

more
than
money



NAB GREEN BOND FRAMEWORK

PURPOSE

This Framework relates to instruments issued by National Australia Bank Limited ABN 12 004 044 937 ('NAB') or its related entities which align to one or more of:

- the [Climate Bonds Standard V3.0](#) ('CBS') of the Climate Bonds Initiative; and
- the [International Capital Market Association \(ICMA\) Green Bond Principles \(June 2021\)](#) ('GBP').

(the 'NAB Green Bonds').

The Framework describes the processes to support NAB's Green Bond issuance, in the following areas:

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

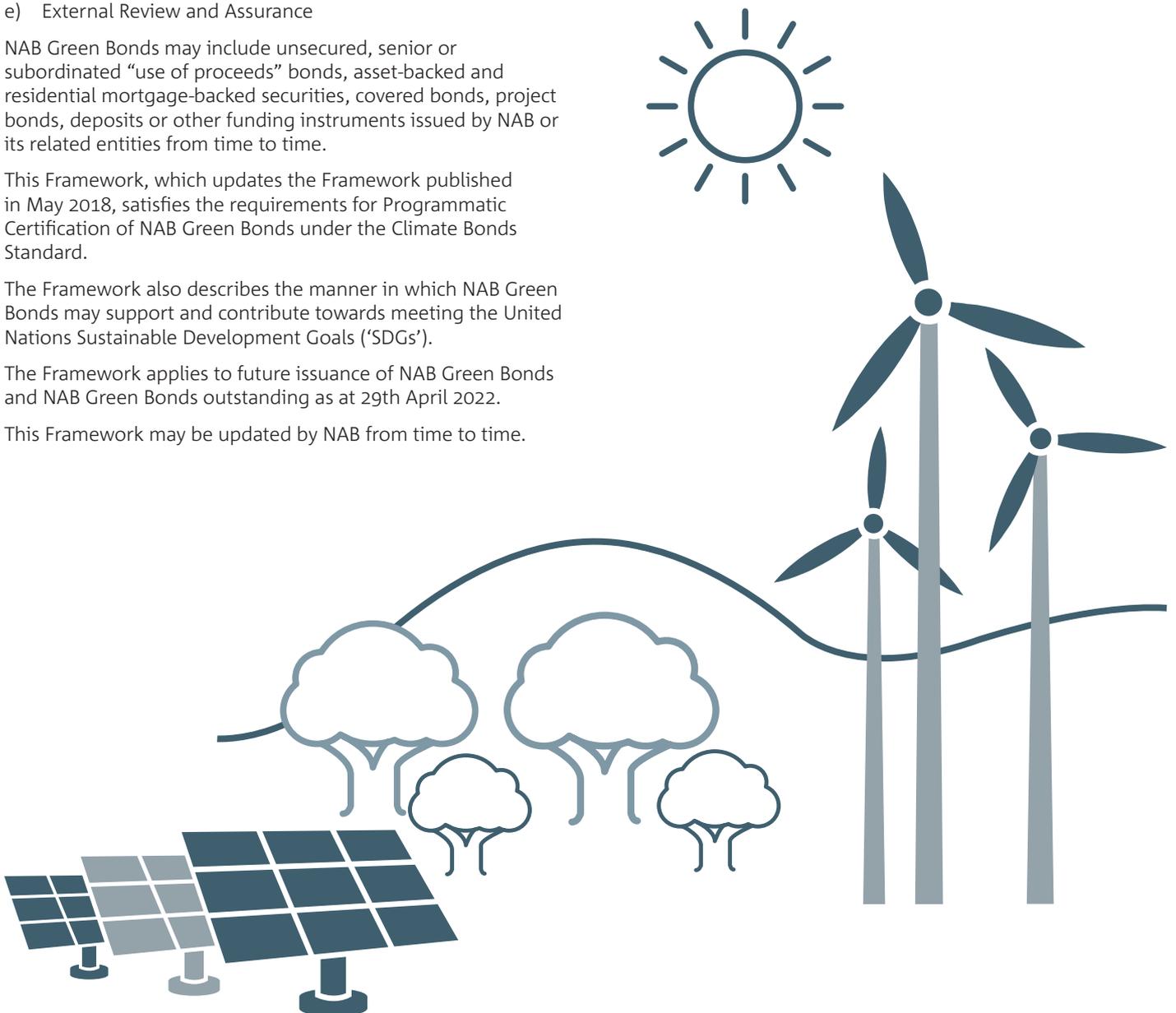
NAB Green Bonds may include unsecured, senior or subordinated "use of proceeds" bonds, asset-backed and residential mortgage-backed securities, covered bonds, project bonds, deposits or other funding instruments issued by NAB or its related entities from time to time.

This Framework, which updates the Framework published in May 2018, satisfies the requirements for Programmatic Certification of NAB Green Bonds under the Climate Bonds Standard.

The Framework also describes the manner in which NAB Green Bonds may support and contribute towards meeting the United Nations Sustainable Development Goals ('SDGs').

The Framework applies to future issuance of NAB Green Bonds and NAB Green Bonds outstanding as at 29th April 2022.

This Framework may be updated by NAB from time to time.



INTRODUCTION

NAB is here to serve customers well and help communities prosper. NAB is further embedding sustainability in how it does business and how it supports its customers. A key pillar of NAB's business strategy is a long-term sustainable approach consisting of:

- Commercial responses to society's biggest challenges
- Resilient and sustainable business practices
- Innovating for the future

This long-term approach is inclusive of NAB's strategy on sustainability, and our determination to tackle some of society's biggest challenges where we are best placed to have a positive impact. Environmental issues, including climate change, biodiversity loss and ecosystem degradation are considered across the business.

NAB recognises that climate change is one of the most significant challenges to society and the economy, and that it is a source of considerable risk and opportunity. Therefore, NAB is aligning its business to help achieve the temperature goals of the Paris Agreement¹ and supporting a just transition to a net zero emissions economy by 2050. NAB considers that an effective response to climate change requires collective action, noting it needs to be part of the solution and support customers as they take action too. This is aligned with NAB's strategic ambition – to serve customers well and help our communities prosper.

Climate change strategy

In 2021, NAB refreshed its climate change strategy. NAB's main role in climate action is through the provision of financing. While NAB recognises the impact it can make by reducing its own greenhouse gas ('GHG') emissions, a greater impact will be achieved by financing the sustainability actions of others. NAB's updated climate strategy therefore covers:

- A goal of aligning its lending portfolio to net zero emissions by 2050
- Working with customers to decarbonise and build climate-related resilience
- Managing climate risk

Supported by:

- Actively reducing NAB's own emissions
- Developing the climate capability of colleagues
- Research, partnerships and engagement

NAB identifies and prioritises current and future business opportunities, including those related to climate change (for example, financing low-carbon technology like renewable power generation or water security projects which help deliver resilience to drought). This occurs through strategic planning processes both at a Group and business line level.

NAB is using its experience in clean energy financing and natural value to provide innovative, low-carbon solutions for customers across NAB's key sectors and markets.

Further information about the NAB's environmental performance, climate change governance, strategy, risk management and metrics, commitments, goals, operational greenhouse gas reduction and resource efficiency targets and management approach can be found in NAB's [Annual Reporting](#). Detailed GHG and environmental performance data is also available in NAB's [Sustainability Data Pack](#).

In 2021, NAB joined the Net Zero Banking Alliance ('NZBA'). Industry-led and convened by the United Nations' ('UN') Environment Programme Finance Initiative, this ambitious initiative combines near-term action with accountability, requiring banks to set interim decarbonisation targets for 2030 or sooner using robust, science-based guidelines. This furthers NAB's existing membership to the Collective Commitment to Climate Action and recognises the important role banks play in achieving the goals of the Paris Agreement.

NAB Green Bonds provide an opportunity for investors to direct capital towards projects and assets or other related expenditures that may contribute towards the objectives of the Paris Agreement or may address environmental challenges including pollution reduction and control, reducing biodiversity loss and ecosystem degradation, improving water security and the development of a circular economy.

¹ The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels

USE OF PROCEEDS

NAB will allocate an amount equivalent to the net proceeds of each NAB Green Bond towards financing, or refinancing, a portfolio of projects, assets and other expenditures which satisfy one or more of the following:

- Meet the eligibility requirements of the Climate Bonds Standard Sector Criteria; and
- Align to the eligible project categories of the ICMA Green Bond Principles.

The projects, assets and expenditures may also support and contribute towards meeting the UN SDGs.

The amount equivalent to the net proceeds of any Climate Bonds Standard-certified NAB Green Bonds will be allocated only against projects, assets and expenditures that meet the eligibility requirements of Climate Bonds Standard Sector Criteria.

In order to identify projects, assets and expenditures which support and contribute towards the SDGs, NAB has utilised guidance and resources published by the [United Nations Principles for Responsible Investment](#) ('UNPRI'), the ICMA Green Bond Principles and the [SDI Asset Owner Platform](#).

Relevant details of projects, assets and other expenditures included in the NAB Green Bond portfolio will be provided in NAB's annual Green Bond Report, subject to confidentiality obligations and availability of information.

The table below sets out the Climate Bonds Standard Sector Criteria and the relevant eligible project categories of the ICMA Green Bond Principles, along with alignment and contribution towards the relevant UN SDGs. It reflects those standards and principles published as at the date of this Framework, which may be amended or updated from time to time.

GBP Eligible Green Project Categories	CBS Sector Criteria	Eligible Green Project Examples	UN SDG Alignment
Renewable energy	Solar Energy Wind Energy Marine Renewable Energy Geothermal Energy Bioenergy Hydropower Electrical grids and storage	<ul style="list-style-type: none"> • Onshore solar electricity and solar thermal generation facilities • Onshore wind generation facilities • Offshore wind and solar, wave power and tidal power generation facilities • Geothermal electricity generation facilities with direct emissions of less than 100gCO₂/kWh and geothermal projects that have been reviewed and registered under the Clean Development Mechanism • Facilities producing biomass/biofuel, heating/cooling and co-generation facilities using biofuel/biomass and bio-refinery facilities • Small hydropower generation facilities limited to a maximum capacity of 25MW and new large scale hydropower generation facilities with reservoir power density greater than 10W/m² • Manufacturing facilities, research and development dedicated to renewable energy generation, technology and equipment including green hydrogen • Transmission and distribution supporting infrastructure for renewable energy • Energy distribution, management, control and storage systems for renewable energy including inverters, storage and control systems • Distributed assets required for construction or upgrading of Transmission & Distribution infrastructure to reduce curtailment of renewable energy into the grid • ICT and smart grid applications including controls, smart meters and supporting technology • Electricity storage including batteries, large scale energy storage facilities and their manufacturing facilities 	 

GBP Eligible Green Project Categories	CBS Sector Criteria	Eligible Green Project Examples	UN SDG Alignment
Energy efficiency		<ul style="list-style-type: none"> Development of products or technologies that deliver material reductions in energy consumption of underlying assets, technology, product or systems including chiller enhancements, improvements in refrigeration, energy efficiency products, appliances and equipment, LED and energy efficient lighting, fuel cells and smart meters Industrial and commercial energy efficiency improvements 	   
Pollution prevention and control	Waste management	<ul style="list-style-type: none"> Facilities that contribute to reduction of air emissions, GHG control, soil remediation, waste prevention, waste reduction, waste collection, waste recycling and sorting, waste storage, composting, anaerobic digestion, landfill gas recovery, energy-efficient waste to energy projects 	 
Environmentally sustainable management of living natural resources and land use	Agriculture Forestry, Land Conservation & Restoration	<ul style="list-style-type: none"> Capital and operating expenditure relating to environmentally sustainable agriculture and animal husbandry, climate smart farm inputs such as biological crop protection or drip irrigation Activities with the goal of reducing GHG emissions and enhancing carbon sequestration, or enhancing adaptation and resilience Environmentally sustainable forestry including FSC certified plantation forestry, sustainable forest management, afforestation or reforestation, preservation or restoration of natural landscapes and carbon sequestration 	  
Clean transportation	Low Carbon Transport Shipping	<ul style="list-style-type: none"> Energy efficient public transport including conversion of fossil fueled fleets to fully electric or hybrid Most fully electric, hydrogen, or other zero-direct emissions transport - including private vehicles, passenger trains, urban subway/metro, trams, and their directly supporting infrastructure including electric charging and hydrogen fueling infrastructure Public walking and bicycle infrastructure Dedicated manufacturing facilities and supporting infrastructure for the above Cargo ships, passenger ships and ferries using low GHG (e.g. hydrogen, ammonia, batteries or high % biofuel) or hybrid fuel sources that deliver substantial reductions in GHG emissions intensity and improvements in energy efficiency 	 

GBP Eligible Green Project Categories	CBS Sector Criteria	Eligible Green Project Examples	UN SDG Alignment
Green buildings	Buildings	<ul style="list-style-type: none"> Commercial buildings with a minimum NABERS Energy 5 star, 5 star Green Star rating or equivalent best practice certification for environmental performance, or that fall within the top 15% by carbon emissions performance in that city Residential buildings that represent the top 15% by carbon emissions performance in that city, or that meet the minimum capacity solar PV installation required by the Climate Bonds Standard Australian residential rooftop solar proxies defined by postcode. Property upgrades that result in at least 30% improvement in energy efficiency 	 
Sustainable water and wastewater management	Water infrastructure	<ul style="list-style-type: none"> Sustainable and resilient infrastructure for clean and/or drinking water, including desalination plants, water distribution and storage Wastewater treatment and recycling Sustainable and resilient urban drainage systems and other forms of flooding mitigation Desalination plants with an average power intensity of energy to power of less than 100g CO2/kWh Flood defense systems Nature based solutions 	  

PROCESS FOR EVALUATION AND SELECTION OF ELIGIBLE PROJECTS AND ASSETS

A high-level overview of NAB’s processes for the selection of eligible projects and assets is set out below.

Project Identification and Tagging

All eligible green projects, assets or expenditures must meet one or both of the following:

- the eligibility requirements of the Climate Bonds Standard Sector Criteria; and
- alignment to the eligible project categories of the ICMA Green Bond Principles.

NAB has implemented processes for the identification, approval, tagging, tracking and reporting of lending for eligible green projects, assets and expenditures within NAB’s core systems. This requires the relevant originating business unit to assess the proposed green project for compliance with internally developed guidance for tagging of green loans.

This may require bankers to seek clarification on eligibility from NAB’s Sustainable Finance team, independent assurance provider(s) and/or the Climate Bonds Initiative certification team. Additionally, NAB’s Risk team conducts periodic review of asset eligibility.

Socially Responsible Investment (SRI) Forum

NAB has established a Socially Responsible Investment (SRI) Forum, with oversight of this Framework and NAB’s annual Green Bond reporting.

The NAB SRI Forum is made up of representatives from NAB Treasury, Risk and Corporate and Institutional Banking (Sustainable Finance) with other specialist support where required. Additional guidance may be provided by NAB’s independent assurance provider(s) and the Climate Bonds Initiative as required.

<p>Project Identification</p>	<ul style="list-style-type: none"> • Potential projects, assets and expenditures identified by NAB business units for tagging as eligible green projects.
<p>Review for Eligibility</p>	<ul style="list-style-type: none"> • Projects, assets and expenditures reviewed by business units for compliance with use of proceeds eligibility requirements of this Framework including alignment with the Green Bond Principles and where applicable with Climate Bonds Standard Sector Criteria. • Guidance on eligibility sought from NAB’s Sustainable Finance team, independent assurance provider(s) and certification team of the Climate Bonds Initiative if required.
<p>Oversight</p>	<ul style="list-style-type: none"> • NAB SRI Forum reviews new categories of projects, assets and expenditures for inclusion in the Green Bond portfolio. Risk conducts periodic second line review of asset eligibility and reporting processes and disclosures.
<p>Tracking & Reporting Established</p>	<ul style="list-style-type: none"> • Tracking and internal reporting of eligible projects, assets and expenditures implemented by NAB teams.
<p>Bond Issue</p>	<ul style="list-style-type: none"> • Where applicable, Climate Bonds Standard certification sought prior to issuance under Programmatic Climate Bonds Certification. • Issue of NAB Green Bonds.
<p>Annual Assurance & Reporting</p>	<ul style="list-style-type: none"> • Third party assurance completed on an annual basis, including annual programmatic verification for all Climate Bonds Standard certified NAB Green Bonds and review of ongoing alignment with Framework for all NAB Green Bonds. • Assurance report and NAB annual Green Bond Report published on NAB Capital and Funding website.

MANAGEMENT OF PROCEEDS

NAB has processes in place to monitor and report on the NAB Green Bond portfolio. Each NAB Green Bond has a unique identifier which is used in NAB's internal trading systems. NAB conducts a monthly verification to confirm that an amount equal to the net proceeds of all outstanding NAB Green Bonds has been fully allocated against eligible projects, assets and expenditures.

'Use of Proceeds' NAB Green Bonds

Under the Climate Bonds Standard, 'use of proceeds' Bonds are described as debt obligations with recourse to the issuer, with proceeds earmarked for nominated green projects and assets. NAB monitors the allocation of proceeds from 'use of proceeds' NAB Green Bonds on an aggregated basis, including those 'use of proceeds' NAB Green Bonds already issued.

NAB will only allocate proceeds from Climate Bonds Standard certified NAB Green Bonds against projects which meet Climate Bonds Standard Sector Criteria eligibility.

NAB monitors the portfolio by maintaining an internal register of lending to NAB Green Bond eligible projects, assets and expenditures and tracks the funds drawn against eligible facilities. The register is updated as facilities are drawn and originated and reported internally monthly.

The NAB Green Bond portfolio may be replenished as underlying loans are repaid and additional eligible projects, assets and expenditures are identified.

Eligible projects, assets and expenditures will be removed or substituted from the NAB Green Bond portfolio if they are found to no longer meet the eligibility requirements of this Framework.

NAB intends that an amount equivalent to the net proceeds of all 'use of proceeds' NAB Green Bonds have been allocated to eligible projects or assets within 24 months of issue.

Unallocated Proceeds

Where full allocation of the net proceeds of a 'use of proceeds' NAB Green Bond is not achieved within 24 months of issuance (or where there is a subsequent shortfall), the surplus funds will either be invested in:

- a) other Climate Bonds Standard eligible projects, assets and expenditures not otherwise nominated for inclusion within the current NAB Green Bond portfolios; or
- b) temporary investments that:
 - are cash, or cash equivalent instruments within a Treasury function; or
 - do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.

Secured funding Instruments

NAB will separately monitor and report on the allocation of proceeds from the issue of securitised NAB Green Bonds or other funding instruments where proceeds are allocated against unique closed pools of eligible projects or assets.

REPORTING

NAB will publish an annual NAB Green Bond Report, which will contain details of allocation of proceeds, environmental impact and eligibility in respect of then outstanding NAB Green Bonds. annual NAB Green Bond Reports may include:

- Net proceeds raised from each NAB Green Bond.
- NAB Green Bond proceeds allocated against each NAB Green Bond eligible category identified within the Framework.
- Information regarding eligible projects, assets and expenditures (either in aggregate or individually) included within the NAB Green Bond portfolio.
- Where possible, estimated qualitative and/or quantitative environmental impact reporting measures for eligible projects, assets and expenditures within the NAB Green Bond portfolio, including disclosure of assumptions and methodologies used in impact reporting. Appendix 1 sets out potential impact reporting indicators that may be provided.
- Any unallocated NAB Green Bond proceeds and details of any temporary investments.
- Confirmation that the use of proceeds from NAB Green Bonds complies with the Framework and, where applicable, all Climate Bonds Standard certified NAB Green Bonds meet the requirements for certification under the Climate Bonds Standard.

Disclosure of information related to projects, assets and expenditures financed or re-financed by NAB Green Bond proceeds will be made subject to NAB's confidentiality obligations and the availability of information.

In preparing the annual NAB Green Bond Report, NAB will refer to the guidelines for impact reporting set out in the ICMA Green Bond Principles, as amended from time to time, and the reference framework [Harmonised Framework for Impact Reporting](#) dated June 2021, and other green bond impact reporting guidelines and standards as they develop over time.

EXTERNAL REVIEW AND ASSURANCE

NAB has obtained a second party opinion from DNV GL Business Assurance Australia Pty. Ltd. ('DNV GL') to confirm that this updated Framework aligns with the ICMA Green Bond Principles and with the Climate Bonds Standard specific requirements for green bond frameworks.

Following NAB's first issuance under the Programmatic Climate Bonds Standard Certification in June 2018, DNV GL completed a post-issuance assurance review.

On an annual basis, NAB will retain a verification agent, to provide assurance that:

- Each outstanding NAB Green Bond remains in compliance with this Framework;
- Where applicable, that the NAB Green Bonds remain in compliance with the post-issuance requirements of the Climate Bonds Standard; and
- The portfolio of eligible projects, assets and expenditures aligns with this Framework, the eligible categories of the ICMA Green Bond Principles and the relevant Climate Bonds Standard Sector Criteria.

The verification agent will issue an annual Verification Statement which will be published together with NAB's annual Green Bond Report.

As at publication date, NAB has retained DNV GL as the independent verification agent for the NAB Green Bonds.

NAB's annual Green Bond Report and verification statement will be made publicly available on the [NAB Capital & Funding](#) website.

APPENDIX 1

Impact Reporting

NAB will look to implement developing market practice for green bond impact reporting, including the ICMA Green Bond Principles guidelines set out in the June 2021 [‘Harmonised Framework for Impact Reporting’](#), subject to the availability of information and confidentiality requirements. Examples of potential impact reporting indicators are summarised below.

GBP Eligible Categories	Potential Impact Reporting Indicators
Renewable energy	<ul style="list-style-type: none"> Renewable generation capacity (MW) Annual renewable energy generation (MWh) Annual GHG emissions avoided (tonnes CO₂ equivalent) Location/type of renewable generation Capacity of renewable energy plants to be served by transmission systems (MW)
Clean transportation	<ul style="list-style-type: none"> Kilometres of new electrified train lines created Number of passengers transported Avoided GHG emissions (tonnes CO₂ equivalent) Estimated reduction in car usage
Green buildings	<ul style="list-style-type: none"> Location and summary data relating to eligible buildings financed that meet Climate Bonds certification requirements Portfolio average of National Australian Built Environment Rating System (‘NABERS’) Energy ratings Portfolio average of Green Building Council of Australia (‘GBCA’) Green Star ratings Annual portfolio GHG emissions avoided (tonnes CO₂ equivalent)
Energy efficiency	<ul style="list-style-type: none"> Energy saved per year (MWh/year) Energy efficiency improvement (%) Annual GHG emissions avoided (tonnes CO₂ equivalent) Number of people who benefitted
Pollution Prevention & Control	<ul style="list-style-type: none"> Annual absolute amount of waste that is prevented, minimized or recycled (tonnes or %) Annual energy generation from non-recyclable waste in energy efficient waste to energy (MWh) Annual absolute amount of waste that is separated and/or collected, and treated (including composted) or disposed of (tonnes or % of total waste)
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Estimated CO₂ equivalent emissions sequestered through sustainable agriculture Total area of Forest Stewardship Council (‘FSC’) accredited sustainable forestry financed Increase of area under certified land management (km²) Number of seedlings planted
Sustainable water and wastewater management	<ul style="list-style-type: none"> Annual reduction in water use (%) Annual absolute (gross) amount of wastewater treated, re-used or avoided (m³ or %) Number of people with access to clean drinking water through infrastructure supporting sustainable and efficient water use (or annual volume of clean drinking water in m³) Number of people with access to improved sanitation facilities under the project Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods or droughts

CONTACT US

NAB seeks to implement evolving market practice in relation to our NAB Green Bond issuance and reporting.

NAB welcomes feedback from our investors, other stakeholders and market participants.

Please email your queries and comments to: **NAB Debt Investor Relations** at debtinvestorrelations@nab.com.au

DISCLAIMER

This document includes general background information about the activities of NAB and is current as at the date of this document, 29th April 2022 (unless otherwise stated herein). It is information in a summary form and does not purport to be complete.

This document does not constitute an offer or invitation for the sale or purchase of securities, nor does it form part of any prospectus or offering document relating to any securities of NAB. Distribution of this document may be restricted or prohibited by law. Recipients are required to inform themselves of, and comply with, all such restrictions or prohibitions. To the extent permitted by law, none of NAB or its related entities, nor any of their respective employees or any other person accepts any liability for any claim in respect of anything, and of the consequences of anything, done or omitted to be done by any person acting in reliance, whether wholly or partially, upon the information in this document.

Anyone proposing to rely on or use the information in this document should independently verify and check the currency and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts. Certain information in this document may (i) have been sourced from third parties and/or (ii) be cross referenced in this document. NAB takes no responsibility for the accuracy, currency or completeness of such information.

This document contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “outlook”, “upside”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Such statements speak only as of the date hereof, and NAB has no obligation to update or revise any such statements to reflect any change in events, conditions or circumstances on which any such statement is based. There can be no assurance that actual outcomes will not differ materially from these statements. Readers are cautioned not to place undue reliance on these statements.