

NZFBF

NEW ZEALAND
FINANCIAL BENCHMARK
FACILITY



TE POU HERENGA PŪTEA O AOTEAROA

NZFBF Code of Conduct and Conflicts of Interest

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NEW ZEALAND FINANCIAL BENCHMARK FACILITY

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|-------------|--|
| Contents | |
| 1 | Change Control..... 2 |
| 2 | Introduction 3 |
| 3 | NZFBFs Values..... 3 |
| 4 | Ethical Behaviour..... 3 |
| 5 | Acting with Integrity & Fairness 3 |
| | Conflicts of Interest 3 |
| 6 | Fair Dealing and Competition..... 4 |
| | Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT) 4 |
| | Business Entertainment & Gifts 4 |
| | Insider Trading or Non-Public Information Disclosure..... 4 |
| | Policies and Procedures of NZFBF..... 5 |
| | Compliance, Breaches and Record Keeping 5 |
| 7 | Creating a Culture of Inclusion & Empowerment..... 5 |
| 8 | Maintaining Safety & Security 6 |
| | Protection and Proper Use of NZFBF Assets 6 |
| | Confidential and Proprietary Information 6 |
| | Intellectual Property..... 6 |
| Appendix 1: | Guide to managing conflicts of interest..... 7 |
| | Guidance for NZFBF and IoC Directors 7 |
| | Identify: 7 |
| | Declare: 7 |
| | Manage: 8 |
| | Guidance for other NZFBF Representatives 8 |
| | What is a conflict of interest for an NZFBF Representative?..... 8 |
| | Summary 9 |

1 Change Control

| Date | Author | Update |
|---------------|------------------------------|---|
| June 2020 | John Groom | Draft document for review |
| July 2020 | Buddle Findlay | Legal Review |
| February 2021 | John Young | Review based on Deloitte's gap analysis |
| April 2021 | John Groom | Final |
| May 2024 | John Groom and Chapman Tripp | Document review and update |

2 Introduction

This *Code of Conduct and Conflicts of Interest (Code)* details and explains the values and ethics of the New Zealand Financial Benchmark Facility Limited (**NZFBF**). This Code applies to all NZFBF representatives whether they be employees, directors, Independent Oversight Committee (IoC) members, consultants or other persons engaged in the company's business regarding their conduct both inside and outside the organisation.

The primary obligation of all NZFBF Representatives is to **always** act in the best interests of NZFBF. Adherence to the Code, both in letter and spirit, gives stakeholders assurance on the integrity, trustworthiness and effectiveness of the financial benchmarks administered by NZFBF (**Benchmarks**).

3 NZFBFs Values

NZFBF aspires to the highest level of ethical standards and behaviour through promoting and adhering to its values of Integrity, Fairness and Inclusion.

4 Ethical Behaviour

NZFBF Representatives are required to:

- act with the highest standards of ethical behaviour in all aspects of their involvement with NZFBF to produce Benchmarks that are trusted and efficient;
- comply fully with the content and spirit of all laws and regulations which govern the operations of NZFBF, its business environment, and its employment practices;
- not directly or indirectly disclose any material, non-public information from, or about, NZFBF to anyone who is not a NZFBF Representative;
- not use any information obtained in the course of being a NZFBF Representative for personal benefit or the benefit of anyone except NZFBF; and
- actively promote understanding of and compliance with laws, rules, regulations, and this Code and not participate in any illegal or unethical activity.

5 Acting with Integrity & Fairness

Conflicts of Interest

NZFBF Representatives are required to:

- avoid or manage actual, potential or perceived conflicts of interest in accordance with the requirements in the Companies Act 1993 and any relevant NZFBF Conflict of Interest Policies and Procedures.
- not do anything (including by omission) which is likely to negatively affect NZFBF's reputation, or, in particular, the integrity, trustworthiness and efficiency of the Benchmarks; and report any illegal or unethical activity, including failure to comply with this Code.

Details on how to deal with conflicts of interest or compliance breaches of the Code can be found in the Compliance, Breaches and Record Keeping section, and in the Guide to Managing Conflicts of Interest.

Any material conflicts of interest will be disclosed to stakeholders through NZFBF's annual accounts or in other appropriate formats.

6 Fair Dealing and Competition

NZFBF Representatives should understand and comply with their obligations under part 2 of the Financial Markets Conduct Act 2013. In particular, NZFBF Representatives should deal honestly and fairly with all persons or entities with whom NZFBF does business. No one should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

To the extent that NZFBF Representatives:

- are users of the Benchmarks (or are employed or engaged by users of the Benchmarks); and
- interact with competitors in the course of their activities as NZFBF Representatives,

they should understand how the Commerce Act 1986 might affect their engagement with competitors and ensure that anti-competitive behaviour does not occur in any engagement with competitors in the course of their activities as NZFBF Representatives.

Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT)

NZFBF Representatives should understand and comply with their obligations under the AML/CFT Act.

Business Entertainment & Gifts

Business entertainment and gifts should only be used to create and maintain goodwill and sound working relationships, not for personal gain. Generally, no business entertainment or gift should be offered, provided or accepted unless it:

- is not excessive in value (generally less than NZ\$200);
- cannot be construed as a bribe or payoff; and
- does not violate any laws, rules, or regulations.

NZFBF will keep a register of gifts and entertainment received with a value in excess of \$50. All entries in the register must be approved by management, with the register subject to periodic audit and Board review.

Where there is doubt about accepting a gift or receiving entertainment, those obligated to comply with this code should discuss at the appropriate level, whether that be management, the Compliance Officer or the Chair of the Board.

Where conflicts may arise in the accepting of gifts or entertainment all are encouraged to follow the principles laid out in the Guide to Managing Conflicts of Interest.

Insider Trading or Non-Public Information Disclosure

NZFBF Representatives who are aware of material, non-public information from, or about, NZFBF (an "Insider") are prohibited by law, directly or through family members or other

related persons or entities, from passing on, tipping or disclosing material, non-public information to others outside NZFBF including family and friends, or to entities in which they may have a material/financial benefit.

Policies and Procedures of NZFBF

In addition to compliance with this code, NZFBF Representatives are responsible for familiarity with and compliance with other company policies and procedures. In the inadvertent event of conflict between the provisions of this code and such other policy and procedure documents, the provisions of this code shall prevail.

Compliance, Breaches and Record Keeping

Representatives are expected to protect themselves, the company, and others associated with NZFBF by promptly identifying and reporting any breaches in the Code. Should Representatives become concerned or aware of a breach of our policies, your duty is to notify the appropriate and relevant person as soon as possible with a comprehensive declaration and disclosure of the event. The following should be used as guide about who to notify and the process to expect:

- i. Any actual or suspected non-compliance with this code by a **NZFBF Representative** will be managed by the **General Manager**.
- ii. Any actual or suspected non-compliance with this Code by the **General Manager** or a **director** will be managed by the **NZFBF Board Chair**.

The General Manager or the Chair, as appropriate, shall evaluate such information as to the applicability, materiality and credibility of any suspected non-compliance with this Code. If, in their judgment, it is determined that the information is applicable, material and credible, they will initiate an informal inquiry or a formal investigation with respect thereto and prepare a report of the results of such investigation, including recommendations as to the disposition of the matter, such as appropriate disciplinary action.

The NZFBF Board Chair, where appropriate, and the General Manager should conduct an annual stock take to ensure that, throughout the course of the year, all Representatives have made the appropriate level of disclosures and obtained the necessary approvals.

7 Creating a Culture of Inclusion & Empowerment

All NZFBF Representatives are expected to interact with other NZFBF Representatives (and external stakeholders) with respect, and in a collaborative manner that facilitates a safe, productive and rewarding work environment that values everybody's contribution, encourages diversity, expression of ideas, personal development, recognises good performance and fosters equality and opportunity.

All NZFBF Representatives are expected to foster a positive and inclusive workplace culture that does not tolerate discrimination, bullying or harassment in any form.

All NZFBF Representatives are expected to comply with all applicable health and safety requirements set by NZFBF and the New Zealand Financial Markets Association.

8 Maintaining Safety & Security

Protection and Proper Use of NZFBF Assets

Appropriate steps should be taken to protect NZFBF assets and ensure their proper and efficient use. NZFBF assets should only be used for NZFBF business purposes. NZFBF Representatives have a duty to ensure that the company's premises are a safe and secure environment for other Representatives and the assets contained within.

Telephones and computer workstations and software, including network access to computing systems such as the internet and e-mail, are provided to improve personal productivity and to efficiently manage proprietary information in a secure and reliable manner. Permission must be obtained to install any software on any NZFBF device or connect any personal devices to the NZFBF network.

NZFBF Representatives should take reasonable steps to protect NZFBF information against loss and unauthorised access, use, modification or disclosure, including by following all policies of NZFBF regarding data and device security.

Confidential and Proprietary Information

All operations, activities and business affairs of NZFBF and its business associates are to be kept confidential to the greatest extent possible. Confidential information includes all non-public information that by its nature could reasonably be considered to be confidential. Confidential and proprietary information belonging to NZFBF must be treated with strictest confidence and is not to be disclosed or discussed with any person who is not an NZFBF Representative. In particular, NZFBF Representatives who have relationships with the users of Benchmarks cannot disclose any confidential information relating to the benchmark to those users.

These confidentiality requirements apply to NZFBF Representatives both during and after a period of employment or engagement with NZFBF.

Intellectual Property

All intellectual property conceived or developed during the course of acting as a NZFBF Representative shall be the sole property of NZFBF. The term "intellectual property" includes any invention, discovery, concept, idea, or writing whether protectable or not by any copyright, trademark, patent, or common law including, but not limited to designs, materials, compositions of matter, machines, manufactures, processes, improvements, data, computer software, writings, formula, maps, techniques, methods, as well as improvements related thereto concerning any past, present, or prospective activities of NZFBF.

Appendix 1: Guide to managing conflicts of interest

The contents of this annex are intended as a guide for NZFBF Representatives in the identification, declaration and management of any potential conflicts of interest. Stylized examples are used to contextualize principles, processes or practices. However, where doubt exists NZFBF Representatives are encouraged to apply an 'independence test'¹ to the situation and to consider whether their actions would be regarded as being conflicted and not in the best interests of the company. Should doubt remain Directors and Employees should err on the side of caution and 'Declare'.

Guidance for NZFBF and IoC Directors

Directors have direction from the Companies Act 1993 which notes that they must not take improper advantage of their position and are legally bound to act in the best interests of the company. In dealing with conflicts of interest the New Zealand Institute of Directors (IoD) encourages Boards to follow a three-step process:

Identify:

The New Zealand Institute of Directors (IOD) notes that a Director is obligated to address any potential conflicts of interest as well as any actual ones. NZFBF Directors may face a conflict of interest where they are:

- i. Remunerated by another entity other than NZFBF, and where that entity has a material interest or benefit in the business of NZFBF;
- ii. Where a NZFBF Director has a professional or legal obligation to someone else (such as being a trustee);
- iii. Possessing a beneficial interest in an entity that has a financial connection with the operations of the NZFBF;
- iv. Receiving a gift, hospitality or some other benefit from someone connected with the business of the NZFBF; and,
- v. Where a relative or close friend has any of the above interests.

***Example 1:** Susan, who is a NZFBF Director, has been approached about consulting role in six months' time with a data vendor that NZFBF uses*

***A:** Although Susan has not been offered the role and there has been no remuneration involved, she should declare this 'potential conflict' to the Board.*

Declare:

Where an actual, perceived or potential conflict of interest arises a Director of NZFBF or the IOC must 'declare' this interest to the NZFBF Board or IoC respectively.

These conflicts are to be maintained in the "Conflicts of Interest Register" (CoIR) which is to be updated at each meeting – this policy is intended to enhance good governance within NZFBF.

Where a conflict is 'declared' the NZFBF Board or IoC is collectively responsible for the decision regarding the appropriate action to be taken.

¹ Independence Test - Would an independent observer regard the actions of the Director to have been reasonable and in the best interests of the company?

Manage:

The IoD holds that “procedures for participating in board decisions where directors have a personal interest should ensure the protection of the legal and ethical positions of those involved while preserving the general principle that a company should be entitled to the collective wisdom of all its directors”.

Where a conflict of interest arises the Board or IoC may:

- i. Agree that the conflict exists and the director withdraws from the meeting for the course of discussion and doesn't vote, or;
- ii. The director stays for the course of the discussion and doesn't vote, or;
- iii. The director stays for the course of the discussion and votes.

In Legal/Supervisory proceedings Board or IoC minutes may be evidentiary therefore it is important that all NZFBF Board or IoC minutes (and the CoIR) accurately reflect all declarations as well as the rationale for any actions taken around these situations.

Guidance for other NZFBF Representatives

The commercial sensitivity of the information being processed by Benchmark Administrators requires that NZFBF Representatives should be cognisant that the company's reputation with stakeholders rests on NZFBF Representatives adhering to the ethical principles of integrity, transparency and trust.

The legal obligations/consequences for employees regarding 'Conflicts of Interest' differ from those of a Director. However, in order to maintain the highest level of ethical standards, employees should still seek to follow the three-stage process outlined in the 'Guidance for Directors' in dealing with conflicts of interests.

What is a conflict of interest for an NZFBF Representative?

A conflict of interest is any situation where the duties or responsibilities of an NZFBF Representative overlap with some other outside interest. This overlap may pose a risk to the company if it is perceived that an employee is advancing their own interests over the 'good' of the company.

Where this is the case, Representatives should make a full disclosure and declaration to the relevant person outlined in the 'Compliance, Breaches and Record Keeping' section of this document.

Example 2: *Simon, who is a NZFBF Director, is also a Director of Bank X, which is involved in the BKBM rate-set process.*

A: *Simon's Directorship in Bank X should be recorded in the Conflicts of Interest register. Given the need to maintain the perception of ethical standards of integrity and fairness, the Board has decided that in instances where the operations of Bank X are part of the Board discussion, Simon will recuse himself from the discussion and any subsequent decisions.*

Example 3: *Winston's wife works for one of the Banks involved in the BKBM rate-set process. Winston has declared the 'conflict' of his wife's employment. However, as part of her job his wife often attends the Bank's sponsored corporate events, including tennis and golf tournaments. Although Winston does not receive an 'official' invite he attends as a 'plus 1'.*

A: *Winston should note in the gifts register the financial value of attendance at such events.*

Summary

Adherence to the Conflicts of Interest Policy helps promote transparency around disclosure and reduces the risk of perceived/actual impropriety within the organization. In situations where there is doubt it is **always** advisable to err on the side of caution and 'declare' any conflict.

Interest Register: *Director*

| Date of Disclosure | Director Name | Details of Conflict | Board Decision |
|--------------------|---------------|---------------------|----------------|
| XX/XX/XXXX | John Smith | | |
| | | | |
| | | | |
| | | | |
| | | | |

Interest and Gift Register: *Employee*

| Date of Disclosure | Employee Name | Details of Conflict/Gift Received (Including NZ\$ amount) | Management Decision |
|--------------------|---------------|---|---------------------|
| XX/XX/XXXX | John Smith | | |
| | | | |
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