

## CONTINUOUS DISCLOSURE POLICY

This Disclosure Policy comprises:

- Part 1:** *Executive Summary*.
- Part 2:** *The Legal Position*, which describes Wattyl Limited's (*Wattyl*) principal disclosure obligation and the consequences of failing to disclose information.
- Part 3:** *Materiality Guidelines*, which describe the qualitative and quantitative tests of materiality.
- Part 4:** *Reporting Processes*, which describes the system to be followed in identifying potentially discloseable information, reporting it internally and, if required, disclosing it to the Australian Stock Exchange Limited (*ASX*).

### Part 1 – Executive Summary

Except in certain circumstances, Wattyl is required to immediately disclose to the ASX any information regarding the company and its subsidiaries that may have a material effect on the price or value of Wattyl's securities.

Any officer or employee who becomes aware of information relating to Wattyl or one of its subsidiaries which may need to be disclosed must communicate that information to the Corporate Counsel or the Chief Financial Officer or, in their absence, the Managing Director, who will then bring it to the attention of a relevant member of the Executive Committee in accordance with this policy, so that it can be more fully considered by those responsible for deciding whether or not disclosure to the ASX is necessary. A failure by Wattyl to make timely disclosure of information that may have a material effect on the price or value of Wattyl's securities may result in criminal or civil liability for Wattyl, its directors and executive officers.

### Part 2 – The Legal Position

#### 1. Introduction

---

Wattyl is a listed public company and will comply with the continuous disclosure obligations contained in the Listing Rules of the ASX (the *Listing Rules*), the relevant provisions of the Corporations Act and the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX Corporate Governance Council (the *ASX Recommendations*).

## **2. ASX Disclosure**

---

### **2.1 Obligation**

Subject to the exceptions contained in the Listing Rules, Wattyl will immediately notify the ASX of any information concerning the business of Wattyl that a reasonable person would expect to have a material effect on the price or value of Wattyl's securities.

Wattyl will not release this information to any other person until it has given the information to the ASX and received an acknowledgment that ASX has released the information to the market.

### **2.2 The Exceptions**

Wattyl is aware that disclosure is not required by the Listing Rules where certain conditions are satisfied (see Listing Rule 3.1).

### **2.3 Correcting a false market**

Where requested by ASX, Wattyl will provide the ASX with any information necessary to correct or prevent a false market in Wattyl's securities.

### **2.4 Awareness of information**

Whenever a director or executive officer of Wattyl is in possession of information which may have a material effect on the price or value of Wattyl's shares, that information will be immediately communicated in accordance with this Disclosure Policy.

### **2.5 Materiality of information**

Materiality guidelines are set out in Part 2 of this Disclosure Policy.

### **2.6 Generally available information**

There is no requirement for Wattyl to disclose information which is generally available.

## **3. Appointment of an Authorised Officer**

---

The officers who have primary responsibility for the administration of Wattyl's Disclosure Policy are the:

- Corporate Counsel; and
- Chief Financial Officer;

and, in their absence, the:

Managing Director.

Together, the responsibilities of these officers include:

- (a) making sure that Wattyl complies with its continuous disclosure obligation, and monitoring that compliance; and
- (b) overseeing and co-ordinating disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public; and

- (c) educating directors and employees about this Disclosure Policy and raising awareness of the principles underlying continuous disclosure.

## **4. Contravention and Liability**

---

### **4.1 Contravention**

A failure to comply with the Disclosure Policy may lead to a breach of the Listing Rules, the Corporations Act or other regulations.

### **4.2 Liability**

Wattyl is aware that if it contravenes its continuous disclosure obligations, it may face criminal and civil liability under the Corporations Act. The Australian Securities and Investments Commission (**ASIC**) can also institute proceedings under the *Australian Securities and Investments Commission Act 2001* (Cth).

Wattyl's officers (including its directors and employees) and advisers who are involved in a contravention by Wattyl may also face criminal and civil liability (and disciplinary action by Wattyl, in the case of employees).

Similarly, directors, officers and advisers may be criminally liable under the Criminal Code if they aid or abet, or are in any way knowingly concerned in Wattyl's contravention.

### **4.3 Unwanted publicity**

Contravention of its continuous disclosure obligation may lead to unwanted negative publicity for Wattyl, as well as enforcement action and possible legal liability.

## **5. ASX Policy**

---

### **5.1 Trading Halts**

Wattyl may request a trading halt from the ASX or make a preliminary or holding announcement where a proposal is insufficiently complete to warrant disclosure.

### **5.2 Rumours**

Wattyl will not generally respond to reports or market rumours. However, there are exceptions to this (see discussion in section 5 of Part 4 below).

### **5.3 Analysts**

Wattyl will not provide analysts with any information which is material but not public.

### **5.4 Overseas Markets**

Information released by Wattyl to overseas markets will be provided simultaneously to ASX.

## 5.5 Information Not Widely Known

The fact that information about a company is widely known does not avoid the obligation to disclose it to the ASX. Press releases will need to be copied to the ASX if they contain any material information not already disclosed to the market.

## 6. Other Specific Disclosure Requirements

---

### 6.1 Listing Rules

Wattyl will comply with other disclosure requirements contained in the ASX Listing Rules.

For example, the Listing Rules require disclosure in relation to the following matters:

- (a) **General meeting dates** – the date of any general meeting of Wattyl at which directors may be elected (Listing Rule 3.13.1);
- (b) **General meeting announcements** – the contents of any prepared announcement (such as the Chairman's address) that will be delivered at a general meeting of Wattyl (Listing Rule 3.13.3);
- (c) **General meeting resolutions** – the outcome of all resolutions put to a general meeting of Wattyl (Listing Rule 3.13.2);
- (d) **Changes to issued securities** – any alteration to the issued securities of Wattyl (for example, a new share issue, a capital reduction or a capital reconstruction) (Listing Rules 3.10.1, 3.10.3 and 3.10.5);
- (e) **Changes to office bearers** – changes in directors, Managing Director, Chairman, Company Secretary or auditor (Listing Rule 3.16);
- (f) **Changes to offices** – any change to a registered office or principal administrative office (Listing Rule 3.14);
- (g) **Documents sent to security holders** – a copy of any document sent to a class of security holders (Listing Rule 3.17); and
- (h) **Disclosure documents, PDS and information memoranda** – a copy of any disclosure document or PDS immediately after it is lodged with ASIC and a copy of any information memorandum before it is issued (Listing Rule 3.10.4).

### 6.2 Corporate Governance Best Practice Recommendations

Wattyl also seeks to comply with the ASX Recommendations. The Wattyl website contains or will shortly contain the following:

- a document clearly setting out the responsibilities of the Board or a statement of the matters that have been delegated to management;
- a description of the policy and procedure for selecting and appointing new directors to the Board, and the charter of the Remuneration and Nomination Committee or a summary of the roles, rights, responsibilities and membership requirements for that committee;

- any applicable code of conduct for directors and senior management, and any trading policy for directors, officers and employees, or a summary of those policies;
- the charter of the Audit and Compliance Committee and a description of the procedures for the selection and appointment of the external auditor and the rotation of external audit engagement partners;
- the charter of the Safety and Operational Risk Committee;
- this Disclosure Policy;
- a description of Wattyl's arrangements for promoting communication with its shareholders;
- a description of the process for evaluating the performance of the Board, its committees, individual directors and key executives;
- any applicable code of conduct relating to Wattyl's compliance with its legal and other obligations to legitimate stakeholders, or a summary of that code;
- Wattyl will also have regard to the recommendations of the ASX Corporate Governance Council in the preparation of its annual report, financial results and any other structured disclosure document.

In addition, if an independent director of Wattyl is considered by the company to have lost their status as an independent director in accordance with the Board Charter, that fact will be immediately disclosed to ASX.

## **Part 3 – Materiality Guidelines**

### **1. Introduction**

---

The following guidelines are provided to assist directors and employees in identifying matters that may require disclosure. The purpose of these guidelines is to identify matters which can then be considered more fully, with a view to determining whether disclosure is required.

All of the matters which will require consideration under these guidelines will not necessarily require disclosure. Conversely, it is important to remember that a matter may be discloseable even if it does not come within any of the following categories.

Where a matter is potentially discloseable, the Corporate Counsel and the Chief Financial Officer (and, in their absence, the Managing Director), should be informed as soon as possible.

### **2. Materiality Thresholds**

---

#### **2.1 Thresholds**

The thresholds are:

- (a) qualitative; and
- (b) quantitative.

## **2.2 Qualitative test**

By way of example, these qualitative matters (some of which are drawn from a note to Listing Rule 3.1) may include, but are not limited to, matters:

- (a) that might affect Wattyl's ability to carry on business;
- (b) that might have a material effect on the future business activities of Wattyl;
- (c) that might have a material effect on income, cash flow or the ability to generate profits (including where there would be a long term effect even if the effect in any one year is not material);
- (d) involving any significant changes in technology or the application of technology which could affect Wattyl's business;
- (e) involving any proposed change in regulation or law that could materially affect Wattyl's business;
- (f) involving a significant allegation of any breach of the law, whether civil or criminal, by Wattyl or any of its employees;
- (g) involving a material change in Wattyl's financial forecasts or expectations;
- (h) involving a transaction for which the consideration payable or receivable is a significant proportion of the written down value of Wattyl's consolidated assets (normally an amount of 10% or more would be significant, but a smaller amount may be significant in a particular case);
- (i) involving the appointment of a receiver, manager, liquidator or administrator to Wattyl or an event which could result in Wattyl or an affiliate entity becoming insolvent;
- (j) involving a declaration of a dividend or a decision that a dividend will not be declared;
- (k) involving an agreement between Wattyl (or a related party or affiliate entity) and a director (or a related party of a director);
- (l) involving a change in executive personnel or structure;
- (m) that may have a materially adverse effect on Wattyl's reputation;
- (n) concerning material information regarding the beneficial ownership of Wattyl's securities obtained under the Corporations Act;
- (o) relating to the giving or receiving of a notice of intention to make a takeover;
- (p) concerning any rating applied by a rating agency to Wattyl or any of its securities, and any change to such a rating;
- (q) involving a material change in accounting policy adopted by Wattyl;
- (r) involving a proposal to change Wattyl's auditor; and

- (s) that is in some other way onerous, unusual or so outside the ordinary course of business that it ought to be considered.

Disclosure of any of these matters would be required if a reasonable person would expect it to have a material effect on the price or value of Wattyl's securities.

### **2.3 Quantitative test**

The following matters will need to be considered to determine if disclosure is required:

- (a) matters which potentially may exceed 10% of the Wattyl group's profit (plan or market guidance estimates);
- (b) matters which potentially may affect the assets or liabilities of the Wattyl group by more than 5% of net tangible assets on a statutory basis; and
- (c) matters involving any claim against Wattyl or a company controlled by Wattyl exceeding 10% of the Wattyl group's profit (plan or market guidance estimates).

### **2.4 Examples in Listing Rule 3.1.3**

Listing Rule 3.1.3 provides the following specific examples of matters that may need to be disclosed under Listing Rule 3.1:

- (a) a change in Wattyl's financial forecast or expectation;
- (b) any declaration in relation to a dividend;
- (c) a transaction for which the consideration payable or receivable is a significant proportion of the written down value of Wattyl's consolidated assets (usually an amount of 5% or more would be significant, but a smaller amount may be significant in a particular case);
- (d) giving or receiving a notice of intention to make a takeover; and
- (e) any agreement between Wattyl (or a related party or subsidiary) and a director.

## **Part 4 – Reporting Processes**

### **1. Introduction**

---

Wattyl's reporting system includes:

- (a) regular internal reporting which may identify matters requiring disclosure;
- (b) reporting of events occurring between regular reporting which may identify matters requiring disclosure; and
- (c) the process for regularly reviewing Wattyl's continuous disclosure compliance program.

## **2. Regular Reporting**

---

The following regular reporting is provided by executives and other employees within the Wattyl group and is reviewed for a variety of functional reasons. These reports should assist in identifying the occurrence of any significant event:

- (a) monthly written reports of those executives that report directly to the Managing Director;
- (b) meetings of Wattyl's Executive Committee with the Managing Director; and
- (c) Board reports (which contain the report from the Managing Director).

However, directors, executives and other employees should not wait for, or rely on, regular reporting to advise of an important event that may require disclosure under Wattyl's continuous disclosure obligation.

Each director is also required to consider whether they possess any information which may require disclosure by Wattyl under its continuous disclosure obligation. It is a standing agenda item at each Board meeting that the directors raise and consider any information which potentially may require disclosure. The monthly Board report contains a section dealing with continuous disclosure issues.

## **3. Events Occurring between Regular Reporting**

---

### **3.1 On-going assessment of information**

It is essential that there is ongoing monitoring and assessment by directors, executives and other employees within Wattyl of information for the purposes of disclosure. The aim is twofold – to identify new information that should be disclosed, and to ensure that information that has previously been withheld from disclosure on the basis of the exceptions is released immediately once the exceptions no longer apply.

### **3.2 Person to whom events should be reported**

If a director, executive or other employee within the Wattyl group becomes aware of information that may have a material effect on the price or value of Wattyl's securities, they should immediately notify that information to the Corporate Counsel and the Chief Financial Officer or, in their absence, the Managing Director, either by phone or by email.

It is critical to Wattyl's effective compliance with its continuous disclosure obligation that information is communicated by its directors, executives and other employees as soon as they become aware of that information.

In all circumstances, should a director, executive or other employee have any doubt as to whether the information requires disclosure, they should err on the side of caution and notify that information to the Corporate Counsel or the Chief Financial Officer or, in their absence, the Managing Director.

### 3.3 Process to determine if disclosure required

When a matter is reported, the Corporate Counsel and the Chief Financial Officer will discuss the significance of the matter and possible disclosure responses with the Managing Director and/or relevant members of the Executive Committee and, if the matter is sufficiently significant, the Chairman. If the matter is required to be disclosed, the Corporate Counsel and the Chief Financial Officer will:

- co-ordinate the preparation of a draft ASX announcement; and
- where practicable, having regard to Wattyl's disclosure obligations, circulate the draft announcement to the Chairman and relevant management and external advisers for review.

Once the review process has been completed, the Corporate Counsel will disclose the information to the ASX and advise the Chief Financial Officer and the Board when an acknowledgment has been received from the ASX that the information has been released to the market, to enable the information to be released to the media (as appropriate).

To improve access to investors of material information about Wattyl, when acknowledgment is received from ASX that information disclosed to it has been released to the market, the Corporate Counsel will arrange for it to be posted on Wattyl's website. The information is to be posted in an area of the website separate from promotional material.

### 3.4 No selective disclosure

A corollary of the continuous disclosure obligation is that there must be **no selective disclosure of price sensitive information**. All releases of price sensitive information must first be made through the ASX Company Announcements Platform. This ensures that the market as a whole has equal access to material information about Wattyl at the same time.

### 3.5 Protecting the confidentiality of information

Wattyl may choose not to disclose information about itself that may have a material effect on the price or value of its securities, in reliance on the exceptions from disclosure described in Listing Rule 3.1. The exceptions only apply, however, if the information is kept confidential. Accordingly, each director, executive and other employee of Wattyl (as well as an adviser or consultant) who possesses price sensitive information about Wattyl that has not been disclosed to the ASX must protect and preserve the confidential nature of that information, including by:

- (a) refraining from discussing that information with, or divulging that information to, any person who is not authorised by Wattyl to receive that information; and
- (b) ensuring that any documents or other written material in their possession in relation to that information are properly and securely stored and are not disclosed to an unauthorised person.

If a director, executive or other employee has any doubt as to whether information is price sensitive or who is authorised to receive that information, they should discuss the matter

with the Corporate Counsel and the Chief Financial Officer (or in their absence, the Managing Director).

#### **4. Routine Business Reporting**

---

When an event occurs that is a matter of fact, such as a new executive appointment, the Company Secretary will disclose the information to the ASX and advise the Chief Financial Officer when an acknowledgment has been received from the ASX that the information has been released to the market, to enable the information to be released to the media and posted on Wattyl's website (as appropriate).

#### **5. Leaks, Rumours and Inadvertent Disclosure of Information**

---

##### **5.1 Leaks, rumours and inadvertent disclosure**

Wattyl's general policy is not to respond to reports or rumours about it published by analysts, fund managers or reporters. From time to time, however, it may be necessary to respond to the unauthorised or selective disclosure of information or market rumours concerning Wattyl, particularly where the information or rumour is having, or likely to have, an impact on the price of Wattyl's securities.

To ensure a consistent response from Wattyl to such occurrences, all instances of unauthorised or selective disclosure or rumours should be reported to the Corporate Counsel and the Chief Financial Officer as soon as they become known.

##### **5.2 Assessment of Wattyl's response**

When a matter is reported, the Corporate Counsel and the Chief Financial Officer will discuss the significance of the matter and possible disclosure responses with the Managing Director and, if the matter is sufficiently significant, the Chairman.

##### **5.3 Disclosure of information**

If the information the subject of the unauthorised or selective disclosure is considered material, or there is a significant market rumour concerning Wattyl that is having or is likely to have an impact on the price of Wattyl's securities, the Corporate Counsel and the Chief Financial Officer will co-ordinate the development of a disclosure response to ASX and comply with the procedures set out in clause 3.3 of Part 3, in relation to the preparation and review of the draft disclosure, and distribution of the information to the ASX, the Board, the media and others.

##### **5.4 Referral of enquiries**

Any queries by the ASX, the media, analysts, brokers, shareholders or the public about a market rumour concerning Wattyl or regarding information that is subject to this Disclosure Policy must be referred to the Corporate Counsel and the Chief Financial Officer or, in their absence, the Managing Director.

The only persons authorised to speak to the media or any other person outside the company about market rumours concerning Wattyl or about information that is subject to

this Disclosure Policy are the Managing Director and the Chief Financial Officer, or those who are authorised by the Chairman or the Managing Director from time to time. Communications with the ASX are covered in section 6 below.

## **6. Release of Information from Wattyl**

---

To ensure that Wattyl approaches its continuous disclosure obligation consistently, and information is not released publicly prior to its disclosure to ASX, it is important that:

- (a) no-one other than the Corporate Counsel releases information to, or communicates with, the ASX unless specifically authorised to do so by the Managing Director or the Chief Financial Officer. This includes responding to market rumours, leaks of sensitive information and inadvertent disclosure; and
- (b) any executive or other employee proposing to disclose information about Wattyl publicly, such as at private briefings, must:
  - (i) inform the Corporate Counsel and the Chief Financial Officer of the information to be disclosed, to ensure that Wattyl's disclosure obligation is not breached;
  - (ii) provide to the Corporate Counsel and the Chief Financial Officer a copy of any presentation slides or other documents to be used, for release to the ASX and posting on the website (as appropriate);
  - (iii) only discuss information that has been released to the ASX or is not of a material nature; and
  - (iv) decline to respond, or take on notice, any question the answer to which would require disclosure of material information until the information has been disclosed to the ASX.

## **7. Regular Review of this Disclosure Policy**

---

The following process has been determined for the ongoing review of Wattyl's compliance with its continuous disclosure obligations. The Corporate Counsel and the Chief Financial Officer will:

- (a) conduct a regular review of the adequacy of this Disclosure Policy and the procedures established under it to ensure Wattyl identifies in a timely manner all material disclosure events, that the Corporate Counsel and the Chief Financial Officer are promptly made aware of such events and that Wattyl's disclosure obligation is being met;
- (b) conduct a regular review of the adequacy of the materiality thresholds and, through the Managing Director, recommend changes to the Board;
- (c) ensure that all potential continuous disclosure matters are immediately identified and considered on a case by case basis as to whether disclosure is required under Wattyl's legal obligations; and

- (d) maintain a record of matters considered for disclosure and further develop policies that promote a considered and consistent approach to disclosure.

## **8. Raising Awareness of Continuous Disclosure Obligation**

---

The Corporate Counsel and the Chief Financial Officer will arrange for regular training sessions to be conducted for executives and other employees to provide information about Wattyl's continuous disclosure obligation, to describe the operation of this Disclosure Policy and to raise awareness of the principles underlying continuous disclosure.

## **9. Summary**

---

In summary, it is the responsibility of each director, executive and other employee of Wattyl to communicate any information regarding Wattyl that may have a material effect on the price or the value of Wattyl's securities, as soon as that person becomes aware of the information.

If any director, executive or other employee is in any doubt as to whether the information should be disclosed, they must disclose that information to the Corporate Counsel or the Chief Financial Officer or, in their absence, the Managing Director in accordance with this Disclosure Policy, and it will then be more fully considered by those responsible for deciding whether or not disclosure to the ASX is necessary.

A failure by Wattyl to make timely disclosure of information that may have a material effect on the price or value of Wattyl's securities may result in criminal or civil liability for Wattyl, its directors, executives and other employees.

## **10. Queries**

---

If, at any time, directors, executives or other employees have any queries regarding their information reporting obligations, or Wattyl's continuous disclosure obligation, they should contact the Corporate Counsel or the Chief Financial Officer by phone or email.

Dated 5 August 2009