

national
australia
bank



NAB Annual Social Bond Report

Financial year ended 30 September 2021



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1. Introduction

1.1 Purpose

National Australia Bank Limited ABN 12 004 044 937 (NAB), is pleased to present its fifth annual Social Bond Report (Report), for the financial year ended 30 September 2021. This Report relates to NAB's Social Bonds outstanding as of 30 September 2021 and provides reporting on the Use of Proceeds and social impact of the bonds, which are earmarked for financing/refinancing a portfolio of organisations across Australia with current Employer of Choice for Gender Equality (EOCGE) citations from the Workplace Gender Equality Agency (WGEA).

Our intent is to be transparent about the methods used for our social bond reporting and attribution of social impact.

We have looked to implement evolving market best practice for annual impact reporting, based on guidelines set out in the June 2020 publication [Working Towards a Harmonized Framework for Impact Reporting for Social Bonds](#), along with input from investors, assurance providers and guidance from other sources including the International Capital Market Association (ICMA)'s Social Bond Guidance and Green Bond Principles (GBP) 2016.

1.2 Why is NAB issuing Social Bonds?

We are here to serve customers well and help communities prosper. Our success is dependent on the long-term prosperity of the communities we serve.

As one of the founding signatories to the United Nations' Principles for Responsible Banking, we have committed to aligning our activities with societal need as set out in the United Nations' Sustainable Development Goals (UN SDGs)¹ and Paris Climate Agreement. To achieve this, we have embedded sustainability within the long-term pillar of our business strategy. Our focus is on:

- Driving commercial responses to society's biggest challenges.
- Maintaining resilient and sustainable business practices.
- Innovating for the future.

In October 2021, the NAB Board endorsed our new Inclusion and Diversity Strategy Framework (the Strategy Framework). The new three-year Strategy Framework is explicitly aligned to our business and colleague strategies and looks to shape the way we think and How We Work². To facilitate sustainable and meaningful change, our new Strategy Framework recognises the need to focus on inclusion, not only diversity in our key colleague processes and policies. The key focus areas of the new Strategy Framework include:

- Inclusive leadership – Leaders are visible in their commitment to inclusion and actively build diversity in teams.
- Inclusive workplace – A culture that actively promotes and leverages team diversity, flexibility and wellbeing – an environment where all colleagues feel empowered to contribute to their full potential.
- Customer inclusion – Colleagues who take pride in understanding the needs of our customers, ensuring that they can access the information, services and products they need with ease.

The measurable objectives aligned to the new Strategy Framework are as follows:

- Diverse leadership teams and talent pipelines by 2025:
 - At each salary level 40-60% of either gender represented.
 - NAB Board (non-executive directors) 40-60% of either gender represented.
 - NAB Group subsidiary boards – 40-60% of either gender represented.
- Fair remuneration – seek to reward people fairly and support our objective of gender pay equity < 10% by 2025.
- Inclusion score – targeting no gap between diverse and non-diverse colleagues by 2025 using measures from the engagement survey.

Gender equality continues to be a priority for NAB under the new Strategy Framework and we remain focused on achieving 40-60% of either gender represented at every level of the business and a gender pay gap below 10% by 2025. In 2021, we saw an increase in female representation in our Management, Senior Management and Group subsidiary boards level. Female representation at our most senior levels of the organisation, Executive Management and NAB Board decreased. We have achieved a year-on-year decrease in our gender pay gap, with WGEA calculating NAB's 2020-21 base salary pay gap, at 16.6%, consistently reducing from 20.1% in 2018-19.

While we have made some progress in senior representation and continue to close the gender pay gap, there is still work to do to reach our 2025 targets. We will continually challenge ourselves to ensure we are prioritising equality, not just for gender, but across all diverse demographics.

¹ United Nations Development Programme
(<https://www.undp.org/content/undp/en/home/sustainable-development-goals/>)

² Performance and Remuneration
(<https://www.nab.com.au/about-us/social-impact/our-people/performance-and-remuneration#:~:text=There%20are%20four%20core%20elements,t%20create%20band%20Daid%20fixes.>)

NAB's gender targets are also aligned to the SDGs, specifically #5 Gender equality,³ as well as Australia's commitment to be a society that promotes policies, laws, organisations, structures and attitudes that ensure women are guaranteed the same rights as men, signified through Australia's signing of the UN Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW).

We actively monitor and report on a range of human capital performance measures (e.g. diverse workforce composition, pay equity, access to training/development and employee engagement and retention) ensuring accountability and progress on gender equality. By financing Australian organisations that demonstrate leading practices with respect to workplace gender equality, our Social Bond plays a role in advancing the Australian and global objective of achieving gender equality and empowerment for women.

The latest information on NAB's focus on gender equality is found on the [NAB website](#).

2. Social Bond features

As at 30 September 2021, NAB had issued one social bond aligned to ICMA's Social Bond Guidance with proceeds earmarked for financing/refinancing a portfolio of organisations across Australia that hold the EEOCGE citations from WGEA. Financing a portfolio of organisations that demonstrate leading practices with respect to workplace gender equality is consistent with our alignment to the UN SDG regarding gender equality.

	NAB AUD Social Bond (Gender Equality)
Format	Fixed Rate MTNs
Issue Amount	A\$500 million
Pricing Date	17 March 2017
Final Maturity Date	24 March 2022
ISIN	AU3CB0243459
Assurance	In alignment with the ICMA's Social Bond Guidance and GBP 2016, with a second party opinion provided by Sustainalytics and financial assurance by EY.
Use of Proceeds	Proceeds used for financing/refinancing a portfolio of organisations with current EEOCGE citations from the WGEA.

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

³ United Nations Development Programme
(<https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-5-gender-equality.html>)

3. NAB's Social Bond Approach

NAB has developed and implemented a NAB Social Bond Framework (Framework) which applies to existing NAB Social Bonds.

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

As at March 2017, the Framework described the following core components which are described in further detail below:

- a. Use of Proceeds;
- b. Project Evaluation and Selection Process;
- c. Management of Proceeds;
- d. Reporting; and
- e. External Review and Assurance.

3.1 Use of proceeds

Eligibility Criteria

NAB's Social Bond proceeds will be used to finance or re-finance organisations that have been awarded the EOCGE citation by the WGEA and thus uses a positive screening process.

WGEA is an Australian Government statutory agency created by the Workplace Gender Equality Act 2012 (the Act). The Agency is charged with promoting and improving gender equality in Australian workplaces and does so by working collaboratively with employers to facilitate compliance with reporting requirements under the Act.

The EOCGE citation is generally aligned with the Act and is designed to encourage, recognise and promote organisations' active commitment to achieving gender equality in Australian workplaces.

Exclusionary Criteria

In addition to the use of the positive screening process mentioned above, NAB has also developed a list of exclusionary criteria for the proceeds of the Social Bond, to avoid investments in certain industries, as well as companies assessed by Sustainalytics as having major ESG controversies (Category 5 controversies). The details surrounding each of these exclusionary criteria are described as follows.

1. Social Bond proceeds will not be allocated to financing any organisations whose current principal industry and primary or predominant activities have been assessed by NAB as being one or more of the following:
 - Alcohol
 - Gambling
 - Tobacco
 - Military Weapons
 - Predatory Lending
 - Fossil Fuels
 - Palm Oil
 - Transport of live cattle
 - Whaling.
2. Social Bond proceeds will not be allocated to financing any organisations that are involved in major ESG controversies (Category 5 controversies), as assessed by Sustainalytics for the financial year ended 30 September 2021. Organisations to which proceeds have been allocated will be assessed by Sustainalytics for involvement in Category 5 controversies during the previous 12 months, as a part of an annual compliance review. On an annual basis, NAB will reallocate funding from organisations identified as having involvement in Category 5 controversies to eligible organisations.

3.2 Project Evaluation and Selection Process

Selection of Eligible Loans by NAB

NAB's sustainable investment committee, the Socially Responsible Investment (SRI) Forum (the Forum), has been established to oversee the Framework and related reporting obligations. The Forum is comprised of representatives from NAB Treasury, Risk and Corporate and Institutional Banking (Sustainable Finance) with other specialist support where required.

WGEA awards the EOCGE citation, and makes the complete list of citation holders publicly available on its website. If there is a material change to the role, powers or functions of WGEA or the criteria for EOCGE citation, NAB may (having regard to the gender-equality alignment of the Social Bonds) identify an alternative agency or citation to succeed WGEA or the EOCGE citation (as applicable) for the purposes of identifying eligible borrowers. Where NAB does not identify a successor agency or citation, it may include persons or entities to be eligible borrowers by reference to internal criteria for identifying persons or entities that are not inconsistent with the gender equality alignment of the Social Bonds.

WGEA Process for Selection of Organisations for the EOCGE Citation

Organisations applying for the WGEA EOCGE citation are required to answer a number of questions under seven focus areas. These reflect the findings from the latest academic research into drivers of improved gender equality outcomes.

Organisations achieving the citation must be compliant with the Act and the requirements under the seven focus areas of the citation.

The Act applies to non-public sector employers with 100 or more employees in their corporate structure. These are referred to as 'relevant employers'. A relevant employer that is compliant with the Act may choose to voluntarily apply for the WGEA EOCGE citation. With its foundations in evidence-based research of the drivers of improved workplace gender equality outcomes, WGEA recognises organisations that have made progress in workplace gender equality beyond standard compliance with the Act.

Every five years, the citation is reviewed to ensure it continues to reflect best practice and remains relevant and accessible to employers. A review was undertaken in 2017, and revised criteria came into effect from 2019-2020. The EOCGE application requires organisations to respond to specific questions under the following focus areas:

1. Leadership, strategy and accountability
2. Developing a gender-balanced workforce
3. Gender pay equity
4. Support for caring
5. Mainstreaming flexible working
6. Preventing gender-based harassment and discrimination, sexual harassment and bullying
7. Driving change beyond your workplace.

A rigorous and robust assessment process is applied to determine the outcome of an EOCGE application. Organisations are required to provide quantitative and qualitative evidence of their progress according to each focus area. An additional layer of validation requires employers to conduct a 'lived experience check' to ensure that the seven focus areas translate into employees' experience of a workplace culture that is leading practice in actively promoting and supporting gender equality. This includes an employee survey, consultation with employees on the EOCGE application and a mandatory telephone interview with the CEO of first time applicants, or where a change in leadership has occurred since an organisation's previous application. To ensure the leadership of an organisation that is already recognised as a citation holder maintains their focus and commitment to workplace gender equality, the Agency conducts a series of randomly selected CEO interviews each year.

The list of citation holders is announced in the first quarter each calendar year and successful applicants are now awarded the EOCGE citation for a period of two years.

3.3 Management of proceeds

Proceeds from the Social Bond will be directed to cost centres, where each distinct cost centre represents a type of industry grouping that holds loans to EOCGE businesses. Within each cost centre, proceeds will be directed towards identified and earmarked EOCGE businesses. Eligible organisations within each cost centre will be identified by tagging them with a note on the file.

NAB confirms that its Specialised Transaction Management Team, or any successor thereafter, prepares a monthly report that serves as a control to monitor lending to eligible assets.

The report lists the eligible counterparty and allocated amount by loan against each client, and by aggregate, against each cost centre. Unallocated proceeds will be temporarily invested in a separate bank account, cash and/or bonds issued by holders of the EOCGE citation or money market instruments that are separate from the NAB Treasury's General Funds pool.

3.4 Reporting

Under the Framework, NAB is publishing this annual NAB Social Bond Report and the annual Sustainalytics compliance review. This report contains a list of organisations and businesses to which NAB has allocated proceeds and the aggregate amount allocated. The list includes the borrower's name, business description, business location, confirmation of the receipt of the WGEA EOCGE citation, and gross portfolio size.

NAB reports on the percentage of women on boards, aggregated to an average number at the level of the allocated portfolio and discloses this metric. In this report, NAB has included data on the total number (in percentage) of women employed in general and at managerial levels at each organisation financed.

Disclosure of information related to Use of Proceeds, impact reporting, borrowers and organisations financed will be subject to NAB's confidentiality obligations and the availability of information.

3.5 External Review and Assurance

NAB has retained Sustainalytics in an independent compliance reviewing capacity and EY as assurance provider in order to ensure that proceeds from the Social Bond as well as processes, policies and systems for managing NAB's eligible lending from the Social Bond are in accordance with NAB's Framework.

NAB has committed to undertaking an annual compliance review of funded organisations with Sustainalytics. Sustainalytics reviews all organisations and borrowers to which proceeds have been allocated in order to determine whether they meet the eligibility criteria in the Framework. As a part of the annual compliance review, Sustainalytics also undertakes a review and analysis of the organisations' involvement in controversies. Sustainalytics will provide a letter stating the results of the compliance review, which NAB may disclose publicly on its website. The compliance review will take place annually throughout the term of the Social Bond.

On an annual basis, NAB will retain an appropriate independent reasonable assurance provider or providers, to provide assurance over the Use of Proceeds statement and that both the systems and policies NAB has in place to manage the Social Bond proceeds and the preparation of the Use of Proceeds Statement are, in all respects, in accordance with NAB's Social Bond Framework.

The annual NAB Social Bond Report and compliance reviews will be made publicly available on the [NAB Capital & Funding website](#).

4. Impact and Use of Proceeds Statement

Borrower's name	Business description	Business location	Years citation has been held up to 2021-2023
Clayton Utz	Professional Services	Australia	13
Corrs Chambers Westgarth	Professional Services	Australia	16
Gilbert + Tobin	Professional Services	Australia	13
King & Wood Mallesons	Professional Services	Australia	10
The Trustee for KPMG Australian Service Trust	Professional Services	Australia	16
MinterEllison	Professional Services	Australia	14
PwC Australia	Professional Services	Australia	13
Dexus	Property	Australia	5
Macquarie University	Education	Australia	7
RMIT University	Education	Australia	14
Lendlease Corporation Limited	Property	Australia	12*
Mirvac Limited	Property	Australia	6*

Source: [EOCGE citation holders](#)

*Years held up to 2019-2021 as Lendlease Corporation Limited and Mirvac Limited do not hold citations for 2021-2023

As at the date of this report, the 2021 data can be found on the [WGEA Data Explorer](#).

Gross Portfolio Size

As at 30 September 2021, the aggregate value of the NAB Social Bond (Gender Equality) loan portfolio was A\$561,976,650.

Percentage of female employees across different levels in the workplace

The table on page 7 shows the following statistics for each workplace:

- the number and percentage of women (average 57.1%);
- the number and percentage of women in managerial positions (average 52.5%); and
- the number and percentage of women on boards (average 38.5%).

UN SDGs Alignment and Contribution

NAB's Social Bond aligns with UN SDG 5 – Gender Equality. Key targets of this goal include:



- End all forms of discrimination against all women and girls everywhere;
- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life; and
- Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.

Borrower's name	Female employees (number)	Percentage of female employees (2021)	Change from prior year	Percentage of woman in managerial positions	Change from prior year	Percentage of women on boards	Change from prior year	CEO
Clayton Utz*	929	64.8%	↑	58.7%	↑	33.3%	↓	Male
Corrs Chambers Westgarth	755	69.5%	↑	67.1%	↑	37.5%	–	Male
Gilbert + Tobin	499	64.2%	↓	68.7%	↑	30.8%	↑	Male
King & Wood Mallesons	1016	66.2%	↑	57.4%	↓	30.0%	–	Male
The Trustee for KPMG Australian Service Trust	3976	49.6%	↑	43.7%	↑	27.3%	↓	Male
MinterEllison	1538	69.7%	↑	63.2%	↓	45.4%	–	Female
PwC Australia	4055	53.0%	↓	49.0%	↑	42.9%	↑	Male
Dexus	302	55.4%	↓	42.9%	↓	33.3%	↑	Male
Macquarie University	3482	59.2%	↓	56.6%	↓	40.0%	↓	Male
RMIT University	4217	54.8%	↓	55.9%	–	53.8%	↑	Male
Lendlease Corporation Limited**	2344	34.7%	↓	30.9%	↓	37.5%	↓	Male
Mirvac Limited	629	44.5%	↑	36.4%	↓	50.0%	–	Female

Source: [WGEA Data Explorer](#) data accessed as at 19th May, 2022.

*Change from prior year calculated using data under previous reporting entity Clayton Utz (2021 reporting entity is The Trustee For The Cu Services Trust).

**Change from prior year calculated using data under previous reporting entity Lendlease Management Services Limited.

5. Sustainalytics review report 2022



National Australia Bank Limited

Type of Engagement: Annual Review

Date: May 4, 2022

Engagement Team:

Nilofur Thakkar, nilofur.thakkar@sustainalytics.com

Anirban Sengupta, anirban.sengupta@sustainalytics.com

Introduction

In 2017, National Australia Bank Limited (“NAB”) issued a social bond aimed at financing and/or refinancing organisations that are cited by the Workplace Gender Equality Agency as Employers of Choice for Gender Equality in Australia. In 2022, NAB engaged Sustainalytics to review the organisations funded through the issued 2017 social bond as of 30 September 2021 and provide an assessment as to whether the organisations met the Use of Proceeds criteria and the Reporting commitments outlined in the NAB Social Bond Framework (the “Framework”). Sustainalytics has provided a second-party opinion on the Framework in 2017.¹

Evaluation Criteria

Sustainalytics evaluated the organisations funded with proceeds from the 2017 social bond as of 30 September 2021 based on whether the organisations:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Gender Equality	<ul style="list-style-type: none">• Organisations that currently hold the Employer of Choice for Gender Equality citation (EOCGE) by the Workplace Gender Equality Agency (WGEA)².• Exclusionary Criteria:<ol style="list-style-type: none">(i) Organisations, whose current principal industry and primary or predominant activities have been assessed by NAB as being one or more of the following:<ul style="list-style-type: none">• Alcohol• Gambling• Tobacco• Military Weapons• Predatory Lending• Fossil Fuels• Palm Oil• Transport of live cattle• Whaling(ii) Organisations that are involved in major environmental, social or governance controversies (Category 5 controversies), as assessed by Sustainalytics.	NAB intends to report on the percentage of women on boards, aggregated to an average number at the level of the allocated portfolio.

¹The Framework Overview and Sustainalytics Second Party Opinion is available at NAB Capital and Funding webpage at: <https://capital.nab.com.au/information/green-and-sri-bonds>

² WGEA is an Australian Government statutory agency created by the Workplace Gender Equality Act 2012 (the Act). The Agency is charged with promoting and improving gender equality in Australian workplaces.

Issuing Entity's Responsibility

NAB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of NAB's Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from NAB employees and review of documentation to confirm the conformance with the NAB Social Bond Framework.

Sustainalytics has relied on the information and the facts presented by NAB with respect to the funded organisations. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by NAB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed organisations, funded through proceeds of NAB's Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the NAB Social Bond Framework. NAB has disclosed to Sustainalytics that the proceeds of the social bond were fully allocated since the issuance of the Social Bond on March 22, 2017.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the organisations funded by the social bond as of 30 September 2021 to determine if they aligned with the Use of Proceeds Criteria outlined in the NAB Social Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the organisations funded by the social bond as of 30 September 2021 to determine if impact of the organisations on gender equality was reported in line with the KPIs outlined in the NAB Social Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All organisations reviewed reported on at least one KPI per Use of Proceeds criteria.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the organisations that have been funded, including description of organisations estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Social Impact Reported by Reporting Criteria
Gender Equality	<ul style="list-style-type: none"> Of the 12 organisations funded by the proceeds of the Social Bond, the average percentage of women on boards was 38.5%. Of these 12 organisations funded, two reported female CEOs. Of these 12 organisations funded, the total number (average percentage) of female employees was 23,742 (57.1%). Of these 12 organisations funded, the average percentage of women in managerial position was 52.5%.

Appendix 2: Impact Reporting by Organisation

As NAB is committed to transparency, the table below provides the individual organisation's impact reporting in line with eligibility and reporting criteria. Please note that the source of data is the 2021 reporting from each organisation, made available on the WGEA website.

Funded Organisations	Female Employees (number)	Percentage of Female Employees	Percentage of Woman in Managerial Position	Percentage of Women on Boards	CEO (Gender)
Clayton Utz	929	64.8%	58.7%	33.3%	Male
Corrs Chambers Westgarth	755	69.5%	67.1%	37.5%	Male
Gilbert + Tobin	499	64.2%	68.7%	30.8%	Male
King & Wood Mallesons	1,016	66.2%	57.4%	30.0%	Male
The Trustee for KPMG Australian Service Trust	3,976	49.6%	43.7%	27.3%	Male
MinterEllison	1,538	69.7%	63.2%	45.4%	Female
PwC Australia	4,055	53.0%	49.0%	42.9%	Male
Dexus	302	55.4%	42.9%	33.3%	Male
Macquarie University	3,482	59.2%	56.6%	40.0%	Male
RMIT University	4,217	54.8%	55.9%	53.8%	Male
Lendlease Corporation Limited	2,344	34.7%	30.9%	37.5%	Male
Mirvac Limited	629	44.5%	36.4%	50.0%	Female

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the fourth consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.



6. Use of proceeds statement assurance



Building a better working world

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Independent Reasonable Assurance Report in relation to the Social Bond (Gender Equality) Use of Proceeds Statement to the Directors and Management of National Australia Bank Limited ('NAB')

Assurance Conclusion

Based on our reasonable assurance procedures described in this statement of 10 June 2022, in our opinion:

- ▶ The Eligible Asset Pool in the Use of Proceeds Statement is fairly stated as greater than the bond value, in all material respects, based on information provided by NAB; and
- ▶ NAB's systems and policies for managing the Social Bond (Gender Equality) proceeds and the preparation of the Use of Proceeds Statement are in all respects in accordance with NAB's Social Bond Framework.

Scope

Ernst & Young ('EY') has performed a reasonable assurance engagement for the Management and Directors of NAB in relation to the specific information in the annual NAB Social Bond (Gender Equality) (the 'Social Bond') Use of Proceeds Statement, systems and policies for managing the Social Bond proceeds and the preparation of the Use of Proceeds Statement as at 30 September 2021.

Assurance Practitioner's Responsibility

Our responsibility was to express a reasonable assurance conclusion on specific information in the Social Bond Use of Proceeds Statement at 30 September 2021, systems and policies for managing the Social Bond proceeds and the preparation of the Use of Proceeds Statement based on the evidence we have obtained.

Subject Matter and Criteria

Subject Matter	Criteria
▶ Social Bond Use of Proceeds Statement financial information as at 30 September 2021, presented in NAB's 2021 Social Bond Report	▶ NAB's Bond documentation associated with Social Bond issuances that sets out eligible assets and Bond size
▶ NAB systems and policies managing Social Bond issuances	▶ Social Bond Use of Proceeds Statement and NAB's Social Bond Framework that sets out monitoring and reporting processes

Level of Assurance
A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing and other evidence-gathering procedures that are sufficient for us to obtain a meaningful level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management Responsibility

NAB's management is responsible for selecting the Criteria and preparing and fairly presenting the subject matter and disclosures in accordance with that Criteria, in all material respects. This responsibility includes maintaining adequate records and internal controls that are designed to support the management of Social Bond proceeds and the preparation of the Use of Proceeds Statement, such that it is free from material misstatement, whether due to fraud or error.

Our Approach

We conducted this review in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000') and in accordance with the terms of reference for this assurance engagement as agreed with NAB on 5 April 2022. Those standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. A summary of our assurance procedures is shown in Appendix A.



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Limitations

There are inherent limitations in performing assurance - for example, assurance engagements are based on selective testing of the information being examined - and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000, the Green Bond Principles and Social Bond Principles is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the subject matter above related to NAB's 2021 Social Bond Use of Proceeds Statement and does not extend to any statutory financial statements or other information in the NAB 2021 Social Bond Use of Proceeds Statement. Our assurance is limited to policies and procedures in place as of 30 September 2021. We do not provide any assurance on projects/'assets' eligibility.

Use of Report

Our responsibility in performing our assurance activities is to the Management and Directors of NAB alone and in accordance with the terms of reference for our engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Social Bond assurance is entirely at its own risk. No statement is made as to whether the Criteria are appropriate for any third-party purpose.

Our Independence and Assurance Team

In accordance with APES 110, we can confirm we have met the requirements of the Code of Ethics for Professional Accountants, including on independence. Our team has the required competencies and experience for this assurance engagement. EY also applies International Standard on Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ernst & Young

Terence Jeyaretnam FIEAust
Partner
Melbourne, Australia
10 June 2022



Appendix A

	Assurance item	Testing plan
1	Understood the process and systems	<ul style="list-style-type: none"> Through interviews with NAB personnel responsible for identifying eligible Social Bond assets and managing the Social Bond proceeds, we mapped out the processes and systems used to manage the Social Bond Documented and assessed controls over each significant process and system
2	Checked quantitative information in the Use of Proceeds Statement	<ul style="list-style-type: none"> Confirmed defined Social investment categories and values assigned to each eligible asset was correctly transcribed into the Use of Proceeds Statement from NAB's systems Reviewed the funds earmarked against eligible assets to confirm the aggregate value of the eligible assets was greater than the bond face value
3	Reviewed systems and policies managing proceeds and preparation of the Use of Proceeds Statement	<ul style="list-style-type: none"> Checked NAB's systems and policies against NAB's Social Bond Framework Reviewed internal Social Bond Monitoring/Reporting processes to evidence internal monitoring and tracking of the Social Bond, including identifying and testing controls and processes to manage the proceeds in line with use of proceeds criteria
4	Checked principal amount to be less than eligible asset portfolio	<ul style="list-style-type: none"> Viewed evidence from Social Bond documentation and external systems that total Social Bond principal amount was less than total pool of eligible lending

Appendix B

NAB's list of eligible assets for the Social Bond (Gender Equality) for 2021:

Counterparty	Sector	Country of Residence
Clayton Utz	Professional Services	Australia
Corrs Chambers Westgarth	Professional Services	Australia
Gilbert + Tobin	Professional Services	Australia
King & Wood Mallesons	Professional Services	Australia
The Trustee for KPMG Australian Service trust	Professional Services	Australia
MinterEllison	Professional Services	Australia
PwC Australia	Professional Services	Australia
Dexus	Property	Australia
Macquarie University	Education	Australia
RMIT University	Education	Australia
Lendlease Corporation Limited	Property	Australia
Mirvac Limited	Property	Australia

7. Contact us

NAB seeks to implement evolving market best practice in relation to our NAB Social Bond issuance and reporting.

NAB welcomes feedback from our investors, other stakeholders, and market participants.

Please email your queries and comments to: NAB Debt Investor Relations at debtinvestorrelations@nab.com.au

8. 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 2021 (unless otherwise stated herein). It is information in a summary form and does not purport to be complete.

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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.