energy Certificates, white certificates, or equivalent, sourced from a government regulated scheme
- emissions rights from the Organisation for Economic Cooperation and Development and government-administered voluntary schemes.

4.2 Environmental Reporting and Offset Management – Implementation

Environmental Performance

4.2.1 Group Divisions and entities responsible for regional environmental operational performance must:

- collate and prepare operational environmental performance source data to calculate the geographical carbon inventories, together with other environmental operational performance data, in a manner that is consistent with national and international standards and methodologies and the Group's Environmental Agenda and Management Framework
- upload environmental operational performance data into the Group's environmental data management system on at least a half-yearly basis
- report on key operational environmental programs and practices to Environmental Sustainability (Technology and Operations) (Australia) at least six-monthly, as required for internal and external environmental operational performance monitoring and reporting
- provide environmental data and risk information to SG&R for Environmental, Social and Governance (ESG) oversight and other ESG related reporting (internal, and where appropriate, external).

4.2.2 As a minimum, operational environmental performance data must include, in addition to items in the carbon inventory, collation of the following environmental performance indicators:

- water consumption, harvesting and recycling data (kL)
- a register of trade effluent discharge licences, permits and/or agreements and their key details
- recycling of materials/waste & equipment (in kg)
- energy production (e.g. co-generation, solar etc.) and details of any associated renewable energy certificates or purchased renewable energy certificates
- network and non-network property (in square metres and number of sites) and number of automatic teller machines
- full-time equivalent employee numbers (centrally sourced from Group Finance)
- energy costs (for fuels used in buildings, electricity and vehicle fuels)
- estimated energy and cost savings from energy efficiency programs
- value of environmental investment (in AUD or local currency)
- a record of non-compliance incidents and spills
- engagement with environmental policy makers and regulators.

4.2.3 When Group Divisions and entities become aware of non-compliance, spills, fines and penalties, SG&R should be notified as soon as practicable and instances should be recorded in the environmental data management system. They should also be reported on a half-yearly basis as part of Requisitions on Management.

4.2.4 Environmental Sustainability (Technology and Operations) (Australia) must co-ordinate Group Supplier Sustainability Program (GSSP) environmental (and other sustainability) performance reporting.

Environmental performance targets

- 4.2.5 Group and regional environmental reduction targets must 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. Any science-based GHG emissions reduction targets should be set in line with the methodologies endorsed by the Science-Based Targets Initiative.
- 4.2.6 NAB Divisions and entities responsible for regional environmental operational performance must contribute emission reductions to enable the setting of a Group-wide reduction target.
- 4.2.7 NAB Divisions and entities responsible for regional environmental operational performance must contribute resource efficiency reductions, where applicable, to enable the setting of Group resource efficiency targets.
- 4.2.8 Environmental Sustainability (Technology and Operations) (Australia) must coordinate the development and aggregation of the Group's GHG reduction and resource efficiency targets based on the contribution of individual regional targets. These targets must be established against an agreed baseline year.
- 4.2.9 If required, targets restatements should meet the requirements of the Environmental Performance Reporting Restatement SOP.

Beyond the boundary of our organisational inventory

- 4.2.10 Where the Group does not have operational control over GHG emissions, such as those generated by the actions of employees, customers and suppliers, NAB Divisions and entities responsible for regional environmental operational performance must develop appropriate programs to influence behaviour and reduce operational environmental impacts.
- 4.2.11 Group's Scope 3 GHG emissions will include those Scope 3 GHG emissions that are relevant to the Group's business, determined using the requirements of the World Resources Institute Service Sector Guide and presented in Environmental Reporting and Offset Management Standard Operating Procedure: *How to Identify Criteria for Carbon Inventory Inclusion*.
- 4.2.12 As some of the Scope 1 and Scope 3 GHG emissions to be included in the Group's carbon inventory are only a small percentage of the Group's total carbon inventory, a materiality test must be applied. Where the quantity of a particular source of GHG emission to be included is small, the requirement for accuracy may be less, in which case, estimation techniques may be applied by each region to determine an estimation of the GHG emissions in accordance with Standard Operating Procedures and Guidance Notes.

Forward purchase model

- 4.2.13 Environmental Sustainability (Technology and Operations) (Australia) must use a forward purchase model (including purchase, retirement, recording in registers and reporting) for managing carbon offsets to maintain the Group's carbon neutral status. 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.
- 4.2.14 Environmental Sustainability (Technology and Operations) (Australia) must purchase and retire offsets prior to the start of the reporting period to cover forecast GHG emissions for the period based on the prior year's audited carbon inventory. Carbon offsets must meet defined carbon offset criteria outlined in this Policy.
- 4.2.15 Environmental Sustainability (Technology and Operations) (Australia) must keep records of offset purchases and retirement in accordance with the requirements of the Environmental Reporting and Offset Management Standard Operating Procedure: *How to Record Offsets Purchases*.

Carbon offset portfolio management

- 4.2.16 Environmental Sustainability (Technology and Operations) (Australia) must maintain a portfolio of offsets on behalf of all Group Divisions and entities.
- 4.2.17 Environmental Sustainability (Technology and Operations) (Australia) must manage the portfolio to satisfy the following conditions:
 - no one project to comprise more than 40% of the retired offsets in any one year

- no one project type to comprise more than 50% of the retired offsets in any one year.

4.2.18 Environmental Sustainability (Technology and Operations) (Australia) must ensure that offsets equivalent to each region's GHG emissions are compliant with any local regulatory or certification requirements.

4.2.19 Environmental Sustainability (Technology and Operations) (Australia) must prioritise, where available and practicable opportunities to invest annually in at least a small proportion of offsets generated within the regions in which NAB operates. These offsets should have co-benefits that are additional to carbon reduction.

Offsets register

4.2.20 Environmental Sustainability (Technology and Operations) (Australia) must record information about offset purchases in a central offsets register to ensure that the Group can manage its offsets appropriately and meet the requirements for external reporting for certification programs and annual reporting to stakeholders. For detailed requirements, see Environmental Reporting and Offset Management Standard Operating Procedure: *How to Record Offset Purchases*.

4.2.21 Environmental Sustainability (Technology and Operations) (Australia) must retain documentary evidence of the review, due diligence, purchase and retirement processes for each offset purchase for audit purposes.

Products and Services

4.2.22 Where Divisions and entities within the Group develop, market or sell products and services which claim to be carbon neutral, 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.

4.2.23 Relevant Divisions and entities will develop SOPs, where applicable, to document methodologies for carbon risk and environmental financing disclosures.

4.2.24 Where Divisions and entities within the Group develop, market or sell products and services which claim to be green, they must document the methodology used and retain documentation to support the green labelling.

4.2.25 Where possible, green products and services will be aligned to recognised international or national standards and Divisions and entities should seek independent assurance to independently verify the green credentials of products and services.

Oversight

4.2.26 NAB Divisions and entities responsible for environmental performance must participate in risk oversight and external assurance processes related to environmental performance reporting.

4.2.27 SG&R must:

- provide oversight of the Group's public reporting on environmental performance and risk management, both voluntary and regulatory, including those related to carbon inventory, and carbon offset management
- undertake second line oversight of regional environmental information, environmental operational performance data and calculations, targets and emissions factors
- obtain independent assurance over regulatory reporting and, where appropriate, voluntary reporting (which may include carbon neutral status, environmental targets, voluntary commitments, carbon risk and environmental financing disclosures, including those related to green products and services).

4.2.28 Group Compliance must provide oversight of NAB's public reporting carbon risk and environmental financing disclosures, including those relating to green products and services.

4.3 Environmental Operational Reporting and Offset Management – Monitoring and Reporting

Methodology

- 4.3.1 SG&R must consult with and ensure that NAB Divisions and entities responsible for regional environmental operational performance develop and document methodologies required for the Group's environmental operational performance, including activity data capture, reporting and quality control.
- 4.3.2 NAB Divisions and entities responsible for regional environmental operational performance must develop and document regional SOPs for environmental operational performance activity data capture, calculation, reporting and quality control.
- 4.3.3 SG&R must review the Group's GHG emissions calculations methodologies, in consultation with NAB Divisions and entities responsible for regional environmental operational performance, at least biannually, or sooner if required to reflect changes in regulatory requirements and common practice.
- 4.3.4 Environmental Sustainability (Technology and Operations) (Australia) must annually upload any relevant updated emissions factors used in calculation of the Group's carbon inventory into the Group's environmental data management system.

Forward purchase model

- 4.3.5 Environmental Sustainability (Technology and Operations) (Australia) and SG&R must annually review and reconcile the Group's actual carbon inventory with previously forecast GHG emissions.

If a shortfall in offsets is identified, Environmental Sustainability (Technology and Operations) (Australia) must reallocate additional retired offsets from our retired pool for the period. If an excess of emissions has been retired, Environmental Sustainability (Technology and Operations) (Australia) must reallocate surplus offsets to the retired pool to be used for future periods

External Assurance

- 4.3.6 SG&R must have an appropriately qualified independent auditor undertake assurance over reporting associated with the Group's environmental financing, operational environmental performance, environmental regulatory obligations and the Group's carbon neutral status on an annual basis.
- 4.3.7 NAB Divisions and entities responsible for aspects of the Group's environmental performance must participate in and support the annual independent assurance process related to:
 - environmental regulatory reporting required in their geography
 - their component of the Group's carbon inventory
 - other relevant publicly reported environmental performance including carbon risk disclosure, environmental financing commitments and reporting on voluntary environmental commitments.

Reporting

- 4.3.8 NAB Divisions and entities must prepare reporting on environmental performance, issues, risks and opportunities and progress on implementing the Group's Environmental Agenda and Management Framework for relevant internal and external stakeholders as required.
- 4.3.9 Environmental Sustainability (Technology and Operations) (Australia) must maintain, and provide on request, details relating to offsets portfolio management and offsets held in the offsets register.
- 4.3.10 Environmental Sustainability (Technology and Operations) (Australia) must on a six monthly basis, for half year and full year:
 - aggregate and prepare internal and external reporting on the Group's carbon inventory, offset portfolio and environmental operational performance data and practices in a manner that is consistent with relevant Group Standard Operating Procedures and Guidance Notes, which must be consistent with applicable national and international environmental standards and methodologies. This must include both aggregate Group performance and

regional performance summaries, where applicable, with commentary that explains key elements of performance, key assumptions and restatements.

- prepare and provide reports and information on the Group's environmental operational performance and the Group's supplier sustainability program for risk reporting, review and oversight to SG&R as required.

4.3.11 SG&R must on at least a six-monthly basis, coordinate reporting of environmental information, issues and opportunities, risk management and the Environmental Agenda and Management Framework to relevant internal and external stakeholders.

4.3.12 SG&R must publish a summary of the Group's Environmental Agenda and Management Framework and a approach to environmental performance and reporting, including carbon inventory and carbon offset portfolio management in the public domain accordance with this Policy.

4.3.13 Group Credit, Group Compliance and other relevant Divisions and entities will on a six monthly basis, for full and half year reporting, prepare relevant carbon risk and environmental financing disclosures.

5. Related Documents

- Compliance Obligations Management Policy
- Environmental Reporting and Offset Management Standard Operating Procedures
- Environmental Management Policy
- Environmental Agenda
- Event Management Policy
- Group Supplier Sustainability Principles

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 ¹	Means the action is discretionary.
Must ¹	Means an action is an absolute requirement and any deviation from this will require a formal policy exemption.
Must not ¹	Means an action is explicitly prohibited and any deviation from this will require a formal policy exemption.
Should ¹	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 ¹	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.

¹ Terms derived from Internet Engineering Task Force (IETF) RFC 2119