

Each performance right entitles the holder to subscribe for and be allotted one share in the National. The holder must pay a nominal exercise price to exercise the performance rights. The total exercise price payable on the exercise of any performance rights on a particular day will be \$1.00. This is irrespective of the number of rights exercised on that day.

#### Performance conditions

Under the Performance Rights Plan, the Directors may impose conditions on the exercise of performance rights they consider appropriate. It is the current intention of the Board that performance rights granted pursuant to this resolution will become exercisable in accordance with the same vesting schedule and performance hurdle attaching to the exercise of options under the Executive Plan (as described above). The same performance period will also apply.

Generally, performance rights may only be exercised during a period from 3 to 8 years from the date of grant.

#### Number of securities acquired by Mr FJ Cicutto since the last Annual General Meeting

No securities in the National have been acquired by Mr FJ Cicutto under any employee or executive equity plan operated by the National (including the Allocation Plan, the Executive Plan and the Performance Rights Plan) since the last Annual General Meeting.

In 2001, following approvals granted by shareholders at the Annual General Meeting of the National held in December 2000:

- (i) 29 shares were acquired on behalf of Mr FJ Cicutto under the Allocation Plan;
- (ii) no shares were acquired on behalf of Mr FJ Cicutto under the National Australia Bank Staff Share Ownership Plan, notwithstanding that shareholders granted approval to issue up to 10,000 shares under this plan at that Annual General Meeting;
- (iii) 500,000 options were granted to Mr FJ Cicutto under the Executive Plan. The options were granted without charge. Subject to the satisfaction of the performance hurdles, each option entitles Mr FJ Cicutto to one share on the payment of the exercise price of A\$27.85, being the market price at the time the options were granted and determined in accordance with the Executive Plan as described above and in Attachment A.

No performance rights have been acquired by Mr FJ Cicutto under the Performance Rights Plan.

Mr FJ Cicutto now holds a total of 1,400,000 options issued under the Executive Plan. Details of the respective exercise prices and exercise periods are set out in note 39 of the Annual Financial Report 2002.

Mr FJ Cicutto will not participate in the National Australia Bank Staff Share Ownership Plan, Share Incentive Plan (UK) or the Republic of Ireland Group Profit Sharing Scheme.

#### Names of Directors and their associates entitled to participate in the Allocation Plan and the Executive Plan

No Directors (other than Mr FJ Cicutto) or their associates are entitled to participate in the Allocation Plan, the Executive Plan or the Performance Rights Plan.

#### Recommendation

Each Director, except Mr FJ Cicutto, recommends that shareholders vote in favour of the proposed resolution. As the resolution relates directly to Mr FJ Cicutto, he does not make a recommendation.

#### Resolution 6: Amendment to the Constitution

One hundred and thirteen shareholders in the National who hold shares in the National, and are entitled to vote at a general meeting, have given notice through The Wilderness Society of their intention to move an amendment to the National's Constitution at the next Annual General Meeting, as is their right under Section 249N of the Australian Corporations Act.

The amendment, if passed, would insert new clauses in the Constitution intended to prevent the National having business dealings, either in its own right or as a financier, with companies engaged in logging of old growth forests or 'areas of high conservation value'.

Your Directors understand that these sentiments reflect the sincere views of people concerned with the conservation of our environment. However, we do not believe an amendment to the National's Constitution is an appropriate way to proceed. Our Constitution does not include policy prescriptions for the Company. Our practice has been that these responsibilities are delegated to management. **Accordingly, your Directors recommend you vote against the motion.**

(Our views are set out in more detail on page 8).

The members concerned have provided the following statement in relation to their proposed resolution. Under section 249P of the Australian Corporations Act, the National is required to distribute this members' statement with this Notice of Annual General Meeting.

#### "Vote 'Yes' to Save our Forests

##### Your investments may be paying for the destruction of Australia's old growth forests

If you have shares in the National Australia Bank you are indirectly investing in an industry that is logging our old growth and high-conservation-value forests. For example, The National Bank through National Nominees holds an 8.27% shareholding in Gunns Ltd and Gunns is by far the largest logger of Tasmanian old growth forests.

Gunns will export around 4.5 million tonnes of woodchip out of Tasmanian forests this year. That is almost double the rest of Australia's combined woodchip export. Most of the woodchips extracted by Gunns is sourced from irreplaceable high conservation value forests such as those in the Styx Valley and in the Tarkine wilderness.

##### Gunns is destroying irreplaceable pristine forests

Many of the forest areas being woodchipped by Gunns are recognised as having World Heritage values by independent scientists and by authorities like Australia's Department of the Environment, the Australian Heritage Commission and the Tasmanian Department of Parks, Wildlife and Heritage. The Styx Valley, for example, is the last remaining stronghold for the tallest hardwood forests on Earth. Less than 13% of the original extent of these 400-year-old trees remains.

##### Our forests are in trouble

Investment into the woodchipping industry is occurring when our forests are in serious trouble.

60% of Australia's forests and 75% of our rainforests are gone forever.

Only 10% of Australia's old growth forests remain today, half of which are unprotected and are targeted for intensive logging and woodchipping.

33% of native animals and 33% of native plants are rare, threatened or extinct.

In 2000, exports of woodchips from Australia's native forests reached a staggering seven million tonnes annually.

According to Forest Practices Board figures, about 50,000 hectares of Tasmanian forests were cleared in the years 1997-2000. Similar rates continue today.

#### **Our forests are vital to our future**

Forests are vital to human health and to the health of our fragile environment.

- Clearing Australia's old growth forests is a major contributor to water, soil and greenhouse gas pollution.
- Clearing forests is a direct source of species extinction. In Tasmania several species are under threat, including the magnificent Wedge-tailed eagle.
- Healthy Australian old growth forests are crucial to the long-term, consistent supply of high quality water to cities, towns, farms and aquatic ecosystems. Healthy forests increase the amount of water available. A study of Victoria's water catchment found that water flows can drop by up to 50 percent after logging.
- Healthy forests keep salinity at bay

#### **Banks say they want to do the right thing**

National Australia Bank states that:

"We are also serious about our environmental responsibilities and have been a member of the Federal Government's Greenhouse Challenge since 1997."

The National state further that:

"For a decade, we have been assessing environmental risks in relation to all lending to environmentally sensitive industries, facilities and developments."

We believe that this policy cannot be reconciled with the Bank's current investment strategy. The logging of our native and old growth forests continues to evoke passionate opposition from the Australian community. Therefore we believe that the National Bank should make their intention real and amend their Constitution to prevent them investing in companies like Gunns or any project involving the logging of high-conservation value forests.

#### **Ensure our bank does the right thing, right now, for the future**

Accompanying this letter is a Voting (Proxy) Form, which includes a resolution to amend the National's Constitution to prevent it from investing in the destruction of native forests.

Please put a tick in the Yes (FOR) box.

Please note, if you do nothing you are by default supporting the continued investment in the destruction of native forests.

For more information please contact Leanne Minshull on 0417 675 518 or The Wilderness Society on (03) 9639 5455."

The words in italics in the above section have been added by the National.

The National has received a letter from solicitors acting for Gunns Ltd. Gunns Ltd holds the view that a number of the comments made in the members' statement printed above are inaccurate and misleading. The National is not in a position to form a view on the accuracy of statements or comments made in the members' statement.

#### **View of the National – Vote 'No'**

In support of our recommendation that you vote **against** the resolution, we would highlight the following:

Our Constitution deals with procedural issues relating to the administration of the Company such as the rights of shareholders, conduct of general meetings, the role of Directors and the Board. It does not set out policies in relation to lending or similar matters which are delegated to management. The Constitution is not an appropriate place for the policies proposed to be included.

Management are addressing issues raised by people concerned about environmental protection. As a signatory to the United Nations Environment Program Financial Institutions Initiative we have made a public commitment to sustainable development and the need to balance the interests of this generation with future generations. The United Nations initiative recognises that sustainable development is the collective responsibility of government, business and individuals. It commits us to working cooperatively, within the framework of market mechanisms, towards common environmental goals.

In support of our commitment, management has in place lending policies that recognise sustainable development. Issues of sustainability are considered as part of our business decision making. In our view, the objective of sustainable development is consistent with, and complementary to, our broader business objectives. We are working to improve our own environmental performance. Our new Australian headquarters being built at Docklands in Melbourne, will be one of the most environmentally efficient buildings of its type in the world. Our employees are driving an Environmental Champions program to lift awareness of environmental performance and are developing clear targets to improve our performance. To complement these initiatives, management ensures appropriate environmental management systems and policies are in place.

The Wilderness Society has arranged for identical resolutions to be included in the Notices of Annual General Meetings of all of the major Australian banks and have highlighted an interest in Gunns Ltd. Shareholders are advised that the National is not a lender to Gunns Ltd. National Nominees Limited holds shares in Gunns Ltd only as a nominee on behalf of other parties. Neither National Nominees Limited, nor the National, makes investment decisions for such holdings. National Nominees Limited is part of our custodial services business and National Nominees Limited holds shares on behalf of customers who make their own investment choices. In relation to our wealth management operations, the MLC 'Manager of Managers' strategy also means that the National is not making investment decisions to invest in Gunns Ltd.

Your Directors believe this amendment to the Constitution is both inappropriate and unnecessary. We understand the concerns being expressed in this resolution. However, we believe the National is committed to developing more appropriate mechanisms to fulfil our commitment to sustainable development.

#### **Recommendation**

The Board of the National recommend that shareholders vote **against** resolution 6 as set out in the Notice of Meeting.