

Securities Trading Policy

About this Policy

This document sets out the policy of Australian Pharmaceutical Industries Limited (**API**) regarding trading in securities of API and its controlled entities by API directors and API employees (including key management personnel).

This policy is important in that it:

- describes the legal restrictions that apply to all API directors and employees under the *Corporations Act 2001* (Cth) (**Corporations Act**). It is illegal for a person to trade shares, or arrange for another person to trade shares for them, when they possess non-public price sensitive information; and
- sets out restrictions on dealing in API securities for API directors and all employees.

This policy is intended to:

- inform all API directors and employees of the insider trading prohibitions contained in the *Corporations Act*; and
- enhance the reputation of API by demonstrating that API has in place procedures designed to minimise the risk that API directors and employees are misusing price sensitive information.

For the purposes of this policy, **Securities** means and includes shares in API and its controlled entities and other securities defined in Section 92 *Corporations Act*.

Policy Owner

Company Secretary

SUMMARY OF THE INSIDER TRADING PROHIBITION

Who is subject to the prohibition?

Under the Corporations Act, a person is prohibited from undertaking certain activities in relation to securities if the person:

- possesses information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of particular securities (**inside information**); and
- knows, or ought reasonably to know, that:
 - (a) the information is not generally available; and
 - (b) if it were generally available it is reasonably expected to have a material effect on the price or value of those securities.

What is “inside Information”?

As noted above, the insider trading provisions apply to information with a material effect on the price or value of securities that is not generally available.

Information has a “material effect” on the price or value of securities if, and only if, a reasonable person would expect that information to, or to be likely to, influence persons who commonly invest in securities in deciding whether or not to acquire or dispose of the securities.

Information is “generally available” if:

- (a) it consists of readily observable matter; or
- (b) if:
 - (i) 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 securities of a kind whose price or value might be affected by the information; and
 - (ii) since it was made known, a reasonable time for it to be disseminated among such persons has elapsed;
- (c) it consists of deductions, conclusions or inferences made or drawn from either or both of the matters referred to in (a) or (b)(i) above.

What are the prohibitions?

A person with inside information is prohibited from doing the following (either as principal or agent):

- applying for, acquiring, or disposing of, securities, or entering into an agreement to apply for, acquire, or dispose of securities;
- from procuring another person to do any of the above; or
- where the securities are listed on a stock market such as the ASX, communicating price sensitive information to another person where the insider knows, or ought reasonably to know that the other person would, or would be likely to, either deal in securities or to procure a third person to do so.

What are the penalties?

Penalties for breach of the prohibition include individual criminal and civil liability under the Corporations Act. Such conduct would also prompt disciplinary action by API, which may include termination of employment.

All directors and employees are responsible for complying with the insider trading laws

All API directors and employees should be mindful of the insider trading prohibitions in the Corporations Act when considering dealing in API securities or securities of other companies with which API may have potential or existing relationships.

Dealings by entities associated with or connected with API directors and employees may also be caught by the insider trading prohibitions. For example, dealings by private companies, personal superannuation funds or by members of a director's or employee's immediate family, may give rise to circumstances that contravene the Corporations Act and/or could create a perception that inappropriate dealing has occurred.

If an API director or employee is in doubt regarding a particular dealing in API securities by a person in their immediate family or who is otherwise connected with you, then contact must be made with the Company Secretary, in advance of the proposed transaction.

ADDITIONAL TRADING RESTRICTIONS

This policy imposes additional trading restrictions on API directors and all employees who are likely to possess non-public information.

These trading restrictions are in addition to the restrictions imposed by the Corporations Act and at all times the general prohibition on insider trading applies to API directors and employees.

Limited trading Windows

Under the terms of this policy, API directors and employees are restricted from dealing in API securities, other than during specified trading windows (or as otherwise permitted by this policy – see "Obtaining clearance for trading during a Closed Period" below).

The following periods are trading windows for this policy:

- the period of **14 days** after the annual general meeting;
- the period of **60 days** after the release of the annual and half-yearly results; and
- the period of **60 days** after the release of a prospectus or other fundraising document by API, (each a **Trading Window**).

All other times of the year are closed periods (**Closed Periods**).

Prior approval for trading during a Trading Window

API directors and designated employees intending to deal in API securities during a Trading Window must give notice of their intention to deal to the Company Secretary, or in his or her absence, the Chief Financial Officer. API directors and designated employees must not trade until written approval has been provided by the Company Secretary or, in his or her absence, the Chief Financial Officer.

A **designated employee** is any employee who is a direct report of the Chief Executive Officer and Managing Director or the Chief Financial Officer, and any other employee in a position designated by the Company Secretary from time to time who may be expected to have access to non-public sensitive information.

Post trading Notification

Where an API director or designated employee has been granted approval to deal in API securities during a Trading Window, they must notify the Company Secretary within five business days of the outcome of the dealing.

Restrictions on dealing in hedges or other financial products

API directors and employees are prohibited from dealing in financial products issued or created over or in respect of API securities (eg hedges or derivatives) which have the effect of reducing or eliminating the risk associated with any equity incentives that API may offer from time to time.

For example, a person may be granted an equity incentive award that vests at a time in the future subject to achieving certain performance goals. Certain financial institutions offer products which act as an insurance policy if the performance goals are not met, thereby reducing the "at-risk" element of the person's incentive arrangements. Such arrangements are prohibited by this policy.

Restrictions on margin loans

API directors and employees (including designated employees) are prohibited from taking out a loan or other margin lending facility to purchase API securities where the loan or margin lending facility is secured by the API securities that are purchased.

Obtaining clearance for Trading during a Closed Period

Recognising that there may be some exceptional circumstances where a waiver of the policy is justified, the Chairman may authorise an exemption from this policy to permit an API director or employee to deal in API securities during a Closed Period.

The Chairman will only provide an exemption where:

- the director or employee first confirms that they are not in possession of inside information; and
- the Chairman is satisfied that exceptional circumstances exist.

Exceptional circumstances include the following:

- severe financial hardship, such as a pressing financial commitment that cannot be satisfied by other means; or
- other exceptional circumstances, such as a court order or court enforceable undertakings.

A person's need to satisfy a tax liability arising from equity incentives connected with the Company would not be considered an exceptional circumstance.

Obtaining clearance for Trading during a Closed Period (con't)

Where exceptional circumstances exist which are not identified in this policy, the Chairman may deem such circumstances to be exceptional, and may permit trading where prior written clearance is granted.

Where clearance is granted to permit an API director or employee to deal in API securities during a Closed Period, the person must deal in the API securities within 5 business days from the date of clearance. Where the Chairman is involved in the application, the Chief Executive Officer is to determine whether to grant the clearance. The Company Secretary should be notified within 5 business days of the outcome of the permitted dealing during the Closed Period.

Exemptions from trading restrictions

The trading restrictions imposed on API directors and employees under this policy including the requirement to seek prior approval during a Trading Window (aside from the insider trading restrictions) do not apply in the following circumstances:

- transfers of API securities already held into a superannuation fund or other saving scheme in which the API director or employee is a beneficiary;
- an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in API securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
- where an API director or employee is a trustee trading in the securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a Closed Period is taken by the other trustees or by the investment managers independently of the API director or employee;
- undertakings to accept, or the acceptance of, a takeover offer;
- trading under an offer or invitation made to all or most of the API security holders such as a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the time and structure of the offer has been approved by the Board of API. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rate issue; and

Exemptions from trading restrictions (continued)

- the exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Closed Period and API has been in an exceptionally long Closed Period or has had a number of consecutive prohibited periods, and the API director or employee could not reasonably have been expected to exercise it at a time when free to do so.

Nothing in this section relieves a director from their reporting obligations to API to enable API to comply with its obligations to lodge notices of directors notifiable interests under Listing Rule 3.19A.

Disclosure to ASX

The ASX Listing Rules require that this securities trading policy be disclosed to ASX. Where API makes a material change to this policy, the amended policy must be provided to ASX within five business days of the material changes taking effect.

Further Information

If you would like any further information or have a question concerning the application of the insider trading laws or this policy, you should contact the Company Secretary. The Company Secretary can be contacted by email peter.sanguinetti@api.net.au or by calling 03 8720 3048.
