

more
than
money



NAB ANNUAL

Social Bond Report

Financial year ended 30 September 2017

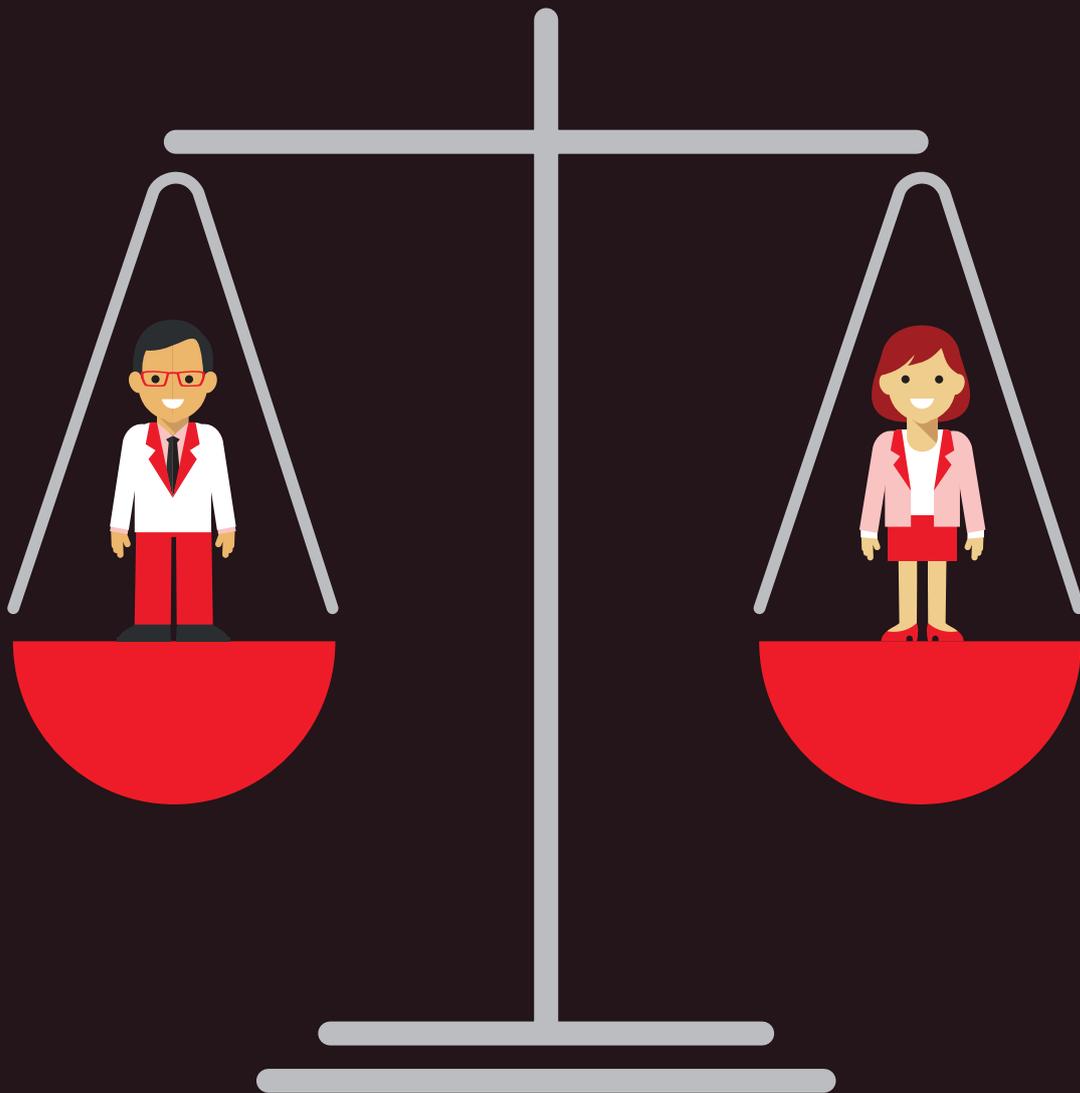


TABLE OF CONTENTS

1. Introduction	3
1.1 Purpose	3
1.2 Why is NAB issuing social bonds?	3
2. Social Bond features	5
3. NAB's Social Bond Approach	6
3.1 Use of proceeds	6
3.2 Project Evaluation and Selection Process	7
3.3 Management of proceeds	8
3.4 Reporting	8
3.5 External Review and Assurance	9
4. Impact and Use of Proceeds Statement	10
5. Case Study	11
6. Appendix A	13
7. Use of Proceeds Statement Assurance	14
8. Contact us	17
9. Disclaimer	17

1. INTRODUCTION

1.1 Purpose

National Australia Bank Limited ABN 12 004 044 937 ('NAB'), is pleased to present its first NAB Annual Social Bond Report ('Report'), for the financial year ended 30 September 2017. This Report relates to our NAB Social Bonds outstanding as of 30 September 2017 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 citations (EOCGE) from the Workplace Gender Equality Agency (WGEA).

Our intent is to be transparent about the methodologies utilised 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 December 2015 publication [Green Bonds - Working Towards a Harmonised Framework for Impact Reporting](#), along with input from investors, assurance providers and guidance from other sources including the International Capital Market Association (ICMA)'s Social Bond Guidance and Green Bond Principles (GBP) 2016. We continue to work with stakeholders and will seek to improve the level of detail and disclosure of impact reporting we provide over time.

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

1.2 Why is NAB issuing social bonds?

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

Our approach to corporate responsibility has the objective of creating shared value for all stakeholders. We define Shared Value as 'the generation of measurable business returns by addressing social and environmental challenge'. With regards to the environmental sustainability arm of our shared value definition, as a global provider of financial products and services, we play a vital role in advocating for the low carbon transition and green growth. As at 30 September 2017, we had issued two green bonds, both certified in compliance with the Climate Bonds Standard, with proceeds fully allocated to financing and refinancing a large and growing portfolio of Climate Bonds Standard eligible projects located across Australia, the UK, Europe and Latin America. These projects are consistent with our and Australia's efforts in transitioning to a low carbon economy and contributing towards meeting the Sustainable Development Goals ('SDGs') developed by the United Nations (UN), with a focus on Goal 7: Affordable and clean energy.¹ Our Annual Green Bond Report and other information related to these two products can be found on the [NAB Capital & Funding webpage](#) for Green and SRI Bonds in the "NAB Annual Green Bond Reports" section.

Moreover, our approach to corporate responsibility is reflected in our responsible business management activities and activities that support the community, the former of which can be described as activities that manage the Environmental, Social and Governance (ESG) risks of our business operations. This includes supply chain management, stakeholder engagement and maintaining a diverse and inclusive workforce.

With regards to the latter, we have a specific commitment to "being accountable when it comes to gender equality in the workplace." We have a variety of programs in place that promote this cause, including mentorship and networking programs for women in business, flexible working arrangements, and the implementation of a domestic violence support policy as examples of initiatives aimed to foster gender equality in the workplace.

Moreover, throughout our business, we are committed to having 40%-60% of either gender represented by 2020 in every level, from entry level roles to executives. Accordingly, the NAB Board approved new measurable objectives for achieving gender diversity by 2020 through an enterprise Diversity & Inclusion Strategy ('Strategy') for 2017-2020. Gender equality, along with life stage and lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion, make up the three imperatives of this Strategy.

The target of having 40%-60% of either gender represented at all levels of the business by 2020 further represents our alignment to the UN SDGs, namely Goal 5: Gender equality,² as well as Australia's commitment to being a society that promotes policies, laws, organisations, structures and attitudes that ensure women are guaranteed the same rights as men, signified through its signing of the UN Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW).

We are notable for our strong disclosure on Human Capital measures (eg. workforce composition, training and employee engagement) and are well positioned to address gender inequality. By financing Australian organisations that demonstrate leading practices with respect to workplace gender equality, our Social Bond plays a key role in advancing the Australian and global objective of achieving gender equality and empowerment for women.

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 NAB Group's [Sustainability Report](#).

¹ United Nations Development Programme (<https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-7-affordable-and-clean-energy.html>)

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

2. SOCIAL BOND FEATURES

As at 30 September 2017, NAB had issued one social bond that is in alignment with the ICMA's Social Bond Guidance and GBP 2016, with proceeds earmarked for financing/refinancing a portfolio of organisations across Australia that hold the Employer of Choice for Gender Equality citations (EOCGE) from the Workplace Gender Equality Agency (WGEA). As noted above, the identified portfolio of eligible organisations is consistent with our alignment to the UN SDG regarding gender equality as well as Australia's commitment to the UN CEDAW.

	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, Climate and Social Bonds can be found on the [NAB Capital & Funding webpage](#) for Green and SRI Bonds.

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 issuance of NAB Social Bonds, including other forms of debt instruments which are aligned with the ICMA's Social Bond Guidance and GBP, and that supports and contributes towards meeting the UN SDGs and CEDAW.

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

The following description of the core components of NAB's Framework is extracted from the NAB Social Bond Framework dated 15 March 2017. The Framework will be updated as required to keep it in line with developing market practice. As at March 2017, the Framework describes the following core components which are then 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.

The WGEA is an Australian government statutory agency created by the Workplace Gender Equality (WGE) 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 7 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, namely to inhibit investments into 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 FY17. 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 Capital Financing ESG 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

Selection of organisations for the WGEA EOCGE is based on a two-step process that evaluates an organisation's:

- i) compliance with the Act through a mandatory reporting questionnaire; and
- ii) successful meeting of two sets of pre-requisite indicators that determine leading practice in promoting workplace gender equality.

These pre-requisite indicators are assessed both in the legally required compliance questionnaire and the additional EOCGE citation questionnaire.

As a first step, the WGEA administers the compliance questionnaire, a mandatory reporting questionnaire for all Australian organisations with over 100 employees. Organisations that meet a certain set of prerequisite indicators in the compliance questionnaire are then invited by the WGEA to apply for an EOCGE citation. The first set of pre-requisites in the compliance questionnaire is indicative of a minimum standard expected from organisations that wish to demonstrate leadership in fostering gender equality in the workplace.

As a second step, if all compliance related pre-requisites have been met, organisations are automatically selected by the WGEA to complete the EOCGE questionnaire online and apply for the EOCGE citation. Not all organisations selected by the WGEA choose to apply for the citation. The FY17 EOCGE questionnaire covers a series of indicators under the following 7 criteria:

- 1) Leadership, accountability and focus;
- 2) Learning and development;
- 3) Gender remuneration gaps;
- 4) Flexible working arrangements;
- 5) Employee consultation;
- 6) Preventing sex-based harassment and discrimination; and
- 7) Targets for improving gender equality outcomes.

These indicators are assessed through questions in a survey format. While all questions require reporting, the EOCGE questionnaire includes a second set of pre-requisite indicators. These indicators are representative of leading practices expected from organisations that wish to demonstrate leadership in fostering gender equality in the workplace.

In 2016, the EOCGE questionnaire required 76 such indicators that demonstrate leading practices in workplace gender equality. Organisations meeting these pre-requisites are also required to provide substantiating information to validate their claims. All organisations that have fully responded to the EOCGE questionnaire, and that meet the second set of leading practice pre-requisites are chosen by the WGEA as recipients of the EOCGE citation.

A full list of both current sets of pre-requisite indicators that an organisation must meet to demonstrate leading practices in workplace gender equality can be found on the [WGEA guide to the receiving of the EOCGE citation](#).

3.3 Management of proceeds

Proceeds from the Social Bond will be directed to distinct 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, will prepare 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 each cost centre. Unallocated proceeds will be temporarily invested in a separate bank account, cash, 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 on its website. NAB has also developed case studies in collaboration with WGEA to highlight impact and a particular leading practice of an eligible organisation, all of which has been publicly disclosed on NAB's website.

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/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 as at 30 September 2017
Ashurst Australia (*formerly Blake Dawson)	Professional Services	Australia	12*
Australian Catholic University	University	Australia	6
Clayton Utz	Professional Services	Australia	7
Corrs Chambers Westgarth	Professional Services	Australia	10
Gilbert + Tobin	Professional Services	Australia	7
Henry Davis York	Professional Services	Australia	7
King & Wood Mallesons	Professional Services	Australia	4
KPMG Australia Services	Professional Services	Australia	10
Lendlease Corporation Limited	Property	Australia	9
MinterEllison	Professional Services	Australia	8
Mirvac Limited	Property	Australia	3
Monash University	University	Australia	12
PwC Australia	Professional Services	Australia	6
Stockland Development Pty Limited	Property	Australia	7

Confirmation of the receipt of the WGEA EOCGE citation

Each of the borrowers listed above were citation holders as at 30 September 2017

Gross Portfolio Size

As at 30 September 2017, the aggregate value of the NAB Social Bond (Gender Equality) loan portfolio was \$1,126,095,893.

Average percentage of women on the board of directors

As at 30 September 2017, of the 11 companies for which information was publicly available, the average percentage of women on the board of directors was 29.5%.

5. CASE STUDY

Corrs Chambers Westgarth: Diversity Progress Report 2017

Corrs Chambers Westgarth ('Corrs') believe that diversity should be embraced and celebrated. Their commitment to diversity and inclusion is 'grounded in developing diversity of thought as a driver of improved business performance and enhanced service delivery to clients'. Corrs first published its Diversity Policy in 2012. In summary, its strategic objectives include building an inclusive culture conducive to open acceptance, demonstrating strong leadership skills to leverage diversity, embedding inclusion principles into all decisions and people focussed processes, enabling flexible working arrangements and engaging with clients and industry to build shared value.

Corrs also has a Diversity and Inclusion Council which meets on a monthly basis to oversee the implementation of the aforementioned objectives and provide regular updates to the firm's Executive Leadership Team and Board. Particularly in terms of gender diversity, the firm has established measurable targets including having women make up 33% of the board, 40% of senior management and 35% of the partnership. Progress as at 30 June 2017 has been 25.0%, 44.4% and 25.5% respectively, with females making up 64.6% of the firm.

Source: [Corrs Chambers Westgarth](#)

Stockland: Employee Engagement, Development, Diversity and Inclusion

Stockland (the parent company of Stockland Development Pty Limited) believe that 'building a diverse and more inclusive workplace enables greater breadth of thought, more informed decision-making, and better business outcomes.' For the year ended 30 June 2017, 71% of General Manager appointments were women and the first female Senior Manager in Group Project Management was appointed during that period. Women represented 45.9% of Stockland's overall management population with the company remaining on track for their target of 50% by 2020. A gender pay equity ratio of 98.6% was also maintained, which is within their target range of 97-103%.

Stockland have also established Employee Advocacy Groups (EAGs), of which gender equity is one of the four pillars. In summary, the Gender Equity EAG is sponsored by the Group Executive for Legal and has a focus on the equitable attraction, retention and development of Stockland employees through the casting of a gender equity lens over the company's Learning and Development programs, commissioning an external auditor to examine their approach to gender pay equity and exploring how to improve diversity in specific 'job families', especially development and project management.

Source: [Stockland](#)

Australian Catholic University: Gender Equality Strategy 2015-2020 Action Plan

Australian Catholic University (ACU) has developed a Gender Equality Strategy 2015-2020 (GES) which aims to ensure, amongst other things, that it remains a gender equality leader by 'continuing to build upon ACU's strong gender equality foundations in the University's planning and core business'. The GES stems from ACU's Workforce Strategy and articulates gender specific goals that will contribute to achieving the aims of the former, namely building a welcoming and safe workplace grounded in ACU's Mission and Values (Workplace Culture), ensuring its staff profile is flexible and adaptable to deliver on strategic objectives (Workforce Profile) and investing in its workforce as well as development, participation and involvement for the individual (Valuing Workforce).

For example, in order to satisfy the aim of Workplace Culture, ACU mandates bi-annual university wide training on sex-based discrimination and harassment and maintains clear information pathways and support in order to address staff queries. An example of ACU addressing the second aim of Workforce Profile is its ongoing monitoring of women's representation in the university, such as in the Senate and management, as well as its gender pay gap. For Valuing Workforce, ACU strongly supports women's achievements through university marketing and communications practices across all campuses.

Source: [ACU](#)

6. APPENDIX A

National Australia Bank Limited

Type of engagement: Annual Review

Date: April 2019

Engagement Leader: Lili Hocke, (+31) 20 205 00 40, lili.hocke@sustainalytics.com, Sustainalytics, De Entree 35-37, 1101 BH Amsterdam-Zuidoost

Introduction

In 2017, National Australia Bank Limited (NAB) issued social bonds to finance lending to organisations that are leaders in fostering workplace gender equality in Australia. In February 2018, NAB engaged Sustainalytics to review the companies funded through the issued social bonds and provide an assessment as to whether the companies met the Use of Proceeds criteria and the Reporting commitments outlined in the National Australia Bank Limited Social Bond.

Evaluation Criteria

Sustainalytics evaluated the companies funded in 2017 based on whether the companies:

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

Table 1 lists all the Use of Proceeds and Eligibility Criteria, while Table 2 lists the associated KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria
Gender equality	<ol style="list-style-type: none"> 1. Organisations that have been awarded 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.

Table 2: Key Performance Indicators

Key performance indicators	
Gender Equality	<ul style="list-style-type: none"> 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 companies that have been funded, including estimated and realized allocation of proceeds to companies, and impact of companies 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, review of documentation and review of companies EOCGE citation to verify conformance with the Social Bond Framework.

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 bond projects, funded through proceeds of National Australia Bank Limited Social Bond, are not in conformance with the Use of Proceeds Criteria outlined in the Social Bond Framework. Sustainalytics identified three exceptions related to a lack of publicly available information of three financed companies. For these companies a percentage of female board members was not disclosed.

NAB disclosed to Sustainalytics that all of the proceeds were allocated since issuance of the social bond.

¹ Sustainalytics' limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, 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.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the companies funded by the social bond in 2017 to determine if projects aligned with the Use of Proceeds Criteria and exclusionary criteria outlined in the Social Bond Framework and in Table 1 above.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the companies funded by the social bond in 2017 to determine if impact of companies was reported in line with the KPIs outlined in the Social Bond Framework and in Table 2 above. For a list of KPIs reported please refer to Appendix 1.	NAB reports on the percentage of women on the board of directors and on the gender of the CEO in the companies financed.	For three companies NAB did not report on the number of females on the board of directors because the data was not publicly available.

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category	Social Impact Reported by Eligibility Criteria
Gender Equality	<ul style="list-style-type: none">• Of the 11 companies for which information was publicly available, the average percentage of women on the board of directors was 29.5%.• Of the 11 companies for which information was publicly available, five companies had female CEOs.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained here in in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Social Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

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

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com



7. USE OF PROCEEDS STATEMENT ASSURANCE



Ernst & Young
 8 Exhibition Street
 Melbourne VIC 3000 Australia
 GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
 Fax: +61 3 8650 7777
 ey.com/au

Independent Reasonable Assurance Report in relation to the Social Bond 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:

- ▶ Specific quantitative information in the Use of Proceeds Statement is fairly stated, in all material respects, based on information provided by NAB; and
- ▶ NAB's systems and policies 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. The specific subject matter and associated criteria of our assurance engagement are detailed in the table below.

Subject matter	Criteria
<ul style="list-style-type: none"> ▶ Social Bond Use of Proceeds Statement financial information as at 30 September 2017, presented in NAB's 2017 Social Bond Report 	<ul style="list-style-type: none"> ▶ NAB's bond documentation associated with Social Bond issuances that sets out eligible projects and bond size
<ul style="list-style-type: none"> ▶ NAB systems and policies managing Social Bond issuances (including QUANTUM) 	<ul style="list-style-type: none"> ▶ Social Bond Use of Proceeds Statement and NAB's Social Bond Framework that sets out monitoring and reporting processes

Management Responsibility

Management of NAB ('Management') is responsible for the collection, preparation, and presentation of the subject matter in accordance with the criteria and for 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.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000').

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

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 correctly transcribed into the Use of Proceeds Statement
3	Reviewed systems and policies managing proceeds and preparation of the Use of Proceeds Statement	<ul style="list-style-type: none"> ▶ Assessed 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

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 is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the subject matter above related to NAB's 2017 Social Bond issuance and does not extend to any other information in the NAB Annual Social Bond Use of Proceeds Statement. Our assurance is limited to policies and procedures in place as of 30 September 2017. 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 issuance 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, the firm and all professional personnel involved in this engagement have met the independence requirements of Australian or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.

Ernst & Young

Terence Jeyaretnam FIEAust
 Partner
 Melbourne, Australia
 3 May 2019



Annex A

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

Counterparty	Sector	Country of Residence
Lend Lease	Property	Australia
Mirvac Group	Property	Australia
Stockland	Property	Australia
Monash University	University	Australia
Australian Catholic University	University	Australia
PwC	Professional Services	Australia
KPMG Australia	Professional Services	Australia
Gilbert + Tobin	Professional Services	Australia
King & Wood Mallesons (Australia)	Professional Services	Australia
Clayton Utz	Professional Services	Australia
Corrs Chambers Westgarth	Professional Services	Australia
Minter Ellison	Professional Services	Australia
Ashurst Australia	Professional Services	Australia

Total eligible assets of the above counterparties as at 30 September 2017 was \$ 1,126,095,893 (AUD).

8. CONTACT US

Scott Mitchell

Director, Group Funding
Group Treasury
National Australia Bank Limited

Phone: +61 3 9322 6593

Email: Scott.x.mitchell@nab.com.au

James Waddell

Director, Sustainable Finance
Corporate & Institutional Banking
National Australia Bank Limited

Phone: +614 1045 4536

Email: James.Waddell@nab.com.au

Jordyn Laina

Senior Associate, Sustainable Finance
National Australia Bank Limited

Phone: +614 3693 5232

Email: Jordyn.Laina@nab.com.au

Rosemary Bissett

Head of Sustainability Risk & Governance, Group Risk
National Australia Bank Limited

Phone: +61 3 7634 1505

Email: Rosemary_A_Bissett@national.com.au

9. DISCLAIMER

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

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

While care has been taken in preparing the information in this document, NAB does not warrant or represent that such information is accurate, reliable, complete or current. Anyone proposing to rely on or use such information should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts. Certain information in this document may (i) have been sourced from third parties and/or (ii) be cross referenced in this document. NAB takes no responsibility for the accuracy, currency or completeness of such information.

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.