



Code of Conduct



October 2008 (reprint July 2011)

EVCA

The European Private Equity & Venture Capital Association

EVCA is the voice of European private equity and venture capital.

We promote the interests of our more than 1,200 members, to ensure they can conduct their business effectively. EVCA engages policymakers and promotes the industry among key stakeholders, including institutional investors, entrepreneurs and employee representatives.

EVCA develops professional standards, research reports and holds professional training and networking events.

EVCA covers the whole range of private equity, from early-stage venture capital to the largest buyouts.

EVCA Professional Standards

For the Private Equity and Venture Capital Industry

- > EVCA Code of Conduct
- > EVCA Governing Principles
- > EVCA Corporate Governance Guidelines
- > International Private Equity and Venture Capital Valuation Guidelines
- > EVCA Reporting Guidelines

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1. Introduction

The European Private Equity and Venture Capital Association ("EVCA") is an organization whose principle objectives include promoting the highest ethical and professional standards within the Private Equity Industry (the "Industry") in Europe. EVCA membership includes a wide range of Industry participants, such as venture capital and buy-out firms (often referred to as "General Partners"), investors such as pension funds, insurance companies, Fund-of-Funds and family offices (often referred to as "Limited Partners") as well as associates from related professions.

As part of its longstanding objective to provide an appropriate self-regulatory framework for the Industry, EVCA has published several documents that present principles that should govern the professional relationship between the three key groups of participants in the Industry: the General Partner, the Limited Partner, and the investee company. These documents outline the key elements of governance, transparency and accountability that are expected of the main Industry participants towards one another.

To that end, EVCA established a set of Guiding Principles for managers in the Industry; International Valuation Guidelines in collaboration with the BVCA, AFIC and several other institutions; Reporting Guidelines; and Corporate Governance Guidelines. The observance of the various guidelines by EVCA members facilitates the work EVCA does on their behalf, such as representing the interests of EVCA members with such European and International institutions and organisations, investor associations, national governments and investors in the Industry worldwide.

The critical consideration for Industry participants' behaviour, however, is the call for high ethical standards. Ethical behaviour is fundamental to the success of the Industry. First, professionals within the Industry expect themselves and their colleagues to behave with the highest ethical standards and in an environment of trust. Second, in order to ensure fair and equitable conditions for the Industry across Europe, it is in the best interests of the Industry that the public at large view the Industry as adhering to the highest ethical standards. EVCA membership creates a responsibility on the part of the member firm and individuals in the firm to act in a manner which is both ethical and beneficial to the image and interests of the Industry and its participants. This has long been recognised with the EVCA Code of Conduct issued in 1983, compliance with which has always been obligatory for EVCA members.

In pursuit of the highest ethical standards in the Industry, EVCA herewith adopts this **Code of Conduct** (the "Code"), updating the Code of Conduct issued in 1983, as a set of minimum principles with which compliance is mandatory for all members and their employees. Compliance for EVCA members with the Code is dealt with through the Professional Standards Committee on behalf of the Board of Directors of EVCA. In the event of a proven serious case of misconduct by a member the sanction is expulsion of that member from EVCA.

The Code has been developed having regard to the "Model Code of Ethics: A Report of the SRO Committee for the International Organisation of Securities Commissions (IOSCO)" published in June 2006. This recommends that firms engaged in the financial services industry adopt Integrity and Truthfulness, Promise Keeping, Loyalty-Managing and Fully Disclosing Conflicts of Interest, Fairness to the Customer, Doing no harm to the Customer or the Profession and Maintaining Confidentiality as ethical principles.

The Code is established in Section 1, Guiding Ethical Principles. Guidance on implementation of the Code is provided within Section 2.

The objectives of the Code are:

- To state the **principles of ethical behaviour** that members of EVCA abide by;
- To assert on behalf of the membership the **collective view** that high standards of commercial honour and just and equitable principles of trade and investment shall be observed; and
- To provide the basis for consideration of and **dealing with lapses in professional conduct** within EVCA.

Acting within the Rule of Law and within the Laws and Conduct of Business Rules of a particular jurisdiction in which an EVCA member firm operates is the minimum expected of all members and their employees. The benefit of the Code is that it offers a framework for the resolution of ethical dilemmas.

2. Guiding Principles

1. Act with integrity
2. Keep your promises
3. Disclose conflicts of Interest
4. Act in fairness
5. Maintain confidentiality
6. Do no harm to the industry

3. Further explanation of the Principles

The Principles which comprise the Code stand together as a whole rather than independently of each other.

A litmus test for application of these Principles is personal conviction that one's actions would stand up to the scrutiny of a third party.

An alternative test is to judge one's action by reference to whether one would find it acceptable for other parties to pursue a similar course of action under similar circumstances.

3.1. Act with integrity

Integrity is the fundamental building block of trust in business relationships.

Trust is built upon repeated interactions between individuals which involve clarity, reliability and honesty. Integrity implies that competitive advantage and commercial success are derived through the application of superior individual and collective skill and not through the use of manipulative or deceptive devices or practices.

Acting with Integrity implies not seeking to evade or avoid the consequences of error.

3.2. Keep your promises

Ethical business behaviour implies keeping promises regardless of whether or not there is a legal obligation to do so.

Within the Industry commitments are made subject to the provision of further information, carrying out due diligence, the results of uncertain external events and other matters. This means that clarity about what is committed and what is subject to further investigation is very important.

Promises are made in the light of circumstances known at the time that the promise is made. The ethical individual or business only makes promises which they reasonably believe are capable of being fulfilled.

Promises made are of equal importance regardless of to whom they are made.

3.3. Disclose conflicts of interest

Conflicts of Interest arise inevitably within business and occur when a person who has a duty to another also has a personal or professional interest that might interfere with the exercise of independent judgment.

Conflicts of Interest should be diligently identified and disclosed to all parties concerned.

3.4. Act in fairness

Fairness means playing by the rules, based on facts and circumstances.

Rules for conducting business in our Industry may vary between countries, regions, societies, legal systems and transactions. It is important that members understand the different rules that apply to their particular business.

3.5. Maintain confidentiality

In the ordinary course of business individuals and firms will obtain commercially sensitive information from other market participants.

In an effort to safeguard the interests of disclosing parties reasonable steps should be taken to protect information from inappropriate disclosure.

3.6. Do no harm to the industry

Success in commercial enterprise requires the generation and analysis of options and the rigorous pursuit of competitive advantage.

The pursuit of competitive advantage is not in itself harmful to the Industry. However, Industry members should conduct their business in a responsible manner and not engage in practices which are foreseeably damaging to the image and interests of the Industry.

The 'Central and Eastern Europe Statistics 2010' Special Paper is published by the European Private Equity & Venture Capital Association (EVCA). © Copyright EVCA July 2011

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