

ANSELL LIMITED

LEGAL OBLIGATIONS IN RELATION TO INSIDER TRADING

(Revised 10 October 2002)

1. Introduction

The Corporations Act 2001 prohibits “insider trading”. That is, a person with “inside information” cannot deal in a company’s securities. Penalties for breaching these provisions are substantial.

The definition of “securities” has recently been amended and is very broad. However, the prohibition against insider trading applies to shares and all other securities which may be issued by a company (for example, options, preference shares, debentures and convertible notes) and to things relating to securities issued by the company (for example, warrants and other derivative products).

As detailed below, the prohibited conduct (“dealing”) includes more than buying or selling securities and extends to:

- subscribing for new shares (eg in a float);
- entering into or arranging some types of lending or pledging arrangements secured by the shares; and
- entering into agreements to buy or sell securities.

2. Prohibited Conduct

Under section 1043A of the Act, a person (the **insider**) who possesses inside information must not:

- (a) apply for, acquire, or dispose of or enter into an agreement to apply for, acquire, or dispose of securities; or
- (b) procure another person to apply for, acquire, or dispose of, or enter into an agreement to apply for, acquire, or dispose of securities; or
- (c) where the securities are listed, directly or indirectly communicate the information, if the insider knows or ought reasonably to know that the other person would be likely to apply for, acquire, or dispose of, or enter into an agreement to apply for, acquire, or dispose of securities or procure another person to do the same.

The prohibited conduct under the Corporations Act extends to:

- dealings in securities of any companies about which a person possesses inside information (eg this would include dealings relating to a company’s listed customers or trading partners). For example, where a person is aware that a company is about to sign a major agreement with another company, that person should not buy shares in either of the companies; and
- associates of the person who possesses the relevant information.

3. Inside Information

Information is “inside” if it is not generally available but which, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of a security.

4. Information that is generally available

The insider trading prohibition does not apply to information that is generally available, that is where:

- (a) it consists of readily observable matter; or
- (b) it has been made known in a manner that would, or is likely to bring it to the attention of people who commonly invest in securities of that kind (eg release to ASX), and since it was made known, a reasonable period for it to be disseminated among such people has elapsed; or
- (c) it consists of deductions, conclusions or inferences made or drawn from the information referred to above.

5. Material effect on the price or value of securities

Information is considered to be likely to have a material effect on the price or value of securities of a company if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell those securities.

It is not possible to list all of information that may be material, however, the following type of information would be likely to be considered to have a material effect on a company’s share price:

- information regarding a material increase or decrease in a company’s financial performance from previous results;
- a proposed material business or asset acquisition or sale;
- the damage or destruction of a material plant or operation of the company;
- proposed material legal proceedings to be initiated by or against the company and the settlement of material legal proceedings initiated by or against the company;
- regulatory action or investigations undertaken by a Government authority;
- the launch of a new business or material new product;
- a proposal to undertake a new issue of shares or major change in financing; and
- key changes in Board or management of the company.

6. The Chinese Wall exception

A company does not contravene the insider trading prohibitions by entering into a transaction merely because of information possessed by an officer of the company if:

- (a) the decision to enter into the transaction or agreement was taken on its behalf by a person or persons other than the officer; and
- (b) it had in operation at the time arrangements that could reasonably be expected to ensure that the information:
 - was not communicated to the person who made the decision; and
 - no advice with respect to the transaction was given to that person, by the person in possession of the information; and
- (c) the information was not so communicated and the advice was not so given.

7. Penalties

A breach of the insider trading prohibition is potentially subject to both criminal and civil penalties under the Act. The penalty for an offence in relation to section 1043A is a fine of \$220,000 or five years in jail or both (Schedule 3).

In addition, a court may order a order a person to compensate another person (including a corporation) if damage has been suffered as a result of the contravention. In determining the damage suffered, the court may take into consideration any profits made by the person resulting from the contravention (section 1317HA).