

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

21 SHARE-BASED PAYMENT PLANS

Performance Share Plan (PSP)

Under the PSP of the parent company, share awards are granted to Executive Directors and a restricted number of other senior executives of the Group. The shares vest at the end of three years subject to continued employment and the achievement of certain pre-defined market and non-market-based performance conditions. The 50% market performance based part of these awards is dependent on the total shareholder return (TSR) of the Parent company compared with an index composed of selected relevant companies. The fair value of the shares vesting under this portion of the award is determined by an independent valuer using a Monte Carlo simulation model taking into account the terms and conditions of the plan rules and using the following assumptions at the date of grant:

	2016 Awards US\$'000	2015 Awards US\$'000	2014 Awards US\$'000	22 March 2013 Awards US\$'000	18 April 2013 Awards US\$'000	24 May 2013 Awards US\$'000
Expected share price volatility (based on median of comparator Group's three-year volatilities)	31.9%	28.5%	32.7%	34.6%	34.7%	33.9%
Share price correlation with comparator Group	28.9%	26.4%	40.4%	44.0%	44.3%	42.0%
Risk-free interest rate	0.6%	0.7%	1.2%	0.4%	0.4%	0.5%
Expected life of share award	3 years	3 years	3 years	3 years	3 years	3 years
Fair value of TSR portion	747p	562p	827p	692p	492p	571p

The non-market-based condition governing the vesting of the remaining 50% of the total award is subject to achieving between 0.0% and 7.5% earnings per share (EPS) growth targets over a three-year period by the Parent company. The fair values of the equity-settled award relating to the EPS part of the scheme are estimated, based on the quoted closing market price per Parent company share at the date of grant with an assumed vesting rate per annum built into the calculation (subsequently trued up at year end based on the actual leaver rate during the period from award date to year end) over the three-year vesting period of the plan. At 31 December 2016, the vesting conditions attached to PSP are not expected to be met, therefore the vesting rate is assumed to be 0.0%.

Deferred Bonus Share Plan (DBSP)

Under the DBSP, selected employees are required to defer a proportion of their annual cash bonus into Parent company shares ('Invested Award'). Following such an award, the Parent company will generally grant the participant an additional award of a number of shares bearing a specified ratio to the number of his or her invested shares ('Matching Shares'), typically using a 1:1 ratio. Subject to a participant's continued employment, invested and matching share awards may either vest 100% on the third anniversary of grant; or alternatively, vest one-third on the first anniversary of the grant, one-third on the second anniversary and the final proportion on the third anniversary.

At the year end, the values of the bonuses settled by shares cannot be determined until the Remuneration Committee of the Parent company has approved the portion of the employee bonuses to be settled in shares. Once the portion of the bonus to be settled in shares is determined, the final bonus liability to be settled in shares is transferred to the reserve for share-based payments. The costs relating to the Matching Shares are recognised over the corresponding vesting period and the fair values of the equity-settled Matching Shares granted to employees are based on the quoted closing market price at the date of grant with the charge adjusted to reflect the expected vesting rate of the plan.