

more
than
money



NAB ANNUAL Social Bond Report

Financial year ended 30 September 2020

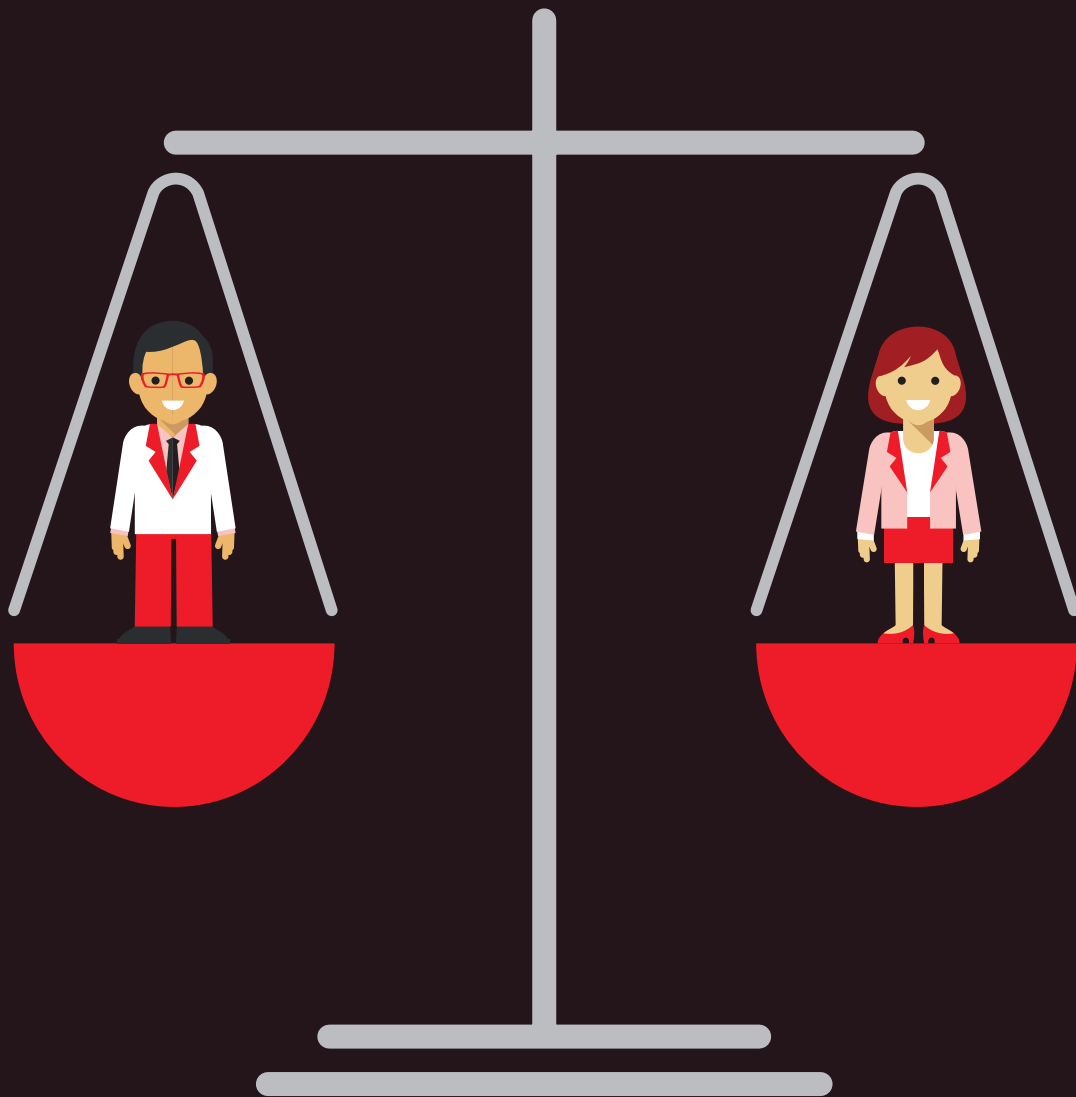


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1. INTRODUCTION

1.1 Purpose

National Australia Bank Limited ABN 12 004 044 937 (NAB), is pleased to present its fourth NAB Annual Social Bond Report (Report), for the financial year ended 30 September 2020. This Report relates to our NAB Social Bonds outstanding as of 30 September 2020 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. We continue to work with stakeholders to improve our disclosure of impact reporting over time.

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 (PRB), we have committed to aligning our activities with societal need as set out in the Sustainable Development Goals (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.

We are aligning our work in the above areas, focusing our resources on the following SDGs where we expect to have the biggest impact: **#7** Affordable and clean energy, **#8** Decent work and economic growth, **#9** Industry, innovation and infrastructure, **#11** Sustainable cities and communities, **#13** Climate action, **#15** Life on land.

NAB's commitments and progress are detailed in our [2020 Sustainability Report](#) and [2020 Sustainability Data Pack](#).

We are a signatory to the PRB Collective Commitment to Climate Action and are actively supporting our customers with their transition aligned to the goals of the Paris Climate Agreement. At 30 September 2020, we had four senior green bonds and one Green RMBS outstanding, as well as offering customers a Green Term Deposit product through our UBank division.

Information related to NAB's Social and Green Bonds can be found on the [NAB Capital & Funding webpage](#) for Green and Socially Responsible Investment (SRI) Bonds, and our Annual Social Bond Reports can be found in the section of that webpage titled "NAB Annual Social Bond Reports".

Our Diversity and Inclusion Strategy 2017-2020 outlined NAB's plan to build a culture of inclusion, with a focus on gender equality, life stage (graduates, parents, mature age), LGBTI+, accessibility and cultural inclusion. Through this Strategy, we articulated our commitment to achieving 40-60% of either gender represented at every level of our business by 2020.

Whilst we did not meet this target across all areas of the business, we have achieved our Board target of 40% and increased representation of women in leadership. We have also introduced a number of benefits and policy changes which aim to provide a more inclusive workplace – regardless of gender. Key highlights include:

- **Updating our parental leave offering:** All new parents, regardless of gender, have access to parental leave, with the removal of 12-month service eligibility in 2020. This includes a new return to work payment to help employees return to work. Our parental leave return to work rate has increased to 86.4% (2019: 83.2%).
- **Supporting employees' financial health:** The NAB Employee Support Hub assists employees experiencing domestic and family violence, financial hardship, mental health and serious illness, problem gambling and other personal circumstances which may impact their banking. The Support Hub provides an additional layer of assistance and care to employees during times of vulnerability.

For the latest information on NAB's focus on inclusion, including gender equality, visit: NAB Group's [reporting webpage](#).

Looking ahead, the Board approved our refreshed [Group Inclusion & Diversity Policy](#). The Policy includes measurable objectives for 2020-2025, which renew our focus on driving gender equality and a culture of inclusion. Progress will be supported by setting clearer accountability for senior leaders to drive change.

The new objectives include:

- Diverse leadership teams and talent pipelines, which includes:
 - 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.
- Inclusive workforce culture – Engagement Score top 20% (including diverse segments).
- Fair remuneration – seek to reward employees fairly and support NAB's objective of gender pay equity <10% by 2025.

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

These gender targets further represent our alignment to the SDGs, specifically #5 Gender equality,² 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.

Our commitment to human rights is set out in the [Group's Human Rights Policy](#) and is demonstrated by NAB being a signatory to the Women's Empowerment Principles³ (WEPs). The WEPs is a set of Principles offering guidance to businesses on how to promote gender equality and women's empowerment in the workplace, marketplace and community. Established by

UN Global Compact and UN Women, the WEPs are informed by international labour and human rights standards and grounded in the recognition that businesses have a stake in, and a responsibility for, gender equality and women's empowerment.

Our commitments have been integrated into NAB's business strategy and further details on all of our gender equality and climate change commitments can be found in [Sustainability Report 2020](#) and [2020 Sustainability Data Pack](#).

2. SOCIAL BOND FEATURES

As at 30 September 2020, 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 Employer of Choice for Gender Equality (EOCGE) citations from the Workplace Gender Equality Agency (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 EOCGE citations from the WGEA.

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

² United Nations Development Programme (<https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-5-gender-equality.html>)

³ WEP (<https://www.weps.org/companies>)

3. NAB'S SOCIAL BOND APPROACH

NAB has developed and implemented a NAB Social Bond Framework (Framework) which applies to existing NAB Social Bonds and all future issuances, including other forms of debt instruments which are aligned with ICMA's Social Bond Guidance and GBP, and that support and contribute towards meeting the UN SDGs and CEDAW.

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 with employers to facilitate compliance with the reporting requirements under the Act.

The EOCGE citation assesses organisations on seven criteria, each containing pre-requisite indicators that demonstrate leading practice in the area of workplace gender equality. While generally aligned with the reporting criteria of the Act, the EOCGE citation also requires organisations to demonstrate practices and commitments that are beyond legal requirements of the Act. Ultimately, the citation recognises organisations that have demonstrated leading practices that promote the achievement of 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 below.

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 in FY20. 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

A NAB Sustainability Investment Committee (Committee) responsible for the selection of eligible loans on behalf of NAB has been established. The Committee is comprised of members from NAB Treasury and NAB Institutional Banking, with input from NAB's Sustainable Finance Team.

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 Workplace Gender Equality Act 2012 (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 which recognises leading practice in Australian workplaces. With its foundations in evidence-based research of the drivers of improved workplace gender equality outcomes, it 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 with effect from 2019-2020, the EOCGE application reflected the revised criteria which required 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'. 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 February each year and successful applicants are now awarded the EOCGE citation for a period of two years.

A full list of pre-requisite indicators that organisations must meet to demonstrate leading practices in workplace gender equality can be found on the [WGEA Knowledge Hub](#).

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 Sustainability compliance review. This reporting package 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 Employer of Choice for Gender Equality 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. Publicly available information can be found on the [NAB Capital & Funding webpage](#) for Green and SRI Bonds.

3.5 External Review and Assurance

NAB has retained Sustainability in an independent compliance reviewing capacity and EY as assurance provider in order to ensure that 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 Sustainability. Sustainability will review 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, Sustainability will also undertake a review and analysis of the organisations' involvement in controversies. Sustainability 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 annual updates of the compliance reviews will be made publicly available on the [NAB Capital & Funding webpage](#) for Green and SRI Bonds.

4. IMPACT AND USE OF PROCEEDS STATEMENT

Borrower's name	Business Description	Business Location	Years citation has been held up to 2020*
Clayton Utz	Professional Services	Australia	10
Corrs Chambers Westgarth	Professional Services	Australia	13
Gilbert + Tobin	Professional Services	Australia	10
King & Wood Mallesons	Professional Services	Australia	7
KPMG Australia Services	Professional Services	Australia	13
Lendlease Corporation Limited	Property	Australia	12
MinterEllison	Professional Services	Australia	11
Mirvac Limited	Property	Australia	6
PwC Australia	Professional Services	Australia	10
Stockland Development Pty Limited	Property	Australia	10

*Confirmation of the receipt of the WGEA EOCGE citation

As at the date of this report, the 2020 data can be found on the WGEA website: www.wgea.gov.au

Gross Portfolio Size

As at 30 September 2020, the aggregate value of the NAB Social Bond (Gender Equality) loan portfolio was A\$710,544,936.

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 58.6%),
- the number and percentage of women in managerial positions (average 52.9%) and
- the number and percentage of women on boards (average 34.7%).

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	Number of Female Employees	Percentage of Female Employees	Number of Women in Managerial Positions	Percentage of Women in Managerial Positions	Number of Women on Boards	Percentage of Women on Boards	Gender of CEO
Clayton Utz	1,031	64.7%	188	57.3%	3	37.5%	Male
Corrs Chambers Westgarth	758	68.9%	148	64.6%	2	25.0%	Male
Gilbert + Tobin	490	65.4%	42	64.6%	1	8.3%	Male
King & Wood Malesons	1,082	63.8%	157	58.8%	3	30.0%	Male
KPMG Australia Services	3,914	49.0%	1,540	43.0%	4	36.4%	Male
Lendlease Corporation Limited	229	49.9%	38	43.2%	4	40.0%	Male
MinterEllison	1,609	69.5%	363	63.5%	5	45.5%	Female
Mirvac Limited	658	42.7%	143	37.8%	4	50.0%	Female
PwC Australia	4,197	53.1%	1,857	48.9%	4	36.4%	Male
Stockland Development Pty Limited	947	58.6%	250	47.0%	3	37.5%	Male
Total	14,915		4,726		33		2
Average		58.6%		52.9%		34.7%	

Source: WGEA

5. SUSTAINALYTICS REVIEW REPORT 2021



National Australia Bank Limited

Type of Engagement: Annual Review

Date: July 05, 2021

Engagement Team:

Charles Cassaz, charles.cassaz@sustainalytics.com, (+31) 20 205 02 09

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Introduction

In 2017, National Australia Bank Limited (NAB) issued its Social Bond (Gender Equality) 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 2021, NAB has engaged Sustainalytics to review the organisations funded through the issued Social Bond as of 30 September 2020 and provide an assessment as to whether these organisations met the Use of Proceeds criteria and the Reporting commitments outlined in the NAB Social Bond Framework (the "Framework").

Evaluation Criteria

Sustainalytics evaluated the organisations funded by the proceeds of the Social Bond as of 30 September 2020 based on whether:

1. The organisations met the Use of Proceeds and Eligibility Criteria outlined in the NAB Social Bond Framework; and
2. NAB reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the NAB Social Bond 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).• 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.

Issuing Entity's Responsibility

NAB is responsible for providing accurate information and documentation relating to the details of the organisations that have been funded, including estimated and realised allocation of proceeds to the organisations, and impact of the organisations on gender equality.

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,¹ 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 the proceeds of the Social Bond were fully allocated since the issuance of the Social Bond.

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 2020 to determine if they aligned with the Use of Proceeds Criteria outlined in the NAB Social Bond Framework and above in Table 1.	All organisations reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the organisations funded by the Social Bond as of 30 September 2020 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.	NAB reports on the percentage of women on boards and on the gender of the CEO in the organisations funded. Additionally, NAB reports on the total number of female employees, the number of female employees in managerial positions and their respective average percentage of the organisations funded.	None

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the organisations that have been funded, including description of organisations, and project impact, which were provided by NAB. NAB is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Impact Reporting by Eligibility Criteria

Please note that the source of data is the 2020 reporting from each organisation, made available on the WGEA website.

Use of Proceeds Category	Social Impact Reported by Reporting Criteria
Gender Equality	<ul style="list-style-type: none"> Of the 10 organisations funded by the proceeds of the Social Bond, the average percentage of women on boards was 34.7% Of these 10 organisations, two had female CEOs. Of these 10 organisations, the total number (average percentage) of female employees was 14,915 (58.6%), and the number of women in managerial positions was 4,726 (53%).

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 2020 reporting from each organisation, made available on the WGEA website.

Funded Organisations	Female Employees (numbers)	Percentage of Female Employees	Women in Managerial Positions (numbers)	Percentage of Woman in Managerial Position	Women on Boards (numbers)	Percentage of Women on Boards	CEO (Gender)
Clayton Utz	1,031	64.7%	188	57.3%	3	37.5%	Male
Corrs Chambers Westgarth	758	68.9%	148	64.6%	2	25.0%	Male
Gilbert + Tobin	490	65.4%	42	64.6%	1	8.3%	Male
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Stockland Development Pty Limited	947	58.6%	250	47.0%	3	37.5%	Male

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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 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



6. USE OF PROCEEDS STATEMENT ASSURANCE



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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, in our opinion, as at 30 September 2020:

- ▶ 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

We have 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 2020. The specific subject matter and associated criteria of our assurance engagement are detailed in the table below.

Subject matter	Criteria
▶ Social Bond Use of Proceeds Statement financial information as at 30 September 2020, presented in NAB's 2020 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

NAB's responsibilities

NAB's management was 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.

EY's responsibilities

Our responsibility was to express a reasonable assurance conclusion on specific information in the NAB Social Bond (Gender Equality) (the 'Social Bond') Use of Proceeds Statement at 30 September 2020, 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.

Independence

We were also responsible for maintaining our independence and confirm that we have met the requirements of the APES 110 Code of Ethics for Professional Accountants including independence and have the required competencies and experience to conduct this assurance engagement. EY also applies International Standard on Quality Control 1, 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.



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.

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 (‘ASAE 3000’) and in accordance with the terms of reference for this assurance engagement as agreed with NAB on 24 June 2021. 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 the following Table.

	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

We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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 2020 Social Bond Use of Proceeds Statement and does not extend to any statutory financial statements or other information in the NAB 2020 Social Bond Use of Proceeds Statement. Our assurance is limited to policies and procedures in place as of 30 September 2020. 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Terence Jeyaretnam'.

Terence Jeyaretnam FIEAust EngExec
Partner
Melbourne, Australia

26th November 2021



Appendix A

NAB's list of eligible assets for the Social Bond (Gender Equality) for 2020:

Counterparty	Sector	Country of Residence
Lendlease Corporation Limited	Property	Australia
Mirvac Limited	Property	Australia
Stockland Development Pty Limited	Property	Australia
PwC Australia	Professional Services	Australia
King & Wood Mallesons	Professional Services	Australia
Gilbert + Tobin	Professional Services	Australia
KPMG Australia Services	Professional Services	Australia
Clayton Utz	Professional Services	Australia
Corrs Chambers Westgarth	Professional Services	Australia
MinterEllison	Professional Services	Australia

7. CONTACT US

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8. DISCLAIMER

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