

11 November 2020

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Electronic Lodgement

**Australian Foundation Investment Company Limited
Securities Dealing Policy**

Dear Sir / Madam,

In accordance with ASX Listing Rule 12.10, please find attached an updated version of the Company's Securities Dealing Policy, effective from today.

Yours faithfully



Matthew Rowe
Company Secretary

Authorised by the Board of Australian Foundation Investment Company
Limited



Securities Dealing Policy

1. Application of the policy

- 1.1 This policy principally applies to private dealings in the Company's securities by Key Management Personnel (KMP) and any Closely Connected Persons and Entities.
- 1.2 For the purposes of this policy, KMP comprise:
 - Non-Executive Directors of the Company; and
 - Senior Executives of the Company (including the Managing Director (MD)), as determined by the Board from time to time.
- 1.3 For the purpose of this policy Closely Connected Persons and Entities includes:
 - family members whose financial affairs are controlled by the KMP; or
 - companies, trusts and entities controlled by the KMP.
- 1.4 KMP must use all reasonable endeavours to ensure that, if they have a reportable interest in the Company's securities as defined by the ASX Listing Rules and Corporations Act due to a relationship with a third party, that third party complies with this policy as if it were a KMP.

2. Prohibitions on dealing in the Company's securities

- 2.1 KMP must not deal in the Company's securities when they possess information which, if disclosed, might have a material effect on the market price of the Company's securities (inside information). This is an absolute prohibition and any such dealing is an offence under the Corporations Act.
- 2.2 KMP must not deal in the Company's securities during prohibited periods (see section 4 below) unless exceptional circumstances apply and written clearance to deal is given (see section 5 below).
- 2.3 KMP must not deal in the Company's securities for short-term purposes. Dealings in the Company's securities must be undertaken for investment purposes and not for trading, that is, the intention in undertaking transactions should be to hold the Company's securities for a reasonable period rather than actively, promptly or repetitively buying and selling them.
- 2.4 KMP must not engage in short-selling of the Company's securities.
- 2.5 KMP are prohibited from using the Company's securities as security for margin lending arrangements or other loans. KMP must also use their best endeavours to ensure they are not put in a position of conflict with this policy by virtue of having margin or other loans over other securities.

2.6 Senior Executives are prohibited from using financial products to protect against or limit the risk associated with unvested Company securities they may receive as part of their performance-based remuneration (hedging). Breaches of the Company's policy in this regard will normally result in the termination of the Senior Executive's employment.

3. Exclusions from the policy

3.1 The following situations of dealing by KMP in the Company's securities are excluded from this policy:

- transfers of Company securities already held by the KMP into a superannuation fund or other saving scheme in which the KMP is a beneficiary;
- an investment in, or trading in units of, a fund or other scheme or arrangement (other than a scheme only investing in the Company's securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
- where a KMP is a trustee, trading in the Company's securities by that trust provided the KMP is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the KMP;
- undertakings to accept, or the acceptance of, a takeover offer;
- dealing under an offer or invitation made to all or most of the securityholders, such as a rights issue, a security purchase plan, a dividend reinvestment plan, dividend substitution share plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- where the beneficial interest in the relevant Company security does not change;
- transactions conducted between a KMP and their spouse, civil partner, child, step-child or other close family member;
- cancellation of the Company's securities as a result of failure to vest or other forfeiture of securities received by Senior Executives as part of performance based remuneration; and
- vesting of the Company's securities as a result of meeting performance hurdles or release of the Company's securities from holding lock or holding term in respect of securities received by Senior Executives as part of performance based remuneration.

4. Prohibited periods

- 4.1 For the purposes of section 2.2 of this Policy, KMP must not deal in the Company's securities during the following prohibited periods:
- (a) the close of business on 15th December and 15th June up to and including the calendar day after the Company's announcement of its interim and final financial results as applicable;
 - (b) the opening of business on the last business day of each month up to and including the calendar day after the Monthly Net Tangible Asset per Share announcement; and
 - (c) the duration of the pricing period for any capital management event.
- 4.2 The Company may impose other periods when employees are prohibited from dealing in the Company's securities because inside information may exist.

5. Exceptional Circumstances

- 5.1 A KMP who is not in possession of inside information may request and be given clearance to sell (but not purchase) the Company's securities when they would otherwise be prohibited by this policy from doing so if they are in severe financial difficulty or other exceptional circumstances apply.
- 5.2 A KMP may be in severe financial difficulty if they have a pressing financial commitment that cannot be satisfied otherwise than by selling the Company's securities. A liability to pay tax would not normally constitute severe financial difficulty unless the KMP has no other means of satisfying the liability. A circumstance will be considered exceptional if the KMP in question is required by a court order to transfer or sell the Company's securities or there is some other overriding legal requirement for them to do so.
- 5.3 Requests for clearance to deal in the Company's securities during a prohibited period involving exceptional circumstances should be made in writing (including by email) to the individuals designated for this purpose (see section 7 below).
- 5.4 Where a request involves the consideration of exceptional circumstances justifying a sale as the only reasonable course of action, particulars of those exceptional circumstances must accompany the relevant clearance request. The Company may be required to notify the existence of exceptional circumstances to the Australian Securities Exchange.

6. Dealing in other companies' securities

- 6.1 Proposed private dealings by Senior Executives in other companies' securities must be referred to the investment team before execution to ensure there are no conflicting orders in the market for that security.
- 6.2 Prior to undertaking private dealings in other companies' securities, Non-Executive Directors should consider whether there may be any potential conflict with any of the Company's orders. If they believe so, they should contact the Chief Executive Officer or Portfolio Manager to verify whether any conflicting orders exist.
- 6.3 Offers made to the Company for participation in IPO's, placements or underwritings are for the Company's exclusive use and cannot be accepted for private purposes either fully or partially by any KMP (this does not include offers made directly to individual KMP).

7. Notification and approval

- 7.1 The Chairman (or in his absence the MD) and either the Chief Financial Officer (CFO) or Company Secretary must be given prior notice of proposed transactions by Directors (including the MD) in the Company's securities. The Chairman must give the Audit Committee Chairman or the MD and either the CFO or the Company Secretary prior notice of proposed transactions. The proposed transaction should take place before the next prohibited period as detailed in section 4.
- 7.2 The Company Secretary, CFO or MD must be given prior notice of proposed transactions by Senior Executives (excluding the MD) in the Company's securities. The proposed transaction should take place before the next prohibited period as detailed in section 4.
- 7.3 Where a KMP seeks clearance to deal in the Company's securities during a prohibited period involving exceptional circumstances, written requests (including via email) should be made:
- by Directors (including the MD) to the Chairman (or in his absence the MD)
 - by Senior Executives (excluding the MD) to the MD (or in his absence the Chairman).
- Approval will be given in writing (including via email) and copied to the Company Secretary who shall maintain a record of all such approvals.
- 7.4 The Company Secretary must be immediately advised by all KMP following a transaction in the Company's securities in order for any relevant announcement to be made to the Australian Securities Exchange.

7.5 For the purposes of sections 7.1 to 7.3, no KMP may be the recipient of the prior notification of their own transaction or be the approver of their own transaction involving exceptional circumstances.

8. Compliance and Review

8.1 KMP may be required annually and from time to time to verify in writing (including by email) that they have complied with this policy. The Company Secretary will maintain copies of all such verifications.

8.2 The Company Secretary is responsible for monitoring the operation of this policy.

8.3 This policy shall be reviewed at least every three years.

8.4 Adherence to this policy is a term of employment for Senior Executives by Australian Investment Company Services Limited.

9. Other policies

9.1 This policy should be read in conjunction with other AFIC governance policies, including the Company's Continuous Disclosure Policy and Corporate Principles of Conduct.