

carbon neutral update

April 2008



nabCapital™

A division of National Australia Bank Limited

a little word for a big life



nab

With almost 25,000 employees and around 1,000 buildings within Australia, NAB's carbon footprint is substantial.

Most of our direct environmental impacts result from the energy and water we use in our buildings, our paper use and the waste we generate.

In 2007 NAB emitted about 224,000 tonnes of greenhouse gases in the Australian region – equivalent to that from 20,000 households.

These emissions are contributing to global warming - heating up the planet and causing many unusual and extreme changes to our climate and weather systems. This is commonly known as climate change.

Climate change can be slowed but it requires immediate and sustained action.

This report focuses on what NAB Australian businesses are doing to cut emissions and reduce the bank's carbon footprint.

The businesses included in this portfolio are NAB, MLC, nabCapital and Corporate Centre.

what does carbon neutral mean for NAB?

In March 2007, NAB committed to becoming carbon neutral by 30 September 2010.

Becoming carbon neutral means reducing and neutralising the greenhouse gas emissions we generate.

This includes direct emissions from sources we control - like our company owned vehicles - and indirect emissions associated with the purchase of electricity. Employee business travel is also accounted for in our carbon neutral commitment. Emissions associated with our customers and suppliers are not currently included.

The base year from which we are calculating our emission reductions is our 2006* carbon footprint of 230,000 tonnes.

Our aim is to reduce this by 20% and increase our supply of GreenPower. We will also offset the remaining unavoidable emissions by 2010.

reducing consumption

We must use less energy in our buildings, our cars and air travel.

Last year 93% of our emissions (208,000 tonnes) came from energy used in our buildings.

We have embarked on an energy efficiency program to reduce the amount of power used to run heating and cooling, lighting and security in our buildings as well as office equipment like computers and printers.

We are also replacing 50% of our car fleet with more fuel efficient vehicles and introducing hybrid vehicles.

An air travel reduction target has been set to further reduce emissions from our business travel.

By 2010 these actions will deliver a saving of around 46,000 tonnes of greenhouse gas emissions.

GreenPower

By 2010 we aim to acquire 10% of our electricity from accredited renewable energy sources like wind and solar power.

We have already purchased 2.5% accredited GreenPower for the 2008 financial year, which has delivered a greenhouse gas emissions saving of approximately 5,500 tonnes.

In 2009 our GreenPower supply will increase to 5% and then 10% in 2010.

Through the purchase of GreenPower we expect our emissions to reduce by approximately 25,000 tonnes.

offsetting unavoidable emissions

Carbon offsets will be used to cancel out emissions we cannot avoid. Current estimates show that approximately 159,000 tonnes will be offset in 2010.

In consultation with a range of stakeholders we are developing a policy to guide purchase of accredited offsets. Our priority is to purchase offsets of high quality from reputable schemes.

This year we will offset approximately 15,000 tonnes of greenhouse gas emissions resulting from work-related air and car fleet travel.

We will repeat a similar purchase in 2009.

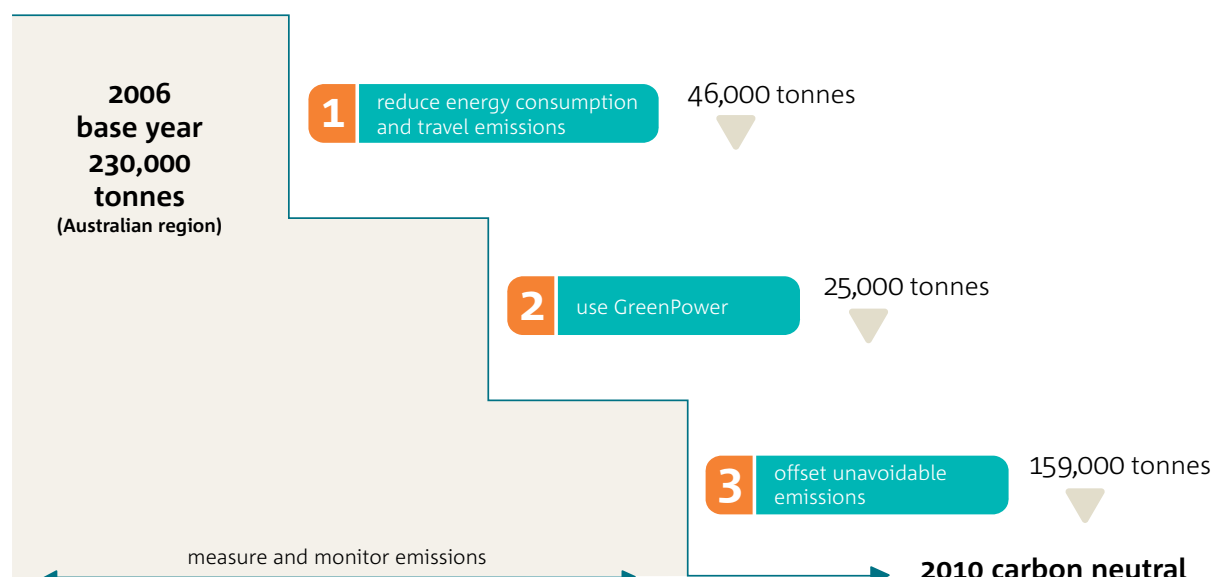
A much larger purchase will be made in 2010 to offset unavoidable emissions across our property portfolio, along with those resulting from air and car travel that year.

Purchases like this will become an ongoing obligation for NAB.

Clearly the less we have to offset the better – and that’s why we are focused first, and foremost, on making our current operations less carbon intensive.

our strategy to achieving carbon neutrality

NAB’s 2006 carbon footprint



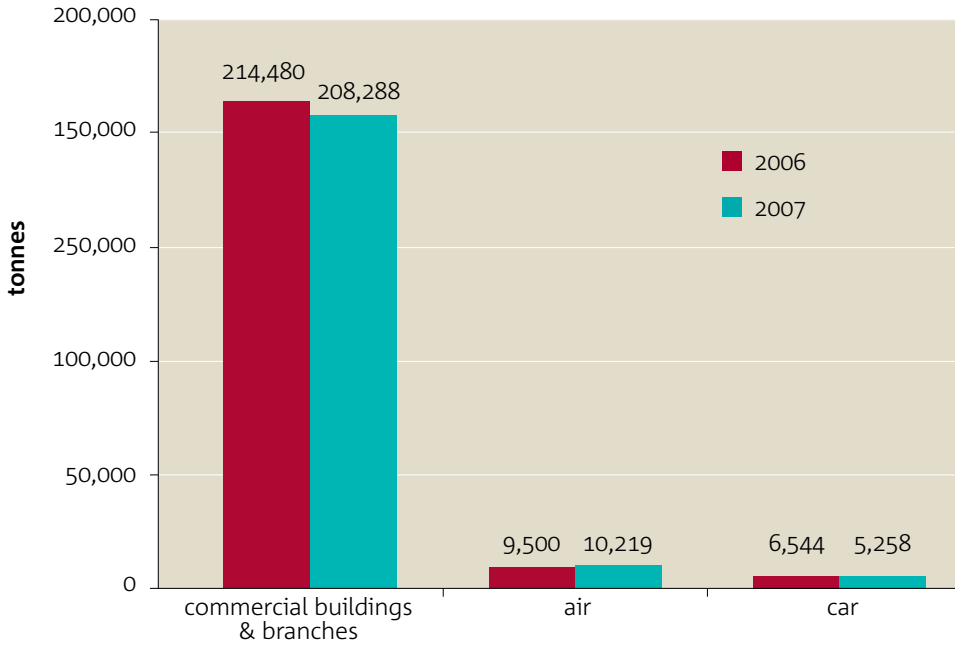
*All figures are from the July-June financial year unless otherwise stated



our carbon footprint

Most of our greenhouse gas emissions come from the energy we use in our buildings. Servicing our customers also requires us to travel, predominately via cars and aeroplanes. This further contributes to our carbon footprint.

NAB's 2006 & 2007 greenhouse gas emissions

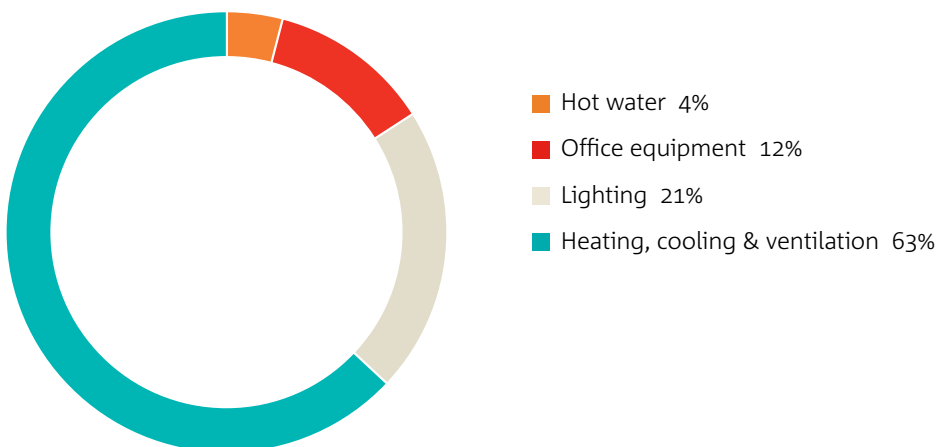


We have used the Greenhouse Gas Protocol, published by the World Resources Institute and the World Business Council for Sustainable Development, to calculate our emissions.

As a minimum we are including direct emissions from the fuel used in our company-owned vehicles and onsite fuel combustion such as natural gas used to heat our buildings, along with indirect emissions resulting from purchased electricity and employee air travel.

We are, however, looking to include in our inventory other emissions that are critical to our operations such as the use of paper and disposal of waste materials.

where energy is used in our commercial buildings



tips & hints

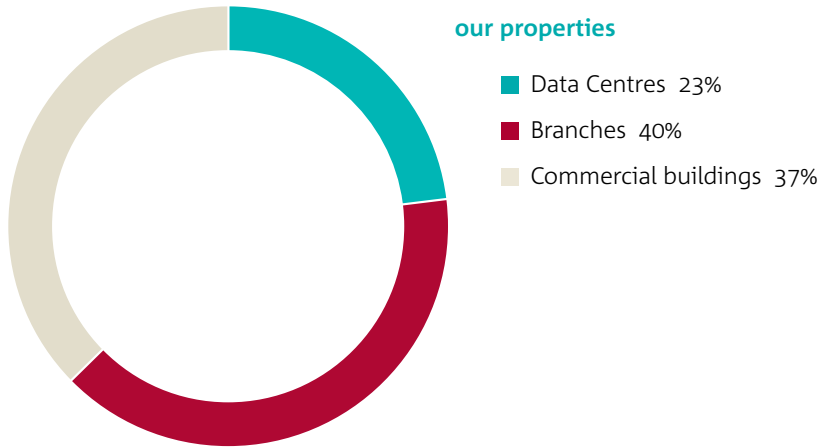
Switch off the lights when you leave a meeting room and save 440kg of carbon dioxide a year

what we've done so far

We have a comprehensive energy action plan guiding our journey to carbon neutrality. We know where and how energy is used across the business and prioritised the actions that will deliver the greatest energy reductions possible.

our properties

Our branches and commercial buildings make up around 77% of our total energy usage. The remaining 23% is used in our two major data centres located in Victoria.



Of the energy used across our properties, more than half is consumed in just a handful of buildings.

We've employed independent energy assessors to identify opportunities to improve energy efficiency and energy-saving measures are now being implemented at 11 commercial buildings.

We are also taking steps to reduce energy consumption in smaller buildings and throughout our branch network.

Improvements include:

- Revising the design of branches and office buildings so that new or refurbished branches are designed to meet improved energy efficiency standards.
- Reducing our hours of operation for lighting and installing sensors in meeting rooms so lights turn off automatically when people leave the room.
- Improving the efficiency of our air conditioning equipment.

An extensive two-year refurbishment of our 500 Bourke Street headquarters is underway. During this refurbishment, our aim is to achieve a 5 Star Green Star rating by improving energy and water efficiency, indoor environment quality and resource efficiency.

Achieving a high Green Star rating for refurbishment of existing buildings is often more challenging than for the design and development of a new office on a greenfield site.

Our 500 Bourke Street refurbishment is currently the largest joint building owner and tenant refurbishment of its kind in Australia. It will be used as an example for other building owners seeking to improve the environmental performance of existing building stock.

We are also refurbishing 50 Miller Street, North Sydney and 255 George Street, Sydney to a minimum 4 Star Green Star.

In addition, approximately 80 branches across our network will be upgraded to meet our new energy efficient design standards in the next year.

our technology

Our data centres are NAB’s single largest concentration of emissions, accounting for approximately 23% of our total energy usage in just two buildings.

These centres house the servers and mainframes that keep the bank operating but, at the same time, require lots of electricity to run and cool.

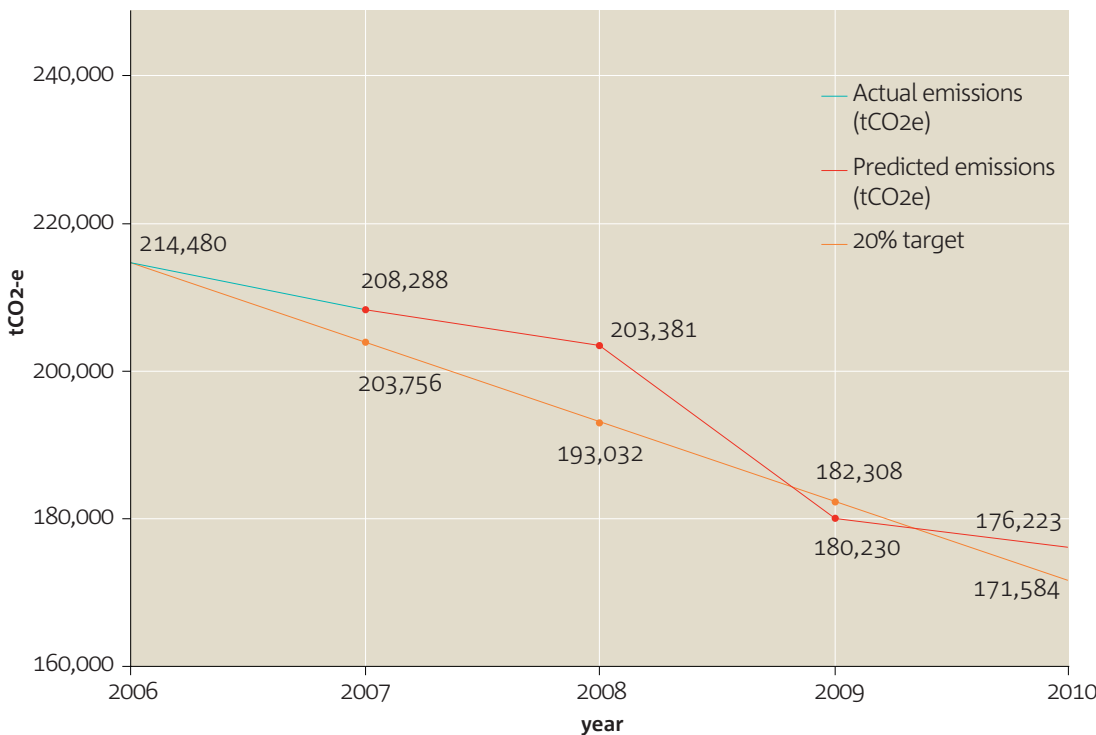
We are working hard to make NAB’s technology platforms more efficient.

In 2007, our biggest achievement was the rollout of our XP desktop project. This project involved replacing approximately 12,700 old computer monitors with flat screen monitors and some 32,000 desktops now go into sleep mode after 15 minutes of inactivity. We have also installed new video conferencing facilities and promoted their use along with teleconferencing to help reduce our business travel.

There is plenty of scope ahead too for improving our technology, including virtualisation of servers in the data centre. Basically this involves getting fewer, but more sophisticated, servers to do more work. Our aim is to consolidate 500 existing physical servers into a virtual environment of 20 servers.

Projects that are planned and underway are expected to deliver a greenhouse emissions saving of around 6,500 tonnes by 2010.

forecast savings from property and technology initiatives currently underway*



our transport and travel

NAB has around 800 job-related vehicles in its fleet.

We now have nine hybrid vehicles in our car fleet and aim to have 15 on the road by the end of 2008. In addition, we are replacing 50% of our existing six cylinder vehicles with more fuel efficient four cylinder cars, which will reduce our emissions by at least 5% over three years. To date we’ve replaced more than 300 fleet vehicles.

A 20% air travel reduction target for kilometres travelled was introduced in December 2007 to further decrease emissions from business related travel.

*The numbers quoted are estimates based on best available projections of outcomes. These figures have not been independently audited or verified.

In January 2008 we reduced our power consumption at Docklands by 10% when compared with the same time last year

Docklands received a 2005 Banksia Award for Leadership in Sustainable Buildings



Docklands case study

Built in 2003, Docklands is an early example of the trend to environmentally efficient commercial buildings.

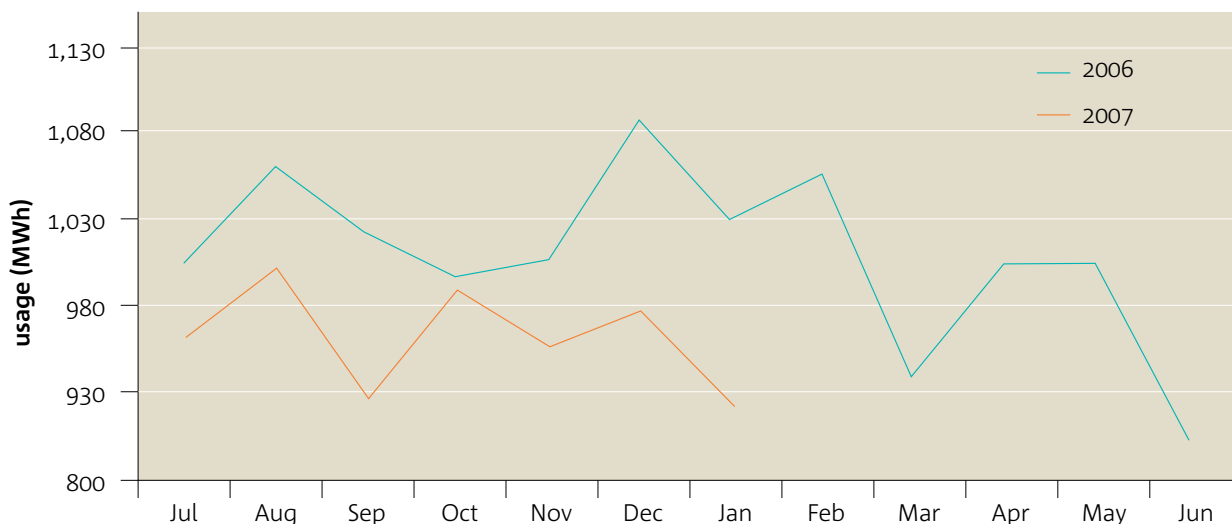
The design maximises the use of natural light by incorporating atria that allow sunlight penetration to the middle of the building. This reduces dependence on conventional lighting. Natural ventilation is available on the north facing facade and roofs, and we are also capturing and reusing stormwater. The captured stormwater is used to irrigate parklands in the Docklands area.

The building is also an example of shared commitment to creating a sustainable workplace. From construction to ongoing operation of the building, Docklands is about a partnership between NAB, the property owner, the building’s designers and property management contractors.

In collaboration with these key stakeholders, over the last 12 months we’ve completed a number of energy upgrades including:

- installation of zoned and timed lighting
- de-lamping in over-illuminated areas
- installation of sensor lights in medium to large meeting rooms
- reduced air conditioning run-times.

These initiatives have seen a continued reduction in energy when compared with the previous year’s performance.



tips & hints

Unplug your mobile phone charger when not in use and save 50kg of carbon dioxide emissions a year

our people – making a difference

Achieving carbon neutrality involves our employees.

In February 2008 we surveyed our employees to better understand what the environment means to them at work, and to benchmark current attitudes towards carbon neutrality. We also looked at what employees are doing, on a voluntary basis, to reduce NAB's carbon footprint.

The research is now guiding ongoing communication and employee engagement activities.

76% of employees say they'd like to know more about what carbon neutral means

management and accountability

Managing, monitoring and reporting our progress towards carbon neutrality is essential.

Within the Australian region, we've formed the Climate Change Leadership Group to provide oversight of the program's implementation.

At the working level is the Environmental and Sustainability Team, which is part of Property, Procurement and Environmental Operations. This team is responsible for scoping opportunities and delivering the initiatives.

Within nabCapital we have formed a specialist group called the Carbon Solutions Group to identify the risks and opportunities within the evolving carbon finance market. nabCapital Markets will be managing the purchase of offsets as part of NAB's carbon neutral commitment.

The work of the Australian businesses fits within NAB's global carbon neutral commitment, and our New Zealand and United Kingdom operations are implementing similar programs and initiatives. A group-level carbon neutral committee is coordinating our global strategy.

92% of employees believe it is up to individuals to be environmentally responsible at work

our green community

Our employees have already started to take action in the workplace to reduce energy, water and paper usage and waste.

In particular our Green Team Community is taking a leading role in promoting good environmental practices.

Eighteen voluntary teams, with almost 450 members, are established and operating at different buildings across our network.

We have Green Team representation in every state and a vigorous recruitment drive is underway to increase membership.

These early adopters are helping change the way in which we use and value energy, water and other resources at work.

With a philosophy that 'everyday people can make everyday differences', the teams have already:

- Participated in a number of volunteer tree planting days.
- Organised awareness-raising events like the ABC's Carbon Cops visit to Docklands in October 2007.
- Implemented campaigns such as "Project Sparkle" to reduce the amount of recyclables thrown in general waste bins - this initiative reduced waste at our King Street building by 17% between October and December 2007.

46% of employees say they are motivated to be green at work

our suppliers

We are collaborating with our suppliers to help us achieve carbon neutrality and to deliver a coordinated response to climate change.

Late last year we hosted a briefing for 150 of our major service providers to update them on what we are doing and to raise awareness amongst them about the opportunities, risks and challenges presented by climate change.



key terms

carbon footprint: A measure of the impact of human activity on the environment in terms of the amount of greenhouse gases produced. Individuals and organisations can calculate their impact on global warming.

carbon neutral: to cancel out (meaning neutralise) total carbon release, brought about by balancing the amount of carbon released with the amount sequestered or abated.

carbon offsetting: the act of mitigating (“offsetting”) greenhouse gas emissions. A well-known example is the purchase of carbon offsets to compensate for the greenhouse gas emissions caused by personal air travel.

renewable energy: energy from sources such as sunlight, wind, rain, tides and geothermal heat, which are naturally replenished.

greenhouse emissions: gaseous pollutants released into the atmosphere through human actions that amplify the greenhouse effect. The greenhouse effect is widely accepted as the cause of climate change. Gases creating greenhouse pollution include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

For more information:
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