

SUMMARY: ENVIRONMENTAL FINANCING METHODOLOGY

more
than
money



Green commercial property¹

This category of environmental finance includes new financing or re-financing of commercial property within NAB's real estate investment trust (REIT) customer base. We include finance for properties which rank within the top 15% of energy efficiency based on NABERs ratings referenced to the Climate Bonds Initiative calculator hurdle rates. The amount of financing included for the respective REIT customer, where financing has occurred, is in proportion to the percentage of commercial property that sits within the top 15% of energy efficiency in the marketplace for the specific REITs portfolio.

Specialised, corporate and securitisation finance for projects that reduce emissions and assist with climate change adaptation and finance to other low carbon businesses

NAB's environmental finance commitment includes specialised lending, corporate and securitisation financing for various activities which are set out in the table below. This category also includes finance for low carbon businesses such as renewable energy retailers, providers of solar and energy storage systems and solar installers. Where only a proportion of the activities or assets funded are eligible, NAB only counts the proportion of funding provided that is attributable to the eligible activity or asset. If the lending is a syndicated facility NAB only counts our proportion.

All areas/sectors included in the table below:

Energy	Energy Efficiency	Transport	Water	Waste Management	Land-use	Adaptation Infrastructure
<ul style="list-style-type: none"> ✓ Renewables ✓ Electricity transmission and distribution for renewables ✓ Distribution/Management ✓ Products/technology that support smart grid ✓ Data centres using Renewable energy ✓ Energy Storage 	<ul style="list-style-type: none"> ✓ Green commercial/residential buildings ✓ Energy efficiency tech. & products ✓ Industrial retrofits 	<ul style="list-style-type: none"> ✓ Low-emission vehicles/efficient transport ✓ Electric vehicle infrastructure ✓ Cycling rental schemes & infrastructure ✓ Electric vehicle infrastructure 	<ul style="list-style-type: none"> ✓ Storm water adaptation Investments to deal with rainfall volatility ✓ Water treatment and recycling ✓ Waterway adaptation 	<ul style="list-style-type: none"> ✓ Waste-to-energy ✓ Waste water treatment and methane capture 	<ul style="list-style-type: none"> ✓ Sustainable Forestry and supply chains ✓ Sustainable Agriculture and supply chains 	<ul style="list-style-type: none"> ✓ Adapting infrastructure to increased heat stress ✓ Ports redevelopment to address sea level rise ✓ Storm surge protection ✓ Broadband

Asset finance

NAB's Energy Efficient Bonus (discounted lending facility) has been provided to customers seeking finance for energy efficient equipment in accordance with the Clean Energy Finance Corporation's "Approved Assets List" which sets out the environmental thresholds that the equipment must meet to qualify. The various asset classes included are: (i) vehicles, (ii) energy efficient equipment and lighting for buildings, industry and agriculture, (iii) fuel efficient tractors and headers, (iv) solar PV, and (v) batteries. All qualified lending under the Energy Efficient Bonus Scheme is eligible and included towards NAB's environmental financing target.

Green term deposits

Money deposited by customers into UBank's Green term deposits is allocated towards lending for projects and assets where activities are eligible under **NAB's SDG Green Bond Framework**. Examples include lending for renewable energy, low-carbon public transport, low-carbon buildings, energy efficiency and nature based assets which are eligible under the **Climate Bonds Taxonomy** and contribute to the sustainable development goals. Cumulative flow of new deposits written is included.

¹ Green commercial property was originally defined as a commercial building with a minimum 6-star certified NABERs rating. This methodology was changed in FY2019. The current methodology includes commercial property in the top 15% of NABERs ratings as defined by the Climate Bonds Initiative hurdle rates.

Green bonds funding

NAB, or NAB-related-entity issued green bond funding is included towards our environmental financing commitment where the underlying activity funded is eligible under NAB's **SDG Green Bond Framework**. If NAB is responsible for 100% of the issuance, then 100% of the bond issuance value is counted towards the environmental financing commitment. If NAB is arranging or managing the issuance for another non-NAB entity then we only allocate NAB's proportion towards the commitment. If NAB is a sole arranger of the issuance, we include the full issuance. Proceeds of green bonds issued by NAB are used for investments in renewable energy, low-carbon public transport, low-carbon buildings, energy efficiency and nature-based assets which are eligible under the **Climate Bonds Taxonomy** and contribute to the sustainable development goals.

Advisory, underwriting or arranging activities

NAB includes the value of financing and bond issuances where NAB is advising, arranging or underwriting provided that the activities meet the definitions of green financing as per NAB's **SDG Green Bond Framework**. If NAB is not the sole advisor, arranger or underwriter then we only include our proportion of the advisory, arranging or underwriting activity towards our environmental finance commitment.

6-Star Residential properties

Mortgages included towards our environmental financing commitment include new construction and major renovation of houses which rank within the top 15% of energy efficiency based on the National House Energy Rating Scheme (NatHERS) ratings. As a reference point, new construction and major renovation of houses undertaken from 1 October 2015 onwards which have a minimum 6-Star NatHERS (or equivalent) energy efficiency rating are estimated to be within the top 15% of the national housing stock in terms of energy efficiency. This includes residential financing provided for activities where the identified loan purpose is 'Construction' which typically includes new homes or major renovation activity where the borrower undertakes a progressive drawdown of the loan amount. To estimate the percentage of mortgages for houses with energy efficiency within the top 15% of national housing stock, total housing stock is calculated using Australian Bureau of Statistics census data and Housing Industry Association housing starts data.