



Policy

Policy for dealing in securities

Australian Finance Group Ltd (**Company**)

ACN 066 385 822

Version 1.1

Adopted 21 September 2017

1 Introduction

The purpose of this Policy is to:

- explain the types of conduct in dealing in securities that are prohibited under the *Corporations Act 2001* (Cth) (**Corporations Act**). Such prohibitions apply to all directors and employees of Australian Finance Group Ltd ACN 066 385 822 (**Company**) and its related bodies corporate as defined in the Corporations Act (collectively **the Group**); and
- establish a best practice procedure for the buying and selling of securities that protects the Company and directors and employees against the misuse of unpublished information which could materially affect the value of securities.

The purpose of this policy is to ensure that you are aware of your legal obligations and to protect the Company and its reputation in the marketplace.

The Company aims to achieve the highest possible standards of corporate conduct and governance. The Board of directors considers that compliance with this Policy is essential to ensure that the highest standards of conduct are being met by all directors and employees.

Any non-compliance with this Policy will be regarded as serious misconduct which may entitle the Company to take corrective disciplinary action.

Attachment 1 describes how the insider trading rules apply and contains definitions of the key terms used in this Policy.

2 Persons to whom this Policy applies

This Policy applies to:

- all directors and officers of the Group (including the Chief Executive Officer (**CEO**));
- all direct reports to the CEO (senior executives);
- all employees of the Group, (collectively, **Employees**); and
- Connected Persons of Employees.

In this Policy, the persons listed above will be collectively referred to as **Relevant Persons**.

Connected Person means, in relation to an Employee:

- (a) a family member of the Employee who may be expected to influence, or be influenced by, the Employee in his or her dealings with the Company (this may include the Employee's spouse, partner and children, the children of the Employee's partner, or dependants of the Employee or the Employee's partner); and

(b) a company or any other entity which the Employee has an ability to control.

Where this Policy requires a Relevant Person to do an act or thing (for example, obtaining clearance in accordance with clause 3.4), the relevant Employee must do that act or thing in respect of the Connected Person.

3 Restrictions on dealing in securities

3.1 No trading where in possession of inside information

A Relevant Person must not deal in securities where:

- they are in possession of price sensitive or 'inside' information; or
- the Company is in possession of price sensitive or 'inside' information and has notified Relevant Persons that they must not deal in the Company's securities (either for a specified period, or until the Company gives further notice).

Attachment 1 sets out further guidance as to what constitutes 'inside' or price sensitive information.

In addition to your legal obligations, you must also protect the Company and its reputation in the marketplace. Therefore, in addition to considering whether you have price-sensitive information, you should also consider whether your proposed conduct could create a negative market perception (for yourself or for the Company).

A useful question to ask yourself is: *If the market was aware of all the current circumstances, could my proposed transaction be perceived by the market as me (or my Connected Persons) taking advantage of my position in an inappropriate way? How would it look if my transaction was reported on the front page of the Australian Financial Review?*

If you have any perception concerns, you should note them in your relevant notification or approval request.

3.2 Other prohibited dealings

(a) Blackout periods

Relevant Persons must not deal in the Company's securities during any of the following blackout periods:

- the period from the close of trading on the ASX on 30 June each year, or if that date is not a trading day, the last trading day before that day, until the day following the announcement to ASX of the preliminary final statement or full year results;
- the period from the close of trading on the ASX on 31 December each year, or if that date is not a trading day, the last trading day before that day, until the day following the announcement of the half-yearly results; and
- any other period that the Board specifies from time to time.

For the avoidance of doubt, during the above periods Relevant Persons **must not** deal in financial products issued or created over or in respect of the Company's securities (for example, exchange-traded options, contracts for differences and other derivatives).

(b) Exceptional circumstances

If a Relevant Person needs to deal in securities during a blackout period due to exceptional circumstances but such dealing is prohibited by paragraph 3.2(a) of this Policy, the Relevant Person may apply to:

- the Chair of the Board (if the Relevant Person is a director (other than the Chair of the Board), an officer or a senior executive, or one of their Connected Persons);
- the Chair of the Audit Committee (if the Relevant Person is the Chair of the Board or one of his or her Connected Persons); or
- the CEO (in the case of other Relevant Persons),

or their delegate (the **approver**) for a waiver from compliance with the provisions of paragraph 3.2(a). The approver may consult with the Company Secretary before granting a waiver.

Exceptional circumstances for these purposes includes severe financial hardship, compulsion by court order or any other circumstance that is deemed exceptional by the approver.

Relevant Persons seeking a waiver under this paragraph must apply in writing to the Chair of the Board, Chair of the Audit Committee, or CEO (as relevant) setting out the circumstances of the proposed dealing (including an explanation as to the severe financial hardship or circumstances that are otherwise exceptional) and the reason the waiver is requested. A waiver will only be granted if the Relevant Person's application is accompanied by sufficient evidence (in the opinion of the approver) that the dealing of the relevant securities is the most reasonable course of action available in the circumstances.

If a waiver is granted, the Relevant Person will be notified in writing (which may include notification via email) and in each circumstance the duration of the waiver to deal in securities will be 2 business days.

Unless otherwise specified in the notice, any dealing permitted under this paragraph 3.2(b) must comply with the other sections of this Policy (to the extent applicable).

(c) No short-term dealing – buying and selling within 3 month period

Relevant Persons must not deal in the Company's securities on a short-term trading basis. Short-term trading includes buying **and** selling securities on market within a 3 month period, and entering into other short-term dealings (for example, forward contracts).

3.3 Trading windows and other permitted dealings

Where paragraphs 3.1 and 3.2 do not apply, Relevant Persons may deal in the Company's securities subject to the notification and approval requirements set out below.

The restriction in paragraph 3.1 applies to all dealings in the Company's securities despite any approval given to a Relevant Person under this Policy, and the Relevant Person is responsible for ensuring that the dealing does not breach this restriction.

(a) Directors, senior executives and their Connected Persons

Trading windows - Advance notification required

- (1) During any of the following trading window periods:
- the 4 week period commencing at 10.00am on the next trading day after the announcement to ASX of half-yearly results;

- the 4 week period commencing at 10.00am on the next trading day after the announcement to ASX of the preliminary final statement or full year results;
- the 4 week period commencing at 10.00am on the next trading day after the holding of the Annual General Meeting;
- any period that the Company has a current prospectus or other form of disclosure document on issue under which persons may subscribe for securities; or
- any other period the Board determines,

directors and senior executives must notify any dealing in the Company's securities (including any dealing by one of their Connected Persons) at least **48 hours prior** to the proposed dealing as follows:

- the Chair of the Board must notify the Board or the Chair of the Business Risk and Compliance Committee;
- any other director of the Company (including the CEO) must notify the Chair of the Board; and
- any senior executive must notify the CEO.

(each a **Notification Person**).

The notification must confirm that the director or senior executive (or their Connected Person) does not possess any price sensitive or inside information.

Prior to the intended dealing, the relevant Notification Person may direct the director or senior executive (or their Connected Person) not to deal in the Company's securities or impose conditions on the dealing.

Trading outside trading windows and blackout periods – Approval required

- (2) During any other period, directors and senior executives must receive approval for any proposed dealing in the Company's securities (including any proposed dealing by one of their Connected Persons) as follows:

- the Chair of the Board must inform and obtain approval from the Board or the Chair of the Business Risk and Compliance Committee before a transaction is undertaken;
- any other director of the Company (including the CEO) must inform and receive approval from the Chair of the Board before a transaction is undertaken; and
- any senior executive must inform and receive approval from the CEO before a transaction is undertaken.

In each case, the relevant approver may consult with the Company Secretary prior to approving any proposed dealing.

It is intended that a request for approval to trade will be answered within 2 business days.

In all cases - Dealing must occur within 2 business days

- (3) Upon provision of notification under paragraph 3.3(a)(1) or receipt of approval under paragraph 3.3(a)(2), a director or senior executive (or the Connected Person) must undertake the proposed dealing within 2 business days once the notification is provided or approval is granted or such other period specified in the approval. If the dealing is not undertaken within this time, the notification or approval will no longer have effect and new notification or approval will be required in accordance with 3.3(a)(1) or 3.3(a)(2) before the proposed dealing may be undertaken.

In all cases – Confirmation required

- (4) Upon provision of notification or receipt of approval, a director or senior executive (or the Connected Person) may undertake the proposed dealing. The director or senior executive must confirm any such dealings with the appropriate person (as listed above) and the Company Secretary within 2 business days of the dealing.

(b) Other Relevant Persons**In all cases – Subsequent notification required**

Where a Relevant Person other than a director or senior executive (or their Connected Persons) deals in Company securities, the relevant Employee must notify the Company Secretary of any such dealing within 2 business days of the relevant dealing occurring.

3.4 Margin lending arrangements

- (a) Any dealing in the Company's securities by Relevant Persons pursuant to a margin lending arrangement must be conducted in accordance with this Policy. Such dealings would include:
- (1) entering into a margin lending arrangement in respect of the Company's securities;
 - (2) transferring securities in the Company into an existing margin loan account; and
 - (3) selling securities in the Company to satisfy a call pursuant to a margin loan.
- (b) Directors and senior executives must obtain approval in accordance with the procedure set out in paragraph 3.3 for any proposed dealing in the Company's securities in connection with a margin lending arrangement, irrespective of any trading window.
- (c) The Company may, at its discretion, make any approval granted in accordance with paragraph 3.4(b) conditional upon such terms and conditions as the Company sees fit (for example, with regard to the circumstances in which the Company's securities may be sold to satisfy a margin call).

3.5 Hedging of Company securities

- (a) Hedging includes entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities.
- (b) Hedging of Company securities by a Relevant Person is subject to the following overriding prohibitions:

- (1) the hedge transaction must not be entered into, renewed, altered or closed out when the Relevant Person is in possession of inside information;
 - (2) Company securities must never be hedged prior to the vesting of those Company securities. In particular, Relevant Persons are prohibited from entering into any hedge transaction involving unvested equity held pursuant to any employee, executive or director equity plan operated by the Company; and
 - (3) Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of any employee, executive or director equity plan operated by the Company.
- (c) Relevant Persons are permitted to hedge their vested and unrestricted Company securities on the following conditions:
- (1) the hedge transaction is treated as a dealing in Company securities for the purposes of this Policy, and the relevant approvals and notifications are made on this basis; and
 - (2) the relevant requirements under paragraph 3.3 of this Policy have been satisfied.

Where a Relevant Person enters into a hedging arrangement in respect of Company securities, the Company may, where appropriate, disclose the fact and nature of the hedge (eg in its annual report or to ASX).

3.6 Exclusions

Paragraphs 3.2 and 3.3 of this Policy do not apply to:

- (a) participation in an employee, executive or director equity plan operated by the Company (eg applying for an allocation of securities under an employee equity plan offer). However, where securities in the Company granted under an employee, executive or director equity plan cease to be held under the terms of that plan, any dealings in those securities must only occur in accordance with this Policy;
- (b) the following categories of passive trades:
 - acquisition of Company securities through a dividend reinvestment plan;
 - acquisition of Company securities through a share purchase plan available to all retail shareholders;
 - acquisition of Company securities through a rights issue; and
 - the disposal of Company securities through the acceptance of a takeover offer, scheme of arrangement or equal access buy-back;
- (c) dealings that result in no effective change to the beneficial interest in the securities (for example, transfers of Company securities already held into a superannuation fund or trust of which the Relevant Person is a beneficiary);
- (d) trading under a pre-approved non-discretionary trading plan, where the Relevant Person did not enter into the plan or amend the plan during a blackout period, the plan does not permit the Relevant Person to exercise any influence or discretion in relation to trading under the plan and the plan cannot be cancelled during a blackout period, other than in exceptional circumstances;

- (e) subject to paragraph 3.4, a disposal of securities of the Company that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement; and
- (f) indirect and incidental trading that occurs as a consequence of a Relevant Person dealing in units or shares of a managed investment scheme, listed investment company, exchange-traded fund or similar investment vehicle that is managed by a third party and that happens to hold as part of its portfolio securities in the Company.

However, such dealings are still subject to paragraph 3.1 of this Policy where applicable.

4 Securities in other companies

While in general employees are free to deal in securities in other listed companies, the prohibited conduct under the Corporations Act includes dealings not only in the Company's securities but also in those of other listed companies with which the Company may be dealing (including the Group's lenders, customers, contractors or business partners) where an employee possesses 'inside information' in relation to that other company.

If a Relevant Person is aware of information that is not generally available but which, if it were generally available, a reasonable person would expect to have a material effect on the price or value of a security, the Relevant Person should not deal in the securities of the companies that it affects.

Relevant Persons may come into possession of 'inside information' where they are directly involved in client relationship management or negotiating contracts. For example, where the Relevant Person is aware that the Group is about to sign a major agreement with another company, the Relevant Person should not buy securities in either the Company or the other company.

5 Breach

Breaches of the insider trading laws have serious consequences for both the Relevant Person concerned and the Company.

Breaches of this Policy are regarded as serious and will be subject to appropriate sanctions.

Any person who is suspected of breaching this Policy may be suspended from attending the workplace on full pay pending the outcome of investigations into the alleged breach.

Any person who is proven to have breached this Policy could face disciplinary action (including forfeiture of securities and/or suspension or termination of employment).

6 Who to contact

Any employee who has queries about this Policy should contact the Company Secretary.

1 How the insider trading rules apply

1.1 Summary of prohibited conduct

The Corporations Act prohibits 'insider trading'.

Under the Corporations Act, a person is prohibited from dealing in securities where:

- (a) the person possesses information which is not generally available to the public;
- (b) that information may have a material effect on the price of securities of the relevant entity; and
- (c) the person knows or ought reasonably to know that the information is not generally available and, if it were, it might have a material effect on the price of securities.

In addition, a person with inside information must not procure another person to deal in the Company's securities or communicate the information (directly or indirectly) to another person whom the person believes may deal (or procure someone else to deal) in the Company's securities.

The key concepts are discussed in more detail in paragraph 1.2 of this Attachment 1.

1.2 Relevant terms

(a) Securities

The definition of securities in the Corporations Act is very broad.

Securities include:

- ordinary shares;
- preference shares;
- options or performance rights;
- debentures; and
- convertible notes.

For the purposes of this Policy, the term 'securities' also extends to financial products issued or created over or in respect of securities issued by the Company (for example, warrants and other derivative products), whether or not the financial products are created by the Company or by third parties.

(b) Dealing in securities

Dealing in securities is a broad concept and covers more than simply buying or selling securities. It extends to exercising options over securities and entering into agreements to buy or sell securities.

Under this Policy and the law, the prohibition on dealing means that Relevant Persons are not permitted to:

- buy or sell; or
- enter into an agreement to subscribe for, buy or sell securities,

where they possess information that is not generally available and which a reasonable person would expect to have a material effect on the price or value of those securities.

If a Relevant Person possesses price sensitive information that is not generally available, the Relevant Person is also prohibited from:

- procuring any other person to deal in those securities; or
- directly or indirectly communicating the information to another person whom the Relevant Person believes is likely to deal in, or procure another person to deal in, those securities.

Procuring means enticing, encouraging, persuading, causing or securing another person to do or not to do something. Procuring also includes inciting, inducing or encouraging an act or omission.

For example, a Relevant Person cannot ask or encourage anyone, including family members, friends, associates or others, to deal in securities when the Relevant Person possesses price sensitive information, and Relevant Persons should not communicate price sensitive information.

If a Relevant Person accidentally gives somebody 'inside information' when he or she should not have, the Relevant Person must immediately tell that person that it is 'inside information' and warn them against trading in the Company's securities, getting others to trade in the Company's securities, or communicating the information to others.

(c) Price sensitive or 'inside' information

Information is 'inside' or 'price sensitive' if it is not generally available, but which, if it were generally available, a reasonable person would expect to have a material effect (upwards or downwards) on the price or value of a security.

For the purposes of the insider trading provisions of the Corporations Act, information is defined broadly and includes matters of supposition and other matters which are insufficiently definite to warrant being made known to the public. It also includes matters relating to the intentions of a person.

(d) Information that is generally available

Information is 'generally available' if it:

- (1) consists of readily observable matter;
- (2) has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in any of the classes of securities issued by the Company and since it was made known, a reasonable period for it to be disseminated among those persons has elapsed. That is, information will be 'generally available' if it has been released to ASX or published in an annual report or prospectus or similar document and a reasonable period of time has elapsed after the information has been disseminated in one of these ways; or
- (3) consists of deductions, conclusions or inferences made or drawn from information referred to in paragraph 1.2(d)(1) of this Attachment 1 or

information made known as mentioned in paragraph 1.2(d)(2) of this Attachment 1, or both.

(e) Material effect on the price of securities

Under the Corporations Act, information is 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 information that may be material. However, the following types of information would be likely to be considered to have a material effect on the price of the Company's securities:

- sales figures;
- profit forecasts;
- unpublished announcements or knowledge of possible regulatory investigation;
- liquidity and cashflow;
- proposed changes in the Company's capital structure, including issues of securities, rights issues and buy backs;
- borrowings;
- major asset purchases and sales;
- impending mergers, acquisitions, reconstructions, takeovers, etc;
- significant litigation;
- significant changes in operations;
- significant changes in industry;
- new products/services and technology;
- proposed dividends or dividend policies;
- management restructuring or Board changes; and
- new contracts or customers.

2 Consequences of breach

Breaches of the insider trading laws have serious consequences for both the Relevant Person concerned and the Company.

A person who commits a breach of the insider trading provisions could be subject to criminal liability (substantial fines or imprisonment or both may be imposed) or civil liability (substantial fines may be imposed) under Australian law. A person who contravenes or is involved in a contravention of these provisions may also be liable to compensate any person who suffers loss or damage resulting from the conduct. In addition, an actual or suspected breach of the insider trading laws may also give rise to adverse public scrutiny and media comment.

It is therefore important that Relevant Persons adhere to this Policy at all times.

Any person who is suspected of breaching this Policy may be suspended from attending the workplace on full pay pending the outcome of investigations into the alleged breach.

Any person who is proven to have breached this Policy could face disciplinary action (including forfeiture of securities and/or suspension or termination of employment).