

Codan Limited - Codan Executive Share Plan

The Proposal

Codan Limited ("the Company") proposes to make offers to take up shares to selected executive employees of the Company.

The shares will be issued by the Company for their market value determined at the date of the offer. The shares will be issued on a partly paid basis so that the executive will be required to pay one cent per share on issue.

The number of shares to be offered to each executive employee will be determined in the absolute discretion of the Board of the Company.

The shares may be issued to the executive or to an entity or individual associated with the executive at the executive's direction.

The executive will be required to undertake not to dispose of partly paid shares to a third party while the Plan subsists.

The Plan will have a life of five years in respect of any issue of shares so that if they are not fully paid up in that time they may be acquired from the executive for their market value at that time.

Mechanics of the Plan

Shares will be issued beneficially to the executive or his or her associate (called "the executive" in the remainder of this document) on a partly paid basis. The shares will be held on bare trust by the Trustee of an executive share plan trust ("the Trustee") so that the Plan can be more easily administered.

The executive will be required to enter into Call Option Agreement which will allow the Trustee to acquire the shares from the executive if they are not paid up within five years from the date of their issue. The Trustee can also acquire the shares from the executive (where they remain partly paid) if the executive leaves his or her employment for various reasons (including death). The Trustee will pay the "Call Price" calculated as set out in the Call Option Agreement.

The Trustee will also enter into a Put Option Agreement with the executive to allow the executive to require the Trustee to acquire the shares if a call on the unpaid issue price of the shares is made by the Company at any time or there is a Control Change as defined in the Put Option Agreement or if the executive dies or ceases to be employed by the Company due to illness or disability or termination of employment without cause. Otherwise the Put Option may be exercised by the executive at any time after three years from the date of any issue of shares until the executive ceases to be employed by the Company for any reason. The Trustee will pay the "Put Price" calculated as set out in the Put Option Agreement.

The Company has the right to call up the unpaid issue price of the shares at any time in its discretion. Although the Company cannot be bound to this action, in the normal course it does not anticipate making a call on the unpaid issue price of the shares issued to the executive for a period of 3 years after the date of issue of any shares. The Company also expects that a call will be made before expiry of the Plan. The Company will try to ensure that calls are made at times mutually convenient to both the executive and the Company. The Put Option Agreement allows the executive to avoid this liability (if the executive wishes to do so).

The Call Option Agreement and the Put Option Agreement do not commence to operate in respect of any shares issued under the Plan until 50 days after the shares are issued to the executive. This is because the taxation rules require the executive to be at risk in respect of the shares for a period of at least 45 days in order that franking credits may pass to the executive.

It is important to note that the Put and Call Option Agreements only relate to shares in the Company acquired by the executive under this Plan.