

NATIONAL AUSTRALIA BANK GREEN BONDS

DNV GL ANNUAL PROGRAMMATIC ASSURANCE STATEMENT

Scope and objectives

National Australia Bank Limited ("NAB" or "Issuer") has issued multiple Green Bond issuances against its pool of eligible projects and assets. From 2018 NAB has elected to conduct its Certified Green Bond Issuance in a Programmatic format as facilitated by the Climate Bonds Standard ("CBS") v2.1.

NAB senior unsecured Green Bonds that have been issued and are outstanding at the time of verification include:

- NAB Climate Bond AUD 300m ISIN: AU3CB0226090
- NAB GMTN Climate Bond EUR 500m ISIN: XS1575474371
- NAB SDG Green Bond USD 750m ISIN: US63254ABA51
- NAB SDG Green Bond EUR 750m ISIN: XS1872032369

In addition, NAB related entities have issued:

- NAB RMBS 2018-1 – Green Tranche A1-G (AUD 300m) ISIN: AU3FN0040622
- NAB Low Carbon Shared Portfolio Issuance AUD 200m ISIN: AU3FN0042826
(together with the NAB Green Bonds, the "Bonds")

NAB has used the proceeds of the Bonds to finance (or re-finance) the nominated projects and assets falling under the following categories:

- Low Carbon Buildings – Commercial
- Low Carbon Buildings - Residential
- Low Carbon Transport
- Marine Renewables
- Solar Energy
- Wind Energy

NAB has issued four senior unsecured Green Bonds with a total issuance value of AUD 3,354,622,524¹. The pool of eligible projects and assets as at 28 September 2018 was AUD 3,846,710,912 resulting in a surplus of eligible projects and assets of AUD 492,088,387. NAB related entities have also issued two secured green transactions with a total issuance value of AUD 500,000,000, which are supported by separate pools of eligible projects and assets, the details of which are set out in Schedules 2 and 3.

¹ AUD equivalent amounts based on closing exchange rates published by the RBA as at 28 September, 2018.
<http://www.rba.gov.au/statistics/tables/index.html#exchange-rates>

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as "DNV GL") has been commissioned by NAB to provide the Annual Programmatic Verification of the Bonds as an independent and approved verifier under the Climate Bonds Standard. Our criteria and information covered to achieve this is described under 'Work Undertaken' below.

No assurance is provided regarding the financial performance of the Bonds, the value of any investments in the Bonds, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the Bonds have met the criteria of the Climate Bonds Standard Version 2.1 and the associated Technical Criteria on the basis set out below.

The scope of this DNV GL opinion is limited to the Climate Bonds Standard Version 2.1 and the following associated Sector Technical Criteria:

- Commercial Low Carbon Buildings (v1.0)
- Residential Low Carbon Buildings (v1.0)
- Low Carbon Transport (v1.0)
- Marine Renewables (v1.0)
- Solar Energy (v2.1)
- Wind Energy (v1.1)

Responsibilities of the Management of NAB and DNV GL

The management of NAB has provided the information and data used by DNV GL 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 Bonds as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by NAB. DNV GL 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 GL 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 GL's opinion

DNV GL has conducted the verification against the CBS v2.1 and associated Sector Technical Criteria through the creation and execution of a verification protocol addressing each requirement of the CBS v2.1 and the associated Sector Technical Criteria. The detail of areas covered in the DNV GL verification is summarised in Schedule 4 below.

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:

Programmatic Verification

- Creation and execution of a Climate Bond Standard Protocol, adapted to include the relevant Sector Technical Criteria for the nominated projects and assets of the relevant Bond, as described above and in Schedule 4 to this Assessment;
- Assessment of documentary evidence provided by NAB in relation to the Bonds and supplemented by a high-level desktop research, onsite visit for documentation review and interviews with key personnel from the issuer NAB. These checks refer to current assessment best practices and standards methodology;
- Review and testing of impact reporting data where possible;
- Discussions with NAB management, and review of relevant documentation; and
- Documentation of findings against each element of the criteria.

Findings and DNV GL's opinion

DNV GL has performed the Annual Programmatic Verification of the National Australia Bank Bonds for the financial year ended 30 September 2018. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the National Australia Bank Bonds with the Climate Bond Standard.

DNV GL conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements *3000 Assurance Engagements other than Audits or Reviews of Historical Information*. The verification included i) checking whether the provisions of the Climate Bond Standard were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV GL's verification approach draws on an understanding of the risks associated with conforming to the Climate Bond Standard and the controls in place to mitigate these. DNV GL planned and performed the verification by obtaining evidence and other information and explanations that DNV GL considers necessary to give limited assurance that each Bond continues to meet the requirements of the Climate Bond Standard.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that, for the 2018 financial year, the NAB Bonds are not, in all material respects, in accordance with the requirements of the Climate Bond Standard Version 2.1 and associated Sector Criteria including Residential Low Carbon Buildings, Commercial Low Carbon Buildings, Low Carbon Transport, Marine Renewables, Solar Energy and Wind Energy.

DNV GL has reviewed the impact reporting metrics associated with the current reporting period including verification of a sample of calculations, references and values. Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that, for the 2018 financial year, the impact reporting metrics are not, in all material respects reasonable and correct.

for DNV GL Business Assurance Australia Pty Ltd

Sydney, 14 May 2020



Mark Robinson

Manager, Sustainability Services
DNV GL – Business Assurance

About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL 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.

SCHEDULE 1: NAB BONDS POOL OF NOMINATED ASSETS ¹.

Schedule data as of 28 September 2018. NAB Climate Bond AUD 300m ISIN: AU3CB0226090, NAB GMTN Climate Bond EUR 500m ISIN: XS1575474371, NAB SDG Green Bond USD 750m ISIN: US63254ABA51, NAB SDG Green Bond EUR 750m ISIN: XS1872032369

Australian Renewables

Projects/Assets	Project/Asset Locations	Current Amount Funded (AUD)
Boco Rock Windfarm	New South Wales	29,507,915
Bungala One	Australia	32,312,325
Bungala Two	Australia	20,519,168
Cathedral Rocks Wind Farm	South Australia	7,007,750
Solar Farm 1	Queensland	61,138,186
Emerald Solar Farm	Queensland	48,982,525
Greenough River Solar Farm	Western Australia	13,667,552
North Brown Hill WindFarm (Hallet Hill 4)	South Australia	47,497,261
Hallett Hill 2 Wind Farm	South Australia	3,212,111
Kiata Wind Farm	Victoria	23,052,624
Lal Lal Wind Farm	Victoria	41,893,652
Mt Emerald Wind Farm	Queensland	27,348,147
Musselroe Wind Farm	Tasmania	7,706,922
Macarthur Wind Farm	Victoria	19,517,946
Gullen Range Wind Farm	New South Wales	74,072,907
Oaklands Hill Wind Farm	Victoria	18,780,369
Crowlands Wind Farm	Victoria	0
Haughton Solar Farm	Queensland	19,894,806
Hallett 1 Wind Farm	South Australia	7,443,320
Portfolio facility for Nyngan Solar Farm and Broken Hill Solar Farm	New South Wales	11,251,851
Silverton Wind Farm	New South Wales	24,903,332
Waubra Wind Farm	Victoria	46,271,057
Stockyard Hill Wind Farm	Victoria	5,733,362
Portfolio facility for Blayney Wind Farm, Crookwell Wind Farm, Snowtown Wind Farm (Stages 1 and 2), Mahinerangi Wind Farm Stage 1, Taranua Wind Farm (Stages 1, 2 and 3) and Salt Creek Wind Farm	8 Assets across Victoria, S.A., NSW and New Zealand	95,008,445
White Rock Wind Farm	New South Wales	40,000,000
Studland Bay Wind Farm & Bluff Point Wind Farm	Tasmania	10,907,346

SUBTOTAL AUD 737,630,881

UK & Europe Renewables

Projects/Assets	Project/Asset Locations	Current Amount Funded ²
Project Blyth – portfolio of 23 onshore and 1 near shore Wind Farm	UK	GBP 50,829,744
Cubico 4 - Portfolio of onshore Wind Farm	UK	GBP 44,317,960
Cubico 2 - Portfolio of 2 Wind Farm and 11 ground based solar PV parks	UK	GBP 59,063,803
Independent Power Producer with 57 assets (48 operational, 6 in construction, 3 pre-construction)	UK & Europe	USD 33,233,084
Eco Wind Power portfolio of onshore Wind Farm	Ireland	EUR 24,467,748
Sheringham Shoal - offshore Wind Farm	UK	GBP 53,160,461
Race Bank Wind farm - offshore Wind Farm	UK	GBP 68,522,393
Fred Olsen wind portfolio - onshore Wind Farms	UK	GBP 10,422,138
Grange wind farm - onshore Wind Farm	UK	GBP 17,446,206
Project UK 1	UK	GBP 31,497,038
Portfolio of 21 UK based solar PV parks	UK	GBP 24,193,549
Project Endeavour - ground based Solar PV	UK	GBP 22,121,062
Portfolio of UK ground based solar PV parks	UK	GBP 27,891,990
Portfolio of wind farms and solar PV assets	UK, Ireland & France	GBP 24,336,828
Ventient Energy - Portfolio of 34 UK based onshore Wind Farm	UK	GBP 91,777,369
	SUBTOTAL	AUD 1,037,827,982

² AUD equivalent amounts based on closing exchange rates published by the RBA as at 28 September, 2018. <http://www.rba.gov.au/statistics/tables/index.html#exchange-rates>

US Renewables

Projects/Assets	Project/Asset Locations	Current Amount Funded ¹
Canadian Breaks Wind farm	Texas, USA	USD 4,784,831
Project US 1 – Portfolio of Solar PV Projects	Hawaii, USA	USD 0
Project US 2 – Solar Farm	Hawaii, USA	USD 24,371,952
Phoebe Solar	Texas, USA	USD 7,759,784
Rio Bravo Wind Farm	Texas, USA	USD 12,592,916
Project US 3 – Wind Farm	Texas, USA	USD 91,014,294
Project US 4 – Wind Farm	Texas, USA	USD 0

SUBTOTAL AUD 194,577,370

Australian Low Carbon Transport

Projects/Assets	Project/Asset Locations	Current Amount Funded (AUD) ¹
Sydney Light Rail PPP	NSW	169,521,922
North West Rail Link PPP	NSW	157,470,088
RailCorp Rolling Stock PPP	NSW	199,740,577

SUBTOTAL AUD 526,732,588

UK Low Carbon Transport

Projects/Assets	Project/Asset Locations	Current Amount Funded ¹
QW Rail Leasing	UK	GBP 79,038,486

SUBTOTAL AUD 143,211,607

Australian Low Carbon Buildings – Commercial Office

Projects/Assets	Project/Asset Locations	Current Amount Funded AUD ¹
Low Carbon Commercial Real Estate (various)	Australia (various)	1,206,730,483
SUBTOTAL		AUD 1,206,730,483
TOTAL		AUD 3,846,710,912

SCHEDULE 2: NAB RESIDENTIAL MORTGAGE BACKED SECURITIES POOL OF NOMINATED ASSETS

Schedule data as of 28 September 2018. Green RMBS A1-G note balance confirmed to be AUD 249,411,240 as at 28 September 2018.³

Asset Type/s	Asset Location	Current Amount Funded AUD
Low Carbon Residential Real Estate (various)	Australia (various)	393,570,155
TOTAL		AUD 393,570,155

³ NAB's Green RBMS A1-G note (ISIN AU3FN0040622) had an initial face of AUD \$300m when issued on 15 February 2018.

SCHEDULE 3: NAB LOW CARBON SHARED PORTFOLIO POOL OF NOMINATED ASSETS

Schedule data as of 28 September 2018. Low Carbon Shared note balance confirmed to be AUD 195,278,580.⁴

Asset Type/s	Asset Location	NAB Facility Share (AUD)	Low Carbon Share (AUD)
Hallet 1	Australia	7,440,000	18,440,000
Hallet 2	Australia	3,210,000	7,960,000
Woolnorth	Australia	10,910,000	27,020,000
Musselroe	Australia	7,710,000	19,090,000
Oaklands Hill	Australia	18,780,000	46,530,000
PARF Solar Flagships	Australia	11,250,000	27,880,000
Macarthur Wind Farm Facility A	Australia	8,000,000	19,850,000
Macarthur Wind Farm Facility B	Australia	11,510,000	28,510,000
	TOTAL	AUD 78,810,000	AUD 195,280,000

⁴ NAB's Low Carbon Shared Portfolio (ISIN AU3FN0042826) Issuance had an initial face value of AUD 200,000,000 when issued on 26 June 2018.

SCHEDULE 4: VERIFICATION CRITERIA

Summary criteria for assertions of compliance with the Climate Bond Standard v2.1

The criteria against which NAB and its nominated projects and assets have been reviewed prior to inclusion in the relevant Bond are grouped under the requirements as detailed within the Climate Bond Standard Version 2.1 including:

Part A: General Requirements

Area	Requirement
Project Nomination	The Climate Bond issued must specify the project collateral or physical assets (or pool of assets) with which it is associated
Use of Proceeds	Proceeds must be allocated to Nominated Project(s)
Non-Contamination	Issuers are permitted a grace period to allocate or re-allocate funds to Nominated Project(s)
Confidentiality	The information disclosed to the Verifier and the Climate Bond Standards Board may be subject to confidentiality arrangements
Reporting	Reporting on use of proceeds and nominated projects and assets

Part B: Low Carbon Contribution - Eligible projects and physical assets

Nominated projects and assets include financing of or investments in equipment and systems which enable the mitigation of greenhouse gasses, as detailed in Schedule 1, 2 and 3.

Area	Requirement
Commercial Low Carbon Buildings	Performance at the top 15% of the local market for the tenor of the Bond.

Residential Low Carbon Buildings	Performance at the top 15% of the local market for the tenor of the Bond.
Low Carbon Transport	All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport pass this criterion, including electrified rail, trams, trolleybuses and cable cars
Marine Renewables	<p><u>Mitigation Component:</u></p> <p>The asset is 100% dedicated to renewable energy.</p> <p>Any fossil fuel back up in place is limited to:</p> <ul style="list-style-type: none"> - Powering monitoring, operating and maintenance equipment in the event of no renewable power in the system; - Powering resilience or protection measures in the event of no renewable power in the system; - Restart capability. <p><u>Adaptation and Resilience Component:</u></p> <p>Section 1: The issuer understands the climate related risks and vulnerabilities to the asset/ site.</p> <p>Section 2: The issuer understands the improvements and impacts in the larger context (spatially and temporally) beyond the asset/ site. (i.e. the impacts of their own assets and activities on the broader ecosystem and stakeholders in that ecosystem).</p> <p>Section 3: The issuer has designed and implemented strategies to mitigate and adapt to these climate risks and vulnerabilities.</p> <p>Section 4: Issuer is pursuing strategies that promote resilience and adaptation across the area in which it operates and beyond.</p> <p>Section 5: Issuer is delivering positive impacts (or no harm) in terms of key sustainability indicators.</p>
Solar Energy Generation	Solar electricity generation facilities
Wind Energy Generation	Wind power generation facilities

Part C: Bond structures

Area	Requirement
Project Holding	The issuer of a Corporate Climate Bond with Nominated Projects linked to a portfolio of assets must continue to hold eligible assets at least equal to the Fair Market Value at the time of issuance of the original principal
Settlement Period	Climate Bond issuing entities must demonstrate that the proceeds of a Climate Bond have been allocated to the Nominated Project(s) within 24 months after the bond is issued
Earmarking	The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets

SCHEDULE 3: ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Alignment of the Use of Proceeds against the United Nations Sustainable Development Goals (UN SDG)

In addition to the Programmatic verification, DNV GL has reviewed the Use of Proceeds and nominated assets associated with the NAB Green Bonds for alignment with the UN SDGs in the following table.

Use of Proceeds	UN SDG	UN SDG Target		Assessment of Contribution to Achieving the SDG
Residential Low Carbon buildings	7. Affordable and Clean Energy	7.3	By 2030, double the global rate of improvement in energy efficiency	<p>Compliance with CBI Commercial and Residential Low Carbon Buildings Approved Proxies as defined on the CBI website for Residential Low Carbon Buildings⁵.</p> <p>These benchmarks include consideration of thermal efficiency of the building envelope and the energy efficiency of lighting, heating and cooling plant, etc.</p> <p>Compliance with the CBI Commercial and Residential Low Carbon Buildings Approved Proxies demonstrates a contribution towards UN SDG 7, Target 7.3.</p>
	11. Sustainable Cities and Communities	11.6	By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	<p>Compliance with CBI Commercial and Residential Low Carbon Buildings Approved Proxies.</p> <p>These benchmarks address the contribution of the built environment to National GHG and Air Pollution emissions through energy consumption and associated energy generation.</p> <p>Compliance with the CBI Residential Low Carbon Buildings Approved Proxies demonstrates a contribution towards UN SDG 11, Target 11.6.</p>
		11.a	Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening	<p>Compliance with CBI Residential Low Carbon Buildings Approved Proxies as at January 2018. The Criteria have been established to ensure they are representative of buildings in-line with a zero-carbon building sector in 2050.</p>

⁵ <https://www.climatebonds.net/standard/buildings/residential/calculator>

			national and regional development planning	Energy efficiency performance as defined in the Commercial and Residential Low Carbon Buildings Criteria represents the leveraging and implementation of regional development planning and demonstrates a contribution towards UN SDG 11, Target 11.a.
Low Carbon Transport	11. Sustainable Cities and Communities	11.6	By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	<p>Compliance with CBI Low Carbon Transport Criteria.</p> <p>These benchmarks address the contribution of transport system to National GHG and Air Pollution emissions through energy consumption, associated energy generation and direct emissions to atmosphere.</p> <p>Compliance with the CBI Low Carbon Transport Criteria demonstrates a contribution towards UN SDG 11, Target 11.6.</p>
		11.a	Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning	Compliance with CBI Low Carbon Transport Criteria represents the leveraging and implementation of regional development planning and demonstrates a contribution towards UN SDG 11, Target 11.a.
Renewable Energy	7. Affordable and Clean Energy	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix.	<p>Compliance with CBI Solar and Wind Criteria. The Criteria have been established to ensure alignment with the Paris Agreement 2°C target. Renewable energy generation from terrestrial Solar and Wind assets fall within this Criteria.</p> <p>Compliance with the CBI Solar and Wind Criteria demonstrates a contribution towards UN SDG 7, Target 7.2.</p>