

**New Zealand Local Government Funding
Agency**

**Financial Products Trading Policy and
Guidelines**

Effective **August 2023**

Policy Type: **Board**

1. INTRODUCTION AND PURPOSE

This document details New Zealand Local Government Funding Agency Limited's ("**LGFA**") policy on, and rules for dealing in, listed debt securities issued by LGFA, any other quoted financial products of LGFA and any derivatives (including derivatives quoted on a licensed market) in respect of quoted financial products of LGFA ("**Restricted Financial Products**").

The requirements imposed by the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand and any other country where those financial products may be quoted.

This policy applies to all directors, employees and contractors of LGFA ("**Restricted Persons**"). If you do not understand any part of the policy, or how it applies to you, you should raise the matter with the Chief Executive Officer ("**Designated Officer**").

2. FUNDAMENTAL RULE - INSIDER TRADING IS PROHIBITED AT ALL TIMES

If you possess "**material information**" (refer to definition below) that is not generally available to the market, then you must not:

- trade¹ Restricted Financial Products;
- advise or encourage others to trade or hold any Restricted Financial Products; or
- pass on the material information to others.

The prohibitions apply regardless of how you learn of the information, and regardless of why you are trading. You should note that, even if you cease to be a director, employee or contractor of LGFA, the prohibitions will still apply to you if you remain in possession of material information.

3. INSIDER TRADING LAWS

If you are an "**information insider**" (see definition below), it is illegal for you to:

- trade the Restricted Financial Products;
- advise or encourage another person to trade or hold the Restricted Financial Products;
- advise or encourage a person to advise or encourage another person to trade or hold the Restricted Financial Products; or
- pass on the inside information to anyone else - including colleagues, family or friends - knowing (or where you ought to have known) or believing that the other person will use that information to trade, continue to hold, or advise or encourage someone else to trade, or hold, the Restricted Financial Products.

This offence, called "insider trading", can subject you to criminal liability including large fines and/or imprisonment, and civil liability, which may include being liable to another party for any loss suffered as a result of illegal trading.

4. WHO IS AN "INFORMATION INSIDER" AND WHAT IS "MATERIAL INFORMATION"?

An "**information insider**" is a person who:

- has material information relating to LGFA that is not generally available to the market; and

¹ In this policy "**trade**" includes buying or selling quoted financial products, or agreeing to do so, whether as principal or agent, but it does not include subscription for, or the issue of, new financial products.

- knows or ought reasonably to know that the information is "material information"; and
- knows or ought reasonably to know that the information is not generally available to the market.

"Material information" is information that:

- a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of the quoted financial products of the listed issuer; and
- relates to particular financial products, a particular listed issuer (such as LGFA), or particular listed issuers, rather than to financial products generally or listed issuers generally.

Information is generally available to the market if it has been released as an NZX announcement, or investors that commonly invest in the Restricted Financial Products can readily obtain the information (whether by observation, use of expertise, purchase or any other means).

It does not matter how you come to know the material information (including whether you learn it in the course of carrying out your responsibilities, or in passing in the corridor, or in a lift, or at a social function).

Information includes rumours, matters of supposition, intentions of a person (including LGFA), and information, which is insufficiently definite to warrant disclosure to the public.

5. WHAT ARE SOME EXAMPLES OF MATERIAL INFORMATION?

The following list is illustrative only. Material information could include information concerning:

- a change in credit rating or rating outlook of LGFA, a significant council or CCO borrower or any council guarantor;
- unscheduled termination of the DMO liquidity facility agreement;
- material changes in the credit quality of a significant council or CCO borrower or guarantor; or
- changes to the list of council or CCO borrowers and/or guarantors (new borrowers/guarantors or those who give notice to exit the guarantee).

6. CONFIDENTIAL INFORMATION

In addition to the above, you also have a duty of confidentiality to LGFA. You must not reveal any confidential information concerning LGFA to a third party (unless that third party has signed a confidentiality agreement with LGFA and you have been authorised to disclose the confidential information), or use confidential information in any way which may injure or cause loss to LGFA, or use confidential information to gain an advantage for yourself. You should ensure that external advisers keep information relating to LGFA confidential.

7. REQUIREMENTS BEFORE TRADING

Before trading in Restricted Financial Products, at any time, Restricted Persons must, in writing:

- notify the Designated Officer of their intention to trade in Restricted Financial Products, and seek consent to do so;
- confirm that they are not an information insider; and
- confirm that there is no known reason to prohibit trading in any Restricted Financial Products.

Any given consent is only valid for a period of 15 trading days after notification. Consent can be withdrawn at any time by notice to you. A consent is automatically deemed to be withdrawn if the person becomes aware of material information prior to trading.

In addition, Restricted Persons are prohibited from trading in any Restricted Financial Products except in one of the periods commencing:

- on the day after the day on which the annual results of LGFA are announced to the NZX, and ending on 31 August;
- on the day after the day on which the half-yearly results of LGFA are announced to the NZX, and ending on 28 February; and
- on the day after the day on which an offer document for a general public offer of the same class of Restricted Financial Products is released to the public, and ending 5 days after such release.

Restricted Persons are not permitted to trade any Restricted Financial Products during any other period unless the Designated Officer provides a specific approval having regard to exceptional circumstances.

Please note that if you are an information insider you must not trade Restricted Financial Products at any time - regardless of these periods.

8. REQUIREMENTS AFTER TRADING

A Restricted Person must advise the Designated Officer promptly following completion of any trade, and the Restricted Person must comply with any disclosure obligations it has under Subpart 6 of Part 5 of the Financial Markets Conduct Act 2013 and Subpart 3 of Part 5 of the Financial Markets Conduct Regulations 2014.

These disclosure obligations apply to all directors and "senior managers" of LGFA, and include the requirement to disclose to NZX on that person's initial appointment, and on the buying or selling of Restricted Financial Products, **within 5 trading days of the transaction occurring**. This includes any derivatives where the underlying is a financial product of the listed issuer. Persons required to make such disclosure should liaise with the Designated Officer who can facilitate the disclosure on that person's behalf.

9. SHORT-TERM TRADING PROHIBITED

You must not engage in short-term trading (being the buying or selling of quoted financial products within a six-month period). LGFA will not grant consent to engage in short-term trading unless there are exceptional circumstances discussed with and approved by the Designated Officer.

Short-term trading can be a key indicator of insider trading, particularly if undertaken on a regular basis or in large amounts. Therefore, to reduce the risk of an allegation of insider trading, do not trade quoted financial products on a short-term basis.

10. OTHER PERSONS

This policy applies also to:

- a director's or employee's spouse or dependent children;
- a company in which a director or employee has a material interest, or is a director, and can influence the decision of that company in the investment of funds;
- a trust or a managed fund when either the director or employee has a beneficial interest or is a trustee or manager, and can influence the decision of that trust or managed fund in the investment of funds; or
- anyone else notified by the Designated Officer from time-to-time.

11. GENERAL

If in doubt, don't

The rules contained in this policy do not replace your legal obligations. The boundary between what is (and is not) in breach of the law is not always clear. Sometimes behaviour that you consider to be ethical actually may be insider trading. If in doubt, don't!

Breaches of policy

Strict compliance with this policy is a condition of employment. Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

Monitoring of trading

LGFA may monitor the trading of Restricted Persons as part of the administration of this policy.

Application of policy

The Board of LGFA has approved this policy. The Board may approve updates, amendments to and exemptions to this policy from time to time.

To the extent of any inconsistency with any previous policy or rules relating to this subject matter, this policy prevails over them.

Policy definition and review

This policy is classified under the LGFA Register of Approved Policies a Board policy and shall accordingly be reviewed annually by the Board. The policy was approved August 2023. The next scheduled review is August 2024.