

13 December 1999

Dear Sir/Madam

INQUIRY INTO EMPLOYEE SHARE OWNERSHIP PLANS

I refer to Dr Nelson's letter of 22 November 1999 requesting additional information to our organisation's submission of 24 June 1999.

1. **Why the Woodside plan does not utilise deferral or exemption concessions contained in Division 13A, as it appears on the information received that it would satisfy the conditions of Division 13A?**

The Woodside plan does not provide a discount on the acquisition price of shares. The employees pay market price. Therefore there is no discount on which to seek tax exemption or tax deferral. Division 13A provides concessions through tax deferral or tax exemption on discounts. Use of the tax deferral concession would result in a tax penalty. This is because the shares acquired under the plan immediately fall under the capital gains tax provisions and previously attracted CPI indexation but will now only be taxed on half the capital gain. If tax is deferred under Division 13A the full amount of the capital gain is taxed as income. Further tax under Division 13A can arise before any benefit is realised but under our plan tax is not payable until the shares are sold.

2. **Why Woodside Petroleum has decided to construct a plan that does not utilise these concessions?**

Philosophically Woodside sees the plan as aligning the interests of employees with those of shareholders in that both are interested in dividends and share price growth. Further we believe that employees should only benefit from participation if shareholders have gained over the period of participation. Employees gain from the excess of the share price over the loan balance (the loan balance is reduced by dividends being applied as loan repayments). Woodside provides ample incentive for employees to participate by providing interest free loans and underwriting any loss (if value of shares falls below the loan balance) that may otherwise be incurred by employee through participation. Because the cost of these incentives is small per annum per employee we can provide each employee with a more meaningful level of ownership and leverage to benefit from dividends and share price growth. We do not provide a discount as that would be an additional cost unrelated to performance and it is unnecessary to encourage participation given the other incentives we provide to encourage employee participation.

Yours faithfully
WOODSIDE ENERGY LTD.

C J Cronin
General Manager Human Resources,
Corporate & Public Affairs