



# Insider Trading Policy

**THIS POLICY APPLIES TO ALL DIRECTORS, OFFICERS AND EMPLOYEES OF ALL MEMBER COMPANIES OF THE TELECOM GROUP (INCLUDING AAPT LIMITED AND ITS SUBSIDIARIES) WHO INTEND TO DEAL IN TELECOM RESTRICTED SECURITIES.**

More specific and stringent rules (Additional Rules for Restricted Persons) ("Additional Rules") also apply to dealing in Telecom Restricted Securities by directors and certain employees of the Telecom Group. The Additional Rules form part of this Policy and are set out in the Appendix.

## Statement

Telecom Corporation of New Zealand Limited ("**Telecom**") is committed to complying with all legal and statutory requirements. New Zealand, Australian and United States legal requirements make it unlawful to deal in Telecom Restricted Securities while in possession of Inside Information.

No Restricted Person (as defined in the Additional Rules) or employee may deal in Telecom Restricted Securities, or the securities of any other issuers, or encourage others to do so, while in possession of Inside Information.

Confidential information should not be disclosed to third parties unless those persons are covered by express or implied duties of confidentiality.

In this Policy:

- "**deal**" includes applying for, acquiring or disposing of Telecom Restricted Securities or agreeing to do so, whether as principal or agent.

- "**Telecom Restricted Securities**"

means any Telecom or Telecom subsidiary shares, options, derivatives, debentures and American Depositary Shares. Telecom Restricted Securities include:

- ordinary shares of Telecom listed on the NZSX or ASX;
- TCNZ Finance Limited debt securities (including TeleBonds) listed on the NZDX, ASX or Luxembourg Stock Exchange;
- Telecom American Depositary Shares; and
- any other securities of Telecom or its subsidiaries, and any options, derivatives or other financial products issued or created over or in respect of any securities of Telecom or its subsidiaries.

The Insider Trading Policy applies to any dealing in which you are involved or instrumental, whether or not the Telecom Restricted Securities are held or received in your own name or that of your spouse,



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children, other relatives, associates, trusts of which you are a trustee or companies which you control.

### Exception

Nothing in this Policy precludes a Restricted Person or employee in possession of Inside Information from:

- receiving rights (zepos) under the Telecom Share Rights Scheme or the CEO Performance Rights Scheme; or
  - acquiring Telecom shares through the exercise of rights under the Telecom Share Rights Scheme or the CEO Performance Rights Scheme; or
  - acquiring Telecom shares through the vesting of restricted shares under the Telecom Restricted Share Scheme; or
  - being issued shares under the CEO Performance Incentive Scheme, unless otherwise stated in the offer document relating to an allocation of shares.
- deal in Telecom Restricted Securities;
  - procure, advise or encourage another person to deal in or hold Telecom Restricted Securities;
  - procure, advise or encourage a person to procure, advise or encourage another person to deal in or hold Telecom Restricted Securities; or
  - directly or indirectly communicate, or pass on the Inside Information to anyone else – including colleagues, family, friends, nominees, partners, and trusts or companies you control – knowing, or where you ought reasonably to have known, that the other person will or is likely to use that information to deal in, continue to hold, or procure, advise or encourage someone else to deal in, or hold, Telecom Restricted Securities.

You **should** follow the guidance in this Policy to reduce any risk of liability for insider trading.

### Guidance

#### Fundamental Rule - No dealing may be done while in possession of Inside Information

This is the primary rule under the insider trading laws. If you have any Inside Information, it is illegal for you to:

This offence, called “insider trading”, can subject you to criminal liability including large fines and/or imprisonment, and civil liability, which may include being sued by another party or Telecom, for any loss suffered as a result of illegal dealing.

The Insider Trading Policy restricts dealing in Telecom Restricted Securities. It does not replace your legal obligations. You should be aware that insider trading laws relate to a broad range of securities including interests in managed investment schemes, superannuation products, and other financial products which are able to be traded on a financial market. If you have inside



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information concerning securities (including the financial products described) insider trading laws will apply to your conduct in relation to those securities. You should satisfy yourself of compliance with insider trading laws before making any decisions in relation to those securities.

### What is "Inside Information"?

"**Inside Information**" is information that:

- 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 securities.

Information is "**generally available**" if it is:

- readily obtainable; or
- made known to people who commonly invest in the securities (such as by NZX or ASX announcements) and since it was made known, a reasonable period for it to be disseminated among such persons has elapsed.

It does not matter how you come to know the Inside Information (including whether you learn it in the course of carrying out your responsibilities, or in passing in the corridor, or in a lift, or at a social function). Information includes rumours, matters of supposition, intentions or likely intentions of a person (including Telecom or its subsidiaries), and information, which is insufficiently definite to warrant disclosure to the public.

### What are some examples of Inside Information?

The following list is illustrative only. Inside Information could include information, which has not been released to the market, concerning:

- an unannounced upcoming performance announcement, especially if it contains unexpected results;
- the unannounced imminent introduction of an important new product or service;
- a possible change in the strategic direction of Telecom;
- a possible acquisition or sale of any material assets or company by Telecom;
- entry into or the likely entry into or termination or likely termination of material contracts or other business arrangements which are not publicly known;
- a possible change in Telecom's capital structure;
- a change in the historical pattern of dividends;
- executive management changes;
- a material legal claim by or against Telecom;
- major new regulation of Telecom or any of its businesses; or
- any other material and unexpected liability.

If you have knowledge of any of these matters or any other information likely to affect the price or value of Telecom Restricted Securities in the market, or you



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can procure a decision whether or not to deal in the Telecom Restricted Securities, you should not deal in those Telecom Restricted Securities until such matters become public knowledge and a reasonable period for the information to be disseminated has elapsed.

### Short term dealing should be avoided

Short term dealing is buying and selling Telecom Restricted Securities over a very short time period (within a three month period). You should not engage in short term dealing unless there are exceptional circumstances discussed and approved by the Group Company Secretary. If you did this in relation to Telecom Restricted Securities it might give rise to allegations of insider trading, particularly if short term dealing is undertaken on a regular basis, in large amounts, or around important events which affect the price of the Telecom Restricted Securities. These events may not be expected or known by you, but if they do occur your short term dealing may be viewed adversely with the benefit of hindsight. Therefore, to reduce the risk of an allegation of insider trading, do not deal in Telecom Restricted Securities on a short-term basis.

### Telecom Employees' Participation in the Telecom Employee Share Scheme or Dividend Reinvestment Plan (DRP)

Telecom employees who participate in the Telecom Employee Share Scheme or DRP

should be aware that the acquisition of shares under the Telecom Employee Share Scheme or DRP while in possession of Inside Information is caught by the definition of dealing in Telecom Restricted Securities for the purposes of the Insider Trading regime.

If you have Inside Information you should cease your contributions to the Scheme or DRP as soon as you become aware of that Inside Information by completing the [Employee Share Purchase Amendment Form](#) (in the case of the Employee Share Scheme) or by giving written notice to Computershare Investor Services (in the case of the DRP). You can recommence your contributions to the Scheme or DRP once the information is no longer Inside Information (for example, once the Inside Information has been released publicly). Please note that while we consider it important to be aware of potential Inside Information, it is likely that most Telecom employees will not have Inside Information and will be able to participate in the Telecom Employee Share Scheme and DRP without needing to cease contributions to the Schemes.

### If in doubt, don't

The rules contained in this Policy do not replace your legal obligations. The boundary between what is (and is not) in breach of the law is not always clear. Sometimes behaviour that you consider to be ethical actually may be insider trading or it may give rise to the public drawing



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adverse inferences as to Telecom's conduct. If in doubt, don't.

### Dealing/Issue/Exercise Periods

There are **no** 'safe' periods for dealing in Telecom Restricted Securities. You may **never** deal in Telecom Restricted Securities if you have Inside Information.

### Don't "tip" or encourage dealing by others

You should not either directly or indirectly advise or encourage any person to deal in Telecom Restricted Securities when you are in possession of Inside Information. You should take particular care not to "tip", which means to directly or indirectly communicate or cause to be communicated Inside Information to those who you know or suspect are likely to deal in or otherwise hold Telecom Restricted Securities or to procure others to deal in or otherwise hold Telecom Restricted Securities. You could be liable in respect of dealing by these people.

You cannot avoid the insider trading laws by dealing in Telecom Restricted Securities through companies or trusts you control. If the companies or trusts that you control deal in Telecom Restricted Securities while you have Inside Information, you will be deemed to have procured the company or trust to deal in Telecom Restricted Securities, exposing yourself and the company or trust to liability.

In addition, you should not deal in or procure, advise or encourage others to deal

in, or tip, with respect to, securities of another company if you have Inside Information about that other company.

### Telecom Inside Information should only be disclosed to other Telecom personnel on a "need to know" basis

Inside Information should not be freely discussed by employees other than for work purposes. The "need to know" rule is part of Telecom's general security policy. This will reduce the flow of Inside Information within Telecom and help lessen the risk of insider trading.

### No Telecom Inside Information should be disclosed to third parties unless those third parties are covered by express or implied duties of confidentiality

Implied duties of confidentiality arise for example with respect to disclosure to legal advisers for the purposes of obtaining legal advice, on (say) a proposed acquisition of another company. Express obligations will arise where specific confidentiality agreements are entered into to cover disclosure in specific instances. You are also referred to Telecom's Market Disclosure Policy.



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This policy applies whether the dealing is to be done in New Zealand or overseas and whether or not the dealing relates to Telecom's New Zealand or foreign securities

**NOTE:** In this Policy, references to the Group Company Secretary shall, in the Group Company Secretary's absence, be read as references to the General Counsel Corporate (provided that the General Counsel Corporate has been expressly authorised by the Group Company Secretary).

Remember - if in doubt consult the Group Company Secretary or your own legal adviser.

### Ownership

This is a CEO Policy that is owned by the Group General Counsel and Group Company Secretary. It will be updated annually or as otherwise required or necessary.

### Review Date

November 2011



# Additional Rules for Restricted Persons

## Application

These Rules are in addition to New Zealand and Australian legislative requirements and apply to:

1. All Directors of Telecom;
2. The Chief Executive;
3. All members of the Executive Team and the Australian CEO;
4. All direct reports to members of the Executive Team and the Australian CEO;
5. To the extent not included above, all persons who manage a principal business unit, division or function of Telecom\*;
6. The following:
  - o All members of Group Legal and Corporate Services;
  - o All members of Group Finance;
  - o All members of Group Corporate Affairs;
  - o All members of Group Strategy; and
  - o All members of Group Human Resources.
7. All other people designated by the Telecom Group Company Secretary. Such designation may be by name, position or business group and shall be for such period of time as determined by Telecom's Group Company Secretary.

\* If you are unsure as to whether these Rules apply to you, you should contact Telecom's Group Company Secretary.

Persons covered by these additional restrictions are called "**Restricted Persons**".

Employees and directors will be considered responsible for the actions of trusts and companies controlled by them. In this respect, "control" is not to be construed in a technical way but by looking at how decisions are made in practice.

## Black-out period

Restricted Persons are prohibited from dealing in any Telecom Restricted Securities during the following specific "black-out" periods:

- from Telecom's half-year balance date (31 December), until the first trading day after the release of half-year results to the Stock Exchanges;
- from Telecom's year end balance date (30 June), until the first trading day after the release of full-year results to the Stock Exchanges; and
- such other period as determined by the Group Company Secretary and notified to Restricted Persons.

Restricted Persons are not permitted to deal in any Telecom Restricted Securities during a black-out period unless the Group Company Secretary provides a specific



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exemption in exceptional circumstances.

Outside the black-out periods specified above, Restricted Persons who do **not** possess Inside Information may deal in Telecom Restricted Securities subject to the notification and consent requirements set out below.

**Exceptional Circumstances** may include:

(i) where the Restricted Person is in severe financial hardship; or (ii) where the Restricted Person is required by a court order or other court enforceable undertaking to transfer or sell Telecom Restricted Securities.

***Please note that, subject to the exception in this Policy for acquiring, rights or shares under certain Telecom employee incentive schemes, if you possess Inside Information you must not deal in Telecom Restricted Securities at any time – regardless of these periods.***

### Consent

1. Before dealing in Telecom Restricted Securities (or having Telecom Restricted Securities dealt in your name or on your behalf), at any time, Restricted Persons must:

- notify the Group Company Secretary of their intention to deal in Telecom Restricted Securities and seek consent to do so (using the [Dealing by Insiders](#)

[Form](#));

- confirm that they do not possess Inside Information;
- confirm that there is no known reason to prohibit dealing in any Telecom Restricted Securities; and
- where Exceptional Circumstances exist and the Restricted Person wishes to deal inside a black-out period, specify the nature of the Exceptional Circumstances.

By way of example, consent is required should you wish to:

- acquire or dispose of Telecom shares or American Depositary Shares (including a disposal of shares that have been acquired through the exercise of rights (zepos) or the vesting of shares under a Telecom employee incentive scheme);
- deal in TCNZ Finance Limited debt securities (including TeleBonds) listed on the NZX, ASX or Luxembourg Stock Exchange;
- otherwise deal in Telecom shares or American Depositary Shares (e.g. gifting of shares to a family member, transferring shares to a trust);
- enter the Telecom Employee Share Scheme;
- re-enter the Telecom Employee Share Scheme following cessation of contributions to the Employee Share Scheme due to you being in possession of Inside Information; or
- participate in the Dividend Reinvestment Plan following the declaration of a



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dividend.

\*N.B. All dealing involving:

1. *Telecom Directors; or*
2. *Greater than 100,000 shares/ options, must be approved by the Chairman of the Telecom Board. The completed Dealing by Insiders Form should be submitted to the Telecom Group Company Secretary.*

Consent is **not** required should you:

- receive rights (zepos) as part of the Telecom Share Rights Scheme or the CEO Performance Rights Scheme;
- be issued shares under the CEO Performance Incentive Scheme, unless otherwise stated in the offer document relating to an allocation of shares;
- acquire Telecom shares through the vesting of your restricted shares under the Telecom Restricted Share Scheme;
- acquire Telecom shares by electing to exercise your rights (zepos) granted under the Telecom Share Rights Scheme or CEO Performance Rights Scheme (except where you wish to exercise more than 100,000 rights); or
- cease contributions to the Employee Share Scheme because you are in possession of Inside Information;
- cease to participate in the DRP because you are in possession of Inside Information;
- acquire Telecom shares through a pro rata rights issue;
- dispose of Telecom shares through the

acceptance of a takeover offer under the Takeovers Code; or

- dispose of Telecom shares through a pro rata share buyback or cancellation of shares by a scheme of arrangement.

Consent is also not required should your restricted shares or rights (zepos) granted under a Telecom employee incentive scheme lapse or be forfeited.

A consent is only valid for a period of 10 trading days after notification. Further consent is required for dealings in Telecom Restricted Securities which will be completed more than 10 trading days after a previous consent was given. A consent is automatically deemed to be withdrawn if the person becomes aware of Inside Information prior to dealing.

2. Permission will only be given if the Telecom Group Company Secretary or the Telecom Chairman, as appropriate, is reasonably satisfied as to the following:

- The decision to deal in the Telecom Restricted Securities has not been made on the basis of Inside Information;
- The information provided in the [Dealing by Insiders Form](#) is true; and
- Exceptional Circumstances exist in the case of a Restricted Person seeking Permission to deal inside a black-out period.

3. Permission to deal, if it is granted, will be



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provided by way of letter, fax or email.

### Notification of Dealing

Once dealing is complete this must be disclosed to Telecom's Group Company Secretary.

### Hedging and other Dealings

Restricted Persons are prohibited from entering into hedging arrangements to limit their exposure in relation to "at-risk" remuneration (meaning unvested shares, options or rights issued or acquired under the Telecom employee incentive schemes where performance hurdles have not yet been achieved or other conditions have not yet been met). A Restricted Person shall not enter into any transaction (including any hedging or derivative transaction) which will limit that person's economic risk in relation to such unvested shares, options or rights.

### Status of Rules

Failure to comply with these requirements will be treated seriously. Full and accurate disclosure of all relevant facts must be made when completing the [Dealing by Insiders Form](#).

These Additional Rules form part of the "Insider Trading Policy" which applies to all Directors, "officers" and employees.

### Additional Disclosure Requirements for Directors and Officers

If you are:

1. a director of Telecom Corporation of New Zealand Limited or TCNZ Finance Limited;
2. the Chief Executive; or
3. a direct report to the Chief Executive, you may have additional disclosure requirements if you deal in Telecom securities. Please see the [Additional Disclosure Requirements for Directors and Officers](#) for a detailed description of your legal obligations.