

NATIONAL AUSTRALIA BANK CLIMATE BOND

DNV GL PERIODIC ASSURANCE STATEMENT

Scope and objectives

On 7 March 2017, National Australia Bank ("NAB" or "Issuer") issued a EUR 500m bond with ISIN XS1575474371 (henceforth referred to as "BOND") and has secured certification of the BOND from the Climate Bonds Initiative against the Climate Bonds Standard.

NAB has used the proceeds of the BOND to finance the nominated projects and assets falling under the following categories:

- Renewable Energy – Solar & Wind
- Low Carbon Transport – Electric Rolling Stock & Electrified Rail Infrastructure.

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as "DNV GL", "us", "our" and "we") has been commissioned by NAB to provide the initial and periodic verification of the BOND 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. The Periodic Verification was conducted on the information provided by NAB dated 1 October 2017.

No assurance is provided regarding the financial performance of the BOND, 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 as to whether the BOND has met the criteria of the Climate Bonds Standard 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 ("CBS v2.1") and the following associated Sector Technical Criteria:

- Renewable Energy – Solar & Wind
- Low Carbon Transport – Electric Rolling Stock & Electrified Rail Infrastructure.

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 BOND 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 2 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:

Initial Verification (completed previously)

- Creation and execution of a Climate Bonds Standard Protocol, adapted to include the relevant Sector Technical Criteria for the BOND nominated projects and assets, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by NAB on the BOND and supplemented by a high-level desktop research, onsite visit for documentation review and interviews with key personnel from NAB. These checks refer to current assessment best practices and standards methodology;
- Discussions with NAB management, and review of relevant documentation;
- Documentation of findings against each element of the criteria.

Periodic Verification

- Assessment of documentary evidence provided by NAB on the BOND and supplemented by a high-level desktop research, documentation review and interviews with key personnel from NAB.
 - Discussions with NAB management, and review of relevant documentation;
 - Review of the nominated projects and assets as described in Schedule 2 as at the time of Periodic Verification;
 - Verification of impact reporting claims and associated data where applicable;
 - Documentation of findings for Periodic Verification as detailed in this Assessment. Our opinion as detailed below is a summary of these findings.
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Findings and DNV GL's opinion

DNV GL has performed the Periodic Verification of the BOND with ISIN XS1575474371. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the NAB Climate Bonds with the CBS v2.1.

DNV GL conducted the verification in accordance with the CBS v2.1 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 CBS v2.1 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 CBS v2.1 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 the BOND continues to meet the requirements of the CBS v2.1.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the BOND is not, in all material respects, in accordance with the requirements of the CBS v 2.1 and Associated Solar, Wind and Low Carbon Transport Technical Criteria.

for DNV GL Business Assurance Australia Pty Ltd

Sydney, 6 February 2017



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: PORTFOLIO OF NOMINATED ASSETS ¹

Schedule data as of 1 October 2017. Data confirmed by DNV GL to relate only to the NAB EUR Climate Bond. DNV GL confirmed that none of these assets were earmarked or counted towards the NAB AUD Climate Bond (ISIN AU3CB0226090).

Asset Type/s	Asset Location	Project Name	Current Amount Funded ²
Electrified urban rail	AUS	Sydney Light Rail PPP - electrified urban rail	AUD 124,198,258.54
Electrified urban rail	AUS	North West Rail Link PPP - electrified urban rail	AUD 141,510,344.79
Electrified passenger rolling stock	AUS	RailCorp Rolling Stock PPP - electrified passenger rolling stock	AUD 83,190,309.28
Electrified passenger rolling stock	UK	QW Rail Leasing - electrified passenger rolling stock	GBP 78,014,231
Wind	UK	Cubico 4 - Portfolio of onshore wind farms	GBP 55,093,384
Wind and solar PV	UK	Cubico 2 - Portfolio of 2 wind farms and 11 ground based solar PV parks	GBP 61,133,167
Wind and solar PV	Europe & Latin America	Independent Power Producer with 57assets (48 operational, 6 in construction, 3 pre-construction)	USD 25,000,000
Wind	Ireland	Eco Wind Power portfolio of onshore windfarms	EUR 27,207,704
Wind	UK	Race Bank Wind farm - offshore wind farm	GBP 52,356,618
Wind	UK	Fred Olsen wind portfolio - onshore wind farms	GBP 12,292,837
Wind	UK	Grange wind farm - onshore wind farm	GBP 18,100,442
Wind	UK	A'Chruach wind farm - onshore wind farm	GBP 20,651,505
Wind	UK	Infinis portfolio - onshore wind farms	GBP 63,169,896
Wind	UK	Moor House, Kype Muir and Middle Muir windfarms	GBP 21,068,769

Solar PV	UK	Portfolio of 21 UK based solar PV parks	GBP 24,193,549
Solar PV	UK	Portfolio of UK ground based solar PV parks	GBP 29,109,669
Wind and solar PV	UK, Ireland & France	Wind farms and solar PV assets	GBP 9,500,000
AUD Subtotal: Wind and Solar Farms			\$1,512,019,313
AUD Subtotal: Low Carbon Transport			\$482,370,651
AUD TOTAL ELIGIBLE ASSET PORTFOLIO:			\$1,994,389,964

¹ Climate Bond Eligible Assets ("Nominated Projects") are defined within the Climate Bonds Standard (v2.1) – Part A: General Requirements (4: Nominated Projects & Assets) and Part B: Eligible Projects & Assets (9: Climate Bonds Taxonomy and 10: Technical Criteria)

² EUR equivalent amounts based on closing exchange rates published by the RBA as at 29 September, 2017. <http://www.rba.gov.au/statistics/tables/index.html#exchange-rates>

SCHEDULE 2: VERIFICATION CRITERIA

Summary criteria for assertions of compliance with the CBS v2.1

The criteria against which NAB and its nominated projects and assets have been reviewed prior to inclusion in the BOND are grouped under the requirements as detailed within the CBS v2.1. These requirements broadly include:

Part A: General Requirements

Area	Requirement
Project Nomination	A decision-making process shall be maintained to determine the continuing eligibility of the nominated projects and assets.
Use of Proceeds	Net proceeds of the bond must be allocated to nominated projects and assets.
Non-Contamination	The net proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified in an appropriate manner, and documented.
Confidentiality	Information about the nominated projects and assets shall be provided to the Verifier and to the Climate Bonds Standards Board to support the assessment of conformance with the Climate Bonds Standard. The information disclosed to the Verifier and the Climate Bonds Standard Board may be subject to confidentiality arrangements.
Reporting	There are specific requirements in respect of 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 projects and assets which enable the mitigation of greenhouse gasses, as detailed in Schedule 1.

Area	Requirement
Solar Energy Generation	Solar electricity generation facilities
Wind Energy Generation	Wind power generation facilities
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

Part C: Bond structures

Area	Requirement
Project Holding	The issuer of a climate bond shall continue to hold nominated projects and assets which have a value at least equal to the original principal amount of the bond at the time of issuance or the amount outstanding as the case may be.
Earmarking	The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the nominated projects and assets.
