

NEW MEXICO STATE INVESTMENT COUNCIL CODE OF CONDUCT

The members of the New Mexico State Investment Council (“NMSIC” or “Council”), are fiduciaries to New Mexico’s Permanent Endowment Funds (collectively, “Permanent Fund” or “Fund”) and subject to the statutory and common law duties of a fiduciary. As fiduciaries, Council members must oversee prudent investment performance and capital preservation.

This Code of Conduct (“Code”) applies to the NMSIC members. The Code summarizes fiduciary and other related conduct requirements for the Council. By adhering to these standards, the Council shall facilitate effective, efficient exercise of NMSIC operations. Members will be issued a copy of the Code of Conduct, and shall review and sign the acknowledgment form (Appendix A).

The Council acknowledges a duty to the State of New Mexico and its citizens to exercise NMSIC authority and responsibility for the exclusive benefit of the Permanent Fund.

SELECT STATUTORY AUTHORITY

This Code is not a complete statement of all fiduciary requirements and responsibilities. Nothing in this Code shall exempt Council members from applicable provisions of law, such as the Prudent Investor Act, the Governmental Conduct Act, the Procurement Code, the Gift Act, and the Financial Disclosure Act. The standards of conduct and ethics set forth in this Code are in addition to, not in lieu of, those set forth in statute.

The New Mexico Governmental Conduct Act requires Council members to treat their position as a public trust. Council members are required to use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests incompatible with the public interests. *See* NMSA 1978 § 10-16-3.

New Mexico law also makes it a felony to act in an official capacity for the primary purpose of directly enhancing a personal financial interest or financial position. Any Council member who has a financial interest that the member believes, or has reason to believe, may be affected by an NMSIC official act must disclose to the Governance Committee the nature and extent of that interest. *See* NMSA 1978 § 10-16-4.

Council members have access to confidential information pertaining to specific Permanent Fund investments, NMSIC executive session matters, State Investment Office (“SIO”) employees, member financial disclosures, and privileged legal matters. Council members shall not divulge or communicate any such information to third-parties (persons or organizations) except as required by law. The obligation to preserve confidentiality continues after Council membership ends. Council members acknowledge that confidentiality obligations arise by law as well as by NMSIC contract. The SIO’s structure as an investment organization housed within state government subjects the NMSIC to regulation under certain federal securities laws and under state statutes and rules.

FIDUCIARY DUTIES OF CARE AND LOYALTY

The Council must be impartial in exercising undivided loyalty to the Permanent Fund; all assets must be invested for the exclusive benefit of the Fund.

- A. Council members shall discharge their fiduciary duties solely in the interest of Permanent Fund trust beneficiaries:
 1. By investing the Fund for current and future generations through prudent, professional investment management;

2. By diversifying Fund investments so as to minimize the risk of material losses (unless under the circumstances it is clearly prudent not to do so); and
3. By monitoring investing expenses.

B. Council members are trustees who shall not:

1. Deal with the Fund in their own personal interest or for their own account, or for any third-party's interest or account; and
2. In their individual or in any other representative capacity, act respecting the Fund on behalf of, or otherwise represent, adverse interests.

PRUDENT INVESTOR DUTIES

A Council member shall make decisions as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the Fund. In satisfying this standard, the Council member shall exercise reasonable care, skill, and caution.

A Council member's management decisions respecting assets must be evaluated not in isolation but in the context of the Fund portfolio as a whole and as a part of an overall investment strategy, having risk and return objectives reasonably suited to the Fund.

ETHICAL CONDUCT DUTIES

The NMSIC is a sovereign wealth fund with strict ethics requirements, premised upon each Council member's fiduciary loyalty to the Permanent Fund. Council members shall not benefit financially from NMSIC service, and all duties shall be performed free of influence from any undisclosed private interest.

In addition, Council members shall not make statements that are in violation of fiduciary duties. Council members shall not¹, directly or indirectly:

- A. Reveal to third parties privileged communications made during closed Council sessions;
- B. Disclose to third parties legally-privileged information provided or generated by the SIO legal department or outside counsel; or
- C. Have an ex parte communication with any party or their representative, on the merits of any matter arising out of an NMSIC privileged or legal matter.

RESPONSIBILITIES REGARDING CONFLICTS

Council members shall not have undisclosed private or outside interests, business, litigious, or otherwise, that conflict with the interests of the NMSIC or the Fund. Each member agrees to act in a manner consistent with this Code to avoid any actual, potential, or perceived conflict of interest. Council members shall not participate in any evaluation, discussion, or vote on any transaction, matter, or issue in which an actual, potential, or perceived conflict exists.

Permanent Fund transactions and contract selections are to be based solely on prudence, integrity, and competence. Council members agree either to inform the NMSIC and to recuse themselves from decisions where an actual, potential, or perceived conflict of interest exists, or to remove the source of the conflict prior to participating in such decisions. Members are duty-bound to disclose reasons for any such recusal. Members are required to promptly disclose the existence of an actual, potential, or perceived conflict.

¹ This list is meant to be illustrative, not exhaustive.

A conflict of interest is understood to be present in a situation where a relationship exists which could reasonably be expected to diminish independence or judgment in performance of official responsibilities. Conflicts also arise when a Council member (or a member of that individual's family), friend, or associate receives any undisclosed benefit as a result of the individual's position on the Council.

Council members shall disclose any material interest in an entity in which an investment has been made with monies of the Fund or in any entity considered for a contract with the Council or the SIO. Council members also must disclose any known business relationship with parties serving or considered for service to the Fund. Council members shall be prepared to disclose generally the name of interests held personally, but not how much of any particular interest is owned². Disclosure must be made by completing and submitting the attached form (Appendix B).

From time to time, the SIO will use requests for proposals, invitations to bid, and other procurement processes. Council members shall not privately communicate with potential vendors regarding requests.

The NMSIC currently maintains three standing committees: the Investment, Audit, and Governance Committees. Council members shall consult the Governance Committee as soon as practicable concerning Code implementation and interpretation. All disclosures made pursuant to this Code should be made initially to the Governance Committee. The Governance Committee may advise, but the Council shall determine Code compliance, including if necessary whether an actual, potential, or perceived conflict exists, and shall oversee preclearance, remedial, or other fiduciary matters. Committee members who do not serve as Council members are also subject to this Code.

TRADING

Council members must comply with the trading restrictions of Rule 10b-5 under the Securities Exchange Act of 1934 and the Insider Trading and Securities Fraud Enforcement Act of 1988 when buying and selling securities. This obligation to avoid inappropriate trading continues after Council membership ends.

CODE ENFORCEMENT

If a Council member is aware of illegal activity, an ethical breach of fiduciary duty by another NMSIC member or by someone else serving as a fiduciary to the Permanent Fund, or a violation of this Code, the member shall disclose such activity or breach to the NMSIC Governance Committee. No retaliatory action may be taken toward any individual who, in good faith, makes a report or takes action in response to a violation or suspected violation of applicable laws or fiduciary standards.

Council members shall cooperate fully in matters respecting Code compliance. For a Council member who violates this Code, the NMSIC may, by an affirmative vote of at least seven (7) members, impose sanctions appropriate to the violation.

² While a Council member may be required to identify investments or holdings in conjunction with the provisions of this Code, that individual may not be required to disclose personal wealth details such as the value of a particular investment or comparable private information.

APPENDIX A
ACKNOWLEDGMENT FORM

I, _____, have read and understand the terms within the NMSIC Code of Conduct. I agree to abide by such terms, and further understand that any diversion from Code compliance can subject me to disciplinary action.

In addition, I have familiarized myself with the statutory authority listed within the Code, in order to fully understand my legal obligations as they pertain to Council membership.

Moreover, I understand that I must sign this form once per year, and submit the signed form to the NMSIC General Counsel. I understand that failure to comply with this requirement can subject me to disciplinary action.

NMSIC Council member signature

Date

APPENDIX B
DISCLOSURE FORM

Pursuant to the New Mexico State Investment Council Code of Conduct, I, _____, submit this form to disclose an actual, perceived, or potential conflict of interest.

I learned of this actual, perceived, or potential conflict of interest on _____, and in accordance with Code of Conduct procedure, I affirm that I have reported such interest in a timely manner that avoids action on the matter of conflict.

The following is an explanation of how I learned of this conflict:

The following is a description of the conflict itself:

Upon signature, I affirm that I have completed this form with the utmost honesty and transparency. Further, I understand that if a determination of conflict is made, I may be accordingly removed from certain proceedings and deliberations.

I understand that I may be subject to disciplinary action, if evidence indicates that I have not completed this form with the utmost honesty and transparency.

NMSIC Council member signature

Date