

Conflicts of Interest Policy



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1 Policy summary

Aegon Investment Management B.V. is committed to maintaining a controlled environment that is proportionate to the risks we face and effective in preventing and managing conflicts of interest. This policy sets out how we aim to manage any existing and potential conflicts of interest. Our objective is to minimize conflicts of interest arising by aligning our i n t e r e s t with the interests of our customers. All staff must take responsibility to not knowingly create a conflict of interest without reference to this policy. Failure to do so may result in disciplinary action being taken.

2 Scope and purpose

Aegon has an internal code of conduct which covers most of the conflicts of interest which could arise at Aegon. The code 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 supplementary policy sets out specifically (i) the circumstances within AIM 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 Related procedures or policies

Aegon Nederland N.V. (hereinafter to be referred to as 'Aegon'), and its group companies, provide adequate organizational 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 document describes conflicts of interest policy within Aegon Investment Management B.V. (hereinafter to be referred to as AIM) and contains supplementary provisions which apply specifically to AIM. Both the Code of Conduct and this supplementary policy have been elaborated in numerous internal guidelines and procedures to facilitate identification and control of conflicts of interest.

4 Conflicts of interest

In its capacity as an investment management company, AIM provides investment services and/or ancillary services. On the grounds of the Financial Supervision Act, Markets in Financial Instruments Directive I & II, and the Alternative Investment Fund Managers Directive (AIFMD), AIM 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, or (iii) a conflict between the interests of AIM and the interests of the Funds¹ managed by AIM or the investors of the Funds or (iv) a conflict between two or more Funds AIM manages or the investors of the Funds.

These conflicts can arise when providing services to clients, and can damage or have a negative influence on clients' interests.

¹ means a collective investment scheme (whether in the form of an alternative Investment fund ("AIF") or an undertaking for collective investment on transferable securities ("UCITS")) for which AIM acts as the management

A conflict of interests can exist in the event that AIM and/or its employees or any person directly or indirectly linked to AIM by way of control:

- Make a financial gain or avoid a financial loss, to the disadvantage of a client, when providing investment services and/or ancillary services;
- Have an interest in the outcome of a service provided for a client 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 favor the interests of one client above the interests of another client when performing the same investment service in circumstances which are otherwise identical;
- Receive or will receive cash, goods, services or any kind of (monetary or non-monetary) inducement from a third party in relation to services performed for a client, other than the standard fees or commissions.
- Disclose investment recommendations concerning one or several financial instruments where AIM or its employees have an interest or a conflict of interest with regard to the financial instrument or issuer to which the investment recommendations relate.

A conflict of interest can also exist in the event that AIM and/or its employee or any person directly or indirectly linked to AIM by way of control:

- gains a financial advantage or avoids a financial loss to the detriment of the Funds she manages;
- has an interest in the outcome of a transaction conducted on behalf of the Fund, which is different from the Fund's interest in this result;
- has a financial or other incentive to favour the interests of a client or group of clients above the interests of a Fund she manages;
- receives cash, goods or services from third parties in relation to services performed for a fund, other than the standard fees or commissions;
- gains a financial advantage or avoids a financial loss, to the disadvantage of a client to whom investment services and/or ancillary services are provided, when managing Funds.

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

1. A conflict of interest can arise from the exchange of information between relevant persons from different group companies / departments within Aegon;
2. AIM provides the service of portfolio management and at the same time Manages and offers investment funds, which can lead to a conflict of interest, for instance with regard to the allocation decisions made when managing both mandates and funds;
3. AIM performs portfolio management for Aegon entities and for clients who are independent of Aegon, which can lead to a conflict of interest;
4. AIM or employees of AIM put their own interests above the interests of their clients (business gifts, hard/soft commissions, inducements, etc.)
5. AIM or employees of AIM disclose investment recommendations regarding financial instruments where an impairment of objectivity can exist.

5 Control and prevention of conflicts of interest

Where conflicts, or potential conflicts, are identified we are committed to ensuring that they are effectively and fairly managed so as to prevent these conflicts from constituting or giving rise to a material risk of damage to the interests of our clients. AIM applies at least one of the following measures to every conflict or potential conflict:

- Staff training (as documented in the annual compliance plan)
- Segregation of duties (see below)

- Chinese walls (see below)
- Record keeping (as documented in the record retention policy)
- Regular independent monitoring or review (as documented in the annual compliance and audit plan)
- Implementation of specific policies or procedures with regard to among others execution of orders, personal transactions, remunerations and inducements (see below)
- Fixed point on the agenda of all control meetings and other governance forums
- Disclosure to clients (see below)

A description is given below of the measures which AIM has taken, supplementary to the general policy, to control and prevent specific conflicts of interest.

5.1 Executing orders

AIM has 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, we ensure fair and equitable trade allocation among client accounts. Furthermore, client orders must always be executed if possible given the market circumstances. There can be no mutual conflict of interest between clients' orders. AIM will process the execution of client orders based on the time of reception by AIM if and when applicable.

5.2 Personal transactions regulation

When conducting personal transactions, employees of AIM must comply with the Insider Dealing Policy, which stipulates inter alia that employees must refrain from conducting transactions on the basis of insider knowledge and/or confidential information. All employees of AIM must comply with the restricted list and the obligation to report personal transactions to the compliance officer before the order can be executed. This policy also incorporates other requirements from the Market Abuse Regulation (596/2014).

5.3 Segregation of duties and Chinese walls

The following functions are segregated as measures to prevent or manage conflicts of interest:

- Central Dealing versus the front office;
- The front office versus the back office;
- Trading versus confirmation trades;
- Set up of bank account vs payments;
- Sales and client acceptance;
- Set up of data and transactions;
- Payment order vs payment execution;
- System management (FAM) versus user; and
- Budget holder vs finance monitoring.

Next to that, Chinese walls are in place. The third floor is secured separately with access only for AIM employees

5.4 Inducements

As investment management company, AIM is dedicated to providing honest, fair and professional investment services and/or ancillary services to clients. For this reason AIM operates on the basic premise that no inducements (monetary and non-monetary benefits) are received in relation to the investment service and/or ancillary service, unless these qualify as a minor non-monetary benefit. .

Acceptable minor non-monetary benefits are narrowed to include (non-exhaustive list):

- information or documentation relating to a financial instrument or an investment service which is either generic in nature or personalised to reflect the circumstances of an individual client;
- written material from a third party that is commissioned or paid for by a corporate issuer (or potential issuer) to promote a new issuance by the company, or contractually engaged and paid by the issuer to produce such material on an on-going basis, provided the relationship is clearly disclosed in the material and that the material is simultaneously made available to any investment firm wishing to receive it or to the general public;
- participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
- hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or the training events mentioned above; and
- certain other MNBs which a member state deems capable of enhancing the quality of service provided to a client and are of a scale and nature that is unlikely to impair compliance with an investment firm's duty to act in the client's best interests.

The Gifts, Hospitality and Sponsorships policy contains requirements on what gifts, hospitality or sponsorship can be accepted or offered as a minor non-monetary benefit in line with MiFID II. AIM has identified categories and threshold that can qualify as minor non-monetary benefit, as described in the Gifts, Hospitality and Sponsorship policy. The conditions set out in this policy need to be taken into account.

AIM will not provide any monetary and non-monetary in relation to an investment and/or ancillary service to any third party, unless the provision of commissions enhances the quality of the service to the client and it does not impair compliance with the duty to act in the best interests of the clients. Evidence of this will be documented.

Further, AIM receives research for managing discretionary portfolios, including specific investment software from third parties/brokers. AIM pays for this research out of its own funds (through P&L). In specific cases and as long as AIM complies with relevant regulations, AIM Management can decide to pay for research through clients' money.

5.5 Remunerations

To mitigate conflicts of interest, AIM has a Remuneration Policy in place that ensures that relevant persons are not only remunerated based on quantitative commercial criteria, but also takes into account compliance with regulations, the fair treatment of clients and the quality of services provided to clients.

The remuneration policy has also ensured that where relevant persons are engaged in different activities where a conflict of interest may arise in relation to those activities, there is no direct link to their remuneration.

5.6 Disclosure to clients

As a measure of last resort, a disclosure to clients is made if AIM cannot ensure, with reasonable confidence, that the organisational and administrative arrangements in place are (or have been) sufficient to prevent or manage certain conflicts of interest, which could potentially harm the client's interest.

If such a disclosure must be made, it shall clearly state in a durable medium:

- which organisational and administrative arrangements have been established by AIM to manage that conflict and which have not been sufficient to ensure, with reasonable confidence, that the risks of damage to the client's interest are or will be prevented;
- a specific description of the conflict(s) of interest that arise in the provision of investment and/or ancillary services;
- a description explaining the general nature and/or sources of conflicts of interest;
- the risks to the client that arise as a result of the conflicts of interest;
- The steps taken to mitigate these risks

The disclosure shall take place before undertaking business on the client's behalf. The disclosure takes into account the nature of the client (client classification) to whom the disclosure is made to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflict(s) of interest arise.

5.7 Delegation

In the event AIM delegates part of portfolio management and/or other activities that are delegated to third parties, the adherence to the principles of the policy are verified and documented.

6 Implementation and enforcement of the policy

The NL Risk & Control Committee is responsible for approving the Conflicts of Interest Policy and for reviewing the policy at least annually.

Senior management is responsible for establishing procedures for the identification, prevention and control of conflicts of interest. Checks and monitoring are carried out by Operational Risk Management & Compliance 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 resolve the situation is made in consultation with the management. 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, as discussed above.

ORM&C is responsible to maintaining a register of conflicts of interest and corresponding controls. Conflicts of Interest is an item on the agenda for discussion at all monthly Control Meetings. Any new potential conflict of interest, or changes to an existing conflict, should be communicated to ORM&C as soon as the conflict, or potential conflict, has been identified so that the register can be updated accordingly. In addition, the register is submitted periodically to all Control Meetings and the RCC for review.

All staff must take responsibility to not knowingly create a conflict of interest. Failure to do so may result in disciplinary action being taken. At request of the Compliance Officer employees have to declare on an annual base that they are compliant with this policy.

7 Monitoring

On an annual basis a conflicts of interest monitor takes place performed by ORM&C and this policy will be reviewed. If applicable, all appropriate measures will be taken to address any deficiencies.

8 Record retention

The Compliance Officer will keep the conflicts of interest register for a period of at least five years from the date of review by the RCC in line with the record retention policy.