

# Terms of the Options Sub-Plan applying to Options issued under the James Hardie Industries Long Term Incentive Plan prior to 2012

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## 1 Definitions

Save as defined below, words and expressions used in the Options Sub-Plan have the meanings given to them in the James Hardie Industries Long Term Incentive Plan (**Plan**):

**Application** means an application for an Option made by an Executive under the terms of an Invitation.

**Condition** means, in relation to an Option, a condition (other than a Vesting Condition) which must be satisfied or waived before that Option may be exercised.

**Exercise Period** means, in relation to an Option, the latest period at the end of which that Option will lapse.

**Exercise Price** means, in relation to an Option, the amount payable on exercise of that Option, as specified in the Invitation and adjusted in accordance with paragraph 8 of the Options Sub-Plan, but may not be less than twenty cents for each Share to be acquired on exercise of the Option.

**Grant Date** means the date on which that Option is granted.

**Invitation** means an invitation to apply for Options under the Plan made in accordance with rule 2.2 of the Plan.

**Option** means a right to acquire a Share granted under the Options Sub-Plan.

**Participant** means an Executive to whom an Option has been granted and who has not ceased to be a Participant under rule 2.10 of the Plan and includes a legal personal representative of the Participant.

**Prescribed Exercise Date** means the first date on which that Option is exercisable, subject to the Terms and Conditions of Grant for that Option.

**Supplementary Condition** means any term or condition (other than the rules, the Exercise Conditions, the Vesting Conditions, the Minimum Restriction Conditions, the Performance Conditions, the Payout Vesting Conditions or the Payout Qualification Conditions) to which that Option is subject.

**Terms and Conditions of Grant** means, all of:

- (a) these rules (other than the schedules to the Plan );
- (b) the rules of the Options Sub-Plan;

- (c) any Vesting Condition;
- (d) any Exercise Condition; and
- (e) any Supplementary Condition.

**Tranche** means a number of Options which have the same Prescribed Exercise Date.

**Vested Options** means an Option in respect of which Vesting Conditions have been satisfied.

**Vesting Condition** means a condition which must be satisfied or waived before that Option becomes vested in its holder.

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## **2 Invitation to apply for Options**

An Invitation to an Executive to apply for Options may be on such terms and conditions as the Board decides from time to time, including as to:

- (a) the number of Options for which that Executive may apply;
- (b) the amount payable (if any) for the grant of an Option or how it is calculated;
- (c) the Exercise Price (if any) or how it is calculated;
- (d) the Prescribed Exercise Date or how it is calculated;
- (e) any Vesting Condition;
- (f) any Exercise Condition;
- (g) any Supplementary Condition; and
- (h) the Exercise Period or how it is calculated.

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## **3 Grant of Options**

### **3.1 Company to grant Options**

On receipt of an Application, the Company at the discretion of the Board may grant Options to the Executive specified in the Invitation, subject to the Terms and Conditions of Grant.

### **3.2 Certificate or statement**

Following the grant of Options under paragraph 3.1, the Company will issue to the Participant a certificate and/or other document that states or together state with respect to that grant:

- (a) the number of Options granted;
- (b) the Exercise Price;

- (c) the Grant Date;
- (d) where the Options are comprised in two or more Tranches, the number of Options in each Tranche;
- (e) the Prescribed Exercise Date;
- (f) the Exercise Period; and
- (g) other terms and conditions (if any) as determined by the Board.

### **3.3 Restrictions on dealing with Options**

A Participant may not sell, assign, transfer or otherwise deal with, or grant a Security Interest over, an Option granted to the Participant. The Option lapses immediately on purported sale, assignment, transfer, dealing or grant of Security Interest, unless the Board in its absolute discretion approves the dealing, or the transfer or transmission is effected by force of law on death or legal incapacity to the Participant's legal personal representative.

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## **4 Register of Options**

Unless the Board determines otherwise, Options granted under these rules (and Shares issued on their exercise) will be registered in the appropriate register of the Company.

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## **5 Exercise of Options**

### **5.1 Manner of exercise**

Unless otherwise prohibited from doing so under this paragraph 5, or unless the Option has lapsed, a Participant may exercise a Participant's Option:

- (a) in accordance with the Terms and Conditions of Grant; and
- (b) by paying the Exercise Price to or as directed by the Company.

The total Exercise Price payable by a Participant on exercise of Options is the Exercise Price of an Option (expressed in cents to one decimal place) multiplied by the number of Options being exercised by that Participant, rounded up to the nearest cent.

### **5.2 Vesting Conditions and Exercise Condition**

Subject to paragraph 7, if an Option is subject to a Vesting Condition and/or an Exercise Condition, it may not be exercised unless all Vesting Conditions and Exercise Conditions are satisfied (and in any situation referred to in paragraph 5.3(b)(i), is satisfied at the time of death or other cessation of employment), and then only to the extent permitted by the Exercise Condition.

### **5.3 Exercise date**

A Participant may exercise an Option only on or after:

- (a) the Prescribed Exercise Date for the Option; or
- (b) any earlier date on which the Participant is entitled to exercise the Option:
  - (i) under this paragraph 5 dealing with the Participant's death or otherwise ceasing to be employed by a Group Company, and with situations where the employer ceases to be a Group Company or the business in which the Participant is employed is transferred; or
  - (ii) under paragraph 7 dealing with takeover bids, change of control, court orders, Reorganisation and winding up.

#### **5.4 Life of Option**

Notwithstanding any other provision of these rules, the latest date on which an Option lapses is the date of expiry of the Exercise Period.

#### **5.5 Option will lapse earlier on death or cessation of employment**

Unless the Exercise Period expires at an earlier date or the Terms of Issue provide otherwise, a Participant's Option lapses on the latest of:

- (a) the expiry of 24 months after the Participant's death, if death occurs before the Option lapses under paragraph (b), (c) or (d);
- (b) the expiry of 24 months after the Participant ceases to be employed by a Group Company by reason of Retirement or permanent disability;
- (c) the expiry of 3 months after the Participant ceases to be employed by a Group Company for any other reason; and
- (d) if the Board extends the time during which the Option may be exercised under paragraph 5.8, the expiry of that time,

provided that if the Board issues a notice under paragraph 5.6 or 5.7 advising the Participant that a Vested Option has lapsed, the Option is deemed to have lapsed on the date of death or cessation of employment (as the case may be) and the Company has no obligation to issue the Shares to which the Vested Option relates following any purported exercise of the Vested Option.

#### **5.6 Exercise of Options on Participant's death**

If a Participant dies before exercising an Option, at a time when the individual:

- (a) is still an employee of a Group Company; or
- (b) having ceased to be employed by a Group Company, falls within the terms of paragraph 5.7,

then (subject to the other provisions of this paragraph 4), the Participant may:

- (c) exercise a Vested Option at any time from the date of death until it lapses pursuant to paragraph 5.4 or 5.5, except a Vested Option is deemed to have lapsed on the date of death where the Board reasonably determines and provides notice to the Participant in writing that the Vested Option has lapsed and the Company has no obligation to issue the Shares to which the Vested Option relates following any purported exercise of the Vested Option; or
- (d) if permitted by the Board in writing, exercise an Option that is not a Vested Option at any time from the date of death until it lapses.

### **5.7 Exercise of an Option on ceasing to be employed by a Group Company**

If, before exercising an Option, a Participant ceases to be employed by a Group Company (other than by reason of his or her death), then (subject to the other provisions of this paragraph 5):

- (a) if the employment ceases by reason of Retirement, Redundancy, Separation or otherwise for termination by the relevant Group Company other than in circumstances set out in paragraph 5.11 the Participant may:
  - (i) exercise a Vested Option at any time from the date of cessation of employment until it lapses pursuant to paragraph 5.4 or 5.5, except a Vested Option is deemed to have lapsed on the date of cessation of employment where the Board reasonably determines and provides notice to the Participant in writing that the Vested Option has lapsed and the Company has no obligation to issue the Shares to which the Vested Option relates following any purported exercise of the Vested Option; or
  - (ii) if permitted by the Board in writing, exercise an Option that is not a Vested Option from the date of cessation of employment until it lapses; or
- (b) if the employment ceases for a reason other than Retirement, Redundancy, Separation or otherwise for termination by the relevant Group Company other than in circumstances set out in paragraph 5.11 the Participant may exercise any unexercised Option at any time from the date of cessation until it lapses, only if permitted by the Board in writing.

**4.7A** Notwithstanding any other provisions of these rules, a Participant may not exercise an Option which has lapsed.

### **5.8 Board may extend time for exercise by Participant**

The Board may, in writing, extend a period during which a Participant may exercise an Option under these rules, except the Exercise Period.

### **5.9 Individual not treated as ceasing to be an employee**

For the purposes of this paragraph 5, a Participant:

- (a) is not treated as ceasing to be an employee of a Group Company unless and until the individual is no longer an employee of any Group Company, whether or not in the same capacity as at the time the Option was granted; and
- (b) subject to paragraph 5.10, is not treated as ceasing to be an employee of a Group Company if the individual is no longer an employee of any Group Company because:
  - (i) the individual's employer ceases to be a Group Company, whether or not, after the cessation, the individual remains an employee of that employer; or
  - (ii) the individual is an employee of a business that is transferred to a person that is not a Group Company.

#### **5.10 Option lapses if employer ceases to be a Group Company or on change in ownership of business**

If a Participant is no longer an employee of a Group Company because of circumstances set out in paragraph 5.9(b)(i) or (ii), then the Options lapse upon this occurring except where otherwise determined by the Board in writing, in which case the Participant's Options lapse on the latest of:

- (a) the expiration of 24 months after the date of the cessation or transfer (as the case may be);
- (b) if the Board extends the period during which the Option may be exercised under paragraph 5.8, the expiration of that time; and
- (c) if the Participant dies before the Option lapses under paragraph (a) or (b), the expiration of 24 months after the individual's death.

#### **5.11 Option may lapse in the case of fraud or dishonesty**

If, in the opinion of the Board, a Participant:

- (a) has committed (or it is evident the Participant intends to commit), any act (whether by omission or commission) which amounts or would amount to any of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the Participant's duties; or
- (b) is convicted of a criminal offence (other than a minor motor traffic offence or other trivial offence which does not impact on the Participant's good fame and character or ability to perform his/her duties) or is guilty of any other wilful or recklessly indifferent conduct which, in the reasonable opinion of the Board, may injure or tend to injure the reputation and/or the business or operations of a Group Company,

the Board may declare that any unexercised Option has lapsed, and the Option lapses accordingly.

### **5.12 No exercise of Option on bankruptcy**

It is a condition precedent to the exercise of an Option that if the Participant is an individual, the Participant is not bankrupt and has not committed an act of bankruptcy or, if the Participant is deceased, the Participant's estate is not bankrupt or if the Participant is not an individual, the Participant is not insolvent or subject to a resolution or order for winding up.

### **5.13 Discretion to determine that Options will not lapse**

Notwithstanding any other paragraph in this Option Sub-Plan, if a Participant ceases employment with the Company for any reason, or gives notice of their intention to cease employment with the Company, the Board may in its absolute discretion (on any conditions which it thinks fit) decide that some or all of the unvested Options held by the participant do not lapse, but lapse at the time and subject to the conditions it may specify by notice to the Participant, which may include one or more of the following:

- (b) that the period to which any Vesting Condition and / or any Exercise Condition relates is reduced to a period shorter than that which would otherwise apply;
- (c) that the Vesting Criteria applicable to an Option be waived; and
- (d) that an Option which vests in accordance with the terms and conditions specified in the notice may be exercised within the period specified in paragraph 5.5 or any shorter period specified in the notice.

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## **6 Delivery of Shares on Exercise of Options**

### **6.1 Issue**

Subject to paragraphs 6.4 and 6.5 within 15 Business Days after the exercise of a Participant's Options, the Company will issue to the Participant the number of Shares comprised in each Option (expressed to four decimal places) multiplied by the number of Options exercised by that Participant rounded down to the nearest whole number of Shares. Subject to the Listing Rules, if a Participant requests that they are allocated CUFS in respect of the Shares issued, the Company will do everything practicable to promptly facilitate the issue of CUFS to the Participant in respect of those Shares.

### **6.2 Shares issued by the Company to rank pari passu**

All Shares issued on the exercise of a Participant's Options will rank pari passu in all respects with the Shares of the same class for the time being on issue except for any rights attaching to the Shares by reference to a record date prior to the date of their allotment.

### **6.3 Shares to be quoted on ASX**

If Shares of the same class as those issued on the exercise of a Participant's Options are quoted on the ASX, the Company will apply to the ASX as required by the Listing Rules for those Shares to be quoted.

#### **6.4 Restriction as to dealing**

Where the Shares referred to in paragraph 6.1 are subject (pursuant to the Terms and Conditions of Grant) to any restriction as to disposal or other dealing by the Participant for any period, the Board may implement any procedure it deems appropriate that complies with Applicable Regulations to ensure compliance by the Participant with this restriction.

#### **6.5 Participant's agreement**

By applying for and being granted Options under these rules, each Participant undertakes that while the Shares acquired by the Participant as a result of the exercise of Options are subject to any restriction procedure prescribed under paragraph 6.4, the Participant will not take any action or permit another person to take any action to remove the restriction procedure.

#### **6.6 Expiry of restriction**

Upon the expiry of any restriction over a Share, the Company will take all actions necessary to ensure that the Participant can deal with the Share.

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### **7 Takeover, Reorganisation and winding-up**

#### **7.1 Options may be exercised at a time earlier than the Prescribed Exercise Date**

If, under any of the following provisions of this paragraph 7 (in connection with a takeover bid, change of control, proposed Reorganisation or winding up) the Board, in its absolute discretion, gives notice that a Participant may exercise any or all of the Participant's Options as determined by the Board within a particular time, then, subject to the applicable provisions of paragraph 5 (except paragraph 5.2) and to paragraph 7.7, the Participant may exercise those Options within that time in addition to any other period during which the Options may be exercised.

#### **7.2 Takeover bid**

If a takeover bid is made to acquire any Shares, at any time any offers under a takeover bid remain open for acceptance, the Board may give written notice of the bid to each Participant, stating that any or all of the Participant's Options as determined by the Board may be exercised within 30 days from the date of the notice.

#### **7.3 Application to the court**

If the Board determines that an application is to be made to a court for a meeting to be held as described in paragraph 7.5, the Board may give written notice of the application to each Participant, stating that any or all of the Participant's Options as determined by the Board may be exercised up to five Business Days before the hearing of the application.

#### **7.4 Change of control**

If, pursuant to a takeover bid or otherwise, any person together with their associates acquire Shares, which when aggregated with Shares already



acquired by such person and their associates, comprise more than 30% of the issued Shares of the Company, the Board may give written notice to each Participant permitting the Participant to exercise any or all the Participant's Options as determined by the Board within 60 days or such reasonable longer period as approved by the Board from the last date when any of the Shares referred to were so acquired.

### **7.5 Meeting to consider a Reorganisation**

If, pursuant to the Articles of Association, Applicable Regulations or otherwise, the Board determines to convene a General Meeting or other meeting of holders of the Company's securities or a meeting of the Company's creditors, or a court orders such a meeting, to be held in relation to a proposed Reorganisation, the Board may give written notice to each Participant permitting the Participant to exercise the Participant's Options before the time of the meeting.

### **7.6 Compulsory acquisition, Reorganisation or winding up**

If:

- (a) a person becomes bound or entitled to compulsorily acquire Shares under the Articles of Association or Applicable Regulations;
- (b) a Reorganisation is sanctioned by one or more of the following under the Articles of Association, Applicable Regulations or otherwise:
  - (i) a court;
  - (ii) a General Meeting or other meeting of holders of the Company's securities; or
  - (iii) a meeting of the Company's creditors; or
- (c) the Company passes a resolution for voluntary winding up or an order is made for the compulsory winding up of the Company,

then the Board may give written notice to each Participant permitting the Participant to exercise the Participant's Options within a specified period of up to 30 days after the occurrence of the relevant event.

### **7.7 Options lapse compulsory acquisition, Reorganisation or winding up**

If a Participant becomes entitled to exercise the Participant's Options under paragraph 7.6 then, notwithstanding any other provision in these rules, all Options lapse on the expiration of the specified period allowed for exercise.

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## **8 Adjustment of Options**

### **8.1 Bonus issue**

If the Company makes a bonus issue of Shares pro rata to shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend

reinvestment) and no Shares have been allotted in respect of an Option before the record date for determining entitlements to the bonus issue then number of Shares over which the Option is exercisable will be increased by the number of Shares which the Participant would have received if the Option had been exercised before the record date for the bonus issue.

## 8.2 Rights issue

If:

- (a) Shares are offered pro rata for subscription by the Company's shareholders generally by way of a rights issue; and
- (b) the price at which each Share is so offered is less than the Market Value on the day of public announcement of the rights issue,

the Exercise Price of each Option is reduced according to the following formula unless the Exercise Price of the Option is nil:

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

where:

O' = the new Exercise Price of the Option

O = the old Exercise Price of the Option

E = the number of Shares to which a Participant is entitled under one Option

P = the average market price per Share (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date

S = the subscription price for a Share under the pro rata issue

D = the dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue)

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

## 8.3 Sub-division, consolidation, reduction or return

If there is any reorganisation, including any subdivision, consolidation, reduction or return of the issued capital of the Company, the number of Options to which each Participant is entitled or the Exercise Price (if any), or both, will be adjusted in the way specified by the Listing Rules from time to time.

#### **8.4 Limited right to participate in new issues**

Subject to the preceding paragraphs, during the currency of a Participant's Option and before its exercise, the Participant is not entitled to participate in any new issue of securities of the Company as a result of holding the Option.

#### **8.5 Cumulation of adjustments**

Full effect must be given to these paragraphs 8.1, 8.2 and 8.3 as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect must be such as to reflect in relation to the Shares comprised in an Option the adjustments which on the occasions in question are progressively effective in relation to Shares already on issue. All adjustment calculations are to be to four decimal places and in the case of the Exercise Price (if any), to four decimal places expressed in cents.

Unless otherwise provided in these rules, a Participant has no right to:

- (a) change the Exercise Price of the Option; or
- (b) change the number of Shares over which the Option can be exercised.