

# Policy on Use & Public Disclosure of Inside Information

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## 1 Revision History

<i>Rev Level</i>	<i>DCO Number</i>	<i>Brief Description of Change</i>
A	10006263	Initial release
B	10009435	Corrected section numbering referenced in section 4.1.6; updated e-mail contact in Annex B

## 2 Purpose

Consistent with the Global Code of Business Conduct and Ethics, this document establishes guidelines for (i) compliance of the Synthes Group, its directors, officers and employees with applicable laws of Switzerland, as well as rules and regulations of the SWX Swiss Exchange (**SWX**) and the UK Financial Services Authority (**FSA**), and (ii) contacts with investors and

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regulatory authorities regarding the use and public disclosure of Inside Information (as defined below).

The purpose of this policy is to ensure that insiders do not take advantage of information not available to the investing public and to protect the interests of market participants by providing them with prompt and complete information about significant corporate developments that might affect the value of possible investments.

Accordingly, this policy defines the rules and procedures applicable to:

- a. the requirements for Synthes Restricted Persons (as defined below) to refrain from trading in, and recommending that others trade in, Synthes Securities (as defined below) while possessing Inside Information;
- b. the requirement for Synthes Restricted Persons to retain the confidentiality of Inside Information;
- c. the requirement for members of the board of directors and certain members of the management not to trade in Synthes Securities during certain Closed Periods (as defined below);
- d. the requirement for members of the board of directors and certain members of the management to report to Synthes all of their transactions in Synthes Securities; and
- e. the requirements for Synthes to comply with, and implement, its disclosure obligations under the applicable listing rules of the SWX.

## 3 Definitions

In this document, capitalized terms shall have the meaning set forth below:

**Inside Information** – information of a precise nature (as defined below):

- a. that is not generally available;
- b. that relates, directly or indirectly, to the Synthes Group or the Synthes Securities; and
- c. that would, if generally available, be likely to have a significant effect on the price (as defined below) of the Synthes Securities.

Information is of a **precise nature** if it

- d. indicates circumstances that exist or may reasonably be expected to come into

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existence or an event that has occurred or may reasonably be expected to occur; and

- e. is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of the Synthes Securities.

Information would be likely to have a **significant effect on the price** if and only if it is information of a kind which a reasonable investor would be likely to use as part of the basis of his investment decision.

For examples of Inside Information please refer to Annex A hereto.

**Synthes** – Synthes, Inc.

**Synthes Group** – Synthes, Inc. and all companies included in its consolidated financial statements.

**Synthes Securities** –

- a. any shares (common stock and preferred stock) in the capital of Synthes;
- b. any other securities (including debt securities) issued by Synthes which are listed on a regulated exchange or securities market or for which an admission for listing is pending;
- c. any securities whose value is linked to the securities referred to under a. or b. above (e.g., convertible bonds, options, including those granted under an employee participation plan, or pre-emptive rights), regardless of whether issued by Synthes or by a third party, and regardless of whether such securities provide for actual delivery or cash settlement; and
- d. any other financial instrument (including, but not limited to, index products and equity baskets) whose price is materially influenced by the securities referred to under a. or b. above; "materially influenced" as used in the preceding sentence shall be deemed existent if the price of a financial instrument is dependent to a degree of more than

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33% on the securities referred to under a. or b. above.

References in this document to one gender shall be deemed to include the other gender.

## 4 Restrictions on dealing in Synthes Securities

### 4.1 General Rules Applicable to all Synthes Restricted Persons

#### 4.1.1 Prohibition of Executing Transactions in Synthes Securities

Any Synthes Restricted Person who possesses Inside Information may not directly or indirectly sell, buy, or enter into an option or similar transaction relating to Synthes Securities, whether for his own account or for the account of another, until the end of trading on the first business day after the Inside Information has been publicly released by Synthes in its entirety.

Inside Information shall be deemed to have been publicly released if Synthes has disclosed it by way of a media release or public regulatory filing. Rumors or "talk on the street," even if widespread and reported in the media, do not constitute a public release until Synthes itself shall have released the relevant information.

#### 4.1.2 Prohibition of Recommending Transactions

Any Synthes Restricted Person who possesses Inside Information shall be prohibited from recommending to sell, buy, or otherwise deal in, Synthes Securities until the end of trading on the first business day after the Inside Information has been publicly released by Synthes in its entirety.

#### 4.1.3 Prohibition of Disclosing Inside Information

Any Synthes Restricted Person shall be prohibited from disclosing Inside Information to anyone other than a person whose position requires him to know the Inside Information and who (i) is, or by receipt of such Inside Information becomes, subject to this policy, or (ii) who is subject to a statutory or professional secrecy provision, or (iii) who has executed a written confidentiality undertaking.

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## 4.1.4 Speculation

Synthes Restricted Persons are not allowed to speculate in Synthes Securities. The Synthes Group encourages Synthes Restricted Persons to invest in Synthes Securities, but investing means acquiring Synthes Securities to share in the long-term growth of the Synthes Group. In accordance with the above principle,

- a. short-swing trades (*i.e.*, sales of Synthes Securities less than six months after their acquisition);
- b. short sales of Synthes Securities; and
- c. any other type of short term speculation based on short term fluctuations in the market; shall be prohibited.

## 4.1.5 Trading in Other Securities

No Synthes Restricted Person shall sell, buy or otherwise deal in, or recommend that another person sell, buy or otherwise deal in, the securities of another company (or related derivative instruments) if the Synthes Restricted Person, in the course of his position or employment, acquires confidential information on the other company that is likely to affect the value of those securities. For example, it would be a violation of this policy if a Synthes Restricted Person learned through Synthes Group sources that the Synthes Group intends to purchase assets from another company, and then transacted securities in that other company because of the likely increase or decrease in the value of its securities.

## 4.1.6 Exceptions

The prohibitions of section 4.1.1 above shall not apply if:

- a. a Synthes Restricted Person, at a time when he did not possess Inside Information, entered into a binding contract, provided instructions to another, or was subject to a written plan (such as an employee participation plan) for trading Synthes Securities; and
- b. the contract, instruction or written plan does not allow the Synthes Restricted Person to exercise any subsequent influence over when, whether or at what price to effect purchases or sales of Synthes Securities; and
- c. no alteration to, or deviation from, the original contract, instruction or plan was made after the Synthes Restricted Person came into possession of the Inside Information.

The prohibition of section 4.1.1 above shall further not apply to the exercise of options, conversions of convertible bonds or the exercise of warrants or similar rights to Synthes

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Securities within the scope of an employee participation plan on the two business days prior to the date of expiry of such right.

## 4.2 Special Rules Applicable to Board Members, Officers and Certain Other Synthes Restricted Persons

Under this policy, members of the board of directors and senior management are subject to general restrictions on trading in Synthes Securities due to their access to confidential information on a regular basis. These restrictions apply in addition to those set forth in section 4.1 above.

### 4.2.1 Closed Periods

#### a. Closed Periods for the Executive Group

The Executive Group consists of the chairman of the Board of Directors, all executive members of the Board of Directors, all members of the Group Management Committee, Chief Financial Officer, Division Presidents, Chief Legal Counsel, and the Heads of the Regulatory and Product Development Groups, in each case including their respective staff having access to Inside Information.

For a member of the Executive Group, trading in Synthes Securities is prohibited during the following Closed Periods, regardless of whether a member possesses Inside Information:

- i. the period starting on the closing date relevant for the annual and semi-annual financial results of the Synthes Group up to their public release and ending one (1) full trading day following the public release;
- ii. the period starting one (1) month prior to the first public release of an offering memorandum for an issue of Synthes Securities and ending one (1) full trading day following the public release; and
- iii. the period starting two (2) weeks before any public earnings release of the Synthes Group and ending one (1) full trading day following the public release.

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## 5 Reporting of Transactions in Synthes Securities by Directors and Members of the Management

The disclosure of transactions in Synthes Securities by members of the board of directors and the members of the Group Management Committee enhances the information available to investors because these persons benefit from a lead-time in information that may be relevant in valuing the Synthes Securities.

### 5.1 Scope of the Reporting Obligations

In accordance with applicable listing regulations, all members of the board of directors, and all members of the Group Management Committee (each, a **Reporting Person**) must report to Synthes any direct or indirect transaction in Synthes Securities effected by (i) the Reporting Person, (ii) [*a spouse, domestic partner, child or other relative who lives in the same household (each of these persons hereinafter a **Related Person**)*] as well as (iii)] any other person or entity, including a trust, corporation, partnership or other association, (y) whose securities are legally or beneficially owned or controlled by the Reporting Person [*and/or a Related Person*] or (z) which the Reporting Person [*or a Related Person*] may influence in his or its investment decision, in particular persons effecting transactions based on a delegation of authority including the power to trade in securities within the framework of an asset management agreement (each of these persons or entities hereinafter a **Controlled Person**).

### 5.2 Reporting Modalities

- a. Time and Form of Reporting: Any Reporting Person must report to the designated person any transaction in Synthes Securities on the second (2<sup>nd</sup>) trading day after executing such transaction by filling in the information required by the form attached hereto as Annex B.
- b. Reporting to the SWX: Synthes must report the information received from the Reporting Person (but not information received with respect to any Related Person) under subsection a. above to the SWX via its web-based reporting platform.

Reporting must occur, with respect to each Reporting Person (but excluding any Related Person), no later than the fourth (4<sup>th</sup>) day following the end of each calendar month.

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If the value of all transactions in Synthes Securities reported by a Reporting Person (but excluding any Related Person) exceeds, within one calendar month, CHF 100,000, Synthes must report these transactions to the SWX within two (2) trading days after a Reporting Person reported to it that he has exceeded the threshold of CHF 100,000 within a given calendar month.

Once the threshold of CHF 100,000 has been exceeded, each subsequent transaction by the Reporting Person (but excluding any Related Person) in Synthes Securities must be reported to SWX via its web-based reporting platform within two (2) trading days after the Reporting Person has reported a subsequent transaction.

The designated person shall be responsible for the reporting obligations of Synthes to the SWX in relation to management transactions.

## 6 Ad-hoc Publicity

To establish full and proper market transparency the SWX has issued rules on the disclosure of Inside Information. In implementation of these rules, the Synthes Group has established the following policy:

### 6.1 Principle of Disclosure | Time of Disclosure

Inside Information must be disclosed publicly as soon as a member of the board of directors or a member of the Group Management Committee has knowledge of its main points.

Whenever possible, disclosure of Insider Information must be made ninety (90) minutes before start of trading of the Synthes shares on the SWX Swiss Exchange, or any time after close of trading.

### 6.2 Addressees of Disclosure

Disclosure must be made to the public at large to ensure that all market participants have equal access to Inside Information. No preferential treatment and no selective notification of Inside Information shall be given to any shareholder, potential investor or securities analyst. Disclosure of Insider Information at a shareholder meeting, analysts' presentation or in an individual, one-to-

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one discussion with an actual or potential investor does not meet the equal access requirement. All interviews with any shareholder, actual or potential investor or security analyst or any comments on analyst reports must be coordinated through the designated person.

## 6.3 Sources of Dissemination

Disclosure of Inside Information (**ad hoc notice**) must be distributed as follows:

- a. to the SWX (ninety (90) minutes ahead of time if published during trading hours, otherwise at the latest when the disclosure of Inside Information is released);
- b. to at least two (2) electronic information systems widely used by market participants (e.g., Bloomberg, Reuters, Telekurs);
- c. to at least two (2) Swiss newspapers of national importance in German and French; and
- d. on the Synthes website.

In addition, Synthes must provide a service on its web site that allows interested parties to receive, via e-mail distribution, free and timely notification of Insider Information. The link for registering with this e-mail distribution service must be communicated to the SWX.

Disclosure on the website must remain there for two (2) years (pull system). The path to the folder containing such disclosure must be communicated to the SWX.

## 6.4 Contents

The contents of the disclosure must be made in a manner that the average market participant can form an opinion of the extent to which the Inside Information is to have a significant effect on the price of the Synthes Securities. The information must be factual, clear and complete. Disclosure that does not meet these requirements must be corrected immediately.

Disclosure shall be made in English and German.

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## 6.5 Exception: Delay of Disclosure

### 6.5.1 Prerequisites

Disclosure to the public of Inside Information may be delayed if:

- a. the Inside Information is based on a plan or decision of the Synthes Group (such as a planned acquisition, merger, tender offer, cooperation or divestment and the respective negotiations leading thereto, change in the capital structure, material changes in dividend rates, repurchases of Synthes Securities, entry into material contracts, new material discoveries, etc.); and
- b. the dissemination of such Inside Information is liable to prejudice legitimate interests of the Synthes Group.

To be able to rightfully delay the disclosure of Inside Information, Synthes must ensure the confidentiality of the Inside Information. Accordingly, the disclosure of Inside Information needs, to the extent possible, to be confined to a small group of Synthes Restricted Persons. To the extent persons outside the Synthes Group are involved; these persons must sign a confidentiality undertaking. In addition, Insider Lists in accordance with the requirements set forth in section 7 below must be maintained.

### 6.5.2 Immediate Disclosure Upon Occurrence of a Leak

Disclosure of Inside Information may no longer be delayed if a leak occurs. Leaks are situations in which, against Synthes' intentions, the confidentiality of Inside Information is no longer ensured. In particular, a leak will have to be assumed if a possible transaction becomes known to the public or if (substantially correct) information about terms or details of a contemplated transaction are circulating in the market. Mere rumors are not considered leaks.

If a leak occurs, Inside Information must be disclosed immediately, even if the release of the Inside Information was scheduled later. If a leak occurs during trading hours, the SWX must be informed immediately by telephone. To be prepared for a leak situation, a leak contingency plan

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in relation to each confidential project the disclosure of which is being delayed must be established.

## 6.6 Responsibility

The determination of whether information warrants disclosure as Inside Information involves an element of judgment. Therefore, all Synthes Restricted Persons who learn of material information that may potentially qualify as Inside Information must report such information immediately to the designated person.

Releases of Inside Information must be coordinated by the designated person and they will be responsible for implementing the release of the Inside Information.

## 7 Maintenance of Insider Lists

Since the Synthes Group, under applicable laws and regulations, may have to disclose to the competent authorities the persons who were privy to Inside Information, Synthes will maintain lists (**Insider Lists**) of all Synthes Restricted Persons who possess, or have access to, Inside Information, whether regularly or on an occasional basis.

### 7.1 Responsible Persons for Maintenance of Insider Lists

If the Inside Information relates to a confidential project being undertaken by the Synthes Group, the person primarily responsible for drawing up the Insider List shall be the relevant project manager. At the time the list is initially drawn up and whenever there are changes to the list, the relevant project manager shall forward a copy of the Insider List to the designated person.

If the Inside Information is not related to a particular confidential project, the designated person shall be responsible for drawing up and updating the Insider List.

### 7.2 Contents of Insider Lists

The Insider List must identify at least:

- a. the identity of the person having access to Inside Information;

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- b. the reason why any such person is on the Insider List; and
- c. the date at which the Insider List was created and updated.

Any Insider List shall be kept continuously up to date, with prompt corrections:

- d. whenever there is a change in the reason why any person is already on the Insider List;
- e. whenever any new person has to be added to the Insider List; and
- f. by mentioning whether and when any person already on the Insider List no longer has access to Inside Information.

## 7.3 Documentary Requirements

The Insider List shall be kept for at least five (5) years after being drawn up or last updated.

Persons required to draw up Insider Lists must ensure that any person who has access to Inside Information acknowledges the legal and regulatory duties entailed and is aware of the sanctions attaching to the misuse or improper circulation of Inside Information.

In the event a regulatory authority should require Synthes to transmit to it an Insider List, its release must be approved by the designated person.

## 8 Sanctions

Compliance with the policies set forth in this policy is of importance to any Synthes Restricted Person and the public perception of the Synthes Group.

Any violation of the rules set forth in this policy will be regarded as a serious disciplinary offense, which entitles the Synthes Group to impose sanctions pursuant to the law and/or the relevant (employment) contract on the Synthes Restricted Person concerned, including termination of the (employment) contract for cause. In addition, violation of these rules, in particular those on insider dealing, is punishable by fines and/or imprisonment under applicable legislation.

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It is each Synthes Restricted Person's responsibility to ensure compliance with the rules set forth herein. In case of doubt, the designated person shall be consulted.

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## 9 ANNEX A

### EXAMPLES OF INSIDE INFORMATION

- ◆ mergers, acquisitions or disposals, or restructuring within the Synthes Group, to the extent financially or strategically substantial;
- ◆ board decisions on equity increases or decreases, share repurchase programs, or other changes in the share or capital structure;
- ◆ annual or interim financial results, financial projections;
- ◆ material change in the Synthes Group's earning situation, unforeseen material earning declines, surprising large-scale losses or write-offs, unforeseen earning growth, which substantially changes the general financial picture of the Synthes Group;
- ◆ suspension of, or drastic change in, dividend payments, liquidity problems, impending suspension of payments;
- ◆ important changes in the Synthes Group's business, such as discontinuation of a major line of business, conclusion or dissolution of strategic alliances, major liability cases or radical market changes;
- ◆ significant developments regarding customers or suppliers, including the acquisition or loss of a significant customer or supplier; or
- ◆ unexpected changes to the composition of the board of directors, senior corporate management or auditors.

In case of doubt whether actual facts amount to Inside Information, the designated person should be consulted.

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# Document Approvals

**Approval Note:** *This page documents the owner's and originator's approval. All other approvals are located on the associated DCO request.*

**Sign and date the block indicated:**

Document Owner:	Document Originator:
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