

Code of Conduct and Key Policies

Governance Committee Agenda Item 5

January 20, 2011

Barbara Simmons

Code of Conduct - Content & Responsibility

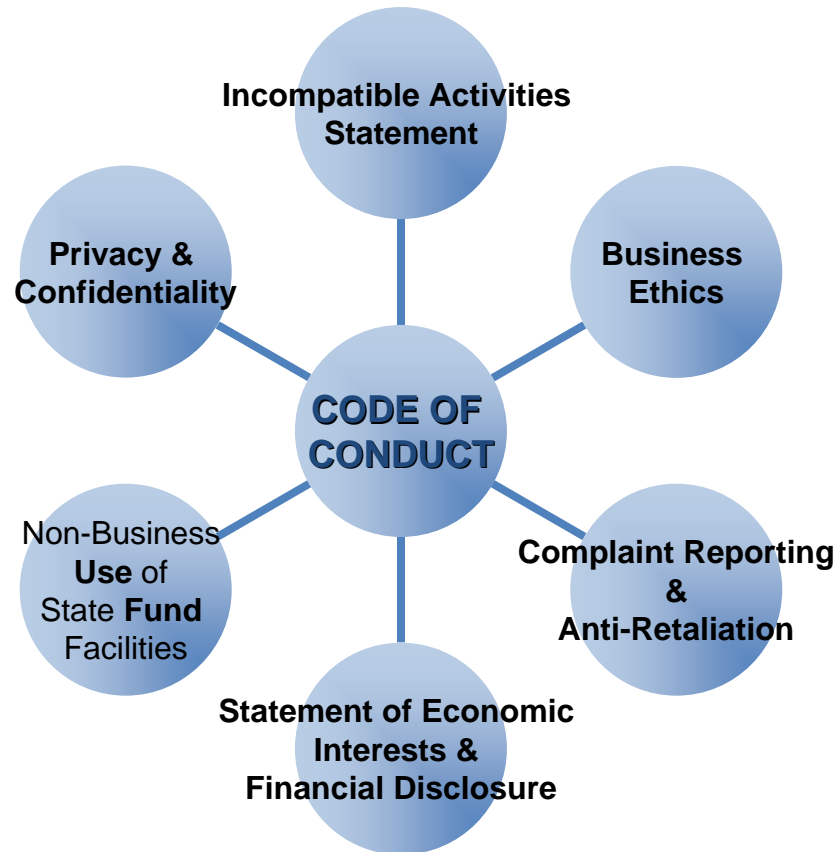
- Code of Conduct

- Articulates and promotes State Fund's values and expectations for behavior;
- Presents written standards which promote honest and ethical conduct to prevent and detect illegal conduct

- Board responsibility

- Set the direction: "Tone at the Top";
- Approve and endorse the *Code of Conduct*;
- Provide reasonable assurance and oversight of compliance with the *Code*

Key Corporate Policies



Board Approval of:

- Incompatible Activities Statement

(Cal. Gov't Code § 19990)

- Business Ethics

(best practice USSC Guidelines Manual § 8C2.5 and §8D1.4)

Board opportunity to review key policies approved by management, if requested.

Incompatible Activities Statement & Business Ethics Policies

Incompatible Activities Statement

- Required by California law (Cal. Gov't Code §19990);
- Prohibits certain activities by state employees;
- Prohibits divisions of loyalty;
- Prior to adoption, California regulation (2CCR §599.870) requires:
 - 30-day comment period by employees & their representatives
 - Final approval by the Cal. Dept. of Personnel Administration

Business Ethics Policy

- Governs & sets the standards to which State Fund will hold itself when transacting business;
- Presents State Fund's philosophy of values, integrity, courage, and compliance with the law:
 - *“Doing the right thing”*

Message from the President

Dear Fellow Employees,

State Fund's Code of Conduct (Code) outlines the personal and professional responsibilities of all State Fund employees. The Code generally describes the laws, principles, and policies employees must follow to meet State Fund's expectations regarding honesty, integrity, and responsible corporate behavior.

The role of each State Fund employee begins with understanding and adhering to State Fund's values and this Code. If any ethical or legal compliance issue occurs that raises a question in your mind, you have a responsibility to share your concern with your supervisor, manager, or Human Resources Operations. Other avenues such as contacting Ethics and Compliance and calling the Integrity in Action hotline, or the California Whistleblower hotline are also available for that purpose.

State Fund encourages the responsible reporting of potential violations of either the law or this Code by all employees. Retaliation of any kind against an employee for making such reports in good faith is prohibited regardless of whether the matter reported ultimately proves to be a violation.

Sincerely,

Tom Rowe
President & CEO

Code of Conduct
For All
State Compensation Insurance Fund
Employees

CODE OF CONDUCT FOR ALL
STATE COMPENSATION INSURANCE FUND EMPLOYEES

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State Fund Mission, Vision, and Values Statements

Mission

State Fund exists to provide California's businesses a strong and stable choice for their workers' compensation insurance while making California's workplaces safer and helping injured employees return to work – all with no financial obligation from the public.

Vision

To be recognized by customers, regulators, and the insurance industry as the gold standard of workers' compensation carriers; to underwrite the California dream by providing services that are responsive to State Fund clients' evolving needs.

Strategic Objective

To serve all California employers as an efficient and fairly priced provider of workers' compensation insurance

Values

- ◆ Honesty
 - ◆ Integrity
 - ◆ Accountability
 - ◆ Excellence in customer service
 - ◆ Long-term commitment in California
-

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Maintaining Trust and Credibility

The success of State Fund's business is dependent on the trust and confidence earned from our employees, customers, and stakeholders. State Fund gains credibility by adhering to its commitments, displaying honesty and integrity, and reaching company goals solely through honorable conduct.

State Fund's Corporate Policy on business ethics requires that all employees treat their jobs as a public trust, avoid real and apparent conflicts of interest, and set good examples of public service.

It is easy to say what State Fund must do, but the proof lies in the actions of its employees. Ultimately, State Fund will be judged on how its employees conduct business.

Governance

Corporate governance is the set of laws, policies, processes, and customs affecting the way State Fund is directed, administered, or controlled. Sound governance is the foundation upon which a successful organization is built.

The Board of Directors (Board) has full power, authority, and jurisdiction over State Fund. The Board takes actions necessary to ensure that State Fund is operated in a legal, ethical, socially, and financially responsible manner. With respect to the Code of Conduct ("Code"), the Board:

- Authorized and endorsed its development;
- Approved and endorsed its final content; and
- Reserves review or approval authority for Corporate Policies which support the Code.

Open and Honest Communication

State Fund benefits when employees exercise their power to prevent mistakes or wrongdoing by asking the right questions at the right time. At State Fund, everyone should feel comfortable to speak his or her mind in a respectful and professional manner, particularly with respect to concerns about ethical issues. Management sets the tone at the top. Management has a responsibility to create an open and supportive environment where employees feel comfortable raising questions.

Ethical Conduct

All State Fund employees must maintain the highest standards of ethical conduct. No business goal of any kind is ever a justification for deviating from State Fund's ethical standards.

It is essential that the public and State Fund stakeholders have confidence in State Fund's employees. This trust and confidence depends on each State Fund employee exhibiting behavior and performing duties in a manner that is, at all times, fair, and uninfluenced by any consideration of improper self-interest, except those inherent in the proper performance of their duties.

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Each employee must maintain the highest standards of professional and personal integrity. Employees must respect this trust and welcome public scrutiny of the way in which they perform their duties.

State Fund employees must have the courage to tackle tough decisions and make difficult choices secure in the knowledge that State Fund is committed to doing the right thing. At times this will mean doing more than simply what the law requires. Pursuing a course of action merely because we *can* does not mean we *should* do so.

If any ethical or legal compliance issue occurs that raises a question in your mind, you have a responsibility to share your concern with your supervisor, manager, or Human Resources Operations. Other avenues such as contacting Ethics and Compliance and calling the Integrity in Action hotline, or the California Whistleblower hotline are also available for that purpose.

Code of Ethics or Rules of Professional Conduct for Professional Associations

This Code is in addition to any code of conduct that the employee may be subject to by virtue of holding a professional license or certification.

Upholding the Law

State Fund's commitment to integrity begins with complying with laws, rules, and regulations that govern its business. Employees must understand the company policies, laws, rules and regulations that apply to their specific roles. If you are unsure if a contemplated action is permitted by law or State Fund policy, seek advice from an appropriate resource. State Fund employees are responsible for preventing violations of law, for speaking up if possible violations are noticed, and cooperating during investigatory proceedings.

State Fund is committed to examining and providing guidance on a variety of concerns that can arise from our business environment and how our employees and management can deal with them ethically.

All required information must be recorded and reported accurately and honestly. This includes reporting of hours worked, legitimate business expenses incurred, and all other activities related to State Fund business.

Financial reports and records must accurately reflect real transactions and conform to State Fund's policies. No entry may be made on the company's books that hides or disguises the true nature of any transaction. Undisclosed or unrecorded accounts, funds, or assets are not allowed.

State Fund is dedicated to ethical, fair, and responsible competition. State Fund sells workers' compensation insurance products and services based on their merit, superior quality, functionality, and competitive pricing. State Fund makes independent pricing and marketing decisions and does not improperly cooperate with or coordinate our activities with our competitors. State Fund employees are prohibited from offering, soliciting, or accepting improper payments or gratuities in connection with the purchase of goods or services for State

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Fund or the sales of its products or services. State Fund does not engage or assist in unlawful boycotts of particular customers.

State Fund complies with the collective bargaining agreements and legislation affecting State Fund employees. It is State Fund's policy to engage in cooperative efforts with the State's Department of Personnel Administration (DPA) and union representatives to negotiate terms and conditions of employment for State Fund employees and to work with union stewards in the proper administration of the labor contracts.

Management and Employee Responsibilities

State Fund employees at all levels are vital members of our organization. State Fund expects that all employees and associates treat one another with respect and dignity. Each employee has a role in making State Fund a better and more rewarding place to work. As a matter of professional conduct, employees should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. State Fund's values are richly embedded in this commitment and are backed by its philosophy as outlined in this Code.

Management at all levels has the responsibility to foster a culture where ethical conduct is valued and exemplified by all employees. In any business, ethical behavior does not simply happen; it is the product of clear and direct communication regarding behavioral expectations, modeled from the top and demonstrated by example. All State Fund leaders have the responsibility to model and set expectations for ethical behavior and foster a culture where ethical conduct is valued and exemplified by all employees.

State Fund does not tolerate retaliation against employees who raise genuine ethics concerns in good faith. Management must promptly address ethical questions or concerns raised by employees and take the appropriate steps to deal with them. Management should not consider employees' ethics concerns as threats or challenges to their authority, but rather as another encouraged form of business communication. At State Fund we want the ethics dialogue to become a natural part of daily work. The Ethics and Compliance office is a primary resource for addressing these matters.

Employees have several avenues through which they can relay suspicions or concerns about unethical behavior. Employees may direct any suspicions and concerns to any of the following: Program Manager/Regional Vice President; Human Resources Operations; Ethics and Compliance; Executive Management; or directly to the Board. Employees may also use the Integrity in Action Program, the California Whistleblower Protection Act, and the State Fund Fraud Hotline, to question and escalate any transactions that do not meet established policies or procedures. Employees are assured of freedom from retaliation or reprisal for reporting their concerns in good faith.

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Corporate Policies

State Fund recognizes the importance of Corporate Policies for employee decision-making and operational success of the organization. Corporate Policies ensure that State Fund's business practices and processes are aligned with the organization's mission, vision and values, and promote accountability in the conduct of business.

State Fund Corporate Policies:

- State the official position, "what to do", on subjects which apply to the entire organization and are approved by the Board or company officers;
- Reflect and uphold the organization's principles;
- Set standards for behavior;
- Identify and prescribe compliance with applicable laws, regulations, and Bargaining Unit Memoranda of Understanding;
- Provide direction and guidance to employees for decision making; and
- Promote operational efficiency.

Your Corporate Policy compliance obligations - It is essential to a successful work environment at State Fund that our Corporate Policies and Corporate Procedures are followed consistently. This practice ensures that the interests of State Fund as an organization, our employees, and our stakeholders are being met.

Review all Corporate Policies and Corporate Procedures carefully. In your role, it is your responsibility to read, understand, and comply with State Fund Corporate Policies and Corporate Procedures that correspond with your assignment. If you have any questions, ask for help and advice. Failure to abide by State Fund's Corporate Policies and Procedures may constitute cause for disciplinary action up to and including termination as allowed under the California Government Code.

Diversity

State Fund's diverse workforce is a valued asset. Each employee's unique perspective and contribution to the organization leads to a more productive and fulfilling work environment for all.

Equal Employment Opportunity

All applicants for employment and all employees at State Fund are afforded equal employment opportunity and a workplace free of discrimination or harassment.

Employees and applicants will not be discriminated against or harassed based on their protected group status, specifically: race, color, religious creed, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, political affiliation, or sexual orientation.

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Harassment/Discrimination

State Fund views harassing conduct as offensive and highly inappropriate. Individuals found to have engaged in harassment will be subject to disciplinary action up to and including termination. State Fund is committed to taking all steps necessary to prevent and correct harassment and discrimination.

State Fund's harassment-free workplace policy extends to outside vendors, customers, professionals, and other providers of goods or services to any State Fund location. This policy applies to both work-related settings and State Fund-organized activities outside the workplace.

Employees who believe they have been subject to harassment or discrimination based on their protected group status and who also believe that the discriminatory behavior was within the jurisdiction of State Compensation Insurance Fund, may file an informal or formal complaint within one year or as such notice period as set by law, of the alleged harassment or discrimination. Employees who file a complaint, those who provide assistance to someone filing a complaint, and/or those participating in a discrimination complaint investigation shall be assured freedom from retaliation or reprisal for using the complaint procedure.

Safe and Healthy Workplace

State Fund is dedicated to maintaining a safe work environment. Employees are expected to follow health and safety guidelines and make management aware of potential safety hazards or threats of violence.

Threat Management

State Fund does not tolerate violence or threatening behavior of any kind. To provide for the safety and security of State Fund's workforce, State Fund has established a threat evaluation process by which employees report perceived threats.

All threats or acts of violence, including domestic violence, directed at State Fund's workforce and/or property which may impact the workplace must be reported to the Threat Evaluation Team. The Threat Evaluation Team evaluates and responds to all reported internal and external threats or acts of violence. If you believe there is an imminent danger to you or others, contact the appropriate public safety officials first and then report to local management and the Threat Evaluation Team immediately.

Domestic and Workplace Violence

State Fund adheres to statutes in the California Labor Code, Family Code, and collective bargaining legislation affecting State Fund employees who are victims of domestic violence. State Fund also participates in programs on Workplace Violence Prevention.

If you feel threatened by workplace violence or domestic violence which may impact the workplace, you should report your concerns immediately the Threat Evaluation Team.

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Substance Abuse-Free Workplace

Substance abuse poses a serious threat to the safety, health, and productivity of our organization, employees, and customers.

It is the policy of the State of California (California Code of Regulations Title 2, Rule 599.960) that state workplaces be free from the effects of substance abuse. This is to avoid the dangers arising from substance abuse in the workplace, including death and injury to the employee, co-workers, or the public resulting from accidents, dereliction of duty, poor judgment, and carelessness.

Functions Involving Alcohol

There may be State Fund-sponsored events where alcoholic beverages are available. In these cases, all appropriate laws must be followed. Consumption of alcohol in excess or intoxication at these events is prohibited.

Employee Assistance Program

There may be times when a personal issue or problem may possibly get in the way of workplace performance. The State Fund Employee Assistance Program (EAP) is a confidential and free service available which assists employees or their family members by providing confidential, direct, professional assessment, problem solving and referral services. EAP also supports State Fund management and supervisory staff by providing expert consultation and training on motivational strategies, including methods of employee coaching, and the development of organizational practices which enhance employee performance.

EAP's toll-free telephone number is (800) 339-2099.

Regulatory Compliance

Employees must follow at all time applicable Federal and California laws. These laws affect State Fund employee activities inside and outside the workplace. This section provides a brief summary of some of these applicable laws.

Financial Disclosures and the Statement of Economic Interests – Form 700 (SEI)

State Fund Officials and designated employees are required under the California Political Reform Act and State Fund's *Conflict of Interest Code* to file financial disclosures using the *Statement of Economic Interests – Form 700 and Schedules* (SEI). These employees must also periodically complete a State Fund approved ethics course. The course serves to educate employees about financial disclosure laws and their application in order to alert them of potential financial conflict-of-interest situations.

Statements of Economic Interests and Schedules and ethics course certificates of completion will be retained by State Fund and are by law disclosable public records. For more information, you may: contact the Fair Political Practices Commission (FPPC) Information line at (866) 275-3772; visit the FPPC website; or visit the California Department of Justice, Office of the Attorney General website.

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Financial or Personal Interest Disqualification from Decision-making or Contracting Process

State Fund officers and employees must disqualify themselves in situations where their participation in the decision-making process would be contrary to law, or to State Fund's Business Ethics Corporate Policy, or to State Fund's *Code of Conduct*.

Potentially disqualifying situations under applicable law include:

- Decisions in which the State Fund officer or employee knows or has reason to know they have a financial interest; or
- Decisions related to a State Fund contract in which the State Fund officer or employee has any type of direct or indirect financial interest; or
- Decisions related to a State Fund contract where a State Fund officer or employee has reason to know that a party to the contract is a person with whom the State Fund officer or employee, or any member of their immediate family, is engaged in a business transaction on terms not available to member of the public totaling one thousand dollars (\$1,000) or more within 12 months prior to the time the State Fund action is to be performed; or
- Any State Fund decision where the decision relates to, or affects a person or entity with whom the officer or employee is:
 - Negotiating future employment; or
 - Has an arrangement of future employment.

The foregoing situations are specified by California law. In the event of conflict between this Code and the statute, the language of the relevant statutes will control.

Personal Interest Disqualification

To avoid impropriety or even the appearance of impropriety, there are instances where State Fund officers or employees must recuse themselves from a decision making or contracting process based on personal interest.

State Fund officers and employees must disqualify themselves from making, participating, or in any way attempting to use their position to influence a State Fund decision in which they know or have reason to know they have an interest, personal or otherwise, in the outcome which is different from State Fund's interest.

Reporting Failures to Disqualify

Any State Fund officer or employee may make a good faith report alleging that another officer or employee has incorrectly failed to disqualify themselves. Such reports may be made confidentially to the Integrity in Action Hotline, the Ethics and Compliance department or any other state agency authorized to review such complaints. To the extent allowed by the reporting mechanism chosen by the reporting individual, reports may be made anonymously.

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California Public Records Act

State Fund is committed to full compliance with the letter and spirit of law under the California Public Records Act (CPRA). State Fund's Public Records Office (PRO) is the only department authorized to evaluate, respond, and manage State Fund's public record requests. Time limits exist for responding to public records requests; employees must transmit these requests immediately, in whatever form they are made, to the PRO.

State Fund employees have the same rights as members of the public under the CPRA. Retaliation for reasonable exercise of these rights is prohibited.

Bagley-Keene Open Meetings Act

State Fund is subject to the Bagley-Keene Open Meeting Act, which declares that the meetings of the Board and the Committees of the Board – Audit, Corporate Governance, and Finance - shall be open to the public. The Act facilitates accountability and transparency of government activities and protects the rights of citizens to participate in State government deliberations.

State Fund employees have the same rights as members of the public under the Act. Retaliation for reasonable exercise of these rights is prohibited.

Incompatible Activities and Business Ethics

State Fund has adopted an Incompatible Activities Statement which prohibits State Fund employees from engaging in activities that are incompatible with their State Fund positions. Any State Fund employee who fails to comply with State Fund's Incompatible Activities Statement is subject to disciplinary action.

Here are representative examples of situations which could lead to an incompatible activity:

- Any employment (by yourself or a close family member), or acting as a consultant to a competitor or potential competitor, supplier, or contractor, regardless of the nature of the employment, which may influence your decisions while acting as a State Fund employee;
- Serving as a board member for a commercial company or organization competing with State Fund;
- Owning or having a substantial interest in a State Fund competitor, supplier, or contractor;
- Having a personal interest, financial interest, or potential gain in any State Fund transaction (you or a close family member); or
- Placing State Fund business with a firm owned, controlled by, or employing a State Fund employee or his or her family and vice versa (e.g. Groups/Marketing).

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Other Outside (non-State Fund) Work by Employees

State Fund employees may wish to take on additional work with organizations that are not our competitors, customers, or suppliers. They may wish to accept a voluntary, elected or appointed position with a political entity. Such work in itself does not constitute an incompatible activity. However, the second job or position must be strictly separated from the employee's job at State Fund.

- Outside work must not be done on State Fund time, must not be conducted on State Fund premises, and must not involve the use of State Fund resources.
- Employees should not attempt to sell products or services to State Fund in connection with their outside job.
- Performance of the off-duty work must not interfere with or prevent the employee from devoting the time and effort needed to fulfill the employee's duties and obligations as a State Fund employee.

If you are uncertain whether your outside work could represent an incompatible activity, advise Human Resources Operations in writing and obtain approval before starting the outside work.

Use of State Fund Resources

State Fund resources, including time, material, equipment, and information, are provided for State Fund business use. Employees and those who represent State Fund are trusted to behave responsibly and use good judgment to conserve company resources. Managers are responsible for the resources assigned to their departments and are empowered to resolve issues concerning their proper use. Questions about the proper use of State Fund resources should be directed to management.

State Fund Systems-User Information Notice

The State Fund Systems-User Information Notice provides employee guidance for the proper use of the electronic information systems of State Fund. The electronic systems covered by this document include computer equipment, internet access, computer software, data, databases, electronic files, telephones, voice mail, fax machines, wireless devices, and any other similar information technologies that State Fund currently uses or may use in the future. Apart from minimal and incidental use permitted by law, contracts, or specific management exceptions, State Fund systems are to be used exclusively for the conduct of State Fund business.

Gifts

California's Political Reform Act places limitations on the receipt of gifts, and requires many, if not most, State Fund employees to report gifts received where the aggregate value from a single person exceeds \$50 during a calendar year. A State Fund employee cannot accept gifts that exceed an annual aggregate value as determined by the Fair Political Practices Commission (currently \$420 per year). Gifts include virtually anything of value – travel, meals, drinks, tickets to events, discounts, favors, gratuities, services, and/or entertainment that may

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be offered to an employee, not only during the course of a business relationship, but from virtually any person except for a close relative. State Fund expects its stakeholders and employees to respect and adhere to state law.

All employees must be familiar with the gift rules and limitations. Any questions about the applicability of the gift rules should be directed to Human Resources Operations.

Reporting Legal or Ethical Concerns

Employees are encouraged to address issues with management, Human Resources Operations, or Ethics and Compliance, as most problems can be resolved swiftly. If for any reason that is not possible or if employees are not comfortable raising the matter through these channels, employees may elevate issues through State Fund's Integrity in Action program. This program with their manager or Human Resources Operations, employees may elevate issues through a variety of reporting methods.

Employees must not improperly influence, manipulate, or mislead any authorized audit, nor interfere with any auditor engaged to perform an internal or independent audit of State Fund books, records, processes, or internal controls.

Integrity in Action

State Fund's *Integrity in Action* program promotes greater transparency and the reporting of ethical concerns, including non-compliance with Corporate Policies and the Code of Conduct, by members of the State Fund Workforce. *Integrity in Action's* 24-hour toll free number is 866-294-1742. The hotline is operated by an independent company and staffed by specially trained interviewers.

The Integrity in Action hotline provides callers an avenue to confidentially report their concerns or to relay suspicions about unethical activity directly to State Fund's Board of Directors. Callers to the hotline may chose to remain anonymous.

Workers' Compensation Fraud

To report suspected workers' compensation fraud by State Fund employees, policyholders, injured workers, or vendors, you may file an electronic TIP report on State Fund's Special Investigation Unit website or call (888) 786-7372.

The California Whistleblower Protection Act

The California Whistleblower Protection Act prohibits reprisal for reporting improper activities and is administered by the Bureau of State Audits. Improper activities include theft, fraud, incompatible activities, misuse or abuse of state property, gross misconduct, and incompetence or inefficiencies by state employees. Whistleblower Notices are distributed annually to all employees about the California Whistleblower Protection Act. This information is displayed in each State Fund department in locations where other employee notices are maintained.

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To file a complaint under the Whistleblower Protection Act, you may do so by writing a letter to the Bureau of State Audits, visiting the Bureau of State Audits website, or by calling the toll-free Whistleblower Hotline at (800) 952-5665.

The Act protects the identity of a reporting individual unless disclosure to a law enforcement agency conducting a criminal investigation is required.

Further, State Fund management and employees are prohibited from attempting to or engaging in retaliation, retribution or any form of harassment against another employee or applicant for employment who reports ethics related or business conduct concerns. If you believe you are the victim of retaliation as a result of filing a complaint with the State Auditor, you may report retaliation by writing to the State Personnel Board or by calling (916) 653-0799.

Privacy

Employees are responsible for reviewing and understanding State Fund's Corporate Policy on Privacy & Confidentiality.

Any time you encounter or even suspect that private information has been lost, or if that information has become unsecured in any way, you should report the incident to the State Fund Privacy Office, located in the Ethics & Compliance Department. You can e-mail them at privacy@scif.com or report the breach via the Privacy Reporting Hotline at (877) 801-7758. Information about incident reporting can be found on the Ethics & Compliance intranet web site.

Annual Acknowledgement

All State Fund employees will be required to sign a statement annually that they have read and understand State Fund's Code of Conduct. The statement requires employees to state that they agree to act in accordance with the Code. The signed statement must be returned to Human Resources Operations.

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Summary

All State Fund employees are responsible for learning and adhering to the values and standards set forth in this Code and for raising questions if they are uncertain about State Fund policy.

All State Fund employees have a duty to report any violations of this Code. All reports of violations will be taken seriously and promptly investigated.

All State Fund employees have a duty to cooperate during an investigation of any reported violations of this Code.

State Fund takes seriously the standards set forth in the Code, and violations are cause for disciplinary action up to and including termination of employment.

When in doubt, ask for guidance. If you have questions, wish to discuss an individual situation, or want to report a possible violation of this policy, talk to management, Human Resources Operations, Ethics and Compliance, or contact any of the established Programs cited in this document.

When you encounter a situation where the best decision is not clear, test your potential decision and ask yourself:

- Is it illegal?
- Could my action give the impression or be interpreted as being inappropriate or unethical?
- Would I be proud to tell my spouse, parents, children, or trusted friends about my action?
- Will it comply with State Fund's guiding principles, Code of Conduct, and company policies?
- If I am not sure, who should I ask?

For the complete list of Corporate Policies, visit the State Fund intranet website, click Employee Resources and under Training Materials/References, click Corporate Policy Manual.

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Appendix

RESOURCES

Attorney General's Office
California Department of Justice
PO Box 944255
Sacramento, CA 94244
(916) 952-5225
www.ag.ca.gov

Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814
(916) 445-0255
www.bsa.ca.gov

Fair Political Practices Commission
428 J Street, Suite 800
Sacramento, CA 95814
(866) 275-3772
www.fppc.ca.gov

State Personnel Board
801 Capitol Mall, MS53
Sacramento, CA 95814
(916) 653-0799
www.spb.ca.gov

State Fund Employee Assistance Program
1275 Market Street
San Francisco, CA 94103
(800) 339-2099
<http://orgdevelopment.scif.com/EAP.html>

State Fund Equal Employment Opportunity
1275 Market Street
San Francisco, CA 94103
<http://hr.scif.com/EEO.html>

State Fund Ethics & Compliance
1275 Market Street
San Francisco, CA 94103
(877) 801-7758
<http://ethics.scif.com/>

State Fund Human Resources Operations
1275 Market Street
San Francisco, CA 94103
(415) 565-1160
HROnline@scif.com
<http://hr.scif.com>

State Fund Public Records Office
PO Box 423870
San Francisco, CA 94142
(888) 724-3237
<http://pro.scif.com/default.html>

State Fund Special Investigation Unit
900 Corporate Center Drive
Monterey Park, CA 91754
(323) 266-5138
<http://siu.scif.com/>

State Fund Corporate Policy Manual
<http://bussvcsoptions.scif.com/CorporatePolicyManual.html>

	<h2>CORPORATE POLICY</h2>	Number: EC&F 2.2 Owner: Human Resources Operations Type: Ethics Compliance & Fraud Effective Date: 1-2011 Last Revision Date: 12-2004 Supersedes 03-20-004
Title INCOMPATIBLE ACTIVITIES STATEMENT		

SECTION 1 – PURPOSE

California Government Code § 19990 prohibits state employees from engaging in activities that are incompatible with their civil service positions. The purpose of this policy is to guide employees in the identification of situations that are, or could be, activities which are incompatible with employment at State Fund.

SECTION 2 – POLICY STATEMENTS

2.1 Incompatible Activities by California Law for All State Fund Officers or Employees

A state officer or employee shall not engage in any employment, activity, or enterprise which is clearly inconsistent, incompatible, in conflict with, or inimical to his or her duties as a State Fund officer or employee.

Pursuant to California Government Code §19990, the following activities are incompatible with State Fund employment:

- a. Using the prestige or influence of the State or State Fund for the officer's or employee's private gain or advantage or the private gain of another.
- b. Using State Fund time, facilities, equipment, or supplies for private gain or advantage.
- c. Using, or having access to, confidential information available by virtue of State Fund employment for private gain or advantage or providing confidential information to persons to whom issuance of this information has not been authorized. (Releasing proprietary/trade secret information or intellectual property is also a violation of State Fund Corporate Policy (see section 6.1 [Definitions](#)). In addition to violating the terms of this Policy, failure to comply with this restriction may subject a person to disciplinary, civil, and/or criminal action.)
- d. Receiving or accepting money or any other consideration from anyone other than the State for the performance of his or her duties as a State Fund officer or employee.
- e. Performance of an act in other than his or her capacity as a State Fund officer or employee knowing that the act may later be subject, directly or indirectly to the control, inspection, review, audit, or enforcement by the officer or employee.
- f. Receiving or accepting, directly or indirectly, any gift, including money, or any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value from anyone who is doing or is seeking to do business of any kind with State Fund or whose activities are regulated or controlled by State Fund under circumstances from which it reasonably could be substantiated that the gift was intended to influence the officer or employee in

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his or her official duties or was intended as a reward for any official actions performed by the officer or employee.

g. Subject to any other laws, rules, or regulations as pertain thereto, not devoting his or her full time, attention, and efforts to his or her State Fund office or employment during his or her hours of duty as a State Fund officer or employee.

2.2 Incompatible Activities Specific to State Fund Employment

State Fund has determined that in addition to the Incompatible Activities established by law, the following activities are specifically incompatible with employment at State Fund:

2.2.1 Unauthorized Use of State Fund Resources & Equipment

Unauthorized use of State Fund resources and equipment, including but not limited to time, intellectual property, office equipment, e-mail, internet access, computer applications, and other communication devices to perform activities other than State Fund business.

Minimal or incidental use is permitted to the extent allowed by policy or collective bargaining agreement (see [State Fund Systems User Information Notice](#)).

2.2.2. Provision of Goods & Services to State Fund for Personal Gain

State Fund employees are prohibited from acting as a seller or marketer of services to State Fund, either directly or indirectly.

2.3 Activities Which Are Incompatible Without Review and Written Approval

The activities described in sections 2.3.1 through 2.3.4 are incompatible with State Fund employment unless an individual employee's participation in such activities has been reviewed and authorized in writing in advance by Human Resources Operations. Any approval by Human Resources Operations to engage in such activities is limited to the specific activity identified in the approval.

2.3.1 Engaging in Workers' Compensation Insurance Work for Other Entities

Performing work related to workers' compensation insurance for any entity other than State Fund. Work may include accounting, auditing, bookkeeping, claims adjusting, systems analysis, legal, sales, marketing, or occupational safety and health consulting activities.

2.3.2 Engaging in Inappropriate Work Activities for Another Entity

Engaging in activities in any capacity for entities other than State Fund where the State Fund officer or employee could influence State Fund's receipt of policyholder premium or other services.

2.3.3 Engaging in Litigation Activity for or with Another Entity

Counseling, advising, or assisting any party in the preparation, presentation, or defense of litigation adverse to the business interests of State Fund.

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2.3.4 Engaging in Activities Adverse to State Fund's Business Interests

Engaging in activities which are contrary to the business interests of State Fund. This paragraph does not affect employees' rights under collective bargaining agreements.

2.4 Appeals

Employees may appeal the application of the Incompatible Activities Statement to them by written appeal directed to the Human Resources Operations Program Manager. If the employee is dissatisfied with the decision, a final written appeal may be made to the Senior Vice President of Human Resources and Organizational Development.

SECTION 3 – APPLICABILITY, SCOPE & BASIS

This policy applies to all State Fund employees. Employees must maintain the highest standards of professional and personal integrity. Suspected violations of this policy shall be reported promptly to the Human Resources Operations Manager.

If provisions of this section are in conflict with provisions of a memorandum of understanding, the memorandum controls.

NOTICE

All State Fund employees will be required to sign a statement annually that they have read and understand this policy as part of State Fund's *Code of Conduct* acknowledgement process.

3.1 Related Laws, Regulations, or Industry Standards

Cal. Code of Regulations Title 2, § 599.870

Cal. Code of Regulations § 279.1

Cal. Government Code, Title 2, § 19990

Cal. Government Code § 19572

Cal. Insurance Code Division 1, § 750

Cal. Labor Code § 3219

Cal. Labor Code § 3820

Cal. Civil Code § 3426.1

U.S. Code Title 17 ("Copyright Act")

SECTION 4 – AUTHORITY

The Senior Vice President of Human Resources is responsible for policy assurance and oversight. The Human Resources Operations manager as policy owner monitors and is responsible for compliance with and updates to, this Corporate Policy.

SECTION 5 – RELATED CORPORATE POLICIES

EC&F 2.0 - Privacy & Confidentiality

EC&F 2.1 - Complaint Reporting and Anti-Retaliation

EC&F 2.3 - Business Ethics

EC&F 2.4 - Statement of Economic Interests (Form 700) & Financial Disclosures

BFM 5.8 - Client Related Business Expense Reimbursement

IT 6.0 - Data Classification

OPS 3.1 - Group Insurance

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SECTION 6 – RELATED DEFINITIONS PROCEDURES, FORMS, & PUBLICATIONS

6.1 Definitions

Confidential - Information restricted to use by defined groups of State Fund employees and safeguarded from unauthorized access and improper use.

Intellectual Property - Ownership of original work and the manner in which the work is presented or expressed such that it could be protected by copyright, patent, or trademark.

Proprietary/Trade Secret - Information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

1. Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and
2. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

6.2 Procedures

Intentionally left blank at this time

6.3 Forms and Publications

- State Fund's *Code of Conduct*
- State Fund's *Conflict of Interest Code*
- Confidentiality Statement – e29000
- Employee Acknowledgement – SCIF 8555
- State Fund Systems User Information Notice – SCIF 8556

SECTION 7 – HELP & ADVICE

For help and advice regarding this policy, contact Human Resources Operations via e-mail: HROnline@scif.com or call 415-565-1160.

SECTION 8 – REVIEW HISTORY

Review Date	Action Date	Action	Section(s) Revised	Effective Date
1/5/2011	1/5/2011	QA	Comprehensive	1/2011

	<h2>CORPORATE POLICY</h2>	Number: EC&F 2.3 Owner: Ethics & Compliance Type: Ethics Compliance & Fraud Effective Date: 1/2011 Last Revision Date: NEW Supersedes 03-20-004
Title BUSINESS ETHICS		

SECTION 1 – PURPOSE

The Business Ethics policy presents State Fund's philosophy of integrity and compliance with the law. It promotes honest and ethical business practices, assures that State Fund's mission, vision, and values are not compromised, and maintains State Fund's reputation for integrity and fairness in business dealings with others.

SECTION 2 – POLICY STATEMENTS

Employees must follow at all times applicable State laws and all State Fund Corporate Policies, Procedures and Code of Conduct.

2.1 Public trust and confidence

It is essential that the public and State Fund stakeholders have confidence in State Fund's employees. This trust and confidence depends on each State Fund employee exhibiting behavior and performing duties in a manner that is at all times fair and uninfluenced by any consideration of improper self-interest.

Each employee must maintain the highest standards of professional and personal integrity. Employees must respect this trust and welcome public scrutiny of the way in which they perform their duties.

2.2 Appearance of Impropriety

Employees must avoid impropriety or even the appearance of impropriety. Suspected violations of this policy must be reported promptly to the Ethics & Compliance Manager.

2.3 Ethical conduct

In transacting State Fund business, the parameters for ethical conduct by State Fund employees include:

- Maintaining a high standard of ethical conduct and not engaging in activities that will cause harm to or discredit State Fund;
- Not accepting gifts, money or anything of value from any person or company when it is apparent that the person expects favorable treatment from State Fund in return;
- Avoiding situations which pose a conflict of interest or ethical concern to State Fund;
- Avoiding any incompatible activities and conflicts of interest as defined in related Corporate Policies;
- Not misusing their State Fund position or title;
- Not altering or falsifying State Fund documents;
- Reporting the receipt of all gifts in compliance with the Statement of Economic Interests;

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- Avoiding any activity or behavior that reflects negatively on the employee, other State Fund employees, or upon State Fund which is unwarranted.

SECTION 3 – APPLICABILITY, SCOPE & BASIS

This policy applies to State Fund employees. The laws, regulations, and standards cited in section 3.1 of this policy are incorporated by reference and govern State Fund employees.

NOTICE

All State Fund employees will be required to sign a statement annually that they have read and understand this policy as part of State Fund's *Code of Conduct* acknowledgement process.

3.1 Related Laws, Regulations, or Industry Standards

USSC Guidelines Manual	§ 8C2.5 and §8D1.4
Cal. Government Code	Title 2 § 19990
Cal. Government Code	§§ 81000-91014
Cal. Insurance Code	Division 1 § 750
Cal. Labor Code	§ 3219
Cal. Labor Code	§ 3820
DPA Rule	§ 599.870
SPB Rule	§ 279.1

SECTION 4 – AUTHORITY

The Chief Risk Officer is responsible for policy assurance and oversight. As policy owner, the Ethics and Compliance manager is responsible for compliance monitoring, and updating this policy.

SECTION 5 – RELATED CORPORATE POLICIES

- EC&F 2.1 - Complaint Reporting and Anti-Retaliation
- EC&F 2.2 - Incompatible Activities
- EC&F 2.4 - Statements of Economic Interest
- EC&F 2.7 - Use of State Fund Facilities for Non-Business Activities

SECTION 6 – RELATED DEFINITIONS PROCEDURES, FORMS, & PUBLICATIONS

6.1 Definitions

- DPA - California Department of Personnel Administration
- SPB - California State Personnel Board
- USSC - United States Sentencing Commission

6.2 Related Procedures

This section intentionally left blank at this time

6.3 Forms and Publications

- Confidentiality Statement e29000

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Employee Acknowledgement SCIF 8555
State Fund Code of Conduct

SECTION 7 – HELP & ADVICE

For help and advice regarding this policy, contact the Ethics & Compliance Office via e-mail: E&Compliance@scif.com. To report ethical concerns, call the Integrity in Action Hotline at 866-294-1742.

To report suspected improper governmental activity (an action that violates the law, is economically wasteful, or involves gross misconduct, incompetency, or inefficiency) call the California Whistleblower Hotline at 800-952-5665.

SECTION 8 – REVIEW HISTORY

Review Date	Action Date	Action	Section(s) Revised	Effective Date
1/5/2011	1/7/11	QA	Comprehensive	1/2011

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