

more
than
money

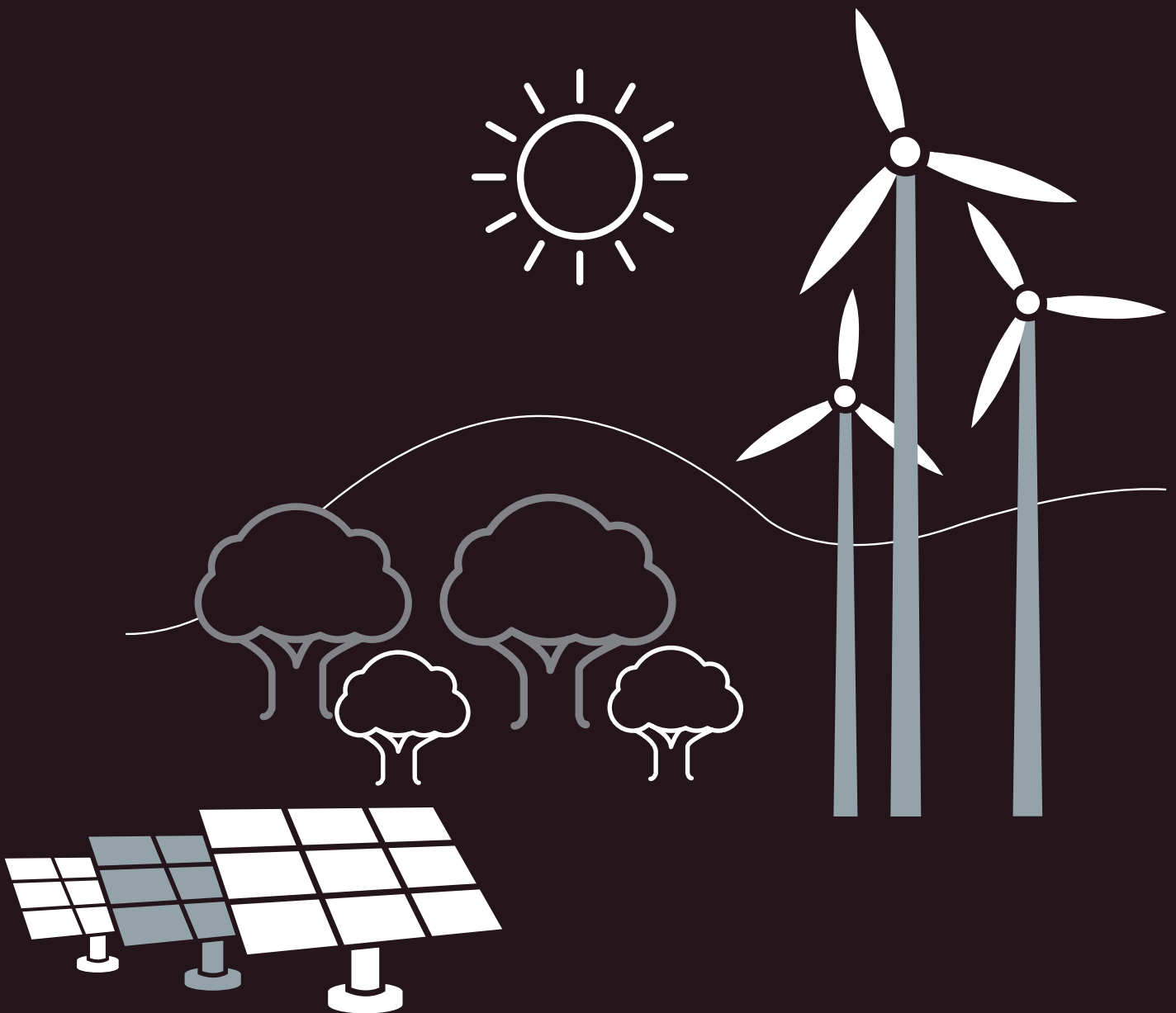


nab

NAB ANNUAL

Green Bond Report

Financial year ended 30 September 2017



INTRODUCTION

Purpose

National Australia Bank Limited ABN 12 004 044 937 ('NAB'), is pleased to present its first NAB Annual Green Bond Report ('Report'), for the financial year ended 30 September 2017. This Report relates to our two NAB Climate Bonds¹ outstanding as of 30 September 2017 and provides reporting on the use of proceeds and environmental impact of each of them.

Our intent is to be transparent about the methodologies utilised for our green bond reporting and our attribution of environmental impact. We have looked to implement evolving market best practice for annual impact reporting, based on guidelines set out in the December 2015 publication [Green Bonds - Working Towards a Harmonised Framework for Impact Reporting](#), along with input from investors, assurance providers and guidance from other sources including the Climate Bonds Initiative ('CBI') and the ICMA Green Bond Principles ('GBP'). We continue to work with these stakeholders and will seek to improve the level of detail and disclosure of impact reporting we provide over time.

This Report is part of our commitment to investors to disclose the positive impact of their investment.

Why is NAB issuing green bonds?

We continue to develop products and services, such as green bonds, that deliver positive impacts on the lives of our customers, communities and the environment in which we operate.

We recognise that climate change is a significant risk and a major challenge for the global economy and society. We support the transition to a low carbon economy, consistent with the global agreement reached in Paris to limit global warming to less than 2 degrees above pre-industrial levels (the 'Paris Agreement').

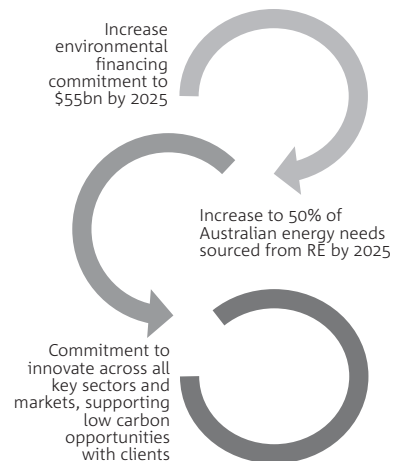
As a global provider of financial products and services, we seek to play a key role in financing the low carbon transition and green growth², in addition to responding to regulatory requirements. As Australia's largest business bank³,

we are focused on actively helping our customers through this transition, by seeking to innovate across all of our key sectors and markets and supporting low carbon opportunities for our customers.

In November 2017, we announced a significant increase to our September 2015 environmental financing commitment from A\$18 billion by 2022, to A\$55 billion by 2025 (October 2015 – September 2025) which includes:

- i. A\$20 billion to support green infrastructure, capital markets and asset finance: and
- ii. A\$35 billion in new mortgage lending for 6 Star energy efficient residential housing in Australia.

NAB is strongly committed to Australia's transition to a low carbon economy:



Our environmental financing commitments have been integrated into NAB's business strategy and further details on all of our climate change commitments can be found in [NAB Group's Sustainability Report](#).



¹ Green bonds may be interchangeably labelled as green bonds or climate bonds, dependent on use of proceeds. Both green bonds issued by NAB as of 30 September 2017, were certified in compliance with the Climate Bonds Standard, and NAB has chosen to label these as NAB Climate Bonds.

² Green growth describes a path of economic growth that uses natural resources in a sustainable manner.

³ Source: March 2018 APRA Monthly Banking Statistics

NAB'S GREEN BOND ISSUANCES

As at 30 September 2017, NAB had issued two green bonds, both certified in compliance with the Climate Bonds Standard, with proceeds fully allocated to financing and refinancing a large and growing portfolio of Climate Bonds Standard eligible projects located across Australia, the UK, Europe and Latin America. The identified portfolio of eligible projects is consistent with transitioning to a low carbon economy and contributing towards meeting the United Nations Sustainable Development Goals ('SDGs').

	NAB AUD Climate Bond	NAB EUR Climate Bond
Format	Fixed Rate MTNs	Fixed Rate MTNs
Issue Amount	A\$300 million	€500 million
Issue Date	16 December 2014	7 March 2017
Final Maturity Date	16 December 2021	7 September 2022
ISIN	AU3CB0226090	XS1575474371
Assurance	Certified in compliance with the Climate Bonds Standard, with assurance provided by DNV GL	Certified in compliance with the Climate Bonds Standard, with assurance provided by DNV GL
Use of Proceeds:	Proceeds earmarked for financing/ refinancing portfolio of renewable energy (windfarms and solar parks) assets in Australia.	Proceeds earmarked for financing/refinancing portfolio of renewable energy (windfarms and solar parks) in the UK, Europe and Latin America, plus low carbon transport (electrified rail infrastructure) assets in Australia and the UK.

Additional information about NAB Climate Bonds and NAB SDG Green Bonds can be found on the [NAB Capital & Funding webpage](#).

NAB'S GREEN BOND APPROACH

NAB has developed and implemented a NAB SDG Green Bond Framework ('Framework') which applies to existing NAB Climate Bonds and all future issuance of NAB SDG Green Bonds, including other forms of debt instruments which can be certified on a Programmatic Certification basis under the Climate Bonds Standard (v2.1), and that also support and contribute towards meeting the SDGs.

This Framework is supported by NAB's internal procedures, processes and controls.

The Framework has been developed to meet the requirements of the Climate Bonds Standard (v2.1), which fully integrates the ICMA Green Bond Principles.

The Framework will be updated as required to keep it in line with developing market practice and describes the following core components:

- a) Use of Proceeds;
- b) Selection of Eligible Projects and Assets;
- c) Management of Proceeds;
- d) Reporting; and
- e) External Review and Assurance

Use of proceeds

NAB's green bond proceeds are earmarked for financing, or refinancing, portfolios of projects and assets which are:

- In accordance with the Framework; and
- Meet eligibility requirements for certification in compliance with the Climate Bonds Standard (v 2.1).



Management of proceeds

NAB has implemented internal monitoring and reporting processes, using NAB's internal information systems, to track and report on eligible projects/assets earmarked for inclusion in the green bond eligible portfolio and to verify whether the net proceeds of all NAB Climate Bonds and NAB SDG Green Bonds have been fully allocated against eligible projects/assets.

The Framework defines the eligible categories for the use of proceeds which currently include:

1. Energy
2. Transport
3. Low carbon buildings

In the future, we anticipate the eligible categories will be expanded to include;

4. Energy efficiency; and
5. Nature based assets.

Selection of eligible projects and assets

NAB has established an NAB SRI Bond Committee, who oversee all NAB green, social and sustainability bond issuance. They have oversight of the Framework, including the addition of new eligible categories and the selection of eligible projects and assets.

The portfolio of eligible projects and assets may be replenished as underlying loans are repaid, non-compliant projects or assets are removed and additional eligible projects/assets are identified and funded, or reallocated into the green bond eligible portfolio. An overview of NAB's processes for selection of eligible projects and assets is set out below.

To meet the certification requirements of the Climate Bonds Standard, NAB will demonstrate that the net proceeds of all NAB Climate Bonds and NAB SDG Green Bonds have been allocated to eligible projects/assets within 24 months of the issuance date of each NAB Climate Bond and NAB SDG Green Bond.

Reporting

NAB will publish an annual NAB Green Bond Report, including an annual DNV Verification Report for all outstanding NAB Climate Bonds and NAB SDG Green Bonds. This reporting package will contain details including, but not limited to:

- Net proceeds raised from each green bond;
- Aggregate of funds drawn against the green bond eligible project portfolio/s;
- Green bond proceeds allocated against each of the green bond eligible categories identified within the Framework;
- A listing of each eligible project/asset included within the green bond eligible portfolio;
- Where available, qualitative and/or quantitative environmental impact reporting measures for the eligible projects/assets within the green bond eligible portfolio, including disclosure of methodologies utilised in impact reporting;
- Any unallocated green bond proceeds and details of any temporary investments (if any); and
- Confirmation that the Use of Proceeds of the green bonds is in compliance with the Framework and Climate Bonds Standard requirements.

Disclosure of information related to use of proceeds, impact reporting, borrowers and projects financed will be subject to NAB's confidentiality obligations and the availability of information.

External Review and Assurance

As at March 2018, NAB has retained DNV GI, as the independent verification agent for its NAB Climate Bonds and NAB SDG Green Bonds and retained EY as assurance provider for use of proceeds statements for both NAB Climate Bonds.

On an annual basis NAB will retain an appropriate verification agent, or agents, to provide assurance over the annual NAB Green Bond Report, including impact reporting and use of proceeds statement, and provide assurance that each outstanding NAB Green Bond remains in compliance with the Framework and the post-issuance requirements of the Climate Bonds Standard (v 2.1). Following this annual verification update, the verification agent will issue an annual verification statement.

The annual NAB Green Bond Report and annual updates of the Verification Statement will be made publicly available on the [NAB Capital & Funding website](#).

IMPACT AND USE OF PROCEEDS STATEMENT

NAB AUD Climate Bond

Renewable Energy

Project Name	Asset type	Asset location	A/M ⁽¹⁾	Status (C/O) ⁽²⁾	Annual energy produced (MWh) ⁽³⁾	NAB outstanding amounts (million)	% share of debt (attribution of impact)	GHG emissions avoided (tCO ₂) attributable to NAB ⁽⁴⁾
Solar farm 1	Solar	Australia	M	C	-	20.5	27%	-
Solar farm 2	Solar	Australia	M	C	-	10.5	25%	-
Cathedral Rocks Windfarm	Wind	Australia	M	O	171,230	16.2	100%	140,409
Clare Solar Farm	Solar	Australia	M	C	-	55.0	34%	-
Windfarm 1	Wind	Australia	M	O	457,255	48.8	14%	53,564
Hallett Hill 2 Windfarm	Wind	Australia	M	O	249,159	12.4	100%	204,311
Kiata Windfarm	Wind	Australia	M	C	-	20.8	53%	-
Mount Emerald Windfarm	Wind	Australia	M	C	-	6.1	15%	-
Mumbida Windfarm	Wind	Australia	M	O	151,953	41.2	33%	36,469
Musselroe Windfarm	Wind	Australia	M	O	543,984	28.4	12%	53,664
Windfarm 2	Wind	Australia	M	O	2,013,402	131.6	41%	337,109
Gullen Range Windfarm and Gullen Range Solar farm	Wind & Solar	Australia	M	O (Solar in construction)	466,476	79.2	35%	132,682
Oaklands Hill Windfarm	Wind	Australia	M	O	167,865	66.7	33%	45,883
Hallett 1 Windfarm	Wind	Australia	M	O	322,418	27.5	16%	42,711
Portfolio facility for Nyngan Solar Farm and Broken Hill Solar Farm	Wind	Australia	M	O	321,646	40.4	20%	52,750
Silverton Windfarm	Wind	Australia	M	C	-	12.9	9%	-
Waubra Windfarm	Wind	Australia	M	O	653,372	50.6	27%	142,142
Portfolio facility for Blayney, Crookwell, Snowtown (Stages 1 and 2), Mahinerangi Stage 1, Tararua (Stages 1, 2 and 3) and Salt Creek Windfarms	Wind	Australia/ NZ	M	O	1,930,068	99.6	17%	186,571
Studland Bay Windfarm & Bluff Point Windfarm	Wind	Australia	M	O	506,063	43.4	37%	153,693
					7,954,891	\$811.9m (AUD equivalent)		1,581,957

(1) Column indicates whether the project aims to mitigate climate change (M) or adapt to climate change (A)

(2) Column indicates whether the project is in construction (C) or operational (O)

(3) Australian data sourced from the National Greenhouse and Energy Reporting (NGER) database 2015-16. NZ data sourced from publically reported Annual Energy Produced on the TILT Renewable website

(4) Emissions avoided have been calculated as follows: Annual energy produced (MWh) x applicable emission factor for electricity grid (tCO₂-e/Mwh) = GHG emissions avoided. Australian GHG emissions factors based of Australian National Greenhouse Accounts (August 2016). NZ GHG emissions factors based on Ministry for Environment guidance papers for voluntary 2016 GHG emissions reporting. Impact attributable to NAB was calculated by applying the % share of debt to the GHG emissions avoided.

NAB EUR Climate Bond

Renewable Energy

Project Name	Asset type	Asset location	A/M ⁽¹⁾	Status (C/O) ⁽²⁾	Annual energy produced (MWh)	NAB outstanding amounts (million)	% share of debt (attribution of impact)	GHG emissions avoided (tCO ₂) attributable to NAB ⁽⁵⁾
Cubico 4 - Portfolio of onshore wind farms	Wind	UK	M	O	183,200	GBP 55.1	50%	32,203
Cubico 2 - Portfolio of 2 wind farms and 11 ground based solar PV parks	Solar/Wind	UK	M	O	79,261	GBP 61.1	34%	9,474
Independent Power Producer with 57 assets (48 operational, 6 in construction, 3 pre-construction)	Solar/Wind	Europe & Latin America	M	O	235,000	USD 25.0	39%	32,220
Eco Wind Power portfolio - onshore windfarms	Wind	Ireland	M	O	135,787	EUR 27.2	100%	39,378
Race Bank Wind farm - offshore wind farm	Wind	UK	M	C	2,431,600	GBP 52.4	6%	42,350
Fred Olsen wind portfolio - onshore wind farms	Wind	UK	M	O	111,200	GBP 12.3	8%	2,580
Grange wind farm - onshore wind farm	Wind	UK	M	O	32,600	GBP 18.1	100%	9,454
A'Chruach wind farm - onshore wind farm	Wind	UK	M	O	106,000	GBP 20.7	50%	15,370
Infinis portfolio - onshore wind farms	Wind	UK	M	O	686,800	GBP 63.2	100%	241,451
Moor House, Kype Muir and Middle Muir windfarms	Wind	UK	M	O	418,500	GBP 21.1	21%	30,897
Portfolio of 21 UK based solar PV parks	Solar	UK	M	O	238,332	GBP 24.2	16%	13,406
Portfolio of UK ground based solar PV parks	Solar	UK	M	O	33,913	GBP 29.1	100%	11,922
Wind farms and solar PV assets	Wind/Solar	UK, Ireland and France	M	O		GBP 9.5		–
					4,692,193			480,706

(1) Column indicates whether the project aims to mitigate climate change (M) or adapt to climate change (A)

(2) Column indicates whether the project is in construction (C) or operational (O)

(5) The emission have been calculated as (GWh of the plant (P50) x Carbon Intensity of the grid (kg CO₂e / GWh))/1000 = GHG emissions avoided. The carbon intensity based on The National Grid conversion factors 2016. Impact attributable to NAB was calculated by applying the % share of debt to the GHG emissions avoided.

(6) Portfolio has multiple assets, attribution of NAB's impact is complicated and has been excluded from this calculation.

NAB EUR Climate Bond (cont.)

Low Carbon Transport

Project Name	Asset type	Asset location	A/M ⁽¹⁾	Status (C/O) ⁽²⁾	NAB outstanding amounts (million)	Target Results ⁽⁷⁾
Astra SLR Finance Pty Ltd	Low carbon transportation	Australia	M	C	124.2	Under construction
NRT Finance Pty Ltd	Low carbon transportation	Australia	M	C	141.5	Under construction
Reliance Rail Finance Pty Limited	Low carbon transportation	Australia	M	O	83.2	Financed the design, manufacture and maintain 626 Waratah carriages - consisting of 78, eight-car sets and two spare carriages
QW Rail Leasing Limited	Low carbon transportation	UK	M	O	GBP 78.0	57 Class 378 'Capitalstar' electric train sets leased to London Overground which travelled approximately 4.5m miles in the past 12 months.
Total for NAB EUR Climate Bond:					\$1,182.4m (AUD equivalent⁽⁸⁾)	

(1) Column indicates whether the project aims to mitigate climate change (M) or adapt to climate change (A)

(2) Column indicates whether the project is in construction (C) or operational (O)

(7) Assumptions to estimate passenger numbers were not sufficiently robust for this calculation of avoided GHG emissions.

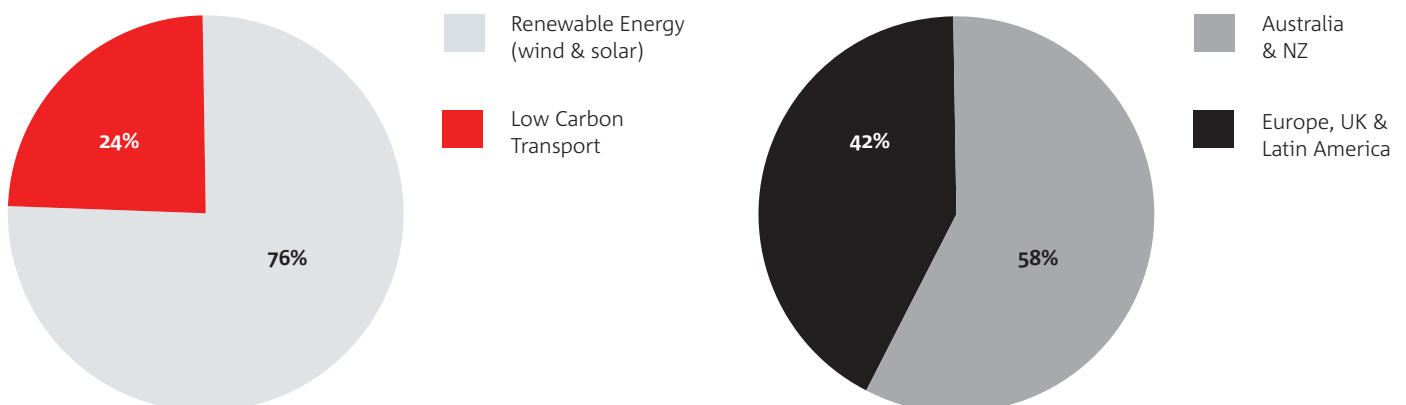
(8) AUD equivalent amounts based on closing exchange rates published by the RBA as at 29 September, 2017. <http://www.rba.gov.au/statistics/tables/index.html#exchange-rates>

TOTAL NAB Climate Bond Eligible Portfolio

Summary table

Location	Renewable Energy (wind & solar)	Low Carbon Transport	Total (millions)
Australia & NZ	811.9	348.9	\$1,160.8m
Europe, UK & Latin America	700.1	133.5	\$833.6m
Total NAB Climate Bond eligible portfolio (AUD equivalent)⁽⁸⁾	\$1,512.0m	\$482.4m	\$1,994.4m

(8) AUD 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>



CASE STUDY

Bungala Solar Farm (Australia)

Construction financing for Australia's largest solar farm; expected to generate ~570GWh of renewable energy each year, sufficient to power approx. 82,000 homes

NAB is providing project finance for the first two stages of the Bungala Solar Farm and these loans are included in the eligible portfolio for the NAB AUD Climate Bond.

Post completion, this will be Australia's largest solar farm to date. The project is located in South Australia, north east of Port Augusta, and once completed will have a generation capacity of up to 300 MW. The project is expected to generate around 570 GWh of renewable energy each year, which is sufficient to power around 82,000 homes and avoid 520,000 tonnes of CO₂-e.

The solar farm is being built on land leased from the Bungala Aboriginal Corporation, providing significant economic benefits to the local Indigenous community. As part of NAB's due diligence and credit risk assessment process we considered a range of social and environmental aspects of the proposed solar farm development. These included community engagement and consultation and available complaints and grievance mechanisms. We also considered heritage values, Indigenous community engagement and economic benefits, governance performance, environmental management policies, processes, approvals and requirements including potential for impacts on ecology, biodiversity and land management, contribution to climate change mitigation and requirements of the Equator Principles.

APPENDIX A

DNV GL Periodic Assurance Statement for the year ended 30 September, 2017.

NATIONAL AUSTRALIA BANK CLIMATE BONDS

DNV GL PERIODIC ASSURANCE STATEMENT

Scope and objectives

The scope of this Periodic Verification Statement includes the National Australia Bank AUD and GMTN Climate Bond Issuances currently outstanding.

NAB AUD Climate Bond

National Australia Bank ("NAB" or "Issuer") On 16 December 2014, NAB issued a \$300m bond in AUD with ISIN AU3CB0226090 (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

NAB GMTN Climate Bond

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
- Renewable Energy – Wind
- Low Carbon Transport

DNV GL has also reviewed the impact reporting data associated with the Sector Technical Criteria as a part of the verification.

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;
 - Review and testing where possible of Impact Reporting Data;
 - Documentation of findings for Periodic Verification as detailed in this Assessment. Our opinion as detailed below is a summary of these findings.
-

Findings and DNV GL's opinion

DNV GL has performed the Periodic Verification of the BONDS with ISIN AU3CB0226090 and 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 BONDS are not, in all material respects, in accordance with the requirements of the CBS v2.1 and Associated Solar, Wind and Low Carbon Transport Technical Criteria. Furthermore, nothing has come to our attention that causes us to believe that the reported impacts associated with the nominated projects and assets are inaccurate.

for DNV GL Business Assurance Australia Pty Ltd

Sydney, 19 April 2018



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 AUD CLIMATE BOND PORTFOLIO OF NOMINATED ASSETS ¹.

Schedule data as of 1 October 2017. Data confirmed by DNV GL to relate only to the NAB AUD Climate Bond. DNV GL confirmed that none of these assets were earmarked or counted towards the NAB GMTN EUR Climate Bond (ISIN XS1575474371).

Asset Type/s	Asset Locations	Current Amount Funded (AUD)
Solar PV	Australia	\$126,428,465
Wind	Australia & New Zealand	\$685,512,129
TOTAL		\$811,940,594

SCHEDULE 2: NAB GMTN CLIMATE BOND PORTFOLIO OF NOMINATED ASSETS ².

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	Current Amount Funded AUD ² .
Renewable Energy – Wind and Solar PV	UK, Ireland, Europe, Latin America	\$700,078,719
Low Carbon Transport – Electrified Rail	Australia, UK	\$482,370,651
TOTAL		\$1,182,449,370

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 3: 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 BONDS 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 and 2.

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.

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DISCLAIMER

This document includes general background information about the activities of National Australia Bank Limited ABN 12 004 044 937 (**NAB**) and its controlled entities (together, the **Group**) for the year ended 30 September 2017 (unless otherwise stated herein). It is information in a summary form and does not purport to be complete.

This document does not constitute an offer or invitation for the sale or purchase of securities, nor does it form part of any prospectus or offering document relating to any securities of NAB. Distribution of this document may be restricted or prohibited by law. Recipients are required to inform themselves of, and comply with, all such restrictions or prohibitions and NAB does not accept liability to any person in relation thereto.

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This document contains certain 'forward-looking statements'. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'outlook', 'upside', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Such statements speak only as of the date hereof, and NAB has no obligation to update or revise any such statements to reflect any change in events, conditions or circumstances on which any such statement is based. There can be no assurance that actual outcomes will not differ materially from these statements. Readers are cautioned not to place undue reliance on these statements.