



# **Conflicts of interest policy**

**Version 1.0  
September 2016**

Policy owner: Compliance officer.



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## 1. Introduction

Bouwfonds Investment Management B.V. (Bouwfonds IM) is a highly specialized and has extensive experience in fund and investment management with respect to real assets. Bouwfonds IM 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 IM may also perform certain investment services under its license.

Besides its regulated activities, Bouwfonds IM 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 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 activities of Bouwfonds IM are performed in a uniform and prudent manner, the description in this conflicts of interest policy relates to all of the activities of Bouwfonds IM (and its affiliates)( Bouwfonds Group), unless indicated otherwise.

European and Dutch legislation<sup>1</sup> require that Bouwfonds IM complies with adequate organizational and administrative measures to identify, monitor and manage conflicts of interest. Within Bouwfonds Group 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 use 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. 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. In chapter 6 the notification, monitoring and disclosure of conflicts of interest is taken up. Chapter 7 gives a summary of the conflicts of interest policy.

### 1.3 Objective of the document

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

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<sup>1</sup> Amongst others Directive 2004/39/EC on Markets in Financial Instruments (MiFID), Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMD) and the Financial Supervision Act ("Wft").

## 2. Scope

### 2.1 Conflicts of Interest – What are they?

There is a conflict of interest when:

- Bouwfonds IM's obligation to act in a interest of the client (or the so-called fiduciary duty or duty of loyalty)<sup>2</sup> comes under pressure
- because, when Bouwfonds IM has to make a decision,
- Bouwfonds IM does not only take into account the interests of a client, but also other interests, so 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 or Bouwfonds Group, but also the interests of other Bouwfonds IM's or Bouwfonds Group's clients.
- It must involve a situation where Bouwfonds IM needs to make a decision
- and where Bouwfonds IM has some degree of flexibility when making evaluations and taking action.<sup>3</sup>

### 2.2 Related / impacted processes

The following processes and policies 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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<sup>2</sup> 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.

<sup>3</sup> Definition taken from K.W.H. Broekhuizen, "Regulation of Conflicts of Interest," in: "Investment Companies Handbook"(2009) p. 386.

### 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 Bouwfonds Group, 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 Group and/or its clients, and the interests of a Bouwfonds Group employee or group of employees;
- the interests of Bouwfonds IM and/or its clients, and the interests of other parts of Bouwfonds Group.

Some of these conflicts of interest can arise because Bouwfonds IM and Bouwfonds Group can play different roles when performing fund and investment management, such as the role of:

1. investment or fund manager;
2. seed investor/participant<sup>4</sup>;
3. debt provider to an investment fund<sup>5</sup>;
4. investments in real assets for own account.

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

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<sup>4</sup> Bouwfonds Group 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 can be seen as a seed investor. Bouwfonds Group performs these activities amongst others via Bouwfonds IM Institutional Investments B.V.

<sup>5</sup> Amongst others via Bouwfonds IM Financial Services B.V.

#### **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), 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 companies), 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 and Bouwfonds Group 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 or Bouwfonds Group play 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).

#### Separation of duties

Activities that could create conflicting interests are not carried out in the same place. This is why Bouwfonds IM and Bouwfonds Group maintain the (personal, physical) separation of duties. So, for example, in principle a fund manager of Bouwfonds IM may not have any additional positions within Bouwfonds Group. 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 or Bouwfonds Group can play in connection with a fund or portfolio that could lead to conflicts of interest and which are not mentioned in this 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 by Bouwfonds Group 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 or portfolio manager manages the fund or the portfolio. To do so, Bouwfonds IM uses the staff and resources of Bouwfonds Group and/or Rabo Real Estate Group.

Bouwfonds Group and Rabo Real Estate Group make an effort to ensure that the Bouwfonds IM — 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 funds managed by Bouwfonds IM or a third-party or a portfolio of a third party managed by Bouwfonds IM can result in conflicts of interest when:

1. the property needs to be assigned to a specific fund or portfolio; or
2. the value of the property acquired by a fund or portfolio needs to be determined.

*Under 1) the property needs to be assigned to a specific fund:*

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

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

The distinctive character of the investment policy for a fund or portfolio 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 or portfolios qualify for the purchase of specific property, the following procedure is followed:

- a. The property is offered to the fund/portfolio managers of the eligible funds/portfolios;
- b. If two or more fund/portfolio 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. The Management Board have general responsibility for Bouwfonds IM policies taken as a whole extending beyond funds and portfolios rather than direct business responsibility for individual funds, fund lines or portfolios;
- c. The committee determines the criteria by which the property is placed in a fund or portfolio — or is spread across several funds and/or portfolios — 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/portfolio A and fund/portfolio B are eligible to purchase property at a set price, it is determined by lot which fund or portfolio may buy the property. The next time the same funds/portfolios are interested in the same property, the other fund/portfolio may purchase the property. The third time, it is determined by lot which fund or portfolio may purchase the property, and so on.

*Under 2) the value of the property acquired by a fund or portfolio needs to be determined:*

If real estate (including real-estate-related investments), are acquired by a fund from the warehouse<sup>6</sup> within six months after purchase by Bouwfonds Group, the purchase price (including expenses) as paid by Bouwfonds Group is used.

If Bouwfonds Group makes the transfer to a fund or portfolio 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 can be acquired by the fund or portfolio 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 can be acquired by the at the purchase price.

If the higher appraisal is lower than the purchase price, Bouwfonds Group will determine whether the property can be acquired by the fund at a price equal to this higher appraisal, or will not be sold.

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 or Rabo Real Estate Group 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.

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<sup>6</sup> Warehouse refers to Bouwfonds IM first purchasing real estate (or real-estate-related investments) on its own account with the intention to then transfer it sell it ] to a fund.

### **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 or portfolio, 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 Group may have participation in a fund or portfolio for which Bouwfonds IM is the manager. As an investor in a fund or portfolio, Bouwfonds Group has the same interests as the other investors in the fund or portfolio.

However, it is conceivable that, in its role as an investor, Bouwfonds Group 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 Group has taken the following measures:

As much as possible, such investments in a fund or portfolio will be held by a separate legal entity represented by Bouwfonds Group or Rabo Real Estate Group employees who neither have business responsibilities for the funds or portfolios in question nor represent Bouwfonds Group in its role as financier for the fund or portfolio.

## **5.5 Bouwfonds IM as financier of an investment fund**

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

Bouwfonds Group has taken the following measures:

- A decision to provide financing is made by the 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 Group or Rabo Real Estate employees who neither have business responsibilities for the funds in question nor represent Bouwfonds Group in its role as financier for the fund.

## **5.6 Bouwfonds IM as investment manager**

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).

## 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.

There is also the possibility, through the Management Board, 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. The Management Board 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 Bouwfonds IM will try to inform the client of this in an appropriate way so that the client can make an informed decision. Bouwfonds IM also decide to stop activities that have led to actual conflicts of interest or could lead to potential conflicts of interest.

## **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 use 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.