National Australia Bank Limited
GROUP ENVIRONMENTAL MANAGEMENT POLICY

Administration Information Schedule

Last review date	June 2016
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Document Owner	General Manager, Group Credit Risk
Issuing Division / Performance Unit	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:

- Shared Services (Australia) 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 must 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

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 strategic 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 must:

- 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

- monitor environmental regulatory change and ensure that environmental regulatory reporting obligations relevant to the region are met.

4.1.2 Sustainability, Governance and Risk (SG&R) and Group Regulatory Strategy and Affairs must monitor the regulatory and legal landscape to ensure a timely response to any changes in environmental laws and regulations applicable to the Group.

4.1.3 SG&R will act as a delegate for Group Regulatory Strategy and Affairs in managing relationships with key environmental regulators and maintain a register of voluntary environmental commitments relevant across the Group.

Risk assessment

4.1.4 SG&R and Group Risk Inventory (GRI) owners must integrate environmental risk into the Group's risk appetite with reference to the Group's Environmental, Social and Governance (ESG) Risk Principles. GRI owners and the Group Divisions and entities, particularly those responsible for geographical environmental operational performance, must 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.

4.1.5 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

4.1.6 Where a significant environment risk is identified (and where appropriate), GRI owners and Group Divisions and entities may proactively engage, in accordance with relevant Group frameworks, policies and practices, including the Stakeholder Advocacy and Action Management Standard Operating Procedure, with relevant stakeholders, which may include customers, suppliers, government, non-government organisations and local communities, to understand the issue or risk and identify ways to address the issue and/or reduce or mitigate the risk.

4.2 Environmental Management – Implementation

4.2.1 Group Divisions and entities, particularly those responsible for regional environmental operational performance, must 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 must coordinate the development of, and maintain, the Group's Environmental Agenda and Management Framework, including policies and related Standard Operating Procedures. This must be reviewed at least every two years.

4.2.3 Shared Services (Australia) must:

- 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, must 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 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.

Risk treatment and mitigation

4.2.6 Group Divisions and entities responsible for regional environmental operational performance must 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.

Management system

4.2.7 Group Divisions and entities responsible for geographical environmental operational performance must 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.

4.2.8 Group Divisions and entities, must maintain third party accreditation of environmental practices, where relevant, to the region they are in.

4.2.9 Environmental Policies and SOPs may be incorporated into existing management systems and are not required to be part of a standalone Environmental Management System.

Use of external property services providers to implement environmental management

4.2.10 Where an external property services provider is engaged to assist in the management of operational environmental performance, Group Divisions and entities responsible for regional environmental operational performance must, at the time of contracting and/or renewing[1], require the property services provider to hold ISO 14001 certification covering the activities conducted on behalf of the Group.

4.2.11 Group Divisions and entities responsible for regional environmental operational performance must 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.

4.2.12 The external property services provider must 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.

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[1] This requirement may be included in a contract sooner if it can be negotiated within a current contract term.

Impacts

Accidents and emergencies

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

- 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 must 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

4.2.14 Group Divisions and entities responsible for regional environmental operational performance must 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

4.2.15 Group Divisions and entities responsible for regional environmental operational performance must 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 volume of waste sent to landfill

- transition to lower emissions energy sources (where practicable).

Carbon inventory and offset

4.2.16 Shared Services (Australia) must:

- 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.

4.2.17 SG&R must 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

4.2.18 Shared Services (Australia) must 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.

4.2.19 Group Divisions and entities responsible for geographical environmental operational performance must:

- 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).

- inform suppliers about the environmental (and other sustainability) requirements of the Group Supplier Sustainability Principles and monitor adoption and implementation by suppliers.

Customers

4.2.20 Where appropriate and financially viable, Group Divisions and entities must provide financing which supports the adoption of clean technologies and processes that reduce environmental impacts or improve environmental outcomes.

Employees

4.2.21 Group Divisions and entities responsible for regional environmental operational performance must 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 must 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).

4.2.22 Shared Services (Australia) must maintain up to date Group-wide environmental operational performance information on the Group's internet site.

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

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

4.3 Environmental Management Reporting

4.3.1 SG&R, Shared Services (Australia) and Group Divisions and entities responsible for regional environmental operational performance must 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 must 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 must 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 Shared Services (Australia) must 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 must update environmental information on their internet sites at least annually. Shared Services (Australia) and the Group Divisions and entities responsible for regional environmental operational performance must 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 Group Risk Inventory Owners, Divisional and entity risk teams and Procurement functions (Shared Services in Australia), must regularly monitor emerging and sensitive environmental issues of concern to stakeholders to enable appropriate proactive actions to be taken to mitigate risks. This must, at least, involve the consideration of the Group's sensitive industry and activity list.

Oversight and assurance

4.4.2 SG&R must:

- 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 must participate in risk oversight and external assurance processes related to environmental risk management and operational performance reporting.

4.4.4 SG&R must:

- 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. Policy Variations and Exemptions

5.1 All Group Divisions and entities must fully comply with the Policy. However, if there is conflict or inconsistency between this Policy and the laws and regulations of a Division or entity's particular country (or countries), those laws and regulations take precedence to the extent of the conflict or inconsistency, unless this Policy places a higher requirement, or compliance with this Policy would result in a breach of the local legislation.

5.2 In the event of such conflict or inconsistency, the Division or entity must notify Group Credit, who will inform the Enterprise Risk Leadership team member accountable for Policy and Frameworks.

5.3 All exemption requests must be submitted to the relevant Policy Owner for consideration. Decisions will be based on the Group's documented exemptions process.

6. Policy Breaches

6.1 The Conduct Gateway defines and measures the minimum level of compliance expected of NAB Group employees. It is determined by obligations set by laws, regulators, industry standards and internal Policies, Standards and codes.

6.2 Failure to comply with Group Policy may result in disciplinary action, dismissal and prosecution, or other external legal or regulatory action.

7. Related Documents

- Environmental Reporting and Offset Management Policy

- Environmental Reporting and Offset Management Standard Operating Procedures

- ESG Risk Principles

- Environmental Agenda

- Group Supplier Sustainability Principles