

THE AUSTRALIAN GAS LIGHT COMPANY LONG TERM INCENTIVE PLAN RULES

1. INTRODUCTION

1.1 Name of Plan

The Plan is called the AGL Long-Term Incentive Plan.

1.2 Objectives of the Plan

The objectives of the Plan are to provide the opportunity for Eligible Employees to share in the success of the Company and to attract and retain talented employees to ensure the sustained growth and success of the Company.

1.3 Commencement of the Plan

The Plan will commence operation on the date determined by the Board.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

AGL means The Australian Gas Light Company ABN 95 052 167 405

ASX means Australian Stock Exchange Limited ABN 98 008 624 691.

Board means the board of directors of the Company or any committee or person to whom the Board delegates its authority in relation to the Plan or any part of it.

Business Day means a day on which trading occurs on the ASX in Sydney.

Cessation Event in relation to a Participant, means:

- (a) the death of the Participant;
- (b) total or permanent disablement of a Participant;
- (c) retirement of the Participant; and
- (d) such other circumstances as the Board may at any time determine.

Change of Control means a change in:

- (a) Control of the composition of the Board; or
- (b) Control of more than half the voting rights attaching to Shares.

Company means The Australian Gas Light Company ABN 95 052 167 405.

Consideration means the amount to be paid (if any) by a Participant for the Rights or the Shares as set out in the Terms of Issue or otherwise determined by the Board.

Constitution means the Constitution of the Company, as amended from time to time.

Control has the meaning given to it under the *Corporations Act 2001*

Eligible Employee means an employee of any Group Company who is determined to be eligible under the Plan by the Board in its sole discretion from time to time. Unless otherwise determined by the Board, an Eligible Employee must have had at least six (6) months continuous service with the Company.

Group Company means the Company and any company related to it by virtue of the *Corporations Act 2001*.

Listing Rules means the listing rules of the ASX.

Offer means an offer of Rights to an Eligible Employee to participate in the Plan by or on behalf of the Board to acquire Shares under the Plan.

Participant means an Eligible Employee who accepts an Offer.

Plan means the AGL Long-Term Incentive Plan.

Right means a right to acquire one Share in the capital of the Company in accordance with these Rules and the Terms of Issue.

Rules means the rules governing the operation of the Plan as set out in this document, as amended from time to time.

Security Interest means a mortgage, charge, pledge lien, encumbrance or other third party interest.

Share means an ordinary voting share in the capital of the Company.

Share Issue Cap means that percentage (not exceeding 5%) of the total of all Shares issued by the Company as determined by the Board from time to time.

Terms of Issue means the terms and conditions attached to an Offer as determined by the Board in its sole discretion from time to time.

Vesting Schedule means the date on which Rights will vest in a Participant and as set out in the Terms of Issue.

2.2 Interpretation

In these Rules:

- (a) words denoting the singular include the plural and vice versa;
- (b) words denoting an individual or persons include bodies corporate or incorporate and trusts and vice versa;
- (c) wherever the word “include” appears in any form, it is to be construed as being followed by the words “without being limited to”;
- (d) a reference to any document or agreement includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;

- (e) where any word or phrase is given a defined meaning in these Plan Rules, any part of speech or other grammatical form of that word or phrase has a corresponding meaning;
- (f) all references to Rules are to Rules of this Plan;
- (g) references to currency are to the currency of Australia;
- (h) unless otherwise identified a word which is given a special meaning by the *Corporations Act 2001* will where the context allows have the same meaning in this agreement; and
- (i) references to an act of Parliament or any regulation made subsidiary or pursuant thereto include that act or regulation as amended or re-enacted from time to time and any act or regulation intended to replace any of, whether or not passed by the same parliament whether or not incorporating or adopting any act, rules or regulation passed by another Parliament.
- (j) a term or expression starting with a capital letter:
 - (i) which is defined in **Rule 2.1**, has the meaning given to it in **Rule 2.1**; and
 - (ii) which is defined in the *Corporations Act 2001* but is not defined in **Rule 2.1**, has the same meaning as in the *Corporations Act 2001*.

2.3 Primary Instruments

- (a) These Rules are to be interpreted subject to the Constitution, the *Corporations Act 2001*, the Listing Rules and any other applicable laws.
- (b) If there is any inconsistency between:
 - (i) the Rules and the Terms of Issue, the provisions of the Rules will apply; or
 - (ii) the Terms of Issue and any other document (other than the Rules), communication or representation provided or made to any Eligible Employee, the provisions of the Terms of Issue will apply;to the extent of the inconsistency.

2.4 Rules to be Binding

Subject to **Rule 2.3**, the Plan:

- (a) will operate in accordance with these Rules; and
- (b) binds each Group Company and each Participant.

2.5 Offers must not breach law

The following applies to the operation of the Plan:

- (a) An Offer may not be made to an Eligible Employee;
- (b) a Right may not vest; and
- (c) Shares may not be acquired under the Plan,

if to do so would contravene the *Corporations Act 2001*, the Listing Rules or any other applicable law.

2.6 Share Issue Cap

Without limiting the operation of **Rule 2.5** The Board may not:

- (a) make an Offer to an Eligible Employee; or
- (b) award any Rights under the Plan,

if to do so would result in the aggregate of Shares subject to the Rights awarded under the Plan and any other employee share plan administered by a Group Company, exceeding the Share Issue Cap.

3. ENTITLEMENT TO RIGHTS

3.1 Offers to Eligible Employees

Subject to these Rules, the Board may make Offers from time to time to Eligible Employees.

3.2 Terms of Offer

- (a) An Offer will be:
 - (i) in writing;
 - (ii) subject to the Terms of Issue and any other such conditions (if any) as the Board determines.
- (b) The method and form of acceptance of an Offer will be determined by the Board from time to time.

3.3 Acceptance of Offer

On acceptance of an Offer, an Eligible Employee:

- (a) becomes a Participant and is bound by the Rules;
- (b) irrevocably offers to acquire Rights under the Plan in accordance with the Rules and the Terms of Issue; and
- (c) may only acquire Shares in accordance with the Rules and Terms of Issue.

3.4 Offer to be Personal

An Offer under the Plan is personal to the Eligible Employee to whom it is made and Shares acquired under the Plan may be registered only in the name of the Eligible Employee to whom the Offer is made.

4. VESTING OF RIGHTS

4.1 Vesting

- (a) Subject to the Participant's continued employment with a Group Company, Rights will vest on the dates set out in the Vesting Schedule.
- (b) The Company must procure that the Participant acquires the number of Shares that correspond with the number of Rights vested in accordance with **Rule 4.1(a)**
- (c) Without limiting the discretion of the Company as to the way in which it will procure the acquisition of Shares under **Rule 4.1(b)**, the Company may issue Shares to a Participant or procure the transfer of Shares to a Participant.

4.2 Lapsing Conditions

- (a) Unless the Board, in its absolute discretion, determines otherwise, all Rights will vest if a Participant ceases employment with a Group Company as a result of a Cessation Event.
- (b) In circumstances other than a Cessation Event, where a Participant ceases employment with a Group Company (and is not immediately employed by another Group Company), all Rights that have not vested will lapse immediately, unless the Board in its absolute discretion determines otherwise.

4.3 Change of Control

Subject to the Participant's continued employment with the Company, prior to a Change of Control occurring, the Board will have the discretion as to whether Rights will vest on a Change of Control or demerger of the Company.

5. ADMINISTRATION

5.1 Board to Administer

The Plan will be administered by the Board which has power to:

- (a) determine appropriate procedures and make regulations and guidelines for the administration and operation of the Plan which are consistent with these Rules;
- (b) exercise all powers and discretions vested in it under the Rules;
- (c) resolve conclusively all questions of fact or interpretation arising from or in connection with the Rules;
- (d) terminate or suspend the operation of the Plan at any time provided that the termination or suspension will not adversely affect the rights of Participants holding Shares at that time;

- (e) delegate such functions and powers as it may consider appropriate for the efficient administration of the Plan to a committee or any person or persons capable of performing those functions and exercising those powers;
- (f) take and rely upon independent professional expert advice in or in relation to, the exercise of any of its powers or discretions under these Rules; and
- (g) administer the Plan in accordance with the Rules as and to the extent provided in the Rules.

5.2 Board to have Discretion

Where these Rules provide for a determination, decision or approval of the Board, such determination, decision or approval may be made or given by the Board in its absolute discretion.

5.3 Powers to be exercised by the Board

Subject to **Rule 5.4**, 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 under any fiduciary or other obligation to any other person.

5.4 Amendment to Rules

The Board may at any time amend any of these Rules or waive or modify the application of any of these Rules in relation to any Eligible Employee. No amendment may have the effect of derogating from any entitlement any particular Participant may already have in respect of any Right awarded under the Plan without the consent of that Participant

5.5 Rights of Participants

These Rules:

- (a) do not confer on any Eligible Employee the right to be offered any Rights;
- (b) do not confer on any Participant the right to continue as an Employee of any Group Company; and
- (c) do not affect the terms of any Participant's employment.

6. GENERAL

6.1 Waiver of terms and conditions

Notwithstanding any other provisions of the Plan, the Rules or the Terms of Issue, the Board may at any time waive in whole or in part any terms or conditions in relation to the Rights granted to any Participant.

6.2 Non-residents of Australia

- (a) The Board may adopt additional rules of the Plan applicable in any jurisdiction outside of Australia under which Rights granted under the Plan may be subject to additional or modified terms, having regard to any securities, exchange control

or taxation laws or regulations or similar factors which may apply to the Participant or to any Group Company in relation to the Rights. Any additional rule must conform to the basic principles of the Plan.

- (b) When a Right is granted under the Plan to a person who is not a resident of Australia the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any securities, exchange control or taxation laws or regulations or similar factors which may apply to the Participant or to any Group Company in relation to the Rights.

6.3 Communication

Any notice or other communication under or in connection with the Plan may be given by personal delivery or by sending the notice or communication by post or facsimile, in the case of a company to its registered office, and in the case of a Participant either to the Participant's last known address, or, to the address of the place of business at which the Participant performs the whole or substantially the whole of the duties of the Participant's office or employment. Where notice or other communication is given by post, it is deemed to have been received 48 hours after it was put into the post properly addressed and stamped. Where a notice or other communication is given by facsimile, it is deemed to have been received on completion of transmission.

6.4 Governing Law

These Rules are governed by and must be construed in accordance with the laws of New South Wales.

6.5 Jurisdiction

Each Participant:

- (a) irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and all courts which have jurisdiction to hear appeals from those courts; and
- (b) waives any right to object to proceedings being brought in those courts for any reason.

THE AUSTRALIAN GAS LIGHT COMPANY
ABN 95 052 167 405

LONG TERM INCENTIVE PLAN RULES

26 August 2003
