

NAB SDG GREEN BOND

DNV GL PRE ISSUANCE ASSURANCE STATEMENT

Scope and objectives

National Australia Bank Limited (ABN 12 004 044 937) (the "Issuer" or "NAB") is proposing to issue a senior unsecured SDG Green Bond (henceforth referred to as the "BOND") and has submitted such BOND for verification and certification against the Climate Bonds Standard Version 2.1 ("CBS v2.1").

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 Pre Issuance verification of the BOND as an independent and approved verifier under the CBS 2.1. DNV GL's criteria and information covered to achieve this is described under 'Work Undertaken' below. DNV GL understand that this Pre Issuance Verification is proposed by NAB to trigger the start of Programmatic Issuance under the CBS v2.1.

No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BOND, 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 set out in the CBS v2.1 and the associated Sector Technical Criteria on the basis set out below.

The scope of this DNV GL verification statement is limited to the CBS v2.1 and the following associated Sector Technical Criteria:

- Low Carbon Buildings (Commercial Property Criteria v1.0)
- Low Carbon Transport Criteria v1.0
- Solar Energy Criteria v2.1
- Wind Energy Criteria v1.1
- Marine Renewable Energy Criteria v1.0

In addition to and separate from DNV GL performing a Pre-Issuance Verification on the compliance of the BOND with the CBS v2.1 and the associated Sector Technical Criteria, DNV GL has conducted a qualitative review of the Use of Proceeds of the BOND to consider their alignment with and contribution towards the United Nations Sustainable Development Goals ("UN SDGs"). This is summarised in Schedule 3 of this Statement.

Responsibilities of the manager of the Issuer and DNV GL

The management of NAB has provided the information and data used by DNV GL during the delivery of this review. DNV GL's statement represents an independent opinion and is intended to inform the management of NAB 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 the manager of the Issuer. DNV GL is not responsible for any aspect of the nominated projects and assets referred to in this verification statement 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 proves to be incorrect or incomplete.

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 Climate Bonds Standard 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 the Issuer 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:

Pre Issuance Verification

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

Consideration of the alignment with and contribution towards United Nations Sustainable Development Goals¹

- Review of Green Bond Use of Proceeds against the 17 UN SDGs;
- Consideration of the contribution of the Use of Proceeds towards UN SDG targets (as described in more detail in Schedule 3 below).

¹ This has been completed in addition to, and separate from, the Climate Bonds Standard Pre-Issuance Verification.

Findings and DNV GL's opinion

DNV GL has performed a Pre Issuance Verification of the BOND. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the BOND 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 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 compliance with the requirements of the CBS v2.1 and associated Sector Technical Criteria.

for DNV GL Business Assurance Australia Pty Ltd

Sydney, 8 March 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: PORTFOLIO OF NOMINATED ASSETS²

Schedule data as of 1 February 2018.

Eligible Category	Applicable Criteria	Eligible Projects	Locations	Total Drawn Funding
Energy	Wind, Solar, Marine Renewables	Wind Farms, Solar Farms	Australia, New Zealand, UK, Ireland and Europe	\$1,849,336,171 (AUD equivalent)
Low Carbon Transport	Low Carbon Transport	Electrified passenger rail infrastructure & rolling stock	Australia, UK	\$631,879,358 (AUD equivalent)
Low Carbon Buildings	Commercial Buildings	Commercial Buildings	Australia	TBC

TOTAL ELIGIBLE ASSET PORTFOLIO (excluding Low Carbon Buildings):

\$2,481,262,333 (AUD equivalent)²

TOTAL OUTSTANDING NAB CLIMATE BONDS (as at 1 February 2018)

NAB Climate Bond issued 16th December 2014 (ISIN AU3CB0226090)

AUD 300,000,000

NAB Climate Bond issued 7th March 2017 (ISIN XS1575474371)

EUR 500,000,000

TOTAL OUTSTANDING BONDS:

\$1,069,230,769 (AUD equivalent)³

TOTAL SURPLUS NOMINATED ASSETS (excluding Low Carbon Buildings):

\$1,412,031,564 (AUD equivalent)

² 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)

³ AUD equivalent rates based on closing exchange rates published by the RBA, as at 31 January 2018 <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 the relevant projects and assets have been reviewed prior to their inclusion in the portfolio of eligible projects and assets for the BOND are grouped under the requirements as detailed within the CBS v2.1 and associated Sector Technical Criteria. These requirements broadly include:

Part A: General Requirements

Area	Requirement
Nominated Projects & Assets	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 of Proceeds	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 Standard Board to support the assessment of conformance with the Climate Bonds Standard. The information disclosed to the Verifier and the Climate Bond 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 gases, as detailed in Schedule 1.

Area	Requirement
Commercial Low Carbon Buildings v1.0	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
Solar Energy Generation	Solar electricity generation facilities
Wind Energy Generation	Wind power generation facilities
Marine Renewables	<p>Mitigation Component:</p> <p>The asset is 100% dedicated to renewable energy.</p> <ul style="list-style-type: none"> • Any fossil fuel back up in place is limited to: <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>Adaptation and Resilience Component:</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</p>

	<p>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>
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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.

SCHEDULE 3: ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

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

In addition to the Pre Issuance verification against the requirements of the CBS v2.1 and associated Sector Technical Criteria, DNV GL has reviewed the Use of Proceeds and nominated assets associated with the BOND for alignment with, and contribution towards, the UN SDGs⁴ in the following table.

Use of Proceeds	UN SDG	UN SDG Target		Assessment of Contribution to Achieving the SDG
Renewable Energy (Solar, Onshore Wind and Offshore Wind)	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, Wind Energy and Marine Renewables Criteria. The criteria set out the requirements for the respective renewable energy generation projects to be included within Certified Climate Bonds.</p> <p>The Nominated Projects and Assets were verified by DNV GL to qualify under their respective criteria and confirmed to contribute to the share of renewable energy in the global, regional and local energy mix.</p> <p>DNV GL confirms compliance with the CBI Solar, Wind Energy and Marine Renewables Criteria demonstrates a contribution towards UN SDG 7, Target 7.2.</p>

⁴ Information about the UN SDGs may be found at <http://www.un.org/sustainabledevelopment/sustainable-development-goals/> and <https://www.unpri.org/about/sustainable-development-goals>

	9. Industry Innovation and Infrastructure	9.1	Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	<p>Compliance with CBI Solar, Wind Energy and Marine Renewables Criteria. The criteria set out the requirements for the respective renewable energy generation projects to be included within Certified Climate Bonds.</p> <p>The Nominated Projects and Assets were verified by DNV GL to qualify under their respective criteria and confirmed to contribute to developing quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p> <p>DNV GL confirms compliance with the CBI Solar, Wind Energy and Marine Renewables Criteria demonstrates a contribution towards UN SDG 9, Target 9.1.</p>
Low Carbon Transport	9. Industry Innovation and Infrastructure	9.1	Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	<p>Compliance with CBI Low Carbon Transport Criteria. The Criteria set out requirements and benchmarks for the demonstration of how investments in transport projects, assets and infrastructure may qualify under a range of applications.</p> <p>The nominated projects and assets associated with train sets, networks and associated investments clearly qualify as developing quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p> <p>The nominated projects and assets will be servicing patrons on a regional scale and provide equitable public transport solutions for those regions.</p>

				DNV GL confirms compliance with the CBI Low Carbon Transport demonstrates a contribution towards UN SDG 9, Target 9.1.
	11. Sustainable Cities and Communities	11.2	By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	<p>Compliance with CBI Low Carbon Transport Criteria. The Criteria set out requirements and benchmarks for the demonstration of how investments in transport projects, assets and infrastructure may qualify under a range of applications.</p> <p>The nominated projects and assets associated with train sets, networks and associated investments are dedicated public transport investments focused on electrified rail services. These projects and assets include intra-city and regional transport.</p> <p>DNV GL confirms compliance with the CBI Low Carbon Transport Criteria demonstrates a contribution towards UN SDG 11, Target 11.2.</p>
Commercial 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 Low Carbon Buildings Criteria. The criteria establishes local benchmarks for performance where the top 15% of buildings by kgCO₂/m² are deemed to qualify. This sets a constantly moving benchmark to encourage investment in high performance building and energy efficiency.</p> <p>DNV GL confirms compliance with the CBI Commercial Low Carbon Buildings Criteria demonstrates a contribution towards UN SDG 7, Target 7.3.</p>

	<p>11. Sustainable Cities and Communities</p>	<p>11.6</p>	<p>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>	<p>Compliance with CBI Commercial Low Carbon Buildings Criteria. The criteria established a dynamic benchmark for performance of the top 15% of buildings in a city/region and have been established to ensure they are representative of buildings in-line with a zero-carbon building sector in 2050.</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>DNV GL confirms compliance with the CBI Commercial Low Carbon Buildings Criteria demonstrates a contribution towards UN SDG 11, Target 11.6.</p>
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