



2017

NATIONAL CARBON OFFSET STANDARD

PUBLIC DISCLOSURE SUMMARY

Australian Region

1 July 2016 – 30 June 2017

Carbon neutral certification type: Organisation

Subject of certification: Organisational Inventory

Date of most recent verification: 31/10/2017



An Australian Government Initiative

INTRODUCTION

National Australia Bank Limited and its controlled entities (together, NAB Group) is a financial services organisation that provides a comprehensive and integrated range of banking and financial products and services, including wealth management. NAB Group¹ has operations in Australia, New Zealand, the United Kingdom (UK), the United States (US) and parts of Asia. This Public Disclosure Summary principally reports on the carbon neutral reporting and activities for the Australian-based business of NAB Group.

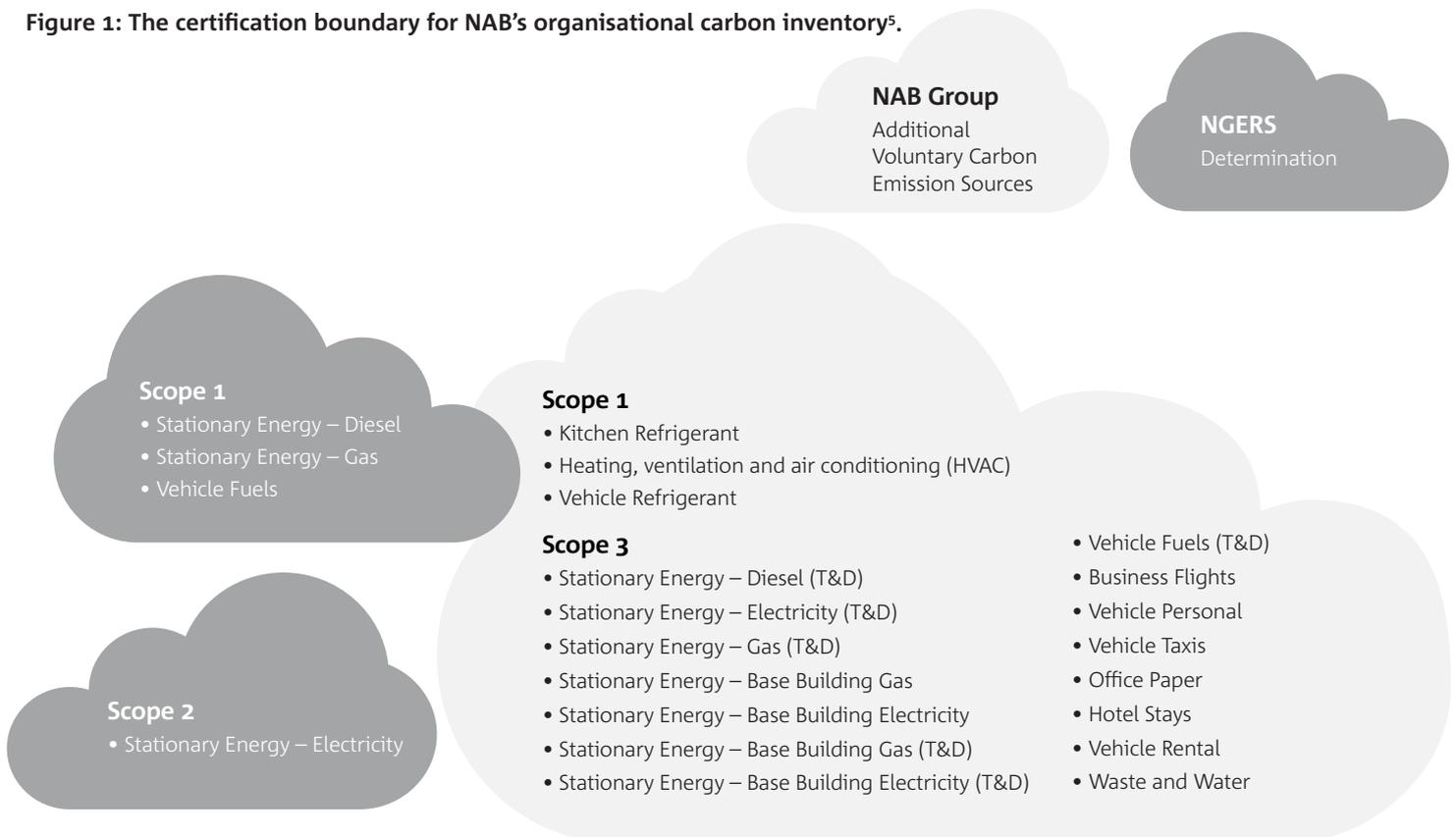
NAB² was the first Australian bank to be certified carbon neutral under the National Carbon Offset Standard (NCOS) Carbon Neutral Program³. Understanding and managing our carbon footprint and operating on a carbon neutral basis, for our defined carbon inventory, is part of NAB's response to the issue of climate change, and our broader Environmental Agenda (which can be accessed at nab.com.au/environment).

This report provides an overview of NAB's approach to maintaining our NCOS carbon neutral certification and achievements in managing our carbon emissions⁴. The NCOS requirements for auditing of the NAB Group carbon footprint have been met and a copy of the independent assurance report is available on the NAB website at www.nab.com.au/environment.

CARBON NEUTRAL INFORMATION

NAB's certification under the NCOS Carbon Neutral Program is for a defined inventory of carbon emissions resulting from the activities of its Australian-based business. NAB generally uses an operational control approach consistent with that required under the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER Act). Full details regarding our quantified Australian carbon emissions sources can be found here cr.nab.com.au/what-we-do/how-we-calculated-our-carbon-inventory.

Figure 1: The certification boundary for NAB's organisational carbon inventory⁵.



1 NAB Group has a subsidiary operating in Canada, which is excluded from NAB Group's carbon inventory as it is not material as a proportion of NAB Group's carbon emissions.

2 For the remainder of this document the word "NAB" refers to the Australian operations of National Australia Bank Limited and its controlled entities.

3 NAB achieved this milestone in 2010.

4 The term 'carbon emissions' covers greenhouse gas emissions from all relevant Kyoto Protocol gases and some CFCs and HCFCs under the Montreal Protocol.

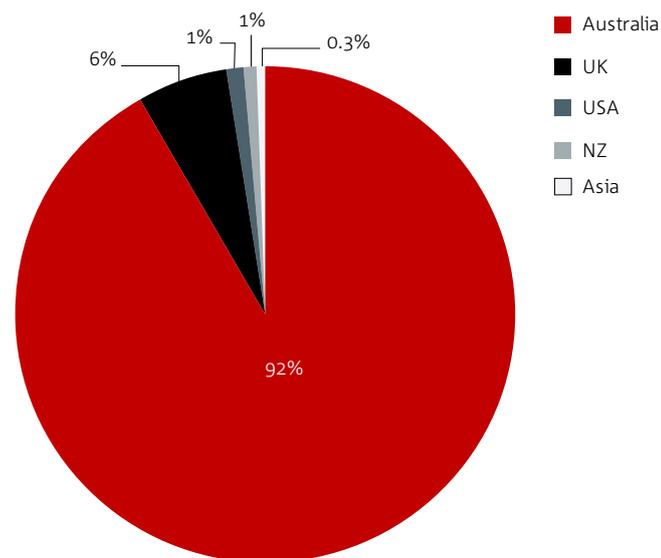
5 Air travel emissions are calculated to include an uplift (7.6%) to compensate for planes not flying using the most direct route as per the DEFRA guidelines. We do not include uplift for radiative forcing.

OUR GLOBAL CARBON EMISSIONS

NAB Group's global carbon emissions (net of UK certified renewable electricity, and carbon neutral paper purchased in Australia and New Zealand) for the 2017 environmental reporting year (1 July 2016 - 30 June 2017) were 185,344 tCO₂-e of which our Australian emissions account for around 92%, or 171,373 tCO₂-e. See Figure 2 below.

Figure 2: Regional Distribution of NAB Group 2017 Carbon Inventory*

GROUP GHG EMISSIONS BY REGION



*Figure 2 is based on NAB Group's carbon emissions (net of UK certified renewable electricity and carbon neutral paper purchased in Australia, New Zealand and UK).

SUMMARY OF CHANGES TO THE CALCULATION METHODOLOGY

No material changes have been made to emissions sources and methodologies applied to NAB's carbon inventory (GHG inventory) since NAB's initial NCOS certification in 2010, except for the inclusion of refrigerants in 2011 and water in 2016 (to meet new requirements of the NCOS).

SUMMARY OF CHANGES TO THE CARBON INVENTORY

Overall total Scope 1, 2 and 3 GHG emissions from our Australian-based business decreased by 20% in comparison to the previous environmental reporting year (1 July 2016 - 30 June 2017).

The most significant change to NAB's carbon emissions in the 2017 environmental reporting year was a 12% reduction in Scope 1 and 2 carbon emissions related to energy use in our buildings. This was primarily due to the tri-generation plant being operational for a full 12 months period. As a result of the tri-generation plant being operational our data centre electricity use decreased significantly and contributed to a 15% reduction in Scope 2 carbon emissions. The Scope 2 emissions decrease was partially offset by an increase in Scope 1 carbon emissions (due to the tri-generation plant's use of gas as a fuel source). Energy efficiency initiatives delivered the remainder of the reduction.

In addition, Scope 2 carbon emissions across the branch network reduced by 10% due to the continued rollout of solar across our portfolio and improved energy efficiency.

Scope 3 carbon emissions associated with business travel⁶ reduced 29% when compared to the previous reporting period. This reduction was driven by changes in our organisational travel policy.

EMISSIONS OVER TIME

Over time, the reduction in NAB's carbon emissions has largely been due to improvements in the energy efficiency of our buildings. Refer to Table 1 below.

Table 1. NAB's Australian emissions since base year

	NCOS BASE YEAR (2010)	2014	2015	2016 ⁷	2017
Scope 1	11,858	12,426	12,291	11,774	15,052
Scope 2	148,666	133,589	130,096	115,454	100,316
Scope 3	94,630	85,419	74,092	69,661	56,005
Total (tCO₂-e)	255,154	231,434	216,479	196,890	171,373

⁶ Business travel emissions include carbon emissions from air, employee vehicles for work purpose claims, hotel stays, rental cars, taxi use and work-use vehicles fleet.

⁷ Carbon emissions (tCO₂-e) following renewable energy purchase

EMISSION REDUCTION MEASURES

NAB has a well-established governance framework to ensure oversight of our environmental performance, including our carbon neutral commitment. This includes detailed review at a business unit level, in addition to review by our Enterprise Risk function and an independent assurance provider. Executive level oversight is provided by NAB's Group Regulatory, Compliance and Operational Risk Committee.

As per our *Environmental Reporting and Offset Management Policy*, the NAB Group defines carbon neutrality as a process involving five steps:

- defining and measuring our carbon (GHG) inventory or footprint;
- reducing our carbon emissions through energy efficiency and demand management (employee behavioural change);
- avoiding carbon emissions by increasing the amount of energy we purchase from renewable sources where practicable (and where we are allowed by Government rules or standards to apply a zero emissions factor to the renewable electricity purchased);

- offsetting remaining carbon emissions by purchasing quality accredited carbon offsets; and
- verifying and reporting on our progress by:
 - regularly assessing our progress towards meeting our commitment and targets;
 - obtaining external assurance over our carbon accounts (inventory and offsets) underlying our carbon neutral commitment; and
 - reporting regularly to key internal stakeholders and annually to external stakeholders.

Reducing our carbon emissions and achieving our resource efficiency targets are key elements that support the delivery of our Environmental Agenda. Table 2 below outlines emission reduction measures implemented in the 2017 environmental reporting period. Further information regarding our performance towards our targets can be found in our 2017 Sustainability Report at www.nab.com.au/about-us/corporate-responsibility/shareholders/performance-and-reporting.

Table 2. Emission Reduction Measures Implemented in the 2017 Reporting Period (1 July 2016 to 30 June 2017)

EMISSION REDUCTION ACTIVITY TYPE	REDUCTION MEASURE*	EMISSION SOURCE AND SCOPE	STATUS	EXPECTED ANNUAL REDUCTION tCO ₂ -e
Energy efficiency: Processes	Data Centre technology upgrades to storage compression	Electricity consumption Scope 2 & 3	Implemented	375
Energy efficiency: Building services	Improving energy efficiency across our buildings, including, improvements to HVAC and lighting and cooling as well as powering down sites when not in use	Electricity consumption Scope 2 & 3	Implemented	773
Low carbon energy installation	Installing solar panel on our branches	Electricity consumption Scope 2 & 3	Implemented	695
Total emission reductions implemented in this reporting period				1,843
Total expected emission reductions in future reporting periods from currently identified opportunities				12,459

*Data in this table has been calculated by direct metering, invoiced data and extrapolation.

In addition to the emission reduction measures implemented in the 2017 environmental reporting year, we continue to purchase an NCOS Carbon Neutral product - Australian Paper's Reflex 100% Recycled Carbon Neutral A3 and A4 office paper. If this purchase did not occur, our carbon footprint for 2017 would have increased by 868 tCO₂-e.

CARBON EMISSIONS SUMMARY

NAB's 2017 Australian carbon inventory is summarised in Table 3. A more detailed breakdown of carbon emissions sources and activity data is provided in our 2017 Sustainability Report available online at www.nab.com.au/environment.

Table 3. Australian Carbon Inventory

SCOPE	EMISSION SOURCE	tCO ₂ -e
1	Building-based refrigerants - HVAC, refrigerators	1,186
1	Business travel - Work-use vehicles fleet: diesel, petrol, ethanol	4,924
1	Stationary energy - combustion of fuel: diesel, gas, propane	8,815
1	Work-use vehicle fleet - air conditioning refrigerant	127
2	Stationary energy - electricity	100,316
Total Scope 1 and Scope 2 emissions		115,369
3	A4 and A3 paper purchased - non carbon neutral	16
3	A4 and A3 paper purchased - carbon neutral (576 tonnes)	0
3	Base-building energy - combustion of fuel: diesel, gas	1,946
3	Base-building energy - electricity	16,700
3	Business travel - air	14,732
3	Business travel - employee vehicle: work purpose claims	1,507
3	Business travel - hotel stays	2,516
3	Business travel - rental cars	113
3	Business travel - taxi use	861
3	Business travel - Work-use vehicles fleet: diesel, petrol, ethanol (T&D losses)	258
3	Transmission Losses - base-building energy: diesel, gas, electricity	2,193
3	Transmission Losses - stationary energy: diesel, gas, electricity	12,145
3	Waste to Landfill	2,563
3	Water	455
Total Gross Emissions (Scope 1, 2 & 3)		171,373
GreenPower or LGC Reductions (tCO₂-e)		0
Total Net Emissions		171,373

CARBON OFFSETS

NAB Group manages our offsets on a consolidated basis. NAB Group's *Environmental Reporting and Offset Management Policy* provides guidance on the purchase of quality offsets to ensure that any purchase of offsets meets the objective of NAB Group's carbon neutral commitment and any related carbon neutral accreditation or certification processes.

At NAB Group we apply a forward purchasing model to meet our carbon neutral commitment. This means we have calculated our forecast carbon emissions for the 2018 environmental reporting year using the actual carbon emissions reported in our 2017 carbon inventory and then we have purchased and retired⁸ carbon offsets in advance of the 2018 environmental reporting year estimated carbon emissions occurring (refer to Table 5).

This also means at the end of each environmental reporting year, we need to reconcile the forecast carbon emissions and retired offsets and ensure this reconciles with the actual position. If there is any shortfall of offsets at this time, we retire additional offsets to neutralise our actual carbon emissions for the relevant environmental reporting period. In 2016, we retired 218,601 offsets in advance to cover forecast global carbon emissions for the 2017 environmental reporting year. Following reconciliation of actual carbon emissions for the 2017 environmental reporting year, only 185,344 offsets needed to be retired (refer to Table 4).

The offsets we retired last year in excess of our actual 2017 global carbon emissions have been banked for use in future years. This enables us to have retired offsets available should our reconciliation process identify carbon emissions volumes which vary from our forecasts. This avoids us having to access the market at short notice and therefore limits our exposure to supply risk or the price implications of this (refer to Table 6).

⁸ The term "retire" is used throughout, including where the offset has been cancelled or surrendered.

Table 4. Retired Carbon Offsets for Actual 2017 Group Carbon Emissions

OFFSET TYPE	REGISTRY	SERIAL NUMBER	QUANTITY (tCO ₂ -e)
Forestry	VCS Project Database	3937-168548374-168572015-VCU-016-APX-PG-14-1122-22052009-31122012-0	23,642
RE – Wind	APX VCU Registry	3848-166214321-166215322-VCU-048-APX-IN-1-1352-01012012-31122012-0	1,002
RE – Geothermal	Markit	3370-151555776-151605561-VCU-010-MER-ID-1-144-01042011-31122011-0	49,786
RE – Run of River Hydropower	ANREU	10757701 - 10807700	50,000
Forestry	NZ Emissions Unit Register	50075151572-50075161571	10,000
Forestry	NZ Emissions Unit Register	50139081144-50139082143	1,000
RE – Solar	Markit	GS1-1-CN-GS3344-1-2014-4418-55016 to 56186	1,171
RE – Wind	Markit	GS1-1-TW-GS472-12-2014-4605-34085 to 75827	41,743
Savanna Burning	ANREU	3743294783-3743301782	7,000
Total			185,344⁹

Table 5. Carbon Offsets Retired in Advance for Forecast 2018 Group Carbon Emissions

OFFSET TYPE	REGISTRY	SERIAL NUMBER	QUANTITY (tCO ₂ -e)
RE – Biogas Utilisation	ANREU	4,578,479 - 4,628,478	50,000
RE – Geothermal	Markit	371-151605751-151640750-VCU-010-MER-ID-1-144-01012012-31072012-0	35,000
RE – Run of River Hydropower	VCS Project Database	4499-188383512-188403814-VCU-037-MER-CN-1-166-01012012-31122012-0	20,303
RE – Solar	Markit	GS1-1-CN-GS3344-1-2015-4417-422 to 20250	19,829
RE – Run of River Hydropower	VCS Project Database	4499-188403815-188420225-VCU-037-MER-CN-1-166-01012013-14112013-0	16,411
RE – Geothermal	Markit	371-151640751-151655750-VCU-010-MER-ID-1-144-01012012-31072012-0	15,000
RE – Wind	APX VCU Registry	3850-166224518-166236517-VCU-048-APX-IN-1-1352-01012012-31122012-0	12,000
Savanna Burning	ANREU	3,758,445,376-3,758,450,375	5,000
RE – Run of River Hydropower	APX VCU Registry	3207-145120519-145128518-VCU-008-APX-IN-1-1114-01012012-31102012-0	8,000
RE – Solar	EU Climate Registry	CN-5-1014652231-2-2-0-9291-CN-5-1014654033 -2-2-0-9291	1,803
RE – Wind	APX VCU Registry	3848-166215323-166217320-VCU-048-APX-IN-1-1352-01012012-31122012-0	1,998
Total			185,344

⁹ The offsets used to meet the Australian operations' NCOS obligation (171,373 tCO₂-e) are those presented in Table 4 from sources other than the NZUs (11,000 tCO₂-e).

Table 6. Retired Carbon Offsets Banked for Future Use

OFFSET TYPE	REGISTRY	SERIAL NUMBER	QUANTITY (tCO ₂ -e)
RE – Geothermal	APX VCU Registry	5010-209176585-209240965-VCU-005-APX-ID-1-144-01042014-31122014-0	64,381
RE – Solar	EU Climate Registry	CN-5-1014654034-2-2-0-9291-CN-5-1014699375-2-2-0-9291	45,342
RE – Wind	Markit	GS1-1-TW-GS472-12-2015-5121-92411 to 124195	31,785
RE – Wind	Markit	GS1-1-TW-GS472-12-2016-5120-2430 to 28387	25,958
RE – Wind	Markit	GS1-1-TW-GS472-12-2014-4605-75828 to 145121	69,294
RE – Solar PV	EU Climate Registry	CN-5-1014700549-2-2-0-92911-CN-5-10147718403-2-2-0-9291	17,855
RE – Wind	Markit	GS1-1-TW-GS472-12-2015-4604-56136 to 68392	12,257
RE – Geothermal	APX VCU Registry	5011-209240966-209246584-VCU-005-APX-ID-1-144-01012015-31122015-0	5,619
Total			272,491

USE OF TRADE MARK

Table 7. Trade mark register

WHERE USED	LOGO TYPE
NCOS PDS 2016	Certified organisation
NAB Dig Deeper 2016	Certified organisation
NAB website https://www.nab.com.au/about-us/corporate-responsibility/shareholders/environmental-performance	Certified organisation

VERIFICATION

Annual Independent Assurance of global carbon neutral GHG and offset data

Name of assurer: KPMG

Period covered: 1 July 2016 - 30 June 2017

Date of assurance: 31st October 2017

Next assurance verification due: September 2018

NCOS Biannual Verification

Name of verifier: KPMG

Period covered: July 2016 - 30 June 2017

Date of verification: 31st October 2017

Next verification due: September 2019

DECLARATION

To the best of my knowledge and having met the requirements of the National Carbon Offset Standard Carbon Neutral Program, the information provided in this Public Disclosure Summary is true and correct.


Patrick Wright
Chief Technology and Operations Officer
29 January 2018