

LGFA CODE OF ETHICS

Approved: August 2020
Policy Type: Board

Purpose

The LGFA code of ethics defines the standard that both directors and employees of the LGFA are expected to follow to reflect the values of the LGFA and to protect the reputation of the LGFA.

Background

The LGFA is a Council Controlled Organisation (CCO) that operates under the Local Government Act 2002. The LGFA specialises in financing the local government sector by providing efficient funding solutions to local authorities. The LGFA code of ethics provides a set of guiding principles for directors and employees to follow in their daily interactions with fellow LGFA employees and clients.

Executive Summary

The LGFA code of ethics encourages both directors and employees to:

- Act in the best interests of the LGFA and value the LGFA's reputation.
- Act with honesty and integrity.
- Treat others with respect and to maintain a safe working environment.
- Respect and maintain the privacy and confidentiality of both LGFA colleagues and clients.
- Not engage in activities that would result in improper payments, benefits or gains.
- Identify conflicts of interest, as defined in this policy and manage them responsibly.
- Comply with both the law and LGFA policies and procedures.
- Report any breaches of the law, or LGFA policies and procedures in a timely manner.
- Adhere to the LGFA Protected Disclosures and Whistle Blower Policy.

The remainder of this policy provides detailed information on the above guiding principles.

NZX Code

This policy meets the requirements of Principle 1 and recommendation 1.1 of the Code of Ethical Behaviour for the NZX Corporate Governance Code.

Section 1: Conflict of Interest

A conflict of interest is defined as any financial or other interest or undertaking that could directly or indirectly compromise:

- an employee or director in a way that influences, may influence, or is perceived to influence, that person's objective and impartial exercise of their professional duties; or
- the interests of the LGFA. This would include any situation where the actions taken in an official capacity could be seen to influence or be influenced by an individual's private interests (e.g. company directorships, shareholdings, offers of employment, personal relationships).

This policy is designed to provide guidance to employees and directors of the LGFA in relation to conflicts of interest and potential conflicts of interest. Impartiality and transparency in administration are essential to maintaining the integrity of the LGFA. Employees and directors are expected to avoid all actions, relationships and other circumstances that may impact on their ability to exercise their professional duties. However, conflicts of interest may arise in a number of circumstances. Potential conflicts of interest usually fall into the following categories¹:

- *personal* – e.g. an opportunity for an individual employee or director to gain advantage or benefit;
- *family and relationships* – e.g. a pressure for an individual employee or director to assist or provide an advantage or benefit to their family or friends; and
- *community* – e.g. an opportunity or pressure for an employee or director to provide an advantage or benefit to a community or stakeholder group.

Disclosing a conflict of interest or potential conflict of interest

The employee or director with the conflict (or potential conflict) of interest is responsible for disclosing it.

Disclosure of conflicts of interests by Directors. The LGFA Board Charter (A Charter for the Board) provides the following guidance for Directors:

“All Members shall declare their interests in matters to be decided by the Board and any other conflicts in accordance with applicable law. A Member shall abstain from voting with respect to a matter concerning the Company in which he or she has a conflicting interest. Such Director shall use best efforts to ensure that he or she does not receive any confidential information with respect to such transaction and shall, if requested by any other Member, excuse themselves from discussions on any matter in which they have a conflicting interest.”

The conflict (or potential conflict) of interest should be disclosed as soon as it is identified.

The reporting line for disclosing a conflict (or potential conflict) of interest is as follows in table one below:

<i>Person with conflict of interest</i>	<i>Reports conflict of interest to</i>
Director	LGFA Board.
Chief Executive	Chair, LGFA Board.
LGFA employees	Chief Executive

The following information is required for disclosure of conflicts (or potential conflicts) of interests:

- Date of disclosure
- Name of employee or director
- Nature and extent of conflict (or potential conflict) of interest including, if quantifiable, the monetary value of the interest
- Disclosure of other party or parties to the relevant transaction or circumstances.

The employee or director is required to report any subsequent changes to the circumstances relating to a disclosed conflict (or potential conflict) of interest.

¹ “Walking the Line. Managing Conflicts of Interest.” State Services Commission 2005.

If there is any doubt on whether or not a conflict exists, the employer or director must seek clarification from the relevant reporting line set out in table one above.

Management of a conflict of interest

Once disclosed, conflict of interests will be managed on a case by case basis taking into account:

- The materiality of the conflict of interest
- Privacy issues
- Possible options to manage (i.e. avoid or mitigate) the effects of the conflict (or perceived conflict) of interest.
- Clause 28 of the LGFA constitution and clause 3.10 of the shareholders' agreement dated 7 December 2011 (as amended) relating to the LGFA.
- Part 3 of the LGFA Board Charter

The response taken to manage a disclosed conflict (or potential conflict) of interest should be proportionate to its materiality. There are a broad range of options for avoiding or mitigating a conflict. These may include:

- Simply disclosing the conflict of interest
- Imposing additional oversight or review
- Exclusion from the LGFA business process associated with the disclosed issue
- Reassignment of roles and responsibilities
- Relinquishment of the private interest
- Resignation or termination.

The process for managing the conflict is to be recorded if there is action required over and above the disclosure of the conflict.

Breaches of this conflict of interest policy

A breach of this policy may result in disciplinary action which, depending on the seriousness and nature of a breach could include termination of employment as well as other sanctions.

Section 2: Code of Conduct

The code of conduct sets out LGFA's expectations for staff to maintain high standards of integrity and conduct in our work.

The LGFA expects all staff and directors to:

1. Comply with corporate policies.
2. Comply with all lawful and reasonable instructions.
3. Maintain appropriate standards of professional behaviour and language
4. Treat others fairly and with respect, including:
 - not illegally discriminating against anyone,
 - protecting the privacy of others,
 - not harassing, bullying or otherwise intimidating others,
 - respecting others cultural backgrounds,
 - avoiding behaviour that may endanger or cause distress to colleagues,
 - not allowing workplace relationships to adversely affect our work performance,
 - valuing equality and diversity by understanding our differences.

5. Comply with all health and safety instructions.
6. Exercise reasonable care and skill - taking all practicable steps to ensure safety of self and others.
7. Carry out the functions of LGFA unaffected by personal beliefs.
8. Act lawfully and objectively.
9. Exercise reasonable care in the use of the LGFA's funds or resources.
10. Treat information with care and use it only for proper purposes.
11. Be honest.
12. Ensure our actions are not affected by our personal interests or relationships.
13. Not misuse our position for personal gain.
14. Not transmit or display text or graphics which may reasonably be considered to be obscene or offensive.
15. Avoid any activities that may harm the reputation of LGFA.

Breaches of the Code of Conduct

All employees must conduct themselves in accordance with this code. Staff behaviour, which is found, after proper consideration, to have breached the standards set out in the code, will result in disciplinary action, which may lead to dismissal.

Misconduct falls into two categories:

- misconduct, for which the appropriate penalty would be a formal warning, and
- serious misconduct, which could warrant immediate dismissal.

A single instance of serious misconduct makes an employee liable for a severe penalty. This may include instant dismissal, without the need for a prior warning to be given.

The following are examples of serious misconduct that will result in disciplinary action and may lead to dismissal:

- workplace harassment or abuse,
- violent behaviour towards others,
- making false claims or reports or falsifying documents or records (including employment applications),
- misrepresenting the LGFA for personal gain or seeking/accepting bribes or inducements,
- serious breaches of confidentiality, such as misuse or unauthorised disclosure of confidential information,
- processing transactions for the personal gain of yourself, family members or close associates.

The above examples of serious misconduct are not exhaustive. LGFA reserves the right to determine in individual situations whether an act, or failure to act, is sufficiently serious to warrant disciplinary action or instant dismissal.

LGFA is committed to behaving in a fair and reasonable manner towards employees and ensuring compliance with legal requirements. To do this, LGFA will ensure

- Clear statements of duties and expectations.
- Regular and appropriate feedback about work performance.
- Fair remuneration for competence, responsibility and performance.
- Safe working conditions including freedom from harassment or discrimination.
- Appropriate training, equipment and opportunities for development.

Harassment and Workplace Bullying

Sexual harassment, racial harassment, workplace bullying, or any other form of harassment or bullying is completely unacceptable, as is unlawful discrimination. Any such behaviour will result in disciplinary action, which may lead to dismissal.

Improper Payments, Benefits or Gains

The LGFA encourages both staff and directors to act with honesty and integrity and the receipt of benefits, gains or the making of improper payments are inconsistent with the values of the LGFA and these activities should not be undertaken. All activities undertaken by LGFA employees and directors should be consistent with the relevant LGFA corporate policies.

If any LGFA employee is unsure about receiving a benefit or gift, then they should seek approval from the CEO. If any director is unsure about receiving a benefit or gift, then they should seek approval from the Chairman of the LGFA Board.

Board Chair - Expenses when travelling with the CEO

If the Board Chair and the CEO are travelling together and Board Chairs expenses are charged to the CEOs expenses, then those expenses must be approved by the Chair of the Audit and Risk Committee.

Treasury Transactions and Operations

The LGFA operates in the New Zealand Financial markets, in order to promote the efficiency, integrity and professionalism all LGFA staff and directors are expected to:

1. observe market standards, conventions, good practice and conduct when engaging in any form of market dealing.
2. take reasonable steps to avoid any acts, omissions or business practices that could damage the reputation of the LGFA.

Maintaining a Safe Working Environment

The LGFA respects the right for all directors and staff to work in a safe working environment that promotes both physical and mental wellbeing. All staff are expected to contribute to promoting a safe working environment by taking responsibility for health and safety and reporting any issues or concerns as soon as possible to a health and safety representative.

Policy Definition and Review

All LGFA policies are either classified as ARC/Board policies or Board policies. All ARC/Board policies are reviewed and approved by the Audit and Risk Committee (ARC) if there are no substantial changes made to a policy. If there are substantial changes made to a policy, or if the policy is a new policy then ARC reviews the policy and the policy is approved by the LGFA Board. All Board policies are reviewed and approved by the Board.

The Policy was last reviewed in August19. The next scheduled review is for August20.

Summary

The LGFA code of ethics provides a practical get of guidelines to help both directors and staff to make good daily decisions in their day to day work. The code of ethics also promotes a risk culture within

the organisation that encourages honesty, integrity and trust as well as providing an environment where employees can voice their concerns if they feel that the values of the organisation have been compromised in any way.

REFERENCES

[State Sector Code of Conduct, Standards of Integrity and Conduct](#)