



# Disclosure and materiality guidelines for officers and employees

Smartgroup Corporation Ltd (ACN 126 266 831) ("**Company**")

**Approved by the Board on 13 March 2014**

**Amended in August 2018**

# Disclosure and materiality guidelines for officers and employees

<b>1</b>	<b>Purpose</b>	<b>3</b>
<b>2</b>	<b>Continuous disclosure obligations</b>	<b>3</b>
2.1	Company's obligation to disclose	3
2.2	When is the Company aware of information?	3
2.3	What is a material effect on the price or value of the Company's securities?	3
2.4	Premature versus timely disclosure	4
2.5	Correcting a false market and market speculation	4
2.6	Useful questions to ask	5
2.7	Continuous disclosure is additional to periodic disclosure	5
<b>3</b>	<b>Exceptions to disclosure</b>	<b>5</b>
3.1	ASX Listing Rule 3.1A	5
3.2	When would a reasonable person not require disclosure?	6
3.3	What is confidential information?	6
3.4	When does a proposal or negotiation cease being incomplete and require disclosure?	6
<b>4</b>	<b>Preliminary announcements and trading halts</b>	<b>7</b>
<b>5</b>	<b>Public comments about the Company and use of social media</b>	<b>7</b>
<b>6</b>	<b>Liability for breach</b>	<b>7</b>
6.1	Liability of the Company	7
6.2	Liability of others	8
<b>7</b>	<b>Reporting processes and who to contact</b>	<b>8</b>
<b>8</b>	<b>Amendments and access to these guidelines</b>	<b>8</b>
	<b>Schedule 1 - Materiality guidelines</b>	<b>9</b>
	<b>Schedule 2 - Reporting process</b>	<b>11</b>

---

# 1 Purpose

These guidelines are to assist you to:

- understand and comply with the Company's disclosure and communication policy ("**Policy**"), its disclosure obligations imposed by ASX Limited ("**ASX**") under the Listing Rules for the Australian Securities Exchange ("**ASX Listing Rules**") and its obligations under the *Corporations Act 2001* (Cth) ("**Corporations Act**");
- comply with the Company's (and through the Company, its subsidiaries' (the "**Group**")) internal reporting processes and controls; and
- understand what can happen if disclosure obligations are breached.

These guidelines should be read in conjunction with the Policy.

---

# 2 Continuous disclosure obligations

## 2.1 Company's obligation to disclose

The ASX Listing Rules require that once the Company becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities, the Company must immediately tell the ASX that information (ASX Listing Rule 3.1).

"Immediately" means promptly and without delay, that is, doing it as quickly as it can be done in the circumstances and not deferring, postponing or putting it off to a later time.

Schedule 1 lists examples of information which, if material, must be disclosed.

## 2.2 When is the Company aware of information?

The ASX Listing Rules state that the Company becomes aware of information if a director or executive officer has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of the Company.

This is why the process for identifying and reporting material information is so important.

## 2.3 What is a material effect on the price or value of the Company's securities?

Information is material if it would be likely to influence persons who commonly invest in securities in deciding whether to buy, sell or hold the Company's securities. This type of information is also known as market sensitive information.

What is material depends on the Group's business activities, size and place in the market. A matter may be material even if there is little impact on the Company's financial position. For example, the matter may have a significant impact on the Company's reputation or perception of the Company's strategy. See schedule 1 for further guidelines.

Two tests should be used in determining whether a matter is material:

- a qualitative test (that is, the nature of the matter); and
- a quantitative test (a monetary amount or percentage variation).

In determining whether the information was material and therefore market sensitive, the ASX looks at the effect that the relevant information had on the market price when it was finally announced to the

market. The ASX will generally apply the following materiality guidelines in assessing whether information was market sensitive:

- (a) if the market price of a security has moved 5% or less, the ASX generally regards this as confirmation that the information was not market sensitive;
- (b) if the market price of a security has moved 10% or more, the ASX generally regards the information as market sensitive and will refer the potential breach to ASIC; or
- (c) if the market price of a security has moved between 5 and 10%, the ASX has regard to various factors to determine whether the information was market sensitive, including the nature and significance of the information, and the market capitalisation of the entity.

## **2.4 Premature versus timely disclosure**

It is important to balance timely disclosure of material information and the prevention of premature disclosure of incomplete or indefinite matters. Premature disclosure may result in a false market and in some cases prejudice the Company's commercial interests.

## **2.5 Correcting a false market and market speculation**

Under the ASX Listing Rules, the Company may be required to disclose information to the market if ASX considers that there is, or is likely to be, a false market in the Company's securities. This information must be provided by the Company in order to correct or prevent the false market even if an exception from disclosure applies.

A false market may arise if:

- (a) the Company has made a false or misleading announcement;
- (b) a segment of the market is trading on the basis of market sensitive information that is not available to the market as a whole; or
- (c) the Company has information that has not been released to the market; and:
  - there is a reasonably specific rumour or media comment in relation to the Company that has not been confirmed or clarified by an announcement from the Company to the market; and
  - there is evidence that the rumour or comment is having, or ASX forms the view that the rumour or comment is likely to have, an impact on the price of the Company's securities.

A false market may arise even if a comment is completely inaccurate and the company does not clarify the position.

ASX will consider the facts of each case when it reaches a conclusion as to whether there is, or is likely to be, a false market in the entity's securities. The extent of the information that ASX asks for will also depend on the circumstances.

## 2.6 Useful questions to ask

When determining whether information should be disclosed it may assist to ask:

- (a) firstly, would this information influence an investor's decision to buy or sell securities in the entity at their current market price; and
- (b) secondly, would an investor feel exposed to an action for insider trading if the investor was to buy or sell securities in the entity at their current market price, knowing this information had not been disclosed to the market?

If the answer to either question is "yes", then the information may be market sensitive and, unless an exception applies, should be disclosed.

## 2.7 Continuous disclosure is additional to periodic disclosure

Compliance with periodic disclosure requirements does not extinguish the Company's continuous disclosure obligations. For example, disclosure may be required under ASX Listing Rule 3.1 of information which emerges in the preparation of the half-yearly or preliminary final reports which was previously insufficient to warrant disclosure.

---

# 3 Exceptions to disclosure

## 3.1 ASX Listing Rule 3.1A

Not all material information must be disclosed by the Company. ASX Listing Rule 3.1A provides that disclosure is not required while the following paragraphs (a), (b) and (c) are satisfied:

- (a) a reasonable person would not expect the information to be disclosed; and
- (b) the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
- (c) one or more of the following conditions apply:
  - it would be a breach of law to disclose the information;
  - the information concerns an incomplete proposal or negotiation;
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure. This means it is not factually based or not sufficiently certain;
  - the information is generated for the internal management purposes of the Company; or
  - the information is a trade secret.

The intention of the exceptions is to protect the legitimate commercial interests of the Company so long as market integrity is not affected. Even if an exception applies, the information may still need to be disclosed - for example, to prevent a false market if the information is leaked or reported in the media. If you are not sure whether information is exempt or should be disclosed, contact the company secretary of the Company ("**Company Secretary**").

The Company must disclose the information to ASX as soon as one of paragraphs (a), (b) or (c) is not satisfied.

### **3.2 When would a reasonable person not require disclosure?**

A reasonable person would not expect information to be disclosed if the result of the disclosure would be unfairly prejudicial to the Company.

A typical situation in which the disclosure of information may be prejudicial to the Company is if the disclosure relates to sensitive commercial negotiations.

The test of when a reasonable person would not require disclosure is an objective test that will change as market practices and expectations evolve.

### **3.3 What is confidential information?**

To be exempt from disclosure, information must be confidential as a matter of fact and ASX must not form the view that the information has ceased to be confidential.

The Company may disclose confidential information to third parties in the ordinary course of its business and satisfy the exception, provided that it retains control over the use and disclosure of the information. This may include information given to:

- the Company's advisers for the purpose of obtaining advice;
- other service providers: eg share registries and printers;
- a party with whom the Company is negotiating, for the purposes of the negotiation; and
- a regulatory authority or ASX in the course of an application or submission.

A confidentiality agreement is not necessarily sufficient to establish retention of control. It is the process surrounding negotiations and discussions and the way in which the transfer of information is handled that is important.

Information may cease to be confidential if:

- the information may have become known selectively or generally; or
- the information may have been disclosed inadvertently or deliberately.

A loss of confidentiality may be indicated by otherwise unexplained significant changes in the price of the Company's securities, or by reference to the information in the media or in analysts' reports.

Confidentiality is more likely to have been lost where references to the Company or its proposals are significant and credible and the details are reasonably specific.

### **3.4 When does a proposal or negotiation cease being incomplete and require disclosure?**

Information may concern an incomplete proposal or negotiation if there is a degree of uncertainty as to the detail or key terms of the proposal being made or negotiations taking place.

Disclosure of developments would be premature if it would prejudicially impact on the potential transaction so as to harm the commercial interests of the entity, and therefore its shareholders, or result in a false market.

These are questions of fact and must be closely monitored by the Company Secretary and the Board. It is crucial that the Company Secretary is kept informed as proposals develop or negotiations progress towards an outcome.

---

## **4 Preliminary announcements and trading halts**

In some circumstances, the Company may seek to delay announcing the full details of a matter where further work is being done on the matter by giving a preliminary announcement, provided that the information does not mislead the market. A preliminary announcement may help to ensure that a false market does not arise in relation to the Company's securities.

The Company may request a trading halt of its securities. A trading halt can be used to protect the Company if the Company possesses potentially disclosable information and it cannot make:

- detailed disclosure of that information (for example, because it is confidential); or
- a preliminary announcement (for example, because it would be insufficient to inform the market).

For example, the Company may require a trading halt where:

- the Company is negotiating a significant transaction and rumours emerge in the market before the parties are ready to execute the documentation; or
- the Company considers the announcement so significant that it ought be approved by the Board before it is released to the market but, due to the unavailability of Directors, the Board meeting is not able to be held promptly and without delay.

A trading halt can last for a maximum of 2 days. It will therefore not be appropriate to use in more complex circumstances where disclosure issues are unlikely to be resolved within that timeframe.

---

## **5 Public comments about the Company and use of social media**

Except as provided for in the Company's Disclosure and Communication Policy, no officer, employee, or contractor may make external comments regarding the Company's business or operations without the authorisation of the CEO.

This prohibition includes comments via the internet, social media or social networking. That is, officers, employees and contractors must not comment about the Company's business or operations directly or indirectly on:

- (a) social networking sites (eg LinkedIn and Facebook);
- (b) online discussion forums and blogging sites, including micro blogs (eg Twitter);
- (c) online encyclopaedias (eg Wikipedia);
- (d) video and photo sharing sites (eg YouTube); and
- (e) any websites that allow individual users to publish information.

---

## **6 Liability for breach**

### **6.1 Liability of the Company**

If the Company contravenes its continuous disclosure obligations under the ASX Listing Rules and Corporations Act:

- (a) it may incur criminal liability, civil liability or a civil penalty under the Corporations Act;

- (b) ASIC may issue an infringement notice to the Company if ASIC has reasonable grounds to believe that the Company has contravened its continuous disclosure obligations;
- (c) ASX may suspend the Company's securities from quotation if, in its opinion, the Company is unable or unwilling to comply with, or breaches, its continuous disclosure obligations; and
- (d) it may lead to adverse publicity for the Company and reputational damage.

## **6.2 Liability of others**

Any officer, employee or other person may face criminal liability, civil liability and civil penalties as an accessory if involved in a breach of the continuous disclosure obligations.

You could be liable if you participate in the decision-making process or have the capacity to affect disclosure or knowingly withhold relevant information from your superiors that leads to a contravention of the continuous disclosure obligations.

For certain liabilities, defences may be available if all reasonable steps were taken to ensure compliance with the disclosure obligations.

Breach of this policy may lead to disciplinary action being taken.

---

## **7 Reporting processes and who to contact**

The Company has put in place reporting processes to assist in identifying and assessing the materiality of information known to the Company, its officers and employees. The reporting process and who to contact is set out in schedule 2.

If you have any questions about these guidelines or the Policy or if you would like any training on disclosure issues and the Policy, contact the Company Secretary.

---

## **8 Amendments and access to these guidelines**

These guidelines have been approved by the board of directors of the Company ("Board"). The Board will review these guidelines from time to time and consider if any changes should be made. These guidelines may be amended by resolution of the Board.

The Company Secretary will ensure that all officers and relevant employees have access to these guidelines and any amendments. These guidelines and the Company's Disclosure and Communication Policy are provided or made available to all officers and relevant employees of the Group on appointment, or where those officers and relevant employees are already in the employ of the group, upon approval of the policy, and are available to all employees and consultants. They must read these guidelines and the Company's Disclosure and Communication Policy so as to gain an appreciation of what type of information may potentially be price sensitive and when to immediately refer any matter or event which may need to be disclosed to the Company Secretary.



# Disclosure and materiality guidelines for officers and employees

## Schedule 1 - Materiality guidelines

---

### 1 Examples of information to be disclosed if material

The notes to ASX Listing Rule 3.1 list the following examples of information which, if material, must be disclosed to ASX:

- (a) **(forecasts)** a change in the Company's financial forecast or expectation. ASX Guidance Note 8 suggests that a variation in excess of 10 to 15% may be considered material;
- (b) **(insolvency)** the appointment of a receiver, manager, liquidator or administrator in respect of any loan, trade credit, trade debt, borrowing or securities held by the Company or any of its subsidiaries;
- (c) **(transactions)** a transaction for which the consideration payable or receivable is a significant proportion of the written down value of the Company's consolidated assets. Normally, an amount of 5% or more would be significant, but a smaller amount may be significant in a particular case;
- (d) **(dividends declared)** a recommendation or declaration of a dividend or distribution;
- (e) **(dividends not declared)** a recommendation or decision that a dividend or distribution will not be declared;
- (f) **(issue of securities)** under subscription or over subscription to an issue of securities by the Company;
- (g) **(information disclosed overseas)** a copy of a document containing market sensitive information that the Company lodges with an overseas stock exchange or other regulator which is available to the public. The copy given to ASX must be in English;
- (h) **(tracing beneficial ownership of shares)** information about the beneficial ownership of securities obtained under Part 6C.2 of the Corporations Act;
- (i) **(takeovers)** giving or receiving a notice of intention to make a takeover;
- (j) **(related party transactions)** an agreement between the Company (or a related party or subsidiary) and a director (or a related party of the director);
- (k) **(financial documents)** a copy of any financial documents that the Company lodges with an overseas stock exchange or other regulator which is available to the public. The copy given to ASX must be in English;
- (l) **(accounting policies)** a change in accounting policy adopted by the Company;
- (m) **(credit ratings)** any rating applied by a rating agency to the Company, or securities of the Company, and any change to such a rating; and
- (n) **(auditor)** a proposal to change the Company's auditor.

---

## 2 Other information

By way of further guidance other matters which may potentially be material depending on the relevant facts and circumstances include:

- (a) **(ability to carry on business)** anything that might affect the Company's ability to carry on business;
- (b) **(future activity)** anything having a material effect on future activity including a new proposal or development;
- (c) **(joint venture)** entering into or exiting an alliance or joint venture;
- (d) **(funding)** a significant funding arrangement;
- (e) **(foreign activities)** significant foreign activities or proposed foreign activities;
- (f) **(technology)** significant changes in technology or the application of technology which could affect the Company's business;
- (g) **(change in law)** any proposed change in regulation or law that could affect the Company's business;
- (h) **(breach of law)** a significant allegation of any breach of the law, whether civil or criminal, by the Company or any of its employees;
- (i) **(reputation)** a matter having an adverse effect on the Company's reputation;
- (j) **(market changes)** significant changes in the market that may affect the business of the Company;
- (k) **(directors and senior management)** a change in the directors or a significant change in senior management;
- (l) **(structure)** a significant change in corporate or capital structure including a buy-back of shares; and
- (m) **(onerous or unusual matters)** anything that is onerous, unusual or outside the ordinary course of business of the Company including a significant bad debt, credit loss, material litigation or profit downgrade.

The Board may set monetary amounts or percentages for a quantitative test to assist in assessing whether information is material.

**Note:**

- not all matters listed here will necessarily require disclosure; and
- other matters may require disclosure even if they are not listed here.

# Disclosure and materiality guidelines for officers and employees

## Schedule 2 - Reporting process

If you become aware of or suspect information that may require disclosure, you must.....

Bring information to the attention of a Director, Manager or employee.

They bring the information to the attention of the Company Secretary.

The Company Secretary assesses the information. If they consider that the information may be price sensitive, the Company Secretary takes steps to inform the the Board.

The Board makes a decision as to whether disclosure of the information is required.

If yes, the Company Secretary liaises with ASX concerning release of the information to the market and receiving formal confirmation of its release from ASX.