Bouwinvest Dutch Institutional **Retail** Fund N.V.

2019

Annual Report

Bouwinvest Real Estate Investors

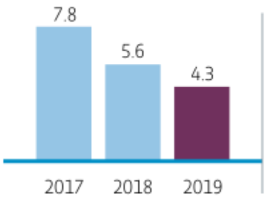
Table of contents

2019 at a glance

Key performance highlights

Return

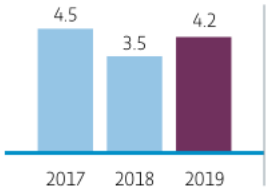
Total fund return



PLAN 2019
6.9%
LONG TERM AVERAGE TARGET
6.0% - 7.5%

REALISED 2019
4.3%

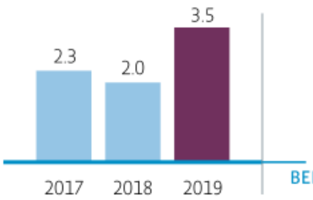
Income fund return



PLAN 2019
4.5%

REALISED 2019
4.2%

Relative performance (MSCI)



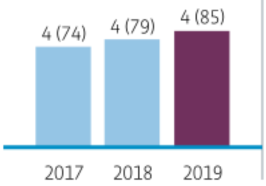
REALISED 2019
3.5%

Like-for-like rent development

REALISED 2019
-1.2%

Sustainability and tenant satisfaction

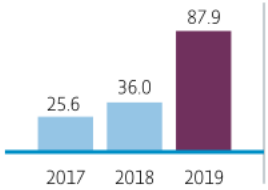
Fund sustainability rating (GRESB)



PLAN 2019
5
STAR RATING
AND/OR MINIMAL 79 POINTS

REALISED 2019
GRESB 2019
4 STAR RATING
85 POINTS

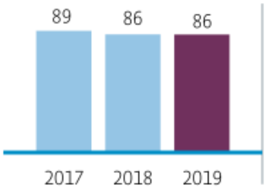
Building sustainability cerfiticates for shopping centres (BREEAM)



PLAN 2019
100%
BREEAM

REALISED 2019
87.9%

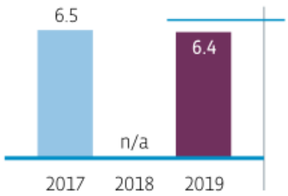
Energy label A



PLAN 2019
95%
A

REALISED 2019
86%

Tenant satisfaction

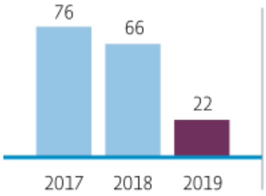


TARGET 2019 MINIMAL
7.0

REALISED 2019
6.4

Assets

Investments



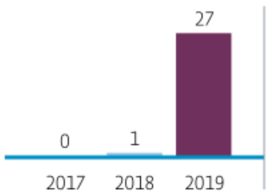
PLAN 2019

80
€ MILLION

REALISED 2019

22
€ MILLION

Divestments



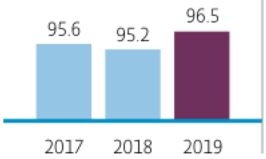
PLAN 2019

25
€ MILLION

REALISED 2019

27
€ MILLION

Occupancy rate



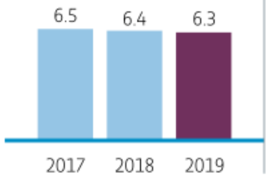
PLAN 2019

96.8%

REALISED 2019

96.5%

WALT

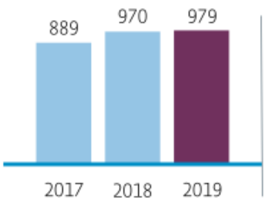


REALISED 2019

6.3
YEARS

Shareholders

Invested capital



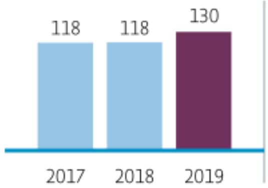
PLAN 2019

1,010
€ MILLION

REALISED 2019

979
€ MILLION

Dividend per share



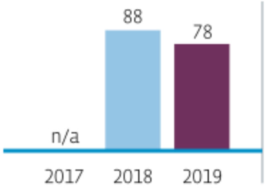
PLAN 2019

€111

REALISED 2019

€130

New funding



PLAN 2019

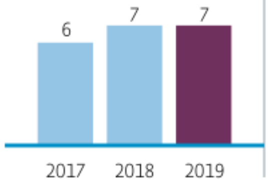
50
€ MILLION

REALISED 2019

78
€ MILLION

Including funding on 1.1.2020

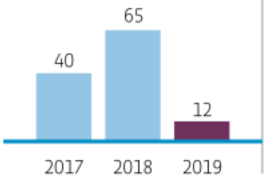
Number of shareholders



REALISED 2019

7

Capital calls



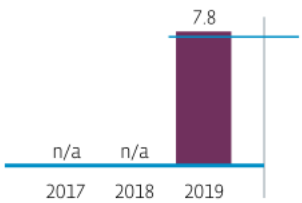
PLAN 2019

55
€ MILLION

REALISED 2019

12
€ MILLION

Client satisfaction



TARGET MINIMAL

7.5

REALISED 2019

7.8

Message from the CEO

Dear stakeholders,

Last year saw a rapid deterioration of the sentiment on the retail market, driven by another string of high-profile bankruptcies and rising vacancy rates in many towns and cities. This deterioration in sentiment was clearly reflected in the very sharp decline in the stock prices of listed retail real estate funds, which of course has a knock-on effect on values in the unlisted retail real estate market. We continue to believe that the negative image of the retail market does not reflect the fundamentals of the Dutch retail market. This is why last year we conducted an in-depth study of this market, which you can find on our website.

What we see is that the trends like growing online sales, ageing and the high density of retail supply in the Netherlands are all having a negative impact on the bricks and mortar retail. The population of the Netherlands is still growing, so we will continue to see consumer numbers grow. However, while some cities will see stronger population growth than others and while occupancy rates will remain stable or increase in these cities, smaller cities in peripheral areas of the country will see an increase in vacancy rates. This growing polarisation makes it even more important to choose the right locations for investment. We are also seeing the emergence of new brand stores that are proving popular with consumers, and retailers targeting a combination of online sales and sales via their physical stores. We believe this multi-channel approach will be one of the keys to successful retail formulas as we go forward.

Very importantly, the strategy of focusing on Experience and Convenience we chose several years back is a good fit with the current trends on the Dutch market. We are still signing new leases and we still have an occupancy rate of around 97%. However, given the challenges the retail market is facing, we now have to make even clearer choices. We have refined our definition of Experience and Convenience even more precisely and added a new 'Mixed retail' segment, which will enable us to take advantage of opportunities outside our strict definition of Experience and Convenience.

While the Fund's total return was lower than planned at 4.3% (plan 6.9%), we still outperformed the market as a whole. In addition, we made a great deal of progress in terms of optimising our portfolio. We acquired good Experience assets in Eindhoven and Utrecht and completed the sale of the Makado shopping centre in Purmerend, Maasplaza in Dordrecht, three supermarkets in Hengelo and Enschede and two non-prime retail units in the Achterdoelen shopping centre in Ede. Also on the optimisation front, we completed the renovation of the Muntpassage in Weert and the upgrade and expansion of the Goverwelle shopping centre in Gouda. These are now both in good shape for the future. Our 2019 acquisitions and disposals were fully in line with our Experience and Convenience strategy and our optimisation drive.

Of course, improving the sustainability of our portfolio and our assets has been and will continue to be an integral part of this optimisation. We have made a lot progress in terms of improving the sustainability of our portfolio, partly thanks to the fact that we are working closely with a number of tenants to realise our shared ESG ambitions. Last year, we retained our GRESB 4-star rating and improved our overall score, putting us well on track to achieve our targeted 5-star rating in 2021. We have also set ourselves the target of a Paris-proof portfolio before 2045.

The impact of the coronavirus will affect our organisation and the Fund's results and forecasts. In the coming period, we will be monitoring the impact on our organisation and the Fund closely and will inform our investors about the effects of this pandemic and actions taken to mitigate the related risks among others in our quarterly reports and investor calls.

All that remains now is for me to thank our investors for their continued faith in our strategy and all our employees for their hard work and commitment to Bouwinvest in 2019.

Dick van Hal

CEO and statutory director

Report of Executive Board of Directors

Market environment

COVID-19 virus in 2020

During the finalisation of this annual report, the world was overtaken by a serious crisis due to the COVID-19 virus.

This annual report pertains to the 2019 financial year, but any forward-looking statements related to 2020 and beyond are no longer valid.

Given the rapid developments and the impact on the economy as a whole, the fund performance and the fund-specific risks, we decided to not make any changes to texts as a great deal of the impact is still uncertain.

We will inform our shareholders each quarter on the fund performance, status and market situation, as part of our normal shareholder reporting cycle. If necessary, we will inform shareholders of any developments in the interim.

Dutch retail market 2019

Based on our assessment of the dynamics, opportunities and threats of the Dutch retail market over 2019, we arrived at following vision of the Dutch retail market:

Our vision of the Dutch retail market

- Investors' capital inflow is expected to remain strong
- Economic growth provides for growth in retail market, but market is still facing challenges
- Continued growth of online shopping
- Polarisation continues in stabilising market
- Consumer focus on inexpensive versus high-end; the middle segment will continue to struggle
- Continued growth of the hospitality sector in shopping streets
- The increase of retail supply in high-traffic locations, such as stations, airports and large public areas. The focus at these locations is on the functional, quick buys and various food & beverage concepts

Economy

The Dutch economy continued to perform well in 2019, although momentum did weaken during the course of the year. Real GDP growth amounted to 1.7% in 2019, which makes the Netherlands one of the most flourishing economies in Western Europe. All drivers of economic growth showed positive figures. Private consumption remained resilient and was one of the major drivers behind economic growth. The US-China trade war has so far had only a marginal impact on the Dutch economy. The 6.9% increase in house prices had a positive impact on other economic segments. However, economic growth forecasts show a lower growth path for the years ahead as the global business cycle is expected to come to an end and as the coronavirus is affecting supply-chains.

The Dutch labour market remained robust as job growth continued and unemployment rates declined further. The latter, however, is at record low levels, resulting in a very tight labour market in a number of sectors. Consumer prices increased substantially in 2019 and the 2.6% inflation rate was well above both the 2% plan rate and the Eurozone average.

Interest rates have now been at historically low levels for a number of years and have been a major driver of real estate pricing. Eurozone interest rates are expected to remain low for the coming years, due among other things to the late-cycle stage of the economy, the ageing of the population and a steep increase in savings. With the aim of raising inflation, the European Central Bank has restarted its financial asset buy-back programme and once again lowered its benchmark interest rate in September 2019.

Additionally, the European economy is facing the challenge of the impact of Brexit, but also of political tensions and populist sentiments in a number of countries. On a global scale, geopolitical tensions and protectionist policies will lead to growing uncertainty in the years ahead, while the impact of the coronavirus has to be awaited.

Retail spending is closely linked to the overall economic situation and consumer confidence. The first remained positive in the past year, although growth did decline somewhat, while the second remained stable at around the zero level, indicating a balance between the positively and the negatively inclined. Spending did increase over the course of 2019 and was up by 3.9% year-on-year in the third quarter of 2019. It should be noted that, unlike in past years, growth in the non-food sector (+2.9% year-on-year) was stronger than in food sector (+1.5%). This was the case throughout 2019.

Key economic indicators (Source: OE)	2018	2019	2020 forecast
GDP	2.6%	1.7%	1.1%
Consumer spending	2.3%	1.4%	1.5%
Consumer price index (CPI)	1.7%	2.6%	1.1%
Government bond yields, long-term	0.6%	-0.1%	-0.2%
Unemployment rate	3.8%	3.4%	3.6%

Sources: Oxford Economics; CPB

Public Policies

The most significant policy issue during 2019 in the Netherlands was related to zoning plans, which have always been highly prescriptive and determine the extent to which each sector may or may not do business in a certain area. This practice has been called into question in recent years, as consultation with the European Court of Justice found that the retail trade falls under the so-called Services Directive, which stands for the principle of 'freedom of establishment'.

Following this assertion a number of property owners and retailers have argued in court that zoning plans should not restrict retailers from opening regular stores in retail warehouse locations. In the course of 2019, various court cases showed that zoning plans can still be used very strictly, but that the grounds given with respect to why retailers are not allowed to settle everywhere must be substantiated much more emphatically. As such, the extent of this threat has lessened substantially.

Sustainability and Climate Change

Before 2050, all retail buildings will have to be made sustainable one way or another to convert them to low (or even net-zero) carbon emissions. This pertains largely to existing buildings, as new development projects will have to be close to energy neutral from 2020 onwards.

In early 2021, local governments will come up with plans for the energy transition and map out the availability of sustainable heating at district level. In the same period of time asset owners are expected to have plans in place to make assets 'Paris proof'. The challenge for landlords is to find the right balance in collaborating with tenants to address and stimulate sustainability measures on building level in order to make private (green) agreements on the split incentive (investments versus profit), which is still a challenge.

Retailers have more awareness of their (supply chain) responsibility and are becoming more transparent about their impact on planet, people and animals. Ethical brand rating systems, like Good On You, are providing landlords with more insight into the impact of their tenants and are increasingly being challenged by their stakeholders to incorporate this in decision making.

Well-being and health is an emerging theme for retail consumers. In the retail sector, this theme is more a driver for products and channels. A healthy building is generally related to material use, design, safety, indoor air quality, thermal comfort, daylighting, freedom from noise and user experience, factors that have been partly incorporated in existing sustainability labels and certifications.

In addition, climate change is already happening and buildings need to be resilient to physical climate impact. Monitoring physical climate risks (like extreme weather events) really took off in 2019 and is expected to become more important in the years ahead.

Numerous institutions are currently developing methods to measure circularity and developers are experimenting with circular building and demolition projects. Retail companies are primarily focused on integrating circularity in their products and supply chain. For the retail real estate sector, this could translate into different types of contract, both with suppliers and with tenants, construction & fit-out requirements or as-a-service concepts.

In 2019, construction projects and real estate markets were hampered by changes in rulings related to nitrogen emissions and PFAS levels (chemical substances) in the Netherlands. In late 2019, the government introduced new legislation for PFAS levels and temporary legal exemptions for nitrogen emissions to prevent all construction projects grinding to a halt. The political and environmental debate on how to solve the nitrogen problem are still ongoing, as it is clear a more sustainable approach is needed. Additional legislation is expected in 2020, including the 'Clean Air Agreement', which will affect future construction projects.

Demographics and Social Change

Major social trends include the growth of online shopping and the growing importance of experiences over goods. Both of them have a limiting effect on actual in-store sales and as such the future is likely to see a continuing decline in the number of stores in the Netherlands. It is important to note that bricks-and-mortar stores and online presence enhance one another. The online market share of a retailer tends to increase in areas where they open new stores, while the online channel provides opportunities for retailers to cater to areas where they have no presence. The future will be multichannel.

At a demographic level, the major trends include overall population growth and the ageing of the population. The population is expected to increase by around 1.1 million inhabitants to a total of 18.4 million in the period to 2040. This population growth will stimulate consumer spending and potentially support retail demand. However, Dutch population growth will not be evenly spread across the country. The largest cities will generally see the strongest growth and will be much less affected by the ageing of the population, due to the continuing influx of students and young professionals. As such, these cities will continue to offer the best retail opportunities for experience-oriented shopping, especially in prime locations.

The ageing of the population is likely to affect shopping behaviour but could be an opportunity rather than a threat for neighbourhood centres. That is, provided these centres respond effectively to the wishes and preferences of older people, in terms of the likes of convenient parking, accessibility, lay-out and tenant mix.

Technology and Innovation

Corporates are testing emerging technologies, such as drones, artificial intelligence, blockchain and the Internet of Things, to directly connect behaviour to technology. With customers increasingly shopping online, we see a rising demand for technology-enabled stores to adapt to the needs of customers. Examples include retail companies such as Amazon and Nike.

Online shopping will continue to grow in the coming years. First of all, because the share of consumers growing up with online shopping will only increase. In addition, this market segment will continue to professionalise and tap into new revenue models. This will of course have an impact on the required future size of overall retail stock (both nationally and locally), but will also affect the function and lay-out of stores and shopping areas. By responding smartly to this development, retailers and shopping areas may be able to use this to their advantage. The role of a neighbourhood shopping centre as a pick-up point or return centre must be taken into consideration.

Retail investors will have to integrate more technology in their buildings and services. For example to generate real-time asset performance data and create so called digital twins of the assets to manage assets more effectively and provide tenants with a smooth customer journey. Not only during onboarding, also to retain tenants. This will aimed at improving indoor quality and comfort and at boosting interaction with customers, enhancing customer experience, while reducing energy and property management costs. On the other hand, the asset and tenant-related data generated will be essential to make buildings and business processes autonomous in the future.

There are numerous other trends that could affect the retail market to a greater or lesser extent. At the same time, some could have a greater impact in the future than we now think. For the retail sector, it is especially important to monitor the development of 3D printing and virtual/augmented reality. The first could make part of the store function completely superfluous, while the second could offer a shopping atmosphere at home that cannot be generated using flat screens in stores.

Occupier market

The changing consumer behaviour and demographic shifts have forced retailers to rethink their store portfolio and location strategy. As a whole, the occupier market is tilting towards consolidation. New retail scheme developments are limited and take-up in 2019 dropped by 15% to 405,000 m^2. The drop in occupier demand was also reflected in ongoing downward pressure on rent levels, even in the best cities in the Netherlands.

However, at retail chain level things can be very different. A number of retailers went out of business in 2019 (such as Coolcat, Hudson's Bay and - to some extent - Intertoys). Other retailers are closing down some of their loss-making stores while at the same keeping an eye open for new opportunities (Zeeman, Shoeby). At the same time, Lego and Anthropologie opened their first Dutch stores in 2019 and chains like Norah, Ace & Tate, as well as a number of food and beverage chains, continued to open new stores and outlets.

Vacancy rates have been improving for the past three years, from 7.5% in 2015 to 6.7% at the start of 2019. However, in the course of 2019 this trend came to a halt as vacancy increased again to 7.3% at year-end. While bankruptcies of the large chains generally gets most media attention, it is the large number of independent retailers closing their doors that drove vacancy upwards. Additionally, the easily transformable stores have in the meantime been given a different function and the units that are now being released are more difficult to transform.

While vacancy increased across the board, there are marked differences per type of location. In city centres, inner-city shopping streets and smaller shopping centres, both the actual vacancy level as well as the growth in vacancy are lower than at other location types and, as such, these location types are likely to remain much more resilient.

Occupier key factors	2018	2019	2020 forecast
Take-up (m^2)	475,000	405,000	↗
Vacancy (year-end)	6.70%	7.30%	↗
Prime rent (/m^2/yr, year-end)	€ 2,950	€ 2,875	↘

Sources: JLL, Locatus, Bouwinvest Research & Strategic Advisory

Investment market

Given the low interest rate environment and the yield spread offered by real estate, investors' capital inflow into real estate markets remained strong last year. This resulted in a total investment volume of € 18.5 billion, very much driven by the large appetite from international investors. While this was the third highest volume ever recorded in the Netherlands, it did remain 12% behind last year's total.

We expect investors' appetite to remain high for real estate investments, due to the fact that real estate continues to prove its value in terms of adding diversification to investment portfolios and the total returns it offers compared to interest rates and other asset classes.

The Dutch retail investment market accounted for 12% of the total investment volume and saw € 2.3 billion in investments in 2019, compared to € 2.6 billion in the previous year. More investors are cautious, as they are uncertain about the outlook for the retail market. The forecast growth of online is likely to play an important role in this cautious approach. Within the sub-segments, only high street retail and shopping centres registered higher investment volumes.

Investor key factors	2018	2019	2020 forecast
Prime net initial yields (excl. purchase costs, year-end)	2.65%	2.65%	→
Investment volumes (€ bln)	€ 2.6	€ 2.3	→

Sources: JLL, Bouwinvest Research & Strategic Advisory

Market opportunities and threats

As online shopping will continue to grow, the physical retail market will have to shift towards a new balance in which fewer stores are needed. As a result of urbanisation, ageing and polarisation, this process will have a greater impact on some cities and some shopping areas than others.

Bouwinvest expects prime (A1) retail locations in the city centres of the top 15 cities and neighbourhood shopping centres with a focus on daily purchases to be most resilient. These retail destinations are best equipped to navigate the upcoming period, which is likely to involve a great deal of uncertainty for both retailers and investors.

Prime locations will perform well as they have the largest and most diverse retail stock. On top of this, the hospitality sector creates an inviting climate and these cities tend to have younger populations. The district or neighbourhood centres focused on daily shopping will remain important due to their close vicinity to customers, the convenience they offer and the fact that they also cater to the ageing population.

The battle for customers has heated up in each and every retail destination. The same goes for retailers. They need to offer a clear added value to customers, or they will simply go out of business. This will result in a future retail environment in which the overall quality of retail will be substantially higher than in the past. The threat of the zoning plans losing their important role in the Dutch retail landscape seems to have been averted. As a result, municipalities are still able to prevent regular retailers from operating in cheaper retail warehouse locations, and protect the attractiveness of city centres and neighbourhood shopping centres.

Experience

Amsterdam
the Netherlands
Damrak 70

Fund strategy

Strategic objectives 2019

Investment objective

The Fund's aim is to achieve a stable portfolio that can profit from the changing retail market, mainly due to its well-distributed portfolio of high-quality assets that is sufficiently resilient and future-proof to withstand the future risks in the retail market. This includes a net asset value of invested capital of more than € 1 billion and a good spread in terms of locations, segments and tenants that provides sufficient comfort to absorb these risks and continue to generate solid returns in an evolving retail market.

We believe that convenience and experience are the key trends that will determine the future of retail real estate. This is why the Bouwinvest Dutch Institutional Retail Fund has a clear focus on the main shopping streets in major shopping cities & shopping centres and supermarkets that focus on convenience shopping.

The Fund's strategy is aimed at delivering a long-term average annual total return of between 6.0% and 7.5% on Dutch retail investments. The Fund's primary goal is to optimise its portfolio to make it resilient enough to withstand the future risks in the retail market. The fund size target for 2022 is invested capital of € 1.1 billion and a good spread in terms of locations, segments and tenants that provides sufficient comfort to absorb these risks. To achieve the investment objective, the main pillars of the Fund's strategy are:

EXPERIENCE	CONVENIENCE	SUSTAINABILITY

Fund characteristics

- Core investment style
- Long-term plan of average annual Fund return of between 6.0% and 7.5%
- Robust governance structure
- Investment structure for an indefinite period of time
- Reports in accordance with INREV standards

Focus on experience

EXPERIENCE - High street retail in best shopping cities

The main focus of the Fund's Experience portfolio is on individual high street shops or clusters of shops in prime shopping areas in major Dutch city centres. These city centres have retained their market share and will continue to do so in the future. Shopping for fashion and lifestyle products is changing drastically. Because consumers now have a wider choice in terms of how they buy fashion and life-style products (online or offline), the differentiating potential of shopping cities is becoming an ever greater factor in their success. The presence of food and beverage is playing an increasingly important role here. Consumers prefer cities that offer cultural attractions and a wide range of catering establishments, in addition to a varied range of fashion and lifestyle stores. The combination of these factors creates attractive locations offering the experience factor that contemporary consumers see as an essential part of a day of shopping. We believe that shopping cities offering this fun or 'Experience' factor will be the most future-proof.

For strategic asset management and acquisition purposes, Bouwinvest and its Research department have developed a ranking tool for the best shopping cities and high streets in the Netherlands on the basis of footfall, catchment area, consumer numbers, rent per m², vacancy rates and average income. The best shopping streets are determined using Bouwinvest's Top shopping streets ranking, which provides an overview of the most attractive shopping streets in the Netherlands, including shopping streets outside the Top 15 shopping cities. We look at indicators at regional, shopping area and street level. These include indicators such as (growth in) the number of residents in a catchment area, the average income level, the number of tourists, the presence of the hospitality sector and the number of passers-by.

Focus on convenience

CONVENIENCE - Shopping centres and stand-alone supermarkets

The main focus of the Fund's Convenience portfolio is on district shopping centres and standalone supermarkets with healthy catchment areas, together with assets in a rapidly emerging new retail segment, stores in high-traffic locations. Retail real estate with a functional range of goods (daily shopping) with a focus on convenience remains an interesting investment segment.

A healthy catchment area is the main factor in the success of any shopping centre or supermarket with a focus on daily shopping needs. The size – and health – of a catchment area can be affected by the regional economy, the local and regional demographic outlook and competing retail stock. A healthy regional economy guarantees employment and income growth, while demographic growth has a visible impact on a shopping centre's potential market. On the other hand, new retail stock may lead to a serious reduction of the catchment area for existing supermarkets and shopping centres.

The Fund focuses on a number of additional factors that increase the level of convenience so prized by today's consumers, an element that the Fund believes will become ever more important in the future. These additional criteria include easy accessibility, comfort parking, an effective tenant mix, plus the overall look and feel of the centre. The Fund needs to constantly monitor and respond to demographic changes, such as average age or household size, through the continuous optimisation of retail properties and their tenant mix. One essential part of the retail mix is one or two clear, complementary and well-positioned supermarket anchors, as these act as a major pull factor for convenience shoppers. Supermarkets have so far shown limited vulnerability to online sales and are virtually unaffected by other stores in their vicinity.

An effective retail mix with various specialist stores is another factor that makes shopping centres attractive to consumers. Due to market changes and the ongoing growth of online sales, the number of non-food shops in these centres will continue to decline in the near future. The Fund is therefore also focused on actively revitalising its convenience centres by increasing the average share – measured in square metres and in cash flow – accounted for by supermarkets and shops selling daily goods, and reducing the number of non-core units.

Focus on sustainability

The built environment consumes around 40% of the world's energy and accounts for up to 30% of the world's annual GHG emissions. Additionally, the building industry is a large user of raw materials. As a global real estate investor, we feel it is part of our responsibility to contribute to a CO_2-neutral, sustainable, circular, resilient and healthy living environment, and to enhance stakeholder value by investing in sustainable real estate. We are convinced that our approach reduces risk, increases client returns and makes our real estate assets and portfolios more attractive.

Environmental, social and governance (ESG) factors will continue to play a major role in our investment strategy. We are targeting a zero carbon, nearly energy neutral and resilient portfolio before 2045 (approx. 100 kWh/m^2 GLA per year). This will include an analysis of asset-level climate risks, including a plan of how to mitigate these risks. We have set out clear targets for the reduction of our environmental footprint and improving our positive social impact.

To make a start, we have formulated the following 'Paris-proof' objectives for the mid-term:

- 2021-2030: A year-on-year 5% reduction in GHG emissions for the total portfolio (general and tenant consumption)
- 2030: Our portfolio has an average energy label A (energy index <1.0)

Highly sustainable Fund

To keep the Fund highly sustainable we will continue to improve the Fund's sustainability performance and obtain the highest GRESB rating (5-star) in the coming years. The fund currently has a GRESB 4-star rating and recorded a strong improvement in its score in the 2019 GRESB assessment. To improve this score further and achieve a 5-star rating, we have set out a responsible investment strategy which focuses on: building sustainability performance, energy reduction, renewable energy sources on location, rental contracts with a sustainability clause, tenant satisfaction and health & safety on construction sites. We also plan to make an active contribution to the UN's Sustainable Development Goals, including Sustainable cities and communities (SDG 11), Affordable and clean energy (SDG 7) and Decent work and economic growth (SDG 8).

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY
Installation of renewable energy

8 DECENT WORK AND ECONOMIC GROWTH
Considerate constructor scheme for construction projects

11 SUSTAINABLE CITIES AND COMMUNITIES
Above average sustainable portfolio

Invest in sustainable buildings

Sustainable building certificates enable us to show where we are in terms of sustainability at asset level and how far we still have to go. We use internationally accepted sustainability certificates such as BREEAM to measure and assess the overall sustainability of our assets. Certificates measure criteria that go beyond legislative requirements and provide us with instruments to encourage more responsible tenant behaviour, such as cutting waste and reducing energy consumption. Our goal is to obtain 100% insight into our assets' sustainability performance having 100% BREEAM-NL in-use certified shopping centres and have 50% certified assets with BREEAM-NL in-use GOOD or better at management level by the end of 2021. In addition, benchmarks help us to make informed business decisions to mitigate environmental, social and governance risks and enhance our long-term returns.

Reduction of environmental impact

We are committed to making environmental stewardship an integral part of our daily operations and strive to reduce both our direct and indirect environmental footprint. Data measurement and consistent reporting via certification schemes help us to increase our buildings' energy efficiency and reduce the associated costs, in cooperation with our tenants. We have adopted maintenance strategies that include modern, energy-efficient heating, cooling and lighting systems.

Energy efficiency is the most cost effective way for the Fund to reduce carbon emissions but we also encourage the use of renewable energy sources. We buy certified green electricity and are boosting alternative energy use, which includes installing solar panels on our assets. Our goal is that 95% of the Fund's portfolio has an energy label A or better (energy index<1.2) by end 2021 and improve our environmental impact reduction from 2% in 2019 to 5% in 2021.

Enhancing stakeholder value

At Bouwinvest, we believe that the best way to engage our stakeholders is through open and transparent dialogue and positive collaboration that cements long-term returns on investment and maximises our positive impact. Our objective is that clients give the Fund a score higher than 7.5 and tenants a score higher than a 7 in our client- and tenant satisfaction surveys.

Bouwinvest does its utmost to optimise long-term alliances with all our stakeholders. We have methods and means in place to understand, meet and respond to our stakeholders needs and to engage with the issues that our stakeholders find important. In addition to this, we take an active approach to raising environmental, social and governance awareness throughout the real estate industry, partly through membership of various real estate sector organisations, such as the Association of Institutional Property Investors in the Netherlands (IVBN) and the Dutch Green Building Council.

To enhance health and safety on construction sites our objective is to have 75% of our construction sites registered under Considerate Constructors Scheme ('Bewuste Bouwer') in 2021. Moreover, our goal is to start with green clauses in rental contracts to enable collaboration with tenants on the environmental performance of our assets.

Being a responsible organisation

We believe that integrity, honesty and corporate responsibility are essential to ensuring we do our job properly and will, in turn, enable us to optimise returns for our clients. We are committed to upholding the highest ethical standards and compliance stewardship in all our business dealings and we avoid conflicting interests. To ensure accountability and transparency, we set targets, based on international sustainability standards, which allow us to monitor our progress.

Diversification guidelines and investment restrictions

The Fund applies a defined set of diversification guidelines and investment restrictions in the execution of its strategy. The Fund will adhere to the following investment restrictions to focus on its core activity and to limit risks. The Fund's strategy includes increasing the share of Experience and Convenience to at least 80% of the portfolio value. This will be realised primarily through new acquisitions, investments in the redevelopment of standing assets and the divestment of assets that do not meet the Fund's strategic criteria.

Diversification guidelines	Current portfolio	Conclusion
≥ 80% of investments invested in assets classified as Experience and Convenience	81.3% in assets classified as Experience and Convenience	Compliant
≥ 90% of investments invested in low or medium-risk categories	95.3% in low and medium-risk	Compliant
Investment restrictions		
< 15% invested in single investment property	There is one investment property exceeding 15%	Not compliant (*)
< 10% invested in non-core properties (non-retail investment properties)	0% related to non-core Retail properties	Compliant
No investments that will have a material adverse effect on the Fund's Diversification Guidelines.	There were no investments in 2019 that have a material adverse effect on the Fund's diversification guidelines	Compliant
(Re)development activities < 5% of the Fund's total investment portfolio value	There were no (re)development activities > 5% in 2019	Compliant
a. only Assets from the Fund's porfolio qualify for (re)development	In 2019, all (re)development activities were were related to assets of the Fund's portfolio	Compliant
b. the activities are exclusively targeted at optimising the quality of the portfolio	All activities were targeted at optimising the quality of the Fund portfolio	Compliant
c. not allowed if it has a negative impact on the Fund's Diversification Guidelines	There was no negative impact on the Fund's diversification guidelines	Compliant
d. signed commitments relating to at least 60% of the rental income of the Asset is required	Commitment > 60%	Compliant
e. (re)development is undertaken by and for the risk and account of Bouwinvest Retail Development, a wholly owned subsidiary of the Fund	All (re)development activities are undertaken by and for the risk and account of Bouwinvest Retail Development	Compliant
f. all financial risks in connection with the work to be conducted as part of the (re)development will be contractually excluded by Bouwinvest Retail Development and transferred to external developers or contractors. Examples of such risks are: design and building risks and cost and planning risks	All financial risks in connection with the work to be conducted as part of the (re)development are contractually excluded by Bouwinvest Retail Development and transferred to external developers or contractors	Compliant
g. zoning risks remain with the Fund. However, the start of building activities related to a (re)development is conditional upon obtaining the relevant zoning permit	The building activities related to a (re)development were conditional upon obtaining the relevant zoning permits	Compliant

**The management made an exception for the investment property Damrak 70 Amsterdam, due to its unique retail location and its low risk profile.*

Convenience

Tilburg
the Netherlands
Heyhoef

Fund performance

Portfolio performance in 2019

Portfolio characteristics

- Total property value of € 957 million in Dutch retail properties (59 assets, 240,496 m² NLA) at year-end 2019
- High-quality retail assets divided into Experience, Convenience and Other
- Total fund return of 4.3%, income return of 4.2%
- Occupancy rate of 96.5%
- Continuous outperformance of the MSCI Property Index
- GRESB 4-star rating (85 points)
- 87.9% of the shopping centres has a BREEAM label
- 98.5% of assets green energy labels (A, B or C), 86% label A
- Tenant satisfaction score of 6.4

Investment property

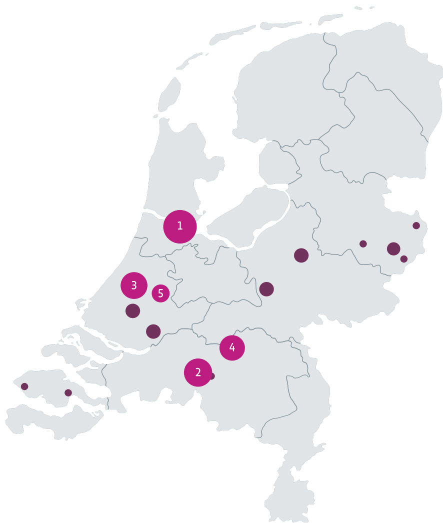
Experience

Top 5 municipalities
Other municipalities

Top 5 municipalities
(91.4% of the portfolio)
(IN PERCENTAGE)

1	Amsterdam	67.8
2	Rotterdam	11.1
3	Eindhoven	4.8
4	The Hague	4.5
5	Tilburg	3.2

Convenience

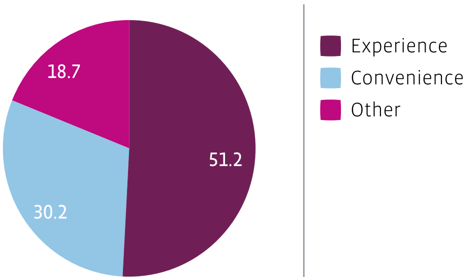


Top 5 municipalities
Other municipalities

Top 5 municipalities
(75.7% of the portfolio)
(IN PERCENTAGE)

1	Amsterdam	22.2
2	Tilburg	15.6
3	Zoetermeer	13.8
4	Rosmalen	12.5
5	Gouda	7.3

Portfolio composition by segment as a percentage of market value



Selection of principal properties

Experience

Damrak 70
Amsterdam

Nieuwendijk 196
Amsterdam

PC Hooftstraat 125
Amsterdam

Ridderstraat 17
Breda

Demer 20-24
Eindhoven

WTC
Rotterdam

Spui - Grote Marktstraat
The Hague

Heuvelstraat 24
Tilburg

Steenweg 43
Utrecht

Convenience

Mosveld
Amsterdam

Stadionplein
Amsterdam

Goverwelle
Gouda

Parkweide
Ede

Molenhoek
Rosmalen

Prinsenland
Rotterdam

Heyhoef
Tilburg

Oosterheem
Zoetermeer

Westkapelseweg 10
Zoutelande

Investments and divestments

In 2019, the Fund acquired two high street retail assets and sold a total of seven assets. Furthermore, the Fund invested in the optimisation of the quality of its assets. The total property value remained almost unchanged at € 957 million at year-end 2019.

Investments

The Fund invested a total of € 22 million, which was € 58 million lower than our original plan, due to funding limitations. The two acquisitions, for a total of € 8.6 million, were fully in line with our Experience strategy.

Acquisitions

The Fund acquired two high street assets, Steenweg 41 in Utrecht (€ 3.0 million) and Demer 20-22 in Eindhoven (€ 5.3 million). Both acquisitions are a good fit with the Fund's Experience strategy, which targets the top 15 largest shopping cities and most vibrant shopping streets in the Netherlands. The Bouwinvest Retail Fund also owns the adjacent Steenweg 43 retail unit in Utrecht. The Fund also owns the retail stores at Demer 38 and 48 and at Rechtestraat 35 in Eindhoven.

Steenweg 41
Utrecht

Demer 20-22
Eindhoven

Redevelopments

In October 2019, the Fund completed the redevelopment of the Muntpassage shopping centre in the southern city of Weert. The main objective of the redevelopment was to secure the dominant position of this asset in the city centre area. We achieved this by adjusting the non-rentable retail space, improving the commercial appearance and subsequently actively (re)leasing to strong retailers. The largest upgrade took place around the main entrance area on the Grote Markt. The design, look and feel and architecture of this part of the shopping centre has changed significantly. The floor has been replaced throughout the shopping centre, the appearance of the passage walls has been adjusted and lighting levels has been improved. The redevelopment has been used to increase fire safety through the integration of a sprinkler system in all passages and retail units. De Muntpassage now complies with current legislation and regulations.

The redevelopment led to a significant reduction of the vacancy rate. The most important new tenant is retailer H&M, which is now an anchor with a 2,300-m² unit. In addition, 11 retailers have renewed their retail units. We have also welcomed a number of new tenants that moved to Muntpassage from other retail units in Weert. But most importantly, we have managed to retain all current tenants. The redevelopment has been a success thanks to good communications with the tenants and their support for the plans.

Muntpassage shopping centre
Weert

In November 2019, the Fund also completed the expansion and upgrade of the Goverwelle shopping centre in Gouda. The 1,000-m² extension created space for the expansion of the Albert Heijn supermarket and for the addition of a second complementary discount supermarket, Dirk van den Broek. The new supermarket is a powerful anchor for the shopping centre and ensures that Goverwelle attracts new target groups. Despite the expansion of the shopping centre, the number of retail units has been reduced to 20 from 27. Not only is has the vacancy rate been strongly reduced, the new lay-out is now also more suited to a neighbourhood shopping centre. The Fund has closed new leases with half of the tenants, which has considerably improved the WALT. It also added additional parking facilities for 235 cars. A number of the current retail tenants have also agreed to make substantial investments in upgrades to their own stores. The redevelopment activities changed the Goverwelle shopping centre to the category Convenience from Other and has made the shopping centre future-proof again.

Goverwelle shopping centre
Gouda

Divestments
In 2019, the Fund budgeted € 25 million for the divestment of non-core assets. These assets did not fit our strategic requirements due to their location, size or economic outlook. In 2019, the Fund completed the sale of the Makado shopping centre in Purmerend (€ 9.2 million), the Maasplaza shopping centre in Dordrecht (€ 12.2 million), two supermarkets in Hengelo, two supermarkets in Enschede (€ 5.1 million) and two non-prime retail units in the Achterdoelen shopping centre in Ede (€ 0.5 million), taking total sales to € 26.8 million last year.

Active asset management
In addition to its redevelopment activities, the Fund also carried out active asset management in the portfolio. For example, the optimisation of the Amarillo portfolio, consisting of 13 supermarkets acquired for approximately € 34 million. The portfolio was purchased in December 2018. Of these supermarket locations, 11 were transformed into the new Jumbo formula with a strong emphasis on (fresh) experience and food service. Two supermarkets were leased to Emté supermarkets and would be empty by mid-2019. In total, nine supermarkets were a perfect match with our Convenience strategy. The purchase ensured a stable rental income from a strong retailer with new 10

and 15-year leases. Via active asset management, the Fund was aiming to sell four supermarkets and to strengthen two supermarkets together with Jumbo, by realising expansions and by improving the lay-out and entrance. We fully realised this ambition; the four supermarkets were sold in three separate sales deals in 2019, with the total selling price slightly above market. In addition, the Fund and Jumbo are in the final phase of expanding the supermarkets in Hasselt and in Denekamp, strengthening their market position in the region.

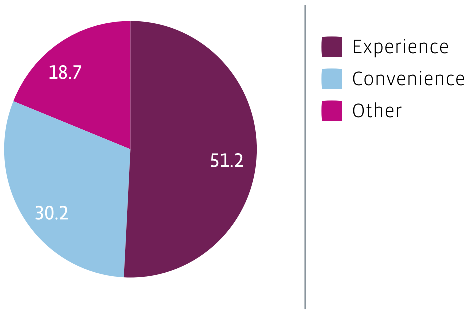
Portfolio diversification

Allocation by strategy

At year-end 2019, the Fund's portfolio consisted of a total of 59 assets. Of these, 28 assets are classified as Experience and 21 assets are classified as Convenience. The category 'Other' consisted of 10 retail assets that do not fully meet our strict Experience and Convenience criteria. The Fund's strategic target was to increase the share of Experience and Convenience to at least 80% of the portfolio value. In line with this ambition, in 2019 the Fund realised a 1.7% increase in the share of Experience and Convenience, taking these categories to 81.3% of the portfolio, from 79.6% in 2018. The share of Experience increased by 0.3% to 51.1%, while the share of Convenience increased by 1.4% to 30.2%.

The categories will change in 2020, due to the stricter criteria for the Experience & Convenience strategy and due to the introduction of the Mixed retail category.

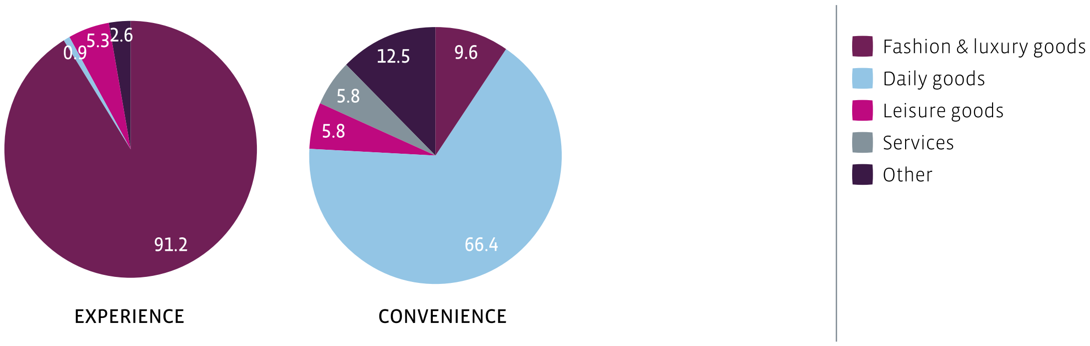
Allocation of investment property by strategy as a percentage of book value



Tenant mix

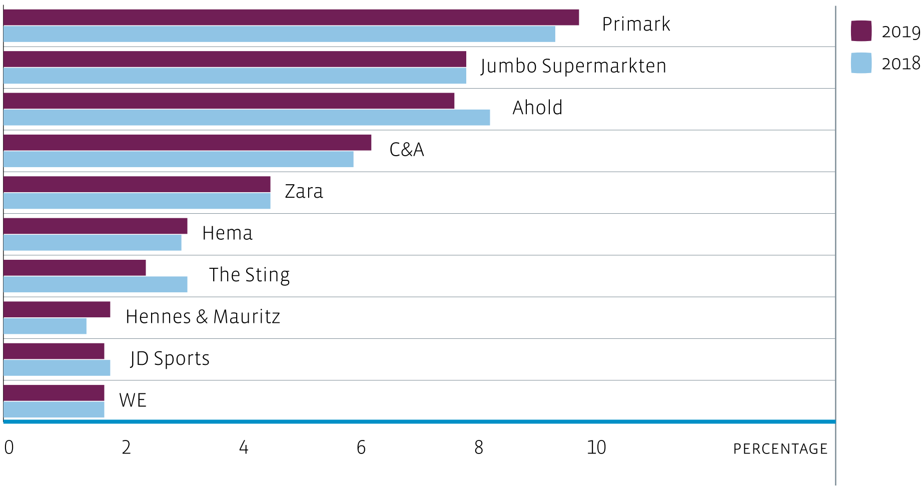
The Fund's portfolio includes a wide range of tenants by segment type. In 2019, in the Experience part of the portfolio, the share of the 'fashion & luxury goods' segment declined slightly to 91.2% (2018: 91.4%). In the Convenience part of the portfolio, the share of the 'daily goods' segment increased by 1.8% to 66.4% (2018: 64.6%).

Allocation of investment property by tenant sector as a percentage of rental income



The top 10 major tenants accounted for a total of 46.6% of the theoretical rent in 2019 (2018: 47.3%). In 2019, the top-10 ranking changed slightly. Jumbo Supermarkten and Ahold changed places, due to the sale of the Maasplaza shopping centre in Dordrecht, including an Albert Heijn supermarket. The lease with Hennes & Mauritz in De Muntpassage asset in Weert led to a top-eight ranking. Tenant Blokker Holding, top-eight at year-end 2018, dropped out of the top 10. Primark still tops the list with two leases in the Damrak 77-81 asset in Amsterdam and the Westerhaven asset in Groningen, accounting for 9.7% (2018: 9.3%) of the Fund's total rental income.

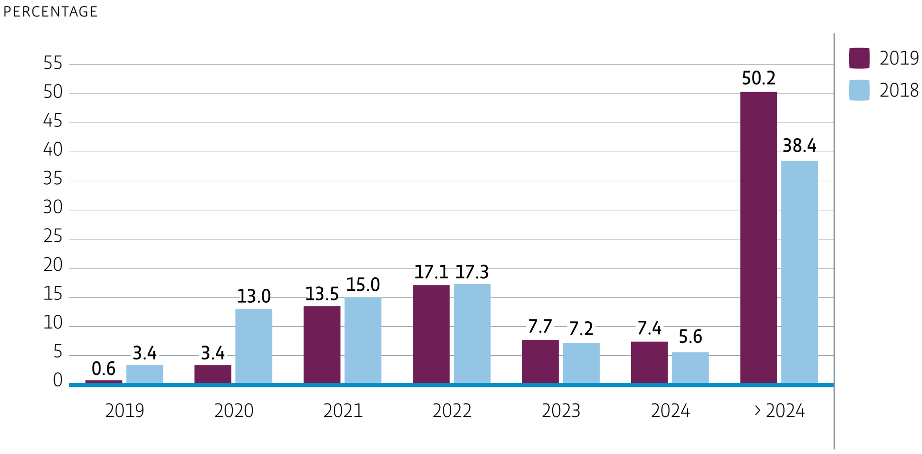
Top 10 major tenants based on theoretical rent



Expiry dates

The overview of expiry dates shows a gradual division in the coming years. By the end of 2019, more than 50% (2018: 44%) of the total rental income was due to expire after 2024, which means the Fund's expiration risk remains low. The average remaining lease term of the total portfolio at year-end 2019 was 6.3 years (2018: 6.4 years).

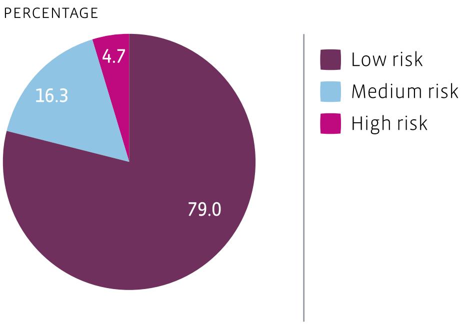
Expiry dates as a percentage of rental income



Allocation by risk

In terms of risk diversification, at least 90% of the investments must be low or medium risk. The actual risk allocation as at year-end 2019 is shown in the figure below. We assess all assets separately on an annual basis.

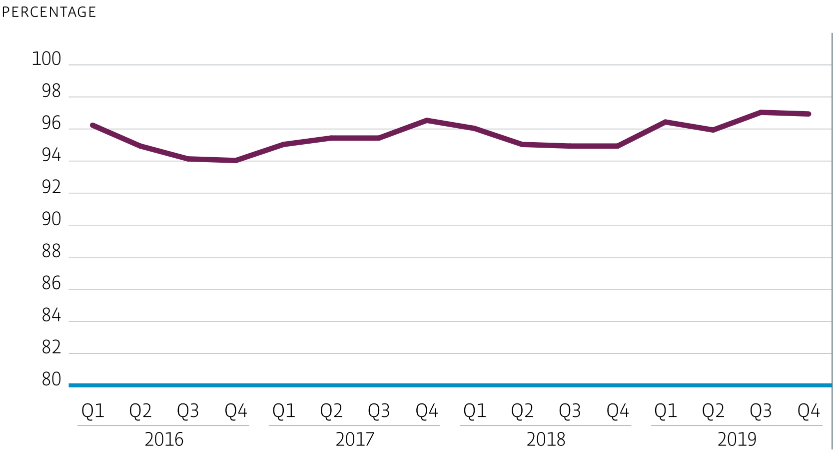
Allocation of investment property by risk as a percentage of book value



Financial occupancy

In 2019, the Fund managed to increase the average occupancy of the portfolio to 96.5% (95.2% in 2018). Strategic vacancy due to the renovation and expansion activities in the Goverwelle shopping centre and Muntpassage shopping centre in Weert did have temporarily negative impact on the occupancy rate of the portfolio for the majority of the year, but this improved once the redevelopment projects were completed. The Fund closed 149 new lease contracts and renewals, representing a total of € 9.6 million in annual rent.

Financial occupancy rate



Financial performance

Total return

The Fund realised a total return of 4.3% in 2019 (plan: 6.9%; 2018: 5.6%) consisting of 4.2% income return (plan: 4.5%; 2018: 3.5%) and 0.1% in capital growth (plan: 2.4%; 2018: 2.0%). The total return in euros fell to € 43.7 million, from € 48.7 million in 2018 (plan: € 63.3 million). The retail market remains challenging, resulting in a lower than planned capital growth.

The Fund's invested capital increased to € 979 million in 2019 from € 970 million in 2018. The increase of € 9 million is a result of capital calls (€ 12 million), the addition of the net profit over 2019 to the equity (€ 44 million) and the payment of (interim) dividend to shareholders (€ 46 million).

Income return

The Fund realised an income return of 4.2% in 2019, which is 0.3% lower than plan (4.5%) and 0.7% higher than 2018 (3.5%). The income return is the result of increased net rental income from assets and an almost stable invested capital value.

The Fund continued to optimise its portfolio by putting two redeveloped assets into operation, De Muntpassage in Weert and Goverwelle shopping centre in Gouda, and selling several assets for a total of € 27 million. The occupancy rate for 2019 (96.5%) was 0.3% below plan (96.8%) and 1.4% higher than 2018 (95.2%). This led to a total rental income of € 56.4 million, € 0.9 million lower than plan and € 2.6 million higher than in 2018.

The property operating expenses of € 10.6 million were € 0.7 million higher than plan and € 0.4 million higher than in 2018. This resulted in € 45.8 million in net rental income, € 1.6 million lower than plan (€ 47.4 million) and € 2.2 million higher than in 2018 (€ 43.6 million).

In 2019, administrative costs were equal to the plan at € 5.1 million. Compared with 2018, these expenses were € 0.4 million higher, mainly due to higher management fee expenses as a result of the higher invested capital.

The Fund called up € 12 million for investments in redevelopment projects. The higher rental income combined with the nearly stable invested capital resulted in an increased income return of 4.2% compared with 2018 (3.5%).

Capital growth

The Fund realised a capital growth of 0.1% in 2019 compared to 2.4% in plan (2018: 2.0%). The values of the properties appreciated only slightly in 2019. The Fund is largely invested in the Randstad conurbation and has a continued focus on optimising its portfolio by upgrading and future-proofing its assets. Nevertheless, there is downward pressure on asset prices driven by the negative sentiment on the overall retail real estate market. The most marked appreciations were realised by the Goverwelle shopping centre in Gouda and P.C. Hooftstraat 195 in Amsterdam, while the largest depreciation was seen by De Promesse shopping centre in Lelystad.

Property performance

The total property return for 2019 came in at 5.3% (plan: 7.5%; 2018: 7.0%) consisting of a 4.9% income return (plan: 5.1%; 2018: 5.0%) and a 0.4% capital growth (plan: 2.3%; 2018: 1.9%). The total property return outperformed the MSCI Netherlands Property Retail Index (all properties) in 2019 by 3.5% (total return MSCI: 1,8%). The outperformance is caused mainly by the slight positive capital growth of the fund in 2019 of 0.4%, whereas the benchmark recorded -2.9%.

The Fund return (INREV) and property return (MSCI) are different performance indicators. The Fund return is calculated according to the INREV Guidelines as a percentage of the net asset value (INREV NAV) and the property return is calculated according to the MSCI methodology as a percentage of the value of the investment properties. INREV e.g. includes cash, fee costs and administrative costs in the calculation of the income return (INREV). Furthermore, the amortisation of acquisition costs is treated differently by INREV and MSCI.

Capital Management

Funding

In 2019, we closed € 78 million in additional commitments with an existing shareholder. Last year 2019 we called up capital of € 12 million, putting the committed capital of our investors to work.

Leverage

In accordance with the Information Memorandum, the Fund will be financed solely with equity and will have no leverage, but may borrow a maximum of 3% of the balance sheet total for liquidity management purposes.

In 2019, the Fund was financed solely with equity and did not use any loan capital for liquidity management purposes.

Treasury management

For treasury management purposes, the Fund acted in accordance with its treasury policy in 2019, in order to manage liquidity and financial risks for the Fund. The main objectives of the treasury management activities were to secure shareholders' dividend pay-out and liquidity for redemptions, as well as to manage the Fund's cash position.

At year-end 2019, the Fund had € 29.5 million in freely available cash. In 2019, the Fund's cash position improved by € 9.0 million, when compared to year-end 2018.

Interest rate and currency exposure

In 2019, the Fund was subject to the negative interest rates on its bank balances.

As the Fund had no external loans and borrowings, nor any foreign currency exposure in 2019. As a result the Fund had no exposure to interest rate risks or currency exposure risks. The interest rate risk related to bank balances is limited for the Retail Fund.

Dividend and dividend policy

The Executive Board of Directors proposes to pay a dividend of € 40.4 million for 2019 (2018: € 38.9 million), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend will be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 75.4% was paid out in the course of 2019. The fourth instalment was paid in February 2020. The rest of the distribution over 2019 will be paid in one final instalment in May 2020 following the Annual General Meeting of shareholders on 15 April 2020.

Tax

The Fund qualifies as a fiscal investment institution (FII) under Dutch law and is as such subject to corporate tax at a rate of zero percent. Being an FII the Fund is obliged, among other things, to annually distribute its entire taxable result. The Fund complied with FII requirements in 2019.

The Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2019.

Sustainability performance

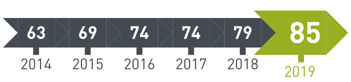
At Bouwinvest, we believe that we cannot ensure long-term successful investments without taking the needs of society into account, as the two are inextricably linked. To make sure we are making the maximum effort to ensure healthy societal and financial returns, we monitor our investment and operational performance using the internationally accepted GRESB benchmark.

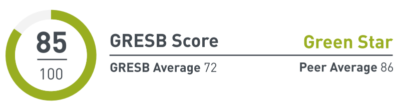
Highlights sustainability performance 2019

- Retained GRESB 4-star rating and improved overall score by six points to 85 points
- 87.9% BREEAM certified shopping centre assets, with 72.0% BREEAM-NL in-Use GOOD or better rating
- 98.4% of portfolio has a green energy label (86.0% label A), with an average energy index of 0.80
- The Fund installed approx. 118 kWp of solar power on retail assets in 2019, taking the total to approx. 242 kWp, which is slightly behind the 2021 target of 1000 kWp
- Realised a 7.3% like-for-like energy reduction in consumption and 18.6% reduction of GHG emissions
- 121 rental contracts with a sustainability clause (green rental contracts)
- 38.6% of building sites registered under the Dutch Considerate Constructors scheme ('Bewuste Bouwer')

Highly sustainable fund

In 2019, the Fund retained its GRESB 4-star rating and increased its overall score by six points, taking the total score 85 points from 79 points in 2018. This puts us well on track to achieve a 5-star rating on schedule in 2021. However, the Fund's peer comparison position did fall to fifth out of six in 2019, from 3rd out of six in 2018. The higher score was based primarily on three items: Monitoring & EMS, Performance indicators and Building Certifications. To achieve a GRESB 5-star rating, we will continue to increase our focus on Policy & Disclosure, Stakeholder Engagement, Monitoring & EMS and Performance indicators.





Plan on continued improvement of the Fund's sustainability performance	
Annual improvement of overall GRESB score	Achieved. + 6 points (85/100), 4 out of 5 star rating.

Investing in sustainable real estate

Our sustainable real estate strategy is built on two pillars: certified sustainable assets and the reduction of environmental impact. Sustainable real estate helps to combat climate change and generates broader social, economic, environmental and health benefits. We are convinced that our approach reduces risk, increases client returns and makes our real estate assets and portfolios more attractive.

Sustainable buildings

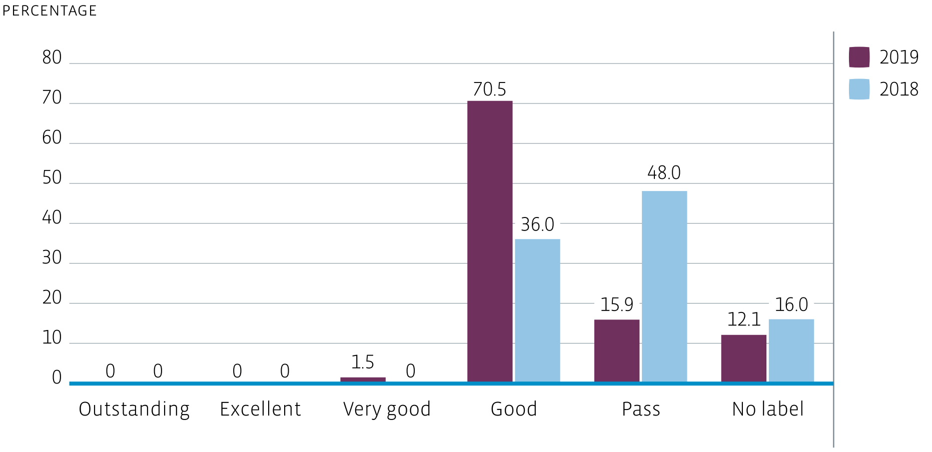
The Fund uses BREEAM to measure and assess the overall sustainability of its buildings. The BREEAM methodology covers a wide range of subjects; from energy to transport, from vegetation and materials to indoor quality. This makes it a very useful tool for the implementation of sustainability measures at various levels within the Fund.

In 2019, the main target for sustainability measures was to achieve BREEAM in-use labels for 100% of our shopping centres and to achieve 50% certified assets with BREEAM-NL in-Use GOOD or better by end 2021. The Fund made a great deal of progress last year and by year-end 2019 had achieved BREEAM labels for 88.7% of the assets in the portfolio and BREEAM GOOD ratings for 63.4% of the total portfolio. The Fund will also label the last acquisitions to achieve the target of 100% BREEAM certified shopping centre assets. The Fund managed to improve four BREEAM labels in the portfolio to GOOD from PASS (De Muntpassage in Weert, Hoofstraat 107-115 in Apeldoorn, the Stadionplein shopping centre in Amsterdam and the Mosveld shopping centre in Amsterdam). In addition, the Fund added the first BREEAM label VERY GOOD to the portfolio, for the Boterhoek 17 asset in Best (0.7% of the portfolio). The Fund improved the label of this asset from GOOD in 2018 thanks to various improvements in transport, safety and materials.

The number of assets that qualified for a green energy label had also increased to a total of 98.4% in 2019 (2018: 94.6%), due in part to the A label awarded to the new Centrumplan shopping centre in Rosmalen.

The figure below shows all certificates obtained per asset.

BREEAM scores shopping centres (% of standing lettable floor space)



Plans on sustainable buildings & Investments	
100% BREEAM-NL certified shopping centres by end 2019 and 50% certitied BREEAM-NL in-Use GOOD or better by end 2021 at management level	87.9% certified shopping centres and 72.0% BREEAM-NL in-Use Good or better at management level
Acquisitions and major renovations/ redevelopments minimum BREEAM-NL In-use GOOD	On track.

Climate resilient buildings

The impact of climate change is becoming ever more visible. Physical risks are increasing, but so are the transition risks resulting from the additional measures governments are taking to put a brake on global climate change. This demands more attention for the effects of climate change.

The Fund has started to identify the climate risk exposure of its buildings, by combining climate data with other sources of building data to create a so-called climate stress test. This looks at the likes of hindrance or damage due to flooding, heat stress inside and outside buildings and subsidence due to drought and drops in ground water levels. The aim of this exercise is to ascertain whether current and future investments are climate proof, both in the short term and around 2050. And what measures the Fund needs to take to prevent damage to the buildings and to guarantee the safety and well-being of users. This is how we are working to create a climate-proof portfolio.

Reduction of environmental impact

Monitoring performance

Monitoring environmental performance data (energy and water consumption, greenhouse gas emissions and waste) is an important part of managing sustainability issues. The Fund tracks and aims to improve the environmental performance of its managed real estate assets: those properties for which the Fund is responsible for purchasing and managing energy consumption. The Fund reports on energy consumption (electricity, heating and gas: the energy components) for its shopping centres, which translates to greenhouse gas emissions.

In 2019, the Fund raised its targets for the reduction of its environmental impact in the period 2020-2022:

- Renewable energy: increase percentage of renewable energy
- Energy: average annual reduction to 5% in 2021 from 2% in 2019
- GHG emissions: average annual reduction to 5% in 2021 from 2% in 2019
- Water: average annual reduction 2%
- Waste: Increase recycling percentage

In 2019, the Fund also started a project to purchase and implement an Environmental Monitoring System (EMS). An EMS is necessary to register and monitor energy, water and waste data in a single system using smart meters and to make effective and efficient management and decision making possible in order to make the sustainability ambition and ESG objectives a reality. Our target is to have an EMS up and running by the end of 2020. This will also make it easier to arrive at joint initiatives with tenants to reduce the energy use and environmental impact of our retail assets.

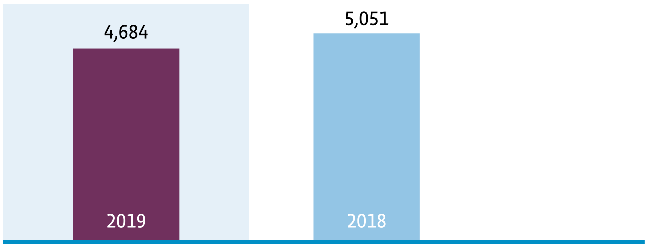
Renewable energy production

In 2019, the Fund installed 368 solar panels in the Molenhoek shopping centre in Rosmalen to reduce the energy consumption of the public area of this asset. These panels resulted in an increase of on-site solar power to approx. 242 kWp per year. The Fund is currently working on a new plan for solar panels on the Boterhoek asset in Best. The Fund also consulted retailer Jumbo to compare sustainability ambitions and potential new pilots. The Fund aims to add >1,000 kWp renewable solar panels on location by end 2021.

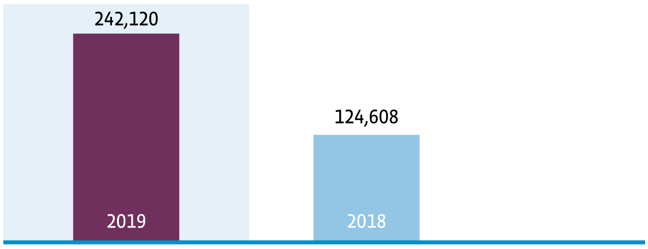
Energy consumption and GHG emissions

In 2019, the Fund managed to cut energy consumption by 7.3% (2018: 1.1%) on a like-for-like basis and GHG emissions reduced by 18.6%.

Energy consumption (like-for-like, MWH)



On-site solar panels (Watt)



Water consumption

We take a strategic approach to water management, as this improves the efficiency, resilience and long-term value of our investments. The Fund is committed to reducing water consumption, reusing water and preventing water pollution and flooding.

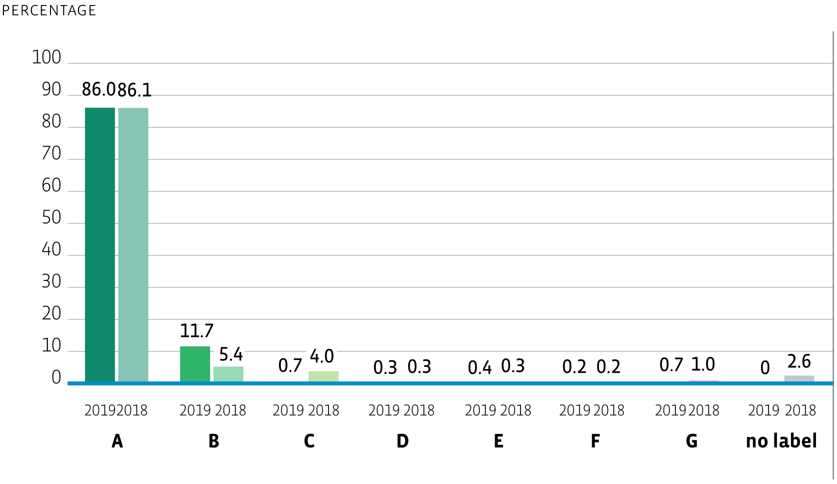
Waste

The Fund aims to manage waste at its properties responsibly. We encourage our tenants to minimise and recycle waste. We provide recycling bins and encourage the reuse of plastics, metal and other materials. We are also studying the opportunities offered by circular economy developments.

Green portfolio

At year-end 2019, 98.4% of the Fund's retail assets had a green energy label (2018: 94.6%), indicating a high level of energy efficiency for the portfolio. The number of assets with a green energy label increased, due in part to the A label awarded to the Centrumplan shopping centre in Rosmalen and the A and B labels awarded to the retail units acquired in 2019, Heuvelstraat 24 and 36-38.

Distribution of energy labels in the portfolio



The Fund redefined these targets in the Fund Plan 2020-2022 in such a way that we are now aiming to receive energy label A for at least 95% of the portfolio (energy-index <1.2). The target for energy reduction is now 5% per year to put the target in line with (international) climate goals (reduction of 95% of CO_2 in 2050 compared to 1990).

Plans on reduction of environmental impact

Add renewable energy on location installing 1000 kWh of solar panels before end of 2021	On track: year-end 2019 approx 242 kWp.
100% green portfolio (A, B, C energy labels) in 2018	On track: 98.4% green labeled
By end of 2021 95% of the portfolio has an energy label A or better (energy index <1.2)	86.0% A-labelled, average energy index 0.8
Annual reduction of environmental impact to increase from 2% in 2019 to 5% in 2021	Energy 7.3% decrease
	GHG emissions 18.6% decrease
	Water 0.4% increase
	Waste 33.8% increase

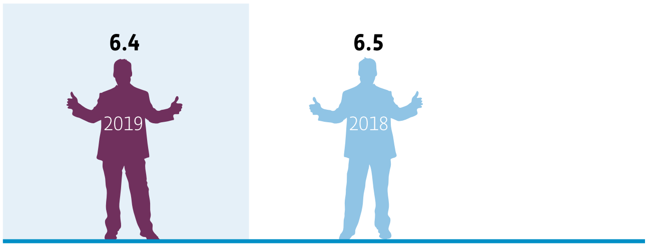
Enhancing stakeholder value

Engaging with stakeholders

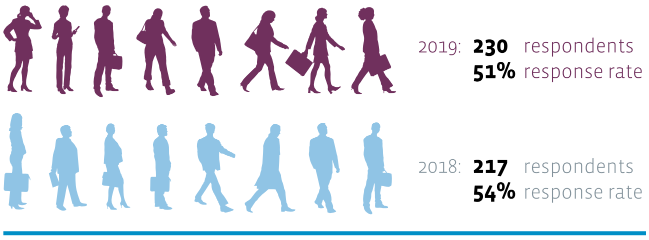
Tenant engagement

The Retail Fund is constantly looking for ways to work with retailers and other tenants, as well as other stakeholders in the local community, to improve the sustainability of our assets. And more and more retailers are now keen to improve their own sustainability performance and to make use of the knowledge and experience we have acquired on this front. For instance, in what could be considered a landmark agreement, we have teamed up with Ahold, the parent company of Albert Heijn supermarkets, to achieve shared goals on the sustainability front. Ahold is looking to achieve CO_2-neutral supermarkets in line with the Paris Climate Agreement, while the Retail Fund's goal is to maximise the sustainability of all its assets. With this shared goal in mind, Ahold has agreed to share data on energy use, water consumption and waste disposal, as well as any planned renovations.

Satisfaction scores tenant engagement survey



Participant rate tenant engagement survey



At the same time, the Fund will provide Ahold with information on the BREEAM labelling of the shopping centre, the energy label of individual Albert Heijn supermarkets and data on the insulation quality of roofs, floors and walls in its supermarkets, as well as any planned asset renovations. The two will then use this data to identify potential measures to improve energy and water use, cut CO_2emissions and improve waste disposal. This could include improving insulation during renovations, installing solar panels on roofs, placing charging points in car parks and a whole host of other measures. The data provided will be the key to identifying the right measures for each individual supermarket or retail asset. Following a pilot project with two Albert Heijn supermarkets in late 2018, we rolled out this initiative on a wider scale in 2019. The Fund sees this as an outstanding model for cooperation with other tenants in its portfolio and hopes other retailers will follow suit.

Indeed, following the acquisition of 13 Jumbo supermarkets in 2018 (four of which we have already sold on), we are currently in talks with the Netherlands' second-largest supermarket chain on our shared sustainability ambitions. Jumbo is ambitious in terms of making production processes, logistics and design more sustainable, and we are now helping each other to realise our sustainability ambitions. But we are in a constant dialogue with other tenants, too, as we strive to increase our influence in term of making retail stores more sustainable. We do this by providing information and support, and by setting minimum requirements for the retail shop layout. Bouwinvest has drawn up the 'Tenant Fit Out Programme' (TFOP) for this. This document provides the tools for tenants to make sustainable choices in materials, layout and energy consumption. It also provides information and assistance in drawing up the layout plan. This programme includes a certain level of obligation, as it specifies the minimum requirements for retail units and its installations, such as material standards, the use of LED lighting and energy-label installations. The TFOP is part of our new lease agreements and our ambition is to declare the TFOP applicable to all assets.

Tenant satisfaction survey

The Fund conducted a tenant satisfaction survey in Q4 2019 and emerged with a score of 6.4 for the quality of the assets and 6.3 including satisfaction with the Fund's property management. The Fund conducts tenant satisfaction surveys every two years. In 2017, we only reported the score for the assets, which was 6.5. The Fund's target is to achieve an overall score of at least 7.0. The survey response was 51% of the tenants we approached in term of rental flow, or 230 tenants. As usual, we will draw up action plans and will provide tenants with feedback on about the results of the survey and the actions we are taking or plan to take to address the most important points of attention.

Tenant portal

In response to the results from previous tenant satisfaction surveys, in 2018 Bouwinvest unveiled plans to set up a tenants' portal. This portal provides tenants with a digital channel for repair requests, complaints and all the information they need about their lease contracts, service charges and payments, and gives them a channel to contact our property managers with queries and any issues they may have. In 2019, we ran a pilot project for the portal in our Parkweide shopping centre in Ede. The goal was to go live right across the portfolio last year, but due to technical setbacks and the loss of one of our property managers, which was involved in the pilot, the portal is now scheduled to go live in the first quarter of 2020.

These are all developments that make communications with our tenants more efficient and more effective, which we expect to improve tenant satisfaction. Of course, tenants will still be able to communicate with our property managers via traditional channels, as there is still a need for these channels.

Green leases

The Retail Fund continued its green lease initiative in 2019, adding 29 green leases to take the total to 121 green leases in the portfolio, which is 23% of all leases. These lease agreements incorporate sustainability clauses, with the aim of increasing and enhancing the information exchange between the Retail Fund and its tenants. This in turn creates opportunities for combined efforts to improve environmental performance. Combined with the installation of smart meters at tenant level, the Fund sees this as the first step towards more far-reaching green leases in the future.

Plan on engage with stakeholders	
Clients give the Fund a score higher than 7	Clients score 7.8
Tenants give the Fund a score higher than 7	Average tenant satisfaction 6.4 (6.5 in 2017)
Annual increase in number of green leases	121 green leases by the end of 2019 (99 in 2018). Adding 29 green leases in 2019

Improving client services and communications

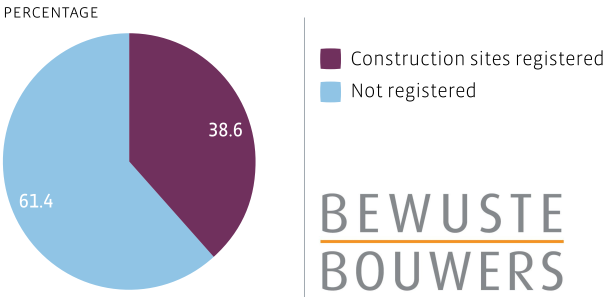
Real estate markets are remarkably dynamic, so Bouwinvest has to be responsive to internal and external news, as well as trends, risks and developments that could influence investments in Real estate markets. We are clear on our investment strategies and are dedicated to demonstrate our ability to meet or exceed our clients' expectations, by offering investment opportunities, services and market data related to existing and potential new investments.

In 2019, we conducted a stakeholder survey, asking our main stakeholders, including our investors, how they view us in terms of what we are getting right and where we could make improvements. This survey provided us with a lot of valuable feedback. The survey showed that we are on the right track on ESG front, but we can communicate more towards our investors what progress we are making in achieving our ESG-ambitions. These, and other, actions will contribute towards improving our client services and communications towards our clients. In the end, our aim is to achieve a steady long-term client satisfaction score of above 7.5 (out of 10).

Sustainable stewardship

We take an active approach to raising environmental, social and governance awareness throughout the real estate industry. We encourage our partners to enhance their sustainability performance. We focus on: health & safety at construction sites, active participation (memberships) in industry associations and community programmes. To further improve the climate for real estate investments, we are an active member of boards and committees of sector, industry and cross-disciplinary networks such as NEPROM, IVBN, Holland Metropole, DGBC, INREV and ULI.

The Retail Fund applies the Dutch Considerate Constructors Scheme ('Bewuste Bouwer') to all new-build projects and redevelopments. These criteria ensure that the contractor deals with the concerns of local residents, and addresses safety and environmental issues during the construction phase.



Plan on sustainable stewardship	
In 2021, 75% of construction sites (€) registered under Considerate Constructors Scheme ('Bewuste Bouwer')	38.6% of construction sites (€) registered under Considerate Constructors Scheme ('Bewuste Bouwer')
Gain board seats and committee memberships industry organisations: have at least one active board/committee memberships within industry organisations in the Dutch retail sector	Bouwinvest's employees have several active positions on boards or working groups of the networking and industry organisations like: IVBN, INREV, ULI, DGBC, Holland Metropole and NEPROM. Two positions are explicitly related to the retail sector
By the end of 2021, our tenants in shopping centres have an AED available within six minutes walking distance	AED is available within six minutes walking distance for all the shopping centres

Being a responsible organisation

Monitoring tool

The Fund uses an online monitoring tool for the effective management and maintenance of properties. The tool helps the Fund to register, schedule, manage and monitor standard inspections and mandatory inspections, as well as evacuation exercises, certifications and insurance policies. In effect, it acts as an early warning system for inspections, certifications and other health & safety procedures. The tool helps the Fund to reduce its strict liability and total costs of ownership. It can lead to savings of up to 15%, while minimising user costs, maintaining the quality and value of the properties and preventing unwanted vacancies.

Sustainable procurement and business partner selection

To promote and increase sustainable procurement, we launched a project with IVBN (Association of Institutional Property Investors in the Netherlands) and a number of fellow fund managers to engage and assess the Fund's suppliers using a sustainability web tool. Current and future suppliers will be assessed on their sustainable commitments, policies and behaviour. Bouwinvest has Service Level Agreements with its property managers, who are assessed each quarter on topics related to administrative management, technical management (including sustainability), commercial management and tenant satisfaction.

Collaboration with PropTech start-ups and scale-ups

New technologies, such as the Internet of Things, artificial intelligence, big data and blockchain can improve the quality, productivity and efficiency of our operations. We devote a great deal of attention to new property technologies and start-ups and scale-ups that are developing solutions. At Bouwinvest, we foster a culture of innovation, to stay ahead of the ever-changing demands of our investors and tenants and to safeguard the value of our investments by helping to create future-proof cities. We are currently working on innovative solutions in various stages of development.

We currently have a portfolio of several PropTech innovations. For example, in 2018 we unveiled plans to set up a tenant portal. This will provide tenants with a digital channel for repair requests, complaints and all the information they need about their lease contracts, service charges and payments. The aim of this project is to increase the satisfaction of our tenants to reduce the chance of lease terminations. We launched a pilot in our

Parkweide shopping centre in Ede in 2019 and the portfolio-wide project will go live in early 2020. In the Mosveld shopping centre in Amsterdam, we are currently working with another pilot called Chainels. Chainels offers a wide range of functionalities, including the promotion of mutual cooperation between retailers.

In addition, our Research department has developed a data integration solution to provide automatic data gathering and an advanced analytics platform. The solution includes a data warehouse, which is essentially a large collection of centrally-managed data from both internal and external sources. The solution supports decision making at operational, tactical and strategic levels and will be expanded over the coming years to unlock more value. In addition to the data integration solution we launched in 2019, we are currently looking for a partner who can help us develop a data gathering and analysis tool to measure the environmental impact of our portfolio in detail. This solution will help us to make our portfolio 'Paris Proof' in the long term.

Our ambition is to be part of the early majority by enhancing our involvement in technological development. We focus on three central innovation themes: Sustainability & circularity, Experience and How we work. Up until now, our focus has been on the launch of new products and the continued development of these products. Some have been scaled up and rolled out on a wider scale, while others have been shut down when it turned out they generated too little added value.

Convenience

Zoetermeer
the Netherlands
Oosterheem

Corporate governance

Fund management

Bouwinvest Real Estate Investors B.V. is the manager and Statutory Director of the Retail Fund. The Bouwinvest Board of Directors is responsible for Bouwinvest's long-term strategy, as well as the day-to-day management of the organisation itself and its invested capital. Bouwinvest's Dutch Investments business unit is responsible for all real estate investments in the Netherlands. This business unit has a dedicated asset management team specialised in the retail real estate sector, with experts in acquisition and divestment, property revitalisation and letting.

Bouwinvest Dutch Institutional Retail Fund N.V. (the 'Fund') was established in 2010. The Fund has a governance structure that ensures effective and efficient management, combined with proper checks and balances. The Fund's governance structure consists of a General Meeting of Shareholders, a Shareholders' Committee and an Executive Board of Directors. 'Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW)', the pension fund for the construction industry, is the Fund's anchor investor.

Fund governance

The Fund is governed in a robust framework with systems and processes to manage risks appropriately. Safeguarding the interests of its investors, integrity and transparency, the Fund fosters the following governance principles:

- The compliance function is independent
- Conflicts of interest are avoided and managed through compliance with Bouwinvest's conflicts of interest policy
- Robust checks and balances through established framework with lines of defence
- Focus on process management: ISAE 3402 type II certified
- Compliant with AIFMD
- An independent depositary function has been installed

Rules and principles governing day-to-day business

- Best-in-class system for valuation of assets
- Elaborate approval process for all real estate investments
- Transparency and integrity integrated in daily business conduct
- Code of conduct
- Transparent and open shareholder communication

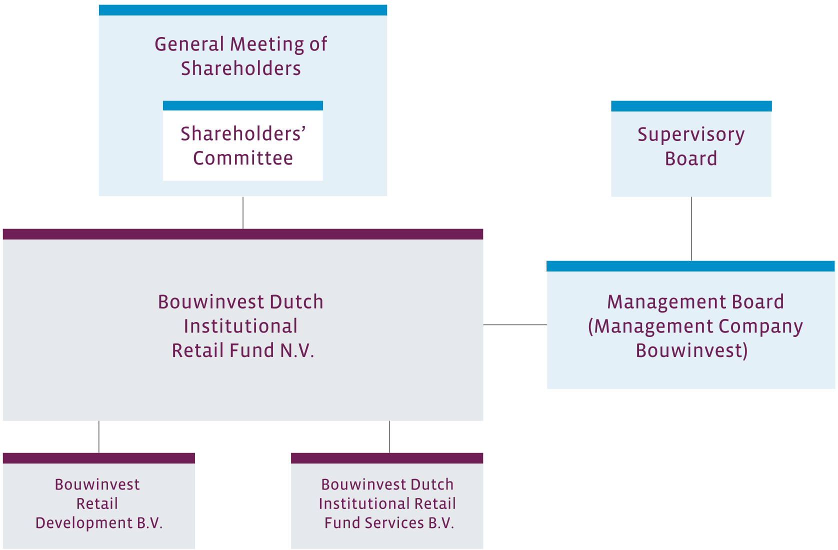
Structure of the Fund

The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code, with its corporate seat in Amsterdam, the Netherlands. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969. Bouwinvest Real Estate Investors B.V. ('Bouwinvest') is the Fund's Statutory Director and management company pursuant to the management agreement. The management company has a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is subject to supervision of the Dutch Financial Markets Authority (AFM).

Subsidiaries

The Fund has two taxable subsidiaries, Bouwinvest Dutch Institutional Retail Fund Services B.V., which renders services that are ancillary to the Fund's renting activities, and Bouwinvest Retail Development B.V., which pursues development activities that are ancillary to the Fund's investment portfolio. The activities are placed within these taxable subsidiaries to ensure the Fund's compliance with the investment criteria of the FII regime.

Fund governance bodies



Shareholders' Committee

The Shareholders' Committee comprises a maximum of five shareholders: one representative from each of the four shareholders with the largest individual commitment and one member to represent the collective interests of all other shareholders. Each eligible shareholder shall appoint a member of the Shareholders' Committee for a period of one year, running from the annual general meeting.

Role of the Shareholders' Committee

The role of the Shareholders' Committee is to approve certain specified resolutions by the management company and to be consulted with regard to certain resolutions specified in the Terms and Conditions.

General Meeting of Shareholders

The Retail Fund's shareholders must be professional institutional investors within the meaning of section 1:1 of the Dutch Financial Markets Supervision Act (FMSA). General Meetings of Shareholders are held at least once a year to discuss the annual report, adopt the financial statements and discharge the Statutory Director of the Fund for its management. Shareholder approval is required for the Fund Plan and for other resolutions pursuant to the Fund Documents.

Anchor investor

As at this annual report's publication date, bpfBOUW held the majority of the shares in the Retail Fund.

Management company

Bouwinvest is the fund manager of the Fund and as such is responsible for portfolio management and risk management. Bouwinvest, on behalf of the Fund, conducts the business activities related to the entire real estate investment process to achieve the Fund's investment objectives. Bouwinvest believes responsible business practices are a vital element in achieving the targeted return on investment. Bouwinvest is structured as a private limited liability company. bpfBOUW holds 100% of the shares in Bouwinvest.

Executive Board of Directors

Bouwinvest's Executive Board of Directors consist of the Chief Executive Officer, also Statutory Director, the Chief Financial & Risk Officer, also Statutory Director, the Chief Investment Officer Dutch Investments and the Chief Investment Officer International Investments. The Statutory Director is appointed by the Bouwinvest General Meeting of Shareholders following nomination by Bouwinvest's Supervisory Board. The Executive Board of Directors is governed by Dutch law, as well as a set of regulations that also outline its tasks and responsibilities.

Supervisory Board

Bouwinvest has an independent Supervisory Board with a minimum of three and a maximum of five members. The Supervisory Board currently has four members. The maximum term of office is four years, with the possibility of reappointment for an additional four years. The role of the Supervisory Board is to supervise the policies of the Executive Board of Directors and the general affairs of the company and its related business. The Supervisory

Board is responsible for the quality of its own performance. The members of the Supervisory Board are appointed by the Bouwinvest General Meeting of Shareholders. In carrying out its duties, the Supervisory Board is guided by the interests of Bouwinvest and its related business.

Policies, rules and regulations

Corporate Governance Code

Although the Dutch Corporate Governance Code does not directly apply to Bouwinvest as it is an unlisted company, the Executive Board of Directors endorses the best practices of the Code in as far as these are applicable to Bouwinvest and practical.

Code of Conduct

Bouwinvest has drawn up a Code of Conduct that applies to all its employees and which includes additional rules that specifically apply to the Executive Board of Directors and Supervisory Board with respect to conflicts of interest and investments. The Code of Conduct deals with issues such as ethical behaviour, conflicts of interest, compliance with laws and (internal and external) regulations, responsible investment, health and safety, as well as our business partners. Bouwinvest has also instituted a whistleblower policy to deal with the reporting and investigation of unethical behaviour. All employees receive code of conduct training.

Conflicts of Interest policy

Bouwinvest has a Conflicts of Interest policy. The purpose of this policy is to ensure that no material conflicts of interest occur that are damaging for investors in the Fund, the Fund or Bouwinvest. The policy also describes how Bouwinvest should act with respect to the allocation of different investment opportunities over the respective funds and clients. The policy is intended to supplement but not replace any applicable Dutch laws governing conflicts of interest.

In 2019, there was no conflict of interest as referred to in the Bouwinvest Conflicts of Interest Policy, neither between the members of the Executive Board of Directors, the management company, the Fund and/or other funds managed by the management company.

Funds managed by Bouwinvest

Bouwinvest manages the following alternative investment funds:

- Bouwinvest Dutch Institutional Residential Fund N.V.
- Bouwinvest Dutch Institutional Retail Fund N.V.
- Bouwinvest Dutch Institutional Office Fund N.V.

Bouwinvest has separate mandates from bpfBOUW for the management of international real estate investments in Europe, North America and the Asia-Pacific region, hotel properties through Bouwinvest Dutch Institutional Hotel Fund N.V. and healthcare properties through Bouwinvest Dutch Institutional Healthcare Fund N.V.

Risk Management & compliance

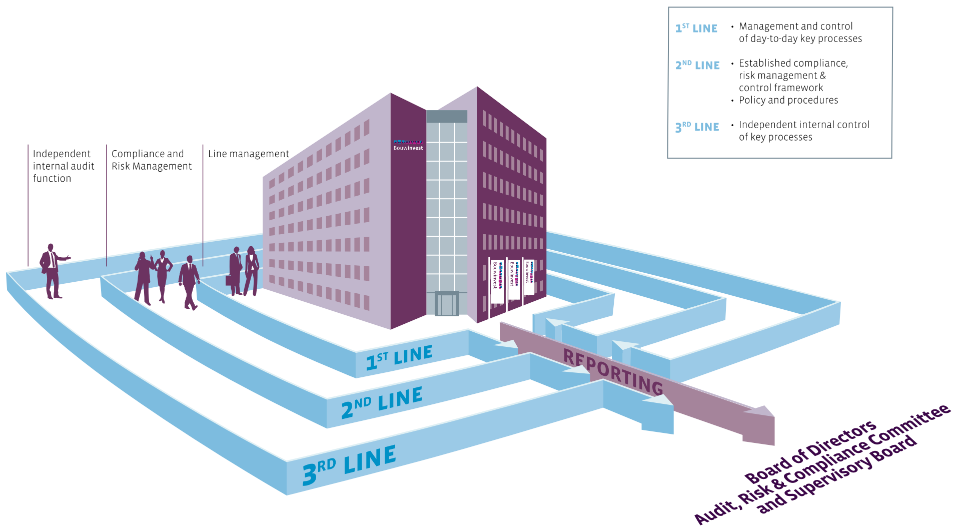
Risk guidelines

Bouwinvest constantly aims to strengthen the risk management function within the organisation. To support this continuous improvement on a structural basis, Bouwinvest has defined a long-term Integrated Risk Management Plan to take its risk management to Next Level Risk maturity. As part of this plan, Bouwinvest will make a transition to Integrated Risk Management. We have defined our Risk Taxonomy and Risk Policy and will continue to implement these in 2020. We will realise the continued growth in risk maturity in every all layer of the organisation. We will implement the Integrated Risk Management Policy in cooperation with the first line business. To realise this, Risk Management will act as a trusted partner in business, designing suitable risk policies and a challenging and risk monitoring role.

The three lines of defence and the risk taxonomy are two crucial elements of Bouwinvest's Risk Management Framework. These are applied to the Bouwinvest management organisation, the Dutch funds and the international mandates.

Three lines of defence model

Bouwinvest has organised Risk Management according to the three lines of defence model. The roles and high-level risk responsibilities are described for each of the lines.



First line: Line management

This line of defence is formed by the line management. Line management's first responsibility as risk owners is to manage the risks faced by Bouwinvest and its clients and to take adequate measures to control these risks. This involves system controls, documented process descriptions, procedures, segregation of duties, authorisations, reconciliations and review by line management. The first line of defence focuses on the following levels of risk management:

- Strategic: At strategic level (new products, markets, organisation and HR policy), the Executive Board of Directors is the owner of the (first-line) risk management.
- Tactical: Fund and mandate plans represent the tactical extrapolation of the strategic policy. Middle management is responsible for managing the tactical risks within the frameworks of the policy drawn up for this specific risk. Middle management also comprises the board members if and when they act in line with their hierarchical role.
- Operational: At operational level, each employee is responsible for implementation within the applicable processes and procedures, including risk assessment and the corresponding internal controls. They use Risk

and Control Self-Assessments (RCSAs) to assess whether the applicable processes and procedures are still managing the risks adequately and efficiently.

With respect to strategic risks, for which the Executive Board of Directors itself is part of the first line, the Supervisory Board (or in case of funds/mandates, the Shareholders) provides oversight of the functioning of the first, second and third lines of defence.

Second line: Risk and Compliance

The second line of defence consists of the Risk Management and Compliance departments. They are responsible for the design, implementation and effectiveness of risk management within the organisation and the monitoring of the first line of defence. It does this by setting policies to identify, measure, manage and monitor risks on an ongoing basis, and by facilitating and monitoring operational management's implementation of these processes. Furthermore, the second line monitors compliance with risk limits, the adequacy of internal controls, correctness and completeness of reporting, compliance with laws and regulations, and the timely mitigation of issues. They also advise the Executive Board of Directors on the integrated risk management for each of the identified scopes (Fund, mandate and the management organisation), help identify known and emerging issues, provide risk management frameworks and train and guide personnel.

Third line: Internal Audit

The third line of defence within Bouwinvest consists of Internal Audit, which is responsible for the evaluation of the adequacy and effectiveness of the internal control system and other elements of governance, including outsourced activities. Internal Audit also monitors the design and implementation of the Risk Management policy, by making recommendations and confirming that these recommendations are followed up. Internal Audit monitors both first-line and second-line risk management.

Bouwinvest Risk Universe and Taxonomy

To achieve an integrated approach to risk management, all the risks Bouwinvest is exposed to must be uniformly defined. To this end, Bouwinvest drew up a Risk Taxonomy that has been approved by the Executive Board of Directors. Bouwinvest defines the Risk Taxonomy as the classification and identification of different risk types that Bouwinvest is exposed to in its operations. Enterprise risk is the overall universe of risks to which Bouwinvest is exposed and beneath this there are many types of risks and risk manifestations. Categorising these risks with corresponding properties is the first step towards managing most of the important categories. The identified risk categories are applied to the Dutch Funds, international mandates and the management organisation and can be more or less relevant to each scope. The choices and definitions of the risk categories are based on the most common (principal) risks as they apply to Bouwinvest.

Policies to structure the risk management process can be per risk category for Bouwinvest. Identifying the risk appetite then becomes part of the Integrated Risk Management process.

The risk taxonomy is not exhaustive: sub-categories of risk or new risks may emerge that require their own risk policy. Where applicable, these will be dealt with in supplementary policies per risk category or sub-category.

Main Fund risks

The value of the shares in the Fund is dependent on developments in the financial markets and real estate markets. The Fund considers the following risk factors of relevance for investments in this Fund. This list of risk factors is limited, but other circumstances and events may arise that are not mentioned but that do affect the value of the Fund. Investors are therefore asked to take note of this section and other sections to arrive at a well-informed opinion on the risks in this Fund.

1 Market risks

This is the risk that the value of the real estate in the Fund fluctuates due to supply and demand mechanisms in the markets in which the Fund operates. Some of the underlying risk factors may influence the Fund's income return and cash flows, while others primarily affect capital growth. A drop in the value of direct real estate in the Fund has a direct impact on the Fund's capital growth.

The following risk factors may also influence the specific assets in the Fund:

Occupancy rate

Occupancy depends on market demand, availability of competitive propositions and fund portfolio positioning in the market. Occupancy is an important driver for the Fund's expected income return. In the event of an oversupply of properties in (parts of) the Fund's operating market, financial occupancy rates (rental cash flows as a percentage of cash flows at market rates when fully let) may be lower than anticipated and affect the Fund's cash flows and returns.

Operational expenditure

To rent out properties and to keep the Fund's assets in good condition, the Fund has to incur operational expenses. If these expenses are higher than anticipated, this may reduce the Fund's returns.

Inflation risk

Inflation risk is the risk that future inflation is lower than expected or rental markets deviate from these future inflation trends. Rental contracts usually contain inflation indexation clauses, which influences the (future) cash flows of the Fund. Real estate prices in general are also influenced by general price rise assumptions.

Valuation risk

This is the risk that the value of the property changes and does not reflect fair value. This risk is mitigated by having all properties owned by the Fund revalued by external appraisers on a quarterly basis. This revaluation is the most important driver for the Fund's capital growth.

Market Concentration risk

Part of the Fund's strategy is to select geographies where rental markets and rental properties are growing faster than the market as a whole. This strategy results in concentrations in geographical areas or property categories. This makes Fund vulnerable when unexpected trends have a negative impact on these concentrations.

2 Credit risk & Counterparty risk

Credit risk

This is the risk that a counterparty cannot fulfil its contractual financial obligation. Defaults or payment problems may result in clients not paying their contractual rents and service costs and this may affect cash flows and the value of the property.

Counterparty risk

The Fund may have to incur unexpected losses due to the default of one or more counterparties, such as banks or developers. The Fund's liquidity is deposited with a reliable, highly rated bank in the Netherlands.

As one of the main pillars of the Funds strategy is to optimise its assets, the Fund relies on counterparties to complete these assets and has often already paid instalments to the developer in line with the progress of the construction. Should the developer run into financial difficulties, the Fund may incur additional costs to complete the property.

3 Liquidity & Funding Risk
This is the risk that the Fund has insufficient means to pay current or future commitments. This risk has two angles:

- Liquidity: the liquidity required to pay the Fund's current expenses and dividends to its shareholders.
- Funding risk: the risk that insufficient (investor) funding is available for the unfunded future commitments at the time of actual investment. This may then interact with market liquidity, which is the risk that the liquidity required in the market to dispose of assets (as part of its hold-sell analysis or to finance redemptions by investors) at prices in line with valuations is lacking (i.e. not distressed prices).

4 Non-financial risks
The Fund is also subject to the following non-financial risks:

- Fiscal risk: the risk that changes in tax laws unexpectedly influence the value of the underlying properties or the value of the Fund's certificates.
- Legal risk: the risk that interpretations of contracts and legal clauses unexpectedly influence the value of these contracts.
- Outsourcing risk: risk that outsourced activities are not executed with the quality or integrity expected.
- IT risk: Risk related to IT systems, cybercrime, data security or IT strategies that are not adequate enough to support key processes.
- Model risk: the additional risk that expected (modelled) returns have not materialised at the time of sale or valuation and the risk that the Fund may not meet its plan IRR.

Other non-financial risks are mainly related to the management organisation and are managed at that level.

Monitoring and reporting

Monitoring risks is embedded in the daily activities of the responsible line manager and is an integral part of the planning and control cycle. Bouwinvest monitors all the defined risks via key risk indicators, supported by the performance reporting and business incidents reporting processes. Each quarter, the Executive Board of Directors is provided with a risk report, including the risk indicators indicated above and actions necessary to limit or mitigate risk, if there is a deviation between the outcome and the pre-determined norm.

Risks in the portfolio are monitored closely and the following events and risks were noteworthy in 2019.

Market concentration risk
The Fund has concentrations in Amsterdam (> 40% of NAV, notably the Damrak asset, > 20% of NAV). However, these concentrations are supported by very strong locations and strong tenants, which continued to perform strongly in 2019, thus reducing risks, including valuation and credit risks.

Occupancy rate risk
The Fund has a different leasing strategy for each individual retail asset to achieve an optimal occupancy rate. In most locations, but especially in district shopping centres, it is also vital to achieve the right mix of complementary tenants to ensure the long-term success of a centre. As a result of these efforts (such as De Muntpassage, Weert), the Fund maintained its high occupancy rate levels in 2019.

Market liquidity risk
The polarised nature of the retail market has also resulted in a reduced investor market for assets outside our investment strategy, exposing the fund to additional real estate strategy risk and valuation risk. Nevertheless, the Fund was successful in selling six non-core assets, although the prolonged time it took to conclude these deals in combination with a lag in funding in 2019 hampered the Fund's acquisition strategy.

Credit risk
The Fund's assessment of the top-10 tenants shows that exposure to tenants with weaker perspectives declined in 2019, while the impact of the defaults of several smaller retailers had no material impact on the portfolio.

Funding risk
Although a top-up commitment was used for a transfer of shares from bpfBOUW in early 2019, the commitment added in late 2019 will be used to finance the growth of the Fund. New acquisitions in line with the Fund's strategy will only be made when opportunities arise and sufficient funding (including from disposed assets) is available.

Compliance

Bouwinvest sees integrity, transparency and corporate social responsibility and important prerequisites to achieving its business objectives. In that context, Bouwinvest strives for ethical and controlled business operations, in which Bouwinvest and its employees comply with laws and regulations and the company's own code of conduct.

Compliance function
Bouwinvest has an independent compliance function. This function focuses on monitoring compliance with laws and regulations, the development of policy, the monitoring of the management of compliance risks, conducting investigations in response to integrity reports and providing (solicited and unsolicited) advice.

In addition to this, the compliance function focuses on increasing integrity awareness and promoting the desired behaviour in the Bouwinvest organisation, among other things through training courses.

The compliance function reports to the Chief Executive Officer and also reports on a quarterly basis to the Audit, Risk and Compliance Committee of the Supervisory Board.

In 2019, the compliance function intensified its cooperation with other Bouwinvest departments, including Risk management, HR, Internal Audit and Corporate Communications. The reason behind this drive to intensify cooperation is Bouwinvest's wish to take a more integrated approach to the likes of risk management and activities on the culture & conduct front.

Laws and regulations
Laws and regulations are constantly changing. Once again in 2019, the compliance function worked on the regular updates of a number of internal rules and regulations.

Bouwinvest closely monitors legal and regulatory developments and will continue to adapt its own internal policies to changes in new or amended legislation.

In 2019, Bouwinvest started a project aimed at revising the company's internal policies related to the implementation of the Dutch Act on the Prevention of money-laundering and the financing of terrorism.

Management of compliance risks
Bouwinvest applies the three lines of defence model to manage its risks. In the context of this model, the compliance function is part of the second line of defence and its primary task is to manage any compliance risks. Compliance risks include the main risk categories regulatory risk and integrity risk.

As part of its second line of defence role, the compliance function supports, advises, coordinates and monitors the first line of defence's management of Bouwinvest's identified compliance risks. The compliance function supports the first line of defence by increasing the awareness of these risks and by making it clear how employees can mitigate or manage these risks, and what Bouwinvest expects of them on this front. One important activity on this front is the execution of the annual Systematic Integrity Risk Analysis (SIRA), which involves a large number of people across the organisation. The aim of the SIRA is to take stock of the compliance risks and assess the effectiveness of the management of those risks. The SIRA is applied to both the management company and the funds and includes specific scenarios for the various activities. The results of the SIRA are used as input for the compliance year plan for the year ahead.

In the spring of 2019, the compliance function ran a number of integrity workshops. The workshops were mandatory for all Bouwinvest employees were aimed at increasing integrity awareness among employees by prompting the discussion of integrity themes.

Training & awareness
In addition to the main compliance themes, such conflicts of interest, corruption, fraud and courtesy and respect (conduct), one of the central themes of the workshops was moral courage. The workshops were also used to address dilemmas that people can face in their day-to-day work.

Reports and advice
In 2019, there were no incidents that resulted in a report to the regulator, the Dutch Financial Markets Authority (AFM).

The compliance function is largely asked for advice on the subjects; assessment of business partners, ancillary positions, gifts & events and privacy.

Outlook

The following market trends reflect the main opportunities and threats the Bouwinvest Dutch Institutional Retail Fund will take into account as it seeks to meet its strategic objectives in the period ahead.

Focus on optimisation and multi-channel in occupier market

The changing consumer behaviour and demographic shifts are forcing retailers to rethink their store portfolio and location strategy. Some are still focused on expansion, while many are focusing on optimisation, finding the right number of stores to optimise both market share and profitability, while also looking to build a nationwide online presence. We believe this multi-channel mix of bricks and mortar and online sales will shape the future of the Dutch retail market. At the same time, the drop in take-up in 2019 is likely to continue for the foreseeable future as retailers focus on the strongest locations.

Polarisation continues

As the largest cities are also the ones growing the fastest, they continue to provide a strong base for experience shopping in high streets. International retailers remain very much focused on prime locations in the 15 largest cities in the Netherlands. With regard to daily shopping, proximity remains the decisive element, while Bouwinvest is seeing local shopping centres increasingly catering to the ageing population. This is also visible in the investment market, where prime properties are easily traded, while investors are cautious on secondary supply.

Technology improves shopping experience

With technological possibilities on the rise and competition between retailers fierce, technology is playing an increasingly important role in the retail market. This goes for retailers, who can use in-store technology to implement their omni-channel strategies, but also for the owners of stores and shopping centres. These owners are now increasingly using monitoring tools, for example to reduce the use of energy, water and waste or to predict and enhance the flow of passers-by.

Focused segmentation, optimisation and sustainability

The Fund firmly believes that the future of retail real estate will be determined by two very distinct segments of the market, Experience and Convenience. In 2019, we refined our Experience & Convenience investment strategy, which will enable us to hone in on the very best in these two distinctive categories. We also introduced the category 'Mixed retail' and defined this category in very specific terms.

While we will be looking for new acquisitions, we will also continue to optimise the standing assets in the portfolio to make them resilient enough to weather (and thrive in the face of) the challenges of the retail market now and in the future. And of course, we will continue to improve the sustainability performance of individual assets and our portfolio as a whole as we move towards achieving our target of a near energy neutral and resilient portfolio by 2045.

Political, economic and pandemic developments creating uncertainty

While the threat of lifted zoning restrictions seems to have been averted, economic uncertainty and slightly slower economic growth could have a negative impact on consumer spending. Global tensions (for example in the field of trade or in the Middle East), the effects of Brexit, pandemic developments and any changes in the ECB's monetary policy (and potential rate hikes) are among the biggest risks for the economy and are therefore also potential threats for the retail market.

The construction and real estate markets are currently being hampered by recent rulings related to nitrogen emissions and PFAS levels. While the government recently introduced temporary legal exemptions to prevent construction grinding to a complete halt, political and environmental debates are ongoing and it remains unclear how this debate will affect the real estate sector.

The continued spread of the coronavirus across the world is affecting the global real economy. Tourism has been and will continue to be badly affected. Due to government policies and quarantine measures, international journeys are being postponed and airlines are drastically cutting the number of operational flights. Trade is subdued, as factories across the world have shut down, impacting global logistics. Experts are currently unable to predict the duration and severity of the pandemic, let alone the overall economic impact it could have. Additionally, central banks are working in tandem to tackle the economic threat of this global crisis.

The impact of the coronavirus will affect our organisation and the Fund's results and forecasts. In the coming period, we will be monitoring the impact on our organisation and the Fund closely and will inform our investors about the effects of this pandemic and actions taken to mitigate the related risks among others in our quarterly reports and investor calls.

Amsterdam, 23 March 2020

Bouwinvest Real Estate Investors B.V.
Dick van Hal, *Chief Executive Officer and Statutory Director*
Rianne Vedder, *Chief Financial & Risk Officer and Statutory Director*
Allard van Spaandonk, *Chief Investment Officer Dutch Investments*
Stephen Tross, *Chief Investment Officer International Investments*

Financial statements 2019

Consolidated statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note		2019		2018
Gross rental income	6	53,657		51,301	
Service charge income	6	1,972		2,063	
Other income		780		400	
Revenues			**56,409**		**53,764**
Service charge expenses		(2,213)		(2,132)	
Property operating expenses	7	(8,421)		(8,058)	
			(10,634)		**(10,190)**
Net rental income			**45,775**		**43,574**
Result on disposal of investment property			**(718)**		**(156)**
Positive fair value adjustment completed investment property	12	18,088		31,584	
Negative fair value adjustment completed investment property	12	(13,992)		(16,708)	
Fair value adjustments on investment property under construction	13	-		2,012	
Net valuation gain (loss)			**4,096**		**16,888**
Administrative expenses	8		(5,061)		(4,721)
Result before finance result			**44,092**		**55,585**
Finance result	9	(433)		(1,072)	
Net finance result			**(433)**		**(1,072)**
Result before tax			43,659		54,513
Income taxes	10		-		(5,838)
Result for the year			**43,659**		**48,675**
Items that will not be reclassified subsequently to comprehensive income			-		-
Items that may be reclassified subsequently to comprehensive income			-		-
Total comprehensive income for the year, net of tax			**43,659**		**48,675**
Net result attributable to shareholders			43,659		48,675
Total comprehensive income attributable to shareholders			**43,659**		**48,675**
Distributable result	20		40,439		38,926
Pay-out ratio	20		100%		100%

Consolidated statement of financial position

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2019	2018
Assets			
Non-current assets			
Investment property	12	965,495	945,586
Investment property under construction	13	-	12,898
Total non-current assets		**965,495**	**958,484**
Current assets			
Trade and other current receivables	14	1,404	2,291
Cash and cash equivalents	15	29,505	20,521
Total current assets		**30,909**	**22,812**
Total assets		**996,404**	**981,296**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		354,849	350,495
Share premium		390,794	396,265
Revaluation reserve		233,750	222,920
Retained earnings		(43,659)	(48,675)
Net result for the year		43,659	48,675
Total equity	16	**979,393**	**969,680**
Liabilities			
Non-current lease liabilities	17	8,516	-
Current trade and other payables	18	8,495	11,616
Total liabilities		**17,011**	**11,616**
Total equity and liabilities		**996,404**	**981,296**

Consolidated statement of changes in equity

For 2019, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2019	**350,495**	**396,265**	**222,920**	**(48,675)**	**48,675**	**969,680**
Comprehensive income						
Net result	-	-	-	-	43,659	43,659
Total comprehensive income	**-**	**-**	**-**	**-**	**43,659**	**43,659**
Other movements						
Issued shares	4,354	7,646	-	-	-	12,000
Appropriation of result	-	-	-	48,675	(48,675)	-
Dividends paid	-	(13,117)	-	(32,829)	-	(45,946)
Movement revaluation reserve	-	-	10,830	(10,830)	-	-
Total other movements	**4,354**	**(5,471)**	**10,830**	**5,016**	**(48,675)**	**(33,946)**
Balance at 31 December 2019	**354,849**	**390,794**	**233,750**	**(43,659)**	**43,659**	**979,393**

* See explanation dividend restrictions in Note 16.

For 2018, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	**327,089**	**361,679**	**200,128**	**(61,059)**	**61,059**	**888,896**
Comprehensive income						
Net result	-	-	-	-	48,675	48,675
Total comprehensive income	**-**	**-**	**-**	**-**	**48,675**	**48,675**
Other movements						
Issued shares	23,406	41,594	-	-	-	65,000
Appropriation of result	-	-	-	61,059	(61,059)	-
Dividends paid	-	(7,008)	-	(25,883)	-	(32,891)
Movement revaluation reserve	-	-	22,792	(22,792)	-	-
Total other movements	**23,406**	**34,586**	**22,792**	**12,384**	**(61,059)**	**32,109**
Balance at 31 December 2018	**350,495**	**396,265**	**222,920**	**(48,675)**	**48,675**	**969,680**

* See explanation dividend restrictions in Note 16.

Consolidated statement of cash flows

All amounts in € thousands

	Note	2019	2018
Operating activities			
Net result		43,659	48,675
Adjustments for:			
Valuation movements		(4,096)	(16,888)
Result on disposal of investment property		718	156
Net finance result		433	1,072
Movements in working capital		(2,234)	(2,814)
Cash flow generated from operating activities		**38,480**	**30,201**
Interest paid		(283)	(1,072)
Interest received		-	-
Cash flow from operating activities		**38,197**	**29,129**
Investment activities			
Proceeds from sales of investment property		26,835	1,084
Payments of investment property		(15,872)	(55,874)
Payments of investment property under construction		(6,230)	(7,413)
Cash flow from investment activities		**4,733**	**(62,203)**
Finance activities			
Proceeds from the issue of share capital		12,000	65,000
Dividends paid		(45,946)	(32,891)
Cash flow from finance activities		**(33,946)**	**32,109**
Net increase/(decrease) in cash and cash equivalents		8,984	(965)
Cash and cash equivalents at beginning of year		20,521	21,486
Cash and cash equivalents at end of year	15	**29,505**	**20,521**

Notes to the consolidated financial statements

All amounts in € thousands, unless otherwise stated

1 General information

The Retail Fund (Chamber of Commerce number 34366471) is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund was formed for the purpose of providing shareholders with a rate of return by acquiring, managing, adding value to and disposing of a diversified real estate portfolio through investments in retail real estate in the Netherlands.

The Fund owns two taxable subsidiaries, Bouwinvest Retail Development B.V. (Chamber of Commerce number 66245060) and Bouwinvest Dutch Institutional Retail Fund Services B.V. (Chamber of Commerce number 67492665). These subsidiaries perform activities that might go beyond mere 'investing'. By having these activities performed by these subsidiaries the Fund remains compliant with the investment criteria of the FII-regime. Bouwinvest Retail Development B.V. (Retail Development) performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Retail Fund Services B.V. (Retail Fund Services) renders services that are ancillary to renting activities of the Fund.

The Fund's active portfolio management is supported by the supply of (re)developed properties by Bouwinvest Development B.V., Retail Development and third parties.

The Statutory Director will present the annual report to the Annual General Meeting of shareholders on 15 April 2020, and will request the approval of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The Fund's functional and presentation currency is the euro. All amounts are in thousands of euros, unless otherwise stated. The financial year 2019 was a normal calendar year from 1 January to 31 December 2019.

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Retail Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company financial statements of the Fund are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2, of the Dutch Civil Code. These financial statements have been prepared in accordance with the provision of Article 2:362 subsection 8 and 9, of the Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

Statement of comprehensive income

The Fund presents its statement of comprehensive income by nature of expenses.

Application of new and revised International Financial Reporting Standards (IFRS)

In 2019, the Fund adopted the new IFRS standards, amendments to IFRS and the interpretations that are mandatory for accounting periods that begin on or after 1 January 2019. The Fund did not adopt any new or amended standards issued but not yet effective.

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayments Features with Negative Compensation
- IFRS 16 Leases

With the exception of IFRS 16, the application of these amendments has had no material impact on the disclosures in the Fund's financial statements.

Effect first time adoption IFRS 16

As of 2019, the new IFRS 16 lease accounting standards are in place. For the Fund acting as a lessor there were no relevant changes. The new standard did not affect the accounting principles for the Fund's operational rental activities.

The impact of applying IFRS 16 Leases to land lease contracts is most significant on the property and liability positions in the balance sheet. It also has a minor impact on the income statement. However, the impact on both equity and net profit is nil.

The Fund has applied IFRS 16 making use of the practical expedient to recognise a lease liability at the date of transition to this standard. As a result the comparative information is not restated. Instead, the fund recognises the cumulative effect of initially applying this standard as an adjustment to the opening balances of Investment property, Investment property under construction and Non-current lease liabilities as at 1 January 2019.

The impact in the opening balance as per 1 January 2019 amounts to € 9 million for both the right-of-use assets and the non-current lease liability.

New and amended standards and interpretations, effective for financial years beginning on or after 1 January 2020

Standards issued but not yet effective up to the date of the issuance of the Fund's financial statements are listed below:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

The Fund is monitoring these regulatory changes.

New and amended standards and interpretations not yet adopted by the European Union

The Fund is not yet applying the standards, amended standards and interpretations that have not yet been adopted by the European Union:

- IFRS 17 Insurance Contracts
- Amendment to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The Fund is monitoring these regulatory changes.

Preparation of the financial statements

The consolidated financial statements have been prepared on a historical cost basis, except for investment property and investment property under construction, which are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The following entities are included in the consolidated financial statements:

- Bouwinvest Retail Development B.V. (100%), established 15 December 2016
- Bouwinvest Dutch Institutional Retail Fund Services B.V. (100%), established 15 December 2016

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Investment property

Investment property is initially measured at its cost, including related transaction costs such as advisory costs, notary costs, transfer taxes and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

In line with the Practice Statements, as incorporated in the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ('the Red Book'), valuations are performed as of the financial position date by professional valuation experts who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as an investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. including vacancy and rental incentives. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposal of investment properties are recognised in the statement of comprehensive income in the year of disposal.

The fair value assessment of the investment property takes into account the potential effect on future cash flows in respect of granted lease incentives.

The right-of-use component of land leases is included as an integral part of the Investment property. The accounting principles for land leases are disclosed in more detail in note 2.5 Leases.

Investment property under construction or being developed for future use as investment property is presented under 'Investment property under construction'.

2.4 Investment property under construction
Investment property under construction for future use as investment property is stated at fair value.

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable. If the Fund determines that the fair value of an investment property under construction is not reliably determinable when construction is incomplete, it shall measure that investment under construction at cost until either its fair value becomes reliably determinable or construction is completed.

It may sometimes be difficult to determine the fair value of the investment property under construction reliably. In order to evaluate whether the fair value of an investment under construction can be determined reliably, management considers, among others, the following factors:

- The provisions of the construction contract
- The stage of completion
- Project/ property characteristics: standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar construction projects
- Pre-let percentage
- Status of construction permits

After the first instalment for the project under construction, an external valuation expert values the project each quarter. Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise.

Investment property is not developed within the Retail Fund but via external parties or within Bouwinvest Development B.V. or Bouwinvest Retail Development B.V. When entering into the contract, the rental risk is transferred to the Fund; the remaining risks remain with the developer. The paid instalments are therefore recognised as investment property under construction.

The right-of-use component of land leases is included as an integral part of the Investment property under construction. The accounting principles for land leases are disclosed in more detail in note 2.5 Leases.

2.5 Leases

The Fund shall assess at the inception of a contract whether the contract is, or contains, a lease. A lease contract conveys the right to control the use of an identified asset owned by another party for a period of time in exchange for consideration. The economic benefits deriving from that asset are transferred to the Fund. Where the Fund is a lessee, the Fund recognises a right-of-use asset and a lease liability.

The lease liability is the primary basis for the accounting of right-of-use assets. At inception, the right-of-use asset comprises the lease liability plus any direct costs of obtaining the land lease, less any incentives provided by the lessor. After initial recognition, the Fund measures the right-of-use asset applying a cost model. For land leases, the Fund applies the fair value model in IAS 40.

The accounting principles for lease liabilities are disclosed in more detail in note 2.10 Non-current lease liabilities.

2.6 Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition. At initial recognition, financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership. The Fund's financial assets consist of loans and receivables.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Fund assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

With respect to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Fund will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through the statement of comprehensive income, loans, held-to-maturity financial liabilities, and available-for-sale financial liabilities, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. At initial recognition, financial liabilities are measured at fair value, plus, in the case of investments not at fair value through the statement of comprehensive income, directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.7 Prepayments
Prepayments are stated at cost less any accumulated impairment losses.

2.8 Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.9 Issued capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Non-current lease liabilities
At initial recognition, a lease liability is measured at the present value of the lease payments in the lease, including any renewal options where it is reasonably certain the Fund will exercise the option and the lease payments due after exercising the option can be estimated.

The lease payments are discounted using the rate implicit in the lease. If this rate cannot be estimated, the Fund's incremental borrowing rate for borrowings secured by a similar asset and for a similar term as the lease is used. Lease payments include fixed payments and variable payments that depend on an index or rate including any renewal options included in the determination of the term of the lease.

After initial recognition, the Fund measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications

For land lease contracts, the Fund takes into account a perpetual view, even when the land lease contracts have a continuous character. Continuous contracts may include a potential break option. However, this break option is considered theoretical, as the land lease is highly interlinked with the investment property. Breaking the lease destroys the value of the property. Therefore, the lease term for continuous contracts is also considered perpetual.

2.11 Current trade and other payables
Current trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Tenant deposits
The Retail Fund obtains deposits from tenants as a guarantee for the return of the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 12 months. Such deposits are treated as financial assets in accordance with IAS 39 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Tenant deposits are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the deposit for at least 12 months after the date of the statement of financial position.

2.12 Dividend distribution
An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year ('*doorstootverplichting*'). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other

investments (including real estate), which are added to a so-called reinvestment reserve ('*herbeleggingsreserve*'), are not included in the distributable profit.

2.13 Rental income
Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Rent incentives granted by the Fund to its tenants are recognised as an integral part of the total rental income. The rent incentives are included in investment property.

Incentives to enter into rental agreements are spread evenly over the rental term, even if the payments are not made on such a basis. The rental term is the non-cancellable period of the rental agreement, together with any further term for which the tenant has the option to continue the rental agreement, when, at the inception of the rental agreement it is reasonably certain that the tenant will exercise this option.

Premiums received to terminate rental agreement are recognised in the statement of comprehensive income when they arise.

2.14 Service charges, property operating expenses and administrative expenses
In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, net of costs charged to tenants. These mainly relate to tax, insurance, leasehold, maintenance and professional fees. These are expensed as incurred. Administrative expenses are expenses that are not directly attributable to the operation of properties (including charged management costs not directly related to properties, office overheads, advice, valuation and audit fees, listing costs and marketing and promotion costs).

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

2.15 Other income
This is income attributable to the year that cannot be classified under any of the other income categories.

2.16 Finance income and expenses
the finance result consists of interest income and expenses and is recognised in the statement of comprehensive income. Interest is recognised in the statement of comprehensive income as it accrues.

2.17 Cash flow statement
Cash flows are stated according to the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investment activities, as this reflects the Fund's business activities most appropriately.

Cash and cash equivalents comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Earnings per share
The Fund presents basic and diluted earnings per share (EPS) for its ordinary share capital. The earnings per ordinary share are calculated by dividing the profit or loss attributable to the Fund's shareholders by the weighted average number of issued ordinary shares during the reporting period. In calculating the diluted earnings per share, the profit or loss attributable to the Fund's shareholders and the weighted average number of issued ordinary shares during the reporting period are adjusted for all potential dilutive effects on the ordinary shares.

2.19 Income taxes
Based on its status as an FII, the Fund is subject to Dutch corporate income tax at a rate of 0%. See Note 10. The subsidiaries of the fund are subject to Dutch corporate income tax at a rate of 19% - 25%.

3 Financial risk management

3.1 Financial risk factors

The risk management function within the Fund is carried out with respect to financial risks. Financial risks are risks arising from financial instruments to which the Fund is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

Risk management is carried out by the risk manager under policies approved by the Statutory Director of the Fund. The treasury manager identifies and evaluates financial risks in close cooperation with the Fund's business units and the risk manager. The Statutory Director of the Fund provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of excess liquidity.

Market risk

The market risk of financial instruments relates to foreign exchange risk, price risk and interest rate risk. For more information, we refer you to the Risk Management section.

(I) Foreign exchange risk

The Fund has no exposure to foreign exchange risk as it operates in a euro country only.

(II) Price risk

The Fund has no significant exposure to price risk as it does not hold any equity securities or commodities. The Fund is not exposed to price risk other than in respect of financial instruments, such as property price risk, including property rental risk.

(III) Interest rate risk

As the Fund has no external loans and borrowings, it has no exposure to related interest rate risks. The interest rate risk related to bank balances is mitigated by bank deposits.

(IV) Hedging risk

The Fund has no hedging instruments in use.

Credit risk

Credit risk is defined as the unforeseen losses on assets if counterparties should fail to meet their obligations. The creditworthiness of tenants is closely monitored by checking their credit rating and keeping a close watch on the accounts receivable. Rents are in general also payable in advance and part of the rent payable is secured by means of bank guarantees or guarantee deposits. There are no significant credit risk concentrations.

It is our policy to enter into financial transactions only with financial institutions with a credit rating of at least A (Standard & Poor's). The financial risk is monitored for each individual transaction. Given the high credit rating of financial institutions, the Fund does not expect any defaults.

The credit risk relating to the receivables is maximised to € 1.7 million in 2019 (2018: € 2.3 million) and the receivables are closely monitored.

Deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

There is a significant concentration of credit risk with respect to cash and cash equivalents, as the Fund holds cash accounts with one financial institution. This financial institution has a credit rating of A (Standard & Poor's) and therefore the credit risk is mitigated.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury manager aims to maintain flexibility in funding by keeping committed credit lines available.

The Fund's liquidity position is monitored on a daily basis by management and is reviewed quarterly by the Statutory Director of the Fund. The Finance department manages liquidity risks and is derived from managerial reports at Fund level. The amounts are disclosed in the notes to consolidated statement of financial position. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

3.2 Fair value estimation

For financial purposes fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount less impairment provision of trade receivables and trade payables approximates their fair value. All other Statement of financial position items are short-term and therefore not adjusted to their fair value.

The trade and other current receivables as well as the trade and other payables are categorised as level 2. The cash and cash equivalents are categorised as level 1.

3.3 Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Funding is secured by its shareholders through capital calls for which estimations are made each year. No external funding will be obtained.

The Fund distributes the operating profit annually to its shareholders as required by tax law. Reference is made to Note 10 [on page 69]. In order to maintain or adjust its capital structure, the Fund may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares from shareholders or sell assets to reduce debt.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results. The estimates, assumptions and management judgements that carry a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of fair value property portfolio

The valuation of the investment property portfolio is determined in accordance with the Fund's valuation principles. All investments are measured at fair value and based on active market prices, adjusted, if necessary, for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to (i) active market prices, (ii) the influence of so-called rent-free periods and vacancy rates, (iii) the discount rates and (iv) assumed trends in rents.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with the guidelines of the MSCI Netherlands Property Index.

The valuations are based on a discounted cash flow (DCF) analysis of each property combined – where necessary – with valuations based on market evidence. The DCF analyses are adjusted to existing lease agreements, in order to cover the full period of existing lease agreements. The DCF analyses are based on calculations of the future rental revenue in accordance with the terms in existing lease agreement, and estimations of the rental values when the agreement expires. The starting point for the estimation of the discount rate is the nominal interest rate for 10-year Dutch government bonds. This rate should be increased in accordance with the risks involved in property investments. The whole investment property portfolio is appraised on a quarterly basis by external appraisers. The valuations are executed by external independent valuation experts.

5 Retail locations by strategy

A spread by strategy is applied in the analysis of the valuation of the investment property portfolio.

The Fund's key retail locations by strategy are: Experience, Convenience and Other.

The valuation of the completed investment properties per retail location by strategy for the year ended 31 December was as follows:

Property valuation as at 31 December	2019	2018
Strategy type		
Experience	489,090	480,700
Convenience	297,255	272,250
Other	179,150	192,636
Total	**965,495**	**945,586**

6 Gross rental income and service charge income

	2019	2018
Theoretical rent	57,470	55,457
Incentives	(1,829)	(1,502)
Vacancies	(1,984)	(2,654)
Total gross rental income	**53,657**	**51,301**

The future contractual rent from leases in existence on 31 December 2019, until the end of the contract (accounted for on the basis of the minimum rent) can be analysed as follows:

	2019	2018
First year	54,211	54,716
Second year	49,648	49,029
Third year	40,128	42,810
Fourth year	34,024	32,709
Fifth year	29,570	26,944
More than five years	140,013	155,157

Service charge income represents € 2.0 million (2018: € 2.1 million) income receivable from tenants for the services utilities, caretakers, etc. when the Fund acts as a principal.

7 Property operating expenses

	2019	2018
Taxes	1,828	1,859
Insurance	182	166
Maintenance	2,005	1,441
Valuation fees	142	167
Property management fees	974	935
Promotion and marketing	312	493
Letting and lease renewal fees	999	961
Other operating expenses	1,460	1,590
Addition to provision for bad debts	519	446
Total property operating expenses	**8,421**	**8,058**

In 2019, € 0.3 million (2018: € 0.2 million) of the maintenance expenses related to unlet properties.

8 Administrative expenses

	2019	2018
Management fee Bouwinvest	4,845	4,508
Audit fees	29	28
Other administrative expenses	171	152
Other Fund expenses	16	33
Total administrative expenses	**5,061**	**4,721**

Where administrative expenses relate directly to the operation of the property portfolio, they are charged to operating expenses. Where administrative expenses relate directly to the development of the property portfolio, they are capitalised.

9 Finance expenses

	2019	2018
Finance expenses	182	1,072
Interest on lease liabilities	251	-
Total finance expenses	**433**	**1,072**

The Fund had no external loans and borrowings during 2019. The Fund was subject to the negative interest rate development for its bank balances.

10 Income taxes

FII Status

The Fund has opted for the status of Fiscal Investment Institution (FII). Although an FII is not transparent for tax purposes the FII regime is based on the principle of tax transparency. This transparency is effectively realised by the fact that an FII is subject to Dutch corporate income tax at a rate of 0% in combination with the so-called distribution obligation (for more information see the distribution obligation section below). As a result any benefits derived from a shareholding in an FII are taxable at shareholder level only.

To benefit from the FII regime, the Fund must meet certain requirements regarding, inter alia, the aforementioned obligation to distribute its profits, its activities, its leverage and its shareholders. These requirements are outlined in greater detail below.

Distribution obligation

Because of the fiscal transparency principle, an FII must distribute 100% of its taxable profits within eight months after the end of the relevant fiscal year, with the exception of certain specific items. In practice, the company-only net rental income and net finance income, is distributed annually. Capital gains, either realised or unrealised, do not need to be distributed. Unrealised capital gains do not constitute taxable income whereas realised capital gains are added to a so-called reinvestment reserve. Part of the management costs need to be charged against the reinvestment reserve. If and to the extent that realised gains are added to the reinvestment reserve, such gains are treated as capital for dividend withholding tax purposes, rather than distributable profits (for more information see the dividend withholding tax section).

Activity rules

An FII is obliged to be engaged exclusively in passive investment activities, i.e. it may not (partly) conduct an active trade or business. Whether an activity is characterised as a passive investment activity or as a business activity for Dutch tax purposes depends on all relevant facts and circumstances.

Real estate development is not regarded as a 'passive' investment activity. However, development activities for the FII's own portfolio are specifically permitted. These activities should be carried out by a subsidiary which is subject to tax at the common corporate tax rate (2019: 25%). Improvements to existing properties do not qualify as development activities provided that the capital expenditure is less than 30% of the value of the property as determined by the Dutch Valuation of Immovable Property Act ('*Wet Waardering onroerende zaken*') prior to the improvements.

In addition activities that are auxiliary to the Fund's passive investment activities (renting out of the Fund's real property) are under conditions permitted, provided that they are also carried out by a taxable subsidiary of the Fund.

The Fund avails of both a taxable subsidiary for development activities as a taxable subsidiary for auxiliary services.

Leverage restrictions

An FII may finance its investments with debt up to a maximum of 60% of the fiscal book value of the real estate property, plus 20% of the fiscal book value of all other investments.

Shareholder test

As the Fund is subject to supervision of the AFM due to Bouwinvest's AIFMD license as an alternative investment fund manager, the Fund is subject to the shareholder requirements for regulated FIIs. The shareholder requirements for regulated FIIs stipulate that:

- A single corporate entity which is subject to any form of profit tax, not being a regulated FII or an UCITS, or an entity whose profits are taxed in the hands of its participants, i.e. a tax transparent entity, may not own 45% or more of the shares together with such affiliated entities.
- A single individual may not own an interest of 25% or more.

Furthermore, all FIIs must meet the condition that their shares are not owned for 25% or more by Dutch resident entities through the interposition of non-Dutch entities which have a capital divided into shares or mutual funds.

The Fund met the requirements of an FII in 2019. The effective tax rate was 0% (2018: 0%).

Legislation FII-status

The Dutch State Secretary of Finance announced that the fiscal investment institutions (FII) legislation will be evaluated in 2021 with the aim to withhold foreign investors from investing in Dutch property without paying any or hardly any Dutch tax. Closing the FII-regime for direct investments in Dutch real property seems a realistic alternative in such evaluation.

Together with other institutional investors we are seeking to get more clarity on the exact concerns of the Finance Ministry and to propose alternative solutions meeting such concerns. Simultaneously we are preparing for potential changes of the FII-legislation.

Dividend withholding tax

Profit distributions by the Fund are subject to Dutch dividend withholding tax at the statutory rate of 15%. However, distributions made from the tax free reinvestment reserve are not subject to Dutch dividend withholding tax, provided that this is properly formalised.

Retail Development B.V.

Retail Development is the taxable subsidiary that carries out development activities for the Retail Fund. The positive result before tax of Retail Development in 2019 was € 0.5 million.

11 Employee benefits expense

The Retail Fund has no employees.

12 Investment property

		2019		2018
At the beginning of the year		**941,431**		**863,337**
First time adoption IFRS16		8,343		-
Transfers from investment property under construction	18,672		21,482	
Acquisitions	8,652		53,518	
Other capital expenditure	7,105		2,356	
Total investments		**34,429**		**77,356**
Transfers to investment property under construction		-		(12,898)
Disposals		(27,553)		(1,240)
Net gain (loss) from fair value adjustments on investment property (like for like)	3,280		18,786	
Net gain (loss) from fair value adjustments on investment property	816		(3,910)	
In profit or loss		**4,096**		**14,876**
In other comprehensive income		-		-
Transfers out of level 3		-		-
Movement of right of use ground leases		23		-
Total investment property (level 3)		**960,769**		**941,431**
Lease incentives		4,726		4,155
At the end of the year		**965,495**		**945,586**

The Fund's investment properties are valued by external valuation experts on a quarterly basis. The external valuation expert is changed every three years. On 31 December 2019, these properties were revalued by independent professionally qualified valuation experts who hold a recognised relevant professional qualification and had recent experience in the locations and categories of the investment properties valued. The carrying values of investment property as at 31 December 2019, and 1 January 2019, are in line with the valuations reported by the external valuation experts.

Since the accounting effect of lease incentives granted is included under non-current assets the recognised amount € 4.7 million (2018: € 4.2 million) is deducted from the total fair value of investment properties.

The right of use of land is included as an integrated part of the Investment property. To compare the externally appraised values of the Investment property the lease liabilities are deducted from the Total investment property value.

	2019	2018
Investment Property	965,495	945,586
Less: lease liabilities	(8,516)	-
Valuation as per valuation report	**956,979**	**945,586**

The specifications of acquisitions, other capital expenditure and the disposals are set out below.

Investments	2019	2018
Experience	8,235	17,058
Convenience	105	30,422
Other	7,417	8,394
Total Investments	**15,757**	**55,874**

Disposals	2019	2018
Experience	(474)	-
Convenience	(12,360)	-
Other	(14,719)	(1,240)
Total disposals	**(27,553)**	**(1,240)**

The investment property was sold with a negative result of € 0.7 million.

The significant assumptions with regard to the valuations are set out below.

2019	Experience	Convenience	Other	Total
Current average rent (€/m²)	371	219	172	236
Market rent (€/m²)	386	206	156	228
Gross initial yield	3.9%	6.3%	7.9%	5.4%
Net initial yield	3.8%	5.7%	5.8%	4.7%
Current vacancy rate (VVO m²)	1.7%	3.3%	8.4%	4.9%
Average financial vacancy rate	1.5%	2.3%	7.0%	3.3%
Long-term growth rental rate	1.5%	1.4%	1.3%	1.4%
Risk free (NRVT)				0.4%

2018	Experience	Convenience	Other	Total
Current average rent (€/m²)	365	203	179	229
Market rent (€/m²)	388	201	158	224
Gross initial yield	3.9%	6.2%	8.3%	5.5%
Net initial yield	3.6%	4.9%	6.3%	4.5%
Current vacancy rate (VVO m²)	1.4%	4.6%	10.1%	6.2%
Average financial vacancy rate	1.8%	4.2%	8.0%	4.6%
Long-term growth rental rate	0.9%	0.8%	0.4%	0.8%
Risk free (NRVT)				0.5%

The net valuation gain (loss) for the year included a positive fair value adjustment of € 18.1 million (2018: € 31.6 million) relating to investment properties that are measured at fair value at the end of the reporting period.

Direct operating expenses recognised in profit or loss include € 0.1 million (2017: € 0.1 million) relating to vacant investment property.

Investment property includes buildings held under finance leases. The carrying amount is € nil (2018: € nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 4.7% (2018: 4.5%). If the yields used for the appraisals of investment properties on 31 December 2019 had been 100 basis points higher (2018: 100 basis points higher) than was the case at that time, the value of the investments would have been 15.6% lower (2018: 16.9% lower). In this situation, the Fund's shareholders' equity would have been € 160 million lower (2018: € 170 million lower).

The table below presents the sensitivity of the valuation to changes in the most significant assumptions.

		2019		2018
Change rental rates	-5%	5%	-5%	5%
Value of the investment property change	(40,329)	56,161	(47,279)	47,279

		2019		2018
Change net initial yield	– 25 bps	+ 25 bps	– 25 bps	+ 25 bps
Value of the investment property	61,588	(40,383)	55,079	(115,183)

13 Investment property under construction

	2019	2018
At the beginning of the year	**12,898**	**11,941**
First time adoption IFRS16	-	-
Investments	5,774	7,529
Transfer to investment property	(18,672)	(21,482)
Transfer from investment property	-	12,898
Net gain (loss) from fair value adjustments on investment property under construction	-	2,012
In profit or loss	**-**	**2,012**
In other comprehensive income	-	-
Transfers out of level 3	-	-
Total investment property under construction (level 3)	**-**	**12,898**
Movement of right of use ground leases	-	-
Lease incentives	-	-
At the end of the year	**-**	**12,898**

The right of use of land is included as an integrated part of the investment property under construction. To compare the externally appraised values of the Investment property under construction the lease liabilities are deducted from the Total investment property value.

	2019	2018
Investment Property	-	12,898
Less: lease liabilities	-	-
Valuation as per internal valuation	**-**	**12,898**

Investment property under construction is not (re)developed within the Retail Fund but via external parties or Bouwinvest Retail Development B.V.

The as if completed value of the investment property under construction is determined by external valuation experts.

Investments	2019	2018
Experience	-	-
Convenience	5,774	7,529
Other	-	-
Total Investments	**5,774**	**7,529**

Transfers to investment property	2019	2018
Experience	-	-
Convenience	18,672	21,482
Other	-	-
Total transfers to investment property	**18,672**	**21,482**

The significant assumptions with regard to the valuations are set out below.

	2019	2018
Gross initial yield	n/a	6.8%
Net initial yield	n/a	5.6%
Long-term vacancy rate	n/a	6.0%
Average 10-years inflation rate (NRVT)	n/a	0.5%
Estimated average percentage of completion	n/a	26.1%
Current average rent (€/m²)	n/a	208
Construction costs (€/m²)	n/a	1,014

14 Trade and other current receivables

	2019	2018
Trade receivables	1,389	592
Other receivables	15	1,699
Balance as at 31 December	**1,404**	**2,291**

15 Cash and cash equivalents

	2019	2018
Bank deposits	-	-
Bank balances	29,505	20,521
Balance as at 31 December	**29,505**	**20,521**

The bank balances of € 29.5 million are freely available to the Fund as at 31 December 2019.

16 Equity attributable to shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

For 2019, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2019	**350,495**	**396,265**	**222,920**	**(48,675)**	**48,675**	**969,680**
Comprehensive income						
Net result	-	-	-	-	43,659	43,659
Total comprehensive income	**-**	**-**	**-**	**-**	**43,659**	**43,659**
Other movements						
Issued shares	4,354	7,646	-	-	-	12,000
Appropriation of result	-	-	-	48,675	(48,675)	-
Dividends paid	-	(13,117)	-	(32,829)	-	(45,946)
Movement revaluation reserve	-	-	10,830	(10,830)	-	-
Total other movements	**4,354**	**(5,471)**	**10,830**	**5,016**	**(48,675)**	**(33,946)**
Balance at 31 December 2019	**354,849**	**390,794**	**233,750**	**(43,659)**	**43,659**	**979,393**

* See explanation dividend restrictions in this Note.

For 2018, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	**327,089**	**361,679**	**200,128**	**(61,059)**	**61,059**	**888,896**
Comprehensive income						
Net result	-	-	-	-	48,675	48,675
Total comprehensive income	**-**	**-**	**-**	**-**	**48,675**	**48,675**
Other movements						
Issued shares	23,406	41,594	-	-	-	65,000
Appropriation of result	-	-	-	61,059	(61,059)	-
Dividends paid	-	(7,008)	-	(25,883)	-	(32,891)
Movement revaluation reserve	-	-	22,792	(22,792)	-	-
Total other movements	**23,406**	**34,586**	**22,792**	**12,384**	**(61,059)**	**32,109**
Balance at 31 December 2018	**350,495**	**396,265**	**222,920**	**(48,675)**	**48,675**	**969,680**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Retail Fund is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. Dutch Law stipulates that dividends can only be paid up to an amount equal to the excess of the Fund's own funds over the sum of the paid-up capital, statutory reserves and reserves required by law.

The revaluation reserve, being a legal reserve, cannot be freely distributed. Dividends are all payments from the free reserves. The free reserves consist of the share premium and retained earnings. Dividend will consist partly of profits and other payments.

In order to further align the processing of the distributable dividends with Dutch Law and taking into account the FII status of the Fund, the distributable dividends are made from retained earnings insofar the retained earnings – being the total amount of retained earnings and result for the year – are not negative. The remaining amount of legally required distributable dividends is subsequently made from share premium. Any residual negative retained earnings is supplemented from the share premium.

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2019	**350,495**	**350,495**	**396,265**	**746,760**
New shares issued	4,354	4,354	7,646	12,000
Dividend paid	-	-	(13,117)	(13,117)
Balance at 31 December 2019	**354,849**	**354,849**	**390,794**	**745,643**

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2018	**327,089**	**327,089**	**361,679**	**688,768**
New shares issued	23,406	23,406	41,594	65,000
Dividend paid	-	-	(7,008)	(7,008)
Balance at 31 December 2018	**350,495**	**350,495**	**396,265**	**746,760**

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2019, in total 354,849 shares had been issued and fully paid up.

Share premium

The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2019 was determined at the individual property level.

17 Non-current lease liabilities

	2019	2018
Opening balance at 1 January 2019	-	-
First time adoption IFRS16	8,343	-
Interest	150	-
Other movements	23	-
Balance at 31 December 2019	**8,516**	-

The average discount rate used for discounting the lease payments is 3%.

Land lease obligations	2019	2018
Year 1	101	-
Year 2	101	-
Year 3-5	303	-
Year > 5	14,705	-
Total land lease obligations	**15,210**	**-**

18 Current trade and other payables

	2019	2018
Trade payables	752	2,460
Rent invoiced in advance	5,139	5,248
Tenant deposits	1,245	1,068
VAT Payable	255	-
Other payables	1,104	2,840
Balance as at 31 December	**8,495**	**11,616**

The Other payables relate to invoices yet to be received for maintenance of and investments in the portfolio.

19 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Net result attributable to shareholders	43,659	48,675
Weighted average number of ordinary shares	354,515	329,438
Basic earnings per share (€ per share)	123.15	147.75

The Fund has no potentially dilutive ordinary shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

20 Dividends per share

In 2019, the Fund paid out a dividend of € 129.60 per share (2018: € 118.16) which amounts to a total of € 45.9 million (2018: € 32.9 million). A total dividend of € 40.4 million (2018: € 38.9 million), is to be proposed at the Annual General Meeting of shareholders on 15 April 2020. These financial statements do not reflect this dividend payable.

The dividend proposal for 2019 has not been accounted for in the financial statements. The dividend for 2019 will be paid in cash.

21 Contingent liabilities and assets

As at 31 December 2019, the Fund's total future investment commitments amounted to € 2 million (2018: € 1 million).

As at 31 December 2019, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 0.1 million (2018: € 0.5 million).

The Fund has a contractual agreement with Bouwinvest for an indefinite period in which it has to pay a management fee, based on the net asset value. The notice period is two years.

22 Related parties

The Retail Fund's subsidiaries and members of the Supervisory Board and Executive Board of Directors of Bouwinvest and the other entities under management by Bouwinvest, qualify as related parties of the Retail Fund. The Fund paid Bouwinvest a € 4.8 million fee in 2019 (2018: € 4.5 million).

Bouwinvest Development B.V. and bpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

Members of the Supervisory Board and Executive Board of Directors of Bouwinvest do not have any material interest in the Fund's voting shares and do not have options on shares. The Fund has not granted any loans to the members of the Bouwinvest Supervisory Board and Executive Board of Directors.

The members of the Supervisory Board and Executive Board of Directors of Bouwinvest held no personal interest in the Fund's investments in 2019.

Bouwinvest Development B.V. and Bouwinvest Retail Development B.V. (re)develops part of the investment property for the Fund. In 2019, € 5.3 million (2018: nil) was paid to Bouwinvest Development B.V. and Bouwinvest Retail Development B.V. with regard to projects.

23 Management fee

Bouwinvest is the manager and the Statutory Director of the Fund. The management fee paid for the year 2019 amounted to € 4.8 million (2018: € 4.5 million).

In consideration of the management activities with respect to the Fund, Bouwinvest receives an annual management fee equal to 0.50% (exclusive of VAT) of the Fund's net asset value in accordance with the valuation methods of the Fund. The management fee is payable quarterly in advance.

During the reporting period, the manager, Bouwinvest, is responsible for five funds of which the Residential Fund, Office Fund and Retail Fund are under supervision of the Dutch Financial Markets Authority (AFM). Bouwinvest also has a separate mandate from bpfBOUW for the management of international real estate investments and manages Bouwinvest Development B.V. The remuneration cannot be explicitly allocated per fund and is therefore not available. The remuneration, in line with the AIMFD Article 107, is disclosed in the annual report 2018 of Bouwinvest Real Estate Investors B.V., which is filed and public.

24 Audit fees

The table below shows the fees charged over the year 2019 by Deloitte Accountants B.V. and the Deloitte Network in respect of activities for the Retail Fund.

	2019	2018
Audit of the financial statements	29	28
Other audit engagements	-	-
Tax advisory services	-	-
Other non-audit services	-	-
Total fees	**29**	**28**

25 Subsequent events

As of January 2020, one Dutch pension fund committed for a total of € 78 million.

The coronavirus became a real factor in the Netherlands in the first quarter of 2020. The impact on the Fund's future returns and operations is unknown and will only gradually become clear in the course of 2020.

Company balance sheet

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2019	2018
Assets			
Non-current assets			
Investment property		965,495	945,586
Investment property under construction		-	12,898
Financial assets	3	1,728	1,183
		967,223	**959,667**
Current assets			
Trade and other current receivables		1,586	2,291
Cash and cash equivalents		28,998	19,998
		30,584	**22,289**
Total assets		**997,807**	**981,956**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		354,849	350,495
Share premium		390,794	396,265
Revaluation reserve		233,750	222,920
Retained earnings		(43,659)	(48,675)
Net result for the year		43,659	48,675
Total equity	4	**979,393**	**969,680**
Liabilities			
Non-current lease liabilities		8,516	-
Current trade and other payables		9,898	12,276
Total liabilities		**18,414**	**12,276**
Total equity and liabilities		**997,807**	**981,956**

Company profit and loss account

All amounts in € thousands, unless otherwise stated

	2019	2018
Profit of participation interests after taxes	540	(6,820)
Other income and expenses after taxes	43,119	55,495
Result for the year	**43,659**	**48,675**

Notes to the company financial statements

1 Summary of significant accounting policies

1.1 General

The Company financial statements of Bouwinvest Dutch Institutional Retail Fund N.V. (the Retail Fund) are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. These financial statements have been prepared in accordance with provision of Article 2:362 subsection 8 and 9, of the Dutch Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

If no other policies are mentioned, the applicable policies are those of the consolidated financial statements. The consolidated financial statements should be consulted for an appropriate interpretation of the Company financial statements.

The notes in the consolidated financial statements also apply to the Company accounts. If Company amounts are not directly traceable to the consolidated notes, additional notes are included in the Company notes.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The exemption laid down in Article 402 Book 2 of the Dutch Civil Code has been applied to the Company profit and loss account of the Fund.

1.2 Financial assets

Subsidiaries

Subsidiaries include all entities over which the Fund has the power – directly or indirectly – to control financial and operational policies. Subsidiaries are valued under the net equity method, but not lower than zero.

The equity value is measured by valuation of assets, provisions and liabilities and determination of results based on the accounting policies of the consolidated financial statements.

Recognition of losses

If the share in losses attributable to the Fund exceeds the carrying amount of the net investment (investment and other unsecured receivables), further losses will not be recognised, unless the Fund has provided securities to the associate, committed to liabilities or paid on behalf of the associate. In that case, a provision will be set aside for the excess.

2 Financial risk management

Reference is made to Note 3 of the consolidated financial statements.

3 Financial assets

	2019	2018
As per 1 January	1,183	1,245
Acquisitions	5	7,000
Dividends received	-	(242)
Net result for the year	540	(6,820)
As per 31 December	**1,728**	**1,183**

The Fund acquired the shares (100%) of the following subsidiaries:

- Bouwinvest Retail Development B.V., Amsterdam
- Bouwinvest Dutch Institutional Retail Fund Services B.V., Amsterdam

Bouwinvest Retail Development B.V. redevelops investment properties for Bouwinvest Dutch Institutional Retail Fund N.V.

Bouwinvest Dutch Institutional Retail Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

4 Equity attributable to shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

For 2019, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2019	**350,495**	**396,265**	**222,920**	**(48,675)**	**48,675**	**969,680**
Comprehensive income						
Net result	-	-	-	-	43,659	43,659
Total comprehensive income	**-**	**-**	**-**	**-**	**43,659**	**43,659**
Other movements						
Issued shares	4,354	7,646	-	-	-	12,000
Appropriation of result	-	-	-	48,675	(48,675)	-
Dividends paid	-	(13,117)	-	(32,829)	-	(45,946)
Movement revaluation reserve	-	-	10,830	(10,830)	-	-
Total other movements	**4,354**	**(5,471)**	**10,830**	**5,016**	**(48,675)**	**(33,946)**
Balance at 31 December 2019	**354,849**	**390,794**	**233,750**	**(43,659)**	**43,659**	**979,393**

* See explanation dividend restrictions in Note 16 of the consolidated financial statements.

For 2018, before appropriation of profit

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	**327,089**	**361,679**	**200,128**	**(61,059)**	**61,059**	**888,896**
Comprehensive income						
Net result	-	-	-	-	48,675	48,675
Total comprehensive income	**-**	**-**	**-**	**-**	**48,675**	**48,675**
Other movements						
Issued shares	23,406	41,594	-	-	-	65,000
Appropriation of result	-	-	-	61,059	(61,059)	-
Dividends paid	-	(7,008)	-	(25,883)	-	(32,891)
Movement revaluation reserve	-	-	22,792	(22,792)	-	-
Total other movements	**23,406**	**34,586**	**22,792**	**12,384**	**(61,059)**	**32,109**
Balance at 31 December 2018	**350,495**	**396,265**	**222,920**	**(48,675)**	**48,675**	**969,680**

* See explanation dividend restrictions in Note 16 of the consolidated financial statements.

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2019, in total 354,849 shares had been issued and fully paid up.

Share premium
The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve
The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2019 was determined at the individual property level.

Appropriation of profit 2018
The Annual General Meeting of shareholders on 24 April 2019 adopted and approved the 2018 financial statements of the Retail Fund. A dividend of € 38.9 million (in cash) has been paid. Of the profit for 2018 amounting to € 48.7 million, € 48.7 million was incorporated in the retained earnings.

Proposal for profit appropriation 2019
The management of the Fund proposes to the General Meeting of shareholders that a dividend of € 40.4 million (in cash) per share is to be paid. Of the profit for 2019 amounting to € 43.7 million, € 43.7 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Retail Fund has no employees.

6 Remuneration

Reference is made to Note 23 of the consolidated financial statements.

Signing of the Financial Statements
Amsterdam, 23 March 2020

Bouwinvest Real Estate Investors B.V.
Dick van Hal, *Chief Executive Officer and Statutory Director*
Rianne Vedder, *Chief Financial & Risk Officer and Statutory Director*
Allard van Spaandonk, *Chief Investment Officer Dutch Investments*
Stephen Tross, *Chief Investment Officer International Investments*

Other information

Articles of Association related to the appropriation of profit

Appropriation of profit is provided for in Article 20 of the Articles of Association. This specific article is quoted below.

20.1
The distributable profit shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves. If the General Meeting has made a decision about profit distribution not later than immediately prior to or after the adoption of the financial statements, the distributable profit will be added to the reserves.

20.2
Distribution of profits shall take place after the adoption of the financial statements which show that the distribution is permitted.

20.3
The General Meeting may resolve to distribute one or more interim dividends and/or other interim distributions. The Executive Board of Directors may also resolve to distribute one or more interim dividends.

20.4
Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.

20.5
Distribution to shareholders may be made only to the extent of distributable equity and if an interim dividend is paid, that requirement is met according to an interim financial statement as referred to in Article 2:105 Section 4 of the Dutch Civil Code. The Fund shall deposit the interim financial statements at the offices of the Chamber of Commerce (Commercial Register) within eight days after the date of the decision to make an interim distribution.

20.6
In calculating the appropriation of profits, the shares held by the Fund in its own share capital shall not be taken into account.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

Report on the audit of the financial statements 2019 included in the annual report

We have audited the accompanying financial statements 2019 of Bouwinvest Dutch Institutional Retail Fund N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Retail Fund N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Retail Fund N.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2019.
2. The following statements for 2019: the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2019.
2. The company profit and loss account for 2019.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Bouwinvest Dutch Institutional Retail Fund N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 9.6 million. The materiality is based on 1% of total investment property. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview	
Materiality level	€ 9.6 million
Basis for group materiality level	1% of total investment property
Threshold for reporting misstatements	€ 480 thousand

We agreed with the Executive board of directors that misstatements in excess of € 480 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Bouwinvest Dutch Institutional Retail Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Bouwinvest Dutch Institutional Retail Fund N.V..

Our group audit mainly focused on significant group entities.

We have performed all audit procedures ourselves for all group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Executive board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of investment property	
Investment property and investment property under construction are important accounts balances in the statement of financial position and are valued at fair value. The valuations of these investment properties are based on external valuations. The valuation of investment property contains an inherent estimation uncertainty (see also notes 4.1, 12 and 13 of the notes to the financial statements).	We have obtained an understanding of the key controls, including the involvement of the external valuation experts by management, surrounding the valuation process. Using the underlying external appraisal reports we have verified the value of the investment property. We have likewise reconciled the rental data applied with the financial accounting records. On the basis of IAS 40, we have reviewed the Fair Value concept as applied by the appraisers. Likewise, we have critically reviewed the relevant factors influencing the appraisal value of an object and discussed these with the external appraisers and the responsible client personnel. We have additionally engaged internal property experts to review a selection of the property. We have performed an additional test on the reliability of the estimation by comparing the valuation with the revenues effectively realized upon sale.

Emphasis of the impact of the coronavirus

The coronavirus also impacts Bouwinvest Dutch Institutional Retail Fund N.V. Management disclosed the current impact and her plans to deal with these events or circumstances in page 6, 8, 47, and 72 of the financial statements. Management indicates that it is currently not possible for them to properly estimate the impact of the Coronavirus on the financial performance and health of Bouwinvest Dutch Institutional Retail Fund N.V. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Report of the Executive board of directors.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

- Other additional information, among others: Responsible investing, Corporate governance and Risk management.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Executive board of directors in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

From the matters communicated with the Executive board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 23, 2020

Deloitte Accountants B.V.

J. Holland

Assurance report of the independent auditor

To the shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2019 of Bouwinvest Dutch Institutional Retail Fund N.V. at Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year 2019 in accordance with the reporting criteria as included in the section ‘reporting on performance indicators’.

The sustainability information consists of performance information in the section ‘Highlights sustainability performance 2019’ in the chapter ‘Sustainability performance’ on page 28 of the 2019 Annual Report.

Basis for our conclusion

We performed our examination of the sustainability information in accordance with Dutch law, including Dutch Standard 3000A ’Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (assurance engagements other than audits or reviews of historical financial information). This engagement is aimed to obtain limited assurance. Our responsibilities in this regard are further described in the ‘Our responsibilities for the examination of the sustainability information’ section of our report.

We are independent of Bouwinvest Dutch Institutional Retail Fund N.V. in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of the impact of the coronavirus

The coronavirus also impacts Bouwinvest Dutch Institutional Retail Fund N.V. Management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the ESG performance of Bouwinvest Dutch Institutional Retail Fund N.V. Our opinion is not modified in respect of this matter.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Bouwinvest Dutch Institutional Retail Fund N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting. The reporting criteria used for the preparation of the sustainability information are the reporting criteria as disclosed in the Bouwinvest annual report in the section 'ESG prestatie-indicatoren'.

Responsibilities of the management board for the sustainability information

The management board is responsible for the preparation of the sustainability information in accordance with reporting criteria as included in the section ‘reporting of performance indicators’ and the applied supplemental reporting criteria as disclosed on page 106 of the annual report, including the identification of stakeholders and the definition of material matters. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarised in the section ‘reporting of performance indicators’ on page 106-107.

The management board is also responsible for such internal control as the management board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the sustainability information
Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included amongst others:
- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the management board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
    - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
    - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the management board regarding, among other matters, the planned scope, timing and outcome of the review.

Amsterdam, March 23, 2020

Deloitte Accountants B.V.

Signed on the original: J. Holland

INREV valuation principles and INREV adjustments

INREV valuation principles

In order to give investors information on the transition from the Net Asset Value (NAV) according to IFRS to the adjusted NAV based on INREV valuation principles, the Fund reports the adjustments according to the INREV valuation principles. The fundamental assumption underlying the adjusted INREV NAV of the Fund is that it should give a more accurate reflection of the economic value of the Fund and of a participation in the Fund as it would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's length transaction, a willing buyer/seller and an adequate time to market.

Note		Total	Per share	Actual impact on 2019 figures	Actual impact on 2018 figures
	NAV per the IFRS financial statements	X	X	Yes	Yes
	Reclassification of certain IFRS liabilities as components of equity	X	X	N/A	N/A
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	X	X	N/A	N/A
2	Effect of dividends recorded as a liability which have not been distributed	X	X	N/A	N/A
	NAV after reclassification of equity-like interests and dividends not yet distributed	X	X	N/A	N/A
	Fair value of assets and liabilities	X	X	N/A	N/A
3	Revaluation to fair value of investment properties	X	X	N/A	N/A
4	Revaluation to fair value of self-constructed or developed investment property	X	X	N/A	N/A
5	Revaluation to fair value of investment property held for sale	X	X	N/A	N/A
6	Revaluation to fair value of property that is leased to tenants under a finance lease	X	X	N/A	N/A
7	Revaluation to fair value of real estate held as inventory	X	X	N/A	N/A
8	Revaluation to fair value of other investments in real assets	X	X	N/A	N/A
9	Revaluation to fair value of indirect investments not consolidated	X	X	N/A	N/A
10	Revaluation to fair value of financial assets and financial liabilities	X	X	N/A	N/A
11	Revaluation to fair value of construction contracts for third parties	X	X	N/A	N/A
12	Set-up costs	X	X	N/A	N/A
13	Acquisition expenses	X	X	Yes	Yes
14	Contractual fees	X	X	N/A	N/A
	Effects of the expected manner of settlement of sales/vehicle unwinding	X	X	N/A	N/A
15	Revaluation to fair value of savings of purchaser's costs such as transfer taxes	X	X	N/A	N/A
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	X	X	N/A	N/A
17	Effect of subsidiaries having a negative equity (non-recourse)	X	X	N/A	N/A
	Other adjustments	X	X	N/A	N/A
18	Goodwill	X	X	N/A	N/A
19	Non-controlling interest effects of INREV adjustments	X	X	N/A	N/A
	INREV NAV	X	X	Yes	Yes

X = Possible impact on NAV and NAV per share N/A = Not applicable Yes = Impact on INREV NAV

INREV adjustments

All amounts in € thousands, unless otherwise stated

Note		Total 2019	Per share 2019	Total 2018	Per share 2018
	NAV as per the financial statements	**979,393**	**2,760.03**	**969,680**	**2,766.60**
	Reclassification of certain IFRS liabilities as components of equity				
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	-	-	-	-
2	Effect of dividends recorded as a liability which have not been distributed	-	-	-	-
	NAV after reclassification of equity-like interests and dividends not yet distributed	**979,393**	**2,760.03**	**969,680**	**2,766.60**
	Fair value of assets and liabilities				
3	Revaluation to fair value of investment properties	-	-	-	-
4	Revaluation to fair value of self-constructed or developed investment property	-	-	-	-
5	Revaluation to fair value of investment property held for sale	-	-	-	-
6	Revaluation to fair value of property that is leased to tenants under a finance lease	-	-	-	-
7	Revaluation to fair value of real estate held as inventory	-	-	-	-
8	Revaluation to fair value of other investments in real assets	-	-	-	-
9	Revaluation to fair value of indirect investments not consolidated	-	-	-	-
10	Revaluation to fair value of financial assets and financial liabilities	-	-	-	-
11	Revaluation to fair value of construction contracts for third parties	-	-	-	-
12	Set-up costs	-	-	-	-
13	Acquisition expenses	6,081	17.14	8,174	23.32
14	Contractual fees	-	-	-	-
	Effects of the expected manner of settlement of sales/vehicle unwinding				
15	Revaluation to fair value of savings of purchaser's costs such as transfer taxes	-	-	-	-
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	-	-	-	-
17	Effect of subsidiaries having a negative equity (non-recourse)	-	-	-	-
	Other adjustments				
18	Goodwill	-	-	-	-
19	Non-controlling interest effects of INREV adjustments	-	-	-	-
	INREV NAV	**985,474**	**2,777.17**	**977,854**	**2,789.93**
	Number of shares issued	354,849		350,495	
	Number of shares issued taking dilution effect into account	354,849		350,495	
	Weighted average INREV NAV	985,836		918,152	
	Weigthed average INREV GAV	996,499		928,105	
	Total Expense Ratio (NAV)	0.53%		0.53%	
	Total Expense Ratio (GAV)	0.52%		0.53%	
	Real Estate Expense Ratio (GAV)	0.86%		0.86%	

Notes to the INREV adjustments

All amounts in € thousands, unless otherwise stated

1 Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long term interest in a vehicle

Investors' capital can take various forms aside from equity – examples include shareholder loans and hybrid capital instruments such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle.

Since investors in the Fund only invest via shares, no adjustment is included.

2 Effect of dividends recorded as a liability which have not been distributed

Under certain circumstances dividends are recorded as a liability but have not yet been legally distributed. For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As per 31 December 2019, no dividends are recorded as a liability, no adjustment is included.

3 Revaluation to fair value of investment property

After initial recognition, investment property is valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2019.

4 Revaluation to fair value of self-constructed or developed investment property

Development property is investment property under construction and valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2019.

5 Revaluation to fair value of investment property held for sale

Assets in this category are measured under IFRS at the lower of cost or net realisable value in the financial statements. The adjustment represents the impact on NAV of the revaluation of the property intended for sale, measured at cost, to fair value.

As per 31 December 2019, no properties intended for sale had been presented that are not included in the fair value of investment property.

6 Revaluation to fair value of property that is leased to tenants under a finance lease

Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently re-measured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As per 31 December 2019, no adjustment had been made since no property is held that is leased to tenants under a finance lease.

7 Revaluation to fair value of real estate held as inventory

Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements. This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the caption 'revaluation to fair value of real estate held as inventory'.

As per 31 December 2019, no adjustment had been made since no property is accounted for under IAS 2 (Inventory).

8 Revaluation to fair value of other investments in real assets

Under IAS16 other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As per 31 December 2019, no adjustment had been made since the Fund has no investments in real assets.

9 Revaluation to fair value of indirect investments not consolidated

Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV. The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As per 31 December 2019, no adjustment had been made since the Fund has no indirect investments in real estate.

10 Revaluation to fair value of financial assets and liabilities (including revaluation to fair value of debt obligations)

Financial assets and liabilities such as debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS.

As per 31 December 2019, no adjustment had been made since the financial assets and liabilities accounted for in the Statement of financial position are not materially different with the fair value of the financial assets and liabilities in accordance with the fair value principles of IFRS 13.

11 Revaluation to fair value of construction contracts for third parties

Under IAS11, construction contracts for third parties are normally accounted for based on the stage of completion. The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As per 31 December 2019, no adjustment had been made since the Fund has no construction contracts of third parties.

Adjustments to reflect the spreading of one-off costs
As described in further detail below, set-up costs and acquisition expenses should be capitalised and amortised. The rationale for these adjustments is to spread these costs over a defined period of time to smooth the effect of the write-off of costs on the vehicle's performance. Furthermore, it is a simple mechanism to spread costs between different investor groups entering or leaving the vehicle's equity at different times.

In practice, there are many other ways in which vehicles address such issues for pricing, valuation, or other purposes. Since the INREV NAV is primarily intended to facilitate comparability between different vehicles, the INREV approach is a simple but fixed methodology. Please note that these capitalised costs are subject to an impairment test each time the NAV is calculated and therefore should always be recoverable over time.

As the adjustments with respect to set-up costs are separately disclosed in the calculation of a vehicle's INREV NAV, investors can choose how these are taken into account when valuing their holding.

12 Set-up costs

Set-up costs (i.e. establishment expenses) are charged immediately to income after the initial closing date. This adjustment represents the impact on NAV of the capitalisation and amortisation of set-up costs over the first five years of the terms of the Fund. When capitalising and amortising set-up costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not to be expected that the capitalised set-up costs can be recovered.

As per 31 December 2019, the set-up costs of the Fund have been amortised, so no adjustment had been made per 31 December 2019.

13 Acquisition expenses

Under the Fair Value model, acquisition expenses of investments under the fair value assumptions according to IFRS may be partly charged to income or equity as fair value changes at the first subsequent measurement date after acquisition. This is when the fair value at the moment of measurement is less than the total amount of the purchase value of the assets and the acquisition expenses.

This adjustment represents the impact on NAV of the capitalisation and amortisation of acquisition expenses over the period from acquisition of the specific asset to five years after initial closing.

When an asset is sold during the amortisation period, the balance of capitalised acquisition expenses is charged to the income statement in the period of sale.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated (when market circumstances change) and it is not expected that the capitalised acquisition costs can be recovered with the sale of units of the Fund.

Most of the acquisitions are realised via a turn-key agreement with a development company. Since these acquisitions can be purchased free of transfer-tax normally the acquisition price is higher than if transfer-taxes should be paid separately. The valuation methodology is the net valuation after deduction of acquisition cost for a potential buyer. At initial recognition and during the instalments a part in the revaluation result will include the effect of the difference of the purchase price and the net valuation after deduction of acquisition cost for a potential buyer. This difference is taken into account in the INREV NAV as a separate item in the INREV adjustment in respect to Acquisition expenses.

Capitalised acquisition costs as per 31 December 2018	8,174
Acquisition costs 2019	506
Amortisation acquisition costs in 2019	(2,599)
Adjustment NAV (excluding tax)	**6,081**

14 Contractual fees

A liability represents a present obligation. A fee payable at the end of the lifetime of the Fund or at any other moment during the lifetime of the Fund may not meet the criteria for recognition of a provision or liability in accordance with IFRS at the moment the accounts are prepared.

As per the balance sheet date, all contractual fees and contingent liabilities are recognised in accordance with IFRS. The Fund did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as per the balance sheet date.

15 Revaluation to fair value of savings of purchaser's costs such as transfer taxes

This adjustment represents the positive impact on NAV of the possible reduction of transfer taxes and purchaser's costs for the seller based on the expected sale via the sale of shares. Transfer taxes and purchaser's costs which would be incurred in an asset sale are generally deducted when determining the fair value of the properties. The effect of a possible sale of shares in a property vehicle might be taken into account when determining the deduction of transfer taxes and purchaser's costs (if this lowers the actual transfer tax and/or purchaser's costs to be paid upon sale by the seller).

The Fund has no investment property structured in special vehicles. As per 31 December 2019, no adjustment had been made due to the fact that it is impossible to sell investment property via a share deal. Therefore, there is no possibility of an additional reduction of the transfer tax or purchaser's costs that might lead to a higher sales price.

16 Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments

Under IFRS, deferred tax (assets and liabilities) is measured at the nominal statutory tax rate. How the Fund expects to settle deferred tax is not taken into consideration. This adjustment represents the impact on NAV of the deferred tax for assets and liabilities or financial instruments based on the expected settlement. This should be taken into consideration when tax structures have been applied to reduce tax on capital gains or allowances.

Where goodwill is included in the Statement of financial position as a result of a deferred tax liability that is eliminated as a result of the above-mentioned adjustment, the goodwill related to this deferred tax will be excluded from NAV.

The Fund has the status of a fiscal investment institution (0% corporate tax rate). Therefore, no adjustment has been made, as the Fund is exempt from corporate tax payments.

17 Effect of subsidiaries having a negative equity (non-recourse)

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As per 31 December 2019, no adjustment had been made since the Fund has no subsidiaries.

18 Goodwill

At acquisition of an entity which is determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. Often a major component of such goodwill in property vehicles reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take account of the likely or intended method of subsequent exit), and the economic value attributed to such items in the actual purchase price. Except where such components of goodwill have already been written off in the NAV as determined under IFRS, they should be written off in the INREV NAV.

As per 31 December 2019, no adjustment had been made since the Fund has no goodwill recognised in the Statement of financial position.

19 Non-controlling interest effects of INREV adjustments

This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As per 31 December 2019, no adjustment had been made since the Fund holds no minority interests.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Retail Fund N.V.

Report on the INREV adjustments

Our Opinion

We have audited the accompanying INREV adjustments 2019 of Bouwinvest Dutch Institutional Retail Fund N.V., based in Amsterdam.

In our opinion the INREV adjustments are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the fund, i.e. INREV valuation principles, as set out on page 86 up to and including page 90.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the INREV adjustments' section of our report.

We are independent of Bouwinvest Dutch Institutional Retail Fund N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the impact of the coronavirus

The coronavirus also impacts Bouwinvest Dutch Institutional Retail Fund N.V. Management disclosed the current impact and her plans to deal with these events or circumstances in page 6, 8, 47, and 72 of the financial statements. Management indicates that it is currently not possible for them to properly estimate the impact of the Coronavirus on the financial performance and health of Bouwinvest Dutch Institutional Retail Fund N.V. Our opinion is not modified in respect of this matter.

Description of responsibilities for the INREV adjustments

Responsibilities of management for the INREV adjustments

Management is responsible for the preparation of the INREV adjustments in accordance with the accounting policies selected and disclosed by the fund (INREV valuation principles) as set out on page 86 up to and including page 90.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the INREV adjustments that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the INREV adjustments

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these INREV adjustments. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the INREV adjustments, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the INREV adjustments, including the disclosures.
- Evaluating whether the INREV adjustments represent the underlying transactions and events free from material misstatement.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, March 23, 2020

Deloitte Accountants B.V.

Signed on the original: J. Holland

Shareholders' information & client management

Legal and capital structure

Bouwinvest Dutch Institutional Retail Fund N.V. is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969.

Bouwinvest Real Estate Investors B.V. (Bouwinvest) is the Fund's Statutory Director and management company, subject to the terms of the management agreement. In February 2014, the management company obtained a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is now subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Shareholders

As of January 2020, an investor has expanded its commitment for an amount of € 78 million.

Name shareholder	Number of shares at year-end 2019
Shareholder A	285,156
Shareholder B	27,402
Shareholder C	18,969
Shareholder D	9,440
Shareholder E	9,247
Shareholder F	3,847
Shareholder G	788
Total	**354,849**

Dividend

As a result of the Fund's fiscal investment institution (FII) status, Bouwinvest will distribute all of the Net Realised Result to the shareholders through four quarterly interim dividend payments and one final dividend payment. The Executive Board of Directors proposes to pay a dividend of € 40.4 million for 2019 (2018: € 38.9 million), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend will be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 75.4% was paid out in the course of 2019. The fourth instalment was paid in February 2020. The rest of the distribution over 2019 will be paid in one final instalment following the Annual General Meeting of shareholders on 15 April 2020.

Shareholders' calendar

25 February 2020	Payment interim dividend fourth quarter 2019
15 April 2020	Annual General Meeting of Shareholders
22 April 2020	Payment of final dividend 2019
15 May 2020	Payment interim dividend first quarter 2020
10 June 2020	Shareholders committee
12 August 2020	Payment interim dividend second quarter 2020
4 November 2020	Shareholders committee
12 November 2020	Payment interim dividend third quarter 2020
9 December 2020	General Meeting of Shareholders
15 February 2021	Payment interim dividend fourth quarter 2020

Client management

Bouwinvest aims for the highest level of transparency in its communications on the financial situation, strategy, plans and other information relevant to its existing and potential investors and other stakeholders. In addition to this Annual Report, the Management Company reports on a quarterly basis on the status of the Fund and organises quarterly conference calls to discuss the developments within the Fund with its shareholders. Furthermore, Bouwinvest organises General Meetings of Shareholders twice a year, together with Shareholders Committee meetings to discuss and approve the Fund plan and annual report. All information and documents related to the Fund are available for shareholders via the Bouwinvest Investor Portal.

In addition to the regular information outlined above, Bouwinvest organised a number of client activities in 2019, including road shows, property tours and one-on-one meetings with (potential) investors, plus we attended several high-profile real estate conferences to present the management organisation, its strategy and its vision on real estate to (potential) investors.

For further information on Bouwinvest's investment opportunities, please visit the corporate website at Bouwinvest.nl. You can also contact the Client Management department at clientmanagement@bouwinvest.nl or call +31 (0)20 677 1610.

Enclosure

Management company profile

Bouwinvest Real Estate Investors B.V. (Bouwinvest) is one of the largest Dutch institutional real estate investment managers. Bouwinvest strives to achieve risk-adjusted returns on behalf of its pension fund clients. Bouwinvest manages € 12.9 billion in assets in five Dutch property sector funds and international real estate investments in Europe, North America and the Asia-Pacific region.

With 65 years' experience and a heritage rooted in the pension and construction industries, Bouwinvest understands the needs of long-term institutional investors and the dynamics of real estate investment markets. In the Netherlands, we invest directly in real estate, while internationally Bouwinvest partners with real estate operators who have a proven track record and share our investment philosophy.

The combination of a strong domestic focus and a well-diversified global portfolio gives Bouwinvest a broad perspective on the real estate investment markets and allows us to identify the best investment opportunities.

Composition of the Executive Board of Directors

Chief Executive Officer and Statutory Director

D.J. (Dick) van Hal (1958, Dutch)

Dick van Hal has been CEO since his appointment on 1 March 2008. From 1999 until that time, he held several senior positions at Syntrus Achmea Vastgoed, including Managing Director and CEO. Dick started his career with Centraal Beheer Beleggingen and Staal Bankiers. He studied Investment Analysis (VBA) at the University of Amsterdam. Dick is Chairman of IVBN (Dutch Association of Institutional Investors in Real Estate).

Chief Financial & Risk Officer and Statutory Director

M.A. (Rianne) Vedder (1970, Dutch)

Rianne Vedder has been Chief Financial and Risk Officer since her appointment on 15 October 2019. She was formerly Partner at EY Financial Services Advisory and co-responsible for the growth and further development of the consultancy practice of the EY organisation. Previously, she held positions within EY Financial Services and Capgemini. Rianne studied Business Economics at the Maastricht University and holds a postgraduate Register Controller degree. She is an INSEAD Certified Independent Non-Executive Director.

Chief Investment Officer Dutch Investments

A. (Allard) van Spaandonk (1961, Dutch)

Allard van Spaandonk joined Bouwinvest on 1 November 2008, as Director Asset Management. Since 1 January 2013, Allard has been Managing Director Dutch Investments, responsible for investments in Dutch real estate. He was previously the director of the retail and residential portfolios at Syntrus Achmea Vastgoed, as well as head of residential mortgages at Achmea Vastgoed. Allard started his real estate career at ABP Hypotheken in 1986. Allard is a member of the Management Board of the NEPROM (Dutch association of project development companies).

Chief Investment Officer International Investments

S.A. (Stephen) Tross (1967, Dutch)

Stephen Tross was appointed as Managing Director International Investments on 1 September 2010. He joined Bouwinvest in 2009 as COO International Investments. Stephen previously worked in the real estate audit practices at KPMG Accountants NV and PwC in the Netherlands, New York and London. He studied Business Economics at the Hogeschool Utrecht and accountancy at NIvRA-Nyenrode. Stephen is a professional member of the British Institution of Chartered Surveyors and a member of the ANREV Management Board and AFIRE.

Director Dutch Retail Investments

C. (Collin) Boelhouwer (1976, Dutch)

Collin Boelhouwer has been Director Dutch Retail Investments since 2008 and is responsible for the performance of the Bouwinvest Dutch Institutional Retail Fund. Collin has fifteen years experience in real estate management and gained his retail real estate experience with Fortis Real Estate. Collin studied Real Estate Management & Development at the University of Technology Eindhoven and has been a professional member of RICS since 2010.

Contact information

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The Netherlands

Real estate notary
De Brauw Blackstone Westbroek N.V.
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The Netherlands

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Glossary

Considerate construction schemes
The proportion of construction sites controlled by the reporting company which are registered under the Dutch considerate construction scheme 'Bewuste Bouwers' in a reporting year, weighted by purchase price.

Direct property return
Direct property return as a percentage is equal to the net rental income of investment properties divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (MSCI methodology).

Distributable result
Distributable result is the company only total rental income and other income net of all expenses, costs, fees (including management fee), financing costs and taxes borne by the Fund available for distribution to the shareholders.

Energy index of the portfolio
Average energy index on asset level, weighted by lettable floor area. Based on investment properties and excluded units without an energy index.

Estimated rental value
The estimated rent at which space within a property could reasonably be expected to be let given current market conditions.

Financial occupancy rate
This is the average occupancy rate of the portfolio over the year calculated on the basis of rental revenue according to contracts as at the reporting date, as a percentage of the theoretical rent.

Fund capital growth (INREV)
Fund capital growth is the total return (INREV), less the distributable result, divided by INREV NAV at the beginning of the period plus the time weighted (daily) contributions for the quarter minus the time weighted (daily) distributions/ redemptions for the quarter. Annual fund capital growth is calculated compounded on the basis of 4 quarters.

Fund income return (INREV)
The fund income return per period as a percentage is equal to the distributable result, divided by INREV NAV at the beginning of the period plus the time weighted (daily) contributions for the quarter minus the time weighted (daily) distributions/ redemptions for the quarter. Annual fund income return is calculated compounded on the basis of 4 quarters.

Fund total return (INREV)
The fund total return for the quarter is equal to the sum of the unrounded fund income return and fund capital growth. As a result rounding differences may occur. The annual fund total return is calculated compounded on the basis of the quarterly fund total return. As a result fund total return is not the sum of fund income return and fund capital growth.

Green portfolio
Relative share of lettable floor area with energy label A, B and C compared to total lettable floor area of the portfolio. Based on investment properties and excluded listed buildings.

GRESB score
The GRESB (Global Real Estate Sustainability Benchmark) score is an overall measure of ESG performance – represented as a percentage of a 100 percent maximum. The score is a result of the annual assessment of the entity by GRESB.

GRESB star rating
The GRESB star rating is based on the GRESB Score and its quintile position relative to the GRESB universe, with annual calibration of the model. If an entity is placed in the top quintile, it will be a GRESB 5-star rated entity; if it

ranks in the bottom quintile, it will be a GRESB 1-star rated entity, etc. As the GRESB star rating is calculated relative to the global performance of reporting entities, it shows exactly where the Fund stands on a global scale.

Gross Asset Value (GAV)
The total property portfolio plus the value of any further assets at market value as per the chosen valuation principles.

Gross initial yield (passing)
Passing rent divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross initial yield (market)
Theoretical rent (market) divided by the gross capital value of the investment property including purchaser's transaction costs, as per end of period.

Gross rental income
The gross rental income is the total contractual rental income over the reporting period from let properties reported under IFRS, including the net effects of straight-lining for lease incentives, including rent free periods.

Invested capital
Invested capital is defined as the net asset value of the funds, as per the chosen valuation principles of the funds, that Bouwinvest manages as investment manager.

Indirect property return
Indirect property return as a percentage is equal the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser’s transaction costs, on a monthly basis (MSCI methodology).

INREV NAV
INREV NAV is based on the fair value of the underlying assets and liabilities, as at the balance sheet date, and adjusted for the spreading of costs that will benefit different generations of investors.

Investment property
Property that is fully operational on the reporting date

Investment property under construction
Property that is being constructed or developed for future use as investment property.

Lease incentive
Any consideration or expense borne by the property company, in order to secure a lease.

Like-for-like gross rental income
Like-for-like gross rental income compares the increase/decrease of the gross rental income of the portfolio that has been consistently in operation, during two full preceding periods that are described.

MSCI Netherlands Property Index
Benchmark organisation IPD is rebranded to MSCI. Therefore we mention MSCI Netherlands Annual Property Index instead of IPD Netherlands Annual Property Index. The composition and calculation of the indexes and benchmarks remain the same: indirect property return as a percentage is equal to the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser’s transaction costs, on a monthly basis.

Membership of industry associations
Number of employees active in board/committee memberships in industry organisations in the real estate sector in reporting period.

Net asset value (NAV)
The net asset value is equal to the shareholders’ equity of the Fund.

Net initial yield
Net rental income divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Net rental income
Net rental income is gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

On-site solar power
Amount of installed power (kilowatt peak - kWp) from on-site solar panels in the investment portfolio.

Passing rent
The annualised cash rental income being received as at a certain date, excluding the net effects of straight-lining for lease incentives. For the avoidance of doubt, where no rent is currently being paid due to operation of a rent-free period, the passing rent will be shown as zero.

Pay-out ratio of distributable earnings
This is the distributed dividend in the reporting period divided by the distributable result in the reporting period.

Property value
The Property value equals the fair value of the Investment Property and Investment Property under Construction excluding the value of Lease Liabilities.

Real Estate Expense Ratio (REER)
Annual vehicle-level and property-specific costs over a 12 month period as a proportion of average vehicle assets (average GAV and average NAV).

Reduction of energy consumption
Percentage of change in energy consumption (electricity and gas) at end of reporting year compared to previous year on a like-for-like basis for energy meters which were under the direct control of the Fund. Like-for-like refers to the energy consumption of a portfolio that has been consistently in operation for two comparative periods. Gas consumption is converted from m^3 to kWh based on the conversion factor as published at end of period on https://www.co2emissiefactoren.nl. And gas consumption of the reporting year is corrected for differences in the number of degree days at De Bilt (the Netherlands) between the current and previous year.

Theoretical rent
Passing rent over the reporting period plus estimated rental value of vacant units.

Total Expense Ratio (TER)
The total expense ratio reflects the total Fund expenses of the current reporting period as a percentage of the weighted average Net Asset Value (NAV) over the period. The TER is backward looking and includes the management fee, administrative expenses and valuation fees.

Transactions
Transactions are contractual obligations for the purchase of investment properties, where such property is not generating income for the benefit of the Fund as of the reporting date.

WALT (average remaining lease time)
Weighted average duration of lease contracts based on rent to the shorter of the first tenant break or lease expiry.

Megatrends

In the 'Market environment' chapter, we describe the Fund-specific trends. In this appendix, we discuss a number of megatrends that are affecting and will continue to affect markets at national, European and global levels. We deal with the effects of these megatrends in the same order as in the above-mentioned chapter: economy, public policies, sustainability and climate change, demographics and social change, technology and innovation.

Economy

Positive global economic growth with corresponding challenges

We have recently seen a gradual decline in global economic growth. This came in at 3.8% in 2017, but had dipped to 3.6% in 2018 and the IMF expects global economic growth to have declined further to 2.9% for the full year 2019. The IMF does expect growth to pick up to 3.3% in 2020 and to 3.4% in 2021. The IMF recently downgraded economic growth forecasts for 70% of countries, and went as far as to halve 2019 growth forecasts for Latin America midway through the year.

The main reasons for these downgrades are the growing uncertainty prompted by trade restrictions, political tensions, government debt levels, the pension reforms required in various countries and the high share prices on the world's financial markets. At the same time, expansionist monetary policies continue to act as an economic driver.

ECB interest rate hikes fail to materialise

The ECB's expected interest rate hikes, which markets assumed in the baseline scenario last year, failed to materialise. On the contrary, interbank rates have actually fallen into negative territory, the ECB cuts rates again in September and resumed its bond buy-back programme. The main goal of the ECB measures is to keep economic growth at a reasonable level and increase inflation to around 2%.

Public policies

In 2019, the political agenda was dominated by the Brexit negotiations in Europe, geopolitical tensions, trade barriers, including those between the US and China, and the prolonged protests in Hong Kong against China's political interference. These are all still major challenges and they are having a negative impact on economic growth.

On top of this, we have seen a sharp rise in populist (and nationalist) sentiments in many European countries, although there are certainly countries in which this trend has petered out or even been reversed. However, populist sentiments can result in more closed economies, which could have a negative impact on the European economy.

Sustainability and climate change

There is an increased awareness of negative social and environmental externalities, evidenced by newly introduced legislation, standards and governmental action on sustainability-related topics such as energy, biodiversity, the circular economy and ESG risks. Challenges for the construction and real estate sector that still need to be overcome include: the environmental impact strain of materials used and urbanisation, the availability of skilled workers and safety in the construction process, cutting the cost of measures, the development of new technologies, the digitalisation of the building process, the availability of proven solutions and resources.

Paris proof living environment

There is growing global awareness that we urgently need to stop global warming and rising greenhouse gas (GHG) emissions. Although the timing, scope and magnitude of the consequences remain uncertain, the potential risks are significant. With urgency and awareness increasing, the World Economic Forum has earmarked extreme weather events and climate-change mitigation and adaption failures as the top risks the world economy is currently facing (http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf). In the aftermath of the Paris Climate Agreement, an increasing number of countries are introducing legislation aimed at a carbon free future. The Dutch government has joined these country initiatives through the implementation of the Dutch Climate Agreement to reduce carbon emissions by 49% in 2030, from 1990 levels, and by 95% in 2050. The European Union is also working on tightened legislation to achieve its 2050 climate goals. Legislation is expected to be effective in 2-3 years and could be even more stringent than the Dutch climate agreement.

On the built environment front: before 2050, the seven million homes and one million other buildings in the Netherlands will have to be made sustainable one way or another to convert them to low (or even net-zero) carbon emissions. This pertains largely to existing buildings, as any new development projects will have to be close to energy neutral from 2020 onwards. The building industry is currently developing a standardised norm for all asset classes, taking into account a threshold for building-related energy usage. Depending on progress made by the building industry in the period to 2050, the Dutch government will introduce legislative measures to speed up the transition if needed.

The Dutch policy position on transitioning towards a circular economy in 2050, with the focus on the use of resources, is supplementary to the government's climate agreement. The real estate industry will need to be transformed into a circular ecosystem.

ESG risk, transparency and accountability

The European Commission is also taking the lead in the areas of responsible investment and increasing transparency by companies and investors. For example, the European Occupational Retirement Provision Directive II (IORP II), which requires pension funds to take environmental, social and governance (ESG) factors and risks into account in their investment policy, overall risk management system and reporting. This will also have an impact on institutional real estate investors when they serve pension funds. In addition to environmental transition risks, they will also have to take physical risks into account. In addition to IORP, the European Union is developing a framework for sustainable finance, which will define which activities will be labelled as 'green', which could result in legislative changes in the future.

On the corporate responsibility front, there is an increasing demand for businesses to be transparent and accountable, not only towards employees or direct stakeholders, but towards their entire supply-chain and society as a whole. The real estate industry is increasingly using the UN's Sustainable Development Goals (UN SDGs) to demonstrate its commitment to making a positive contribution to society, but making this contribution needs to be taken seriously if the sector is to avoid accusations of 'green washing'.

Demographics

The dominant global long-term trends, which we also see reflected in the Netherlands, are population growth, the ageing of the population, urbanisation and polarisation (at every level). While the global population is set to increase by around two billion people to a total of 9.7 billion people, at the same time a growing number of countries will actually see their populations decline. This will have a significant impact on the relationships between countries, in terms of size, demographic composition and relative distribution on a global level.

On top of this, population concentrations will also change within countries, driven by the ongoing urbanisation trend. This urbanisation is driving strong demand for real estate, but is also creating challenges in terms of liveability, accessibility and affordability in constantly growing cities. Bouwinvest firmly believes that cities that manage to achieve a balance between demographic growth and a safe, affordable and sustainable urban environment will remain the most successful.

Another major trend is the ageing of the global population, driven by ever-rising life expectancy and declining birth numbers. This ageing will drive a shift in preferences in terms of living, working, shopping and leisure time, which will in turn result in a shift in the use of real estate. On top of this, we will see a major change in the ratios of the working and non-working sections of the population, with a strong decline in the former and a sharp rise in the latter. This will in turn demand a different kind of focus from governments, as pressure increases on fiscal resources, on investments in healthcare, pensions, education, new technologies and maintaining economic growth.

Technology and innovation

Venture capital investor interest in technology solutions for the real estate sector (PropTech) is at an all-time high. In the US, Fifth Wall Ventures recently raised almost US$ 500 million for a second proptech fund. More than five European VC funds are fundraising and big Asian funds, like the SoftBank Vision Fund, are setting targets for PropTech. In addition to indirect funding, an increasing number of corporates are investing directly in PropTech start-ups.

Emerging technologies which will affect real estate are for example:

1. **Artificial intelligence** (Swarm intelligence, neural networks, machine learning, affective computing)
2. **Digital manufacturing** (3D printing, 4D printing)
3. **Robotics** (Autonomous vehicles, unmanned aerial vehicles, service robots)
4. **Networks & computing systems** (Big data analytics, Virtual reality, Augmented reality, Smart fabrics, Sensors, Perceptual UIs, Modular electronics, Digital transactions)

As technology prices drop and the speed of adoption grows, the speed at which new solutions enter the market will also accelerate. For the real estate industry, new solutions or services fall in to the following categories: digitalising processes, flexible spaces, healthy places, new construction methods & materials, collaboration platforms, sustainability, virtual reality, digital asset mapping and new ways of funding.

The communications gap between corporates and start-ups seems to be narrowing, with corporates increasing their focus on conducting experiments and hiring data experts to get more out of new solutions. The additional challenge for the corporates will be to integrate new solutions into their existing IT landscapes, while keeping them secure and guaranteeing data privacy. Other industries will transform their businesses more easily by integrating new digital business models that compete with existing markets.

Governance matrix

Governance matrix

	General Meeting of Shareholders		Shareholders' Committee	
	Simple Majority vote (> 50%)	Double Majority vote	Approval rights	Consultation rights
Amendment of the strategy of the Fund		X		X
Liquidation, conversion, merger, demerger of the Fund		X		X
Dismissal and replacement of the Management Company		X		X
Amendment of the Management Fee of the Fund		X		X
Conflict of Interest on the basis of the Dutch Civil Code		X		X
Investments within the Hurdle Rate Bandwidth as specified in the Fund Plan			X	
Related Party Transaction			X	
Amendment or termination of the Fund Documents	X			X
Adoption of the Fund plan	X			X
Deviation from the valuation methodology of the Fund as set out in the Valuation Manual	X			X
Investments outside the Hurdle Rate Bandwidth as specified in the Fund Plan	X			X
Change of Control (of the Management Company)				X
Appointment, suspension and dismissal of managing directors of the Fund (with due observance to the rights mentioned under 3. here above).	X			X
Amendment to the Articles of Association of the Fund	X			
Adoption of the Accounts of the Fund	X			
Information rights on the basis of the Dutch Civil Code	X			
Authorising the management board to purchase own Shares	X			
Reducing the capital of the Fund	X			
Extending the five month term with regard to approval of the Accounts	X			
Providing the management board with the authority to amend the Articles of Association of the Fund	X			
Appointing a representative in the event of a Conflict of Interest	X			
Requesting to investigate the Accounts and the withdrawal thereof	X			
Approval of an Applicant Shareholder to become a Shareholder of the Fund	X			

The rights of the General Meetings of Shareholders and the Shareholders' Committee are shown in the Governance Matrix.

Responsible investment performance indicators

Continued improvement of the Fund's sustainability performance

Impact area	Indicator	Measure	Units of measure	2019	2018	Change
Fund sustainability benchmark	GRESB	Star rating	# stars	4	4	-
	GRESB	Overall score (GRI-CRESS: CRE8)	# [1-100]	85	79	+6

Investing in sustainable real estate

Impact area	Indicator	Measure	Units of measure	2019	2018	% change
Asset sustainability certificate	BREEAM	Green Building Certificates floor space of shopping centres (BREEAM or GPR) (GRI-CRESS: CRE8)	%	87.9%	84.0%	3.9%
		Certificate BREEAM-NL in-use PASS	%	15.9%	48.0%	-32.1%
		Certificate BREEAM-NL in-use GOOD	%	70.5%	36.0%	34.5%
		Certificate BREEAM-NL in-use VERY GOOD	%	1.5%	0.0%	1.5%
		Certificate BREEAM-NL in-use EXCELLENT	%	0.0%	0.0%	0.0%
		Certificate BREEAM-NL in-use OUTSTANDING	%	0.0%	0.0%	0.0%

Reduce Environmental impact

Impact area	Indicator	Measure	Units of measure	2019	2018	% change
Energy performance certificate	EPC	Labelled floor space (GRI-CRESS: CRE8)	%	100.0%	97.4%	2.7%
		Green labelled floor space (A, B or C label)	%	98.4%	95.6%	2.9%
		A labelled floor space	%	86.0%	86.1%	-0.1%
		Average energy index	#	0.80	0.88	-9.1%

Impact area	Indicator	Measure	Units of measure	2019 (abs)	2018 (abs)	% change (LfL)
Energy	Electricity	Total landlord-obtained electricity (GRI: 302-2)	MWh	3,351	3,350	2.5%
	Gas	Total gas consumption (GRI: 302-1)		2,102	3,133	-18.6%
	District heating and cooling	Total district heating and cooling (GRI: 302-2)		-	36	0.0%
	Total	Total energy consumption from all sources (GRI: 302-2)		5,454	6,519	-7.3%
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1)	kWh/m²/year	27	33	-7.3%
		Energy and associated GHG disclosure coverage		21 of 21	22 of 22	
GHG emissions	Direct	Scope 1 (GRI: 305-1)	tonnes CO_2e	405	604	-18.6%
	Indirect	Scope 2 (GRI: 305-2)		1,863	1,867	2.5%
	Total	Total GHG emissions (GRI: 305-2) Scope 1 and 2		2,269	2,471	-2.4%
		Total GHG emissions after compensation		405	609	-18.6%
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)	kg CO_2e/m^2/year	11	13	-2.4%
Water	Total	Total water consumption (GRI:303-1)	m³	18,081	18,968	0.4%
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m³/m²/year	0.24	0.20	0.4%
Waste	Total	Total waste collected (GRI: 306-1)	tonnes	168	151	33.8%
		Recycling rate	%	26%	22%	56.0%

Stakeholder engagement performance

Impact area	Indicator	Measure	Units of measure	2019	2018	% change
Engage with stakeholders	Tenant satisfaction	Response rate (GRI: 102-43)	%	51%	54%	-1%
		Average total score (GRI: 102-43)	#	6.4	6.5	-1.5%
Sustainable stewardship	Considerate constructors scheme	Registered construction projects	#	1 of 2	1 of 2	n/a
		Participation rate (by acquisition price)	%	38.6%	23.8%	62.2%
	Board seats and committee memberships industry organisations, related to the Dutch retail sector	Number	#	2	2	No change

Being a responsible organisation

Impact area	Indicator	Measure	Units of measure	2019	2018	% change
Sustainable agreements	Leases	Number of new leases	#	46	82	-43.9%
		Number of green leases	#	121 of 523	99 of 550	+5.1%

Reporting of performance indicators

The Fund's ambition to increase the coverage and therefore the transparency of its environmental impact according to INREV Sustainability Reporting Guidelines is reflected in the summary of key performance indicators in the table above.

Bouwinvest reports environmental data of those assets where there is management control possible (operational control approach). Data is provided for those assets where we have authority to introduce and implement operating policies and are responsible for purchasing energy and water and handling waste. Our management control differs greatly by asset type (e.g. residential and office); these differences affect the level of influence we have over the sustainability performance of our assets.

Like for like data and changes represents assets which have been fully owned and operational for the full 24 month period in our investment portfolio. It provides insight in the performance of an indicator over time at a constant portfolio scope. The reduction in GHG emissions can be explained by the compensation of carbon emissions through purchase of carbon certificates. This follows the commitment of Bouwinvest to reduce the impact its operations has on climate change.

For the managed portfolio (scope 1 and 2), Bouwinvest reports on total energy consumption including all direct energy sources (gas, fuel oil) and indirect energy sources (electricity, district heating and district cooling). To calculate Greenhouse Gas (GHG) emissions, country and energy source-specific emission factors have been applied. Emission factors change over time. For this annual report most recently available factors for 2019 are used (source: www.co2emissiefactoren.nl).

Energy, Emission and Water intensities are reported only on properties where energy respectively water data is available, using 'shared services' as the numerator and lettable floor area (LFA) as the denominator. 'Shared services' refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered.

In the annual report of Bouwinvest Real Estate Investors B.V. the results of a conducted analysis on material topics and observations on stakeholders and reporting criteria with regard to Bouwinvest and its investment activities in general are included. The responsible investing indicators in this report are aligned with these results and observations where applicable.

Properties overview

Municipality	Street name/property name	Floor space (in m²)	Year of construction/ renovation	Type by strategy	Financial occupancy rate (average)
'S-Gravenhage	Spui - Grote Marktstraat	3,256	1997	Experience	87.1%
'S-Gravenhage	Spuistraat 70	131	1900	Experience	0.0%
Amsterdam	Dukaat	5,438	1999	Convenience	99.0%
Amsterdam	Damrak 70	23,051	2016	Experience	100.0%
Amsterdam	Nieuwendijk 196	5,171	2015	Experience	100.0%
Amsterdam	Nieuwendijk 92	192	1900	Experience	100.0%
Amsterdam	Nieuwendijk 94	200	1900	Experience	100.0%
Amsterdam	Nieuwendijk 107	268	1900	Experience	100.0%
Amsterdam	Ferdinand Bolstraat 105	138	1900	Experience	100.0%
Amsterdam	Beethovenstraat 67	104	1900	Experience	100.0%
Amsterdam	PC Hooftstraat 125	218	1900	Experience	100.0%
Amsterdam	Wolvenstraat 10	180	1900	Experience	100.0%
Amsterdam	Stadionplein	4,451	2016	Convenience	100.0%
Amsterdam	Mosveld	7,608	2016	Convenience	90.6%
Apeldoorn	t Fort	6,319	2001	Convenience	90.8%
Apeldoorn	Hoofdstraat 107-115	4,309	2012	Experience	100.0%
Bergen op Zoom	De Parade	15,220	2009	Other Retail	96.9%
Berkel en Rodenrijs	Berkel Center	10,496	1997	Other Retail	100.0%
Best	Boterhoek 17	1,617	1984	Other Retail	100.0%
Breda	Ridderstraat 10	343	1900	Experience	100.0%
Breda	Ginnekenstraat 42	166	1900	Experience	15.1%
Breda	Ginnekenstraat 57	207	1900	Experience	100.0%
Breda	Ridderstraat 17	466	1900	Experience	100.0%
Delft	Sprengmolen	6,156	2012	Other Retail	100.0%
Denekamp	Lange Voor 10	1,461	1991	Convenience	100.0%
Dordrecht	Krispijnseweg 68	1,236	1949	Convenience	100.0%
Ede	Achterdoelen	3,905	2001	Other Retail	78.4%
Ede	Parkweide	5,409	2015	Convenience	100.0%
Eindhoven	Demer 20-22	480	1951	Experience	100.0%
Eindhoven	Demer 38	694	2012	Experience	100.0%
Eindhoven	Demer 48	869	1950	Experience	94.1%
Eindhoven	Rechtestraat 35	432	1900	Experience	100.0%
Enschede	Kuipersdijk 118	1,441	1992	Convenience	100.0%
Gouda	Goverwelle	6,880	1993	Convenience	99.1%
Gouda	Kleiweg 27-31	1,508	2012	Experience	100.0%
Groningen	Westerhaven	15,181	2001	Other Retail	100.0%
Hasselt	Buiten De Venepoort 5	1,203	1993	Convenience	100.0%
Hengelo	Slangenbeek	3,786	2001	Convenience	100.0%
Kapelle	Weststraat 2	1,517	2001	Convenience	100.0%
Lelystad	De Promesse	15,358	2009	Other Retail	80.1%
Maastricht	Muntstraat 19	261	1900	Experience	97.0%
Nijmegen	Broerstraat 52 en 52A	1,088	1990	Experience	88.9%
Oisterwijk	Pannenschuurplein 32	1,426	1986	Convenience	100.0%
Rijssen	Laan Oud-Indieganger 5	1,059	2011	Convenience	100.0%
Rosmalen	Molenhoek	4,810	1992	Convenience	100.0%

Municipality	Street name/property name	Floor space (in m^2)	Year of construction/ renovation	Type by strategy	Financial occupancy rate (average)
Rosmalen	Centrumplan	6,296	2018	Convenience	94.6%
Rotterdam	Prinsenland	4,551	2007	Convenience	100.0%
Rotterdam	Beijerlandselaan	3,093	2014	Other Retail	98.3%
Rotterdam	WTC	8,094	1987	Experience	99.9%
Tilburg	Heyhoef	10,800	1997	Convenience	100.0%
Tilburg	Heuvelstraat 24	3,236	2017	Experience	100.0%
Tilburg	Heuvelstraat 36-38	359	1905	Experience	100.0%
Tilburg	Wagnerplein 18	1,385	1997	Convenience	100.0%
Utrecht	Steenweg 43	275	1900	Experience	100.0%
Utrecht	Steenweg 41	265	1905	Experience	81.7%
Weert	De Muntpassage	15,815	1996	Other Retail	90.0%
Zoetermeer	Oosterheem	11,679	2012	Convenience	97.8%
Zoutelande	Westkapelseweg 10	2,084	2015	Convenience	100.0%
Zwolle	Het Eiland	6,853	2001	Other Retail	88.4%
		240,496			**96.5%**

Key information over five years

All amounts in € thousands, unless otherwise stated

	2019	2018	2017	2016	2015
Statement of financial position					
Total assets	996,404	981,296	898,815	832,920	747,515
Total shareholders' equity	979,393	969,680	888,896	824,201	738,335
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	129.60	118.16	117.77	114.76	108.84
Net earnings (in €)	123.15	147.75	190.59	215.61	116.48
Net asset value IFRS (in €, at year-end)	2,760.03	2,766.60	2,717.59	2,640.21	2,537.12
Net asset value INREV (in €, at year-end)	2,777.16	2,789.93	2,739.67	2,650.14	2,547.83
Result					
Net result	43,659	48,675	61,059	64,250	32,150
Total Expense Ratio (TER)	0.5%	0.5%	0.5%	0.5%	0.5%
Real Estate Expense Ratio (REER)	0.9%	0.9%	0.8%	0.8%	0.9%
Fund return					
Income return	4.2%	3.5%	4.5%	4.5%	4.4%
Capital growth	0.1%	2.0%	3.2%	4.0%	0.1%
Total Fund return	4.3%	5.6%	7.8%	8.6%	4.5%
Portfolio figures					
Investment property	965,495	945,586	864,868	765,613	526,093
Investment property under construction	0	12,898	11,941	12,711	193,051
Gross initial yield	5.4%	5.5%	5.7%	5.8%	6.8%
Total number of properties	nvt	63	49	47	42
Average monthly rent per square metre (in €)	nvt	229	234	233	225.19728
Financial occupancy rate (average)	96.5%	95.2%	95.6%	94.7%	94.2%
Sustainability (A, B or C label)	98.4%	95.6%	98.8%	85.2%	82.2%
Property performance (all properties)					
Income return	4.9%	5.0%	5.2%	5.2%	5.0%
Capital growth	0.4%	1.9%	2.8%	4.1%	0.30%
Total property return	5.3%	7.0%	8.0%	9.3%	5.3%
MSCI (Netherlands Property Index) retail real estate (all properties)					
Income return	4.8%	4.9%	5.3%	5.3%	5.9%
Capital growth	(2.9)%	0.1%	0.40%	(1.5)%	(1.9)%
Total return MSCI (NPI)	1.8%	5.0%	5.7%	3.8%	3.8%

Colophon
Text: Bouwinvest
Concept: Bouwinvest
Design and production: Cascade - visuele communicatie bv

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Bouwinvest
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