



Finding Value

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Agenda

- **Australian market practice ... the journey**
- **The performance link for executive and general employee offers**
- **Balancing employee and investor expectations**
- **Australian plans going global**



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The Journey

- **Share plan pioneers in Australia**
 - Lend Lease
 - BHP
 - Amcor
 - Hills

Plans over 20 years old with over 80% participation

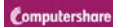


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Tax Certainty Since 1995

- AUD\$ 1,000 p.a. tax exemption OR
- AUD\$ Unlimited p.a., tax deferred
- All discounts taxed at personal marginal rates, upon sooner of:
 - Realisation
 - Termination of employment
 - 10 years after acquisition

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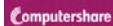


4

Market Size Today

- ASX Listed Companies
 - 1 million employee participants (approx. 10% workforce)
 - Plan investments to the value of AUD\$7 billion
 - Share plans provide most common entrance to share market
 - Highest share ownership in the world – over 50% of Australian adults

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5

Current Dynamics

- Shift from options to:
 - Restricted shares (Dividends)
 - Performance Rights (No Dividends)
 - Dividends indexed concessionally since 1985)



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6




Current Dynamics

- **Major focus on Executive Equity**
 - Performance hurdles
 - General employee offers alongside
 - Employee voting
 - Dilution
 - Accounting treatment
 - Fund Managers
 - Private investor lobby

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Current Dynamics

- **Common approaches to general employee offers**
 - IPO gifts and priority purchase
 - Regular salary funded purchase (with discounts)
 - On market purchase
 - Profit linked rewards
 - Discounted purchase with interest free loan (waning)

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General Employee Share Purchase Plans

Matching / Discounted Plans

- Almost half of companies offering plans, provided some form of matching/discount



	Matching/discount
	No discount

- Most companies (72%) provided matching / discount offers of over 10%

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Australian Market Practice Today

- ASX 100 companies range in market capitalisation from \$780 million to \$45 billion
- Long-term incentives are a key component of executive remuneration
- The majority of executive LTI plans incorporate a performance measure
- General employee offers are relatively common, with many companies providing gifts of free shares

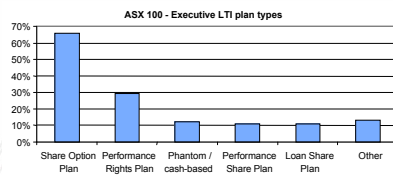
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13

Executive LTI Plan Type

- 91% of companies operate some form of long-term incentive plan for executives
- Two thirds of companies made an executive LTI grant



Source: Research conducted by Ernst & Young on ASX listed company 2003 annual reports.

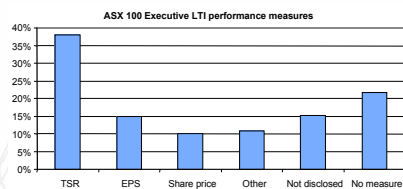
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14

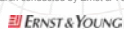
Executive LTI Performance Measures

- Performance measures are increasingly used in executive LTI plans
- However almost one quarter of plans did not incorporate a performance measure



Source: Research conducted by Ernst & Young on ASX listed company 2003 annual reports.

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15

General Employee Plans

- Investors typically support general employee offers with financial assistance to encourage high take up
- Almost one third of ASX 100 companies have offered share 'gifts' using the \$1,000 tax exemption
- 'Gift' share offers in the future will depend on reactions to accounting changes
- It is likely that share based remuneration will need to be expensed in future, so there may be a shift towards requiring employees to contribute to share purchase plans

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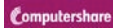
19

Any Questions?

Thank You

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20
