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**KATHMANDU HOLDINGS LIMITED (the "Company") ARBN 139 836 918**

This Policy is in accordance with Kathmandu Corporate Governance Standards and outlines ethical values and principles, which are essential to the Company's continued success and reflects the direction and approach in the conduct of our business activities.

**1. Objective**

- 1.1. The Company is committed to complying with all legal and statutory requirements regarding trading by insiders. However, the Company considers that Company Directors and Officers should generally be encouraged to hold shares in the Company as it helps align the interests of Officers and Shareholders.
- 1.2. This securities trading policy sets out the circumstances in which Directors, senior executives and employees of the Company and its subsidiaries may deal in Company securities with the objective that no Director or employee will contravene the requirements of the Securities Markets Act, the Corporations Act or the NZX or ASX Listing Rules.
- 1.3. The objective of this policy is to seek to ensure that:
  - 1.3.1. Directors and employees adhere to high ethical and legal standards in relation to their personal investment in Company securities; and
  - 1.3.2. Personal investments of Directors and employees do not conflict with the interests of the Company and other shareholders in relation to Company securities

**2. Purpose**

- 2.1. This policy is designed to protect the reputation of the Company and to seek to ensure that such reputation is maintained or perceived to be maintained by persons external to the Company.
- 2.2. The policy is not designed to prohibit Directors and employees from investing in Company securities but does recognise that there may be times when Directors or employees cannot or should not invest in Company securities. The policy provides guidance to Directors and employees as to the times that Directors and employees may invest in the Company's securities. The requirements of the policy also allow

the Company to monitor the personal investment activity in the Company's securities by Directors and employees.

### **3. Applicable Legal Requirements**

- 3.1. A Director or employee possesses "inside information" in relation to the Company where:
  - 3.1.1. the person possesses information that is not generally available to the public and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of Company securities (or a decision whether or not to trade in them); and
  - 3.1.2. the person knows, or ought reasonably to know, that the information is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of Company securities.
- 3.2. A reasonable person would be taken to expect information to have a material effect on the price or value of Company securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to deal in Company securities in any way.
- 3.3. If a Director or employee possesses "inside information" in relation to the Company, the person must not:
  - 3.3.1. deal in Company securities in any way; or
  - 3.3.2. procure another person to deal in Company securities in any way; or
  - 3.3.3. directly or indirectly, communicate the information, or cause the information to be communicated, to another person if the person knows, or ought reasonably to know, that the other person would, or would be likely to, deal in Company securities in any way or procure a third person to deal in Company securities in any way.
- 3.4. For the purposes of paragraphs 2 and 3 above:
  - 3.4.1. "Company securities" includes any shares in the Company, debentures (including convertible notes) issued by the Company, units of shares in the Company and options to acquire or subscribe for shares in the Company;
  - 3.4.2. to "deal" in Company securities includes subscribing for, purchasing or selling Company securities or entering into an agreement to do any of those things, but does not in New Zealand include subscription for or the issue of new securities.

- 3.5. A Director or employee who deals in Company securities while they possess "inside information" will be liable to both civil and criminal penalties.

#### **4. Examples of "inside information"**

- 4.1. Examples of information which may be considered to be "inside information" include the details relating to the items listed below (this is not an exhaustive list):
- 4.1.1. sales figures;
  - 4.1.2. profit forecasts;
  - 4.1.3. unpublished announcements;
  - 4.1.4. proposed changes in capital structure, including share issues, rights issues and the redemption of securities;
  - 4.1.5. borrowings;
  - 4.1.6. impending mergers, acquisitions, reconstructions, takeovers, etc;
  - 4.1.7. significant litigation;
  - 4.1.8. significant changes in operations or proposed changes in the general character or nature of the business of the Company or its subsidiaries;
  - 4.1.9. new distributorships, products and technology;
  - 4.1.10. liquidity and cashflow information;
  - 4.1.11. major or material purchases or sales of assets;
  - 4.1.12. management restructuring or board changes;
  - 4.1.13. new significant contracts or customers; and
  - 4.1.14. a new entity proposing to buy, or a shareholder proposing to sell, a substantial number of shares in the Company.

#### **5. Application of the Policy**

- 5.1. The policy applies to all Directors, all "Key Management Personnel" (as defined by AASB 124), all employees who from time to time possess information that could be considered inside information, or who are nominated as such by the board ("Senior Executives") and other employees, and to their respective associates (including a company or trust controlled by the Director or employee, a spouse, dependent children, a close relative, a person acting in concert with the Director or employee, etc).

## 6. Policy

- 6.1. **General Principles** - Directors and employees of the Company and its subsidiaries should note the following general principles regarding their personal trading of Company securities:
- 6.1.1. avoid and be seen to avoid, actual or potential conflict between their personal interest and their duty to the Company and its shareholders;
  - 6.1.2. not to derive personal advantage from information which is not generally available and which has been obtained by reason of, or in the course of, their directorship or employment;
  - 6.1.3. seek prior approval to trade from a designated officer with a view to ensuring the Company's and shareholder's interests are not compromised;
  - 6.1.4. ensure any personal trading is on a scale that reflects your individual financial ability to fund and maintain an appropriately sized portfolio;
  - 6.1.5. ensure any personal trading does not adversely impact on your ability to perform normal duties;
  - 6.1.6. not utilise broker credit - relevant exchange settlement terms must apply on all occasions and all transactions must be settled according to industry standards. Such prohibition does not extend to normal documented margin lending or loan facilities offered to the general public by brokers, banks or other lending institutions;
  - 6.1.7. Directors and employees who have access to price sensitive information or "inside information" should not conduct personal trading in Company securities.
- 6.2. **Short term trading** - Notwithstanding the following, Directors and employees of the Company and its subsidiaries should never engage in short term trading of any Company securities. In general, the purchase of securities with a view to resale within a 12 month period and the sale of securities with a view to repurchase within a 12 month period would be considered to be transactions of a "short term" nature. However, the sale of shares immediately after they have been acquired through the conversion of a security (eg. exercise of an option) will not be regarded as short term trading.
- 6.3. **Trading windows** - Subject to the below, the designated time (in terms of avoiding suggestions of insider trading) for any Director or employee to deal in Company securities is during the:
- 6.3.1. 4 week period immediately after the release by the Company of its half yearly results announcement to NZX and ASX;

- 6.3.2. 8 week period immediately after the release by the Company of its yearly results announcement to NZX and ASX; or
- 6.3.3. 4 week period immediately after the release of a disclosure document offering equity securities in the Company,
- 6.4. **PROVIDED** that the person is **NOT** in possession of any inside information relating to those securities.
- 6.5. **Trading Embargo** - In addition, a "closed season" operates in respect of which Directors and employees must refrain from dealing in Company securities during:
- (1) any major promotional event (being currently the Kathmandu Christmas, Easter and Winter sales) which the Company Secretary advises are captured by this clause, and
- (2) the 2 month period prior to release of the interim and full year results announcements.
- All participants in the Long Term Incentive Plan are automatically regarded as being subject to this "closed season" restriction.
- 6.6. **Directors, Key Management Personnel and Senior Executives** - A Director, Key Management Personnel or Senior Executive may not deal in Company securities without the prior consent of the Chairman of the Board and the Chairman may not deal in Company securities without the prior consent of the Chairman on the Audit and Risk Committee before commencing the transaction. A Director or Senior Executive must also provide the Chairman of the Board with subsequent confirmation of the trading that has occurred.
- 6.7. Prudence will dictate that dealings should generally be limited to the recommended times referred to above and that the Chairman will generally refuse consent to deal in Company securities outside these recommended times unless exceptional circumstances exist (as outlined below). In any event, the Director or Senior Executive should not deal in Company securities at any time if the Director or Senior Executive is in possession of any inside information relating to those securities.
- 6.8. **Employees other than Senior Executives and Key Management Personnel** - Employees of the Company other than Senior Executives and Key Management Personnel may deal in Company securities at any time if the employee notifies the Company Secretary before commencing the transaction and after the transaction has occurred, providing confirmation of the trading. Employees are strongly advised to limit dealing in Company securities to the recommended timing referred to above. In any event, the employees should not deal in Company securities at any time if the employee is in possession of any inside information relating to those securities.

- 6.9. **Exercise of options, participation in employee share option plans etc** - Subject to the insider trading provisions of the Securities Markets Act and the Corporations Act, Directors and employees may at any time:
- 6.9.1. acquire the Company's ordinary shares by conversion of securities giving a right of conversion to ordinary shares;
  - 6.9.2. acquire Company securities under a bonus issue made to all holders of securities of the same class;
  - 6.9.3. acquire Company securities under a dividend reinvestment, or top-up plan that is available to all holders of securities of the same class;
  - 6.9.4. acquire, or agree to acquire, options under a Company share option plan; and
  - 6.9.5. exercise options acquired under a Company share option plan (but may not sell all or part of the shares received upon exercise of the options other than in accordance with these procedures).
- 6.10. **Exceptional Circumstances** - Senior Executives, the Company Secretary and Directors who are not in possession of material non-public information may be given prior written approval to sell or otherwise dispose of securities during a Closed Season only where there are exceptional circumstances. Exceptional circumstances may include:
- 6.10.1. severe financial hardship being a pressing financial commitment that cannot be satisfied otherwise than by selling the securities; or,
  - 6.10.2. if there is a court order or court enforceable undertaking to transfer or sell the securities or there is some other overriding legal or regulatory requirement to do so.
- 6.11. Senior Executives, the Company Secretary and Directors who are not in possession of material non-public information may in the Independent Directors' absolute discretion be given written approval to deal in Company securities during a Closed Season for a period of 2 weeks immediately after the release of any announcement by the Company that informs the market of the Company's sales and profit results for the period immediately prior to the date of that announcement.
- 6.12. When requesting written approval to buy, sell or otherwise dispose of the Company's securities during a Closed Season, the person making this request must submit an application in writing (which can be by email) to the Independent Directors generally through the Company Secretary, (or in the case of a request the Chairman, to the Chairman of Audit and Risk Committee), including the reasons for requesting approval and confirming that they are not in possession of material non-public information.
- 6.13. If approval is granted, it must be in writing (which can be by email) and must specify a time period to which the approval applies.

## 7. NZX and ASX Notification

- 7.1. A Director must notify the NZX and the ASX within 5 trading days after any change in the Director's relevant interest in securities of the Company or a related body corporate of the Company.
- 7.2. A Director must notify the Company Secretary in writing of the requisite information for the Company Secretary to make the necessary notifications to ASIC, the NZX and the ASX as required by the Securities Markets Act, the Corporations Act and the NZX and ASX Listing Rules.

## 8. Questions?

If you have any questions regarding this policy you should contact:

Mark Todd  
Company Secretary

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Approved: : 

Peter Halkett  
Chief Executive Officer

Date: 05 August 2013

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