

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 related entities have issued four senior unsecured Green Bonds and two secured 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 4,028,856,721¹ resulting in a surplus of eligible projects and assets of AUD 674,234,197¹.

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

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>

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.
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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, 21 February 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, Tararua 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 Farms 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) | Europe & Latin America | USD 132,932,335 |
| Eco Wind Power portfolio of onshore Wind Farm | Ireland | EUR 24,467,747 |
| Sheringham Shoal - offshore Wind Farm | UK | GBP 53,160,461 |
| Race Bank Wind farm - offshore Wind Farm | UK | GBP 68,522,392 |
| Fred Olsen wind portfolio - onshore Wind Farms | UK | GBP 10,422,137 |
| Grange wind farm - onshore Wind Farm | UK | GBP 17,446,205 |
| 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 27,891,989 |
| Portfolio of wind farms and solar PV assets | UK, Ireland & France | GBP 48,673,655 |
| Ventient Energy - Portfolio of 34 UK based onshore Wind Farm | UK | GBP 91,777,369 |
| | SUBTOTAL | AUD 1,219,973,791 |

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 4,784,830 |
| Project US 1 – Portfolio of Solar PV Projects | Hawaii, USA | USD 0 |
| Project US 2 – Solar Farm | Hawaii, USA | USD 24,371,951 |
| Phoebe Solar | Texas, USA | USD 7,759,784 |
| Rio Bravo Wind Farm | Texas, USA | USD 12,592,915 |
| 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 4,028,856,721 |

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.

| 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 |

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 195,278,579.

| 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 |

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 Buildings³.</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> |

³ <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> |