national
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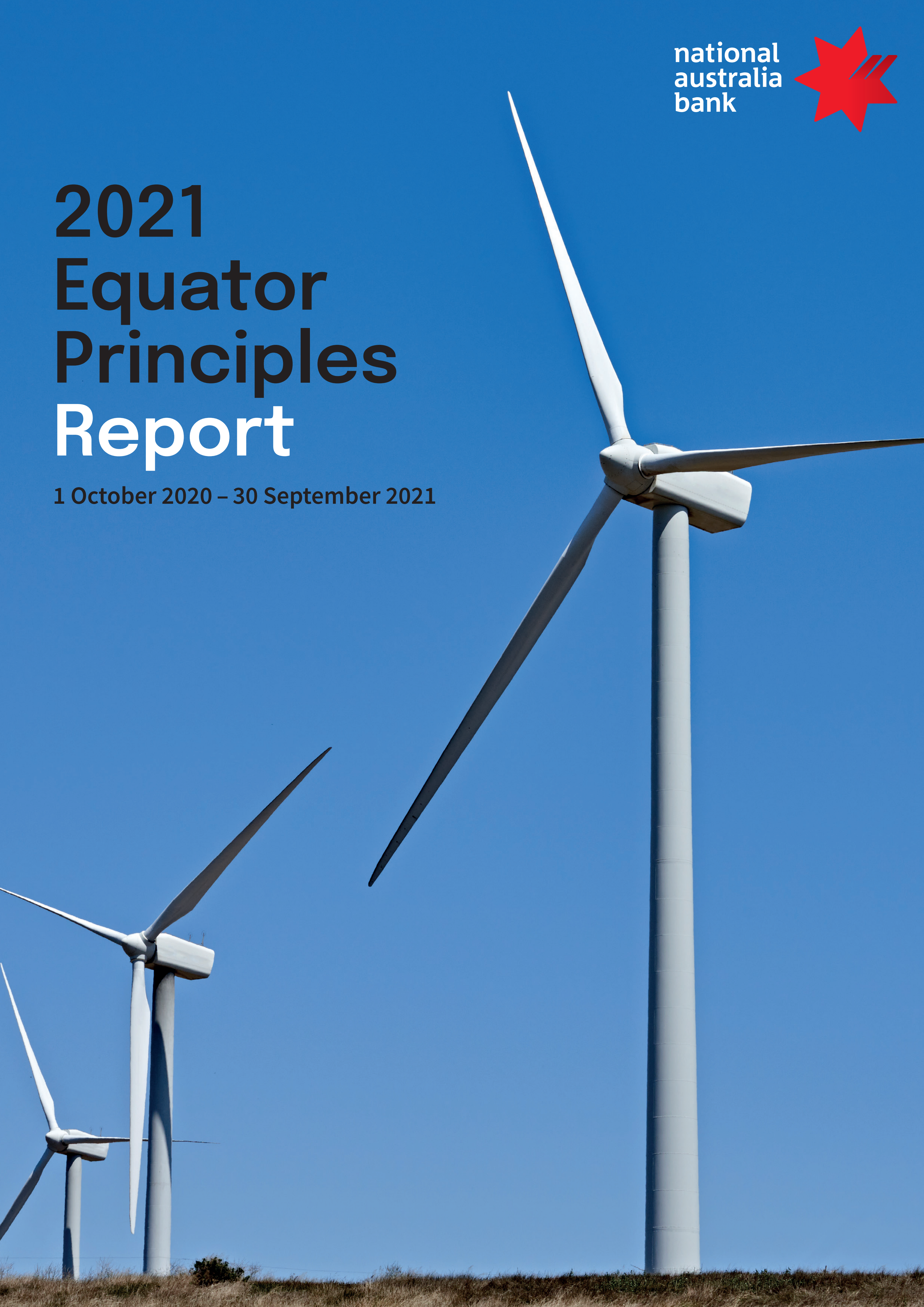
2021 Equator Principles Report

1 October 2020 – 30 September 2021



About NAB

National Australia Bank Limited ("NAB") is a financial services organisation that provides a comprehensive and integrated range of banking and financial products and services. NAB has operations based in Australia, New Zealand, the United Kingdom, North America and Asia.

NAB's financial year

NAB's financial year ("FY") is the reporting period commencing 1 October and ending 30 September. All data in this report is as at 30 September 2021 and for the 2021 FY ("FY2021").

About the Equator Principles

NAB became a signatory to the Equator Principles[1] ("EP") on 25 October 2007. NAB considers EP requirements when lending for specific projects.

NAB's project finance portfolio

Our future depends on acting now for the long term. We're here to serve customers well and help our communities prosper. As a major bank, our business touches almost all areas of the Australian and New Zealand economies. Our portfolio of project-related financing plays a big role in supporting Australia and New Zealand's growth.

Climate action is everyone's job. We need to be part of the solution and support our customers as they take action too. We are connected to many parts of the economy through our lending and other banking activities and have an important role to play in financing the low-carbon transition. Our current global portfolio of renewable energy projects represents a total generation capacity of 14,657 MW and we have arranged $11.5 billion worth of loans since 2003. As the number one Australian bank for global renewables transactions[2], we are helping our customers and community make the low-carbon transition.

In FY2021:

- Project finance represented around 1.99% of total Group Exposure at Default ("EAD")[3] at 30 September 2021. Of this lending, 98.4% of projects were in designated countries[4] and 1.6% were in non-designated countries.
- NAB closed 36 new project finance transactions, refinanced 21 existing deals, and removed 19 deals from its loan book.

Transactions can be declined at any stage in negotiation or due diligence. In 2021, three were declined specifically on the basis of social or environmental risks or issues.

Table 1: Total project finance portfolio: Transactions by EP Categories

EP category[5]	Number of projects	Projects as a % of total portfolio value
A	7	3
B	78	38
C	23	11
Pre-EP adoption (pre-2007)	7	3
Project finance post EPs III to which EPs do not apply	88	43
Total	**203**	**100**

Figure 1: Project finance portfolio by region as a % of total portfolio value (expressed as EaD as at 30 September 2021)

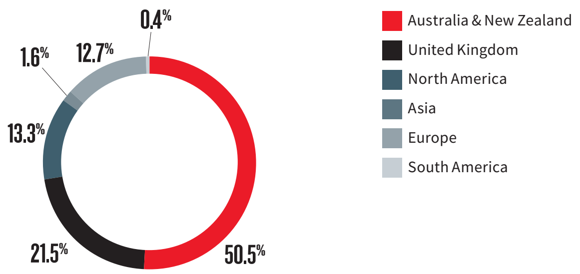
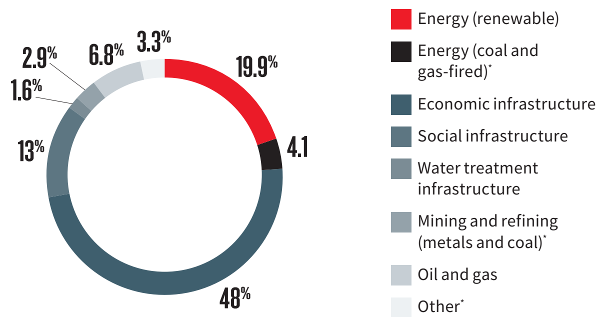


Figure 2: Project finance by sector as a percentage of total portfolio value (expressed as EaD as at 30 September 2021)



*As at 30 September 2021, Exposure at Default for Energy (coal and gas-fired) consisted of around 0.4% coal-gas co-generation and 3.6% gas-fired. Within mining and refining, coal mining is around 1.2% of EaD. Of the 4% that constitutes "Other", 0.4% is related to waste management.

The economic infrastructure segment of the project finance portfolio (as Exposure at Default) breaks down into the following key areas:

- Airports – 7%
- Communications, data and metering networks – 23%
- Pipelines & transmission assets – 10%
- Ports – 18%
- Rail – 7%
- Roads & tollways – 18%
- Terminals – 11%
- Other infrastructure – 6%

1 See http://www.equator-principles.com/ for more information, including the Equator Principles definition of project finance which is used by NAB and its subsidiaries (together, the "NAB Group").

2 Data Source: Rankings based on IJGlobal League Table, MLA, Renewables, 12 months ending 30 September 2021.

3 EAD is a parameter used in the calculation of economic capital or regulatory capital under Basel II for a banking institution. It is the gross exposure under a lending facility upon default of a customer.

4 A list of designated countries is published by the Equator Principles Association here. Non-designated countries are those countries not found on the list.

5 The Equator Principles categorises projects into three categories. The categories are: Category A – Projects with potential significant adverse environmental and social risks and/or impacts. Category B – Projects with potential limited adverse environmental and social risks and/or impacts. Category C – Projects with minimal or no adverse environmental and social risks and/or impacts.

The social infrastructure segment of the project finance portfolio (as Exposure at Default) breaks down into the following key areas:

- Government buildings – 26%
- Hospitals and medical centres – 25%
- Schools – 22%
- Student accommodation – 7%
- Other – 20%

Table 2: Project finance by sector, by year, as a percentage of total portfolio value (expressed as EaD as at 30 September)

Sector	2021	2020	2019	2018	2017
Energy (renewable)	20	19	19	19	15
Energy (coal and gas-fired)*	4	5	6	5	6
Economic infrastructure	48	45	35	36	37
Social infrastructure	13	13	16	16	19
Water treatment infrastructure	2	2	3	4	4
Mining and refining (metals and coal)*	3	4	7	7	6
Oil and gas	7	8	11	11	10
Other*	4	4	3	2	3

*As at 30 September 2021, Exposure at Default for Energy (coal and gas-fired) consisted of around 0.4% coal-gas co-generation and 3.6% gas-fired. Within mining and refining, coal mining is around 1.2% of EaD. Of the 4% that constitutes "Other", 0.4% is related to waste management.

Project finance for energy infrastructure

In FY2021, we provided a further $1.085 billion[1] in financing for renewable energy projects, taking the cumulative value of financing provided for renewable energy projects since 2003 to $11.5 billion[2] (measured as committed debt at 30 September 2021). NAB's current global portfolio of renewable energy generation projects represent a total generation capacity of 14,657 megawatts ("MW"). In 2021, NAB financed an additional 3,049 MW of installed renewable energy generation capacity through renewable energy projects – including finance for wind and solar assets in Australia, US and the UK.

In 2021, the Group established a Sustainability Council to formalise and facilitate work across the enterprise on sustainability, to align activity to support key focus areas of the Group's climate change strategy, and to oversee and report progress. The Sustainability Council, chaired by the Chief Operating Officer, is comprised of Executive Leadership Group members from key business areas. The Council reports through to management, executive and the Board as appropriate.

The Sustainability Council has been supported by the Group's Climate Change Action Group (CCAG) which replaced the Group's previous Climate Change Working Group. The CCAG has driven implementation of the Group's climate strategy, particularly work in progress to meet the Group's CCCA obligations, net zero by 2050 goal and development of climate-related product and service offerings.

In FY2021, sustainability continues to be anchored in the Group's corporate strategy. This approach will help guide us in addressing some of society's biggest challenges, such as climate change, with commercial responses, sustainable business practices and innovation for the future. We also made progress against our environmental financing target[2] reaching a total of: (i) $31.7 billion against the Group's target to provide $35 billion to support green infrastructure, capital markets and asset finance by 2025; and (ii) $24.6 billion against the Group's target to provide $35 billion in new mortgage lending flow for 6-Star residential housing in Australia (new dwellings and significant renovations) by 2025. In the 2020 financial year, BNZ (NAB's New Zealand based subsidiary) also set a target to provide NZ$10 billion in sustainable financing by 2025[3]. So far, BNZ has achieved $618 million towards this goal.

NAB's project-related lending contributes significantly to achieving NAB's environmental financing target and is a key part of delivering on our target to help address climate change and support the low-carbon transition. Further detail on NAB's progress against its environmental financing target can be found on page 23 of our 2021 Annual Review and in the Financing tab of our 2021 Sustainability Data Pack. A summary of our FY2021 climate-related targets can be found here on our website and details of our ESG risk policy settings can be found here.

In FY2021, NAB's estimated[4] share of total Scope 1 and 2 greenhouse gas ("GHG") emissions associated with Australian designated[5] generation assets for which NAB provides project finance is 45,144 tonnes of carbon dioxide equivalent ("tCO_2-e"). This estimate is based on NAB's participation in financing for each facility as a percentage of debt as at 30 September 2021 (23,351 tCO_2-e in 2020).

Project finance case studies

NAB provides finance for projects across a range of sectors. This year's project finance case studies feature examples of finance for power generation, a data centre and a hospital. These case studies illustrate NAB's implementation of the Equator Principles.

1 Amount includes new transactions and re-financing.

2 Represented as a cumulative amount of new environmental finance since 1 October 2015. Refer to the Group's 2021 Sustainability Data Pack for a further breakdown of this number and reference to how the environmental financing target is calculated.

3 BNZ's sustainable financing target applies to the period from 1 October 2020 to 30 September 2025. The environmental financing component of BNZ's NZ $10 billion sustainable financing target will contribute to the Group's $70 billion environmental financing target.

4 As these GHG emissions are not generated directly by NAB, NAB has relied on public information disclosed by the Australian Clean Energy Regulator, which is information reported by designated generation facilities for the purpose of National Greenhouse and Energy Reporting. The methodology involved identifying the reported Scope 1 and 2 GHG emissions associated with each generation facility NAB project financed in Australia. These were then multiplied by NAB's participation in financing for each facility as % of debt as at 30 September 2021. NAB's share of Scope 1 and 2 GHG emissions were then aggregated to get the total tCO_2-e for the portfolio of power generation assets NAB project financed in Australia.

5 Designated generation facilities are facilities where the principal activity is electricity generation and where the facility is not part of a vertically-integrated production process. The emissions figure calculated for NAB's project finance portfolio of Australian designated generation facilities covers 91% of the Australian power generation assets (measured as MW capacity of the power generation facilities) included in NAB's project finance portfolio. Data for the remaining 9% of assets (measured as MW capacity of the power generation facilities) was not available.

Case study – New Data Centre in Amsterdam

In 2021, NAB (acting through its London Branch) participated in a syndicated loan facility for the funding of a new hyperscale data centre facility. This involves the construction of a new 40 MW data centre which will occupy an area of 18,000m^2 on a parcel of land adjacent to a number of existing data centres. The project is located in Greater Amsterdam, Netherlands in the Schiphol-Rijk business park, which is to the south of Amsterdam Schiphol Airport. As Amsterdam is both a global business destination and a major European internet exchange (a hub for Internet and Cloud connectivity), and EdgeConneX is a world leader in data centre development and delivery, the project will provide essential data processing capacity.

As part of the due diligence and credit risk assessment for the project, NAB undertook a review of the environmental and social requirements for the project including impact on the surrounding area and local residents, soil contamination, emissions, and air quality. It has also been subject to independent external review. NAB evaluated the project against Equator Principles 4 and categorised it as Category C.

Case study – Renewable Energy Development in the United States

In 2021, the US re-joined the Paris Agreement and pledged to achieve carbon neutrality by 2050. This includes a new target to reduce greenhouse gas emissions by at least 50% by 2030 (from 2005 levels). Wind farms as a source of renewable energy will help contribute to meeting the country's goal of reducing emissions and will help accelerate climate action. Financing of renewable energy projects, like Maverick Wind Farm is part of NAB's climate change strategy to help our customers transition to a low-carbon economy and become more sustainable, as well as our goal to transition our lending portfolio to net zero emissions by 2050.

NAB provided construction-only debt financing to the Maverick Wind Farm project. The project site is located in the Major, Garfield and Kingfisher Counties, Oklahoma USA -approximately 109 km (68 miles) northwest of Oklahoma City. The wind farm is located on approximately 18,200 hectares (45,000 acres) of mixed-use land and provides a maximum installed generation capacity of 287 megawatts (MW) from 103 wind turbine generators. The energy generated by the wind farm will be supplied to the local electricity grid via a substation and a 38.5 km (24 mile) 138 kilovolt (kV) transmission line. The project was well into the construction phase at the time NAB provided finance and was completed on schedule during 2021. In accordance with the construction-only finance ("build and transfer") NAB was paid out of the loan facility on completion of the wind farm.

As part of NAB's due diligence and credit risk assessment for the project, NAB reviewed the arrangements in place to identify and manage environmental and social risks. The due diligence included independent external review to ensure all relevant risks and issues were identified and appropriately managed. Relevant permits and approvals addressed the key impacts associated with the project. NAB concluded also that appropriate site visits had been conducted in support of relevant permits and approvals. NAB's assessment considered the potential impact construction and operation could have on the wider project area, including the effect on threatened or endangered species and cultural heritage requirements. Stakeholder engagement was a key aspect of the planning and approval processes including appropriate lease and easement agreements with all relevant landholders. The construction and operation processes, including the management of the project risks, were assessed as being appropriate. Greenhouse gas emissions from the project are below the Equator Principles trigger threshold of 100,000 tCO_2-e/per annum, therefore a Climate Change Risk Assessment was not required. The project was categorised as a Category B.

Case study – Accessible Healthcare in Melbourne's West

NAB provided debt facilities to the Plenary Health entity for the New Footscray Hospital Project, the State of Victoria's largest health infrastructure investment to date, located in Melbourne's inner west. The project is being delivered as a public-private partnership, with Western Health as the public operator of all clinical services and Plenary Health contracted by the Victorian Government to finance, design, construct, and maintain the hospital for 25 years following construction completion.

The new facility will include more than 500 beds, enabling care for an extra 15,000 patients, and the emergency department will also be able to see an additional 20,000 people, annually. It will also feature increased capacity to deliver more outpatient, palliative care and mental health services to the community. This will help to support the increasing demand in the area, reducing wait times and reducing pressure on nearby hospitals and transforming access to health services in Melbourne's west.

As part of the due diligence and credit risk assessment for the project, NAB undertook its own technical review which included looking at the environmental and social requirements of the project. The project is engaging with community stakeholders and industry, an environmental site assessment has assessed environmental and planning impacts and Plenary Health has implemented an Environmental Management System (EMS). Construction is underway and is expected to be completed in 2025. NAB categorised the new Footscray Hospital as a Category C project under the Equator Principles.

NAB Group's FY2021 Equator Principles Compliance Data

The total number of project finance transactions that reached financial close[1] in FY2021 was 57[2]. Of these transactions, 21 were refinancing existing project finance loans, 31 were for operational assets which did not trigger the Equator Principles: 5 were for projects which triggered EP requirements.

In accordance with Equator Principles reporting requirements, Table 3 provides a breakdown of NAB's relevant EP project finance data by sector, region, country type and whether an independent review has been carried out during FY2021.

Table 3: Project Finance data for transactions triggering EPs

	Breakdown by Category		
	A	**B**	**C**
EP transactions closed during the period 1 October 2020 to 30 September 2021	0	3	2
By Sector	**A**	**B**	**C**
Energy (gas-fired)	0	0	0
Energy (renewable)	0	2	0
Oil & Gas	0	1	0
Infrastructure (road, rail, airports, ports, pipelines, and telecommunication)	0	0	1
Social Infrastructure (schools, hospitals, prisons, and public buildings)	0	0	1
Infrastructure (water)	0	0	0
Mining and refining	0	0	0
Infrastructure (waste management)	0	0	0
By Region	**A**	**B**	**C**
Americas	0	1	0
Europe, Middle East & Africa	0	0	1
Asia Pacific	0	2	1
By Country Type	**A**	**B**	**C**
Designated	0	3	2
Non-designated	0	0	0
Independent Review [3]	**A**	**B**	**C**
Yes	0	3	2
No	0	0	0

In accordance with the Equator Principles reporting requirements, Table 4 provides project name reporting for transactions which reached financial close in FY2021.

1 Defined in the EP as "the date on which all conditions precedent to initial drawing of the debt have been satisfied or waived".
2 This is the total for new and refinanced deals regardless of whether the EP apply.
3 Conducted in accordance with Principle 7 – Independent Review.

Table 4: Project Finance project name reporting

Project Name	Calendar Year	Sector	Name of Host Country
New Footscray Hospital	2021	Social Infrastructure (schools, hospitals, prisons, and public buildings)	Australia
Maverick Wind Project	2021	Energy (renewable)	USA
Denison Gas Project	2021	Oil & Gas	Australia
EdgeconneX AMS05	2021	Infrastructure (road, rail, airport, ports, pipelines, and telecommunication)	Netherlands
Kaban Wind Farm	2021	Energy (renewable)	Australia

In FY2021, NAB fully ceased doing project finance advisory. In addition, there were no project related corporate loans.

Personnel involved in PF transactions

Project finance is managed through NAB's Specialised Finance frontline team and supported by its in-house Technical Services Group ("TSG") and Credit colleagues. From time to time, our ESG Risk Management ("ESGRM") team also provides support on specific Environmental, Social and Governance ("ESG") risks.

EP implementation

NAB recognises that businesses today operate in an environment which includes many environmental and social challenges that affect our economy and society. These include issues such as human rights, climate change and natural capital loss and degradation. To assist in managing these issues, NAB has a set of ESG Risk Principles which provide an overarching framework for integrating ESG risk considerations into NAB's day-to-day decision-making.

NAB considers exposure to ESG risk at both a lending portfolio and an individual client level. At the client level, ESG risk is assessed on a case-by-case basis as part of the credit risk assessment and due diligence process. This includes an assessment of ESG risks associated with particular sectors.

In addition to NAB's general credit risk policies and practices, NAB has specific credit policy requirements that address implementation of the EP. During the credit risk assessment process for corporate and institutional lending, it is NAB's practice to identify potential corporate finance transactions where the EP could apply. NAB's Group credit risk policy reflects EP4 requirements.

The NAB TSG team assists in implementation of the EP as required for financing of projects. This includes categorisation (A, B or C) of projects.

For project finance transactions, tailored due diligence is undertaken as required by NAB's general credit policies. For all project finance transactions, a TSG member is allocated to the transaction prior to the commencement of due diligence. The Specialised Finance frontline team, in conjunction with TSG, will agree the technical, environmental and social scope of work, the requirements for site visits during the due diligence process, and the selection of independent experts/consultants.

Independent environmental and social experts are used to assist TSG, where applicable, and in accordance with the EP.

Where there are potentially controversial issues or significant ESG risks associated with a potential project finance transaction, the ESGRM team may also review material relevant to a transaction after referral from the Specialised Finance frontline team, Credit team or TSG.

As project-related lending usually involves a syndicate of banks, it is NAB's general experience that there is usually consensus reached amongst the bank group on the project category .

When potential projects occur in non-designated countries (defined in EP4), this includes applying IFC Performance Standards[1]. Standards 5 (Land Acquisition and Involuntary Resettlement) and 7 (Indigenous Peoples) are particularly relevant when reviewing how NAB's clients are managing land rights and the associated impacts on local communities.

Loan document covenants are reviewed by the Specialised Finance frontline team, NAB Legal, and where appropriate, TSG. Standard facility agreements typically contain covenants sufficient to satisfy the EP covenant requirements – where necessary these are amended on a case-by-case basis.

TSG tracks a project's compliance with the EP. This includes seeking client consent for Project Name reporting. Client consent requests are tracked, recorded and held in a central location.

Monitoring ongoing EP compliance

NAB undertakes an annual review of every project finance transaction. This includes site visits by TSG and independent monitoring where necessary (generally during construction and operations for complex and/or Category A projects). NAB also requires the client to provide reports on general construction, operations and compliance. The frequency and scope of this reporting is based on the risk associated with a project. A higher risk project typically requires more frequent reporting so NAB can monitor that it is being developed in accordance with project approvals, project documents and any additional requirements of NAB's banking team/TSG.

1 See http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes.

Reporting to management

NAB's executive committee and board of directors receive reports on NAB's lending book exposure to a list of industry sectors with potentially higher ESG risk sensitivities (as designated by NAB internally), such as mining and energy generation. This reporting includes project finance lending. NAB also monitors the carbon intensity of its project finance energy generation portfolio as part of internal management reporting.

Assurance over PF data

On an annual basis, NAB has key project finance data reviewed by an independent audit firm. In FY2021, this assurance was provided by KPMG. KPMG provided assurance over project finance by sector as a proportion (%) of total project finance portfolio value, expressed as EAD, for the year ended 30 September 2021.

Further information on the Equator Principles can be found at www.equator-principles.com.