Codan Limited

Employee Share Plan Rules

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1 Definitions and interpretation

1.1 In these rules, the following words and expressions have these meanings unless a contrary intention appears:

Application Form means a form to apply for Plan Shares in the form determined from time to time by the Board.

ASX means Australian Stock Exchange Limited.

Board means all or some of the Directors acting as a board of the Company.

CHESS Holding Lock means a facility under CHESS that prevents a Participant from Dealing with specified Plan Shares.

Company means Codan Limited (ABN 72 007 590 605).

Deal with respect to Plan Shares, means to sell, dispose of, encumber or otherwise deal with the Plan Shares.

Director means a director of the Company.

Dividend means a dividend or other cash distribution declared or paid with respect to a Plan Share.

Eligible Employee means an Employee to whom an Invitation has been made.

Employee means a permanent full time or permanent part time employee of the Group.

Group means the Company and its subsidiaries.

Invitation means an invitation to an Eligible Employee under rule 2.1.

Lender means the body corporate in the Group that makes the relevant Loan or the assignee of that body corporate.

Listing Rules means the ASX Listing Rules.

Loan means a loan made by a member of the Group under this Plan.

Market Value of a Plan Share on a particular day means the value determined under Division 13A (Subdivision F) of Part III of the Income Tax Assessment Act 1936.

Participant means a person who elects to participate in the Plan.

Periodical Instalment Amount means an amount calculated by the Company from time to time being the whole amount outstanding under the Loan, divided by the number of standard salary payment dates for the Participant from the date of calculation to the third anniversary of the date of the Loan. This amount may be revised by the Company at any time by notice to the Participant if there is a change in the salary payment period of the Participant.

Plan means the Company's employee share plan governed by these Rules.

Plan Share means:

(a) a Share issued pursuant to this Plan; and

(b) a bonus Share deemed to be a Plan Share by virtue of rule 9.5.

Restriction Arrangement means any procedure deemed appropriate by the Board to restrict the Participant from Dealing with the Plan Shares, including without limitation a CHESS Holding Lock or a trust.

Restriction Period, in respect of a Plan Share, means the period commencing on the date of issue of the Plan Share and ending on the earlier of:

(a) repayment of the Loan amount in full; and

(b) the Lender, in its absolute discretion, forgiving the outstanding Loan amount in full.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means the share registry appointed from time to time by the Company to administer its issuer-sponsored sub-register of holders of Plan Shares.

1.2 In these rules, unless the contrary intention appears:

(a) the singular includes the plural and vice versa;

(b) a reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and

(c) a reference to a person includes a reference to the person's executors, administrators and successors, a firm or a body corporate.

1.3 Headings are inserted for convenience and do not affect the interpretation of these rules.

2 Invitations to participate in the Plan

2.1 The Board may invite any Employee to participate in the Plan by inviting the Employee to apply to:

(a) acquire Plan Shares at the Market Value and to apply for a Loan from the Lender; and/or

(b) acquire Plan Shares at a discount to the Market Value, such discount to be determined by the Board at the time of making the Invitation. No Loan will be made available in respect of Plan Shares to be acquired at a discount to the Market Value.

The Board may only invite Employees to acquire Plan Shares at a discount to the Market Value under clause 2.1(b) if the Plan Shares will satisfy the definition of "qualifying shares" for the purpose of Division 13A of the Income Assessment Act 1936.

2.2 In determining which Employees will receive Invitations, the Board may have regard to any matters which it considers relevant, including without limitation:

(a) the Employee's length of service, grade or position with the Group;

(b) the contribution to the Group which has been made by the Employee;

(c) the potential contribution of the Employee to the Group;

(d) any misconduct or wilful default by an Employee;

(e) whether the Employee will continue to be an employee of the Group at or soon after the time of issue of the Plan Shares;

(f) taxation implications for the Group, the Employee and/or other Employees participating in the Plan; and

(g) securities and/or employment laws.

2.3 The Invitation to each Eligible Employee must be in writing and include the following details:

(a) the acquisition price per Plan Share;

(b) the amount of the Loan for which the Eligible Employee is invited to apply in respect of any of those Plan Shares;

(c) the number of Plan Shares for which the Eligible Employee is invited to apply or the method of calculating the number of Plan Shares for which the Eligible Employee is invited to apply;

(d) the time for acceptance of the Invitation; and

(e) any restrictions or other conditions relating to the Plan Shares as determined by the Board.

2.4 Plan Shares must be acquired on the terms of these rules, the Corporations Act and the Listing Rules, and any additional terms as the Board considers appropriate (not being inconsistent with these rules).

2.5 Each Eligible Employee will be taken to have agreed to be bound by:

(a) these rules;

(b) any additional terms imposed under this rule 2; and

(c) the constitution of the Company from time to time,

on application for the relevant Plan Shares and Loan.

2.6 Plan Shares must not be offered under this Plan in a manner that would contravene the Corporations Act or the Listing Rules.

3 Number of Plan Shares to be offered under the Plan

3.1 The number of Plan Shares to be offered to an Eligible Employee shall be determined by the Board in its absolute discretion from time to time.

3.2 The Board may, in its absolute discretion, scale down the number of Plan Shares issued to a Participant, notwithstanding the number of Plan Shares applied for by the Participant in response to the Invitation.

4 Loan

Interest

4.1 Each Loan will be interest free unless the Board decides otherwise.

No security

4.2 The Company will not require a Participant to give any mortgage or charge in respect of repayment of any Loan unless the Board decides otherwise.

Direction to pay

4.3 By giving the Company a completed Application Form, each Participant irrevocably authorises the Lender to pay the whole of any Loan directly to the Company to fund the acquisition of the Plan Shares by the Participant.

Repayment

4.4 The Participant must repay the Periodical Instalment Amount to the Lender on each date of payment of salary to the Participant.

4.5 By giving the Company a completed Application Form, each Participant authorises and directs the Company to deduct an amount equal to the Periodical Instalment Amount from his or her salary on each date of payment of the salary to the Participant and pay that amount to the Lender.

4.6 The whole of the amount outstanding under a Loan will become immediately due and payable on the earlier to occur of:

(a) the third anniversary of the date on which the Loan was made; and

(b) the Participant ceasing to be an Eligible Employee or notice having been given to that effect.

Sale of Plan Shares

4.7 The Participant irrevocably authorises the Company to sell the Plan Shares on behalf of the Participant if:

(a) the Participant does not repay the Periodical Instalment Amount within 30 days of the due date for payment under rule 4.4; or

(b) the Participant does not repay the whole amount outstanding under the Loan within 30 days of the date specified under rule 4.6.

The Company must apply the proceeds of the sale in the manner set out in rule 8.2.

4.8 If the proceeds of the sale of Plan Shares under rule 4.7 are less than the Loan amount outstanding, the liability of the Participant in respect of the Loan (and any accrued interest if applicable) will, unless otherwise determined by the Board at the time the Loan is made, be limited to the proceeds of sale.

Early repayment

4.9 A Participant may elect to repay the whole or any part of the amount outstanding under a Loan at any time.

5 Application

5.1 To apply for the Plan Shares and any Loan specified in the Invitation, the Eligible Employee must send a duly completed Application Form to the Company.

5.2 The Application Form must be received by the Company within the period specified for response to the Invitation.

6 Allotment or transfer of Plan Shares

6.1 Unless the Board otherwise determines, Plan Shares will be issued directly to the Participant.

6.2 If the Board determines, Shares may be purchased on-market on behalf of the Participant under the Plan. The Board may, in its absolute discretion, authorise appropriate procedures to facilitate the transfer of Shares directly to the Participant, in which case such Shares will become Plan Shares.

6.3 No brokerage, commission, stamp duty or other transaction costs will be payable by the Participant in respect of any allotment or transfer of Shares into the name of the Participant under the Plan.

7 Restriction Arrangements

7.1 Subject to rule 8, a Participant who is issued Plan Shares must not Deal with those Plan Shares before the end of the Restriction Period.

7.2 The Company is authorised to implement a Restriction Arrangement in respect of the Plan Shares.

7.3 The Company must enter the Plan Shares on the Australian issuer-sponsored sub-register of holders of Shares and those Plan Shares must remain entered in the issuer-sponsored sub-register for the duration of the Restriction Period in relation to the Plan Shares.

7.4 The Company must instruct the Share Registry to segregate all the Plan Shares provided in the issuer-sponsored sub-register and to record in the issuer-sponsored sub-register that the Plan Shares are subject to the Plan for the duration of the Restriction Period applicable to those Plan Shares.

8 Dealing in Plan Shares

8.1 A Participant may at any time give written notice to the Company that they wish to Deal in their Plan Shares before the end of the Restriction Period. If arrangements satisfactory to the Company are made for repayment to be made out of the proceeds of sale of some or all of the Plan Shares, the Participant may request the Company to sell the Plan Shares on their behalf.

8.2 If the Company sells Plan Shares on behalf of the Participant pursuant to rule 8.1, the Company must apply the proceeds of the sale on behalf of the Participant:

(a) first, in payment of any stamp duty, brokerage and other costs and expenses of the sale incurred by the Company;

(b) second, in reduction of the outstanding amounts of the corresponding Loan; and

(c) third, the balance (if any) in payment to the Participant.

9 Rights attaching to Plan Shares

9.1 Subject to the terms of this Plan, unless otherwise determined at the time of issue by the Board, Plan Shares rank equally in all respects with other Shares on issue at the time of issue of those Plan Shares and carry the same rights and entitlements as those conferred by other Shares.

9.2 Subject to the terms of this Plan, a Participant is entitled to receive all Dividends paid on Plan Shares.

9.3 Any Restriction Arrangement implemented in relation to a Plan Share must enable the relevant Participant to exercise or direct the exercise of any votes attaching to those Plan Shares.

9.4 Subject to rule 9.5, each Plan Share confers on the holder the same right to participate in bonus issues by the Company as that conferred by each other Share.

9.5 When a bonus issue is made during the Restriction Period in relation to Plan Shares, the bonus Shares issued are deemed, for the purposes of the Plan, to be Plan Shares issued at the time the Plan Shares to which the bonus issue accrued were issued to the Participant under the Plan.

9.6 Each Plan Share confers on the holder the same right to participate in any new issues of securities by the Company as that conferred by every other Share.

9.7 Any Shares held by a Participant which are not Plan Shares are not subject to the provisions of, or restrictions set out in, these rules.

10 Maximum Number of Plan Shares

The Company must not offer or issue any Invitations to acquire any Shares under the Plan if the number of Shares the subject of the offer when aggregated with:

(a) the number of shares in the same class which would be issued were each outstanding offer with respect to shares, units of shares and options to acquire unissued shares, under an employee share scheme to be accepted or exercised; and

(b) the number of shares in the same class issued during the previous 5 years pursuant to the Plan or any other employee share scheme;

but disregarding any offer made, or option acquired or share issued by way of or as a result of:

(c) an offer to a person situated at the time of receipt of the offer outside Australia; or

(d) an offer that was an excluded offer or invitation within the meaning of the Corporations Law as in force before the commencement of Schedule 1 to the *Corporations Law Economic Reform Program Act 1999*; or

(e) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or

(f) an offer made under a disclosure document, exceeds 5% of the total number of issued shares in that class of the Company as at the time of the offer.

In this rule 10, an "employee share scheme" is any Company initiated or sponsored scheme for the issue or acquisition of shares in the Company (whether fully or partly paid), units of shares and options to acquire unissued shares to be held by, or for the benefit of, employees of the Group.

11 Administration of the Plan

11.1 The Plan will be administered by the Board in accordance with these rules. The Board may make regulations for the operation of the Plan which are consistent with these rules.

11.2 Any power or discretion which is conferred on the Board by these rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising that power or discretion, under any fiduciary or other obligation to any other person.

11.3 Any power or discretion which is conferred on the Board by these rules may be delegated by the Board for such period and on such conditions as the Board may determine to a committee or any one or more persons, who need not be or include Directors.

11.4 Every exercise of discretion by the Board (or its delegate) and every decision of the Board as to the interpretation, effect or application of these rules is final, conclusive and binding.

12 Rights of employees

Nothing in these rules:

(a) confers on any employee the right to receive any Shares or Loans;

(b) confers on any employee the right to continue as an employee of the Group;

(c) affects any rights which any member of the Group may have to terminate the employment of any employee; or

(d) may be used to increase damages in any action brought against any member of the Group in respect of the termination of the employment of any employee of any member of the Group.

13 Amendment of these rules

13.1 Subject to rules 13.2 and 13.3, the Company may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of these rules (including this rule 13).

13.2 No amendment of the provisions of these rules is to reduce the rights of any Participant in respect of Plan Shares issued or Loans made to the Participant under the Plan prior to the date of the amendment, other than an amendment introduced primarily:

(a) for the purpose of complying with or conforming to present or future laws governing or regulating the maintenance or operation of the Plan;

(b) to correct any manifest error or mistake;

(c) to enable contributions or other amounts paid by a member of the Group in respect of the Plan to qualify as tax deductions for that entity;

(d) to enable the Participant or their employer to reduce the amount of tax or impost that may otherwise be payable by the Participant or their employer in relation to the Plan, including under the Fringe Benefits Tax Assessment Act 1986 and the Income Tax Assessment Acts of 1936 and 1997, or any other similar legislation in any jurisdiction outside Australia;

(e) for the purpose of enabling the Participant generally (but not necessarily each Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan; or

(f) to enable the Company and the Lender to comply with the Corporations Act or the Listing Rules or any similar legislation or requirements in any jurisdiction outside Australia.

13.3 Any amendment of these rules must be made in accordance with and in the manner stipulated (if any) by the Listing Rules.

13.4 Subject to the provisions of this rule 13, any amendment made under rule 13.1 may be given retrospective effect, as specified in the written instrument or resolution by which the amendment is made.

14 Notices

Any notice regarding Plan Shares or Loans made under the Plan will be sent to the address of the holder as recorded in the register of members maintained by the Company or the Share Registry.

15 Governing Law

The Plan is governed by the laws of South Australia.