

## CODE OF CONDUCT FOR SECURITIES TRADING (“CODE”)

### BY DIRECTORS, OFFICERS AND EMPLOYEES OF TENON LIMITED AND ITS SUBSIDIARIES

#### 1. INTRODUCTION

Insider trading is regulated in New Zealand by the Securities Markets Act 1988 (the **Securities Legislation**). The basic principle behind the Securities Legislation is to impose liability upon persons who have non-public information concerning a public company that, if it were generally available to the market, would have a material effect on the price of its securities (in this Code “price sensitive” or “material” information) where those persons:

- trade in the Company’s securities, or
- advise or encourage other persons, directly or indirectly, to trade or hold the Company’s securities, or
- disclose the information to others knowing, or where the persons ought reasonably to know, that the other persons might trade in, or hold, their securities in the Company, before that information is published or is otherwise reflected in market prices.

This Code has been adopted by the Company to regulate trading in the Company’s securities by persons with non-public price sensitive information concerning the Company and other improper use of that information. This Code is intended to explain the impact of the Securities Legislation on the Company’s directors, officers and employees and to outline a procedure which directors, officers and employees must use to buy or sell the Company’s securities.

The requirements imposed by this Code are separate from, and are in addition to, the legal prohibitions on insider trading. Compliance with the procedures in this Code and approval of a trade by the Company does not provide a “safe harbour” defence to a claim against you for insider trading under the Securities Legislation. Therefore it is important that you have a good understanding of your obligations.

***Anyone who breaches the new insider trading law will be liable for substantial civil penalties. The maximum penalty in any case will be the greater of:***

- ***the consideration paid for the shares;***
- ***three times any profit made or loss avoided; or***
- ***NZD1,000,000.***

***In addition, knowingly breaching this law will be a criminal offence. Anyone convicted could face up to five years imprisonment or a fine of up to \$300,000 for an individual and \$1 million for a body corporate.***

A claim against you for a breach of the insider trading law will also expose you to substantial legal costs relating to your defence.

Strict compliance with this Code is a condition of employment with the Tenon Group. ***A breach of this Code will result in disciplinary action being taken against you, up to and including termination of your employment.***

The Company may monitor the trading of directors, officers and employees as part of the administration of this policy.

The Tenon Board has approved this Code. The Board may approve updates, amendments to and exemptions to this Code from time to time, which may be implemented by written notice to you or by posting on the intranet.

If you do not understand any part of this Code, or how it applies to you, you should raise the matter with the General Manager Corporate.

## 2. **SOME IMPORTANT CONCEPTS**

The application of the Securities Legislation turns on a number of key concepts including the following.

- In order for there to be liability, the person buying or selling or tipping the Company's shares must hold "**material information**". This is defined as information relating to the Company that is not generally available to the market and which a reasonable person would expect to have a material effect on the price of the Company's securities if it was generally available.
  - Material information can include rumours, matters of supposition, intentions of a person (including the Company) and information which is "supposition or insufficiently definite to warrant disclosure to the market" under the exceptions (discussed below) to the New Zealand Exchange's continuous disclosure rules.
- "**Securities**" includes shares, options, rights and debt instruments issued by the Company. Transactions involving any of these instruments are potentially covered by the Securities Legislation.

## 3. **GENERAL PRINCIPLES**

It is illegal for a person who has material information about the Company to:

- ❖ buy or sell the Company's securities;
- ❖ advise or encourage any person to buy or sell or hold the Company's securities;
- ❖ advise or encourage any person to advise or encourage another person to buy, sell or hold the Company's securities;
- ❖ disclose the material information to anyone else, including colleagues, family or friends, knowing (or where that person ought to have known) or believing that the other person is likely to use that information to buy or sell or continue to hold, or advise or encourage someone else to buy or sell or hold, the Company's securities.

This means that you should not do any of the above at a time when you are in possession of non-public, material information in relation to the Company's securities. This applies not only if you **know** the information you hold is "material information", but also if you **ought reasonably to know** that the information is material information.

It does not matter how you come to know the material information, and the Securities Legislation applies even if, for example, you obtained the information in passing in the corridor, or in a lift or at a social function even if the source was from outside the Company.

## Relationship to the continuous disclosure regime

Except in the limited circumstances described below, New Zealand legislation and the NZX Listing Rules require the Company to release immediately to the NZX any material information (as defined above) concerning the Company.

As a result of the operation of this continuous disclosure regime, usually all material information about the Company will be generally available to the market.

“Material information” is generally available to the market:

- immediately upon it being released as an NZX announcement; or
- if it 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 the Company’s securities and since it was made known a reasonable period has elapsed for the information to be disseminated among those persons; or
- it is likely that investors that commonly invest in the Company’s securities can readily obtain that information, whether by observation, use of expertise, purchase or other means.

However, there are limited circumstances in which immediate disclosure of material information by the Company is not required by the continuous disclosure regime. In these situations, there may be people with material information who would breach the insider trading prohibition if they dealt in securities at that time or undertook any of the other prohibited acts.

Specifically, the NZX Listing Rules do not require disclosure where:

- ❖ a reasonable person would not expect the information to be disclosed; **and**
- ❖ the information is confidential and its confidentiality is maintained; **and**
- ❖ one or more of the following applies:
  - it would be a breach of law to disclose the information; or
  - the information concerns an incomplete proposal or negotiation (e.g., the Company has not yet executed a heads of agreement); or
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or
  - the information is generated for internal management purposes (e.g., internal management accounts or an internal management report); or
  - the information is a trade secret.

Although information that satisfies these conditions does not need to be immediately disclosed under the NZX Listing Rules, it remains material information. If a person deals in the Company’s securities at a time when that person is aware of information which, but for a carve-out to the NZX Listing Rules, would need to be disclosed to the market, that person will be in breach of the Securities Legislation.

The Company has an obligation to ensure that the information it disseminates to the market is true and not materially misleading, and criminal liability will arise where knowledge of the breach exists, including large fines of up to NZD300,000 for individuals such as directors, officers and employees who are involved and NZD1 million for companies and/or up to 5 years' imprisonment. Civil liability may also arise.

Under the Securities Legislation if a public issuer breaches its continuous disclosure obligations, the Securities Commission can now impose liability on individuals who aid, abet, counsel or procure a contravention of those obligations or were in any way, directly or indirectly, knowingly concerned in, or a party to, the contravention by any other person and can impose the following penalties:

- (a) a pecuniary penalty up to a maximum of NZD1,000,000 payable to the Crown; and/or
- (b) a compensatory order ordering the payment of compensation to a person who has suffered loss as a result of the breach; and/or
- (c) a civil remedy order, which includes a range of powers including directions restraining actions such as disposals, issues and allotments of shares, payment of distributions and ordering the forfeiture of securities or cancelling agreements for the acquisition or disposal of securities.

In the event of a claim by the Commission a person must prove on the balance of probabilities that the person took all steps that were reasonable in the circumstances to ensure that the public issuer complied with the continuous disclosure obligations and after doing so the person believed on reasonable grounds that the public issuer was complying with those obligations.

The Commission can also make a 'declaration of a contravention' in relation to a breach of the continuous disclosure provisions, which will act as proof of a contravention for the purposes of any future applications for compensation orders or other civil remedies.

### **Disclosure Notice by Directors & Officers**

In addition, directors and officers of the Company that acquire or dispose of a "relevant interest" in a security of the Company (or a related body corporate, which in Tenon's case would include Rubicon Limited, Tenon's controlling shareholder) must disclose that fact within five trading days of the disposal or acquisition to the NZX and in the Company's interest register. That disclosure must be made in the prescribed form. This requirement continues for six months after a person ceases to be a director or officer. Criminal liability, and a fine of up to NZD30,000, will arise where any person fails to make such a disclosure and is aware, or ought reasonably to be aware, of information they are required to disclose.

If an employee has any doubts as to whether they are an "officer" for the purposes of these requirements, whether he or she is acquiring or disposing of a relevant interest or the form of disclosure, he or she should contact the General Manager Corporate.

## **Market Manipulation**

The Securities Legislation imposes criminal liability on persons who manipulate the market for an issuer's securities, by making materially false or misleading statements knowing or if the person ought reasonably to have known that the information is likely to induce a person to trade in the securities or have the effect of increasing, reducing, maintaining, or stabilising the price of those securities.

It is also an offence to create a false or misleading appearance of trading with respect to either:

- the extent of active trading in the securities of any public issuer; or
- the supply of, demand for, price for trading in, or value of those securities.

The person must know or ought to reasonably know that their act or omission will, or is likely to have that effect.

Criminal liability can include large fines of up to NZD300,000 for individuals and NZD1 million for companies and/or up to 5 years' imprisonment. Civil liability may also arise.

## **Confidential Information**

In addition to the above, you also have a duty of confidentiality to the Company. You must not reveal any confidential information concerning the Tenon Group to a third party unless that party has signed a confidentiality agreement with the Company and you have been authorised to disclose the confidential information. You must also not use confidential information in any way which may injure or cause loss to the Company or use confidential information to gain an advantage for yourself.

You should ensure that external advisers keep the Company's information confidential.

The loss of confidentiality of material non-public information concerning the Company will require the Company to immediately disclose that information to the market, potentially causing significant commercial damage to the Company.

## **4. PERMITTED TRADING**

The Board of Directors has determined that in order to minimise the risk of inadvertent breaches of the Securities Legislation and to focus attention on those obligations at the time of any proposed trading in the Company's securities all such persons are required to conduct any such trading in accordance with the requirements of the following procedure.

**It is important to note that approval by the Company does not amount to a sanction or ratification of any activity that breaches the Securities Legislation.**

### ***Request to Tenon Limited***

A written request on the approved form (attached) must be made and approved prior to any trading in the Company's securities. The request must be made to the Chairman of the Tenon Limited Board to be considered by the Board (other than any director making the request). If it is the Chairman making the request, the request must be made to the chairman of the Board's Audit Committee. The Board may delegate to a specified officer the authority to approve share trades by employees below a specified level of seniority. The person specified who has in any particular case the authority to receive any such request, or, where relevant, delegated authority to approve share trades by employees, is called later in this Code "the specified officer".

The application must be handed to the General Manager Corporate who will manage the processing of the application. The Board must be reasonably satisfied as to the truth of the statements made in the approved form before approval will be granted. The Board may require further information from the applicant to corroborate the statements made. The Company is under no obligation to consent to any trade.

In addition, the Company will generally not approve any trades of a short-term nature unless there are exceptional circumstances disclosed to and approved by the Board.

The approved form requires, amongst other things, that the applicant state that the applicant does not hold material information. It is for the applicant to establish the grounds pursuant to which the required certifications can be made.

If you intend to trade in the Company's securities through a trust or nominee company, or if you intend to trade in the name of another person (for example a family member), you must still apply for approval for the trade. The application for approval must include full details of the person or entity purchasing or selling the securities and its relationship to the applicant.

All acquisitions and disposals of the Company's securities are subject to the above procedure, unless it is demonstrated, prior to the transaction taking place, to the reasonable satisfaction of the specified officer with the relevant delegated authority to approve share trades by employees, that a statutory exemption from the prohibitions in the Securities Legislation is applicable to the transaction.

### ***Timing***

A trade which has been approved by the Company must occur within 15 stock exchange trading days after the approval has been given but may only occur whilst each of the certifications and other matters given in the application remain correct.

If the Company makes a market announcement of price-sensitive information after the trade has been approved by the Company in accordance with this Code, then if you have not at the time of the announcement already completed that trade you must not complete that trade until at least one trading day (being 24 hours from one trading day to the next trading day) after the time of the announcement. In particular, trades may not be made until one trading day (being 24 hours from one trading day to the next trading day) after the announcement of the annual results or half-yearly results.

### ***Noting of Transactions***

The directors will be advised by the General Manager Corporate of securities trading by insiders by the General Manager Corporate providing a copy of each consent granted by the Board or by the specified officer before the Board meeting next after the consent is given.

The General Manager Corporate will maintain a "Securities Dealing Register" which will record the date and time of receipt of each request received under section 4 of this Code, any matter the Board considers appropriate to record, the decision made and the time it was notified and the date of the transaction.

If you have any doubts or questions as to compliance with this Code or the Securities Legislation generally, please contact the General Manager Corporate before entering into any transaction or agreeing to do so or undertaking any other action that may potentially be in breach of this Code or the Securities Legislation.

Approved by the Board  
14 February 2008

## REQUEST FOR APPROVAL OF A TENON SECURITY TRANSACTION

Chairman  
Tenon Limited  
Private Bag 92036  
**AUCKLAND**

Dear Sir

### Tenon Limited Securities

In accordance with the provisions of the Code of Conduct for Securities Trading of Tenon Limited and its Subsidiaries, I advise of [my intention/the intention of *state name of person/s or entity intending to conduct transaction*] to enter into the following transaction:

- (a) My name:  
Address:  
Position held:
- (b) Name of registered holder transacting (if different): (*Note: if securities are not in the applicant's own name or are in joint names, insert details and relationship of other party to applicant .If purchasing off market insert details of seller*)
- (c) The class and number of securities that will be the subject of the proposed transaction are:
- (d) The proposed transaction is the Purchase/Sale (*delete one*) of the securities set out in (c).
- (e) The transaction will take place on a stock exchange: Yes/No (*If no, give details of the manner of the transaction*)
- (f) The date of the transaction will be on or about:  
(*Note: the transaction must be completed within 15 trading days of the date of approval and must not be made within 24 hours of an announcement by the Company of price-sensitive information*)
- (g) I declare that, following appropriate due diligence into those areas concerning the Company that I ought, in my position at the Tenon Group of companies, to be knowledgeable of, I [*and/or any other party conducting the transaction*] do not hold information which:
  - (i) is not generally available to the market; and
  - (ii) would or would be likely to have a material effect on the price of Tenon's listed securities if it were generally available to the market.
- (h) I [*and/or any other party conducting the transaction*] will not sell the securities purchased within 6 months of the date of purchase (*delete if not purchasing securities*).
- (i) I know of no reason to prohibit me [*and/or party conducting the transaction*] from trading in Tenon's listed securities and certify that the details given above are complete, true and correct.
- (j) Immediately upon completion of the transaction I will forward details of the transaction to the General Manager Corporate.

- (k) I acknowledge that Tenon is not advising or encouraging me [*and/or any other party conducting the transaction*] to trade or hold Tenon securities and does not provide any recommendation with regard to the Tenon securities.
- (l) I further acknowledge that, after authorisation by the Company, should any of the certifications and other matters above become incorrect before the transaction has been completed, I [*and/or any other party conducting the transaction*] will not conduct the above transaction.

Accordingly, I ask that the Company's consent to the transaction be given.

\_\_\_\_\_  
**Signature of Applicant**

\_\_\_\_\_  
**Date**

**APPROVED/NOT APPROVED**

\_\_\_\_\_  
**Chairman of the Board/Chairman of the Audit Committee/Specified Officer (*as relevant*)**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Time**