

more
than
money



NAB ANNUAL Social Bond Report

Financial year ended 30 September 2019

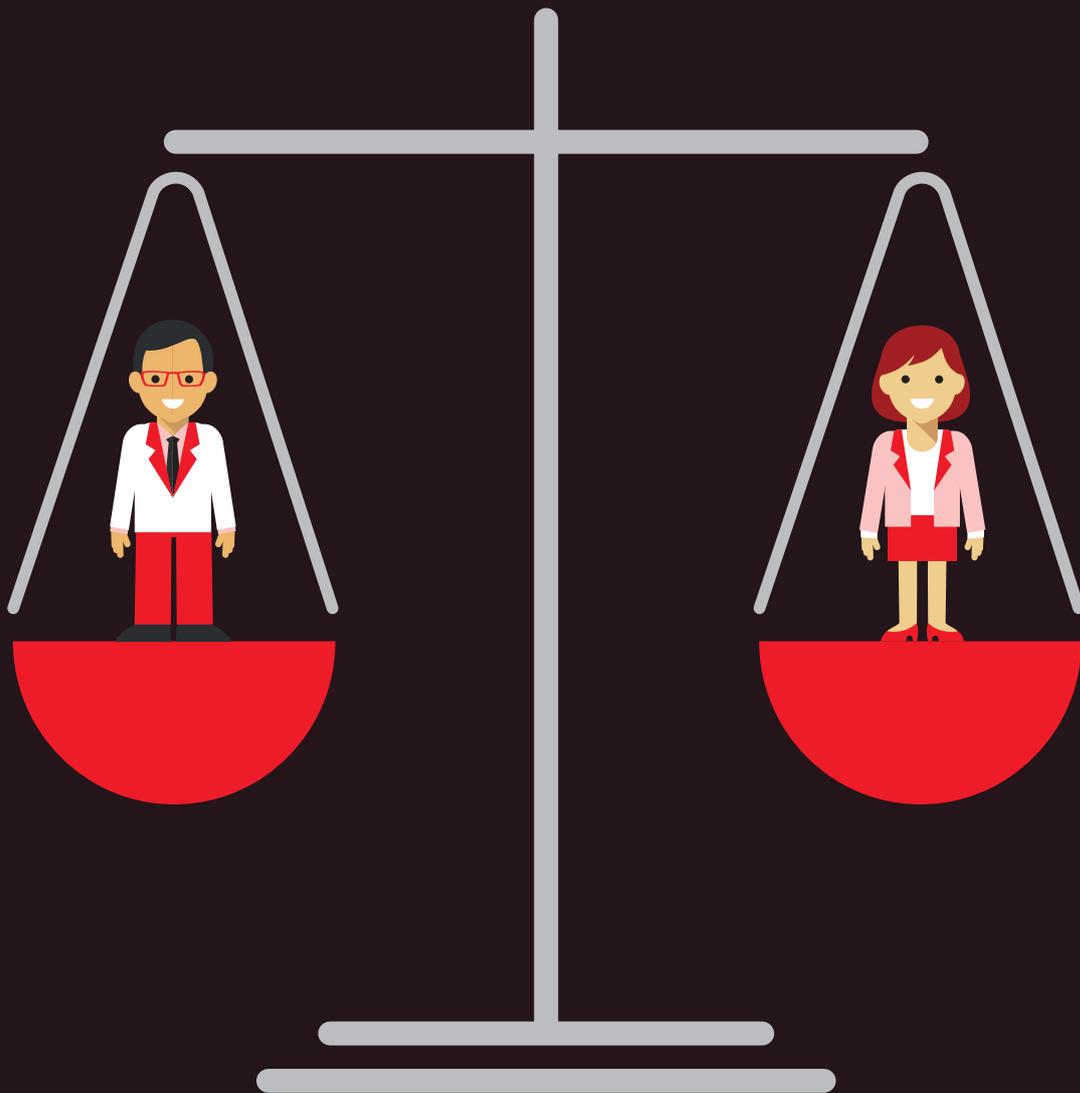


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1. INTRODUCTION

1.1 Purpose

National Australia Bank Limited ABN 12 004 044 937 (NAB), is pleased to present its third NAB Annual Social Bond Report (Report), for the financial year ended 30 September 2019. This Report relates to our NAB Social Bonds outstanding as of 30 September 2019 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 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, include where appropriate, updates to guidelines and principles 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 have positive impacts on the lives of our customers, communities and the environment in which we operate.

Our approach to social impact aims to create 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 environmental sustainability, as a global provider of financial products and services, we play an important role in advocating for the low-carbon transition and green growth. At 30 September 2019, 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. 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.

Australia's largest businesses have a responsibility to make decisions that create a better and stronger nation. We are taking a long-term view and investing now for a better future. In 2019, we launched a new [Social Impact Strategy](#) to shift the dial on significant social challenges facing our business and community. It sets goals for what we will seek to achieve by 2030, in line with the United Nations' Sustainable Development Goals (SDGs). Each Social Impact goal is paired with relevant SDGs where we

can make a difference to the societal challenge. This means focusing our resources on where we can have the biggest impact and link our Social Impact Strategy to NAB's broader ambition and responsibilities. Our responsible business practices include supply chain management, stakeholder engagement, financial inclusion, hardship management, sustainable finance, ESG risk management and maintaining a diverse and inclusive workforce.

Since 2017, our diversity and inclusion strategy has been focused on creating an inclusive workforce, reflecting our customers and the communities in which we operate. Our key areas of focus have been gender equality, life stage inclusion and LGBTI+ inclusion complementing our existing commitment to improving accessibility and cultural inclusion. We have underpinned these by key enablers – leadership, flexibility and the setup of a number of Employee Resource Groups. Supporting [NAB's Gender Equality](#) focus, we have increased senior leadership accountability through continued emphasis on our gender targets, put in place a number of enabling initiatives including access to mentoring/development programs for women and their leaders and introduced new benefits and policies (i.e. domestic violence support and return to work payments for those on parental leave).

The NAB Board approved our refreshed [Diversity & Inclusion policy](#) and 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, progress on which we report annually.

These gender targets further represent our alignment to the SDGs, namely Goal 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 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. diverse workforce composition, pay equity, access to training/development and employee engagement and retention) ensuring accountability and progress on 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 human rights commitment is also demonstrated by NAB being a signatory to the Women's Empowerment Principles³ (WEPs), a set of Principles offering guidance to business 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 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>)

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

2. SOCIAL BOND FEATURES

As at 30 September 2019, 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 citations from the 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 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.

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.

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.

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 FY19. 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 meet the Compliance obligations through 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 Employer of Choice for Gender Equality (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.

The citation is reviewed every five years to ensure it reflects the initiatives that drive leading practice in workplace gender equality. A review was undertaken in 2017 and the FY19 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 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, 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, 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 Sustainalytics 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 previously developed case studies in collaboration with WGEA to highlight impact and a particular leading practice of eligible organisations. 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 Sustainalytics 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 Sustainalytics. Sustainalytics 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, Sustainalytics will also undertake a review and analysis of the organisations' involvement in controversies. Sustainalytics will provide a letter stating the results of the compliance review, which NAB may disclose publicly on its website. The compliance review will take place annually throughout the term of the Social Bond.

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

The annual NAB Social Bond Report and 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 2019*
Ashurst Australia (*formerly Blake Dawson)	Professional Services	Australia	14
Clayton Utz	Professional Services	Australia	9
Corrs Chambers Westgarth	Professional Services	Australia	12
Gilbert + Tobin	Professional Services	Australia	9
King & Wood Mallesons	Professional Services	Australia	6
KPMG Australia Services	Professional Services	Australia	12
Lendlease Corporation Limited	Property	Australia	11
MinterEllison	Professional Services	Australia	10
Mirvac Limited	Property	Australia	5
Monash University	University	Australia	14
PwC Australia	Professional Services	Australia	9
Stockland Development Pty Limited	Property	Australia	9

*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

(Note: as at 30 September 2019 Ashurst and Monash University held the EOCGE citation).

Gross Portfolio Size

As at 30 September 2019, the aggregate value of the NAB Social Bond (Gender Equality) loan portfolio was A\$745,677,974.

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 59.2%),
- the number and percentage of women in managerial positions (average 51.6%) and
- the number and percentage of women on boards (average 33.1%).

UN SDGs Alignment and Contribution

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



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

Borrower's name	Female Employees (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)	605	67.1%	55	51.4%	3	33.3%	Male
Clayton Utz	950	64.3%	169	53.3%	3	30.0%	Male
Corrs Chambers Westgarth	662	69.0%	133	69.0%	2	25.0%	Male
Gilbert + Tobin	438	63.2%	41	64.1%	2	18.2%	Male
King & Wood Malesons	967	65.7%	150	58.8%	2	22.2%	Male
KPMG Australia Services	3604	49.0%	1436	42.7%	5	41.7%	Male
Lendlease Corporation Limited	229	50.0%	54	52.4%	3	33.3%	Male
MinterEllison	1501	70.1%	331	62.2%	4	30.8%	Female
Mirvac Limited	652	41.2%	139	31.7%	5	50.0%	Female
Monash University	8729	57.1%	150	39.0%	5	33.3%	Female
PwC Australia	4159	53.3%	1781	48.8%	4	36.4%	Male
Stockland Development Pty Limited	974	59.9%	260	45.4%	3	42.9%	Male
Total	23,470		4,699		41		
Average		59.2%		51.6%		33.1%	

Source: WGEA

5. SUSTAINALYTICS REVIEW REPORT 2019



National Australia Bank Limited

Type of Engagement: Annual Review 2019

Date: March, 2020

Engagement Team: Amanda Ackerman, amanda.ackerman@sustainalytics.com, (+31) 20 205 00 88
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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 2019 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 2019, 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 2019)	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 (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,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 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 2019 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 at 30 September 2019 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 organisations.

Appendix 1.1: Impact Reporting by Eligibility Criteria

Please note that the source of data is the 2019 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"> <input checked="" type="checkbox"/> Of the 12 organisations funded by the proceeds of the Social Bond, the average percentage of women on boards was 33.1%. <input checked="" type="checkbox"/> Of these 12 organisations, three organisations had female CEOs. <input checked="" type="checkbox"/> Of these 12 organisations, the total number (average percentage) of female employees was 23,470 (59.2%), and the number of women in managerial positions was 4,699 (51.6%).

Appendix 1.2: 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 2019 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 Women in Managerial Positions	Women on Boards (numbers)	Percentage of Women on Boards	CEO (Gender)
Ashurst Australia (*formerly Blake Dawson)	605	67.1%	55	51.4%	3	33.3%	Male
Clayton Utz	950	64.3%	169	53.3%	3	30.0%	Male
Corrs Chambers Westgarth	662	69.0%	133	69.0%	2	25.0%	Male
Gilbert + Tobin	438	63.2%	41	64.1%	2	18.2%	Male
King & Wood Mallesons	967	65.7%	150	58.8%	2	22.2%	Male
KPMG Australia Services	3,604	49.0%	1,436	42.7%	5	41.7%	Male
Lendlease Corporation Limited	229	50.0%	54	52.4%	3	33.3%	Male
Minter Ellison	1,501	70.1%	331	62.2%	4	30.8%	Female
Mirvac Limited	652	41.2%	139	31.7%	5	50.0%	Female
Monash University	8,729	57.1%	150	39.0%	5	33.3%	Female
PwC Australia	4,159	53.3%	1,781	48.8%	4	36.4%	Male
Stockland Development Pty Limited	974	59.9%	260	45.4%	3	42.9%	Male
	23,470 (total)	59.2% (average)	4,699 (total)	51.6% (average)	41 (total)	33.1% (average)	3 (total female)

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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

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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 2019:

- 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
<ul style="list-style-type: none"> • Social Bond Use of Proceeds Statement financial information as at 30 September 2019, presented in NAB's 2019 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 	<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

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 2019 Social Bond Use of Proceeds Statement and does not extend to any other information in the NAB 2019 Social Bond Use of Proceeds Statement. Our assurance is limited to policies and procedures in place as of 30 September 2019. 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 2019:

Counterparty	Sector	Country of Residence
Lendlease Corporation Limited	Property	Australia
Mirvac Limited	Property	Australia
Stockland Development Pty 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
MinterEllison	Professional Services	Australia
Ashurst Australia (*formerly Blake Dawson)	Professional Services	Australia

7. CONTACT US

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