

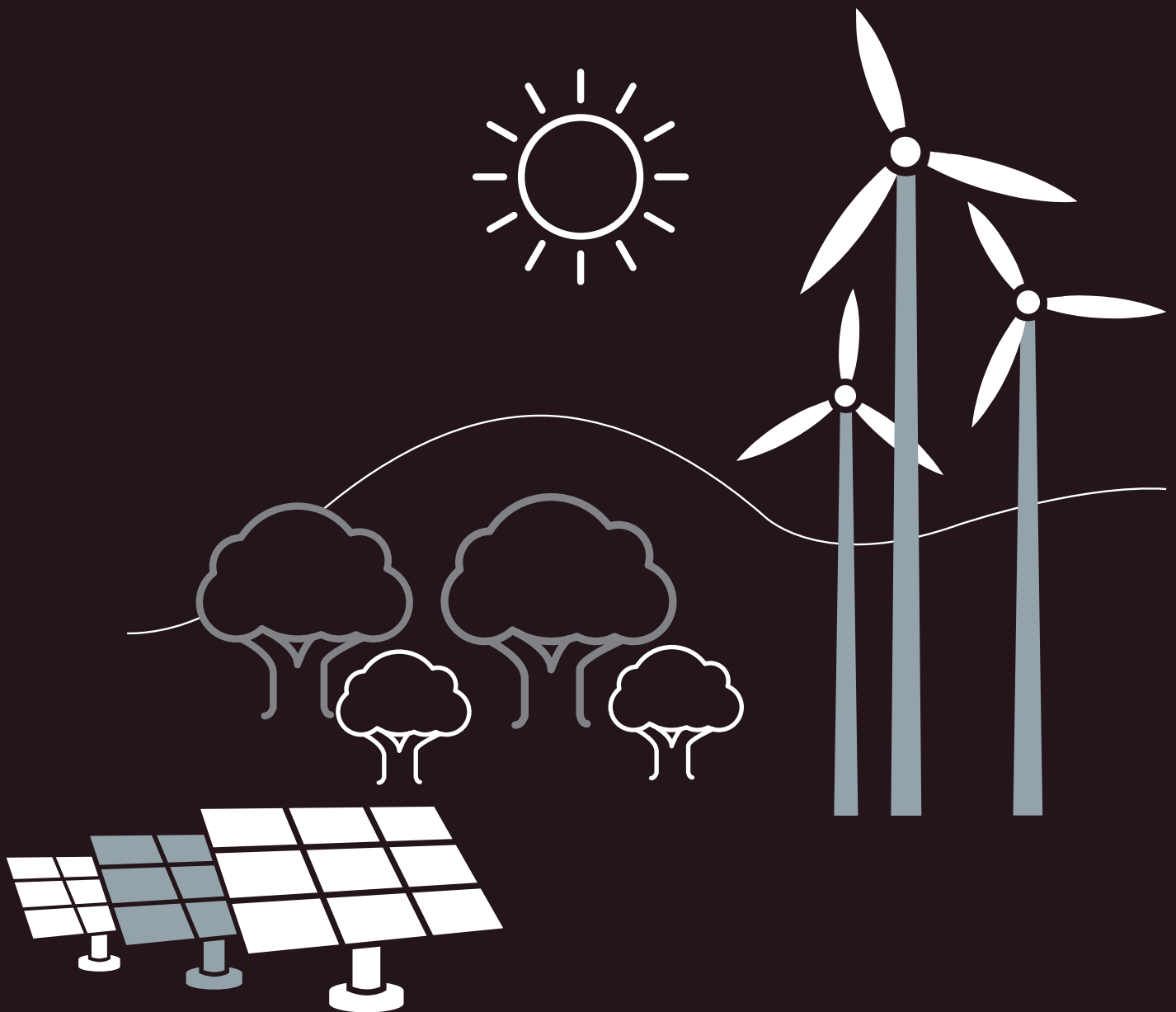
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NAB ANNUAL GREEN BOND REPORT

Financial year ended 30 September 2018



INTRODUCTION

National Australia Bank Limited ABN 12 004 044 937 ('NAB'), is pleased to present its Annual Green Bond Report ('Report'), for the financial year ended 30 September 2018. This report relates to our four NAB Green Bonds¹ outstanding, our green Residential Mortgage Backed Security ('Green RMBS') tranche and the NAB Low Carbon Shared Portfolio as at 30 September 2018 and provides reporting on the use of the proceeds of these instruments and their environmental impact.

Our intent is to be transparent about the methodologies utilised for our green bond reporting and our attribution of environmental impact arising from our environmental activities. We have looked to implement evolving market best practice for annual impact reporting, based on guidelines set out in the December 2015 publication **Green Bonds – Working Towards a Harmonised Framework for Impact Reporting**, along with input from investors, assurance providers and guidance from other sources including the Climate Bonds Initiative ('CBI'), the International Capital Markets Association ('ICMA') and the Green Bond Principles ('GBP'). We continue to work with these stakeholders and will seek to improve the level of detail and disclosure of impact reporting we provide over time.

NAB'S COMMITMENTS²

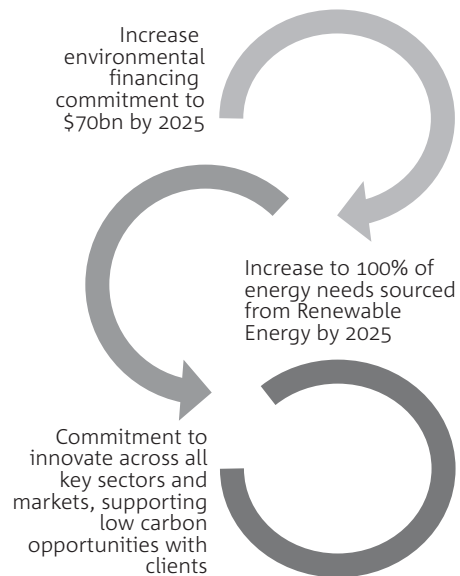
Our climate change commitments have been integrated into NAB's business strategy and further details on these commitments can be found in NAB Group's 2019 [Sustainability Report](#).

GREEN BOND ELIGIBLE PORTFOLIO (SENIOR UNSECURED BONDS)³

As at September 2018, NAB had a A\$492,088,387 surplus in green assets across our Green Bond Portfolio with projects spread across Australia, NZ, the UK, the USA and Europe.



NAB is strongly committed to Australia's transition to a low carbon economy²



Issuances/Assets	Total (AUD)
NAB's Green Issuances	3,354,622,524
NAB's Green collateral pool	3,846,710,912
Surplus in Assets	492,088,387

(1) NAB Climate Bonds and NAB SDG Bonds are together referred to as 'NAB Green Bonds'
 (2) Within this document, NAB's commitments have been updated to align with the Report's published date
 (3) AUD equivalent amounts based on closing exchange rates published by the RBA as at 28 September, 2018. <http://www.rba.gov.au/statistics/tables/index.html#exchange-rates>

NAB'S SDG GREEN BOND FRAMEWORK

NAB has developed and implemented a NAB Sustainable Development Goals ('SDG') Green Bond Framework ('Framework') which applies to existing NAB Climate Bonds and all future issuance of NAB's United Nations SDG Green Bonds, including other forms of debt instruments which can be certified under the Climate Bonds Standard (v2.1), and that also support and contribute towards meeting the SDG's.

The Framework has been developed to help NAB meet the requirements of the Climate Bonds Standard (v2.1), which integrates the ICMA Green Bond principles. The Framework includes the following core components:

- a) Use of Proceeds;
- b) Selection of Eligible Projects and Assets;
- c) Management of Proceeds;
- d) Reporting; and
- e) External Review and Assurance.

Use of proceeds

NAB Green Bond proceeds are earmarked for financing, or refinancing, portfolios of projects and assets which are:

- In accordance with the Framework; and
- Meet eligibility requirements for certification in compliance with the Climate Bonds Standard (v 2.1).

The Framework defines the eligible categories for the use of proceeds which currently include:

1. Renewable energy;
2. Low carbon transport;
3. Low carbon buildings;
4. Energy efficiency; and
5. Nature-based assets.

Selection of eligible projects and assets

NAB has established a NAB SRI Bond Committee, which oversees all NAB green, social and sustainability bond issuance. The NAB Green Bond portfolio of eligible projects and assets may be replenished as underlying loans are repaid, non-compliant projects or assets are removed and additional eligible projects/assets are identified and funded or reallocated into the NAB Green Bond portfolio.

Management of proceeds

NAB has implemented internal monitoring and reporting processes, using NAB's internal information systems, to track and report on eligible projects/assets earmarked for inclusion in the NAB Green Bond eligible portfolio and to verify whether the net proceeds of NAB Green Bonds have been fully allocated against eligible projects/assets.

Reporting

NAB will publish an annual NAB Green Bond Report, including an annual DNV GL Verification Report for all outstanding NAB Green Bonds. This reporting package will contain details including, but not limited to:

- Net proceeds raised from each NAB Green Bond;
- Aggregate of funds drawn against the NAB Green Bond eligible project portfolio/s;
- Green Bond proceeds allocated against each of the Green Bond eligible categories identified within the Framework;
- A listing of each eligible project and assets included within the green bond eligible portfolio;
- Where available, qualitative and quantitative environmental impact reporting measures for the eligible projects and assets within the green bond eligible portfolio, including disclosure methodologies utilised in impact reporting;
- Any unallocated green bond proceeds and details of any temporary investments (if any); and
- Confirmation that the Use of Proceeds of the green bonds is in compliance with the Framework and Climate Bonds Standard requirements.

Disclosure of information related to use of proceeds, impact reporting, borrowers and projects financed will be subject to NAB's confidentiality obligations and the availability of information.

External Review and Assurance

On an annual basis, NAB will retain an appropriate verification agent or agents to provide assurance over the annual NAB Green Bond Report including impact reporting. The independent verification agent also provides assurance that each outstanding NAB Green Bond remains in compliance with the Framework and the post-issuance requirements of the Climate Bonds Standard v2.1. Following this annual verification update, the verification agent issues its verification statement.

NAB has retained DNV GL as the independent verification agent for its NAB Climate Bonds.

The annual NAB Green Bond Report and Verification Statement will be made publicly available on the [NAB Capital & Funding website](#)

NAB'S GREEN BOND ISSUANCES

As at 30 September 2018, NAB had issued four senior unsecured green bonds; each certified in compliance with the Climate Bonds Standard v2.1, with proceeds fully allocated to financing and refinancing a large and growing portfolio of Climate Bonds Standard eligible projects located across Australia, NZ, the UK, the USA and Europe. The identified portfolio of eligible projects is consistent with transitioning to a low carbon economy and contributing towards meeting the United Nations Sustainable Development Goals (SDGs).

	NAB AUD Climate Bond	NAB EUR Climate Bond	NAB SDG EUR Green Bond	NAB SDG USD Green Bond
Format	Fixed Rate MTNs	Fixed Rate MTNs	Fixed Rate MTNs	Fixed Rate MTNs
Issue Amount	A\$300 million	€500 million	€750 million	US\$750 million
Issue Date	16 December 2014	7 March 2017	30 August 2018	20 June 2018
Final Maturity Date	16 December 2021	7 September 2022	30 August 2023	20 June 2023
ISIN	AU3CB0226090	XS1575474371	XS1872032369	US63254ABA51
Assurance	Certified in compliance with the Climate Bonds Standard ('CBS'), with assurance provided by DNV GL.	Certified in compliance with the CBS, with assurance provided by DNV GL.	Certified in compliance with the CBS and in accordance with the NAB SDG Green Bond Framework and assured by DNV GL.	Certified in compliance with the CBS and in accordance with the NAB SDG Green Bond Framework and assured by DNV GL.
Use of Proceeds:	Proceeds are earmarked for financing, or refinancing, a portfolio of projects and assets that meet eligibility requirements for certification under the CBS	Proceeds are earmarked for financing, or refinancing, a portfolio of projects and assets that meet eligibility requirements for certification under the CBS	Proceeds are earmarked for financing, or refinancing, a portfolio of projects and assets that meet eligibility requirements for certification under the CBS and support and contribute towards meeting the United Nations SDGs	Proceeds are earmarked for financing, or refinancing, a portfolio of projects and assets that meet eligibility requirements for certification under the CBS and support and contribute towards meeting the United Nations SDGs

Additional information about NAB Green Bonds can be found on the [NAB Capital & Funding webpage](#).

NAB's Low Carbon Shared Portfolio & Green RMBS Notes

In 2018, NAB issued two new instruments; the NAB Low Carbon Shared Portfolio and Australia's first Green RMBS (RMBS 2018-1, Green Tranche A1-G), both certified in compliance with the CBS.

	NAB RMBS 2018-1 – Green Tranche A1-G	NAB Low Carbon Shared Portfolio Issuance
Format	Green RMBS A1-G Notes	Closed-end wholesale unit trust
Issue Amount	A\$300m	A\$200m
Outstanding Issue Amount as at 30 September 2018	A\$249.4m	A\$195.3m
Issue Date	15 February 2018	26 June 2018
Final Maturity Date	24 August 2049	18 June 2028
ISIN	AU3FN0040622	AU3FN0042826
Assurance	Certified in compliance with the CBS, with assurance provided by DNV GL.	Certified in compliance with the CBS, with assurance provided by DNV GL.
Use of Proceeds	Proceeds earmarked against NAB originated mortgages for Australian residential properties that meet the Climate Bonds Initiative's sector specific criteria for low-carbon buildings.	Proceeds for investment in portion of 8 senior secured loans for NAB originated operational solar and windfarm project loans.

IMPACT AND USE OF PROCEEDS

The net proceeds raised through the issuance of NAB’s Green Bonds, NAB’s Green RMBS notes and the NAB Low Carbon Shared Portfolio have been earmarked against a range of eligible categories of assets. These are a few examples of projects that have been funded.

LOW CARBON TRANSPORT

Sydney Light Rail⁽¹⁾

The NSW Government is expanding Sydney’s light rail network with a new project that will transform the city’s public transport, revitalise the Central Business District and deliver an estimated \$4 billion dollars in economic benefits. The CBD and South East Light Rail project includes a new 12km light rail service connecting Circular Quay via George Street to Central Station, continuing to Moore Park then branching to Kingsford and Randwick.

Project Name	Summary of Impacts (as at 30 September 2018)
Sydney Light Rail	<p>Project</p> <ul style="list-style-type: none"> • Approximately 220 fewer buses per hour in the CBD during the morning peak • Over \$4 billion in economic benefits • 99% recyclable light rail vehicles • Greenhouse gas emissions are estimated to be reduced by 663,000 tonnes over 30 years, equivalent to the greenhouse gas emissions from 185,000 return economy class flights per person from Sydney to London • Over 8,600 square metres of new pedestrian space in the CBD which is equivalent to 115 SCG cricket pitches • One light rail vehicle can carry as many people as seven standard buses or 88 cars. <p>Construction Phase</p> <ul style="list-style-type: none"> • 20% of jobs sourced from the local community • Approximately 95% of construction waste diverted from landfill.

(1) Transport for NSW, ‘Sustainability on the CBD and South East Light Rail’, http://data.sydneylightrail.transport.nsw.gov.au/s3fs-public/CSELR_Sustainability-Strategy_08-15.pdf.

RENEWABLE ENERGY

Lal Lal Wind Farms¹

Lal Lal Wind Farms is a Victorian development, built across approximately 2,100 hectares in an area located on land at Elaine and Yendon, within Moorabool Shire near Ballarat. The two components of the wind farm are located approximately 9km apart and are respectively 25km and 17km south east of Ballarat. The 60-turbine development is still currently under construction.

Lal Lal Wind Farms has also built-in innovative energy reducing technology known as radar activated aviation lights, an Australian first. Rather than leaving the activation lights on all day, these innovative lights will turn on whenever an airplane comes within four to six kilometers of the turbines. The lights are also activated during foggy and cloudy conditions.

Project Name	Summary of Impacts (as at 30 September 2018)
Lal Lal Wind Farms	<p>Project</p> <ul style="list-style-type: none"> • Expected generation capacity of 228 MW • 60 turbines in total • Once operational, the project is expected to produce enough annual energy to power approximately 95,000 homes, saving 780,000 tonnes of carbon dioxide annually • Lal Lal Wind Farms expects to spend \$2m every year on local suppliers including the purchase of materials, accommodation needs and hiring specialist contractors. <p>Construction Phase</p> <ul style="list-style-type: none"> • 175 local workers have been employed during construction • Lal Lal Wind Farms has spent more than \$44m on purchasing materials and supplies from local businesses, engaging local companies and sub-contractors • \$100,000 in grants is provided each year to local residents as part of Lal Lal Wind Farms’ annual Community Benefit Fund. Recipients put the funds towards purchasing new equipment or upgrading local facilities.

(1) Lal Lal Wind Farms, ‘Powering Australia’s renewable future’, <http://www.lallalwindfarms.com.au/about/>

IMPACT AND USE OF PROCEEDS STATEMENT

AUSTRALIA & NZ

Renewable energy

Project Name	Asset type	Asset location	A/M ¹	Status (C/O) ²	Annual energy produced (MWh) ³	NAB's Outstanding Drawn Debt Amount (A\$)	GHG emissions avoided (tCO ₂ -e)	NAB's % share of debt (Attribution of impact) ⁴	GHG emissions avoided (tCO ₂ -e) attributable to NAB ⁵	SDG Alignment & Contribution ⁶
Boco Rock Wind Farm	Wind	NSW	M	O	372,019	29,507,915	353,418	14.3%	50,488	7 & 11
Bungala One	Solar	Australia	M	C		32,312,325		18.8%		7 & 11
Bungala Two	Solar	Australia	M	C		20,519,168		16%		7 & 11
Cathedral Rocks Wind Farm	Wind	SA	M	O	153,042	7,007,750	88,764	100%	88,764	7 & 11
Solar Farm 1	Solar	Queensland	M	C		61,138,186		33.8%		7 & 11
Emerald Solar Farm	Solar	Queensland	M	C		48,982,525		50.0%		7 & 11
Greenough River Solar Farm	Solar	Western Australia	M	O	21,815	13,667,552	16,579	33.3%	5,526	7 & 11
North Brown Hill Windfarm (Hallet Hill 4)	Wind	South Australia	M	O	474,486	47,497,261	360,609	14.3%	51,516	7 & 11
Hallett Hill no. 2 Wind Farm	Wind	South Australia	M	O	250,407	3,212,111	190,309	28.8%	54,725	7 & 11
Kiata Wind Farm	Wind	Victoria	M	O	71,159	23,052,624	83,256	53.1%	44,176	7 & 11
Lal Lal Wind Farm	Wind	Victoria	M	C		41,893,652		25.0%		7 & 11
Mt Emerald Wind Farm	Wind	Queensland	M	C		27,348,147		14.8%		7 & 11
Musselroe Wind Farm	Wind	Tasmania	M	O	601,311	7,706,922	102,223	4.0%	4,132	7 & 11
Macarthur Wind Farm	Wind	Victoria	M	O	1,047,497	19,517,946	1,225,571	5.4%	66,122	7 & 11
Gullen Range Wind Farm	Wind	New South Wales	M	O	506,947	74,072,907	481,600	34.6%	166,436	7 & 11
Oaklands Hill Wind Farm	Wind	Victoria	M	O	188,287	18,780,369	220,296	9.6%	21,116	7 & 11
Haghton Solar Farm	Solar	Queensland	M	C		19,894,806		33.3%		7 & 11
Hallet 1 Wind Farm	Wind	South Australia	M	O	312,833	7,443,320	181,443	4.7%	8,492	7 & 11
Portfolio facility for Nyngan Solar Farm and Broken Hill Solar Farm	Solar	New South Wales	M	O	250,736	11,251,851	238,199	5.8%	13,699	7 & 11
Silverton Wind Farm	Wind	New South Wales	M	C		24,903,332		9.1%		7 & 11
Waubra Wind Farm	Wind	Victoria	M	O	643,798	46,271,057	753,244	26.5%	199,840	7 & 11
Stockyard Hill Wind Farm	Wind	Victoria	M	C		5,733,362		14.7%		7 & 11
Portfolio facility for Blayney Wind Farm, Crookwell Wind Farm, Snowtown Wind Farm (Stages 1 and 2) Mahinerangi Wind Farm Stage 1, Tararua Wind Farm (Stages 1, 2 and 3) and Salt Creek Wind Farm	Wind	8 Assets across Victoria, S.A., NSW and New Zealand	M	O	1,615,176	95,008,445	648,113	15.9%	103,204	7 & 11
White Rock Wind Farm	Wind	New South Wales	M	O	346,036	40,000,000	58,826	14.3%	8,404	7 & 11
Studland Bay Wind Farm & Bluff Point Wind Farm	Wind	Tasmania	M	O	537,766	10,907,346	91,420	10.7%	9,737	7 & 11
TOTAL						A\$737,630,881			896,379 tCO₂-e	

(1) Column indicates whether the project aims to mitigate climate change (M) or adapt to climate change (A). Refer to 4.0 in the methodology on page 13 for definitions.
 (2) Column indicates whether the project was in construction (C) or operational (O) as at 30 September 2018. Some of the larger projects (multi-stage) classified as 'operational' may still have portions of the project under construction.
 (3) Refer to 1.1 and 1.2 in the methodology on page 12 for information relating to the annual energy (MWh) produced by each asset.
 (4) Calculated as NAB's committed debt limit/total group syndicate debt limit.
 (5) Refer to 1.1 & 1.2 in the methodology on page 12 for calculations relating to emissions avoided for the Australian and New Zealand renewables portfolio.
 (6) Refer to 3.0 in the methodology on page 12 for any reference to 'SDG Alignment & Contribution'.

UNITED KINGDOM & EUROPE

Renewable energy

Project Name	Asset type	Asset location	A/M	Status (C/O)	Annual energy produced (MWh) ¹	NAB's Outstanding Drawn Debt Amount	GHG emissions avoided (tCO ₂ -e)	NAB's % share of debt (Attribution of impact) ²	GHG emissions avoided (tCO ₂ -e) attributable to NAB ³	SDG Alignment & Contribution ⁴
Project Blyth	Wind	UK	M	O	608,400	GBP 50,829,744	214,619	13.6%	29,091	7&11
Cubico 2 & 4	Wind	UK	M	O	399,588	GBP 103,381,763	140,959	40.0%	56,418	7&11
Independent Power Producer with 57 assets (48 operational, 6 in construction, 3 pre-construction) ⁵	Wind/Solar	UK/Europe	M	O	–	USD 33,233,084	–	16%	–	7&11
Eco Wind	Wind	Ireland	M	O	84,400	EUR 24,467,748	29,773	100.0%	29,773	7&11
Sheringham Shoal	Wind	UK	M	O	717,500	GBP 53,160,461	253,105	22.1%	55,813	7&11
Race Bank Wind Farm	Wind	UK	M	O	2,125,447	GBP 68,522,393	749,773	6.0%	44,840	
Fred Olsen Wind Portfolio	Wind	UK	M	O	697,000	GBP 10,442,138	245,874	8.0%	19,705	7&11
Grange Wind Farm	Wind	UK	M	O	24,096	GBP 17,446,206	8,500	100%	8,500	7&11
Project UK 1	Wind	UK	M	O	322,810	GBP 31,497,038	113,874	27%	30,250	7&11
Portfolio of 21 UK based solar PV parks	Solar	UK	M	O	247,571	GBP 24,193,549	87,333	17.7%	15,446	7&11
Project Endeavour	Solar	UK	M	O	123,836	GBP 22,121,062	43,684	34.1%	14,916	7&11
Portfolio of UK ground based solar PV parks	Solar	UK	M	O	10,932	GBP 27,891,990	3,856	100.0%	3,856	7&11
Portfolio of wind farms and solar PV farms	Wind/Solar	UK, Ireland & France	M	O	1,921,305	GBP 24,336,828	507,161	33.3%	169,054	7&11
Ventinent Energy	Wind	UK	M	O	1,548,600	GBP 91,777,369	546,284	15.2%	82,865	7&11
Total						A\$ 1,037,827,982⁶			560,528 tCO₂-e	

- (1) Annual energy figures have been calculated based on operational reports provided by each project. For some of these projects, operational data was unavailable for the period and therefore an estimate was made based on available project data.
- (2) Calculated as NAB's committed debt limit/total group syndicate debt limit.
- (3) Refer to 1.3 in the methodology on page 12 for calculations relating to emissions avoided for the UK/Europe renewables portfolio.
- (4) Refer to 3.0 in the methodology on page 12 for any reference to 'SDG Alignment & Contribution'.
- (5) This facility is a Revolving Cash Facility that does not directly fund a sole wind/solar farm. The facility is instead used for the acquisition of wind and solar farms to maintain medium term funding certainty. Therefore, neither annual energy produced nor a GHG emissions calculation can be provided for this asset.
- (6) Represents AUD equivalent of the total outstanding drawn debt amount as at 28 September 2018.

USA

Renewable energy

Project Name	Asset type	Asset location	A/M	Status (C/O)	Annual energy produced (MWh) ¹	NAB's Outstanding Drawn Debt Amount (USD)	GHG emissions avoided (tCO ₂ -e) ²	NAB's % share of debt (Attribution of impact) ³	GHG emissions avoided (tCO ₂ -e) attributable to NAB	SDG Alignment & Contribution ³
Canadian Breaks	Wind	Texas, USA	M	C	–	4,784,831	–	13.9%	–	7 & 11
Project US 2	Solar	Hawaii, USA	M	C	–	24,371,952	–	22%	–	7 & 11
Phoebe Solar	Solar	Texas, USA	M	C	–	7,759,784	–	28.4%	–	7 & 11
Rio Bravo	Wind	Texas, USA	M	C	–	12,592,916	–	27.5%	–	7 & 11
Project US 3	Wind	Texas, USA	M	C	–	91,014,294	–	79.7%	–	7 & 11
Total						A\$194,577,370⁴				

- (1) All US based assets were under construction as at September 30 2018, and therefore are not yet generating energy/avoiding emissions.
- (2) Calculated as NAB's committed debt limit/total group syndicate debt limit.
- (3) Refer to 3.0 in the methodology on page 12 for any reference to 'SDG Alignment & Contribution'.
- (4) Represents AUD equivalent of the total outstanding drawn debt amount as at 28 September 2018.

Low carbon transport (Australia)

Project Name	Asset type	Asset location	A/M	Status (C/O)	NAB outstanding amounts (A\$)	Target Results	SDG Alignment & Contribution
Sydney Light Rail PPP	Low carbon transportation	Australia	M	C ¹	169,521,922	<p>Sydney Light Rail (CBD and South East)²</p> <p>Operational:</p> <ul style="list-style-type: none"> Greenhouse gas emissions are estimated to be reduced by 663,000 tonnes over 30 years 99% recyclable light rail vehicles One light rail vehicle can carry as many people as 7 standard buses or 88 cars Over 8,600 square meters of new pedestrian space in the CBD Approximately 220 fewer buses per hour in the CBD during the morning peak. <p>Construction:</p> <ul style="list-style-type: none"> Approximately 95% of construction waste diverted from landfill 20% of jobs sourced from the local community. 	9 & 11
North West Rail Link PPP	Low carbon transportation	Australia	M	C	\$157,470,088	<p>Sydney Metro (North West Line)³</p> <ul style="list-style-type: none"> 22 6-car metro trains 4,000 commuter car parking spaces 15 trains per hour, every 4 minutes at peak times All stations are inherently low carbon, low energy and low waste Once extended into the city in 2024, the Metro line will have 31 metro stations and 66 km of standalone metro railway. 	9 & 11
Railcorp Rolling Stock PPP	Low carbon transportation	Australia	M	C	\$199,740,577	<p>626 Waratah carriages – consisting of 78 eight-car sets and two spare carriages. Delivery commenced in 2011 and was completed in 2014⁴</p> <p>Operations:</p> <ul style="list-style-type: none"> Smart air conditioning Improved lighting using energy saving LED lighting Improved disability access with additional handrails, more priority seats and more wheelchair spaces – 16 per eight carriage train. 	9 & 11
Total					A\$526,732,588		

(1) Under construction as at 30 September 2018.
 (2) Transport for NSW, 'Sustainability on the CBD and South East Light Rail', http://data.sydneylightrail.transport.nsw.gov.au/s3fs-public/CSELR_Sustainability-Strategy_08-15.pdf
 (3) Stage 1 of this project opened in May 2019: <https://www.transport.nsw.gov.au/news-and-events/media-releases/fact-sheet-metro-north-west-line-operations>
 (4) Reliance Rail, <http://www.reliancerail.com.au/Page/Home.aspx>

Low carbon transport (United Kingdom)

Project Name	Asset type	Asset location	A/M	Status	NAB outstanding amounts	Target Results	NAB SDG Alignment & Contribution
QW Rail Leasing	Low carbon transport	UK	M	Operational	GBP 79,038,486	<p>Class 378 Electrostars¹</p> <p>Operations:</p> <ul style="list-style-type: none"> Three four-carriage units for services on the East London Railway Twenty-four carriages to lengthen the three-carriage trains that were already in production for the North London Railway to four-carriage The 36 extra rail carriages provided an extra 24% capacity on London Overground during peak hours and 33% on the North London Railway alone. 	9 & 11
Total					A\$143,211,607²		

(1) Transport for London, £36m contract to bring extra rail carriages for London Overground <https://web.archive.org/web/20121001054952/http://www.tfl.gov.uk/static/corporate/media/newscentre/archive/5432.html>
 (2) Represents AUD equivalent of the total outstanding drawn debt amount as at 28 September 2018.

LOW CARBON BUILDINGS (AUSTRALIA)¹

Low Carbon Buildings will play an important role in Australia contributing to achievement of the Paris Agreement goals. Loans in NAB's Green Bond Portfolio, to finance low carbon buildings, had a total value of A\$1,206,730,483. Commercial buildings included in NAB's Green collateral pool have an average NABERS energy rating of 5.19 which is above the NABERS published national Australian average of 4.40 stars for commercial buildings. By each state, the eligible buildings in NAB's Green Bond Portfolio produced on average a range of 13.7% to 33.3% less greenhouse gas emissions than the threshold emissions intensity value per sqm as set by the CBI for inclusion in a green bond – details in the table below.

	NAB Green Bond Portfolio Eligible Buildings	NABERS Australian National Averages
Average NABERS star rating	5.19	4.40
Average Portfolio GHG intensity (kgCO ₂ -e)	56.1	98.00
Total property area (sqm)	3,473,627	
Number of Buildings in the portfolio	109	

State	CBI threshold for inclusion in the NAB Green Bond Portfolio (kgCO ₂ -e) ²	Average GHG intensity (kgCO ₂ -e) per sqm of NAB eligible green buildings in each state	Average % below the CBI threshold for green buildings in NAB's Green Bond portfolio
Sydney	76.9	60.9	20.8%
Melbourne	75.2	52.2	30.6%
Canberra	50.7	38.2	24.5%
Perth	59.0	42.7	27.6%
Adelaide	39.4	26.3	33.3%
Brisbane	75.9	65.5	13.7%

(1) Refer to 2.0 in the methodology for calculations relating to the Low Carbon Buildings Portfolio.

(2) To be eligible for inclusion in a CBI certified bond, properties must have an emissions intensity value per sqm below this threshold.

NAB LOW CARBON SHARED PORTFOLIO – USE OF PROCEEDS

Deal Name	Facility Expiry Date	NAB Facility Share (A\$m)	Low Carbon Share (A\$m)	Facility (% of Portfolio)
Hallett 1	December 2020	7.44	18.44	9.44
Hallett 2	June 2027	3.21	7.96	4.08
Woolnorth	June 2021	10.91	27.02	13.84
Musselroe	June 2021	7.71	19.09	9.78
Oaklands Hill	June 2022	18.78	46.53	23.83
PARF Solar Flagship	December 2021	11.25	27.88	14.28
Macarthur Wind Farm Facility A	September 2021	8.00	19.85	10.16
Macarthur Wind Farm Facility B	September 2019	11.51	28.51	14.60
	Total	78.81	195.28	100%
	Change (since last period)	1.92	4.72	

LOW CARBON BUILDINGS (RESIDENTIAL) – ELIGIBLE ASSET POOL FOR NAB RMBS 2018-1 A1-G GREEN TRANCHE (AS AT 30 SEPTEMBER 2018)

Project Name	Asset type	Asset locations	A/M	Status (C/O)	Eligible Low Carbon Residential Mortgages Amount outstanding (AUD)	UN SDG Alignment & Contribution	Details
Australian Residential Mortgages	Australian low carbon residential buildings	NSW, Victoria and Tasmania	M	O	393,570,155	7 & 11	<p>Mortgages for 1,310 residential properties which meet the Climate Bonds Standard criteria for Australian low carbon residential buildings diversified across NSW, Victoria and Tasmania.</p> <p>(Note: Impact reporting methodology and calculations are currently being developed and will be published once available for this low carbon residential mortgage portfolio).</p>

Breakdown of NAB RMBS 2018-1 total green mortgage pool as at September 2018

Green Loan Status as at September 2018	Number of Loans	Balance of Loans (AUD)	Number of Loans (as a % of NAB RMBS 2018-1 total green and non-green mortgage pool)	Balance of Loans (as a % of NAB RMBS 2018-1 total green and non-green mortgage pool)
Loans eligible for inclusion in a CBI certified bond ('Green Loans')	1,310	393,570,155	21.10%	23.84%

Green Loans – Geographic Distribution as at September 2018	Number of Loans	Balance of Loans (\$)	Number of Loans (%)	Balance of Loans (%)
NSW Non-Metro	347	93,278,478	26.49%	23.70%
NSW Sydney Inner City	2	522,633	0.15%	0.13%
NSW Sydney Metro	302	109,530,709	23.05%	27.83%
TAS Hobart Inner City	1	106,740	0.08%	0.03%
TAS Hobart Metro	13	3,510,479	0.99%	0.89%
TAS Non-Metro	2	323,140	0.15%	0.08%
VIC Melbourne Inner City	18	6,443,108	1.37%	1.64%
VIC Melbourne Metro	441	135,894,248	33.66%	34.53%
VIC Non-Metro	184	43,960,618	14.05%	11.17%
Total	1,310	393,570,155	100%	100%

Green Loans – Distribution of Loans by Property Type as at September 2018	Number of Loans	Balance of Loans (\$)	Number of Loans (%)	Balance of Loans (%)
Apartment/Unit/Flat	101	29,866,605	7.71%	7.59%
House	904	270,461,934	69.01%	68.72%
Other	305	93,241,616	23.28%	23.69%
Total	1,310	393,570,155	100%	100%

(1) NAB, Capital and Funding, <https://capital.nab.com.au/popup-disclaimers/acc/securitisation-deal-summaries.phps>

METHODOLOGY

1.0. GHG Emissions avoided – Renewable Energy

1.1. Australia

- Australian power generation data was sourced from the Clean Energy Regulator's National Greenhouse and Energy Reporting (NGER) data electricity sector emissions and generation data 2017-2018.
- The emissions avoided calculation used was as follows: Annual energy produced (MWh) x applicable Scope 2 and 3 electricity emission factors (kg CO₂-e/KWh) = tonnes CO₂-e avoided. Australian GHG emissions factors were taken from the *Australian National Greenhouse Accounts Factors* (July 2018) and the National Greenhouse and energy Reporting (Measurement) Amendment Determination 2008.
- Impact attributable to NAB was calculated by applying the % share of debt to the total GHG emissions avoided by each project or portfolio.

1.2. New Zealand

- NZ power generation data was sourced from publicly reported Annual Energy Produced on the TILT Renewables website.
- The emissions avoided calculation used was as follows: Annual energy produced (MWh) x applicable Scope 2 and 3 electricity emission factor (kg CO₂-e/KWh) = tonnes CO₂-e avoided. NZ GHG emissions factors were taken from the NZ Ministry for Environment *Guidance for Voluntary Greenhouse Gas Reporting – 2016*.
- Impact attributable to NAB was calculated by applying the % share of debt to the total GHG emissions avoided by each project or portfolio.

1.3. UK and Europe

- UK and Europe power generation data was sourced from operational reports available for each renewable energy generation project. For some of these projects, operational data was unavailable for the period and therefore an estimate was made based on available project data.
- The emissions avoided calculation used was as follows: Estimated MWh of electricity produced x applicable Scope 2 and 3 electricity emissions factor (per country) (kg CO₂-e/KWh) = tonnes CO₂-e avoided.
- The emissions factors for projects in the UK were sourced from the Department for Business, Energy & Industrial Strategy (DBEIS) 2018 *UK Government GHG Conversion Factors for Company Reporting*.
- The emissions factors for France & Ireland were sourced from the International Energy Agency's (IEA) CO₂ emissions from fuel combustion 2017 - Complement (in Excel) and the DBEIS 2018 *UK Government GHG Conversion Factors for Company Reporting*. The generation and T&D factors came from IEA and the WTT factors came from DBEIS as per DBEIS 2018 *UK Government GHG Conversion Factors for Company Reporting*.
- Impact attributable to NAB was calculated by applying the % share of debt to the total GHG emissions avoided by each project or portfolio.

2.0 Low Carbon Buildings

- Data in reference to the buildings in NAB's CRE portfolio was sourced from a combination of: internal reporting, client reports, company websites, <https://www.nabers.gov.au/> and <http://cbd.gov.au/registers/cbd-downloadable-data-set>
- Average NABERS star rating was sourced from the NABERS annual report: <https://nabers.info/annual-report/2017-2018/>.
- NABERS Australian National Averages sourced from the NABERS annual report: <https://nabers.info/annual-report/2017-2018/office-energy.html>
- The data for the average state-based GHG intensity was sourced from (<https://www.climatebonds.net/standard/buildings/commercial/calculator>) and the data for the average portfolio GHG intensity was sourced from (<https://nabers.info/annual-report/2017-2018/office-energy.html>). The % change was calculated by comparing the average NABERS GHG intensity for buildings in each state in NAB's portfolio against the CBI calculator state averages.

3.0 SDG Alignment and Contribution

Renewables

- Aligns to SDG 7: Affordable & Clean Energy and contributes towards SDG Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.
- Aligns to SDG 11: Sustainable cities & communities and contributes towards SDG Target 11.6 - By 2030, reduce the adverse per capita environmental impact of cities.

Transport

- Aligns to SDG 9: Industry innovation and infrastructure and contributes to SDG Target 9.1 - Sustainable & resilient infrastructure.
- Aligns to SDG 11: Sustainable cities & communities and contributes to SDG target 11.2 - Access to safe, affordable & sustainable transport systems.

Low carbon buildings (Commercial office)

- Aligns to SDG 7: Affordable & Clean Energy and contributes to SDG Target 7.3 - Double the global rate of improvement of energy efficiency.
- Aligns to SDG 11: Sustainable Cities & Communities and contributes to SDG Target 11.6 - By 2030, reduce the adverse per capita environmental impact of cities.

Low carbon buildings (Residential for NRMBS 2018-1 tranche)

- Aligns to SDG 7: Affordable & Clean Energy and contributes to SDG Target 7.3 - Double the global rate of improvement of energy efficiency.
- Aligns to SDG 11: Sustainable Cities & Communities and contributes to SDG Target 11.6 - By 2030, reduce the adverse per capita environmental impact of cities.

4.0 Additional Notes

- Definitions
 - Adaptation¹: Taking practical actions to manage risks from climate impacts, protect communities and strengthen the resilience of the economy.
 - Mitigation²: Activities that are designed to reduce greenhouse emissions and/or increase the amounts of greenhouse gases removed from the atmosphere by greenhouse sink.

(1) Australian Government, Department of Agriculture, Water and the Environment, 'Adapting to Climate Change' <https://www.environment.gov.au/climate-change/adaptation>

(2) NSW Government, 'Climate change mitigation', <https://climatechange.environment.nsw.gov.au/About-climate-change-in-NSW/NSW-Government-action-on-climate-change/Climate-change-mitigation>

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KEY INFORMATION

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