



New Zealand Private Capital Association

Code of Conduct

Introduction

The New Zealand Private Capital Association (NZPC) was formed to represent the views of the private capital industry. The NZPC's stated mission is to develop a world-best venture capital and private equity environment for the benefit of investors and entrepreneurs in New Zealand. Membership includes a wide range of industry participants, including venture capital and private equity firms, investors, fund of funds, professional advisors and associates from related professions.

Chief among the aims of the Association is to provide an appropriate framework for the conduct of the industry. To that end, the NZPC has established this Code of Conduct for members, based on a set of guiding principles. Adoption of these rules of conduct by industry participants facilitates the work the NZPC does on their behalf, such as representing their interests to various government bodies and to other industry bodies and investors worldwide.

This Code of Conduct was developed after benchmarking several similar sets of standards put in place by other industry associations throughout the world. It has been ratified by the Council of the NZPC and establishes the guiding principles and standards of conduct that the NZPC expects of its members.

Guiding Principles

Members should:

- Act with integrity
- Keep promises and commitments
- Fairly and promptly disclose fees and all material issues to investors
- Disclose conflicts of interest
- Maintain confidentiality
- Comply with the law, regulations and industry guidelines
- Promote the industry in New Zealand and abroad
- Where practicable help promote and contribute to the industry, its policy development initiatives to develop and maintain a world leading industry based in New Zealand

There is little need to define or further elaborate on these principles, as their meaning and usage will be generally understood. These principles serve as the bedrock of the industry, and will remind NZPC members of the standards that they are expected to maintain. Parties engaged in business dealings with members are likewise informed of the standards by which the industry considers relevant.

Conduct of Members

Financial Resources – insurance and custody arrangements

Investment managers must ensure that they maintain adequate financial resources to meet commitments and minimise avoidable and undesirable risks.

Investment managers should hold adequate insurance including appropriate professional indemnity cover.

Custody of assets and investments managed by investment managers needs to be clearly defined and appropriate records maintained.

Investor Relationships

A management agreement or equivalent document should be prepared detailing the basis on which a manager is appointed. Agreed standards should be set out for:

- a. Record keeping, to ensure that proper records are kept.
- b. Investor reporting, to ensure that each investor receives a full, fair, timely and clearly stated account of management performance and holdings.
- c. Custodial arrangements, where applicable, to ensure proper protection of investor assets, including segregation and identification of the assets held for each investor.

Investment managers should not accept subscriptions from unspecified sources.

Investment managers who sponsor investment syndications with other parties, whether members of the NZPC or not, should operate on the basis of appropriate disclosure to such other parties.

Offer documents should fairly and accurately describe the expected investment risks.

Investment managers should not use a private equity fund to promote their own interests or the interests of their directors, managers, employees and associates, except insofar as they benefit from the success of such fund according to established and appropriately disclosed compensation and gain sharing arrangements.

Offer documents that acknowledge membership in the NZPC must contain the following disclaimer:

“The NZPC does not endorse this document. Investors should make independent inquiries prior to investing. The NZPC does not take responsibility, and has no liability, in respect of this document or for the representations made in it.”

This disclaimer must be prominently placed on the cover or first page in a font not less than 12 point and 1.5 line spacing.

Investee Relationships

Investment managers recognise that their primary business is building the strength and performance of their investee entities, which will result in the funds under management achieving long-term capital growth.

Membership of the NZPC generally implies an active involvement or oversight by Investment Managers in the companies in which they invest.

Investment Managers will not disclose to third parties any confidential, financial or technical information acquired without appropriate permissions.

Media and governmental relations

In dealing with any media or public information service, members should exercise care to convey an accurate representation of any business dealings. In situations where journalists misconstrue information supplied by members the members should seek to have that situation corrected.

Members are encouraged to participate in and assist the NZPC's policy development initiatives.

Relevant Legislation

Members must comply with all laws and regulations relevant to the conduct of their business.

Members should:

- Comply with all voluntary industry guidelines.
- Deal with regulators in an open and co-operative manner and keep them informed of relevant matters concerning their activities.

Other Standards

Where relevant to their activities members are encouraged to adopt and comply with the Institutional Limited Partners Association Private Equity Principles.