

more
than
money



NAB ANNUAL

Social Bond Report

Financial year ended 30 September 2018

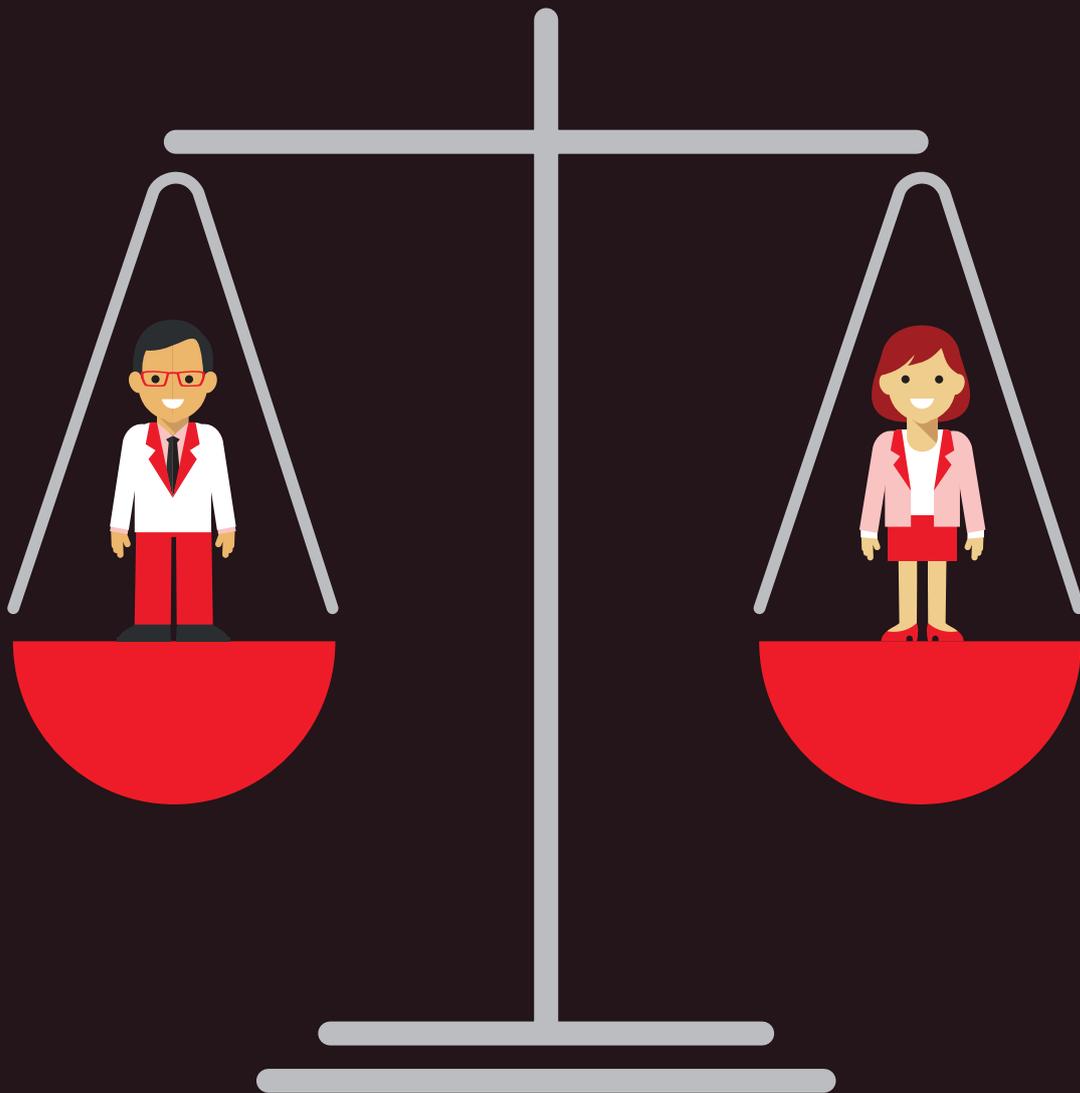


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1. INTRODUCTION

1.1 Purpose

National Australia Bank Limited ABN 12 004 044 937 (NAB), is pleased to present its second NAB Annual Social Bond Report (Report), for the financial year ended 30 September 2018. This Report relates to our NAB Social Bonds outstanding as of 30 September 2018 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 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 June 2019 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 and will seek to improve the level of detail and disclosure of impact reporting we provide over time.

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 social impact 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 challenges'. With regards to the way we think about the environmental sustainability aspect of shared value as a global provider of financial products and services, we play a vital role in advocating for the low carbon transition and green growth. By 30 Sept. 2018, we had four senior and one green RMBS outstanding. These projects are consistent with our, and Australia's, pathway to a low carbon economy and contributing towards meeting the United Nations' Sustainable Development Goals (SDGs). From an environmental perspective, our focus is on Goal 7: Affordable and clean energy.¹ Our Annual Green Bond Report and other information related to NAB green bond 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 social impact is reflected in our day to day business practices and activities that support the community, as a result of the integration of Environmental, Social and Governance (ESG) risk and opportunity management into our business operations. Our responsible business practices include supply chain management, stakeholder engagement and maintaining a diverse and inclusive workforce.

With regards to the diversity and inclusion, 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 to achieve this commitment 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. We have also committed to having 40%-60% of either gender represented by 2020 in every level, of the organisation, from entry level roles to executives and the Board. Accordingly, the NAB Board approved measurable objectives for achieving gender diversity by 2020 through an 2017-2020 enterprise wide Diversity & Inclusion Strategy ([Strategy](#)). 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 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 actively monitor and report on a range of human capital performance measures (e.g. workforce composition, remuneration, 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 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](#) and Data Pack.

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 2018, 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 from the 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 support and contribute 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 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.

As at 30 September 2018 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 FY18. 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

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

- 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 FY18 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.

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 organisations must meet to demonstrate leading practices in workplace gender equality can be found on the [WGEA EOCGE Guide to 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 eligible organisations, 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*
Ashurst Australia (*formerly Blake Dawson)	Professional Services	Australia	13
Clayton Utz	Professional Services	Australia	8
Corrs Chambers Westgarth	Professional Services	Australia	11
Gilbert + Tobin	Professional Services	Australia	8
King & Wood Mallesons	Professional Services	Australia	5
KPMG Australia Services	Professional Services	Australia	11
Lendlease Corporation Limited	Property	Australia	10
MinterEllison	Professional Services	Australia	9
Mirvac Limited	Property	Australia	4
Monash University	University	Australia	13
PwC Australia	Professional Services	Australia	7
Stockland Development Pty Limited	Property	Australia	8

*Confirmation of the receipt of the WGEA EOCGE citation

The data in the table above has been calculated by subtracting two years from the 2020 data available. A link to the 2020 data can be found on the WGEA website: www.wgea.gov.au

Gross Portfolio Size

As at 30 September 2018, the aggregate value of the NAB Social Bond (Gender Equality) loan portfolio was A\$1,007,284,294.

Average percentage of women on the board of directors

For 2018 the table below gives an outline of the percentage of women in each workplace (59.6%), percentage of women in managerial positions (48.3%) and the percentage of women on boards (32.0%) in each of the companies listed.

UN SDGs Alignment

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 (numbers)	Percentage of Female Employees	Women in Managerial Positions (number)	Percentage of Women in Managerial Positions	Women on Boards (number)	Percentage of Women on Boards	CEO (Gender)
Ashurst Australia (*formerly Blake Dawson)	602	65.4%	127	57.0%	3	30.0%	Male
Clayton Utz	976	64.0%	160	53.7%	3	30.0%	Male
Corrs Chambers Westgarth	627	68.9%	137	66.2%	2	25.0%	Male
Gilbert + Tobin	427	68.3%	28	68.3%	2	18.2%	Male
King & Wood Mallesons	901	65.9%	139	56.5%	3	27.3%	Male
KPMG Australia Services	3367	49.7%	1288	42.1%	5	41.7%	Male
Lendlease Corporation Limited	246	53.9%	51	52.0%	3	30.0%	Male
MinterEllison	1257	68.9%	290	20.0%	2	20.0%	Male
Mirvac Limited	607	41.2%	136	31.3%	4	50.0%	Female
Monash University	8486	56.9%	142	38.9%	5	33.0%	Female
PwC Australia	3671	52.5%	1599	47.2%	4	36.4%	Male
Stockland Development Pty Limited	967	59.7%	255	45.9%	2	33.3%	Male
Average		59.6%		48.3%		32.0%	

Source: WGEA

5. CASE STUDY

Stockland: Supporting parents and carers (WGEA case study)

For many years, Stockland has been committed to providing parental benefits that were beneficial to parents to retain employees. With the needs for parents and carers changing over time, Stockland is working to ensure their offering to parents and carers is continual evolving.

In 2016, Stockland formed a Parents and Carers Employee Advocacy Group that meets monthly to discuss ideas to maintain and improve the experience of carers. This working group has been a key catalyst for changes to parental benefits at Stockland, with some of the changes including:

- Updating their definition of 'carer' to include elder care in addition to parents caring for children.
- Changes to long service leave so people who have taken time out of the workforce are entitled to pro-rata long service leave on their 10-year anniversary.
- Providing discretion to managers to allow primary carer's leave within 18 months of birth or adoption to encourage secondary carer's to subsequently take primary carers leave.
- A new parental leave benefit, Parental Flex Options, which gives employees a choice of one of three new benefits when taking carer's leave:
 - Two additional weeks of paid parental leave.
 - The employees' regular rate of superannuation paid during unpaid parental leave for a maximum of 36 weeks.
 - A lump sum of \$3,000 (gross amount) on return from parental leave.
- Stockland is also aware of how important return-to-work support is, which encouraged them to build an on-site childcare facility in 2009 at Stockland's head office in Sydney.
- Stockland has also created a culture where flexibility is offered to everyone to help them manage their work-life balance.

As a result of these changes, Stockland has helped achieve a consistent, more than 90% return to work rate since 2010, compared to 70% prior to 2009. Also, employees who are primary carers and/or who returned from primary carer's leave in the previous 12 months have higher than average engagement scores.

Source: WGEA

6. SUSTAINALYTICS REVIEW REPORT 2018



National Australia Bank Limited

Type of Engagement: Annual Review 2018

Date: February, 2020

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Introduction

In March 2017, National Australia Bank Limited (NAB) issued its Social Bond (Gender Equality) aimed at financing or refinancing organisations that are cited by the Workplace Gender Equality Agency as Employers of Choice for Gender Equality in Australia. NAB has engaged Sustainalytics to review the organisations funded through the issued Social Bond as at 30 September 2018 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 at 30 September 2018¹, 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 the 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 (as at 30 September 2018)	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 	NAB intends to report on the percentage of women on boards, aggregated to an average number at the level of the allocated portfolio.

¹ In April 2019, NAB issued an annual report for organisations funded in 2017. The current report covers the period as of September 30, 2018. A subsequent annual report for 2019 is forthcoming.

	(Category 5 controversies), as assessed by Sustainalytics.	
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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 (including a review of each organisation's EOCGE citation) 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,² 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.

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 at 30 September 2018 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

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the organisations that have been funded, including description of projects, estimated and realised costs of organisations, and impact in organisations, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to organisations.

Reporting Criteria	Verification of the organisations funded by the Social Bond as at 30 September 2018 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 the board of directors and on the gender of the CEO in the organisations finance. 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 financed.	None
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Appendix 1.1: Impact Reporting by Eligibility Criteria

Please note that the source of data is the 2018 reporting from each organisation, made available on the WGEA website.

Use of Proceeds Category	Social Impact Reported by Eligibility Criteria
Gender Equality	<ul style="list-style-type: none"> Of the 12 organisations financed by the proceeds of the Social Bond, the average percentage of women on the board of directors was 32%. Of these 12 organisations, two organisations had female CEOs. Of these 12 organisations, the total number (average percentage) of female employees was 22,134 (59.6%), and the number of women in managerial positions was 4,352 (48.3%).

Appendix 1.2: Impact Reporting by company

As NAB is committed to transparency, the table below provides the individual organisation's impact reporting in line with eligibility criteria. Please note that the source of data is the 2018 reporting from each organization, made available on the WGEA website.

Financed Organisations	Female Employees (numbers)	Percentage of Female Employees (2018)	Women in Managerial Positions (numbers)	Percentage of Woman in Managerial Position	Women on Boards (numbers)	Percentage of Women on Boards (2018)	CEO
Ashurst Australia (*formerly Blake Dawson)	602	65.4%	127	57.0%	3	30.0%	Male
Clayton Utz	976	64.0%	160	53.7%	3	30.0%	Male
Corrs Chambers Westgarth	627	68.9%	137	66.2%	2	25.0%	Male
Gilbert + Tobin	427	68.3%	28	68.3%	2	18.2%	Male
King & Wood Mallesons	901	65.9%	139	56.5%	3	27.3%	Male
KPMG Australia Services	3,367	49.7%	1,288	42.1%	5	41.7%	Male
Lendlease Corporation Limited	246	53.9%	51	52.0%	3	30.0%	Male
MinterEllison	1,257	68.9%	290	20.0%	2	20.0%	Male
Mirvac Limited	607	41.2%	136	31.3%	4	50.0%	Female
Monash University	8,486	56.9%	142	38.9%	5	41.7%	Female
PwC Australia	3,671	52.5%	1,599	47.2%	4	36.4%	Male
Stockland Development Pty Limited	967	59.7%	255	45.9%	2	33.3%	Male

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

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports 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



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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 2018:

- ▶ 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. 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 2018, presented in NAB's 2018 Social Bond Report	▶ NAB's bond documentation associated with Social Bond issuances that sets out eligible projects 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

EY's responsibility and independence

Our responsibility was to express a reasonable assurance conclusion on 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.

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.

NAB's responsibility

NAB's management was responsible for selecting the Criteria and preparing and fairly presenting the subject matter and disclosures in accordance with that Criteria. 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.

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 ('ISAE 3000') and in accordance with the terms of reference for this assurance engagement as agreed with NAB on 6 December 2019. 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

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 ISAE 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 2018 Social Bond Use of Proceeds Statement and does not extend to any other information in the NAB 2018 Social Bond Use of Proceeds Statement. Our assurance is limited to policies and procedures in place as of 30 September 2018. 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.

Ernst & Young

Terence Jeyaretnam FIEAust EngExec
 Partner
 Melbourne, Australia
 6 April 2020



Annex A

NAB's list of eligible assets for the Social Bond (Gender Equality) for 2018:

Counterparty	Sector	Country of Residence
Lendlease Corporation Limited	Property	Australia
Mirvac Limited	Property	Australia
Monash University	University	Australia
PwC Australia	Professional Services	Australia
KPMG Australia Services	Professional Services	Australia
Gilbert + Tobin	Professional Services	Australia
King & Wood Mallesons	Professional Services	Australia
Clayton Utz	Professional Services	Australia
Corrs Chambers Westgarth	Professional Services	Australia
Stockland Development Pty Limited	Property	Australia
MinterEllison	Professional Services	Australia
Ashurst Australia (*formerly Blake Dawson)	Professional Services	Australia

8. CONTACT US

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