



# Independent Assurance Report to the Management of National Australia Bank Limited on the National Carbon Offset Standard

## Conclusions

### a) Reasonable assurance – Scope 1 and 2 GHG emissions

In our opinion, in all material respects, NAB’s reported total Scope 1 and 2 greenhouse gas (GHG) emissions of 115,369 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>-e), as reported in the Public Disclosure summary, have been prepared by NAB in accordance with the criteria for the year ended 30 June 2017.

### b) Limited assurance – Public Disclosure Summary and Scope 3 GHG emissions

Based on the evidence we obtained from the procedures performed, as detailed below, we are not aware of any material misstatements in the NCOS information subject to assurance, which has been prepared by NAB in accordance with the criteria for the year ended 30 June 2017.

## NCOS information subject to assurance

We have been engaged by National Australia Bank Limited (“NAB”) to undertake an assurance engagement in relation to NAB and its Australian subsidiaries for the purposes of maintaining certification under the National Carbon Offset Standard (NCOS). The NCOS information subject to assurance, as presented in NAB’s NCOS Public Disclosure Summary for the year ended 30 June 2017 comprised the following:

PDS Section	Selected data and text statements
Carbon Neutral Information	Entire section
Our Global Carbon emissions	Entire section
Summary of Changes to the calculation methodology	Entire section
Summary of Changes to the Carbon inventory	Entire section
Emissions over time	Entire section
Emission reduction measures	Entire section
Carbon emissions summary: Total Scope 1 and 2 GHG emissions Total Scope 3 GHG emissions	115,369 tCO <sub>2</sub> -e 56,004 tCO <sub>2</sub> -e
Carbon offsets	Entire Section

The NCOS information subject to assurance as presented in NAB’s NCOS Public Disclosure Summary has been prepared by NAB in accordance with the NCOS, the National Carbon Standard Carbon Neutral Program Guidelines (“the Guidelines”) and internal reporting methodologies including the NAB Group Environmental Reporting and Offset Management Standard (“the Framework”), collectively (“the Criteria”).



## Basis for conclusion

We performed our assurance engagement in accordance with Australian Standards on Assurance Engagements ASAE 3000 and ASAE 3410 (Standards). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with the Standard we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the NCOS information subject to assurance is free from material misstatement and to obtain limited assurance that we are not aware of any material misstatements in the NCOS information subject to assurance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

## Procedures performed

### ***Reasonable assurance over the Scope 1 and 2 GHG emissions***

KPMG has undertaken the following procedures that are considered appropriate to be able to provide a reasonable assurance conclusion over reported Scope 1 and 2 GHG emissions:

- Interviewed key NAB personnel to understand the governance and reporting framework over GHG information
- Understood and challenged management's interpretation of operational control and the process undertaken to confirm the boundary of reporting
- Tested the design, implementation and operating effectiveness of controls around data collection and reporting
- Undertaken substantive testing of full year material data by agreeing a sample of data to source documentation (E.g. invoices).
- Undertaken analytical procedures over the GHG emissions data
- Tested GHG emissions factors used from the National Greenhouse and Energy Reporting (Measurement) Determination
- Agreed the final reported GHG emissions in the GHG Inventory to underlying evidence and performed mathematical checks
- Assessed the reasonableness of assumptions applied.

### ***Limited assurance over the Public Disclosure Summary***

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- Interviewed key NAB personnel concerning NAB's Carbon Neutral Program, compliance with NCOS, Emissions Reduction Strategy and Offset Purchasing and Retirement Strategy, and the implementation of these across the business
- Reviewed NAB policies and documentation, including the Framework
- Interviewed key NAB personnel to obtain an understanding of the process for data collection, estimation, calculation and reporting of NCOS information
- Assessed key management assumptions
- Assessed overall reporting for accuracy and completeness, and perform mathematical checks.
- Reviewed NAB's submission to NCOS, being the NCOS Annual Inventory, to ensure consistency with the Public Disclosure Summary



- Reviewed the Public Disclosure Summary for consistency with NCOS requirements and other environmental data reported by NAB, including data presented in the 30 June 2017 NAB Group Environmental Performance Summary and the National Greenhouse and Energy Reporting Act reporting.

For certification boundary:

- Interviewed key NAB personnel to understand the reporting boundaries of Scope 3 GHG emissions, including operational activities that result in GHG emissions, boundary inclusions and exclusions and changes in boundaries
- Reviewed certification boundary diagram to ensure consistency with the Framework.

For reported Scope 3 GHG emissions:

- Obtained an understanding of how the Scope 3 activity data is collected and consideration as to the accuracy and completeness of raw data
- Agreed the GHG emissions summary data to NAB's internal systems and performed walkthroughs to source documentation
- Performed analytical procedures over the Scope 3 GHG emissions
- Assessed the appropriateness of GHG emissions factors applied to each Scope 3 GHG emissions source

For reported carbon offsets:

- Vouched carbon offsets purchased and retired to third party information on a sample basis, to confirm and evidence the retirement of those offsets
- Reviewed the text relating to the forward purchasing offset model for consistency with the Framework
- Reviewed reconciliation of the reported total net GHG emissions with the total offsets retired, and total offsets held in surplus for future years

For Emissions Reduction Measures:

- Agreed the GHG emissions over time to prior year NCOS Reporting
- Agreed GHG emissions reduction actions to NAB's energy saving calculations
- Ensured that the text relating to GHG emissions reduction measures is consistent with NAB's environmental objectives

## **How we define reasonable assurance, limited assurance and material misstatement**

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion over the Public Disclosure Summary.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the NAB Group, being NAB and its subsidiaries.

## **Use of this Assurance Report**

This report has been prepared for the NAB and its directors and management, and the Department of the Environment and Energy (Department), in relation to the NCOS Carbon Neutral Program, for the purpose of providing an assurance conclusion on the NCOS information subject to assurance and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the NAB, its directors and management and the Department, or for any other purpose than that for which it was prepared.



## Inherent limitations

Greenhouse gas quantification is subject to inherent uncertainty due to the nature of the information and the uncertainties inherent in: (i) the methods used for determining or estimating the appropriate amounts, (ii) information used to determine emission factors and the values needed to combine emissions of different gases.

## NAB's responsibilities

NAB is responsible for:

- determining that the Framework is appropriate to meet their needs;
- preparing and presenting the NCOS information subject to assurance in accordance with the Criteria;
- establishing internal controls that enable the preparation and presentation of the NCOS information subject to assurance that is free from material misstatement, whether due to fraud or error; and
- maintaining integrity of the relevant website information.

## Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to the NCOS information subject to assurance and a limited assurance engagement in relation to the NCOS information subject to assurance for the period [date], and to issue an assurance report that includes our conclusion.

## Our independence and quality control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

**KPMG**

Melbourne  
25 October 2017