

National Australia Bank Limited

Type of Engagement: Annual Review 2018

Date: March, 2020

Engagement Team: Amanda Ackerman, amanda.ackerman@sustainalytics.com, (+31) 20 205 00 88
 Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 205 00 82
 Mina Jang, mina.jang@sustainalytics.com, (+31) 20 205 02 09

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 2018,¹ 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 	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.

	(ii) Organisations that are involved in major environmental, social or governance controversies (Category 5 controversies), as assessed by Sustainalytics.	
--	--	--

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 organisations, 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 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
---------------------------	---	--	------

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 funded by the proceeds of the Social Bond, the average percentage of women on boards 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 Organisation

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 organisation, made available on the WGEA website.

Funded 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 Malesons	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

Disclaimer

© Sustainalytics 2020. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable 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 herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. 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 deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer’s economic performance, financial obligations nor its creditworthiness.

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

