



WHEN TRUST MATTERS



NATIONAL AUSTRALIA BANK GREEN BOND FRAMEWORK



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This statement is valid until the Framework provided in April 2022 remains unchanged.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.dnv.com)

DNV'S INDEPENDENT ASSESSMENT

Scope and Objectives

National Australia Bank (NAB) is now one of the four largest financial institutions in Australia. Long-term sustainability has become a key pillar of NAB's business strategy.

NAB is aligning its business to help achieve the temperature goals of the Paris Agreement and supporting a just transition to a net zero emissions economy by 2050.

NAB refreshed its climate change strategy in 2021. NAB's updated climate strategy 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

This is supported by:

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

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 of the Collective Commitment to Climate Action and recognises the important role banks play in achieving the goals of the Paris Agreement.

NAB has developed the Green Bond Framework (the "Framework") under which it intends to issue green bonds. The Framework is an update to the May 2018 NAB SDG Green Bond Framework, under which NAB has previously issued several Climate Bond certified green bonds, for which DNV has provided pre-issuance and post-issuance verification confirming compliance with the requirements of the Climate Bonds Standard.

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 Sustainable Development Goals (SDGs).

DNV Business Assurance Australia Ltd. ("DNV") has been commissioned by NAB to review the Framework and provide a Second Party Opinion on the Framework in relation to alignment with Green Bond Principles 2021 (GBP)² published by the International Capital Market Association ("ICMA") and alignment with the Climate Bonds Standard Version 3.0 (CBS)³ specific requirements for green bond frameworks.

No assurance is provided regarding the financial performance of instruments issued via NAB's Framework, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

³ <https://www.climatebonds.net/climate-bonds-standard-v3>

Responsibilities of the Management of NAB and DNV

The management of NAB has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform NAB management and other interested stakeholders in the Framework as to whether the Framework is aligned with the GBP and CBS' requirements for green bond frameworks. In our work we have relied on the information and the facts presented to us by NAB. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by NAB's management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our assessment methodology to create the NAB-specific Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four core components:

1. Use of Proceeds

The Use of Proceeds criteria are guided by the requirement that an issuer of a bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental and social benefits.

2. Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds and outline any impact objectives it will consider.

3. Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a bond should be tracked within the organization, that separate portfolios should be created when necessary and that a declaration is made of how unallocated funds will be handled.

4. Reporting

The Reporting criteria are guided by the recommendation that at least annual reporting should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by NAB in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 3 to this Assessment;
- Assessment of documentary evidence provided by NAB on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by NAB and NAB's website;
- Discussions with NAB's management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's findings are listed below:

1. 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 requirements of the Climate Bonds Standard Sector Criteria and/or align to the eligible project categories of the ICMA Green Bond Principles 2021. The Framework defines the following eligible project categories.

Eligible Green Project Categories

- Renewable Energy
- Energy Efficiency
- Pollution Prevention and Control
- Environmentally Sustainable Management of Living Natural Resources and Land Use
- Clean Transportation
- Green Buildings
- Sustainable Water and Wastewater Management

DNV undertook an analysis of the associated project type to determine the eligibility as "Green" in line with the GBP. NAB has provided tables mapping its Eligible Green Categories with the United Nations Sustainable Development Goals ("UN SDGs"). The outlined types of project within each category and associated selection criteria is provided in the Framework in order to determine eligibility.

DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the GBP and that NAB's proposed use of proceeds is aligned with the GBP.

2. Process for Project Evaluation and Selection

The Framework describes the process for project evaluation and selection. The Framework states that NAB has within its core systems processes for the identification, approval, tagging, tracking, and reporting of lending for eligible green projects, assets and expenditures. The Framework also states that NAB has established a Socially Responsible Investment (SRI) Forum, which has oversight of the NAB Green Bond Framework and NAB's Annual Green Bond Reporting. The SRI Bond Forum is made up of representatives from NAB Treasury, Risk and Corporate and Institutional Banking (Sustainable Finance) teams.

DNV concludes that NAB's Framework appropriately describes the process of project evaluation and selection and is aligned with the GBP.

3. Management of Proceeds

The Framework states that NAB monitors the portfolio through the maintenance of 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. NAB also expresses its plan regarding use of unallocated proceeds by stating in the Framework that where full allocation is not achieved within 24 months of issuance, the surplus funds will either be invested in other CBS eligible projects not otherwise nominated for inclusion within current NAB Green Bond portfolios; or temporary investments including cash or cash equivalent instruments within a treasury function. The Framework excludes unallocated funds being temporarily invested in greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.

DNV has reviewed the evidence presented and can confirm that the proceeds arising from the future issuances will be appropriately managed and is aligned with the GBP.

4. Reporting

NAB intends to publish an "Annual NAB Green Bond Report", containing details of allocation of proceeds, impact and eligibility in respect of all then outstanding NAB Green Bonds.

NAB's Green Bond reporting will include;

- Net proceeds raised from each NAB Green Bond;
- Proceeds allocated against each NAB Green Bond eligible category identified within the Framework;
- Information on eligible projects, assets and expenditures (either in aggregate or individually) included within the NAB Green Bond eligible portfolio;
- Where possible, estimated qualitative and/or quantitative environmental impact reporting measures for eligible projects, assets and expenditures within the NAB Green Bond eligible portfolio;
- Any unallocated NAB Green Bond proceeds and details of any temporary investments; and
- Confirmation that the use of proceeds from NAB Green Bonds is in compliance with the Framework and, where applicable, the Climate Bonds Standard.

NAB's disclosure of information within annual reporting will be subject to confidentiality and availability of such information as outlined within the Framework.

DNV concludes that NAB's reporting is also aligned with the GBP

On the basis of the information provided by NAB and the work undertaken, it is DNV's opinion that the NAB's Green Bond Framework meets the criteria established in the Protocol, is aligned with the GBP and with the CBS specific requirements for green bond frameworks.

for DNV Business Assurance Australia Ltd.

Sydney, Australia / 22 April 2022



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Schedule 1. Description of Categories to be financed or refinanced through NAB's Green Bond Framework

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
Renewable Energy	<ul style="list-style-type: none"> • Solar Energy - Onshore solar electricity and solar thermal generation facilities. • Wind Energy - Onshore wind generation facilities. • Marine Renewable Energy - Offshore wind and solar, wave power and tidal power generation. • Geothermal Energy -Geothermal electricity generation facilities with direct emissions less than 100gCO₂/kWh and geothermal projects that have been reviewed and registered under the Clean Development Mechanism. • Bioenergy - Facilities producing biomass/biofuel, heating/cooling and co-generation facilities using biofuel/biomass and bio-refinery facilities. • Hydropower - 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. • Electrical Grids and Storage - 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 	<ul style="list-style-type: none"> • Solar Power (PV and Solar Thermal): are automatically eligible under the Climate Bonds Standard and are considered to be a source of renewable energy by DNV, resulting in GHG mitigation benefits. • Wind Power: Wind Power is automatically eligible under the Climate Bonds Standard and is considered to be a source of renewable energy by DNV, resulting in GHG mitigation benefits. • Marine Energy (offshore Wind and Solar): Marine Energy is eligible under the Climate Bonds Standard and is considered to be a source of renewable energy by DNV, resulting in GHG mitigation benefits. • Geothermal: Geothermal energy in compliance with the Climate Bonds Standard Geothermal Criteria is confirmed by DNV as being a source of renewable energy and offering GHG mitigation benefits. • Bioenergy (biomass/biofuel): Bioenergy facilities in compliance with the Climate Bonds Standard Geothermal Criteria is confirmed by DNV as being a source of renewable energy and offering GHG mitigation benefits. • Hydropower: DNV considers the selection of hydropower projects such as 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 to qualify as renewable energy projects and to present GHG mitigation benefits. • Electrical Grids and Storage: The proposed grid and storage use of proceeds for R&D related to renewables and storage, T&D related to renewables, distribution management, distribution assets, ICT for smart grids and electrical storage are considered to be aligned with the category of renewable energy and present GHG mitigation and energy efficiency benefits.

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
	<ul style="list-style-type: none"> - 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 	
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 	<p>The investment in measures and assets to achieve energy efficiency is well aligned with the category of Energy Efficiency in the Green Bond Principles and presents benefits associated with GHG mitigation.</p>
Pollution Prevention and Control	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • DNV considers that the described projects such as recycling of materials or reuse of materials are compatible with the 2-degree reduction trajectory in the Climate Bonds Taxonomy and therefore conducive to pollution and prevention control. • In particular, as for recycling of organic waste, the Framework applies anaerobic digestion (composting) in the Climate Bonds Taxonomy which deals with production of biogases from green waste. It is DNV's opinion that the relevant criterion is accurately adopted for ensuring the project's eligibility.
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Agriculture <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. • Forestry, Land Conservation & Restoration <ul style="list-style-type: none"> - Environmentally sustainable forestry including FSC certified plantation forestry, sustainable forest management, afforestation or reforestation, preservation or restoration of natural landscapes and carbon sequestration. 	<ul style="list-style-type: none"> • DNV considers the project categories outlined in the Framework to be suitably ambitious in contributing to significant carbon sequestration, namely crop and livestock production, and to be compatible with the Climate Bonds Taxonomy. • DNV considers the described projects such as plantations and natural forests, land remediation and clean up, natural ecosystem land (managed and unmanaged) to be compatible with the commercial forestry and natural ecosystem protection & restoration criteria of the Climate Bonds Taxonomy.
Clean Transportation	<ul style="list-style-type: none"> • Low Carbon Transport <ul style="list-style-type: none"> - Energy efficient public transport including conversion of fossil 	<ul style="list-style-type: none"> • It is DNV's opinion that the Framework appropriately presents individual criteria for public and non-public transportation for passengers, in accordance with the Climate Bonds Taxonomy.

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
	<p>fueled fleets to fully electric or hybrid.</p> <p>-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.</p> <p>-Public walking and bicycle infrastructure.</p> <p>-Dedicated manufacturing facilities and supporting infrastructure for the above.</p> <ul style="list-style-type: none"> Shipping <ul style="list-style-type: none"> - 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. 	<p>DNV also considers positively that carefully managed investment according to each criterion leads to better environmental outcomes.</p> <ul style="list-style-type: none"> For road freight, DNV notes it is a particularly challenging area of transport to decarbonise compared to other areas of transport, the Climate Bonds Taxonomy only allows for vehicles with no direct emissions (electric or hydrogen). The Framework also follows this guideline accurately. Dedicated manufacturing facilities for key components such as batteries being used in eligible vehicles are compliant with the Climate Bonds Taxonomy. It is DNV's opinion that the Framework accurately describes technical criteria for shipping that complies with the Climate Bonds Taxonomy and presents energy efficiency and GHG mitigation benefits.
Green Buildings	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> DNV finds that the Framework accurately describes buildings projects with emissions footprints that are well aligned with the Climate Bonds Taxonomy and may be expected to result in energy efficiency and GHG mitigation benefits.
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> DNV considers that the stated projects contribute to sustainable water and wastewater management, which is regarded as one of key pillars in the GBP in order to promote sustainability. Provision of clean and/or drinking water: The Framework presents eligibility criteria according to the CBI Taxonomy. Wastewater treatment: The Framework presents eligibility criteria according to the CBI Taxonomy. Water desalination: The Framework presents eligibility criteria according to the CBI Taxonomy.

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
	<ul style="list-style-type: none"> - Flood defense systems. - Nature based solutions. 	<ul style="list-style-type: none"> • Flood defense systems: The Framework presents impact reporting indicators that align with the CBI Taxonomy sector criteria. • DNV considers that the nominated water and wastewater management project and asset types provide both GHG mitigation and adaptation and resilience benefits.

Schedule 2. Contributions to UN SDGs

Eligible Project Categories	UN SDGs	DNV Findings
Renewable Energy	SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation and Infrastructure	DNV is of the opinion that eligible categories outlined in the Framework contribute to the achievement of the UN SDGs.
Energy Efficiency	SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation and Infrastructure SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production	
Pollution Prevention and Control	SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production	
Environmentally Sustainable Management of Living Natural Resources and Land Use	SDG 2: Zero Hunger SDG 12: Responsible Consumption and Production SDG 15: Life on Land	
Clean Transportation	SDG 9: Industry, Innovation and Infrastructure SDG 11: Sustainable Cities and Communities	
Green Buildings	SDG 7: Affordable and Clean Energy SDG 11: Sustainable Cities and Communities	
Sustainable Water and Wastewater Management	SDG 6: Clean Water and Sanitation SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production	

Schedule 3. Eligibility Assessment Protocol

1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings
1a	Type of bond / loan	<p>The Bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> Green Use of Proceeds Bond Green Use of Proceeds Revenue Bond Green Project Bond Green Securitized Bond Loan instrument made available for Green project (Green use of loan proceeds) 	<p>The NAB's Green Bond Framework clearly describes green bonds. NAB also clarifies that the Framework has been developed based on the most up-to-date principles including the Green Bond Principles (GBP) of 2021.</p> <p>From the Framework</p> <p><i>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:</i></p> <ul style="list-style-type: none"> the Climate Bonds Standard V3.0 ('CBS') of the <i>Climate Bonds Initiative</i>; and the International Capital Markets Association (ICMA) Green Bond Principles (June 2021) ('GBP'). <p>(the 'NAB Green Bonds').</p>
1b	Green Project Categories	<p>The cornerstones of Green Bonds are the utilization of the proceeds of the bond and the loan which should be appropriately described in the legal documentation for the security.</p>	<p>Eligible project categories presented by NAB are as follows:</p> <p>Green Categories</p> <ul style="list-style-type: none"> Renewable Energy Energy Efficiency Pollution Prevention and Control Environmentally Sustainable Management of Living Natural Resources and Land Use Clean Transportation Green Buildings Sustainable Water and Wastewater Management <p>DNV views these categories as being well aligned with the GBP.</p>
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.</p>	<p>DNV considers it is well described in the section by selecting environmentally beneficial projects from the start, which is closely aligned with Climate Bond Initiative, or any other relevant international standards, reinforced later by quantitative indicators in the Impact Reporting.</p>
1d	Refinancing Share	<p>In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced.</p>	<p>The Framework confirms that relevant details including projects, assets and expenditures in the NAB Green Bond Portfolio will be provided in NAB's Annual Green Bond Reports. Refinancing share may be reported by NAB to stakeholders where reporting requirements exist or at NAB's discretion.</p> <p>From the Framework</p> <p><i>The amount equivalent to the 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.</i></p> <p><i>Relevant details of projects, assets and other expenditures included in the NAB Green Bond portfolio will be provided in NAB's Annual Green Bond Reports, subject to confidentiality obligations and availability of information.</i></p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	<p>The Issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles The criteria making the projects eligible for using the Green Bond proceeds; and The environmental sustainability objectives. 	<p>The Framework outlines a step-by-step procedure that NAB will use to identify eligible projects.</p> <p>The Framework also outlines that eligible green projects, assets, or expenditures must meet the eligibility requirements of the Climate Bonds Standard (CBS) or be aligned to the eligible project categories of the GBP.</p> <p>DNV notes that NAB has established a Socially Responsible Investment (SRI) Forum, with oversight of the Framework and NAB's Annual Green Bond reporting. The SRI Forum includes representatives from NAB Treasury, Risk and Corporate and Institutional Banking.</p> <p>From the Framework <i>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 (CBI) certification team. Additionally, NAB's Risk team conducts periodic review of asset eligibility.</i></p>
2b	Issuer's environmental and social and governance framework	<p>In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.</p>	<p>NAB is aligning its business to help achieve the temperature goals of the Paris Agreement and supporting a just transition to a net zero emissions economy by 2050. This includes working with NAB's customers to achieve NAB's goal of aligning its lending portfolio to net zero emissions by 2050. NAB also joined the Net Zero Banking Alliance (NZBA), an industry-led initiative convened by the UN Environment Programme Finance Initiative, in 2021. The goal of this alliance is to combine near-term action with accountability and requires banks to set interim decarbonisation targets for 2030 or sooner.</p> <p>DNV finds that these organisational principles and industry alliances provide assurance to Green Bond investors seeking information on the ESG of the Green Bond issuer.</p>

3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
3a	Tracking procedure	<p>The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Green Projects.</p>	<p>The evidence reviewed shows how NAB plans to trace the Green Bond proceeds from new issuances and outstanding issuances, in accordance with the evaluation and selection process presented.</p> <p>From the Framework <i>NAB has processes in place to monitor and report on the NAB Green Bond portfolio. NAB conducts a monthly verification to confirm that the net proceeds of all outstanding NAB Green Bonds have been fully allocated against eligible projects, assets and expenditures. Each NAB Green Bond has a unique identifier which is used in NAB's internal trading systems.</i></p>

Ref.	Criteria	Requirements	DNV Findings
			<p>The Framework describes NAB's monitoring of the portfolio through an internal register of lending which will track the funds drawn against eligible facilities which will be updated as facilities are drawn.</p> <p>DNV considers these systems to be well aligned with the GBP and relevant standards.</p>
3b	Tracking procedure	So long as the Green Bond is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>NAB commits to monitor the allocation of net proceeds and also track the net proceeds through its internal records.</p> <p>From the Framework</p> <p><i>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 on a monthly basis.</i></p> <p>In the Management of Proceeds section of the Framework it is appropriately described how NAB intends to track and trace the balance of proceeds for both outstanding issuances and allocations to eligible projects and assets.</p>
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>NAB commits to allocating an amount equivalent to the net proceeds of all 'use of proceeds' Green Bonds to eligible projects or assets within 24 months of issue.</p> <p>DNV notes that where full allocation of the net proceeds of a 'use of proceeds' NAB Green Bond is not achieved within 24 months of issuance, surplus funds will be dealt with in a way that satisfies the requirements of the GBP and relevant standards.</p> <p>From the Framework</p> <p><i>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:</i></p> <ol style="list-style-type: none"> a) <i>other Climate Bonds Standard eligible projects, assets and expenditures not otherwise nominated for inclusion within the current NAB Green Bond portfolios; or</i> b) <i>temporary investments that:</i> <ul style="list-style-type: none"> • <i>are cash, or cash equivalent instruments within a Treasury function; or</i> <p><i>do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.</i></p>

4. Reporting

Ref.	Criteria	Requirements	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green	<p>The relevant information is appropriately described in the Framework as follows:</p> <p>From the Framework</p> <p><i>Annual NAB Green Bond Reports may include:</i></p> <ul style="list-style-type: none"> • <i>Net proceeds raised from each NAB Green Bond;</i>

Ref.	Criteria	Requirements	DNV Findings
		<p>Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally and social sustainable impact.</p>	<ul style="list-style-type: none"> • <i>NAB Green Bond proceeds allocated against each NAB Green Bond eligible category identified within the Framework;</i> • <i>Information regarding eligible projects, assets and expenditures (either in aggregate or individually) included within the NAB Green Bond eligible portfolio;</i> • <i>Estimated qualitative and/or quantitative environmental impact reporting measures for eligible projects, assets and expenditures within the NAB Green Bond eligible portfolio, including disclosure of assumptions and methodologies used in impact reporting. Appendix 1 sets out potential impact reporting indicators that may be provided;</i> • <i>Any unallocated NAB Green Bond proceeds and details of any temporary investments; and</i> • <i>Confirmation that the use of proceeds from NAB Green Bonds is in compliance with the Framework and, where applicable, all Climate Bonds Standard certified NAB Green Bonds meet the requirements for certification under the Climate Bonds Standard</i> <p>DNV finds this to be well aligned with the GBP and relevant standards.</p>

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- 1. Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- 2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- 3. Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4. Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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