NAB SDG GREEN BOND Framework
PURPOSE

This document (the ‘Framework’) relates to issuances by National Australia Bank Limited ABN 12 004 044 937 (‘NAB’) or its related entities of ‘green’ instruments recognised under the Climate Bonds Standard of the Climate Bonds Initiative (‘NAB SDG Green Bonds’). The Framework applies to all future issuances of NAB SDG Green Bonds which will seek Programmatic Certification under the Climate Bonds Standard.

NAB SDG Green Bonds may include instruments such as use of proceeds bonds (senior unsecured or subordinated), securitised bonds (asset-backed and residential mortgage-backed securities (ABS and RMBS, respectively)), project bonds, loans (syndicated, bilateral or loan facilities) or other instruments, as detailed within the Climate Bonds Standard and may be issued by NAB or its related entities.

This Framework is supported by NAB’s internal procedures, processes and controls.

The Framework has been developed to help NAB meet the requirements for Programmatic Certification under the Climate Bonds Standard (v2.1), which fully integrates the ICMA Green Bond Principles. The Framework also describes the manner in which NAB SDG Green Bonds support and contribute towards meeting the United Nations Sustainable Development Goals (‘SDGs’).

The Framework will be updated by NAB from time to time, as required.

This Framework describes the following areas:

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

NAB’s goal is to make a positive and lasting impact on the lives of our customers, people, shareholders, communities, and our environment. This is crucial to achieve our vision to become Australia and New Zealand’s most respected bank. We continue to develop products and services (such as NAB SDG Green Bonds) that deliver positive impacts on the lives of our customers, communities and the environment in which we operate.

NAB recognises that climate change is a significant risk and a major challenge for the global economy and society. We support the transition to a low carbon economy, consistent with the global agreement reached in Paris to limit global warming to less than 2 degrees above pre-industrial levels.

As a global provider of financial products and services, we seek to play a key role in financing the low carbon transition and green growth, in addition to responding to regulatory requirements. As Australia’s largest business bank, we are focused on actively helping our customers through this transition, by seeking to innovate across all of our key sectors and markets and supporting low carbon opportunities for our customers.

In September 2015, NAB announced its commitment to undertake environmental financing activities (including the issuance and arranging of green bonds) of A$18 billion by September 2022 to support the transition to a low carbon economy. In November 2017, NAB announced a significant increase to this environmental financing commitment from A$18 billion by 2022, to A$55 billion by 2025 (October 2015 – September 2025) which includes:

i. A$20 billion to support green infrastructure, capital markets and asset finance; and

ii. A$35 billion in new mortgage lending for 6 Star energy efficient residential housing in Australia.

In addition, NAB:

- has increased our commitment to source NAB’s Australian electricity needs from renewable energy from 10% by 2018, to 50% by 2025;
- has commenced a phased review of the NAB Group’s risk appetite for carbon intensive, low carbon and climate sensitive sectors;
- has committed to identifying, developing and implementing ways to improve disclosure on carbon risk exposure through collaboration with other financial institutions, both in Australia and internationally; and
- is participating in the United Nations Environment Programme Finance Initiative (‘UNEP-FI’) pilot of Recommendations of the Taskforce on Climate-related Financial Disclosures (‘TCFD’).

Our commitments have been integrated into NAB’s business strategy and further details on all of our climate change commitments can be found in NAB Group’s Sustainability Report.

NAB is committed to delivering business performance in such a way that contributes to positive social and environmental outcomes, and as a member of the United Nations Global Compact is committed to driving progress towards the SDGs, by doing business responsibly and pursuing opportunities to solve local and global societal challenges. We do this through our existing work, working towards improved transparency about how our business positively contributes to achieving the SDGs, through increasing collaboration and innovation to develop products and services which address local and global challenges, and through our membership and participation in a range of initiatives. These include:

- the 2016 ‘CEO Statement of Support’ outlining our commitment to the SDGs;
- the UN Global Compact and UN Global Compact Network Australia;
- the UNEP Finance Initiative;
- the Clean Energy Council;
- the Equator Principles;
- the Shared Value Initiative;
- the Natural Capital Finance Alliance; and
- supporting and implementing the recommendations of the Task Force on Climate-related Financial Disclosures (‘TCFD’).

NAB SDG Green Bonds are another means to drive progress towards the SDGs and provide an opportunity for investors to allocate capital towards projects that contribute towards the SDGs.

Further information on: (I) the initiatives NAB participates in, and (II) external assessments of NAB’s ESG performance, is available:

i. in the NAB Sustainability Report; and

ii. on the NAB Corporate Responsibility website.

---

1 Green growth describes a path of economic growth that uses natural resources in a sustainable manner.
2 Source: March 2018 APRA Monthly Ranking Statistics
USE OF PROCEEDS

NAB SDG Green Bond proceeds will be earmarked for financing, or refinancing, portfolios of projects and assets which meet eligibility requirements for certification under the Climate Bonds Standard, and also support and contribute towards meeting the SDGs as described below. Eligible categories and project types are identified within the Climate Bonds Taxonomy and are supported by sector criteria published by the Climate Bonds Initiative.

The NAB SDG Green Bond eligible categories, which will be expanded over time, currently include:
1. Energy;
2. Transport;
3. Low carbon buildings;
4. Energy efficiency; and

In order to identify projects and assets which support and contribute towards the SDGs, NAB has utilised guidance and resources published by the United Nations ("UN"), the United Nations Principles for Responsible Investment ("UNPRI") and the Sustainable Development Investments Taxonomies published by APG Groep NV ("APG").

<table>
<thead>
<tr>
<th>Eligible Categories</th>
<th>Eligible Projects</th>
<th>UN SDGs alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>• Wind &amp; solar energy generation&lt;br&gt;• Dedicated transmission and support infrastructure for wind and solar energy&lt;br&gt;• Energy distribution, management, control and storage systems for wind and solar energy</td>
<td>SDG 7. Affordable and Clean Energy&lt;br&gt;SDG 9. Industry, Innovation &amp; Infrastructure</td>
</tr>
<tr>
<td>Transport</td>
<td>• Electrified public transport including infrastructure, rolling stock and vehicles for electrified rail, trams, trolley buses and cable cars and buses with no direct emissions&lt;br&gt;• Electric and fuel cell vehicles, plus dedicated charging and alternative fuel infrastructure</td>
<td>SDG 9. Industry, Innovation &amp; Infrastructure&lt;br&gt;SDG 11. Sustainable Cities &amp; Communities</td>
</tr>
<tr>
<td>Low carbon buildings</td>
<td>• Commercial buildings&lt;br&gt;• Residential buildings&lt;br&gt;• Property upgrades</td>
<td>SDG 7. Affordable &amp; Clean Energy&lt;br&gt;SDG 11. Sustainable Cities &amp; Communities</td>
</tr>
<tr>
<td>Energy efficiency(^3)</td>
<td>• Energy efficiency products, appliances and equipment&lt;br&gt;• LED and efficient lighting&lt;br&gt;• Industrial and commercial energy efficiency</td>
<td>SDG 7. Affordable &amp; Clean Energy&lt;br&gt;SDG 9. Industry, Innovation &amp; Infrastructure&lt;br&gt;SDG 11. Sustainable Cities &amp; Communities&lt;br&gt;SDG 12. Responsible Consumption &amp; Production</td>
</tr>
<tr>
<td>Nature based assets(^3)</td>
<td>• Sustainable forestry (FSC certified)&lt;br&gt;• Sustainable agriculture</td>
<td>SDG 2. Zero Hunger&lt;br&gt;SDG 12. Responsible Consumption &amp; Production&lt;br&gt;SDG 15. Life on Land</td>
</tr>
</tbody>
</table>

\(^3\) Projects and assets for these Eligible Categories will only be earmarked against NAB SDG Green Bond proceeds once sector criteria are published and they become eligible for certification under the Climate Bonds Standard.
SELECTION OF ELIGIBLE PROJECTS AND ASSETS

NAB has established a NAB Socially Responsible Investment (SRI) Bond Committee, which allows representatives from different areas within NAB to provide input on NAB green, social and sustainability bond related matters. The NAB SRI Bond Committee has oversight of this Framework including the addition of new NAB SDG Green Bond eligible categories and the selection of eligible projects and assets. The NAB SRI Bond Committee is comprised of members drawn from Treasury (Group Funding) and Corporate Finance (Sustainable Capital Markets and Capital Markets & Advisory), with specialist support from teams in Clean Energy, Infrastructure & Utilities, Portfolio Customer & Insights, Sustainability Governance & Risk, Capital & Funding Legal and Social Innovation. Additional guidance is provided by NAB’s green bond assurance providers and the Climate Bonds Initiative ("CBI") as required.

| Project Identification | • Projects/assets for earmarking against NAB SDG Green Bonds proceeds identified by NAB Corporate Finance teams. |
| Review for Eligibility | • Projects reviewed for compliance with Framework, Climate Bonds Standard sector eligibility criteria and SDG alignment and contribution.  
• Guidance on eligibility sought from independent verifier and certification of the CBI if required. |
| Approval | • NAB SRI Bond Committee discusses/considers eligible categories, and eligible project/asset types to be included in the NAB SDG Green Bond portfolio. These categories and project/asset types are then ultimately approved for inclusion by Group Funding. |
| Tracking & Reporting Established | • Tracking and reporting on eligible projects and management of NAB SDG Green Bond proceeds established. |
| Pre-Issue Assurance Audit | • DNV GL completes pre-issuance assurance report and confirms compliance with Climate Bonds Standard certification requirements (for first issuance under Programmatic Climate Bonds Standard Certification – see External Review and Assurance for further detail). |
| Bond Issue | • NAB SDG Green Bond/s issued.  
• Climate Bond certification issued – see External Review and Assurance for further detail |
| Post-Issue Assurance | • DNV GL completes post-issuance assurance report (for first issuance under Programmatic Climate Bonds Standard Certification – see External Review and Assurance for further detail) |
| Annual Assurance & Reporting | • Annual NAB SDG Green Bond Report completed, including independent verification for all outstanding NAB SDG Green Bonds to confirm Climate Bonds Standard compliance and SDG alignment. |

The NAB SDG Green Bond portfolio of eligible projects may be replenished as underlying loans are repaid, non-compliant projects are removed and additional eligible projects/assets are identified and funded, or reallocated into the NAB SDG Green Bond portfolio. A high level overview of NAB’s processes for the selection of eligible projects and assets is set out below.
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 SDG Green Bond eligible portfolio and to internally verify on a monthly basis whether the net proceeds of all NAB SDG Green Bonds have been fully allocated against eligible projects/assets.

NAB intends to monitor the allocation of proceeds from issuances of ‘use of proceeds’ NAB SDG Green Bonds on an aggregated basis, including those ‘use of proceeds’ NAB Climate Bonds already issued. This involves the maintenance of a single common pool of eligible projects/assets, against which the proceeds from all ‘use of proceeds’ NAB SDG Green Bonds and NAB Climate Bonds will be collectively allocated. NAB will also separately monitor and report on the allocation of proceeds from issuances of each NAB SDG Green Bond in securitised or project bond format as these will each be earmarked against unique closed pools of eligible projects/assets.

Each NAB SDG Green Bond has, and will continue to have, an amount equal to the net proceeds of each bond issuance booked under a unique earmarked position, established for each NAB SDG Green Bond issuance within NAB’s internal trading systems. NAB has established an internal register of all NAB SDG Green Bond eligible projects earmarked against NAB SDG Green Bonds. This register is updated on a monthly basis. It identifies each eligible project/asset and tracks the funds drawn against each of these eligible projects/assets.

To meet the certification requirements of the Climate Bonds Standard, NAB will demonstrate that the net proceeds of all NAB SDG Green Bonds (other than securitised bond or project bond format NAB SDG Green Bonds) have been allocated to eligible projects/assets within 24 months of the issuance date of each NAB SDG Green Bond. This will be validated by way of monthly internal reporting.

Where full allocation of the net proceeds of a ‘use of proceeds’ NAB SDG Green Bond is not achieved within 24 months of the relevant issuance date (or where such initial allocation is made, but there is a subsequent shortfall), NAB will demonstrate that either:

a) The surplus funds have been invested in other Climate Bonds Standard eligible projects and assets not otherwise nominated for inclusion within the current NAB SDG Green Bond portfolios; or

b) NAB has invested the surplus funds in 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.
**External Reporting**

NAB will publish an annual NAB SDG Green Bond Report, and an annual independent Verification Report by an appropriate external expert, for all outstanding NAB SDG Green Bonds. This reporting package will contain details which may include (but will not be limited to):

- Net proceeds raised from each NAB SDG Green Bond;
- Aggregate of funds drawn against each NAB SDG Green Bond eligible project portfolio;
- NAB SDG Green Bond proceeds allocated against each of the NAB SDG Green Bond eligible categories identified within the Framework;
- A list of each eligible project/asset included within the NAB SDG Green Bond eligible portfolios (other than for securitised bonds or project bonds);
- Where possible, qualitative and/or quantitative environmental impact reporting measures for the eligible projects/assets included within the NAB SDG Green Bond eligible portfolios, including disclosure of methodologies utilised in impact reporting;
- Any unallocated NAB SDG Green Bond proceeds and details of any temporary investments; and
- Confirmation that the use of proceeds of the NAB SDG Green Bonds is in compliance with the Framework and the requirements of the Climate Bonds Standard.

Disclosure of information related to the use of proceeds, impact reporting, borrowers and projects financed will be made subject to NAB’s confidentiality obligations and the availability of information. In preparing the Annual NAB SDG Green Bond Report, NAB will refer to the guidelines for impact reporting set out in the Green Bond Principles, as amended from time to time, and the reference framework ‘Green Bonds - Working towards a harmonized framework for impact reporting’ dated December 2015 as detailed further in Appendix 1 and Appendix 2, and other green bond impact reporting guidelines and standards as they develop over time.

The NAB SRI Bond Committee will review and approve each annual NAB SDG Green Bond Report prior to it being posted on the NAB Capital & Funding website.

**Internal Reporting**

NAB has established, and will maintain and update monthly, internal reporting which will include the following details on an aggregated basis:

a. the proceeds of each NAB SDG Green Bond issuance;

b. the drawn funding against eligible projects/assets included within the earmarked NAB SDG Green Bond portfolios; and

c. details of any unallocated NAB SDG Green Bond proceeds (other than for securitised bonds or project bonds).
EXTERNAL REVIEW AND ASSURANCE

NAB SDG Green Bonds will be certified by the CBI under the Climate Bonds Standard.

For all NAB SDG Green Bonds issued in the future, an independent verification agent will provide assurance that the eligible projects earmarked for inclusion in the portfolios of eligible projects/assets support and contribute towards meeting the SDGs as part of the annual verification update.

As at March 2018, NAB has retained DNV GL, as the independent verification agent for the NAB SDG Green Bonds.

On an annual basis NAB will retain an appropriate verification agent, or agents, to provide assurance over the annual NAB SDG Green Bond Report, including impact reporting and use of proceeds, and provide assurance that each outstanding NAB SDG Green Bond remains in compliance with this Framework and the post-issuance requirements of the Climate Bonds Standard. In connection with this annual verification update, the verification agent will issue an annual Verification Statement.

NAB’s annual NAB SDG Green Bond Report and annual updates of the Verification Statement/s will be made publicly available on the NAB Capital & Funding website.
APPENDIX 1

STANDARDS, GUIDANCE AND TAXONOMIES

1. Climate Bonds Standard:
   Taxonomy: http://www.climatebonds.net/standards/taxonomy
   Standards & Sector Criteria: https://www.climatebonds.net/standard/available

2. ICMA Green Bond Principles:

3. United Nations Sustainable Development Goals:
   UNPRI: https://www.unpri.org/about/sustainable-development-goals
   APG SDI Taxonomy: https://www.apg.nl/en/publication/SDI%20Taxonomies/918

4. Impact Reporting:
   ICMA Green Bond Principles Resource Centre
NAB will look to implement developing market practice for annual impact reporting, initially based on the guidelines set out in the December 2015 publication 'Green Bonds - Working Towards a Harmonised Framework for Impact Reporting', subject to the availability of information and confidentiality requirements. Potential impact reporting indicators are summarised below.

<table>
<thead>
<tr>
<th>Eligible Categories</th>
<th>Potential Impact Reporting Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>• Renewable generation capacity (kW)</td>
</tr>
<tr>
<td></td>
<td>• Annual renewable energy generation (MWh)</td>
</tr>
<tr>
<td></td>
<td>• Annual GHG emissions avoided (tonnes CO₂ equivalent)</td>
</tr>
<tr>
<td></td>
<td>• Location/type of renewable generation</td>
</tr>
<tr>
<td>Low Carbon Transport</td>
<td>• Km of new electrified train lines created</td>
</tr>
<tr>
<td></td>
<td>• Number of passengers transported</td>
</tr>
<tr>
<td></td>
<td>• Avoided GHG emissions (tonnes CO₂ equivalent)</td>
</tr>
<tr>
<td></td>
<td>• Estimated reduction in car usage</td>
</tr>
<tr>
<td>Low Carbon Buildings</td>
<td>• List of eligible buildings financed that meet Climate Bonds certification requirements</td>
</tr>
<tr>
<td></td>
<td>• National Australian Built Environment Rating System ('NABERS') Energy rating of eligible buildings</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>• Energy saved per year (kWh/year)</td>
</tr>
<tr>
<td></td>
<td>• Energy efficiency improvement (%)</td>
</tr>
<tr>
<td>Nature Based Assets</td>
<td>• Estimated CO₂ equivalent emissions sequestered through sustainable forestry</td>
</tr>
<tr>
<td></td>
<td>• Total area of Forest Stewardship Council ('FSC') accredited sustainable forestry financed</td>
</tr>
</tbody>
</table>
CONTACT US

Eva Zileli
Head of Group Funding
Group Treasury
National Australia Bank Limited
Phone: +61 3 8634 8219
Email: Eva.Zileli@nab.com.au

David Jenkins
Director, Sustainable Capital Markets
Corporate & Institutional Banking
National Australia Bank Limited
Phone: +61 2 9237 1120
Email: David.B.Jenkins@nab.com.au

Rosemary Bissett
Head of Sustainability Governance & Risk, Group Risk
National Australia Bank Limited
Phone: +61 3 8634 1505
Email: Rosemary_A_Bissett@national.com.au

DISCLAIMER

This document includes general background information about the activities of NAB and its controlled entities (together, the ‘NAB Group’) and is current as at the date of this document, 15th May 2018 (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 and NAB does not accept liability to any person in relation thereto.

While care has been taken in preparing the information in this document, NAB does not warrant or represent that such information is accurate, reliable, complete or current. Anyone proposing to rely on or use such information should independently verify and check the accuracy, completeness, reliability 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.