

South Dakota Investment Council Staff

Code of Ethics and Conduct

Code of Ethics and Conduct

- (1) The interests of assets under responsibility of the South Dakota Investment Council (SDIC) are to be placed ahead of personal financial interest.
- (2) The position of trust and responsibility shall not be abused. Employees will not engage in professional conduct involving dishonesty, fraud or deceit.
- (3) Staff shall abide by laws and regulations that govern professional conduct and abide by the “CFA Institute Code of Ethics and Standards of Professional Conduct” (Exhibit A).
- (4) Staff shall abide by state policies and the Personal Responsibility Basics for state employees (Exhibit B).

SDIC Reporting Guidelines for Potential Illegalities and Other Violations

(A) POTENTIAL ILLEGALITIES

All employees are required to report if they have reasonable cause to believe another state employee has committed "improper governmental conduct" or a crime. "Improper governmental conduct" is defined as any conduct or omission that results in:

- **Conflict of interest** prohibited by state law
- **Fraud**
- **Theft** of money or property belonging to or derived from federal, state, or local government sources, constituting a felony

General Reporting Process:

- **Employees:** Report to a supervisor or use the electronic reporting form located on your computer desktop.
- **Supervisors:** Immediately use the electronic reporting form or report to another supervisor who will use the form.

SDIC Specific Reporting Process:

If you become aware of potential fraud, theft, or other illegality, report immediately using the electronic reporting form or directly to the State Investment Officer and Business Manager. In all cases, if you do not report on the electronic form, the person you directly reported to will immediately complete the form. If the potential illegality involves either the State Investment Officer or Business Manager, report to the other not involved and the in-house general counsel. If you believe that all three are involved, you should complete the electronic form and notify the Chair of the Investment Council.

Protection from Retaliation:

Employees are protected from any retaliation for good faith reporting.

(B) POTENTIAL OTHER VIOLATIONS

Report to the State Investment Officer and Business Manager any potential other violations, which may include but are not limited to:

- Non-illegal violations of state or SDIC policies and guidelines
- Non-compliance of management direction
- Actions taken without proper authority
- Concerns relating to ethical or professional conduct

If any potential non-illegal violation involves the State Investment Officer, report to the Business Manager, any Deputy Investment Officer, and the in-house general counsel who will report to either the Chair of the SDIC or the Chair of the Audit Committee depending on the issue.

For any questions or concerns, contact the State Investment Officer and/or the Business Manager.



CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to continue to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA] designation) and CFA® candidates have the personal responsibility to embrace and uphold the provisions of the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, and respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

- A. Knowledge of the Law.** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.
- B. Independence and Objectivity.** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.
- C. Misrepresentation.** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.
- D. Misconduct.** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.
- E. Competence.** Members and Candidates must act with and maintain the competence necessary to fulfill their professional responsibilities.

II. INTEGRITY OF CAPITAL MARKETS

- A. Material Nonpublic Information.** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:
 - a. Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
 - b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
 - c. Judge the suitability of investments in the context of the client's total portfolio.
2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client,
2. Disclosure is required by law, or
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients. Members and Candidates must:

1. Disclose to clients and prospective clients the nature of the services provided, along with information about the costs to the client associated with those services.
2. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
3. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
4. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
5. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Avoid or Disclose Conflicts. Members and Candidates must avoid or make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity and interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Participants in CFA Institute Programs. Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of CFA Institute programs.

B. Reference to CFA Institute, the CFA Designation, and the CFA Program. When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA Program.

Personal Responsibility Basics

Accepting Gratuities, Rebates, Reward Points and Other Perquisites – State employees shall not accept gratuities, money, or any type of gift or service from a company that does business or that actively aspires to do business with the State in exchange for recommending or influencing the award of or the terms of a contract with the state. State employees shall not accumulate reward points or receive rebates, from any source, related to the purchase of goods or services from any vendor to be redeemed for personal use. Incidental benefits like frequent flier miles or lodging reward points accumulated for state-sponsored travel are allowed.

Anti-Harassment/Discrimination Policy – Harassment, discrimination or offensive behavior based on race, color, religion, national origin, sex, age, genetic info, disability or other legally protected status or characteristic will not be tolerated. An employee who has a complaint of harassment, discriminatory or offensive behavior by a supervisor, co-worker, or non-employee, should immediately notify his or her supervisor, a higher-level supervisor, the agency's human resource manager, or BHR's EEO officer at (605) 773-3148.

Conflict of Interest - Laws apply to state employees and officers who recommend approval, approve, award, or administer contracts or supervise someone who does and would derive a direct benefit from a contract. Deriving a direct benefit means the employee or officer or others with whom the person lives and commingles or has combined assets cannot:

- receive a benefit from a contract that is within that person's scope of duties while in office.
- derive contract benefit for a year after leaving office.
- enter into a contract with any state agency, except an employment contract, for a year after leaving office.

A waiver process exists for employees and officers.

Outside Employment – You may have outside employment provided that, in the opinion of your supervisor, there is not a conflict with your working hours, your work efficiency, or with the interests of state government. You must check with your supervisor before accepting other employment.

Use of Technology – Employees may not use State technology to engage in outside business interests, inappropriate, offensive, or illegal activities. Employees should not expect privacy or confidentiality when using State resources.

Disciplinary Action – Disciplinary action may include suspension without pay, reduction in salary, demotion, or termination. Just cause for disciplinary action includes, but is not limited to:

- violating statutes, rules, policy, directives, and work rules;
- sex offense, any crime involving illegal drugs, or a felony;
- insubordination;
- disrupting the efficiency or morale of the department;
- being under the influence of a controlled drug or alcohol at work;
- misuse or abuse of leave;
- engaging in outside or personal activities on State time, or using state property for non-government purposes;
- conduct reflecting unfavorably on state, destroys confidence in operations of services, or adversely affects public trust;
- negligence with state money or property;
- poor attendance;
- and discrimination and harassment.

Political Activity – State resources may not be utilized to influence the nomination or election of a candidate or the adoption or defeat of any ballot question. Civil service employees are not allowed to use official authority to influence or coerce political action by a person or group. Participation in campaigns or political management is allowed outside of work hours.

Workplace Fraud or Theft – State Laws and Administrative Rules establish control and aid in the prevention and detection of fraud against State property and apply to any actual or suspected employee fraud or theft. These laws include prohibition of the following:

- salaried officers retaining money received by theft
- dual salaries for state employees (limited exceptions)
- dual compensation for state duties
- outside employment without proper approval
- negligence with money or other State property belonging to anyone receiving services from the State
- attempt to steal or stealing from anyone receiving services from the State Employees who suspect fraud, theft should report it to their supervisor or the attorney general's office immediately.

Please report potential violations of these policies to your supervisor, department's internal control office, or Human Resources Manager.