

Appendix B: Good Governance Guide: No 3.1

Category: Ethics and responsible decision making

Subject: Trading in company securities

Source: Chartered Secretaries Australia

It is considered **good governance** for listed entities to establish a policy in relation to the trading in securities of the company by its directors and executives to assist compliance with the Corporations Act by those officers and to protect the reputation of the company.

The policy should highlight the legal prohibition on directors, executives or other staff trading in company securities if they have information, at any time, which may have a material impact on the company's share price.

Such a policy could cover the following matters:

- The policy applies to the following:
 - directors and spouses, other close family members over whom they have significant influence, personal superannuation funds where the director and/or spouse is a trustee, family companies where the director and/or spouse control the decision making, family trusts and so on
 - executives and spouses — identify specific executive positions and other staff who may have information from time to time which is not public and which may have a material impact on the company's share price
 - other staff members
 - other persons as appropriate, for example, contractors.

- The policy applies to the following securities:
 - shares in the company
 - options issued by the company — some policies would not restrict the exercise of the option, only the dealing in the underlying security
 - exchange traded options
 - other hedging vehicles
 - shares/securities in listed subsidiaries
 - shares/securities held in the company by a joint venture partner
 - shares in other companies for which the company has made a takeover offer (or is planning to make such an offer) — this may be the subject of a separate policy.

The company should consider if the policy should extend to include advisers and major suppliers or any entity or individual that has a substantial relationship with the company.

- Exclusions under the policy:
 - take-up of rights or sale of renounceable rights
 - conversion of securities (eg, convertible notes) into ordinary shares
 - participation in Employee Share or Option Plans, Director Share Plans and Dividend Reinvestment Plans.

Participation in Share Purchase Plans may or may not be excluded.

Exemptions may be granted under particular circumstances, for example, if a spouse works as a broker and could not, therefore, undertake their job.

- Restriction, which can be expressed in a number of ways, but primarily:
 - trading can only take place in certain trading windows which would normally commence 0, 24 or 48 hrs after major announcements or events such as a half-year profit announcement, full-year announcement or the AGM, and will last for, say, four weeks, six weeks, or some predetermined period, or
 - trading is prohibited during certain periods, for example, from 1 June until the profit announcement in August.
- Approval:
 - Individuals should advise the chairman of an intent to trade to ensure any such trading does not breach the policy, but all responsibility for trading rests with the individual.
- Reporting:
 - Directors are required, via the Company Secretary, to advise the ASX of details of any trading within five (5) business days of the trade, using an Appendix 3X (initial) or 3Y (change) forms. A process should be put in place to ensure that directors advise the Company Secretary in writing, with sufficient time to comply with ASX requirements.