

APPENDIX TO CHAPTER 16

THE MODEL CODE

Introduction (not forming part of the Model Code)

The freedom of directors and certain employees of listed companies to deal in their company's securities is restricted in a number of ways - by statute, by common law and by the requirement of the listing rules that listed companies require their directors and certain employees to comply with a code of dealing in terms no less exacting than those set out in this appendix. This requirement imposes restrictions beyond those that are imposed by law. Its purpose is to ensure that directors, certain employees and persons connected with them (within the meaning of section 346 of the Companies Act 1985) do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have, especially in periods leading up to an announcement of results. Company directors, like other individuals, are prohibited from insider dealing by the Criminal Justice Act 1993. Under that Act it is a criminal offence for an individual who has information as an insider to deal on a regulated market, or through or as a professional intermediary, in securities whose price would be significantly affected if the inside information were made public. It is also an offence to encourage insider dealing and to disclose inside information with a view to others profiting from it.

The main headings of the Model Code for transactions in securities by directors, certain employees and persons connected with them are:

- definitions
- dealings by directors and relevant employees
 - purpose of dealing
 - dealing in close periods
 - clearance to deal
 - circumstances for refusal
 - dealing in exceptional circumstances
 - director acting as trustee
- dealings by connected persons and investment managers
- special circumstances
 - awards of securities and options
 - exercise of options
 - qualification shares
 - saving schemes
 - guidance on other dealings
- relevant employees.

A company which is in any doubt as to the application of the Model Code should consult the UK Listing Authority at an early stage.

Definitions

1. In this code the following definitions, in addition to those contained in the listing rules, apply unless the context otherwise requires:
 - (a) "close period" means any of the periods when a director is prohibited from dealing as specified in paragraph 3 of this code;
 - (b) "dealing" includes any acquisition or disposal of, or agreement to acquire or dispose of, any securities of the company and the grant, acceptance, acquisition, disposal, exercise or discharge of any option (whether for the call, or put, or both) or other right or obligation, present or future, conditional or unconditional, to acquire or dispose of securities, or any interest in securities, of the company and "deal" shall be construed accordingly;
 - (c) "prohibited period" means any period to which paragraph 7 of this code applies;
 - (d) "relevant employee" means any employee of the listed company or director or

employee of a subsidiary undertaking or parent undertaking of the listed company who, because of his office or employment in the listed company or subsidiary undertaking or parent undertaking, is likely to be in possession of unpublished price-sensitive information in relation to the listed company;

- (e) "securities" means any listed securities or any unlisted securities that are convertible into listed securities and, where relevant, securities which have been listed in a member state or admitted to dealing on, or have their prices quoted on or under the rules of, any regulated market, or any unlisted securities that are convertible into such securities;
- (f) "unpublished price-sensitive information" means information which:
 - (i) relates to particular securities or to a particular issuer or to particular issuers of securities and not to securities generally or issuers of securities generally (and, for these purposes, information shall be treated as relating to an issuer of securities which is a company not only where it is about the company but also where it may affect the company's business prospects);
 - (ii) is specific or precise;
 - (iii) has not been made public within the meaning of section 58 of the Criminal Justice Act 1993; and
 - (iv) if it were made public would be likely to have a significant effect in the price or value of any securities

and, without prejudice to the generality of the above, it should be considered whether any unpublished information regarding transactions required to be notified to a Regulatory Information Service in accordance with chapter 10 or chapter 11 of the listing rules and unpublished information of the kind referred to in the paragraphs of the listing rules set out below is price-sensitive:

9.1 and 9.2	general obligation of disclosure
9.10(a)	alterations to capital structure
9.11 and 9.12	notification of major interests in shares
15.3, 15.9, 15.13 and 15.15	purchase of own securities
16.13 and 16.15	notification of directors' interests; and

- (g) "regulated market" means any regulated market defined as such in the Insider Dealing (Securities and Regulated Markets) Order 1994, as amended or supplemented by any further order made under section 60(1) of the Criminal Justice Act 1993.

Dealings by directors and relevant employees

Purpose of dealing

2. A director must not deal in any securities of the listed company on considerations of a short term nature. A director must take reasonable steps to prevent any dealings by or on behalf of any person connected with him (within the meaning of section 346 of the Companies Act 1985) in any securities of the listed company on considerations of a short term nature.

Dealing in close periods

3. A director must not deal in any securities of the listed company during a "close period". A close period is:
 - (a) the period of two months immediately preceding the preliminary announcement of the company's annual results or, if shorter, the period from the relevant financial year end up to and including the time of the announcement; and
 - (b) if the company reports on a half-yearly basis, the period of two months immediately preceding the publication of the half-yearly report in accordance with paragraph 12.49 of the listing rules or, if shorter, the period from the relevant financial period end up to and including the time of such publication; or
 - (c) if the company reports on a quarterly basis, the period of one month immediately preceding the announcement of the quarterly results or, if shorter, the period from the relevant financial period end up to and including the time of the announcement (save that for the final quarter paragraph 3(a) of this code applies).
4. A director must not deal in any securities of the listed company at any time when he is in possession of unpublished price-sensitive information in relation to those securities, or otherwise where clearance to deal is not given under paragraph 7 of this code.
5. *Paragraph deleted - July 1994*

Clearance to deal

6. A director must not deal in any securities of the listed company without advising the chairman (or one or more other directors designated for this purpose) in advance and receiving clearance. In his own case, the chairman, or other designated director, must advise the board in advance at a board meeting, or advise another designated director, and receive clearance from the board or designated director, as appropriate.

Circumstances for refusal

7. A director must not be given clearance (as required by paragraph 6 of this code) to deal in any securities of the listed company during a prohibited period. A "prohibited period" means:
 - (a) any close period;
 - (b) any period when there exists any matter which constitutes unpublished price sensitive information in relation to the company's securities (whether or not the director has knowledge of such matter) and the proposed dealing would (if permitted) take place after the time when it has become reasonably probable that an announcement will be required in relation to that matter; or
 - (c) any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this code.
8. A written record must be maintained by the company of the receipt of any advice received from a director pursuant to paragraph 6 of this code and of any clearance given. Written confirmation from the company that such advice and clearance (if any) have been recorded must be given to the director concerned.

Dealing in exceptional circumstances

9. In exceptional circumstances where it is the only reasonable course of action available to a director, clearance may be given for the director to sell (but not to purchase) securities when he would otherwise be prohibited from doing so. An example of the type of circumstance which may be considered exceptional for these purposes would be a pressing financial commitment on the part of the director that cannot otherwise be satisfied. The determination of whether circumstances are exceptional for this purpose must be made by the person responsible for the clearance. Where dealings in exceptional circumstances have taken place, the information notified to a Regulatory Information Service by the company pursuant to paragraphs 16.13 or 16.15 must also include a statement of the nature of the exceptional circumstances in the light of which the dealing was permitted.

Director acting as trustee

10. Where a director is a sole trustee (other than a bare trustee), the provisions of this code will apply, as if he were dealing on his own account. Where a director is a co-trustee (other than a bare trustee), he must advise his co-trustees of the name of the listed company of which he is a director. If the director is not a beneficiary, a dealing in his company's securities undertaken by that trust will not be regarded as a dealing by the director for the purposes of this code, where the decision to deal is taken by the other trustees acting independently of the director or by investment managers on behalf of the trustees. The other trustees or the investment managers will be assumed to have acted independently of the director for this purpose where they:
- (a) have taken the decision to deal without consultation with, or other involvement of, the director concerned; or
 - (b) if they have delegated the decision making to a committee of which the director is not a member.

Dealings by connected persons and investment managers

11. A director must (so far as is consistent with his duties of confidentiality to his company) seek to prohibit (by taking the steps set out in paragraph 12 of this code) any dealing in securities of the listed company during a close period or at a time when the director is in possession of unpublished price sensitive information in relation to those securities and would be prohibited from dealing under paragraph 7(b) of this code:
- (a) by or on behalf of any person connected with him (within the meaning of section 346 of the Companies Act 1985); or
 - (b) by an investment manager on his behalf or on behalf of any person connected with him where either he or any person connected with him has funds under management with that investment manager, whether or not discretionary (save as provided in paragraphs 10 and 17 of this code).
12. For the purposes of paragraph 11 of this code, a director must advise all such connected persons and investment managers:
- (a) of the name of the listed company of which he is a director;
 - (b) of the close periods during which they cannot deal in the company's securities;

- (c) of any other periods when the director knows he is not himself free to deal in securities of the company under the provisions of this code unless his duty of confidentiality to the company prohibits him from disclosing such periods; and
- (d) that they must advise him immediately after they have dealt in securities of the company (save as provided in paragraphs 10 and 17 of this code).

Special circumstances

Awards of securities and options

13. The grant of options by the board of directors under an employees' share scheme to individuals who are not directors or relevant employees may be permitted during a prohibited period if such grant could not reasonably be made at another time and failure to make the grant would be likely to indicate that the company was in a prohibited dealing period.
- 13A. Subject to paragraph 13B below, the award of securities, the grant of options and the grant of rights (or other interests) to acquire securities by a company to directors and/or relevant employees of the company is permitted in a prohibited period if:
- (a) the award or grant is made under the terms of an employees' share scheme;
 - (b) the terms of such employees' share scheme set out:
 - (i) the timing of the award or grant and such terms have either:
 - previously been approved by shareholders or summarised or described in a document sent to shareholders, or
 - the timing of the award or grant is in accordance with the timing of previous awards or grants under the scheme; and
 - (ii) the amount or value of the award or grant or the basis on which the amount or value of the award or grant is calculated; and
 - (c) the failure to make the award or grant would be likely to indicate that the company is in a prohibited period.

In cases of doubt the UK Listing Authority should be consulted.

- 13B. The following dealings are not covered by paragraph 13A and are consequently subject to the provisions of this code, unless they fall within paragraph 20(h):
- (a) a discretionary award or grant under an employees' share scheme, which would not otherwise have been made but for the event that led to the commencement of the prohibited period; and
 - (b) an award or grant under an employees' share scheme which is made in a prohibited period during which the relevant scheme was introduced, or in the case of an existing scheme, the relevant scheme was amended.

Exercise of options

14. The chairman or other designated director may allow the exercise of an option or right under an employees' share scheme, or the conversion of a convertible security, where the final date for the exercise of such option or right, or conversion of such security, falls during any prohibited period and the director could not reasonably have been expected to exercise it at an earlier time when he was free to deal (see also paragraph 20(h)).
15. Where an exercise or conversion is permitted pursuant to paragraph 14 or 20(h) of this code, the chairman or other designated director may not, however, give clearance for the sale of securities acquired pursuant to such exercise or conversion.

Qualification shares

16. The chairman or designated director may allow a director to acquire qualification shares without regard to the provisions of this code where, under the company's Articles of Association, the final date for acquiring such shares falls during a prohibited period and the director could not reasonably have been expected to acquire those shares at another time.

Saving schemes

17. A director may enter into a scheme in which only the securities of the company are purchased pursuant to a regular standing order or direct debit or by regular deduction from the director's salary, or where such securities are acquired by way of a standing election to re-invest dividends or other distributions received, or are acquired as part payment of a director's remuneration without regard to the provisions of the code, if the following provisions are complied with:
 - (a) the director does not enter into the scheme during a prohibited period, unless the scheme involves the part payment of remuneration in the form of securities and is entered into upon the director's appointment to the board;
 - (b) the director does not carry out the first purchase of securities of the listed company under the scheme during a prohibited period, unless the director is irrevocably bound under the terms of the scheme to carry out the first purchase of securities at a fixed point in time which falls in a prohibited period;
 - (c) the director does not cancel or vary the terms of his participation, or carry out sales of the securities of the listed company within the scheme during a prohibited period; and
 - (d) before entering into the scheme or cancelling the scheme or varying the terms of his/her participation or carrying out sales of the securities of the listed company within the scheme, the director obtains clearance under paragraph 6 of this code.
18. The provisions of this code do not apply to an investment by a director in a scheme or arrangement where the assets of the scheme or arrangement are invested at the discretion of a third party or to a dealing by the director in the units of an authorised unit trust or in shares in an open ended investment company. In the case of a scheme investing only in the securities of the listed company the provisions of paragraph 17 of this code apply.

Guidance on other dealings

19. For the avoidance of doubt, and subject to the specific exceptions set out in paragraph 20 below, the following constitute dealings for the purposes of this code and are consequently subject to the provisions of this code:
- (a) dealings between directors and/or relevant employees of the company;
 - (b) off-market dealings;
 - (c) transfers for no consideration by a director other than transfers where the director retains a beneficial interest under the Companies Act 1985;
 - (d) entering into, or terminating, assigning or novating any stock lending agreement in respect of securities of the company;
 - (e) using as security, or otherwise granting a charge, lien or other encumbrance over, securities of the company; and
 - (f) any transaction, or the exercise of any power or discretion, effecting a change in the ownership of a beneficial interest in securities of the company.
20. For the avoidance of doubt, and notwithstanding the definition of dealing contained in paragraph 1(b) of this code, the following dealings are not subject to the provisions of this code:
- (a) undertakings or elections to take up entitlements under a rights issue or other offer (including an offer of shares in lieu of a cash dividend);
 - (b) the take up of entitlements under a rights issue or other offer (including an offer of shares in lieu of a cash dividend);
 - (c) allowing entitlements to lapse under a rights issue or other offer (including an offer of shares in lieu of a cash dividend);
 - (d) the sale of sufficient entitlements nil-paid to allow take up of the balance of the entitlements under a rights issue;
 - (e) undertakings to accept, or the acceptance of, a takeover offer;
 - (f) dealing by a director with a person whose interest in securities is to be treated by virtue of section 328 of the Companies Act (extension of section 324 to spouses and children) as the director's interest;
 - (g) transfers of shares arising out of the operation of an employees' share scheme into a saving scheme investing only in securities of the listed company following:
 - (i) exercise of an option under a savings related share option scheme; or
 - (ii) release of shares from a profit sharing scheme;
 - (h) with the exception of a disposal of securities received by a director as a participant, dealings in connection with an Inland Revenue approved "Save-as-you-earn" share option scheme, or any other employees' share scheme under which participation is extended, on similar terms to those contained in an Inland Revenue approved "Save-as-you-earn" share option scheme, to all or most employees of the participating companies in that scheme;
 - (i) with the exception of a disposal of securities received by a director as a

participant, dealings in connection with an Inland Revenue approved profit share scheme, or any similar profit share scheme under which participation is extended, on similar terms to those contained in an Inland Revenue approved profit share scheme, to all or most employees of the participating companies in that scheme;

- (j) arrangements which involve a sale of securities in the listed company with the intention of making a matched purchase of such securities on the next business day ("bed and breakfast" dealings);
- (k) transfers of shares already held by means of a matched sale and purchase into a saving scheme or into a pension scheme in which the relevant director is a participant or beneficiary;
- (l) the cancellation or surrender of an option under an employees' share scheme;
- (m) transfers of securities by an independent trustee of an employees' share scheme to a beneficiary who is not a director or a relevant employee; and
- (n) bona fide gifts to a director by a third party.

Relevant employees

21. Relevant employees must comply with the terms of this code as though they were directors.