

Statement Pursuant to Section 249P of the Corporations Act 2001 received from the Finance Sector Union

National Australia Bank (NAB) has received the following statement from the Finance Sector Union pursuant to Section 249P of the Corporations Act 2001.

The statement has been signed by the required number of at least 100 signatures of members of NAB who are entitled to vote at a general meeting.

Under the Corporations Act NAB is required to send this statement to all NAB shareholders.

“Shareholders concerned about risks to reputation arising out of Global Outsourcing

We are concerned about the impact of Global Outsourcing strategies of companies in the Australian finance industry, that could result in Australian based jobs and customer databases being sent offshore.

As shareholders in NAB, we are concerned that such strategies can affect a company’s reputation particularly with respect to:

- employees losing their jobs;
- the future of employment and skills in the finance industry; and
- the security and privacy of consumers’ sensitive financial data.

The potential nature and scale of global outsourcing is massive. In 2005 the OECD predicted that over 70% of all Australian finance sector jobs could be performed offshore¹ – this would equate to over 200,000 jobs. This would greatly exceed the number of full time banking jobs lost during the 1990's as a consequence of restructuring and the closure over 2,200 retail branches.

We recognise that NAB has worked extremely hard over recent years to improve its relationship with customers and has invested in the retail branch network to recover the deterioration associated with that period of branch closures and cost cutting.

It is critical that the Board of NAB consider all the potential risks that could arise out of Global Outsourcing and avoid any potential future damage to its brand, reputation and relationships with staff, communities and consumers.

Staff concerns

NAB staff, as key stakeholders in the company, are concerned about the impact of Global Outsourcing that results in jobs, skills and future opportunities going offshore. This could have serious impacts on the morale of staff.

Consumer concerns

We are mindful of research recently conducted by McNair Ingenuity² that clearly demonstrates that Australian consumers are concerned about Global Outsourcing and that it could influence their decisions about their banking relationships. The results of that survey were as follows:

- 96% agree that Australian companies have a responsibility to invest in Australian jobs and skills;
- 82% agree that they would consider changing to a different bank, if they knew that their bank was sacking Australian workers and sending their jobs offshore;
- 85% support the call for the Federal Government to require banks to inform customers if they are storing personal information overseas;
- 91% agree that their personal information should not be stored offshore without written permission;
- 85% were concerned for the security of their personal data if it moves offshore.

There is an array of customer identity, privacy and data security issues that emerge when sensitive data is processed or stored offshore beyond the reach of domestic legislative protection.

Into the Future

As shareholders, we appreciate that this is an extremely complex issue and requires careful strategic consideration by the Board of NAB. This requires thorough scrutiny by the Board of any future strategy that could result in a significant transfer of banking functions and the elimination of a number of Australian based jobs. Such an outcome may not be in the long term interests of the company and its shareholders. Accordingly, in the interests of mitigating any risks to the reputation of the Bank, we encourage the Board to engage with key stakeholders, including staff and their representatives, consumers and other relevant members of the community on Global Outsourcing issues.”

¹ OECD, 2005. *Potential Offshoring of ICT-Intensive using occupations*

² McNair Ingenuity, May 2006. *Attitudes to Offshore Labour*

The National Australia Bank (NAB) recognises that offshoring and outsourcing is a sensitive issue for our employees, customers, communities and shareholders.

The Board and management are alert to these concerns, and are at all times guided by the best interests of the organisation and its people. We will continue to work with all stakeholders on this issue, including the Finance Sector Union.

This document sets out the Bank's approach to global outsourcing as we look at the most efficient ways to manage our business.

1. NAB is committed to growing its business in Australia and to creating Australian jobs, especially in customer-facing areas.

To deliver on this strategy we are investing in our people, our products, our systems and our facilities, such as the new Rhodes Contact Centre in NSW.

We are a growing employer in Australia. NAB has increased its full-time equivalent employees in Australia from 23,554 in September 2005 to 24,263 in September.

Even after considering the redundancies that are part of our efficiency program to streamline our operations, the net increase in the past year, for the Australian banking ongoing operations was 688 full time equivalents (FTEs), largely as a result of increased short-term project resources (459), and 'business as usual' FTEs (229) including additional business bankers and graduate recruitments.

2. NAB aims to create sustainable shareholder value. In order to grow sustainably we must be efficient.

We are driving efficiency improvements through all areas of the Bank. These improvements include outsourcing and offshoring selected back-office work processes such as mailroom, cheque processing and Accounts Payable; and re-engineering our processes to make them quicker and more efficient.

The more efficient we are, the more we can invest in our business and provide improved services to our customers and greater value for our shareholders.

3. NAB aims to be truly competitive within the global marketplace.

There are two sides to this equation and we contribute to both of them. Using the services of overseas providers assists our goal of being truly internationally competitive, delivering efficiencies and enabling us to reinvest back into the business.

We have identified 175 roles that have been or will be offshored in early 2007. Several areas of the NAB's Australian business are reviewing whether offshoring can improve their efficiency and therefore it is reasonable to expect the number of positions to gradually increase over time.

The roles involve validating and converting data into reports, data entry, procurement administration and card processing.

Equally, we already provide services for other organisations based overseas – that is, we create Australian jobs for work that is offshored by another entity.

4. Protecting our customers' data is our highest priority

We will not take actions that may put the information of our customers at risk. All NAB customer data is subject to the requirements of the Australian Privacy Act.

5. NAB looks after our employees

NAB is committed to supporting every person who is impacted by outsourcing or offshoring decisions. Our first priority is to find every affected person a new position within NAB. Where this is not possible, we have a range of measures in place to assist people in securing another position outside the organisation. Under the terms of our Enterprise Agreement, we have undertaken to develop protocols with the Finance Sector Union relating to offshoring over the life of the Agreement (2006-2009).

Importantly, where work processes are outsourced or offshored we have made a commitment to uphold fair international workforce standards, and we retain a policy on this issue at our Group website www.nabgroup.com.