

Notes to the Consolidated Financial Statements

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.2 Share-based payments (continued)

Sign-on and retention rights

The performance rights sub-plan has also been used to compensate new hires for foregone equity, and ensure that key employees are retained to protect and deliver on the Group's strategic direction. It has been offered to:

- Executives of newly acquired businesses in order to retain intellectual property during transition periods; or
- Attract new executives, generally from overseas; or
- Middle management or executives deemed to be top talent who had either no or relatively small grants scheduled to vest over the ensuing two years.

Sign-on and retention rights generally do not have performance measures attached to them due to the objective of retaining key talent and vest subject to the executive remaining employed by the Group, generally for two or more years.

Recognition share plan

The performance rights sub-plan has also been used to compensate employees of the Group. Participants are required to meet a service condition and other performance measures to gain access to the performance rights.

Movements in outstanding performance rights

The following table summarises movements in outstanding rights:

	2019 NO. OF RIGHTS	2018 NO. OF RIGHTS
Outstanding at start of period	10,692,594	6,737,076
Granted during the period	4,465,617	5,691,731
Vested during the period	(182,601)	(586,663)
Lapsed during the period	(1,497,852)	(1,149,550)
Outstanding at end of period	13,477,758	10,692,594

Share-based payments expense for the period was \$62,028,117 (2018: \$57,710,434).

The variables in the table below are used as inputs into the model to determine the fair value of performance rights.

	2019 F19 LTI	2018 F18 LTI
Grant date ¹	30 Nov 2018	31 Oct 2017
Performance period start date	1 Jul 2018	1 Jul 2017
Exercise date	1 Jul 2021	1 Jul 2020
Expected volatility ²	15.0%	16.0%
Expected dividend yield	4.0%	4.0%
Risk-free interest rate	2.1%	1.9%
Weighted average fair value at grant date	\$24.63	\$20.23

¹ Grant date represents the offer acceptance date.

² The expected volatility is based on the historical implied volatility calculated based on the weighted average remaining life of the performance rights adjusted for any expected changes to future volatility due to publicly available information.