

# APPENDIX 3B

## GUIDELINES – DISCLOSURE, CONFIDENTIALITY AND EMPLOYEE TRADING

### *Disclosure*

1. Issuers listed on the Exchange must comply with two sets of rules (the “Disclosure Rules”):
  - Securities Laws governing corporate disclosure, confidentiality and employee trading
  - the Exchange’s policy on timely disclosure which expands upon the requirements of Securities Laws.
2. Each Issuer should establish a clear written policy to help it comply with the Disclosure Rules. The guidelines below are intended to help Issuers establish their policies. They should be viewed as a means to an end (compliance with the Disclosure Rules) and not as an end in themselves.
3. Every Issuer’s policy, however, should:
  - (a) describe the procedures to be followed and spell out the consequences of violations;
  - (b) be updated regularly;
  - (c) be brought to the attention of employees regularly;
  - (d) give specific guidance in the following areas:
    - (i) disclosing material information;
    - (ii) maintaining the confidentiality of information;
    - (iii) restricting employee trading.
4. The Issuer’s policy on disclosure of material information should include provisions to assist management in determining:
  - (a) if the information is material and must therefore be disclosed;
  - (b) when and how the material is to be disclosed;
  - (c) the content of any news release disclosing the information.

5. Specific corporate officers should be made responsible for disclosing material information. Different corporate officers may be designated for different circumstances. For example, a specific employee might be designated as a corporate spokesperson for a particular area of operations or a particular news release. At the same time investor relations personnel might be designated as the contact for shareholders, the media and analysts, but not have the authority to issue a particular news release.
6. Avoid situations where delays occur because the person responsible for disclosure is unavailable or cannot be located or employees other than designated spokespersons comment on material corporate developments.

### *Confidentiality*

1. The Disclosure Rules allow that if the early disclosure of material information would be unduly detrimental to the Issuer, that information may be kept confidential for a limited period of time. To keep material information completely confidential, Issuers should:
  - (a) limit the number of people with access to confidential information;
  - (b) require confidential documents to be locked up and code names to be used if necessary;
  - (c) make sure that confidential documents cannot be accessed through technology such as shared servers;
  - (d) educate all staff about the need to keep certain information confidential, not to discuss confidential information when they may be overheard, and not to discuss investment in the Issuer, for example, in an investment club, when they are aware of confidential information (so that they don't influence the investments of other people, when they themselves are not allowed to trade).

### *Restrictions on Employee Trading*

1. The Disclosure Rules require that employees with access to material information be prohibited from trading until the information has been fully disclosed and a reasonable period of time has passed for the information to be disseminated. This period may vary, depending on how closely the Issuer is followed by analysts and institutional investors.
2. This prohibition applies not only to trading in the Issuer's securities, but also to trading in other securities whose value might be affected by changes in the price of the Issuer's securities. For example, trading in listed options or securities of other Issuers that can be exchanged for the Issuer's securities is also prohibited.
3. In addition, if employees become aware of undisclosed material information about another public company such as a subsidiary, they may not trade in the securities of that other company.

4. In the case of pending transactions, the circumstances of each case should be considered in determining when to prohibit trading. In some cases, prohibition may be appropriate as soon as discussions about the transaction begin. The definition of materiality helps determine when trading should be prohibited in the case of pending transactions. Trading must be prohibited once the negotiations have progressed to a point where it reasonably could be expected that the market price of the Issuer's securities would materially change if the status of the transaction were publicly disclosed. As the transaction becomes more concrete, it is more likely that the market will react. This prohibition on trading will often come into effect before the point in time when it must be disclosed publicly. In all situations, it is a judgment call as to when employee trading should be restricted.
5. An Issuer's policy should address trading blackouts. Trading blackouts are periods of time during which designated employees cannot trade the Issuer's securities or other securities whose price may be affected by a pending corporate announcement. A trading blackout:
  - (a) prohibits trading before a scheduled material announcement is made (such as the release of financial statements);
  - (b) may prohibit trading before an unscheduled material announcement is made, even if the employee affected doesn't know that the announcement will be made;
  - (c) prohibits trading for a specific period of time after a material announcement has been made.