



Bundesverband  
Beteiligungskapital e.V.

# CODE OF CONDUCT OF THE BVK

Content

**INTRODUCTION**

**GUIDING**

**NOTES ON THE  
GUIDING PRINCIPLES**

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## INTRODUCTION

The **Bundesverband Beteiligungskapital (BVK)** represents the interests of the private equity sector in Germany. Creating the highest ethical and professional standards for the private equity sector in Germany is one of the major objectives of the BVK. BVK members include many different sector representatives, such as venture capital and buyout companies, equity growth investors as well as institutional investors such as insurance companies, fund of funds and representatives of advisory professions.

The BVK has industry guidelines that govern the relationship between the three key groups in the private equity sector – private equity firms, institutional investors and companies that invest in private equity. These industry guidelines are the so-called 'Invest Europe Guidelines' that were developed by the European industry association 'Invest Europe: The Voice of Private Capital' and that have become established as a European standard: guidelines for private equity managers; international valuation guidelines; rules for reporting; corporate governance guidelines. The BVK has officially acknowledged these guidelines and urges its members to comply with them.

The need to apply the highest ethical standards is of the utmost importance for the work of industry representatives. Ethical behaviour is the bedrock for the success of our industry. First, stakeholders in the private equity sector expect both themselves and their colleagues to display ethically correct behaviour in a trusting environment. Second, it is beneficial for the sector if public opinion can clearly see the sector's high ethical standards. By becoming members of the BVK, private equity firms and their employees take responsibility for acting in a way that is ethically correct and that will have a positive impact on the reputation and interests of the sector and those in it. This was set out in the BVK code of conduct published back in 1997 and which has so far been binding for all BVK members.

The BVK now introduces this new code of conduct in its quest for the highest ethical standards in the German private equity sector. The BVK is convinced that the European private equity sector should aim for a common standard in its guidelines and codes of conduct, which is why the BVK's new code of conduct reflects the new Invest Europe code of conduct which was published in October 2008. These are minimum guidelines, and compliance with them is mandatory for all members and their staff. The BVK Board monitors compliance with the BVK code of conduct.

If a serious breach of the code is proven, then this can result in the member's exclusion from the BVK. The code of conduct was developed based on the 'Model Code of Ethics: A Report of the SRO Committee for the International Organisation of Securities Commission (IOSCO)' published in June 2006.

## GUIDING PRINCIPLES

- 1. ACT WITH INTEGRITY**
- 2. KEEP YOUR PROMISES**
- 3. DISCLOSE CONFLICTS OF INTEREST**
- 4. ACT FAIRLY**
- 5. RESPECT CONFIDENTIALITY**
- 6. DO NOT HARM THE SECTOR**

## NOTES ON THE GUIDING PRINCIPLES

The guidelines of this code must be understood as a whole and not as separate rules.

A test for the application of these guidelines is the personal conviction that one's actions would stand up to a critical examination by a third party.

Alternatively, every individual can assess their actions by considering whether they would find similar behaviour by another party acceptable under comparable circumstances.

### **1. ACT WITH INTEGRITY**

Integrity is the fundamental building block of a trusting business relationship.

Trust is built on repeated interactions between individuals that are characterised by clarity, dependability and honesty. Integrity implies that competitive advantages and commercial success are the result of the use of superior individual and collective skills and abilities and not of manipulative and deceitful practices.

Acting with integrity means not evading the consequences of mistakes.

## 2. KEEP YOUR PROMISES

Ethical business practice means keeping promises whether or not there is a legal requirement to do so.

In our industry promises are made subject to additional information, as part of due diligence and bearing in mind external events and influences, so it is essential to have total clarity on what has been promised and what requires additional checking and verification.

Promises are made against the background of requirements and circumstances known at the time. Persons or companies acting ethically only make promises which they realistically assume that they can actually fulfil.

Promises are of equal importance whomever they are made to.

## 3. DISCLOSE CONFLICTS OF INTEREST

Conflicts of interest are unavoidable in a company. They happen when one person who has commitments to another person also has personal or professional interests that cast doubt on an independent judgement.

Conflicts of interest should be conscientiously identified and disclosed to all affected parties.

## 4. ACT FAIRLY

Fairness means following the rules of the game in a way that is appropriate to the circumstances.

The rules for business practice in our industry can vary between countries, regions, social structures, legal systems and transactions. It is important that members understand the different rules governing their specific company.

## 5. RESPECT CONFIDENTIALITY

In the normal course of business, individuals and companies gain access to commercially sensitive information about other market players.

Appropriate measures should be taken to prevent the unwanted distribution of this data so as to protect the interests of the publishing parties.

## 6. DO NOT HARM THE SECTOR

To be successful, commercial enterprises must generate and analyse new opportunities and purposefully pursue competitive advantages.

Pursuing competitive advantages does not in itself harm the industry. Even so, companies should conduct their business in a responsible manner and not use practices that could harm the industry's image and interests.