

DUFAS

Principles of Fund Governance

Considerans:

Het doel van de Principles of Fund Governance (verder “Principles”) is het geven van nadere richtlijnen voor de organisatorische opzet en werkwijze van (retail) fondsbeheerders dan wel zelfstandig opererende beleggingsinstellingen. Deze zogenoemde ‘Fund Governance’ dient ertoe om ten behoeve van de deelnemers in de fondsen waarborgen te scheppen voor de integere uitoefening van het fondsbedrijf en een zorgvuldige dienstverlening als bedoeld in artikelen 4:11, 4:14 en 4:25 Wft. Het gaat daarbij om beleggingsinstellingen die vallen onder de Nederlandse toezichtwetgeving.

Een integere uitoefening van het bedrijf en zorgvuldige dienstverlening houdt in dat de beheerder van een beleggingsinstelling handelt in het belang van de deelnemers in zijn fondsen en bij de organisatorische opzet van het beheer er naar streeft belangentegenstellingen tegen te gaan. Deze gedragscode behelst vastlegging van good practices op het gebied van Fund Governance en vormt daarmee via DUFAS op basis van zelfregulering een verdere invulling van de wijze waarop met de hiervoor genoemde algemene en in de wet vastgelegde beginselen wordt omgegaan¹.

De Principles zijn zodanig geformuleerd dat binnen de gegeven doelstelling ruimte wordt gelaten voor verschillen in Fund Governance die samenhangen met verschillen in aard en omvang van de organisatie van de beheerder. De uitwerking (voor zover vereist) van de principles is maatwerk. De Principles bieden flexibiliteit door middel van algemene formuleringen en verschillende keuzesopties. De inrichting van Fund Governance hangt immers mede af van bestaande governance structuren en door organisaties zelf te maken keuzes.

Door deze benadering waarbij voor een duidelijke vastlegging van de bestaande, goede praktijken is gekozen, wordt enerzijds Fund Governance goed vastgelegd en naleving bevorderd, terwijl anderzijds een sectorbrede administratieve en/of financiële lastenverzwaring kan worden voorkomen. Het is immers in het belang van een goed Nederlands vestigingsklimaat om zowel de integriteit van de fondsensector te waarborgen als een level playing field met het buitenland en andere financiële sectoren in het oog te houden.

In de Principles wordt onderscheid gemaakt tussen richtlijnen voor de dagelijkse beheertaken die een nadere uitwerking geven van het beginsel belangenconflicten tegen te gaan en te handelen in het belang van de deelnemers in de fondsen (deel III) en Principles voor het waarborgen van de naleving van deze richtlijnen binnen de organisatie (deel I en II).

Implementatie

De fondsbeheerder zal de wijze waarop hij zijn governance structuur heeft ingericht (zoals omkaderd door deel I van de Principles) beschrijven in zijn bedrijfsvoering. Het is de verantwoordelijkheid van het bestuur van de beheerder zorg te dragen voor naleving van alle voorschriften voor een integere uitoefening van zijn bedrijf en een zorgvuldige dienstverlening.

¹ Voor zover er sprake is van overlap met wettelijke voorschriften, prevaleren deze boven deze ‘Principles’.



I. Specific measures regarding the structure of fund governance

I. Periodic review, reporting and oversight

The fund's management company shall ensure² that a system of checks and balances is in place in order to ensure compliance with both the applicable law and regulation and the fund governance principles that protect the interest of investors and mitigate conflicts of interest. Such a system consist of the following three elements: a. periodic review of application of the principles, b. reporting of the review to relevant parties, and c. oversight.

Periodic review

The management company will specify which body - which acts independently from day-to-day operations and has access to all relevant information - will carry out periodic reviews on the application of fund governance principles in the business operations. These reviews focus on identified governance issues as described below.

Reporting

The management company shall describe to which (oversight) entity, besides the board of the management company, the outcome of these reviews may be reported.

Oversight

An entity which is able to act sufficiently critically and independently of the management company and affiliated parties, will be appointed to fulfil the role as oversight entity with regard to fund governance. This oversight entity has the task, to check if the management company fulfils its duty to act in the interest of the investors in its fund(s). Such oversight can be designed in various ways, as shown in the annex.

In order to fulfil this task, the oversight entity has access to all relevant information, e.g. reviews and additional requested information (if any).

II. General measures safeguarding fund governance

2. Compliance function

Compliance with the law, regulations and other rules, among which those that protect the interests of investors and mitigate conflicts of interest, will be monitored. The management company will ensure that the compliance function acts independently from operative functions, is equipped with adequate resources, has access to all relevant information and reports regularly to the board of the management company.

3. Managing Conflicts of interest

The DUFAS standard for fund governance means that paramount attention must be given to managing potential conflicts of interest. As a matter of principle, the governance aims to avoid (potential) conflicts of interests between the interests of the investors in the funds with the interests of other parties such as the management company itself or the service providers (in- and external), amongst funds of the same asset manager and (other) discretionary mandates of the asset manager. A set of rules and procedures shall be defined to ensure that, in case an unexpected conflict of interest situation would arise, the interests of

² I.e. the management company, or, as the case may be, the investment company managing itself. For simplicity's sake, hereafter only the management company will be mentioned.



investors are protected and that investors are treated equally in comparable situations. Should conflicts of interest occur, the management company should deal with these situations in accordance with its duty to act in the interest of the investors. The management company shall identify the main areas of potential conflicts of interest between the management organization on the one hand and the investors in the fund on the other hand.

4. Segregation of duties

As far as appropriate, a segmentation between investment decisions, settlement of transactions, administration of transactions and control is in place to prevent (potential) conflicts of interest as described above. The management company has installed 'Chinese walls' in order to manage the flow of price-sensitive information and other confidential market information. In case the management company is part of a group of companies, there shall be an organizational, physical and personnel segregation between the group's business units to the extent that this is reasonably necessary, relative to their activities. This means that employees report hierarchically only to their managers and appropriate information-sharing barriers are in place to prevent dissemination of sensitive market information. No price-sensitive or confidential market information is exchanged between business units other than is required to effectively carry out their work.

5. Fair & reasonable application of principles

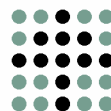
When dealing with potential conflicts of interest, the management company will primarily endeavour to reasonably and fairly apply the specific principles defined in this code of conduct. In situations that may not be covered by these principles, the management company will in general seek to apply international best practices to the extent available. The management company pledges to resolve any such situation, having due regard for the interests of the investor and its legal duty as to act in the interest of the investor, after reasonable and fair consideration of relevant facts and circumstances.

6. The principle of 'conscientious consideration'

However well defined and refined, a system of specific principles, even while supplemented with a set of international best practices, cannot always guarantee sufficient external guidance to deal with each specific conflict situations. The management company therefore pledges that it shall, in all cases, endeavour to resolve any governance issue having due regard for the interests of the investor and its legal duty to act in the interest of the investor and after reasonable and fair consideration of relevant facts and circumstances. This process, called *conscientious consideration* shall be conducted within the board of the management company or of the group (holding company) as the highest authority within the organization.

7. Publication of principles

The management company shall publish these principles of fund governance on its website.



III. Rules and principles regarding day-to-day operations

8. Third party relations

The management company will ensure that the selection of counterparties for trade execution (brokers) will take place according to defined procedures and criteria, taking into account execution capability and – in the case of bundled services – quality of research.

9. Asset Valuation

The management company will ensure that valuation of assets and calculation of Net Asset Values (NAV) will be performed independently from the portfolio management function.

10. Fund Unit Trading

The management company will establish procedures to prevent late trading in units of its funds and to protect the fund from the potential negative impact of market timing transactions.

11. Shareholder Rights

The management company will publish on its website and in its annual report its policy of shareholder voting rights attached to the portfolios it manages.

12. Transparency

The management company strives for an open relationship with the investors by providing relevant, clear and understandable information in accordance with the applicable laws, regulations and the fund's conditions. This includes just, timely and fair information on investment policy, investments, risks, costs and management fees, affiliated parties and outsourcing. The characteristics of a fund shall be clear, the risks shall be explained and there shall be no ambiguous conditions. All fees charged by the fund and their connection to services rendered shall be clear. The maximum subscription and minimum redemption prices in relation to the net asset value (NAV) shall be clear.

13. Change in the conditions of a fund

During the lifetime of an investor's investment it is possible that a fund's conditions may change. In that case the management company will suitably inform the investors in good time in accordance with the applicable laws, regulations and the fund's conditions. The management company strives to ensure that such information is easily accessible, clear and understandable for all investors. If the proposed changes have a negative impact on conditions for the investor (e.g. a rise in fees), or if changes in the investment policy of a fund are proposed, the investor in an open-ended fund always has the legal right to divest on the then prevailing conditions within a given reasonable period before the proposed changes are effected.

14. Best execution

In implementing and executing investment decisions, the management company shall as a general rule take reasonable steps to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration. Transactions with related parties, will be executed at arm's length terms customary in the market.

15. Fair allocation

The fund manager may generally execute transactions on an aggregated basis to obtain more favourable commission rates or other transaction costs than if such orders are placed individually. When aggregating orders, the relevant portfolios shall be treated fairly and systematically. The management company will adapt a similar policy for IPO allocations.



16. Transaction fees and soft commissions

Transaction fees only cover those services that directly benefit the fund or the collective of the funds which are managed by the management company. Soft commission arrangements are permitted as long as the services paid for with soft commissions are directly instrumental for improving the investment decision-making process and on condition that the transaction fees are customary and reasonable relative to the brokerage services provided. Services paid for with soft commissions may include research and securities advice. These services improve the investment process and are therefore beneficial to the investors in the funds. All soft dollar arrangements will be drawn up in writing.

17. Securities lending

The management company is transparent in the prospectus and annual report of its funds with regard to the possibility of lending the portfolio securities of the fund. The risk/reward relationship of lending activities for the fund shall in essence be reasonable and fair and in line with market practice. The fund will act in accordance with best practices. In case a situation is identified in which voting stock on loan in an upcoming shareholder meeting may significantly influence the outcome of the voting process and may have a significant impact on shareholder value, the management company will consider a recall of the stock on loan.

18. Personal interest and remuneration

The management company endeavours to structure its remuneration systems in line with market practices and in such a way that conflicts with investors' interests are prevented. Participation by staff and members of a possible supervisory board in a fund is considered as a 'stake of confidence'. Almost all securities transactions involving staff or members of a possible supervisory board are monitored. This is to ensure that the fund can steer clear of appearing to act with inside information.

19. Costs and damages as a result of operational errors

In a human environment operational errors can never be entirely excluded. The fund manager may adapt a policy in which damages, exceeding a certain minimum level and caused by errors in the calculation of the NAV of a fund, shall be compensated. The management company shall adapt a policy with regard to the costs of other operational errors and may take out at its own expense insurance coverage for damages and costs incurred by the fund as a consequence of operational errors.

20. Beleggersgiro

The management company (as far as this lies within its power) will endeavour that – when his funds are offered and administered through a so called 'beleggersgiro' (securities' account) -- the beneficial owners of shares or participations in his funds will be granted voting rights in the shareholder meetings of the funds at the first request of the beneficial owner.

21. Shareholder / participants meetings of the funds

The management company (as far as this lies within its power) will endeavour that beneficial owners of shares or participations in its investment funds under management can participate in shareholders / participants meetings of the funds. The management company 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.



In case of a 'beleggersgiro', when beneficial owners abstain from exercising their voting rights and the trustee (the board of the entity, being the legal owner of the shares) of the beleggersgiro, which acts independent from the management company, this entity is allowed to attend the meeting and exercise voting rights on behalf of the beneficial owners of the fund. In case related companies of the management company or other investment funds managed by related companies of the management company own shares or participations in a fund, they are also entitled to exercise their voting rights. In these cases the identity of the shareholder / participant and their voting behaviour should be disclosed in the shareholder / participants meeting.

Conclusion

The mechanisms provided for herein are a living instrument, offering good practices. To stay abreast of constantly changing circumstances in the financial environment, DUFAS will closely follow developments in fund governance, identifying (international) trends and seeking remedies to new challenges. DUFAS is aware that trust and integrity play an important role in the financial industry. It is our sincere intention that these principles of fund governance will help to maintain a culture in which professional and ethical behaviour of the staff of our members is recognized, valued and promoted.

