

New Plymouth District Council Perpetual Investment Fund (PIF)

INVESTMENT POLICY

**Managed by
Taranaki Investment Management Limited**



IN PARTNERSHIP WITH

NEW PLYMOUTH DISTRICT COUNCIL
newplymouthnz.com

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1. INTRODUCTION

1.1 Purpose

The Investment Policy (the "Policy") provides for the management of the Perpetual Investment Fund ("the PIF" or "the Fund") owned by the New Plymouth District Council ("NPDC" or "the Council") and the conduct of Taranaki Investment Management Limited ("TIML" or "the Company") as manager of the PIF.

1.2 This Policy has been prepared by the board of TIML and approved by NPDC in accordance with:

- (a) the Council's Long Term Plan (LTP);
- (b) the Council's Investment Policy;
- (c) the Agreement dated 24 May 2011 between NPDC and TIML which mandates TIML to manage the Fund, as amended from time to time (the PIF Management Agreement); and
- (d) the relevant Statement of Intent as adopted by the Board of TIML (the Board) each year or as amended from time to time.

1.3 The Board is responsible for the overall governance of TIML and for ensuring that the Fund is prudently managed in accordance with this Policy.

1.4 This Policy sets out the key features of the governance arrangements for the Fund.

1.5 The Council's Founding Principles for the Fund & General Requirements

The resolution of the Council dated 14 December 2004 required TIML to invest and administer the Fund in a manner consistent with the following founding principles established by the Council, and as amended from time to time.

1.6 Founding Principles

- (a) The founding principle of the fund was to seek to at least maintain the real capital of the fund as a sustainable perpetual investment fund.
- (b) NPDC consulted on its 2014 annual plan in relation to a PIF review in 2013, which identified the global financial crisis, and the high level of release payments made to date as contributing factors which have together reduced the capital value of the PIF below its initial value.
- (c) The expected maintainable real value of the PIF and the sustainable release payment level have therefore both been rebased and reduced as later detailed in the policy.
- (d) Under the PIF Management Agreement, TIML has the following obligations:
 - (i) The establishment and adherence to the investment policy for the Fund that is consistent with its duty to invest the Fund in accordance with the founding principles (ie this policy);

- (ii)** To review that Policy at least triennially;
- (iii)** To include in the Policy, at least, the following matters:
 - (A)** The release rule to apply to the Fund in terms of a sustainable income flow to the Council;
 - (B)** The classes of investments in which the Fund is to be invested and the selection criteria for investments within those classes;
 - (C)** The determination of benchmarks or standards against which the performance of the Fund as a whole, classes of investment, and individual investments will be assessed;
 - (D)** Standards for reporting the investment performance of the Fund;
 - (E)** The asset allocation recommended;
 - (F)** The Fund management structure;
 - (G)** The management of credit, liquidity, operational, currency, market and other financial risks;
 - (H)** The retention, exercise or delegation of voting and other control rights acquired as a result of investment activity; and
 - (I)** The method of, and basis for, valuation of investments including those not regularly traded at a public exchange.

1.7 Interpretation

This document is effective immediately on adoption by the Board and supersedes all previous versions. It is recognised that this is an evolving document and as such it will be subject to regular review.

2. INITIAL INVESTMENT POSITION AND RELEASE RULE

2.1 Initial sums made available to the PIF

- (a) Total proceeds of approximately \$259.43 million were received by the Council on 9 November 2004 as a result of the disposal of its earlier Powerco investments, of which 62.5% was in cash, with the remainder held in certain fixed interest subordinated securities which have subsequently been liquidated. Included in the total consideration was a deemed loan of \$9.18m which was also made to the PIF by the Council at the date of establishment. This has since been capitalised with effect 1 July 2012. TIML began operating the fund in December 2004.
- (b) TIML has released \$178.8 million in release payments up to 31 December 2014.
- (c) The PIF closing balance at 31 December 2014 is \$216.5 million.

2.2 Real Value Level

Council has recommended the target real value to be maintained be reduced to the PIF value as at 30 June 2012 of \$227.4 million.

2.3 Release Rule

- (a) The release to the Council from the PIF is based on a model that follows best industry practice and a formula that enables the PIF to fulfil its perpetual objective both in terms of the maintenance and enhancement of the target capital value over time and also the delivery of sustainable levels of release payments to the Council.
- (b) The annual release payment is to be based on the following formula in the long term:
 - (i) $D_t = 80\% \times D_{t-1} \times (1 + CPI_{t-1}) + 20\% \times 3.3\% \times PIF_{t-1} \times (1 + CPI_{t-1})$
 - (A) D_t = Release payment
 - (B) D_{t-1} = Prior year's release payment
 - (C) CPI_{t-1} = Prior year's inflation rate
 - (D) PIF_{t-1} = Prior year's opening audited PIF value
- (c) The release payment for FY 2016 is:
 - (i) $D_t = 3.3\% \times PIF_{t-1} \times (1 + CPI_{t-1})$
 - (A) D_t = Release payment
 - (B) CPI_{t-1} = Prior years inflation rate
 - (C) PIF_{t-1} = Prior year's opening audited PIF value

- (d) The release payment is to be made by way of four equal payments which are made in the last week of each calendar quarter or with mutual consent between NPDC and TIML.

3. ASSET CLASSES AND SELECTION CRITERIA

3.1 TIML's Vision Statement

To maximise the net expected value of the PIF given its obligations under the release rule.

3.2 To achieve its vision TIML has divided the asset allocation into two broad asset classes whose performance characteristics differ significantly. The key division is between:

- (a) Assets which are liquid and are expected to earn a low to medium range of returns depending on their risk profile.
- (b) Assets which have a higher expected return and higher risk profile, but which are often illiquid.

3.3 Each broad division has several asset classes as approved in the strategic asset allocation.

- (a) In selecting assets within each class consideration is also given:
 - (i) The Fund's aggregation risks.
 - (ii) The amount of leverage already carried within certain investments; and
 - (iii) The commitment the Fund has to maintain the release rule and meet certain future investment obligations.
- (b) In selecting the asset mix a proportion is invested to maintain the liquidity of the PIF.
- (c) The PIF has forecast its future obligations under the release rule model. The combination of liquidity and liability modelling against expected returns is used to test the likely returns from various strategic asset allocations (SAA) and has enabled a higher asset allocation to growth and alternative assets.

3.4 The Founding Principles represent the inherent characteristics of the Fund that are also reflected in the selection of asset classes and individual investments.

3.5 Significant portfolio and expected return modelling is conducted to guide the SAA of the Fund. The differing risk characteristics of each asset class have been aggregated to ensure the level of risk within the Fund is less than the simple average of the risks of each asset class.

- 3.6** Other key principles have been established including:
- (a) Concentration limits have been set limiting exposures across all classes and individual investments.
 - (b) Close monitoring of investments.
 - (c) a commitment to minimising fees and costs; and
 - (d) Simplifying and improving reporting.

3.7 TIML's SAA is fully reviewed and approved by the Board triennially. The policy is also developed and refined annually to take the following into account:

- (a) **Actual Liability Commitments.** The commitment to meet the agreed release payments to the Council and such other factors as TIML identifies as likely to occur from time to time.
- (b) **Economic Environment.** Review of asset mix performance under various economic scenarios.
- (c) **Investment Environment.**
 - (i) Eligible asset classes and their underlying characteristics (i.e. cash flow, liquidity, return profile.
 - (ii) Expectations for future returns; and
 - (iii) Volatility of these returns and correlation of returns between these asset classes.

3.8 Basis of Investment

- (a) Unless approved otherwise by the Board all investments approved by TIML are made on behalf of and in the name of the Council.
- (b) The Board may elect and approve investments into special purpose funds at its discretion however, in the main TIML will invest the PIF directly whenever and wherever it is practicable to do so to minimise unnecessary agency costs.

3.9 Asset Classes

The Board has determined that the Fund may be invested in the following general asset classes and sub-categories:

- (a) **Debt Instruments.** The purpose of cash and short term investments is primarily for liquidity management of the PIF:
 - (i) Cash deposits and short term investments with a maximum maturity of 180 days may be made within the parameters detailed in Appendix 1.
 - (ii) Longer term debt instruments are held for both expected return and liquidity.
 - (A) Fixed interest investments may be made within the parameters detailed in Appendix 1.

(b) Equity Investments.

- (i)** The purpose of investment in listed and unlisted equity investments is to provide the Fund with higher expected returns.
- (ii)** The style utilised for equity investment is a passive long term low cost investment approach. Selection is informed by a range of research and economic information available to TIML through its advisors, bankers, Board and management team.
- (iii)** To maximise the liquidity of equity investment while at the same time minimising the costs of investment, international equity investment will generally be made by way of approved Exchange Traded Funds, and index related funds. The actual Funds to be used by the Fund will each be approved by the Board.
- (iv)** New Zealand and Australian listed equity investments may be held directly and or through indexes and are made in accordance with research and at management discretion, within the approved SAA limits.

(c) Alternative Assets.

- (i)** The purpose of alternative investments is to provide higher expected returns over a longer time frame. Such investments will, at least initially, create an added liquidity pressure on the PIF which is to be offset by the management of the debt and equity investment portfolios.
- (ii)** Direct unlisted equity investments will generally be made in special situations within the alternative asset class.
- (iii)** Alternative assets may include, with the approval of the Board but are not limited to:

 - (A)** Direct property assets.
 - (B)** Special situations in listed equities.
 - (C)** Private equity investments.
 - (D)** Derivative and hedging investments.
 - (E)** Long term growth and/or income assets.
 - (F)** Infrastructure assets.
 - (G)** Absolute return assets.
 - (H)** Other hybrid/mezzanine assets.
 - (I)** Real estate mortgages.
- (iv)** TIML will provide prior advice to Council where the use of derivatives is being considered as a primary investment vehicle,

- (v) Each individual alternative asset investment and divestment requires the approval of the Board.
- (d) Investment Policies**

 - (i) The investment policies and operating requirements for each asset class are set out in Appendix 1.
- (e) Transition strategies to reweight to target SAA (post significant divestment/sell down programs)**

 - (i) In order to better manage the concentration, investment and liquidity risks arising from reweighting to the target asset allocation to alternatives, TIML plans to transition to the target weighting over a one to three year period, to ensure diversity in year classes, and exposure to a wide range of investment opportunities occurs.
 - (ii) Secondary markets will also be utilised to add diversity in funds and year classes.
 - (iii) The transition aims to increase weighting to alternatives from a lowered post VDL divestment start point from 25% of the fund up to 50% over one to three years from the proposed start level in the SAA. It may take several years to reach the proposed minimum level and up to a further five years to reach the target level.
 - (iv) The transition will move assets from the listed equities and debt classes to the alternative asset class over the one to three year post divestment period.

3.10 Strategic Asset Allocation

This asset allocation is based on the principles outlined above and in the TIML strategic plan.

Debt Asset Class	Minimum	Target Asset Mix	Maximum
Cash and short term deposits	2.5%	5.0%	10.0%
NZ fixed interest securities and Bonds	2.5%	5.0%	20.0%
Total Debt Asset Class	5.0%	10.0%	30.0%
Equity Asset Class	Minimum	Target Asset Mix	Maximum
NZ Equities	2.5%	5.0%	10.0%
Au Equities	2.5%	5.0%	10.0%
US Equities	5.0%	10.0%	15.0%
European Equities	5.0%	10.0%	15.0%
Emerging Market Equities	5.0%	10.0%	15.0%
Total Equity Asset Class	20.0%	40.0%	60.0%
Property and Alternative Asset Class	Minimum	Target Asset Mix	Maximum
REITS, Syndicates, Listed or Direct Property Assets	0.0%	20.0%	25.0%
All other alternative asset classes set out in 3.9(c)	25.0%	30.0%	35.0%
Total Real & Other Asset Class	25.0%	50.0%	60.0%
Total Portfolio		100%	

3.11 Derivatives

In addition to the use of derivatives pursuant to investments the PIF may make via the Equity and Alternative Asset classes, derivatives may be used by the Fund to hedge its own investment positions in accordance with the TIML Treasury Policy.

3.12 Selection Criteria

The selection of assets within an asset class is to be managed by TIML using investment criteria appropriate to each asset type.

3.13 Standards

- (a) **Selection Criteria.** The selection criteria detail the constraints on individual investment selection that typically include:
- (i) The maximum exposure to a particular issuer, sector, country or region;
 - (ii) The maximum equity or debt of an individual issuer that can be held; and
 - (iii) Minimum rating agency ratings that are required to be held by individual types of issuance before the Fund may purchase such instruments.

3.14 Procedures

- (a) **Asset Classes.** The Board will periodically review asset classes represented within the Fund to ensure that those held still remain viably differentiated and to assess whether it is appropriate to add new classes.
- (b) **Strategic Asset Allocation**
- (i) The Board will review the Fund's SAA triennially to ensure that it maximises the likelihood of achieving the TIML vision and the founding principles of the Fund.
 - (ii) The Board will utilise external actuarial advice for independent modelling of changes to expected returns arising from any changes proposed to the SAA.
 - (iii) The Board will utilise expert advisors in assessing alternative investment expected returns.
- (c) **Security Selection.** The Board will regularly review security selection criteria to ensure that they remain an effective way of controlling asset class level risk.

4. BENCHMARKS

4.1 Introduction

- (a) **The determination of benchmarks or standards against which the performance of the Fund as a whole, classes of investment, and individual investments will be assessed.**
- (i) Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a whole of Fund level; at an asset class; or at the individual investment level. They primarily operate at a relative performance level.

- (ii) The PIF's SAA is not typical of other funds with shorter investment timeframes or unknown claim profiles, but is more similar to funds with perpetual timeframes. In addition, its focus on liquidity and quality in fixed interest and listed equity classes is likely to result in some underperformance to benchmarks in those classes. This should be more than compensated by overall outperformance in the longer timeframe due to the high alternative asset allocation.
- (iii) The general principle of benchmarks at an asset class or individual level is that they should be replicable – that is, it should be possible to create a portfolio of securities that mirrors, or at least very closely resembles, that used within the benchmark. The use of Exchange Traded Funds (EFT) and index related securities for most listed equities should ensure those returns are close to benchmarks (less fees).
- (iv) At the asset class level, benchmarks provide an effective way of measuring the skill with which the investments within that class have been combined.
- (v) As a general rule, benchmarks should as closely as possible reflect the universe of securities that the PIF's investments are able to be selected from.
- (vi) The PIF will also aim to achieve absolute performance margins over each of the following targets. Official cash rate, NPDC cost of debt, or the gross returns required to meet budgeted release payments, inflation and costs.

4.2 Policy

- (a) The benchmarks for the Fund as a whole and for individual asset classes must be consistent with the risk and return assumptions that underpin the SAA for the Fund.
- (b) The benchmarks for individual asset classes (or sub-asset classes) must be broadly representative of that asset class.
- (c) NPDC regards the 10 year rolling performance of the PIF, as its most significant benchmarking timeframe.

4.3 Standards

- (a) The maintenance and growth of the real value of the fund after all disbursements and inflation is the most important objective in the long run, as per the founding principles.
- (b) The benchmarks for individual asset classes that have been selected by the Board are as follows:
 - (i) **Absolute Benchmark.** Positive absolute performance and positive margin performance above inflation plus release payments and costs.

(ii) Relative Benchmarks

Asset Class	Benchmarks
NZ Cash	NZ 90 day bank bills
NZ Fixed Interest	ANZ NZ Government Bond Index
NZ Equities	NZX 50 index
AU Equities	ASX 200 index in NZ dollars
US Equities	S&P 500 Index in NZ dollars
Europe Equities	S&P Europe 350 in NZ dollars
Emerging Market Equities	MSCI Emerging Market Index in NZ dollars
Real Estate Assets	NZ 10 Year Govt Bonds + 3%pa
Alternative assets	NZ 10 Year Govt Bonds + 5%pa

4.4 Procedures

- (a) The Board recognises that investment performance objectives are expected to be met over the long term and, from year to year, investment returns may not meet those long term objectives.
- (b) The performance measures will be reported at least annually.
- (c) Greatest attention will be given to individual investment performance, against their benchmark, over rolling periods ranging from 1 to 5 years – the higher the expected risk the longer the measurement period. Each investment's performance will also be compared to other investments in the same asset class or sub-class.

5. REPORTING STANDARDS**5.1 Introduction.**

Standards for reporting the investment performance of the Fund:

- (a) Comprehensive reporting is critical for two reasons:
 - (i) It enables the Board to assess the reasons behind the performance of individual investments, assets classes and the Fund as a whole; and
 - (ii) It enables the Council to be fully informed of the activities of the Fund either through regular updates to the Council or through the formal statutory reporting documents.
- (b) The PIF utilises external custodial services and investment reporting services.

5.2 Policy

- (a)** Internal reporting enables management to prepare comprehensive analyses of individual investments, asset class and whole of Fund performance.
- (b)** Reporting by management to the Board enables the Board to determine the effectiveness of individual investment selection and the Fund's SAA decisions.
- (c)** Public reporting, via the required statutory reports (the Statement of Intent and Annual Report), is intended to be as open and transparent as commercial sensitivities allow.

5.3 Reporting at Individual Investment Level

- (a)** The portfolio valuation report is to include a full summary showing the cost of each investment held in the Fund and the market value thereof as at the end of each month.
- (b)** The minimum information to be recorded for each individual investment as a sub-division of each major investment class will be as follows:
 - (i)** Name of stock or ETF;
 - (ii)** Market price;
 - (iii)** Market value (generally in New Zealand dollars but as appropriate to the investment mandate);
 - (iv)** Purchase or cost price;
 - (v)** Percentage of the net asset value of the Portfolio; and
 - (vi)** Separate sub-totals are to be provided for investments in each country (as appropriate).

5.4 Reporting by Management to the Board

- (a)** Management will periodically report on the following issues:
 - (i)** The performance of each investment together with an assessment whether the investment performance is consistent with that expected in the relevant investment mandate (taking into account the risk profile of each investment);
 - (ii)** Attribution of performance detailing the contributions made from security and asset class performance;
 - (iii)** Any material changes in personnel, style, activity or ownership structure of such investments; and
 - (iv)** Such other information as the Board may from time to time require.

- (b) Reports will be in sufficient detail to enable the Board to make informed judgments about the Fund, asset classes within the Fund or individual investments.
- (c) The Board is to be notified as soon as possible when the asset mix is in breach of approved guidelines. Dependent on the level of authority to remedy the breach (whether inadvertent or otherwise), the Manager must also report on how such breaches were remedied or are proposed to be remedied.
- (d) The Board may authorise exceptions from the SAA for commercial reasons from time to time.

5.5 Reporting to Council

- (a) The Board will report to the Council on a quarterly basis on the performance of the Fund in sufficient detail such that a reasonable overview of the Fund's progress can be ascertained.
- (b) TIML is required to ensure that its annual financial reporting timetable enables NPDC to achieve its reporting timetable as required by its auditors.
- (c) The Board will ensure that the Fund's actual SAA is compared to the intended SAA parameters and any variations and the reasons therefore are reported to the Council annually.

5.6 Reporting Items by Management to the Board:

- (a) **Immediately**
 - (i) Any material event relating to the management of the Fund that is outside the normal range of events and is likely to have adverse consequences for the Fund, and any action taken or to be taken to mitigate or resolve the impact of the event.
- (b) **Monthly**
 - (i) Summary performance of the Fund and asset classes within the Fund including management of foreign exchange exposures and whether the performance of individual investments is consistent with that expected in the relevant investment benchmark (taking into account the risk profile of each investment);
 - (ii) A high-level summary of factors affecting investment performance over the month in question;
 - (iii) Compliance breaches within the Fund;
 - (iv) Any action taken or to be taken to mitigate or resolve the impact of events outside the normal range of events.
- (c) **Quarterly**
 - (i) Detailed analysis of the performance of the Fund and asset classes and individual investments within the Fund including management of foreign exchange exposures and whether the

performance of individual asset classes is consistent with that expected.

- (ii) Performance attribution analysis detailing the contributions made as a result of asset allocation, stock selection and currency;
 - (iii) The financial statements of the Fund and TIML.
- (d) **Annually**
- (i) A comprehensive review of the performance of the Fund and asset classes and individual investments within the Fund including management of foreign exchange exposures and whether the performance of individual investments is consistent with that expected in the relevant investment benchmark.
 - (ii) A review of the portfolio construction of the Fund.
 - (iii) A monitoring report detailing the performance and valuation of individual alternative asset investments is to be received from the relevant managers, advisors or the subject boards to those investments.
- (e) **Triennially**
- (i) A review of the Strategic Asset Allocation of the Fund.

6. ASSET ALLOCATION OVERVIEW

6.1 Policy, Standards and Procedures

The Board will review its asset allocation triennially after completing a strategic plan and will utilise an independent actuary to review expected return models. It will be guided by the founding principles of the PIF and the TIML vision, strategic plan and other key policies including the release model.

7. FUND MANAGEMENT STRUCTURE

7.1 Introduction

This section describes how the Board has structured management of the Fund, which activities will be managed internally by the Board and which will be outsourced to external managers and advisors. It also sets out the criteria the Board considers when choosing external advisors.

7.2 Policy

(a) Board Function

- (i) The Board is charged with overall governance responsibilities for the investment of the Fund, among other functions.
- (ii) The Board retains the power of appointment of external fund managers and custodians within the Fund management structure and that power cannot be delegated.

- (iii) The Board as a whole acts as the Investment Committee to address specific investment issues.
- (iv) All investment proposals are to be introduced to the Board through the Chief Executive.
- (v) An external custodian has been appointed to provide the appropriate separation of functions between the investing function (undertaken by TIML) and the transaction settlement, recording and reporting of investment activities (undertaken by the custodian).
- (vi) The Board may determine, in consultation with the Chief Executive, the need for external advisors as required to supplement or complement (as the case may be) the work of the TIML management team to ensure that the Fund is managed according to best-practice standards.
- (vii) All arrangements which may constitute “incidental arrangements” within the meaning of the Local Government Act 2002 must comply with that Act.

7.3 Standards

(a) Management Team

- (i) The Board has appointed a Chief Executive to manage the operations of TIML who will be responsible for a range of functions as defined in the position description, including but not limited to:
 - (A) Providing policy advice and recommendations to the Board;
 - (B) Arranging and managing investments and other contracts on behalf of the fund.
 - (C) Monitoring performance of all investment classes and where relevant investment managers and managing the relationships to ensure optimal outcomes;
 - (D) Performance reporting and analysis;
 - (E) Financial reporting;
 - (F) Operational controls and compliance;
 - (G) Managing relationships and communication with external stakeholders, investee boards and management, service providers, external advisers and others in the financial community.
- (ii) The members of the management team are selected based on their skills and experience relative to the management issues they are tasked with.

(b) External Advisers

- (i)** External advisors may be appointed to undertake the following roles:

 - (A)** Investment advisory, including: asset allocation, portfolio construction, manager selection and review, specialist asset class (or sub-asset class) advice;
 - (B)** Legal, including advice on the statutory obligations of the Fund and assistance with contract negotiations with respect to potential investments, managers, advisors and other service providers;
 - (C)** Tax, including ensuring the tax obligations of the Fund and TIML are met and advising on the tax implications of particular investment structures;
 - (D)** Audit, including advice on ensuring that the management controls in place within the Fund and TIML are best industry practice and appropriate for Council activities.
- (ii)** Selection of advisors for these roles will take into account, among other criteria specific to the role:

 - (A)** The skills and experience the advisor brings to the role;
 - (B)** The substance and viability of the advisor; and
 - (C)** The costs that can be expected to be incurred.

(c) Custodian

- (i)** The Board may appoint a Custodian to hold all of the Fund's assets in safe-keeping and to provide performance, accounting and tax reporting.
- (ii)** Selection of a Custodian will take into account, among other criteria specific to the role:

 - (A)** The skills and experience the Custodian brings to the role;
 - (B)** The substance and viability of the Custodian;
 - (C)** The costs that can be expected to be incurred;

(d) External Managers

- (i)** Where the Board determines that a Fund Manager is necessary to best fulfil the investing functions for any specific investment or class of investments, the selection of such managers for these roles will take into account, among other criteria specific to the role:

 - (A)** Best-practice portfolio management;

- (B) The skills and experience the manager brings to the role;
- (C) The fit between the manager's style and investment process and the investment objectives of the Fund;
- (D) The substance and viability of the manager;
- (E) The costs that can be expected to be incurred and the alignment of costs where possible to performance of the manager;
- (F) The existence of appropriate risk management structures.

(e) **Extension of TIML's Fund Management Activities**

- (A) The Council requires prior advice from TIML where the extension of TIML's fund management mandate to parties other than NPDC is being considered.

8. RISK MANAGEMENT

8.1 Introduction

- (a) Risk management is a central function of any organisation charged with the oversight of financial assets.
- (b) Risk is in part managed by the selection of the SAA and the correlation between classes of assets.
- (c) For a fund such as the PIF there are many potential sources of risk and because of the size of the Fund the financial consequences of failure to adequately address those risks could be significant.
- (d) This section provides only a high-level overview of the standards and procedures adopted by the Board. Extensive and detailed standards and procedures have been developed and maintained at an operational level, including a Treasury Policy.

8.2 Policy

The Board has determined that the quality of all of its risk management procedures must be of best-practice standard.

8.3 Areas of Risk

(a) Credit Risk

- (i) Credit risk (or counterparty risk) is the risk of default by the counterparty to a particular transaction.

(b) Liquidity Risk

(i) General Liquidity

- (A)** Liquidity risk is the risk that a security cannot be sold when required or that the price achieved is significantly different from its fair value.
- (B)** TIML will ensure that sufficient liquidity is available to meet the monthly cash flow projection and the quarterly releases to NPDC and all other obligations as they fall due.
- (C)** A full liquidity management plan shall guide the plans for the purchases and sales of all assets, receipts of income and payment of liabilities.
- (D)** The Board shall review the liquidity report on a quarterly basis.

(ii) Liquidity or Leverage Funding

- (A)** In giving effect to the management of the Fund and subject always to the requirements of the Council's Liability Management Policy and the restrictions of the Local Government Act, access may be required to the Council's short-term funding facilities to satisfy the short-term cash flow needs of the Fund. All costs associated with such access will be charged to the Fund.
- (B)** Where TIML proposes the Fund undertakes longer term borrowings for the purpose of leveraging the Fund to better achieve its portfolio management objectives, Council approval will be obtained in advance. It is noted that any such borrowing must be made in terms of the Council's operative Long Term Council Community Plan and related policies, be in accordance with the Act and the Council's prevailing contractual obligations and must not adversely affect the Council's Standard and Poor's credit rating.

(c) Operational Risk

- (i)** Operational risk is the risk of financial loss due to mismanagement, mistake or error, fraud or unauthorised use of techniques and/ or financial products.

(d) Currency Risk

- (i)** Currency risk is the risk that the foreign currency denominated assets will change in value due to the effect of exchange rate movements.

(e) Market Risk

- (i) Market risk is the risk of adverse movements in the market price of an asset (including asset prices, volatility, changes in the yield curve or other market related variables) for the underlying asset.

(f) No Restrictions on Investment

- (i) There are no explicit restrictions on investments due to social desirability criteria.

8.4 Procedures**(a) Credit Risk**

- (i) The SAA and Treasury Policy limit credit risk by specifying limits for the aggregate amount of debt and other exposures that can be carried by the Fund in respect of any individual counterparty.
- (ii) Credit risk is managed by requiring that TIML must ensure that:
 - (A) The credit exposures within the PIF are within approved guidelines; and
 - (B) The maximum permitted exposure to any one issuer is within approved guidelines.

(b) Operational Risk

- (i) Operational risk is managed by engaging an independent custodian to separate the investing function (undertaken by the Board) from the transaction settlement, recording and reporting of investment activities (as undertaken by the custodian).
- (ii) Establishing a system of compliance reporting by the custodian to the Board.
- (iii) Establishing an effective business continuity plan in conjunction with the custodian.

(c) Currency Risk

- (i) Currency risk is managed by:
 - (A) Establishing a hedging policy which is consistent with the Act;
 - (B) Specifying where possible the bounds within which each material investee company may take on currency exposures; and
 - (C) Engaging one or more currency execution counterparties to transact the Fund's foreign currency exchange transactions at the most favourable rate and strictly in accordance with the hedging policy.
- (ii) Any forward contracts or other FX derivative products authorised in the Treasury Policy entered into must be with entities approved

by the Board and where an ISDA Agreement is in place between NPDC and the counterparty.

(d) Market Risk

(i) Equity Risk

- (A)** The SAA limits market risk by diversification in classes and use of ETF's and indexes for the PIF's international equity exposure.
- (B)** Listed NZ and AU direct exposure is limited to 4.99% of the equity of each company at any time.
- (C)** Unlisted NZ and AU direct exposure is limited to 9.99% of the equity of each company.
- (D)** All positions must at time of investment be less than 10% of the PIF value unless specifically authorised by the Board, and approvals must detail intended exit strategies.

(ii) Fixed Interest

- (A)** Market risk in the fixed interest portfolio is limited by:
 - (ii)A.1. Duration limits; and
 - (ii)A.2. Maximum limits on exposure to a single counterparty.

(iii) Alternatives

- (A)** All positions must be less than 10% of the PIF value at time of investment.

9. VOTING RIGHTS

- 9.1** The retention, exercise or delegation of voting or control rights acquired through investment activity.
- 9.2** TIML will exercise any voting rights on behalf of the Council relating to its investment portfolio acting in all times in the Council's best economic interests.
- 9.3** The TIML Chief Executive is authorised to exercise such voting rights.

10. VALUATION OF ASSETS

10.1 Introduction

- (a)** The method of, and basis for, valuation of investments including those not regularly traded at a public exchange.
- (b)** A proportion of the investments of the Board are regularly traded on recognised markets and exchanges and can be valued accordingly, others

are valued by professionals in that sector e.g. Independent Professional Valuer. When TIML enters an investment it will define the basis of valuation to be used for that asset to ensure consistency in valuation and reporting.

10.2 Policy

- (a)** All investments are to be valued at a market valuation or if not available, on the basis defined on purchase.
- (b)** Non-traded investments will be compared with a reasonable market proxy when one is available.
- (c)** When a reasonable market proxy is unavailable the investment is to be held at book value unless a subsequent third party transaction has occurred or there has been a significant permanent financial or operating change in the issuer in which case the value will be adjusted accordingly.
- (d)** Valuations of non-traded investments shall be reviewed annually by the Board as at 30 June.
- (e)** Where investments are held that are not able to be traded on recognised exchanges, or held in pooled vehicles subject to external valuation methodologies, they will be valued according to accepted market practice.

10.3 Standards & Procedures for Illiquid Assets

The valuation will vary depending on the timeframe and the objective of the investment and on other market, solvency and economic factors as approved by the Board.

11. UNDERWRITING AND SUB-UNDERWRITING

- 11.1** The PIF may engage in underwriting and sub-underwriting activities to generate incremental income. Individual underwriting and sub-underwriting transactions require the prior approval of the Board and must comply with the Act.
- 11.2** The full contingency of all underwriting or sub-underwriting activities must be recorded as an exposure in the relevant asset class until extinguished.

12. CONFLICT OF INTEREST, CODE OF ETHICS & PROFESSIONAL CONDUCT

- 12.1** Members of the Board are bound by the Conflict of Interest Policy set out in Appendix 3.
- 12.2** TIML staff and independent contractors (in the nature of employees) will be bound to comply with the Conflict of Interest Policy and with the Board's Code of Ethics & Standards of Professional Conduct as set out in Appendix 3.
- 12.3** External managers will comply with the terms of their contract.
- 12.4** Board members, staff and independent contractors are required to immediately report any conflict of interest which will hinder or may appear to hinder their professional judgement. They are also required to conduct themselves with integrity, dignity and in compliance with all governing laws and regulations.

13. RELATED PARTY TRANSACTIONS

- 13.1** Neither the Fund nor TIML will enter into a related party transaction unless:
- (a)** The transaction is required for the operation or administration of the Fund or TIML, and
 - (b)** The terms and conditions of the transaction are not less favourable to the Fund or TIML than market terms and conditions, and
 - (c)** The transaction has the prior approval of the Board.

14. APPENDIX 1 – INVESTMENT CLASS POLICIES

14.1 Purpose of Statement

The purpose of this statement is to summarise the operating requirements in relation to the investment of Funds in particular asset classes.

14.2 Specific Requirements**(a) Cash and Short Term Deposits**

- (i) Cash and short term deposits can be made as follows:
 - (A) New Zealand registered bank with a minimum Standard & Poor's credit rating of A+ or the Moody's equivalent.
 - (B) Short term securities with high liquidity, which have been issued by parties with a short term investment rating of A1 or higher as issued by Standard & Poor's or the Moody's equivalent.
 - (C) The maximum exposure to any single bank, financial institution or bank group shall not exceed \$10 million.
- (ii) Cash and short term deposits can also be made with the TSB Bank Limited for a maximum of 365 days and for not more than \$5 million in aggregate to a limit of 33% liquidity.
- (iii) The above limits are to apply to the aggregate of the Council's direct cash management activity and that of the Fund.
- (iv) The Fund may make short term advances to the Council for up to 185 days and not exceeding \$5 million in aggregate.
- (v) The above limits for banks shall include all bank group exposures including, cash & short term deposits, fixed interest securities, equities and other exposures whether contingent or otherwise as well as the credit risk assessed for treasury activities set out in the Treasury Policy Document.
- (vi) The NZ registered bank limits may be exceeded in a transition plan approved by the Board.

(b) Fixed Interest

- (i) When calculating credit exposures all cash and short term deposits must also be included:
 - (A) No investment rated below 'AA-' can be entered into for a period in excess of 7 years unless prior approval is obtained from the Board.
 - (B) The average fixed interest portfolio duration is to be maintained within the range of two to four years.

(C) Board approval is required for any transaction with a counterparty outside New Zealand or in any currency other than New Zealand dollars.

(ii) Investments in fixed interest securities are controlled by the limits detailed in the following table:

Authorised Asset Classes	Asset Class Limit as a Percentage of the Fixed Interest Portfolio	Approved Financial Market Investment Instruments	Minimum Credit Rating Criteria (S&P)	Individual Issuer Limit
New Zealand Government	100%	Government Stock Treasury Bills	Not Applicable	Unlimited
Local Authorities rated AA- or better	50%	Promissory Notes, Bonds, MTN's, FRN's	Not Applicable	\$10 million
Major New Zealand Registered Banks	100%	Call/Deposits/ Bank Bills/Promissory Notes Bonds, MTN's, FRN's	Short term rating of A1 and Long term rating of AA-	\$50 million
State Owned Enterprises	40%	Promissory Notes, Bonds, MTN's, FRN's	Short term rating of A2 and Long term rating of BBB+	\$10 million
TSB	33%	Call/Deposits	BBB	\$10 million

(c) Public Listed Equities

- (i)** Generally international equity investment will be made through Board approved Exchange Traded Funds (ETFs), or share index funds.
- (ii)** New Zealand and Australian investments may be made directly.
- (iii)** Investments in individual publicly listed equities outside New Zealand and Australia will only be made where Board approved as special situations and classified alternative investments.

(d) Private Equity and Venture Capital

- (i)** Investment in and divestment of private equity and venture capital investments by the Fund can only be made with the prior approval of the Board.

(e) Real Assets

- (i)** Investment in and divestment of property and other real assets by the Fund can only be made with the prior approval of the Board.

15. APPENDIX 2 – INVESTMENT AND OPERATING AUTHORITIES

15.1 Purpose of Statement

The purpose of this statement is to summarise the levels of operating authorities for TIML officers involved with the operation and management of the Fund.

15.2 Investment Operations

TIML Management are required to undertake all investment activities in accordance with the investment policy and its appendices.

15.3 Specific Authorities

- (a) All PIF cash and bank accounts are held in the name of the Council.
- (b) The PIF cash assets are held in the following accounts:
 - (i) The Custodian's bank account – NPDC Cash Account
 - (ii) In bank accounts under NPDC's name
 - (iii) In Broker's cash accounts under NPDC's name.
- (c) The following applies:
 - (i) The opening of any bank or cash account requires the approval of the Board.
 - (ii) A monthly schedule of all bank and cash accounts will be provided to the Board.
- (d) The following operating authorities apply:
 - (i) **Payments and transfers to third parties**
 - (A) TIML Managers authorised by the Board and Directors are approved to authorise transfers and payments in accordance with the Investment and Treasury Policies.
 - (ii) **Access to Account Information**
 - (A) Any Director, the Chief Executive or Board approved persons may access account information.
 - (iii) **Transfers within the TIML Accounts or Release to NPDC**
 - (A) The Chief Executive may make transfers within the TIML accounts.
 - (B) The Chief Executive or the Council Accountant may make the release payment to NPDC following its determination and recommendation by the Board.

15.4 TIML Operating Expense and Capital Expenditure Authorities

- (a)** The authority to incur operating and capital commitments within Board approved budgets is vested in the Chief Executive up to \$100,000 in respect of any one expense item or to any one party, whether by way of a single or series of related transactions.
- (b)** All operating or capital expenditure exceeding the above authority or outside budget requires the specific approval of the Board before any commitment is made.

16. APPENDIX 3 – CONFLICT OF INTEREST POLICY

16.1 Introduction

- (a) This Conflict of Interest Policy addresses the conduct of investment and the issue of “Insider Trading”.
- (b) Directors, staff and independent contractors (in the nature of employees) of TIML in any way involved in the operation and/or management of TIML or the Fund (hereinafter called “individuals”) are required to adhere to the Conflict of Interest Policy which outlines the standards of conduct and includes express rules governing all confidential information and conflicts of interest.
- (c) The objective of this Policy is to protect TIML and the Fund against inadvertent breaches of these requirements and, in the event of a breach, to enable TIML as an organisation to demonstrate that all reasonable precautions had been taken. The Policy also protects individuals by minimising as much as possible the risk of inadvertent breaches and the appearance of profiting from knowledge or presumed knowledge gained at TIML.

16.2 Basic Principles

- (a) All individuals are required to fully understand their duties and responsibilities under this Policy. TIML has a role in advising individuals as to the requirements of the Policy. However, it remains each individual's responsibility to understand the content and importance of the Policy. Individuals with questions regarding this Policy, and/or its procedures, should liaise directly with the Chairman of the Board.
- (b) **Loyalty, Honesty, Integrity, and Professionalism**
 - (i) All individuals are expected to exercise proper behaviour in all their dealings.
- (c) **Conflict of Interest**
 - (i) All individuals must seek to avoid conflict of interest situations. Where conflicts are present, individuals are required to act in the best interest of TIML and be aware of the need to immediately disclose such conflicts to the Board.
- (d) **Confidential Information**
 - (i) Individuals must recognise that all confidential information is to be held in strict confidence. No one should divulge confidential information unless authorised in writing to do so by the Board. Individuals who leave or retire from TIML continue to be bound by this requirement. This obligation is to continue until such confidential information becomes public information other than through disclosure by such individual.

(e) Professional Guidelines

- (i) In the performance of their duties, individuals are expected to adhere to this Policy and the standards of any professional association to which they belong.
- (ii) In the case of conflicting standards, individuals are expected to comply with the higher standard.

(f) Ethical Checklist

- (i) Individuals who are acting as a fiduciary should hold their fiduciary duty above their personal interests and any other business interests. Individuals should evaluate decisions and proposed courses of action against the following checklist and be able to answer "Yes" to each question:

Is it Legal? Individuals should consider seeking legal advice if in doubt.

Is it Prudent? Individuals should act in a prudent and balanced manner. All actions should hold to a test of public scrutiny and not be perceived as bringing TIML into disrepute.

Is it in keeping with Policy? TIML's mandate is to implement policies as approved by the Board. Individuals should not behave or undertake transactions outside approved Policy.

16.3 Conflict of Interest**(a) Conflict of Interest**

- (i) All individuals must seek to avoid conflict of interest situations. A conflict of interest may appear when an individual is put in a position of judging between the interest of TIML and another party in which they may have an interest. Where conflicts are present individuals are required to act in the interest of TIML.
- (ii) No individual may have an interest, financial or otherwise, direct or indirect, or engage in a business or transaction or professional activity or incur an obligation of any nature that conflicts with the proper discharge of their duties.

(b) Disclosure of Conflict

- (i) Any individual who believes that they have or may have an actual or potential conflict of interest must immediately disclose such conflict, or possible conflict, to the Chairman of the Board, in writing.
- (ii) Upon being notified of such conflict or potential conflict the Chairman of the Board is required to immediately discuss this matter with members of the Board and ensure that immediate action is taken to ensure that any potential litigation or breach of

regulations by TIML as a result of the disclosed conflict is minimised.

16.4 Confidential Information

Individuals may have access to confidential information relating to the affairs of TIML, the Fund or their potential investment, divestment or other business opportunities. The disclosure of such confidential information could be highly detrimental to the interests of TIML, the Fund and those parties whose confidential information has been entrusted to TIML.

(a) Protection of Inside Information

- (i)** Any confidential information concerning TIML, or the Fund or their policies or plans, and any confidential information obtained in the course of researching or making any investment or potential investment or for any other reason, must be kept confidential and cannot be used in their personal or other business interests. Confidential information may be used or disclosed only in the discharge of an individual's responsibilities with TIML, or as required by law.

(b) Leaks of Confidential Information

- (i)** Any individual, who becomes aware of any breach or possible breach of the use of confidential information, whether by their own actions or the actions of others, shall immediately report this to the Chairman of the Board.

(c) Contact with Media

- (i)** The prior approval of the Chairman of the Board or Chief Executive must be obtained before any individual can discuss any investment or other activity of TIML with the media.
- (ii)** Unless the Board has otherwise determined an alternative course to deal with any particular issue, any individual who is contacted by the media should offer a "No Comment" to any enquiry and direct the request to the Chief Executive or Chairman of the Board.

16.5 Gifts, Donations, Services or Benefits

- (a)** Individuals shall be prudent in giving or receiving any gift, donation, benefit, service or other favour that might affect, or be seen to potentially affect, the performance of their roles, or which might prejudice the credibility of TIML.
- (b)** Any gift, donation, benefit, service or other favour offered, given or received which is valued at more than \$250 has to be approved by the Chairman of the Board prior to acceptance and must be disclosed on a monthly basis to the Board.
- (c)** All gifts, donations, benefits, services or other favours, offered, whether accepted or not, must be disclosed to the Board on a monthly basis. Such report shall detail the disposition, if any, of all benefits received.

16.6 Board Memberships

(a) Board Memberships as Part of an Individual's Duties

- (i) Individuals who sit on a board of directors at the request of TIML have a primary responsibility to acting in the best interests of the company of which they are on the board.
- (ii) In general the Board of TIML will not appoint TIML related individuals to act in this capacity.

(b) Other Board Memberships

- (i) Directors regularly maintain an interest register.
- (ii) Individuals may sit on a board of directors or committee of another organisation in which TIML has no investment or other business relationship.

(c) Approval Appointments

- (i) Appointments of individuals to the boards of public or private companies or other organisations in which TIML has an investment or other business relationship must be notified to and be approved in advance by the Board.

16.7 Personal Trading Activities

- (a) Personal security transactions of individuals include transactions undertaken by individuals covered by these policies and procedures, their immediate family members and trusts in which the individual is a trustee or has control. Trusts where a beneficial interest only is held, should be declared separately in the interest register.
- (b) Individuals may not undertake personal security transactions that are incompatible with the performance of their functions and responsibilities to TIML.
- (c) Individuals may carry out personal security transactions and make other investments for their own account, or that of another person, provided that they do not place themselves in a conflict of interest situation and provided that individuals may trade all securities, except those securities included on the Control List as defined in Section 6, and shall carry out their personal security transactions at prices, fees and commissions established by the market.

16.8 Control List

- (a) The "Control List" is a confidential list maintained by the TIML Chief Executive which is updated on a monthly basis and circulated to relevant individuals.
- (b) It includes companies in which TIML or the Fund:
 - (i) May currently be engaged in a purchase/sale program,

- (ii) May have special knowledge or possess material confidential information; or
 - (iii) May be an insider.
- (c) The control list will only apply to investments made in New Zealand and Australia equities.
- (d) Including a company on the Control List may impact:
 - (i) The Fund's trading,
 - (ii) Individuals' personal security transaction; or
 - (iii) Trading by deemed insiders.
- (e) The Control List procedures are established in order to protect individuals involved with or having knowledge of the activities of TIML by minimising as much as possible: (i) the risk of inadvertent breaches of securities laws; and (ii) the appearance of profiting from knowledge or presumed knowledge gained at TIML.
- (f) The Control List is comprised of three sections:
 - (i) **Active Trading Program**
 - (A) This portion of the Control List consists of securities in which TIML is currently engaged in a purchase/sale program. Securities on this portion of the Control List only prohibit individuals' personal security transaction.
 - (ii) **Special Knowledge Positions**
 - (A) This portion of the Control List consists of investments where TIML or individual, by virtue of its investment relationship, has or deemed to have special knowledge of the company and may be considered to be in the possession of material confidential information. Securities on this portion of the Control List prohibit both trades by TIML and personal security transaction by individuals.
 - (iii) **Insider Positions**
 - (A) This portion of the Control List consists of investments in which TIML holds more than 5% of the voting shares. Personal security transactions by individuals are only allowed in these securities, with the prior written approval of the Board.

16.9 Reporting, Compliance and Disclosure

- (a) Individuals are required to fully understand their duties and responsibilities under this Policy. TIML has a role in advising individuals as to the requirements of the Policy. However, it remains primarily the individual's responsibility to inform him/herself of its content and understand its impact. Individuals must understand and comply with the Policy and Procedures

as well as any and all directives and special instructions that may be provided relative to its application.

- (b)** A copy of the Investment Policies and Procedures, which includes this Conflict of Interest Policy, will be given to all individual and they are required to acknowledge receipt.
- (c)** Failure to comply with this Policy may incur sanctions. Sanctions may include, inter alia, formal written warnings and / or a requirement to unwind trades.
- (d)** A serious or repeat violation may lead to further sanctions, including termination and possible civil or criminal prosecution.

17. APPENDIX 4 – CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

17.1 Purpose of Policy

The purpose of this Policy is to summarise standards of conduct for individuals involved with the operation and management of TIML including seconded staff from the New Plymouth District Council (“individuals”).

17.2 Code of Ethics

- (a) Individuals shall conduct themselves with integrity and dignity and act in an ethical manner when dealing with the public, New Plymouth District Council councillors, employees and other individuals.
- (b) Individuals shall act with competence, use proper care and exercise independent professional judgment.

17.3 Standards of Professional Conduct

Individuals are expected to comply with governing laws and regulations and this Code of Ethics and Standards of Professional Conduct document.

17.4 Required Knowledge and Compliance

Individuals shall maintain knowledge of and shall comply with all applicable laws, rules and regulations of any government, governmental agency and regulatory organisation governing professional activities as well as this Code of Ethics and the Standards of Professional Conduct.

17.5 Prohibition against Assisting Legal and Ethical Violations

Individuals shall not knowingly participate in, or assist, any acts of violation of any statute or regulation governing securities matters, nor any act, which would violate any provision of the Code of Ethics or the Standards of Professional Conduct.

17.6 Prohibition against Use of Material Confidential Information

- (a) Individuals shall comply with all laws and regulations relating to the use of confidential information.
- (b) If individuals acquire such information as a result of a special or confidential relationship with an issuer of securities or any party which has an investment relationship or potential investment or divestment relationship with TIML then they shall not communicate the information (other than within the relationship) or take investment action on the basis of such information until it is publicly disseminated.

17.7 Supervisions

The TIML Chief Executive shall exercise reasonable supervision over individuals to prevent any violation by such persons of applicable statutes, regulations, or provisions of the Code of Ethics or Standards of Professional Conduct. In so doing, individuals are entitled to rely upon reasonable procedures established by TIML.

17.8 Portfolio Investment Recommendations and Actions

Individuals shall, when making investment recommendations or taking investment action for TIML, consider the appropriateness and suitability of such recommendations for TIML. In considering such matters the individuals shall use reasonable judgment to determine the applicable factors. The individuals shall distinguish between facts and opinions in the presentation of the investment recommendations and are required to disclose the source of any supporting information.

17.9 Priority of Transactions

In the event that such transactions are not otherwise prohibited by virtue of the other provisions herein, Individuals shall conduct themselves in such a manner that transactions for TIML and the Fund shall have priority over personal transactions so that their personal transactions (if permitted) do not operate adversely to TIML's interests.

17.10 Disclosure of Conflicts

Individuals shall immediately disclose to the Board all matters which could reasonably be expected to interfere with their duty to TIML or with their ability to render unbiased and objective advice. Individuals shall also comply with all requirements as to disclosure of conflicts of interest imposed by law and by rules and regulations or organisations governing their activities and shall comply with any prohibitions on their activities if conflicts of interest exist.

17.11 Relationships with Others

(a) Preservation of Confidentiality

- (i) Individuals shall preserve the confidentiality of information about TIML concerning matters within the scope of the confidential relationship, unless the individual receives information concerning illegal activities on the part of TIML.

(b) Maintenance of Independence and Objectivity

- (i) Individuals shall use particular care and good judgment to achieve and maintain independence and objectivity in the performance of their roles and responsibilities.
- (ii) Individuals should avoid giving or receiving any gift, donation, benefit, service or other favour that might affect, or be seen to potentially affect, the performance of their roles and responsibilities, or which might prejudice the credibility of TIML.
- (iii) Where any concern exists it must immediately be disclosed to the Chairman of the Board.

(c) Fiduciary Duty

- (i) Individuals shall use particular care in determining applicable fiduciary duty and comply with such duty. Individuals must act for the benefit of TIML and place TIML interests ahead of their own.

17.12 Directors

All directors are deemed to be independent and will therefore conduct their affairs in a manner which enables them to act independently in the best interests of TIML. No director will be engaged by the company or the Council for fees without the prior written approval of the Board.

17.13 General

Failure of an individual to maintain this Code of Ethics and Standards of Professional Conduct shall result in reprimand or dismissal depending on the seriousness of the breach or action.