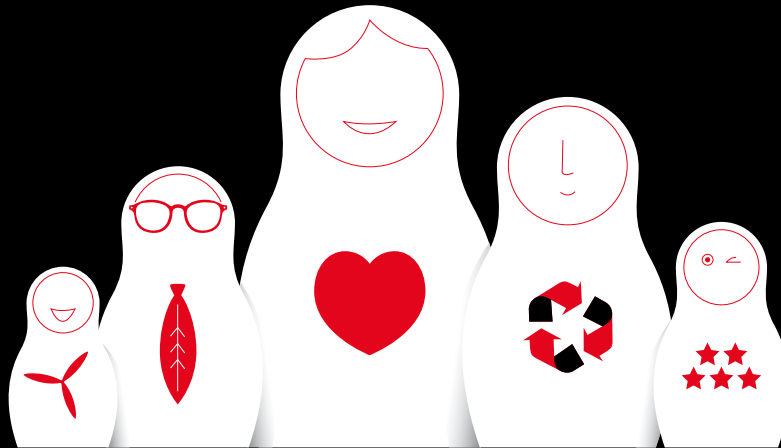


BEYOND CARBON NEUTRAL REPORT 2011

Australian region



nab

more give, less take





A MESSAGE FROM GAVIN SLATER, GROUP EXECUTIVE, GROUP BUSINESS SERVICES

In 2010, NAB became the first bank in Australia to achieve carbon neutrality.

The 2010 target for the Australian region was a 20 per cent reduction in greenhouse gas emissions (the equivalent of 46,000 tonnes of greenhouse gas emissions against our 2006 baseline). Through delivery of a number of programs, we exceeded this target, reducing our greenhouse emissions by 25 per cent (59,200 tonnes).

More than 12 months on, we are proudly maintaining our carbon neutral status and continuing to look at ways to reduce our impact on the environment. We learnt a great deal from our carbon neutral journey and have become more aware of our impact on the environment, how we can reduce it and that being carbon neutral is part of a much wider environmental agenda.

In celebrating our achievements, it is also important that we acknowledge other areas that require continued focus including reducing our volumes of transport and travel and the resulting greenhouse gas emissions.

This update focuses on what we are doing Beyond Carbon Neutral to reduce our environmental impact in Australia and reports progress towards our 2013 targets.

A handwritten signature in black ink that reads "Gavin Slater". The signature is written in a cursive, flowing style.

HIGHLIGHTS

2011

In 2011, we:

- launched our Beyond Carbon Neutral resource efficiency program
- attained our first National Australian Built Environment Rating System (NABERS) Energy certificate for 100 St Georges Terrace, Perth
- launched our Green Action Program champion network with our employees
- increased employee environmental volunteer days by 35 per cent since 2010, from 1706 to 2296 days
- increased the number of Toyota hybrids (Prius and Camry) in our car fleet to over 400 vehicles (or 45 per cent)
- increased the number of energy efficiency projects undertaken to 530
- became a finalist at the 2011 Banksia Awards for Leading in Sustainability (Setting the Standard for Large Organisations)
- won the 2011 United Nations Association of Australia (UNAA) World Environment Day Awards for Sustainability Leadership (Large Organisation)
- ranked third in the Newsweek Green Rankings for the top 500 companies worldwide
- continued to be recognised as leaders on the Carbon Disclosure Project's Global 500 Disclosure & Performance Leadership Indices

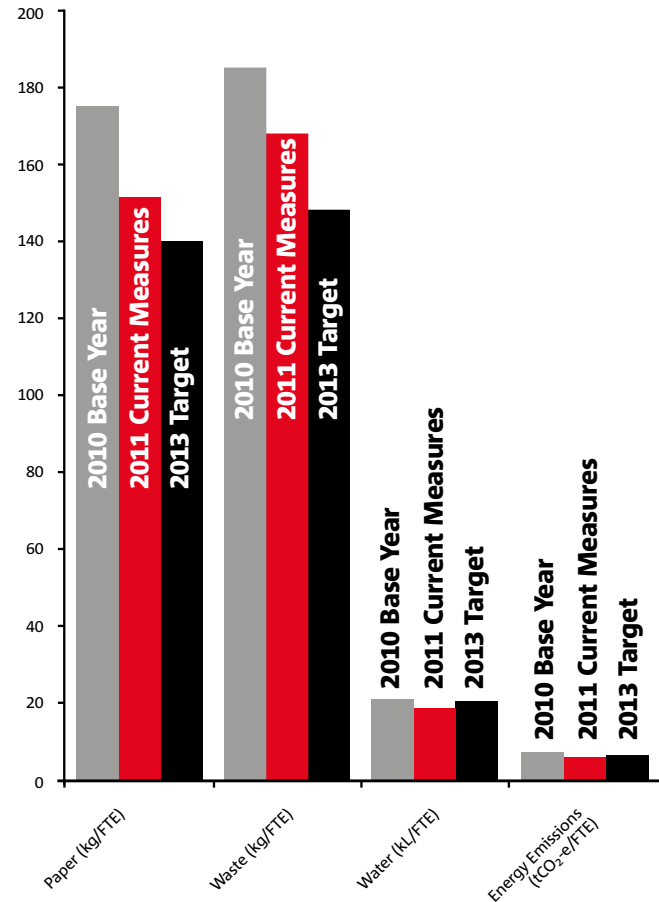
BEYOND CARBON NEUTRAL 2013

Following our achievement of carbon neutrality, we made a commitment to go further – Beyond Carbon Neutral – and have put in place new programs to continue to improve efficiencies in how we use resources and increase our understanding of the impact of our operations on the environment.

Our 2013 Beyond Carbon Neutral program involves:

- reducing our building energy greenhouse gas emissions by a further 10 per cent per person;
- reducing the waste we generate by 20 per cent per person;
- reducing the amount of paper we use by 20 per cent per person; and
- ensuring a 0 per cent increase in our water use per person

The base year against which our new targets are calculated is 2010, with the exception of paper, which has a baseline of 2009. We are on track to achieve all of the above targets by our target date of June 2013.



“Our building greenhouse gas emissions have reduced by 16 per cent per person since 2010. This has been made possible through both changes to our infrastructure and how our people work within it.” – **Nicola Murphy**, *Senior Manager, Environmental Sustainability*

OUR ENERGY EFFICIENCY AND EMISSION REDUCTION PROGRAM

Prioritisation of our energy efficiency and greenhouse gas reduction opportunities is based on implementing projects that deliver the most environmentally and financially effective outcomes. We face challenges to our goal of reducing energy use, in particular from our data centres, as energy consumption from these operations continues to grow to meet increasing demand for data processing capability.

In 2011, we implemented 113 energy efficiency projects, bringing the total number of energy efficiency projects to 530. These programs have delivered a reduction of almost 65,000 tonnes of greenhouse gas emissions since our energy efficiency program commenced in 2006.

Our greenhouse gas emissions have reduced by 16 per cent per person since 2010.

Key projects implemented during 2011 include:

- upgrading the lighting controls at our head office in Docklands to a system of intelligent sensors that ensures lights are not on when not required;
- improvements to lighting and air conditioning systems across 42 of our stores; and
- fine tuning operation of our tri-generation system at our main data centre.

OUR SUPPORT FOR EMISSION ABATEMENT IN AUSTRALIA

Since 2007, we have sourced a component of our electricity from renewable sources (GreenPower™) to reduce our greenhouse gas emissions and support emission abatement in Australia. In 2011, around 10 per cent of our electricity consumption came from renewable sources. We also took the opportunity to review where investment in emission abatement in Australia is best directed for the next three years.

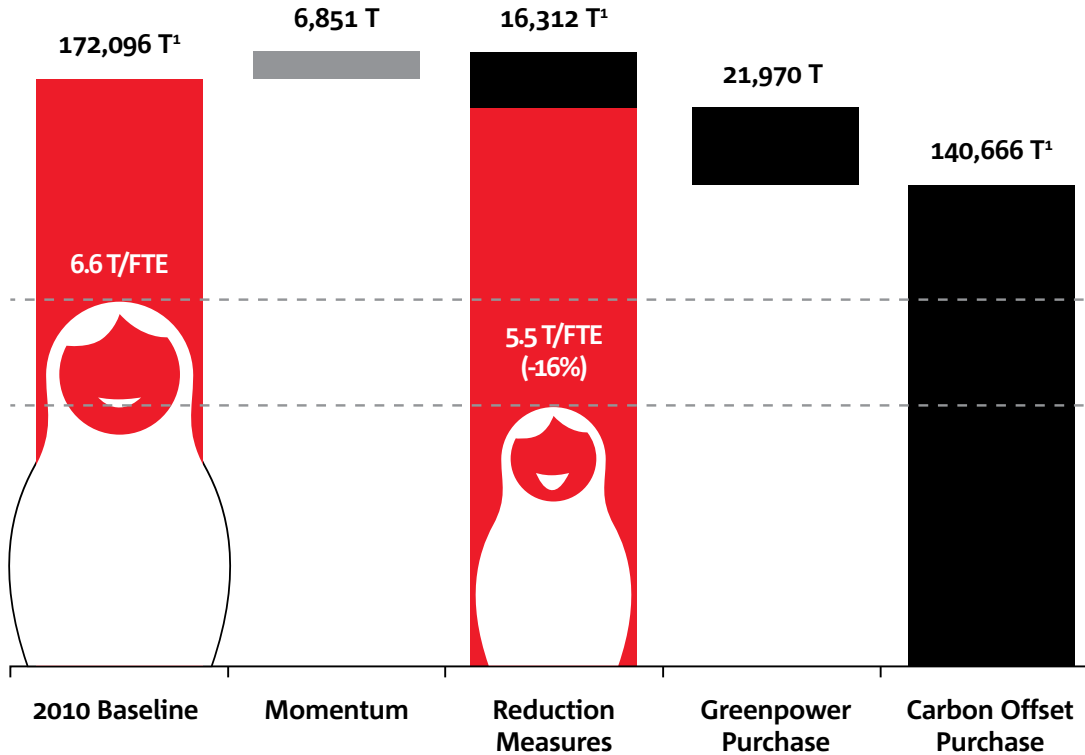
In 2009, the Australian Federal Government reviewed the Mandatory Renewable Energy Target, increasing the target from 9,500 GWh to 45,000 GWh. This represents a commitment that 20% of Australia's generated electricity will come from renewable energy sources by 2020. Given this increased target, and NAB's ongoing support for renewable energy development through our Project Finance lending, we have decided to investigate transitioning our investment in GreenPower™ to the purchasing of offsets created from the new Carbon Farming Initiative. This will enable us to diversify and support land-based carbon pollution reduction through a local industry sector important to us – agribusiness.

BUILDING GREENHOUSE GAS EMISSIONS

One year into our Beyond Carbon Neutral journey, we saw growth in emissions due to activities that we couldn't plan for, such as technology projects and changes in operating hours of our branches. The effect of these is shown in grey in the graph, which charts the progress of our three-year Beyond Carbon Neutral journey.

The black bars represent the emission reductions delivered by improving energy efficiency and switching to cleaner fuel sources, purchasing GreenPower™ and offsetting the remaining emissions.

BUILDING GREENHOUSE GAS EMISSIONS AS AT 30TH JUNE 2011



Notes

- NAB's emissions targets are based on the 2010 financial year. Target units are in tonnes/FTE and this chart assumes no change in FTE from Q4 FY 2011.

¹Includes building energy use emissions within NAB's operational control (Scopes 1, 2 and 3) ie Scope 1 diesel and gas, Scope 2 electricity, Scope 3 transmission and distribution (excludes base building outside of NAB's operational control).

- Momentum includes unquantified fluctuations within NAB's building portfolio. Typical examples include growth in NLA, energy density, operating hours at branches, IT projects and data centres. Churn to Cannon Hill, UBank and 180 Lonsdale St contributed ~900T of emissions within the momentum calculations.

OFFSETTING OUR REMAINING EMISSIONS

Maintaining our carbon neutral status means we are continuing to purchase carbon offsets to neutralise our remaining emissions. By offsetting, we are compensating for these remaining emissions by investing in projects or activities that reduce greenhouse gas emissions elsewhere.

When purchasing carbon offsets, our aim is to also support emission reduction projects that assist local communities in developing countries.

In 2011, we sourced offsets from a wind bundle project in India. This project is a collection of wind farms located in rural regions along India's west coast and is comprised of more than one hundred wind turbines with a total installed capacity of 75MW. The national grid receives the electricity generated by the wind farms resulting in a greenhouse gas

reduction of 55,700 tonnes of emissions per annum. NAB has purchased 76,078 tonnes from this project across the 2009 and 2010 vintages and has also committed to buying from the 2011 vintage.

This wind bundle project meets the growing Indian economy's need for stable electricity. The windfarms are an environmentally sound and cost effective option for clean power generation whilst simultaneously supporting local economic development, including employment.

Each project site has had a variety of social and economic benefits with some funds generated being used to reduce rural poverty and going towards medical services in local communities.

“When purchasing carbon offsets, our aim is to also support emission reduction projects that assist local communities in developing countries.” – **Alison Read**, *Manager, Environmental Sustainability*

OUR PAPER USE

NAB currently uses more than 4,400 tonnes of paper every year. Through our PaperCuts Program, we are working to reduce paper use by simplifying our processes, moving paper based reporting online and upskilling our people to utilise existing technology. Our aim is to reduce our paper use, print and postage by 20 per cent by 2013 which equates to savings of around \$10 million per year. Since 2009, our paper use has decreased by 19 per cent per person.

Since the PaperCuts Program began in 2009 we have also increased the uptake of Smart Statements by our customers and the uptake of electronic communications by our shareholders. Of our customers who are able to sign up to suppress their paper statements, 43 per cent have one or more accounts suppressed. This equates to over 1.9 million accounts now receiving online statements.

The My PaperCuts Online Challenge is an annual four week paper reduction challenge held in June for all employees in Australia. The challenge promotes the reduction of paper use by providing helpful tools, hints and tips. Fifteen hundred of our employees took up the challenge this year with some extraordinary results. A good example was found in our NAB Private Wealth team.

Rinkoo Mittal, from NAB Private Wealth, investigated why bankers spent so much time printing and managing hard copy files, when files could be stored electronically. Improving the file management process and moving to electronic filing is saving bankers around 20,000 hours and close to \$800,000 per year. NAB Private Wealth has also reduced their paper use by 80 per cent and are sharing their findings from this initiative with other business units with similar processes.



In an effort to improve our employees' awareness of the impact of their paper use on the natural environment, we established the Plant your Paper Back volunteering program in 2010. This year 21,000 trees, shrubs and grasses were planted back.

WASTE AND RECYCLING

In July 2011, we engaged a waste management consultant to conduct an assessment of our waste streams and identify the key opportunity areas for reducing the amount of waste we generate. The results provided us with valuable learnings; illustrating both what we are currently doing right and the changes we need to implement to achieve our 2013 waste reduction target.

As of June 2011, NAB became a signatory of the FluoroCycle Scheme. This scheme aims to reduce the amount of mercury released into the environment via waste lamps containing mercury entering landfill. As a signatory, NAB is actively increasing its recycling of mercury based lamps.

Our opportunity to reduce waste lies with changing the behaviour of our people and our Green Action Program (GAP) champions are critical in realising this. We have worked with our GAP champions to develop a strategy to engage employees and communicate our new environmental employee behaviours in the form of a nine point plan. These behaviours are supported by a fun and educational online learning module – My WasteLine.

Waste bin signage has also been developed across all of our buildings to ensure accuracy and consistency of our waste reduction message.

OUR WATER USE

We have taken a number of steps to reduce water use in our offices, branches and data centres.

In 2010, we installed a tri-generation system at our major data centre to reduce the greenhouse gas emissions produced as a result of energy used at the site. The tri-generation system uses gas to generate electricity at the data centre, and the ‘waste’ energy is captured for cooling and heating the facility. A significant amount of water is used in the electricity generation process, and this has had an adverse effect on our water consumption. To combat this, we have installed seven 25kL rainwater tanks to harvest rainwater for use in the bathrooms at this site, and we are installing two additional 60kL tanks for the tri-generation cooling tower which will bring the total capacity to 295kL.

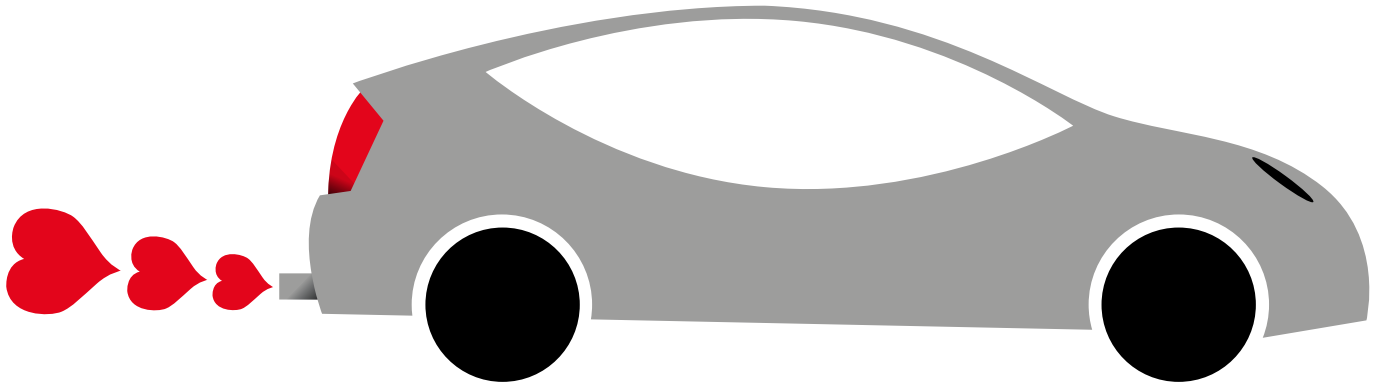
We have set a target of a 0 per cent increase in water consumption by 2013 from our 2010 base year. So far we’ve seen a 9.5 per cent reduction per person in water consumption over the last 12 months, keeping us on track for our 2013 target.

WHAT'S NEXT?

We will continue to build a clearer picture of how our wider business activities impact the environment, as well as continuing our focus on minimising energy and resource consumption and waste.

We will also be focusing attention on:

- leveraging our experience to support our customers and suppliers as they address their environmental impacts;
- monitoring the impact of our operations on biodiversity and ecosystems; and
- enhancing the way we identify and manage the impact of our operations and those of our customers and suppliers on the natural environment.



For more information:

Email: climatechange@nab.com.au

Visit: nab.com.au/environment

NAB's Australian operations are certified carbon neutral under the National Carbon Offset Standard.
Visit www.lowcarbonaustralia.com.au for more information.