

# **Fund Governance Principles**

**Version 0.5  
2015**

Policy owner: Compliance Officer

## Content

1. General .....	3
1.1 Introduction .....	3
1.2 Objective of the document .....	3
1.3 Document structure .....	3
1.4 Policy update .....	3
2. Scope of Fund Governance at Bouwfonds FM .....	4
2.2 Related/impacted processes .....	4
2.3 Definitions .....	4
3. Bouwfonds FM Fund Governance Principles .....	5
3.1 Fund Governance principles .....	5
3.2 International best practices .....	7
3.3 The principle of ‘conscientious consideration’ .....	7
4. Conclusion .....	8

## **1. General**

### **1.1 Introduction**

Bouwfonds Fund Management B.V. (Bouwfonds FM) is a 100% subsidiary of Bouwfonds Investment Management B.V. (Bouwfonds IM) and is highly specialized and has extensive experience in fund and investment management with respect to real assets. Bouwfonds FM acts as the authorised manager of several alternative investment funds as referred to in the AIFMD and holds a license in accordance with art. 2:65 Act on Financial Supervision. In addition, Bouwfonds FM acts as the manager of a number of alternative investment funds which are grandfathered under the AIFMD and are not regulated and performs investment management activities on behalf of other managers.

Besides fund and investment management provided by Bouwfonds FM, Bouwfonds IM and other affiliated companies provide amongst others the following activities:

- financing of investment funds;
- seed investor/participation in investment funds; and
- investment in real assets for own account.

The description in these principles refer to all of the activities of Bouwfonds FM, including the activities of its parent company Bouwfonds IM and its affiliates (Bouwfonds Group) and any reference to Bouwfonds FM in this policy should be read as a reference to Bouwfonds FM and Bouwfonds Group, unless indicated otherwise.

Through internal policy documents and procedures, Bouwfonds FM implements its business standards. The most important documents in that respect are:

- the Rabo Real Estate Group Code of Conduct;
- the Bouwfonds FM Fund Governance Principles;
- the Bouwfonds FM Conflict of Interest Policy.

### **1.2 Objective of the document**

The Bouwfonds FM Fund Governance Principles (hereinafter: “the Principles”) contain guidelines and best practices for the management of the funds initiated by Bouwfonds FM.

### **1.3 Document structure**

Chapter 2 describes the scope of the Principles. In Chapter 3 a description of the principals of Bouwfonds FM on fund governance for the funds under management is given. Chapter 4 gives a conclusion.

### **1.4 Policy update**

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

## 2. Scope of Fund Governance at Bouwfonds FM

Bouwfonds FM is committed to operate its fund management activities in a responsible and professional manner. This implies amongst others that much attention must be given to good governance, including alignment of interest, transparency and conflicts of interest. In all these matters Bouwfonds FM should deal in accordance with its legal obligation to act in the reasonable interest of the investors (for private investors) respectively its assumed fiduciary responsibility (for institutional investors).

Bouwfonds FM has defined this set of Principles for specific situations in the area of fund governance. When dealing with potential conflict-of-interest situations, Bouwfonds FM will act in accordance with the Bouwfonds FM Conflict of Interest Policy and will endeavour to apply reasonably and fairly the specific principles defined herein. In situations that may not be covered by these Principles, Bouwfonds FM will in general seek to apply international best practices to the extent available. Bouwfonds FM pledges to resolve any situation, having due regard for the interest of the investors (and other stakeholders), after reasonable and fair consideration of all the relevant facts and circumstances.

Fund governance at Bouwfonds FM is incorporated and maintained by way of the following three elements: a) periodic review of application of the Principles, b) reporting of the review to relevant parties and c) oversight.

### *a) Periodic review*

The Management Board is ultimately responsible for compliance with the Principles within Bouwfonds FM and has implemented a permanent and competent compliance function within Bouwfonds FM. Bouwfonds FM has assigned the compliance duties to the Compliance Officer, who periodically (at least once a year) reviews if Bouwfonds FM operates in compliance with the Principles.

### *b) Reporting*

The Compliance Officer reports the results of the reviews to the management of Bouwfonds FM and to the Head of Compliance of Rabo Real Estate Group. The latter reports to the Executive Board and the Supervisory Board of the Rabo Real Estate Group.

### *c) Oversight*

The Supervisory Board of the Rabo Real Estate Group is responsible for supervising the (compliance function of) the Executive Board of the Rabo Real Estate Group and fulfils the role of oversight entity with regard to fund governance. As oversight entity, the Supervisory Board has the task to check at least once a year if the fund managers comply with these Principles and, more in general, if the fund managers fulfil their duty to act in the interest of the investors in the fund. The Executive Board of the Rabo Real Estate Group is ultimately responsible for effectively managing compliance and integrity risk within the Rabo Real Estate Group.

## 2.2 Related/impacted processes

- Risk Management process
- Operational risk management process
- Valuation process

## 2.3 Definitions

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

### 3. Bouwfonds FM Fund Governance Principles

#### 3.1 Fund Governance principles

##### *Product quality*

Bouwfonds FM is committed to develop quality products designed to provide added value for its investors. Fund proposals are examined and approved by the Investment and Risk Committee (IRC). The IRC consists of the Chief Executive Officer, the Chief Financial Officer, the Head of Risk Management and the Managing Director of the Business Unit (BU) relevant to the proposal. The Head of Risk Management submits a written opinion, which may be supplemented with the opinion of other departments, such as Strategy and markets, Finance, Legal, Tax, Operations and Risk/Compliance.

##### *Conflicts of interest*

Bouwfonds FM has a policy for preventing potential Conflicts of Interest or, if they do occur, for ensuring that they are acknowledged as such and adequately dealt with.

##### *Alignment of interest*

Depending on the specific fund structure and the type of investors, Bouwfonds FM believes that funds should be structured in a way that a certain alignment of interest is in place between the investors and Bouwfonds FM, for example by:

- *Co-investments institutional funds*

Bouwfonds Group may make co-investments in funds for institutional investors for the purpose of bringing the fund manager's interests more in line with those of the institutional investors.

- *Co-investments retail funds*

Bouwfonds Group as fund manager may make co-investments in funds for retail investors for the purpose of bringing the fund manager's interests more in line with those of the retail investors. Employees of Bouwfonds FM, including the members of its Supervisory Board, may, in principle, not make private investments in a retail investment fund managed by Bouwfonds FM, in accordance with the Rabo Real Estate Group Code of Conduct.

- *Remuneration policy*

Bouwfonds FM endeavours to structure its remuneration systems in line with market practices. Part of the considerations is that conflicts with investors' interests are avoided.

##### *Transparency, Communication and Information*

Bouwfonds FM pursues transparency in its communication vis-à-vis investors by furnishing relevant, clear and understandable information in accordance with the applicable laws and regulations and the fund's conditions. This entails, among other things, correct, timely and reliable information in, for instance, prospectuses and annual reports concerning the investment policy, investments, risks, costs, achieved results, provisions and fees.

##### *Valuation of investments*

The valuation of investments and the determination of the intrinsic value are conducted in accordance with fund documentation. External valuations are conducted by an independent appraiser. Internal and external valuations are communicated to investors and, where necessary, explained.

##### *Confidentiality*

Information on private investors is carefully treated in conformity with the Personal Data Protection Act [*Wet bescherming persoonsgegevens*]. Information on institutional investors is handled confidentially.

##### *Affiliated parties*

The investment institutions of Bouwfonds Group may engage the services of other group companies or affiliated parties, such as asset management. These services will be performed on an 'arm's length' basis and the conditions of the service will be made transparent to the investors.

#### *Chinese walls*

Bouwfonds FM is part of the Rabo Real Estate Group, which consists of various business divisions, each performing its own activities. From the point of view of ethical business operations, business units may not exchange certain confidential information. It is for this reason that Rabo Real Estate Group has a Chinese Walls & Conflict of Interest Regulation (part of the Rabo Real Estate Group Code of Conduct), which explains how confidential information must be handled.

#### *Unforeseen fund costs*

A fund may be confronted with unforeseen, extraordinary costs and expenses. These may be caused by changes in tax treatment, increased regulatory costs, administration and custody fees, or by unusual circumstances such as nationalization, a moratorium, market disruption or other irregular market circumstances. If the costs are (amongst others) the result of circumstances outside Bouwfonds FM's control, and/or if the costs are made in the best interest of the investors, such costs are generally borne by the fund, if legally allowed and in line with the fund's documentation.

#### *Accounting procedures*

Bouwfonds FM as well as the funds managed by Bouwfonds FM have accounting procedures, whereby a division is put in place between investment decisions, the execution of transactions, administration and the audit role. For both the primary business processes and supporting processes, Bouwfonds FM has drawn up internal procedures. Bouwfonds FM employs a four-eye principle in all important and/or legally binding decisions.

#### *Relationships with third parties*

In the selection of third parties that provide services to Bouwfonds FM (such as real estate agents, property managers, administrators or custodians), Bouwfonds FM takes the required knowledge, experience and execution capacity into account. Aside from expertise, attention is also paid to integrity, and an obligatory customer due diligence survey must be conducted.

#### *Policy relating to voting rights*

Bouwfonds Group (or its subsidiary) in its function as investor, acts as an engaged shareholder and therefore makes use of the relevant voting rights. When exercising its voting rights, Bouwfonds Group duly observes the policy relating to conflicts of interest and the obligation to act in the interest of the investors. Consequently, it is possible that Bouwfonds Group will not exercise its voting rights, in order to avoid the appearance of a conflict of interest.

#### *Amendments to fund's documentation*

During the lifetime of a fund it is possible that the documentation of the fund needs to be changed. In such case Bouwfonds FM will suitably inform the investors in good time of any (proposed) amendments, in conformity with laws and regulations and the fund's terms and conditions. Bouwfonds FM strives to ensure that such information is easily accessible, clear and understandable for all investors.

#### *Compensation for erroneous calculation of intrinsic value*

Bouwfonds FM has taken out insurance coverage for damages and costs incurred by the fund that are due to operational acts, errors and omissions for which it can be held liable. The liability of Bouwfonds FM is limited to the amount of the insurance coverage, except for gross negligence and/or wilful misconduct. Realized losses caused by wrong calculation of the intrinsic value that is considered the liability of the manager or the administrator and that exceeds a certain threshold amount will be compensated by Bouwfonds FM. In those cases, compensation will be granted to the investors, with due observance of a minimum amount.

#### *Participants' or shareholders' meetings*

Bouwfonds Group will endeavour that beneficial owners of shares or participants in its investment funds can participate and vote in the general meetings of the funds. Bouwfonds Group will suitably inform the investors of the time and location as well as the agenda of such meetings in accordance with the applicable laws, regulations and the fund's terms and conditions.

### **3.2 International best practices**

In specific (conflict) situations where these Principles would not provide (clear) guidance, Bouwfonds FM endeavours to apply international best practices to the extent available. This means that Bouwfonds FM may apply those international best practices that are commonly applied by peers in comparable situations and comparable markets or those standards which are endorsed by organizations of market practitioners and which are widely accepted and applied in the market.

Examples of these are:

- the Principles of Fund Governance of the Dutch Fund and Asset Management Association (DUFAS);
- the Guidelines of the European Association for Investors in Non-listed Real Estate Vehicles (INREV);
- the Code of Ethics of the Association of Institutional Real Estate Investors in the Netherlands (IVBN);
- the Private Equity Principles of the Institutional Limited Partners Association (ILPA).

### **3.3 The principle of ‘conscientious consideration’**

However well-defined and refined, a system of specific principles, even while supplemented with international best practices and standards by organizations of market practitioners, cannot always guarantee sufficient external guidance to deal with specific conflict situations. Bouwfonds FM therefore endeavours to resolve governance issues having due regard for the interests of all stakeholders - whereby the interests of the investors are of high importance - and after reasonably and fairly weighing of all relevant facts and circumstances (‘conscientious consideration’).

## 4. Conclusion

The mechanisms provided herein are a living instrument offering standards and good practices. To stay abreast of constantly changing circumstances in the financial environment, Bouwfonds FM will closely follow developments in fund governance, identifying trends and seeking remedies to new challenges. Based on specific circumstances, Bouwfonds FM might not apply at all times all Governance Principles laid down in this document. It might instead adapt the principles or exclude some of them.

Bouwfonds FM is aware that trust and integrity play an important role in the financial and fund industry. It is Bouwfonds FM's sincere intention that these principles of fund governance, together with the Rabo Real Estate Group Code of Conduct and further internal policies will help maintain a culture in which professional and ethical behaviour of the staff of Bouwfonds FM is recognized, valued and promoted.

The description of the Governance Principles of Bouwfonds FM above, are exclusively meant to illustrate these to the (potential) investors in the funds. No rights can be derived from this document. The only rights and obligations that govern the relationship between Bouwfonds FM and the investors in the funds are described in the fund documentation for each specific fund.

A change in the Fund Governance Principles of Bouwfonds FM is only allowed after permission of the Management Board