

**MODEL CODE OF CONDUCT FOR SECURITIES TRADING (“CODE”)
BY DIRECTORS AND EMPLOYEES
OF TENON LIMITED AND ITS SUBSIDIARIES**

1. INTRODUCTION

Insider trading is regulated in New Zealand by the Securities Markets Act 1988 (the **Insider Trading Legislation**). The basic principle behind the Insider Trading Legislation is to impose liability upon directors and employees who have price-sensitive information by reason of their position in a public company and trade in its securities or “tip” others to do so before that information is published or otherwise reflected in market prices.

The Code has been adopted by the Company to regulate trading in the Company’s securities by insiders. The Code is intended to explain the impact of the Insider Trading Legislation on the Company’s directors and employees and to outline an approved procedure whereby directors and employees may buy or sell the Company’s securities without giving rise to potential liability.

The Code has been prepared on the basis of the Insider Trading Legislation. In particular, trading by insiders in accordance with the procedures set out in the Code is intended to have the benefit of The Insider Trading (Approved Procedure for Company Officers) Notice 1996 with the additional requirement that the employee does not hold inside information at the time of the transaction.

All directors and employees of the Company and its subsidiaries must only trade in the Company’s securities in accordance with this Code, unless authorised in writing by the Board of Directors to do so before such trade.

2. SOME IMPORTANT CONCEPTS

The application of the Insider Trading Legislation turns on a number of key concepts including the following.

- In order for there to be liability, the person buying or selling or tipping the Company’s shares must hold “**inside information**”. This is defined as:
 - Information relating to the Company that is not publicly available **and** which would, or would be likely to, affect materially the price of the Company’s securities if it was publicly available.

The Company’s legal advisors recommend that a conservative approach be taken generally to the assessment of whether information held is “inside information”. If there is any doubt, please contact the Company Secretary.

- Liability under the Insider Trading Legislation only arises in connection with “**insiders**”. Insiders, in the context of the Code, include every person who, by reason of being a director or an employee of the Company, holds inside information. The Insider Trading Legislation will presume that such people, if they hold inside information, do so by virtue of their position in the Company in the absence of evidence to the contrary. In addition, any person who receives inside information about the Company in confidence from the Company or a director or employee (or who receives information from any person who has received inside information in confidence from the Company or a director or employee) can also be an insider. This could extend to spouses, family members, friends, colleagues, etc.

Although this will primarily involve the Company’s directors and the Chief Executive Officer and his/her direct reports, the Insider Trading Legislation does extend to any employee who holds inside information.

Any person who was, at any time, an insider of the Company, continues to be so for six months after the date on which they ceased to be a director or employee.

- “**Securities**” include shares, options, rights and debt instruments issued by the Company. Transactions involving any of these instruments are potentially covered by the Insider Trading Legislation.

3. **GENERAL PRINCIPLES**

A Company insider who has inside information about the Company (or another public issuer), may not:

- ❖ buy or sell the Company’s securities (or those of that other public issuer);
- ❖ advise or encourage any person to buy or sell the Company’s securities (or the securities of that other public issuer); or
- ❖ disclose inside information to a person knowing or believing that person is likely to buy or sell the Company’s securities (or the securities of that other public issuer).

This means that, subject to permitted trading as discussed below, a Company insider should not deal in any of the securities of the Company at a time when the insider is in possession of non-public, price-sensitive information in relation to those securities. The same restriction applies to dealings by an insider in the securities of any other public issuer when, by virtue of being an insider of the Company, the insider is in possession of unpublished price-sensitive information in relation to the securities of the other issuer.

A Company insider with inside information must also not advise or encourage any person to: (i) buy or sell securities of the Company; or (ii) advise or encourage any other person to do so. A Company insider must also not communicate inside information, or cause it to be disclosed, to a person knowing or believing that

person will, or is likely to, trade in the Company's securities, or advise or encourage another person to do so. The same restriction applies to tipping of securities in another public issuer when, by virtue of being an insider of the Company, the director or employee has inside information about the securities of that other issuer.

A transaction in breach of these restrictions will expose the insider to a potential liability to the party on the other side of the trade for the loss suffered by that person. The insider can also be liable to the Company for the amount of any gain made or loss avoided and for a pecuniary penalty of up to three times that amount, or the amount of the total trade price, if greater.

There is an exemption from liability under the Securities Markets Act 1988 for purchases or sales by the Company's directors and employees if the procedure set out in section 4 of this Code is strictly followed.

Relationship to the continuous disclosure regime

New Zealand legislation and the NZX Listing Rules require the Company to release immediately to the NZX any information concerning the Company that, if it were generally available to the market, may reasonably be expected to have a material effect on the price or value of the Company's securities, subject to limited exceptions.

As a result of the operation of this continuous disclosure regime, usually all material price sensitive information will be generally available to the market. However, there are limited circumstances in which disclosure is not required. In these situations, there may be people with inside information who would breach the insider trading prohibition if they dealt in securities at that time.

Specifically, the NZX Listing Rules do not require disclosure where:

- ❖ a reasonable person would not expect the information to be disclosed; **and**
- ❖ the information is confidential and its confidentiality is maintained; **and**
- ❖ one or more of the following applies:
 - it would be a breach of law to disclose the information; or
 - the information concerns an incomplete proposal or negotiation (e.g., the Company has not yet executed a heads of agreement); or
 - the information comprises matters of supposition or is insufficiently definite to warrant disclosure (e.g., the effect of an event on the Company has not yet been quantified); or
 - the information is generated for internal management purposes (e.g., internal management accounts or an internal management report); or
 - the information is a trade secret.

Although information that satisfies these conditions does not need to be disclosed under the NZX Listing Rules, directors and employees may possess inside information. If a person deals in the Company's securities at a time when that person is aware of information which, but for a carve-out to the NZX Listing Rules, would need to be disclosed to the market, that person will be in breach of the insider trading provisions.

For more details about compliance with the Company's continuous disclosure obligations see the Company's Group Disclosure Policy.

Directors and officers of the Company that acquire or dispose of a "relevant interest" in a security of the Company (or a related body corporate) must disclose that fact within five trading days of the disposal or acquisition to the NZX and in the Company's interest register. That disclosure must be made in the prescribed form. This requirement continues for six months after a person ceases to be a director or officer.

If an employee has any doubts as to whether they are an "officer" for the purposes of these requirements, whether he or she is acquiring or disposing of a relevant interest or the form of disclosure, he or she should contact the Company Secretary.

4. PERMITTED TRADING FOR THE PURPOSES OF NEW ZEALAND INSIDE TRADING RULES

The Company's directors or employees may trade the Company's securities (in their own name or on behalf of a spouse or child) where the requirements of either of the following procedures have been satisfied. Procedure 1 is for general transactions and Procedure 2 is for specific types of trades.

Procedure 1 - General

Request to Tenon Limited

A written request on the approved form (attached) must be made and granted prior to any trading in the Company's securities. The request must be made to the Chairman to be considered by the Board (other than any director making the request). If it is the Chairman making the request, the request must be made to the Chairman of the Board's Audit Committee. The application must be handed to the Company Secretary who will manage the processing of the application. The Board must be reasonably satisfied as to the truth of the statements made in paragraphs (g), (h), (i) and (j) of the approved form before approval will be granted. The Board will, if the Board is not reasonably satisfied as to the truth of any of those statements, require further information from the requesting employee to corroborate the statements made.

In addition, the Company will take into account the basic principle that insiders should not deal in securities on considerations of a short-term nature. As a general rule, trades within a period of six months will contravene this principle but the Company reserves the right to determine that trades over a longer period may still be short-term in nature taking into account any pattern of trading which may be evident.

The approved form requires, amongst other things, that the insider state the decision to trade is not based on he or she holding inside information and, further, that the employee does not hold inside information. The circumstances of any particular transaction will be unique to it and it is for the insider to establish the grounds pursuant to which the required certifications can be made.

The securities purchased under this procedure must be purchased in the director's or employee's own name or in the name, or on behalf, of that person's spouse or child. Purchases by trustees for the sole benefit of the director or employee, or his or her spouse or child, will be permitted provided that at least one of the trustees is the relevant director or employee or his or her spouse or child. The Code does not permit trading through corporate structures such as by a company controlled by an employee or through broker nominee companies on behalf of an executive.

Timing

A trade which has been approved by the Company must occur within 15 stock exchange trading days after the approval has been given.

If the Company makes a market announcement of price-sensitive information, a subsequent trade which has been approved by the Company must not be made until at least one trading day (being 24 hours from one trading day to the next trading day) after the time of the announcement. In particular, trades may not be made until one trading day (being 24 hours from one trading day to the next trading day) after the announcement of the annual results or half-yearly results at the commencement of the trading window.

In addition, the trade must also occur in one of the periods commencing:

- ❖ on the day after the day on which the annual results of the Company are announced to the NZX and ending on 30 November, or
- ❖ on the day after the day on which the half-yearly results of the Company are announced to the NZX and ending on 30 April.

Procedure 2 - Particular Transactions

Types of trades

Procedure 2 must be complied with for the following types of trades:

- ❖ sales or purchases under arrangements, amalgamations or compromises effected under Parts XIII, XIV or XV of the Companies Act 1993, as the case may be, or any reconstruction or reorganisation of the Company that involves all the securities of the same class;
- ❖ purchasers of securities under a dividend reinvestment plan made available to all securityholders of the same class;

- ❖ selling or buying listed rights offered to all securityholders of the same class where there is a current registered prospectus;
- ❖ subscribing for securities by way of the exercise of rights of the type referred to above;
- ❖ selling securities to subscribe for rights offered to all securityholders of the same class where there is a current registered prospectus and the sale occurs during the rights offer period;
- ❖ entitlements under a bonus issue to all securityholders of the same class; and
- ❖ selling of securities as a result of acceptance of an offer made through the stock market that has remained open for 21 trading days.

Request to Tenon Limited

Where an insider is proposing to trade in the Company's securities through participation in a Company dividend reinvestment plan or any other transaction pursuant to entitlements under the types of transactions referred to above, a written request in the approved form (attached) must be made to the Board in the manner described under Procedure 1 and consent obtained. Again, the insider is required to certify that the trade is not made on the basis of inside information and that no inside information is held. However, there are no restrictions on the times at which such trades can be entered into.

5. CONCLUSION

The Board will be advised by the Company Secretary of securities trading by insiders by the Company Secretary providing a copy of each consent granted by the Chairman before the Board meeting next after the consent is given.

The Company Secretary will maintain a "Securities Dealing Register" which will record the date and time of receipt of each request received under section 4 of this Code, any matter the Board considers appropriate to record, the decision made and the time it was notified and the date of the transaction.

Breaches of this Code may result in termination of employment as well as the consequences under the Insider Trading Legislation.

If you have any doubts or questions as to compliance with this Code or the Insider Trading Legislation generally, please contact the Company Secretary before entering into any transaction or agreeing to do so.

Approved by the Board
10 August 2005

PROCEDURE 1 - REQUEST FOR APPROVAL OF A GENERAL TRANSACTION

Chairman
Tenon Limited
Private Bag 92036
AUCKLAND

Dear Sir

Tenon Limited securities

In accordance with the provisions of the Model Code of Conduct for Securities Trading by Directors and Employees of Tenon Limited and its Subsidiaries and in accordance with the provisions of The Insider Trading (Approved Procedure for Company Officers) Notice 1996 (given pursuant to section 8(1)(c) of the Securities Markets Act 1988), I advise of [my intention/the intention of my spouse or child] to enter into the following transaction:

- (a) Name:
Address:
- (b) Position held:
- (c) The class and number of securities that will be the subject of the proposed transaction are:
- (d) The proposed transaction is the Purchase/Sale (*delete one*) of the securities set out in (c).
- (e) The transaction will take place on a stock exchange: Yes/No (*If no, give details of the manner of the transaction*)
- (f) The date of the transaction will be on or about:
(*Note: the transaction must be completed within 15 trading days of the date of approval and must not be made within 24 hours of an announcement by the Company of price-sensitive information*).
- (g) The decision to buy or sell securities is not based on my holding non-public, price-sensitive inside information.
- (h) I do not intend to sell the securities purchased within 6 months of the date of purchase. (*delete if not purchasing securities*).
- (i) I believe the transaction will be at fair value.
- (j) I do not hold non-public, price-sensitive information as at the date of this request.

Accordingly, I ask that the Company's consent to the transaction be given.

Signature of Applicant

Date

APPROVED/NOT APPROVED

Chairman

Date

Time

PROCEDURE 2 - REQUEST FOR APPROVAL OF A PARTICULAR TRANSACTION

Chairman
Tenon Limited
Private Bag 92036
AUCKLAND

Dear Sir

Tenon Limited securities

In accordance with the provisions of the Model Code of Conduct for Securities Trading by Directors and Employees of Tenon Limited and its Subsidiaries and in accordance with the provisions of The Insider Trading (Approved Procedure for Company Officers) Notice 1996 (given pursuant to section 8(1)(c) of the Securities Markets Act 1988), I advise of [my intention/the intention of my spouse or child] to enter into the following transaction:

- (a) Name:
Address:
- (b) Position held:
- (c) The class and number of securities that will be the subject of the proposed transaction are:
- (d) Type of transaction:
- (e) The transaction will take place on a stock exchange: Yes/No (*If no, give details of the manner of the transaction*)
- (f) The date of the transaction will be on or about:
- (g) The decision to buy or sell securities is not based on my holding non-public, price-sensitive inside information.
- (h) I do not hold non-public, price-sensitive information as at the date of this request.

Accordingly, I ask that the Company's consent to the transaction be given.

Signature of Applicant

Date

APPROVED/NOT APPROVED

Chairman

Date

Time