Conflicts of interest policy

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1. Introduction

Bouwfonds IM\(^1\) conducts business in an honest and professional manner, with the interests of its clients in mind. However, in carrying out its activities, Bouwfonds IM can face potential or actual conflicts of interest that may arise between Bouwfonds IM (in its various roles) and its clients as well as among its clients.

European and Dutch legislation\(^2\) require that we take and comply with adequate organizational and administrative measures to identify, monitor and manage conflicts of interest. Within Bouwfonds IM various policy measures and procedures are in place to meet these requirements.

1.1 Objective of the document

The objective of this conflict of interest policy is to provide general information on which conflicts of interest could arise and which policy measures and procedures Bouwfonds IM uses to prevent these conflicts of interest as much as possible or, if they occur, to recognize them as such and appropriately handle and manage them.

1.2 Document Structure

Chapter 2 describes which conflicts of interest can occur. In chapter 3 gives the situations in which conflicts of interest can arise. Chapter 4 gives a description of the basic principles of Bouwfonds IM relating to conflicts of interest. In chapter 5 management and prevention of conflicts of interest is described. Chapter 6 the notification, monitoring and disclosure of conflicts of interest is taken up. Chapter 7 gives a summary of the leverage policy.

1.3 Objective of the document

All Bouwfonds IM policies are updated annually and formally agreed upon by the Managing Board of Bouwfonds IM. The Bouwfonds IM leverage policy can be updated more frequent due to changes in internal or external regulations such as the AIFMD. The owner of the leverage policy is responsible for updating the policy.

\(^1\) Bouwfonds Fund Management B.V. acts as a fund manager on behalf of Bouwfonds IM and holds a license in accordance with art. 2:65 Act on Financial Supervision.

2. Scope

2.1 Conflicts of Interest – What are they?

There is a conflict of interest when:

- Bouwfonds IM's obligation to act in the interest of the client (or the so-called fiduciary duty or duty of loyalty) comes under pressure
- because, when Bouwfonds IM has to make one or more decisions, in making those decisions
- Bouwfonds IM looks out not only for the interests of that client, but also for other interests, so those decisions can be influenced in the sense that they are not being taken only in the interest of the client.
- These other interests can be the interests of Bouwfonds IM itself, but also the interests of other Bouwfonds IM clients.
- It must involve a situation where Bouwfonds IM must make a decision
- and where we have some degree of flexibility when making evaluations and taking action.

2.2 Related / impacted processes

The following processes are impacted by the Bouwfonds IM conflicts of interest policy:

- Risk management processes
- Business continuity processes
- Operational risk management processes
- Valuation policy
- Liquidity management processes
- Leverage policy
- Delegation policy
- Due diligence policy
- Best execution policy

2.3 Definitions

Present relevant definitions for the described policy (if not already included in the overall Bouwfonds IM definitions).

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3 This duty of loyalty is present in legal relationships where Bouwfonds IM is representing the interests of a client or group of clients (so-called principal-agent relationship), such as when Bouwfonds IM manages a fund or provides investment services.

3. Situations where a conflict of interest can arise

A conflict can arise between:
- the interests of Bouwfonds IM, and the interests of a client or group of clients;
- the interests of a client or group of clients, and the interests of another client or group of clients;
- the interests of Bouwfonds IM and/or its clients, and the interests of a Bouwfonds IM employee or group of employees;
- the interests of Bouwfonds IM and/or its clients, and the interests of other sections of the group of which Bouwfonds IM forms a part.

Some of these conflicts of interest can arise because, as a financial institution, Bouwfonds IM can play different roles, such as the role of:

1. investment fund manager;
2. seed investor⁵;
3. financier of an investment fund;
4. asset manager.

Other conflicts of interest arise because of specific circumstances or extraordinary business activities. Conflicts of interest can also occur when Bouwfonds IM conducts transactions with its affiliates.

⁵ As the initiator, Bouwfonds IM often buys an interest in an investment fund as a token of confidence and/or for tax purposes. In the case of a larger interest which can be used to exert influence, the initiator is also seen as a seed investor.
4. Bouwfonds IM’s basic principles relating to conflicts of interest

In accordance with the Rabo Real Estate Group Code of Conduct (hereinafter referred to as the Code of Conduct) provisions concerning conflicts of interest, Bouwfonds IM maintains the following basic principles:

Conflicts of interest cannot be ignored. Bouwfonds IM will prevent conflicts of interest whenever possible, or, if they occur, ensure that conflicts of interest are identified as such and appropriately handled and managed to prevent harm to the interests of our clients. As much as possible, transparency will be maintained.

Other applicable Bouwfonds IM basic principles are that the client’s interests take precedence — in principle and within reason — over the interests of Bouwfonds IM (and/or the Rabo Real Estate Group), and that clients in comparable positions are treated equally. These basic principles are further elaborated in the Bouwfonds IM Fund Governance Principles.
5. Management and prevention of conflicts of interest

5.1 Introduction

To prevent conflicts of interest as much as possible, and to manage actual or potential conflicts of interest, policy measures and procedures are in place within Bouwfonds IM. These policy measures and procedures can be found in the Code of Conduct itself and in this conflict of interest policy as well as in the various internal business processes and procedures and the Bouwfonds IM Fund Governance Principles.

This chapter indicates which general and specific measures have been taken for different situations and roles that Bouwfonds IM can play.

5.2 General measures

Setting the right example through management (corporate culture) and providing staff education and training is how the goal of early detection and appropriate handling of potential and actual conflicts of interest is being pursued. The basic ideas of the policy as well as a number of measures are defined in the Code of Conduct. All employees receive the Code of Conduct and must explicitly accept them.

Private investments of employees
To avoid the appearance of conflicts of interest, the private investment by employees, directors and members of the management board in direct real estate, certain financial instruments, and financial interests, is strictly regulated (see Code of Conduct Paragraph 3.4 as well as Annex 4.3).

Confidential handling of information
Discretion and caution on the part of employees in the handling of confidential information is an important part of preventing or managing conflicts of interest, when Bouwfonds IM plays different roles in connection with a fund, for example. Rules for this are included in the Code of Conduct (see Code of Conduct Paragraphs 1.2 and 3.2 and Annex 4.1).

Chinese Walls
To control access to sensitive information, so-called Chinese Walls have been erected between the divisions of the Rabo Real Estate Group to prevent the abuse or appearance of abuse of such information (see Code of Conduct Paragraph 3.3 and Annex 4.2).

Gifts, contributions or invitations
To prevent the appearance of mixing business and private interests, the acceptance as well as the giving of gifts, contributions, and invitations is regulated (see Code of Conduct Paragraph 3.5).

Other positions
To prevent the appearance of mixing business and private interests, an employee must have permission to accept other real-estate-related positions, and it is a requirement that any real-estate-related issues arising in another position be reported (see Code of Conduct Paragraph 3.6).

Remuneration policy
To be specified.

Separation of duties
Activities that could create conflicting interests are not carried out in the same place. This is why Bouwfonds IM maintains the (personal, physical) separation of duties. So, for example, in principle a
fund manager may not have any additional positions within Bouwfonds IM. Furthermore, operational, security, and verification duties are kept separate.

Modification or extension of the roles of Bouwfonds IM
In the event of a change in or extension of the various roles Bouwfonds IM can play in connection with a fund that could lead to conflicts of interest, Bouwfonds IM will provide appropriate information to the clients in question, with notification in the prospectus or annual report, for example.

5.3 Bouwfonds IM as manager of investment funds

Within Bouwfonds IM, the fund manager appointed for that purpose has the discretionary authority (within the framework set forth in the fund documentation) to manage the fund, subject to the applicable four-eyes principle. Because Bouwfonds IM manages several investment funds, conflicts of interest could arise, among other situations, when:

- staff and resources are made available for fund management;
- property is purchased for funds managed by Bouwfonds IM;
- employees of Bouwfonds IM play a role in the decision-making process within a fund;
- participation is allocated in a fund;
- other divisions of the Rabo Real Estate Group and/or Rabobank are involved in a fund.

Apart from general measures (listed in 5.2 above) Bouwfonds IM adheres to the following specific measures and basic principles:

5.3.1 Making staff and resources available

With his/her team, the fund manager manages the fund. To do so, the fund manager uses the staff and resources Bouwfonds IM has at its disposal.

Bouwfonds IM makes an effort to ensure that the fund manager — after a fair and reasonable evaluation of relevant facts and circumstances — has sufficient staff and resources at his disposal to fulfil his fiduciary responsibility.

5.3.2 Purchase of real estate

The purchase of real estate (including real-estate-related investments) for Bouwfonds IM funds or third-party funds can create conflicts of interest when:

1. the property is placed in a specific fund;
2. the value at which the property is placed in the fund is determined.

Under 1) the property is assigned to a specific fund:

When property is assigned to a specific fund managed by Bouwfonds IM, Bouwfonds IM uses the following principles:

In its strategy and in structuring new funds, Bouwfonds IM ensures that, as much as possible, the investment policies for (both existing and new) funds acquired at the same time are distinctive in terms of the type of property, location, risk profile, size, durability rating, lease, etcetera.

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6 Also see Bouwfonds IM Procedures Manual AVC 1.3.4.
The distinctive character of the investment policy for a fund is quantified with a flow chart — the so-called waterfall chart — per property type.

In cases where the waterfall chart does not suffice and two or more funds qualify for the purchase of specific property, the following procedure is followed:

a. The property is offered to the fund managers of the eligible funds;
b. If two or more fund managers are interested in the property — or a part of it if this involves a portfolio — this is reported to the Compliance Officer. The Compliance Officer takes the decision before an independent committee consisting of the members of the Management Board under Bouwfonds IM’s articles of incorporation. They have general responsibility for Bouwfonds IM policies taken as a whole extending beyond funds rather than direct business responsibility for individual funds or fund lines;
c. The committee determines the criteria by which the property is placed in a fund — or is spread across several funds — and makes the placement decision. The decision and the way in which it was reached is recorded by the Compliance Officer.

One possible way of reaching a decision on placement is by lot, and the following method can be used:
If both Fund A and Fund B are eligible to purchase property at a set price, it is determined by lot which fund may buy the property. The next time the same funds are interested in the same property, the other fund may purchase the property. The third time, it is determined by lot which fund may purchase the property, and so on.

*Under 2) the value at which the property is placed in the fund is determined:*

If real estate (including real-estate-related investments), are brought into a fund from the warehouse within six months after purchase by Bouwfonds IM, the purchase price (including expenses) as paid by Bouwfonds IM is used.

If Bouwfonds IM makes the transfer to the fund later, then the following procedure is followed:

The property is appraised by two independent appraisers;
If the lower of the two appraisals is higher than the purchase price, the property is brought in at a price equal to the lowest appraisal;
If the lower of the two appraisals is lower than the purchase price, but the higher appraisal is higher than the purchase price, the property is brought in at the purchase price.
If the higher appraisal is lower than the purchase price, Bouwfonds IM will determine whether the property will be brought in at a price equal to this higher appraisal, or will not be brought in.
Appraisals will be made based on market conditions and in accordance with generally accepted principles of appraisal.

### 5.3.3 Employee involvement in Fund

In addition to the role of fund manager and related activity, Bouwfonds IM employees can play a role in decision-making bodies within a fund, such as an investment committee. When playing this role, the employees will act in the reasonable interest of the investors in accordance with the Bouwfonds IM Principles of Fund Governance.
5.3.4 Allocation of participation

When assigning participation in an investment fund, Bouwfonds IM will follow an allocation procedure previously made known to investors.

5.3.5 Involvement of other Rabo Real Estate Group Divisions

Bouwfonds IM is a division of Rabo Real Estate Group. If transactions with other divisions occur for the benefit of a fund, the transactions will be completed at arm’s length and in compliance with the Code of Conduct provisions concerning Chinese Walls and the handling of sensitive information (see 5.2 above).

5.4 Bouwfonds IM as a seed investor

Bouwfonds IM may have participation in a fund for which Bouwfonds IM is also the manager. As an investor in a fund, Bouwfonds IM has the same interests as the other investors in the fund. However, it is conceivable that, in its role as an investor, Bouwfonds IM must make a decision about a proposal while Bouwfonds IM also plays another role (or has an interest) in this proposal so that a conflict of interest could arise. In particular, this situation could arise if influence could in fact be exerted with the investment in question, given the number of investors and the size of their interest.

Bouwfonds IM has taken the following measures:
As much as possible, such investments in a fund will be held by a separate legal entity represented by Bouwfonds IM employees who neither have business responsibilities for the funds in question nor represent Bouwfonds IM in its role as financier for the fund.

5.5 Bouwfonds IM as financier of an investment Fund

To make an investment fund possible, Bouwfonds IM can decide to provide (a part of) the required financing (borrowed capital).

Bouwfonds IM has taken the following measures:
- A decision to provide financing is made by the Bouwfonds IM Investment Committee, and the starting point is that financing will be provided only at arm’s length and only if outside financing under current market conditions is not (fully) available.
- The financing is provided by a separate legal entity represented by Bouwfonds IM employees who neither have business responsibilities for the funds in question nor represent Bouwfonds IM in its role as financier for the fund.

5.6 Bouwfonds IM as asset manager or executor of orders

In the event of execution of orders for financial instruments for funds or clients, Bouwfonds IM will develop a policy focused on conducting transactions at the best available price given all specific circumstances (best execution).8

8 Applicable to Bouwfonds Investments BV investment firm.
6. Notification, Monitoring, and Disclosure

Any actual conflict of interest should be reported to the Compliance Officer who will provide guidance concerning dilemmas that arise. Potential conflicts of interest should be reported to the Compliance Officer as soon as it becomes clear that action must be taken leading to the actual occurrence of the conflict of interest. The Compliance Officer provides a written record. In the event of conflicts of interest involving a substantial risk that the interests of clients will be harmed, a retention period of 5 years applies.⁹

There is also the possibility, through the MT Bouwfonds IM, of taking a conflict of interest before the General Management of the Rabo Real Estate Group, to the extent that fund documentation does not indicate another body.

Compliance with this conflict of interest policy and associated procedures will initially be monitored by the management of the department in question. Furthermore, the Compliance Officer is responsible for the ongoing monitoring of compliance with the most important measures. Reporting is done with compliance reports as described in the Compliance Charter. The Internal Audit Department of the Rabo Real Estate Group periodically conducts surveys, and the handling of conflicts of interest can be a point of emphasis in these surveys. Bouwfonds IM Management has ultimate responsibility for compliance with its policy and procedures. Finally, supervision is also exercised by public supervisory authorities such as the Dutch Central Bank and the Financial Markets Authority.

Should an unavoidable conflict of interest arise, then we will try to inform the client of this in an appropriate way so that the client can make an informed decision. We can also decide to stop activities that have led to actual conflicts of interest or could lead to potential conflicts of interest.

⁹ Article 35b of the Decree on the Supervision of the Conduct of Financial Enterprises requires that investment companies record conflicts of interest if there is a substantial risk of client interests being harmed and requires a retention period of five years.
7. Summary

Bouwfonds IM developed a company-wide adopted Conflicts of Interest policy in order to explain which conflicts of interest arise and which policy measures and procedures Bouwfonds IM uses to prevent these conflicts, recognize them and handle and manage them. A change in the Conflicts of Interest policy of Bouwfonds IM is only allowed after permission of the Management Board.