

1. Supplementary policy on conflicts of interest

Introduction

AEGON Nederland N.V. (hereinafter to be referred to as 'AEGON'), and its group companies, provide adequate organisational and administrative measures for the identification and management of conflicts of interest. The main lines of the policy are set out in the 'Code of Conduct'. This policy has been elaborated in numerous internal guidelines and procedures to facilitate identification and control of conflicts of interest.

This document describes conflicts of interest policy within the AEGON group companies: AEGON Investment Management B.V. (AIM), TKP Investments B.V. (TKPI) and AEGON Bank N.V. (hereinafter referred to jointly as "group companies"). This policy forms an integral part of AEGON policy on combating conflicts of interest, and contains supplementary provisions which apply specifically to AEGON group companies.

2. Scope of applicability of this policy

AEGON has an internal code of conduct which covers most of the conflicts of interest which could arise at AEGON. This code of conduct also applies to the group companies and includes internal guidelines on the following topics:

- Acting with due care in relationships with the client
- Acting with due care in external contacts
- Accepting and offering gifts and invitations
- Confidentiality and handling sensitive information
- Insider information (regulation on private securities transactions)
- Prohibition of speculative transactions in AEGON shares
- Performing ancillary activities
- Obligations to maintain confidentiality
- Transactions and private contacts with suppliers

This policy sets out specifically (i) the circumstances within the group companies which could give rise to a conflict of interests, (ii) a description of the systems and regulations to control and prevent possible conflicts of interest and (iii) enforcing procedures.

3. Conflicts of interest

In their capacity as (bank) investment firms, the group companies provide investment services and/or ancillary services. On the grounds of the Financial Supervision Act (Markets in Financial Instruments Directive), the group companies must comply with specific regulations relating to conflicts of interest.

A conflict of interest is (i) a conflict between the interests of the group companies and the interests of a client, or (ii) a conflict between the interests of two or more clients of the group companies, to whom the group companies have an obligation. These conflicts can arise when providing services to clients, and can damage or have a negative influence on clients' interests.

A conflict of interests can exist in the event that the group companies:

- gain a financial advantage, to the disadvantage of their clients, when providing investment services and/or ancillary services;
- have an interest in the outcome of a service provided for their clients or a transaction conducted on behalf of the client, which is different from the client's interest in this result;
- conduct the same business as the client;
- have a financial or other incentive to favour the interests of one client above the interests of another client when performing the same investment service in circumstances which are otherwise identical;
- receive cash, goods or services from third parties in relation to services performed for a client, other than the standard fees or commissions.

The group companies have identified situations in which conflicts of interest can arise in this context. The following is a non-exhaustive summary of possible conflicts of interest:

- (I) a conflict of interest can arise from the exchange of information between relevant persons from different group companies / departments within AEGON;
- (II) AIM and TKPI provide the service of portfolio management and at the same time offer investment funds which they manage, which can lead to a conflict of interest;
- (III) AIM and TKPI perform portfolio management for AEGON entities and for clients who are independent of AEGON, which can lead to a conflict of interest;
- (IV) Group companies or employees of group companies put their own interests above the interests of their clients (business gifts, hard/soft commissions, inducements, etc.)

4. Control and prevention of conflicts of interest

A description is given below of the measures which group companies have taken, supplementary to the general policy, to control and prevent such specific conflicts of interest:

Physical and organisational partition

“Chinese Walls” have been set up to prevent the exchange of information between relevant persons from different departments within AEGON. The activities of the group companies are physically partitioned from other departments within AEGON. The IT systems and databases are also partitioned from other departments.

Personal transactions regulation

When conducting personal transactions, employees of group companies must comply with the Personal Transactions Regulation, which stipulates inter alia that employees must refrain from conducting transactions on the basis of insider knowledge. The employees of group companies that are considered as relevant persons fall under the location obligation, the restricted list and the obligation to report personal transactions to the compliance officer.

Inducements

As investment firms, the group companies are dedicated to providing honest, fair and professional investment services and/or ancillary services to clients. For this reason the group companies operate on the basic premise that no commissions (monetary and non-monetary benefits) are provided or received in relation to the investment service and/or ancillary service, unless these commissions facilitate the investment service and/or ancillary service. This relates to: (1) commissions provided by or to the client itself; and (2) commissions provided to a third party (such as an affiliated party). The provision or receipt of commissions shall not enhance the quality of the service to the client and not impair compliance with the duty to act in the best interests of the client. If commissions are provided or received, the group companies will maintain a policy of transparency towards the client. The group companies have no agreements with brokers on hard/soft commissions.

In supplement to the aforementioned, research is conducted by third parties such as brokers on behalf of AIM, in exchange for payment. The knowledge and information gathered in this way enhances the quality of portfolio management on behalf of clients. The commission charged by the other parties sometimes includes a fee for the supply of research. In these circumstances the costs for research amounts to 40% - 70% of the transaction costs paid.

On occasion, AIM makes agreements with brokers on the receipt of research in exchange for conducting transactions of a certain value through third parties. In these circumstances the costs for research amounts to 40% - 70% of the transaction costs paid.

AIM is of the opinion that the research enhances the quality of portfolio management on behalf of clients.

Furthermore, AIM receives specific investment software from third parties/brokers, without direct payment, which can be used to perform business analyses.

Finally, AIM sometimes receives courses/workshops on financial instruments from third parties/brokers.

AIM is of the opinion that this enhances the quality of services and does not impair compliance with the duty to act in the best interests of the clients.

At the request of the client, AIM will provide further details on the aforementioned commissions. The client can address its questions to the AEGON account manager.

5. Executing orders

The group companies have a policy on the execution of orders, which stipulates that when executing orders, the best possible result must always be achieved for clients.

This also includes the stipulation that whenever the orders of different clients (including AEGON entities and clients which are independent of AEGON) are merged, all clients should be treated equally.

Furthermore, client orders must always be executed. There can be no mutual conflict of interest between clients' orders.

6. Enforcement of the policy on conflicts of interest

The group companies are responsible for the identification, prevention and control of conflicts of interest. The group companies have introduced procedures and measures to control potential conflicts of interest. The Internal Audit Group, Operational Risk Management and Compliance carry out checks in order to determine whether potential conflicts of interest are controlled.

In the event of non-compliance with the policy, a report is made to the responsible management and a decision on how to tackle the situation is made in consultation with the management.

The group companies can determine that they will not provide investment services and/or ancillary activities to a certain client in the event that they are of the opinion that this would prevent potential conflicts of interest.

In the event that a conflict of interest is identified and it is not possible for the group companies to prevent or control a conflict of interest, the group companies will notify the client accordingly. This notification will contain sufficient details to enable the client to make an informed decision on the investment or ancillary service which gives rise to the conflict of interest.

This is an English translation of the supplementary policy on conflicts of interests. The Dutch version of the supplementary policy on conflicts of interests is leading.