

Bouwinvest **Real Estate Investors** B.V.

2019

Annual Report



Apartments, Rotterdam, The Netherlands, Up:Town (Dutch Residential Fund)

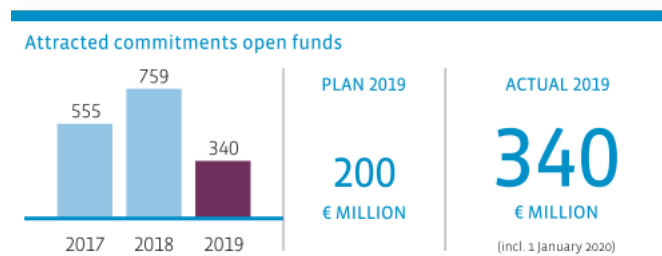
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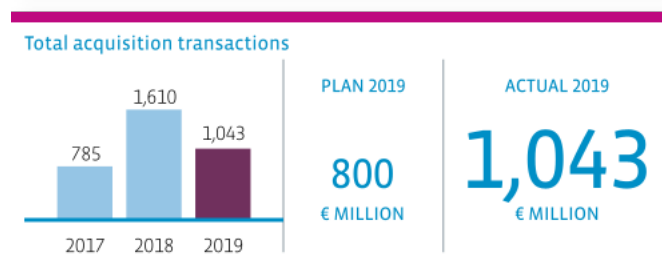
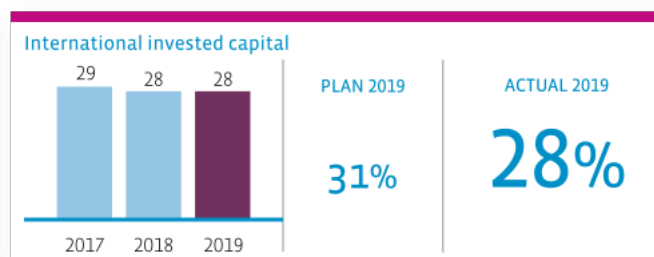
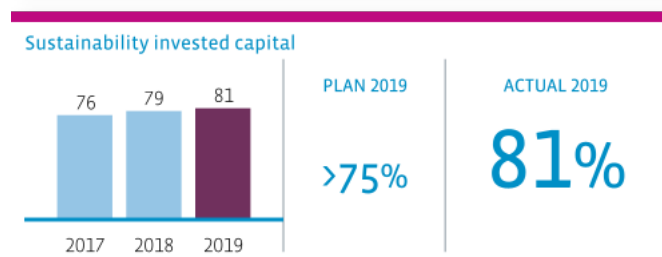
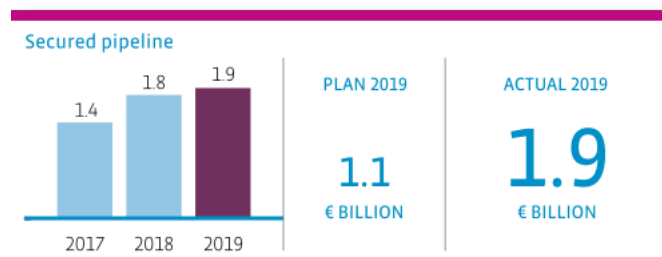
2019 at a glance

Key figures

Investment Portfolio - Capital Funds and Mandates

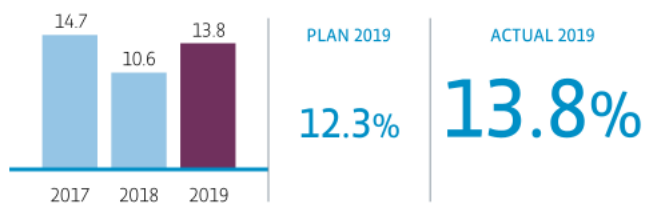


Investment Portfolio - Investments

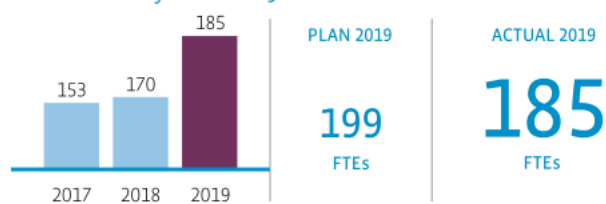


Management Company

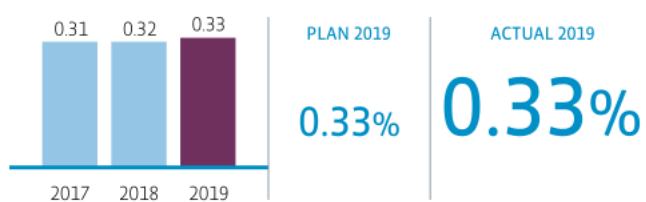
Return Bouwinvest



Number of FTEs year-end 2019



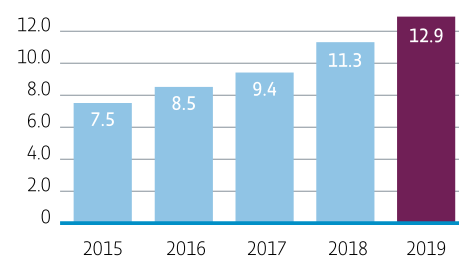
Cost ratio



Invested capital

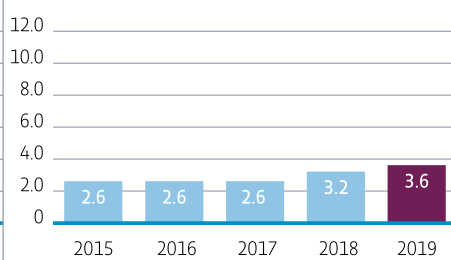
Total

€ X BILLION



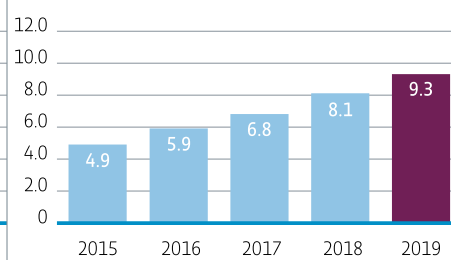
International

€ X BILLION



the Netherlands

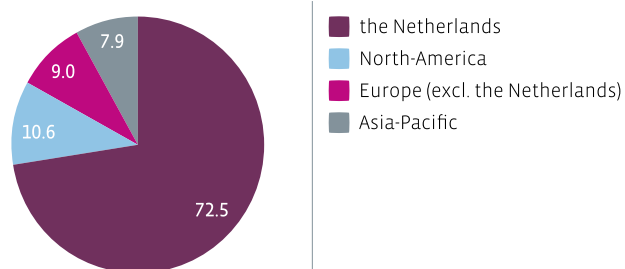
€ X BILLION



Distribution invested capital

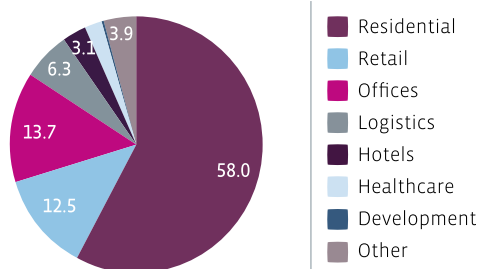
Regions

PERCENTAGE



Sectors

PERCENTAGE

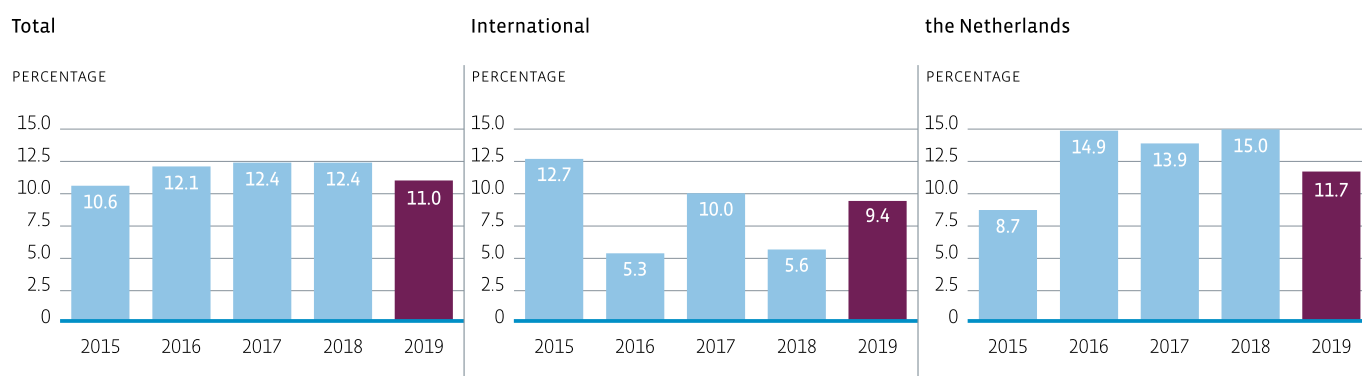


Distribution invested capital funds and mandates

x € thousand, unless stated otherwise

	2019	2018
Europe Mandate	1,190,287	1,105,832
North America Mandate	1,369,889	1,170,903
Asia-Pacific Mandate	1,063,245	893,324
Dutch Residential Fund	6,529,289	5,761,761
Dutch Retail Fund	979,393	969,680
Dutch Office Fund	1,077,155	771,241
Dutch Hotel Fund	333,192	259,111
Dutch Healthcare Fund	262,368	178,443
Other	128,637	167,516
	12,933,455	11,277,811

Return on invested capital



Transactions

x € million

Transactions	2019	2018
International		
Europe Mandate	114	100
North America Mandate	218	442
Asia-Pacific Mandate	171	311
	503	853
The Netherlands		
Dutch Residential Fund	422	480
Dutch Retail Fund	8	53
Dutch Office Fund	-	167
Dutch Hotel Fund	25	-
Dutch Healthcare Fund	85	57
	540	757
Total	1,043	1,610

Tudorpark fase 2

Residential units, Hoofddorp, the Netherlands
(Residential Fund)



Orlando

Affordable Housing, Florida, North America
(North America Mandate, Avanth)



Bethelpark

Residential units, Delft, the Netherlands
(Residential Fund)



Autumn

Offices, Hong Kong, China
(Asia-Pacific Mandate, Pan-APAC Offices (PAG))



Steenweg 41

Experience, Utrecht, the Netherlands
(Retail Fund)



Villa Verde

Intramural care, Harderwijk, the Netherlands (Healthcare Fund)



Overview Responsible Investment & Business

	Europe Mandate	North America Mandate	Asia-Pacific Mandate	Residential Fund	Office Fund	Retail Fund	Hotel Fund	Healthcare Fund
GRESB participation	90%	80%	65%	✓	✓	✓	✓	✓
GRESB star rating 2019 GRESB*	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
(average) GRESB score	80	74	84	84	93	85	83	79
Share of sustainable investments (GRESB 4/5 stars)	47%	28%	31%	100%	100%	100%	100%	100%

* On the basis of invested capital GRESB participants year-end 2019

Key information over five years

x € thousand, unless stated otherwise

	2019	2018	2017	2016	2015
Number of shares (actual)	225,000	225,000	225,000	225,000	225,000
Net result	4,264	3,175	4,660	2,595	4,422
Per share	18.95	14.11	20.71	11.53	19.65
Assets under management	12,933,455	11,277,811	9,424,012	8,456,869	7,495,325
Total assets	47,952	47,301	43,287	36,889	33,010
Shareholders' equity	34,416	33,152	33,977	29,317	29,422
Per share	152.96	147.34	151.01	130.30	130.76444
Solvency ratio	72%	70%	78%	79%	89%
Management fee income	46,129	38,474	34,288	30,722	30,503
Personnel costs	27,868	24,867	20,846	19,276	17,959
Number of FTEs (year-end)	184.7	169.7	152.5	136.6	131.1
Personnel costs per FTE	150.9	146.5	136.7	141.1	137.0
Fee per FTE	249.8	226.7	224.8	224.9	232.7

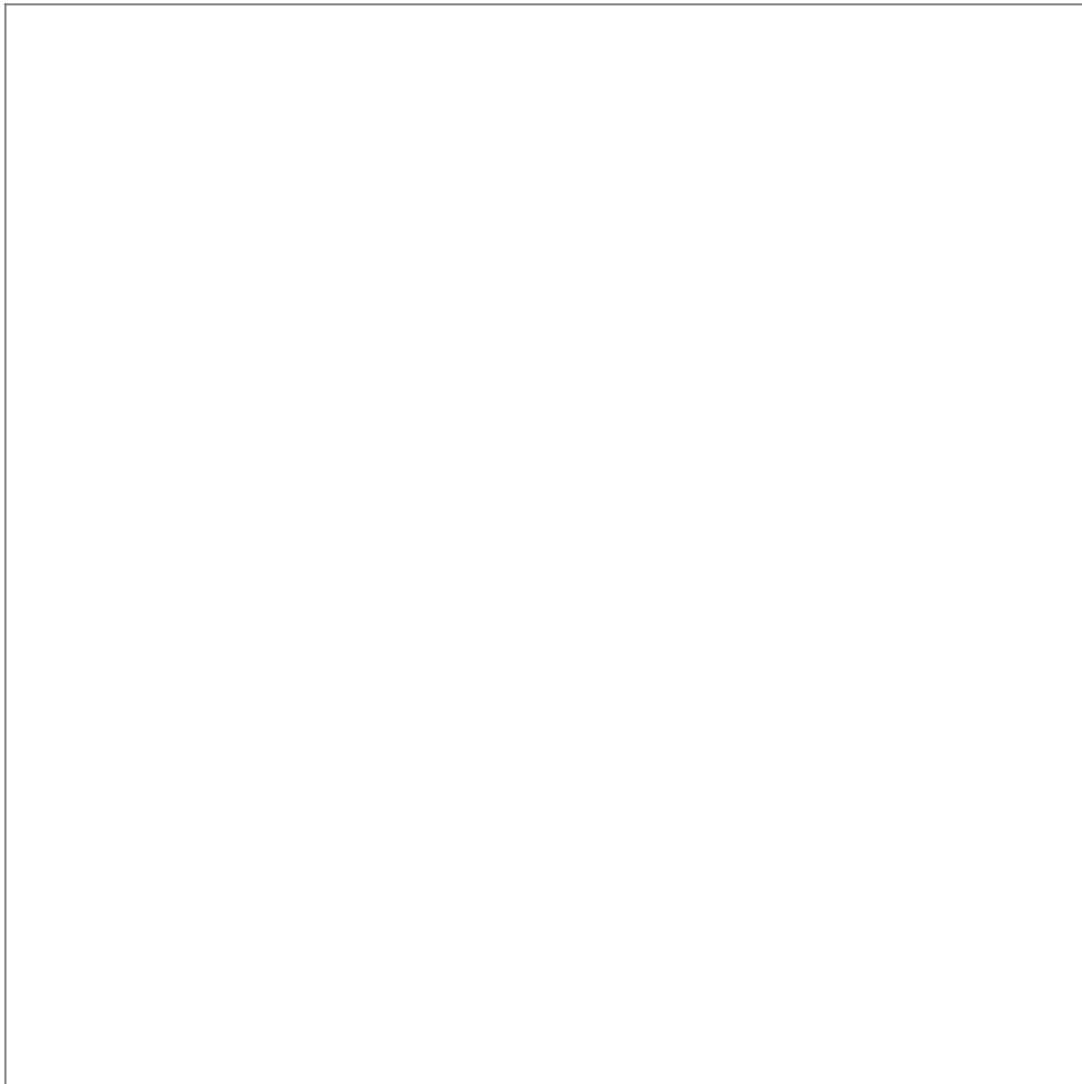
Message from the CEO

Dear shareholder,

Last year was a good year for Bouwinvest Real Estate Investors. We recorded a double-digit return for the fifth successive year and invested capital increased to € 13 billion. The year began with the recruitment of a completely new Supervisory Board. In addition to this, Rianne Vedder was appointed Chief Financial & Risk Officer and second statutory director. We also made solid progress on the spearheads in our Business Plan *Move up to the Next Level* – client focus, sustainability and internationalisation.

In connection with the client focus spearhead, Bouwinvest conducted its first ever extensive reputation survey. We interviewed 45 of our most important stakeholders for this survey. Clients, consultants that advise pension funds, our international partners, Dutch developers and municipal authorities gave us an average score of 7.8. We scored highly on items such as entrepreneurship, solidity, enthusiasm, collaboration, expertise and track record. We want to maintain those strengths, but there is also room for improvement. Our stakeholders expect us to be more transparent, to improve the information we give them and to have a clear profile on the sustainability front. In 2019, we increased the number of clients to 25 and we attracted € 340 million in new capital to be invested.

Our invested capital scored above average on the sustainability front. More than 80% of our portfolio has a GRESB four or five-star rating. Our Healthcare Fund made particularly strong progress last year, with a leap to four stars, from one star the previous year. And GRESB named our Hotel Fund global sector-leader for the second year in a row.



We also made solid progress in terms of the internationalisation of our business. We opened our Sydney office and our New York office is scheduled to open in early 2020. Our three international mandates in Europe, North America and Asia-Pacific now have a total of € 5 billion in entrusted capital, with € 3.6 billion of this already invested. In 2019, Bouwinvest signed some € 0.5 billion in new international transactions. These included investments in logistics real estate in Australia, rental homes in China, offices in Northern Europe, offices in Asian metropolitan areas and affordable rental homes in North America.

Our Dutch sector funds also had a good year in 2019. For instance, the funds acquired € 540 million in real estate assets. Our investments included homes in the mid-rental segment, in Delft (Bethelpark), Ede (Simon Stevin), Haarlem (De Meester), Zwolle (Breezicht) and Eindhoven (De gebroeders). We acquired properties in Heerenveen, Harderwijk and Zoetermeer for our Healthcare Fund. The Office Fund saw the delivery of the former Citroën buildings (The Olympic Amsterdam) in Amsterdam-Zuid. And the Retail Fund completed the redevelopment of Goverwelle shopping centre in Gouda and Muntpassage shopping centre in Weert.

We attach a great deal of importance to being a good employer. After all, our results depend on the commitment and dedication of our employees. We scored 7.8 in last year's employee satisfaction survey, once again making Bouwinvest one of the 'best employers in the financial sector'.

The outlook for the funds and mandates for the coming period will depend strongly on the rapidly spreading coronavirus. The global impact of this pandemic on society as a whole and the world's economy is currently uncertain. We have taken measures to safeguard the continuity of our services, but cannot at this time say what impact this pandemic will have on our business and the returns on our invested capital.

I would like to thank our clients for their trust in Bouwinvest over the past year. I would also like to thank our employees for their commitment and collaboration, and their contribution to our excellent results.

Dick van Hal, CEO and statutory director



Assisted Living (premium)

Zeist
the Netherlands
Aliantus
(Healthcare Fund)

Society and our organisation

Trends

Global demographic developments are marked by urbanisation, globalisation and ageing. Digitalisation is having major impact on how we live. The need to be more sustainable is greater than ever and political tensions are emerging right across the world. It is in this world of constant change, some gradual and some very sudden, that Bouwinvest makes its long-term investments.

Demographic developments

The dominant global long-term trends, which we also see reflected in the Netherlands, are population growth, ageing, urbanisation and – at every level – polarisation. While the global population is set to grow by around two billion to 9.7 billion people over the next 30 years, an increasing number of countries will actually see their populations decline. For instance, Europe is expected to see its population shrink in the coming decades (through to 2050). And China will also see a slight decline in population, while the US will record moderate growth in population numbers. This will change how countries compare with each other, in terms of size, demographic composition and relative distribution at a global level.

Population concentrations are also changing within individual countries, driven by the urbanisation trend. According to World Bank forecasts, in 20 years some 92% of Americans will be living in urban areas, compared with the current 83%. China is expected to see the proportion of people living in cities increase to 80% in 2050, compared with the current 60%. In 2040, three quarters of the Dutch population will be living in cities with 100,000 or more inhabitants.

This urbanisation will create an enormous demand for real estate, but will also create a number of challenges in terms of liveability, accessibility and affordability in ever-growing cities. Bouwinvest believes that major urban centres that manage to achieve a balance between demographic growth and a safe, affordable and sustainable urban environment will continue to be successful.

On a global level, we will see an ageing of the population, driven by increasing life expectancy and declining birth rates. For instance, in the Netherlands one in four people will be 65 or older in 2035; and one in six of these people will be 85 or older. This ageing will drive a shift in preferences in terms of how we live, how we work and how we spend our leisure time, and this in turn will also change the mix of real estate we will need. On top of this, the ratio of the working population to the non-working population will decline. That in turn will require a different kind of focus from local and national governments, with pressure on fiscal resources, on investments in healthcare, pensions, education, new technologies and maintaining economic growth.

Continued internationalisation of the academic world and employment, the growth of the Asian middle class and the increasing importance of the 'experience economy' are ingredients that are expected to drive a rising demand for hotel rooms and student accommodation. The current coronavirus situation will have a negative impact on this development.

Technical changes

In the coming decades, digitalisation, artificial intelligence and robotification will have a major impact on how we live, work, shop and get around. Smart buildings can help improve the comfort of our homes and our living environment. At the same time, the introduction of new technologies will also have an impact on how we work, and potentially on the office market. The growth of the international online retail market will reduce the demand for brick and mortar stores, but will also drive increasing demand for logistics real estate.

These rapidly changing technological developments will create opportunities for real estate investment managers, but they will also have to remain vigilant. Real estate investment managers will have to anticipate and respond to these trends and developments, to seize opportunities and limit the attendant risks.

To do this, real estate investment managers will have to use increasingly advanced methods to make the best use of the information they already have access to and new information that will become available in the future.

Sustainability and climate change

Countries are becoming increasingly aware of the need to take action to tackle the negative effects of climate change, the lack of sustainability and increasing social inequality. This is resulting in new legislation and new standards in the fields of renewable energy, maintaining biodiversity, cutting back on the waste of raw materials and the functioning of the labour market. We still have countless problems to overcome; these include reducing the environmental impact of building materials, keeping urban areas affordable, the availability of skilled workers, safe working conditions and the availability of affordable sustainability measures.

On a global level, awareness is growing that we need to do something to bring the warming of the earth and rising CO₂ emissions to a halt. The Paris Climate Agreement and the United Nations' Sustainability Development Goals provide guidance for the actions we need to take. And an increasing number of countries are indeed taking action. The Dutch Climate Agreement includes a target to reduce CO₂ emissions by 49% in 2030 compared with 1990 and 95% by 2050. And the country has set very ambitious targets with respect to the use of primary raw materials: 50% less primary raw materials in 2030 and a waste-free economy by 2050.

The built environment accounts for 30% of global CO₂ emissions and the construction industry is a major user of raw materials. We will see a growing global demand for sustainable and circular buildings among the buyers and users of real estate. We also expect to see steady growth in sustainable mobility, including the use of public transport, which will make developments close to public transport hubs attractive investments.

The World Economic Forum considers climate-related risks one of the biggest threats to our prosperity. The physical risks (floods, heavy rainfall, drought, heat and extreme winds) are increasing, but the transition risks are also growing as a result of additional legislation governments are introducing to put a brake on global climate change. There is a risk that an increasing number of places on earth will become uninhabitable. Not only will this drive demand for climate-resilient real estate in certain parts of the world; it could also lead to social unrest.

The Dutch real estate market has been overshadowed by the recent rulings on nitrogen emissions. This is making it more difficult to get building permits in the vicinity of conservation areas. The concentrations of PFAS in soil are another problem.

Political developments

In 2019, the political world was dominated by the Brexit negotiations in Europe, growing geopolitical tensions, trade restrictions, including those between the US and China, and the prolonged protests in Hong Kong against more political interference from China. Even now these are still major issues and they are having a negative impact on economic growth.

On top of this, we have seen populists emerge firmly at the forefront of political discussions in a number of European countries, although there are certainly countries where this trend has been halted, or even reversed. However, populist sentiments can result in economies that are more closed than they are right now, which could in turn result in a shrinking European economy.

Market developments in 2019

The global economy declined once again last year and is expected to come in at above 2%. In view of the recent events related to the worldwide spread of the COVID 19 virus, at the moment this annual report was completed it was impossible to predict how the global economy will develop in 2020 and beyond. This also marks the start of a period of uncertainty on the world's real estate markets.

Bouwinvest has taken measures to safeguard the continuity of its services and is now focusing on managing the attendant risks of this global pandemic.

We hope to have more detailed information on the consequences for our portfolios and the management organisation before the completion of the quarterly reports of our real estate investments and the management organisation for the first quarter of 2020. In the meantime, we will continue to keep our stakeholders apprised of the latest insights.

Our role in society

Bouwinvest believes financial and social returns go hand in hand. By investing in better and more sustainable real estate, we make a positive contribution to well-being and health. And that in turn is good for the stability of our financial returns. These are the areas that people will still want to live, work, shop and stay in the future.

Mission

We enhance pension benefits by investing responsibly in sustainable real estate worldwide.

Vision

The future of institutional real estate investment managers will be determined by both financial and social returns. This is because in a period of low interest rates and low coverage rates, pension funds and insurance firms are looking for alternative investment opportunities. At the same time, investors expect a great deal more from real estate investment managers than just financial returns.

Investors are faced with a growing global population, climate change, continuing urbanisation, rapid technological developments and the call for more transparency. By investing in all real estate sectors, an investment manager can make a positive contribution to people's well-being and by doing so generate social returns.

Given ongoing globalisation, we believe in the power of a global approach with a local focus on collaboration. Our organisation is both large and small at the same time. We are large enough to make a difference in the markets in which we operate, and small enough to know and serve our clients personally.

Our impact on society

Bouwinvest uses a value creation model. This helps us to gain insight into which financial, social and human capital we use, how we add value to that capital and what value this ultimately creates for society. This involves both financial and non-financial value. Gaining insight into the value we create helps our company to reflect on the impact we have on society and then act appropriately, all in a fully integrated manner.

Bouwinvest value creation model

Input



Business model

Our mission

We improve pension benefits by investing responsibly in sustainable real estate worldwide.

Core processes

- Client management
- Real estate investments & management
- Human Resource management

What we do

We invest in sustainable real estate, with a focus on rental income and for the long term, for our clients, pension funds and insurance firms.

Core values

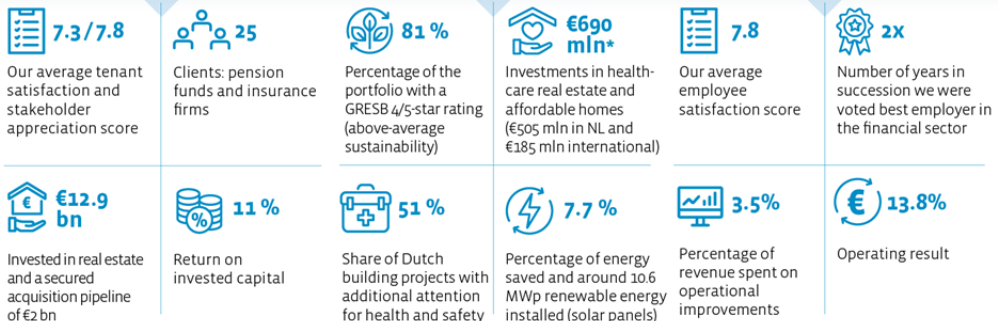
- + We are experts
- + We are straightforward
- + We go the extra mile
- + We inspire trust

Clients, growth & financial returns

Social returns

Organisation & employees

Output



Impact

Pensions

We contribute to pension incomes.

Sustainable and liveable cities

We contribute to healthy, safe and inspiring places where people want to live, work and spend time now and in the future.

We reduce the impact of real estate on the climate by decreasing CO₂ emissions from buildings.

Real estate sector

We contribute to the professionalism and integrity of the real estate sector.

11 SUSTAINABLE CITIES AND COMMUNITIES



We invest in real estate with an above-average sustainability rating and affordable homes.

7 AFFORDABLE AND CLEAN ENERGY



We reduce energy use and invest in renewable energy.

8 DECENT WORK AND ECONOMIC GROWTH



We engage partners on health, safety and working conditions at construction sites.

3 GOOD HEALTH AND WELL-BEING



We invest in healthcare real estate, healthy buildings and lifecycle-proof homes.



* investments since 2018

Bouwinvest, YE 2019

How we create value

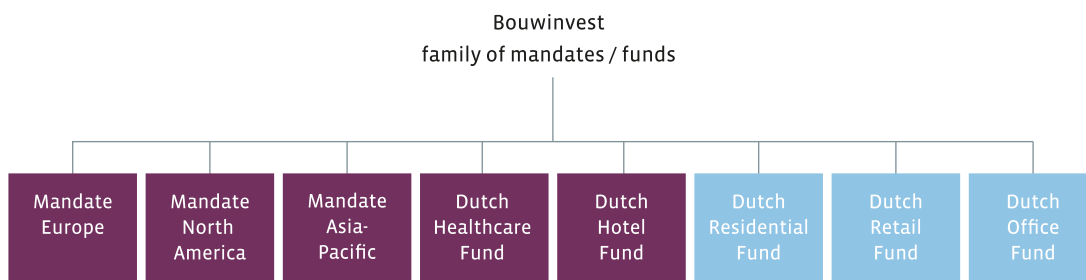
Strategy

Bouwinvest invests globally in metropolitan areas in 10 countries and in six sectors. This strategy enables Bouwinvest to derive the maximum benefit from trends and developments, such as population growth, urbanisation and globalisation. What is more, this international approach ensures that Bouwinvest can benefit from various economic cycles in the fastest-growing real estate markets. Given these trends, Bouwinvest expects to increase its invested capital to € 17 billion in 2022.

Although the world is globalising, we see real estate as a local business and believe long-term cooperation is essential to finding and making the right acquisitions. This is why we decided to open an office in Sydney and why we are planning to open an office in New York. We expect this to enable us to seize opportunities more quickly and to work more closely with our local network. In the Netherlands, Bouwinvest manages its own real estate portfolios, we work in close cooperation with our Dutch partners and we play an active role in a number of real estate sector platforms.

Market proposition

Bouwinvest manages three international mandates and five Dutch sector funds. Three of the funds – Residential, Retail and Office – are open to investors. We currently have 25 clients that have invested in our funds. We manage the other funds and the mandates exclusively for bpfBOUW, the pension fund for the construction industry.



Client focus

To make sure we execute our strategy correctly, Bouwinvest has made our clients our number one priority. Clients entrust their capital to Bouwinvest for the long term. It goes without saying that they expect us to provide them with top-quality and all-inclusive service, which we believe requires proactive and transparent communications. The competition in our sector is also increasing. Clients are much more demanding in terms of social returns as a supplement to financial returns. What this means is that ‘we need to say what we do and we need to do what we say’ - in terms of investment exposure, returns, risks, costs, sustainability and liquidity.

To find out what our stakeholders think of us, in 2019 we conducted our first ever reputation survey. We conducted this survey in addition to our employee satisfaction and tenant satisfaction surveys. It replaced last year’s client satisfaction survey. For this new survey, we interviewed a total of 45 of our most important stakeholders, all of whom we work with on a regular basis. These are a representative selection of ambassadors and critics among our clients, consultants that advise pension funds, international partners and Dutch chain partners, such as construction firms and developers, plus municipal authorities. They gave us an average score of 7.8.

To maintain this score and preferably improve it, we want to continue to invest in close client relationships and proactive communications. We will look back and look forward and we will follow current affairs even more than we do right now. In 2019 and 2020, we were faced with various geopolitical developments, such as growing trade wars, the Brexit turmoil and unrest in the Middle East, as well as bush fires in Australia and the coronavirus. All these developments required us to act proactively.

Material aspects

Bouwinvest considers the insights and expectations of the world around us as extremely important. This is why we are in constant dialogue with our stakeholders and why we incorporate current issues in our strategy policies and operations. To gain an understanding of the most important aspects, we update our materiality matrix on an annual basis. Last year we also conducted an extensive materiality analysis and opted to refine our materiality matrix on the basis of desk research and an internal review session. Following this review, we combined a number of aspects and broadened their scope. For instance, we added the aspect climate-neutral buildings, replacing

energy-efficient buildings to widen the scope of this aspect. We also added the aspect Safety & Health to extend the scope of the aspects safety in the building process and healthy buildings.

You will find this materiality matrix in the appendices.

Integrity and transparency

Trust is crucial if we are to attract investors. This is why we see integrity, honesty and transparency as major priorities. Our management communicates openly regarding its decision-making and financial and non-financial business performance. Bouwinvest adheres to international reporting standards, such as the Global Reporting Initiative (GRI).

We have an independent compliance function that identifies, assesses and monitors the company's compliance risks and provides advice and reports on same to the Executive Board of Directors. Our Compliance function uses the Bouwinvest Compliance Cycle to plan and execute the most important activities and to report on same.

Climate-neutral buildings

The built environment uses some 40% of the world's energy and potentially accounts for 30% of global CO₂ emissions. This makes it very important to improve the energy performance of buildings and to target lower energy use per square metre. Climate-neutral buildings have an impact on energy use and therefore also on the goal to reduce global CO₂ emissions.

Climate-neutral buildings have lower (service) costs, higher comfort levels and better occupancy rates. This makes them much more likely to retain their value, plus they are better prepared for the future tightening of laws and regulations driven by the likes of the Climate agreement. We will realise an energy-efficient 'Paris-proof' real estate portfolio by investing in buildings with highly insulated shells, the application of smart, modern heating, cooling and lighting systems and onsite renewable energy generation. This is how we help combat climate change and comply with the Paris climate agreement (COP21).

We see energy labels and the measurement of actual energy use per square metre (energy intensity) as methods to help us realise an energy-efficient portfolio. Our goal is to have a climate-neutral portfolio in the Netherlands by 2045. To achieve this, we will have to reduce energy use by around 5% each year.

Limiting the CO₂ emissions of our real estate portfolio

The climate is changing due to the fact that earth's temperature is rising. This is because more and more greenhouse gases such as CO₂ are being emitted into the earth's atmosphere. Real estate accounts for a significant share of these greenhouse gases. As an investor in buildings, we consider it our responsibility to make a contribution to the fight against climate change.

We want to help combat climate change by minimising the use of materials and energy, by investing in well-insulated buildings, the generation of renewable energy in and on our buildings and by working towards a fossil fuel-free real estate portfolio. We work to achieve this goal with a long-term ambition for 2045. Sustainable building certificates provide us with insight into the steps we still need to take. We are reducing our direct emissions (gas), 'greenifying' our electricity and we opt for renewable energy sources for our buildings, such as solar panels, heat pumps and thermal energy storage systems.

In addition to reducing our direct emissions by making use of sustainable energy sources, we also look for opportunities to use more sustainable materials and technologies to reduce the CO₂ emissions from our real estate. We also engage the users of our real estate in these processes.

Satisfied tenants and users

The satisfaction levels of the tenants and users of our buildings is a good indicator of whether those buildings and the related services we offer are meeting their expectations. Bouwinvest listens to its tenants and users to gain a better understanding of their wishes and requirements, now and in the future. Satisfaction surveys and the questionnaires we submit to tenant panels provide us with useful insights on a regular basis. We use the results of these surveys to improve our processes and products.

Both Bouwinvest and its property managers maintain regular contact with tenants and users. Each quarter, they share their experiences with tenants and users with each other. To gain a better understanding of customer

contacts and the quality of the services we provide for tenants and users, we digitalise the customer journey wherever this is possible.

We are convinced that satisfied tenants and users contribute to stable rental income and reduce the risk of vacancy. Bouwinvest strives for a minimum average tenant satisfaction score of 7.

Client focus and satisfaction

Retaining the trust of institutional investors, such as pension funds and insurance firms, is essential to Bouwinvest's future growth. Clients entrust their capital to us for the long term. We safeguard Bouwinvest's continuity by serving the interests of our clients. In cooperation with bpfBOUW, we have drawn up a policy document with respect to active share ownership in the listed portfolio.

We maintain a permanent dialogue with our clients regarding their wishes. Bouwinvest conducts regular satisfaction surveys among its clients and strives for a minimum client appreciation score of 7.5.

Satisfied and engaged employees

Bouwinvest's success depends very heavily on its employees. It is thanks to their dedication and commitment that we are able to record such outstanding results and meet our targets. Satisfied and engaged employees act as our ambassadors and are vital to the continuity of our organisation.

Bouwinvest wants all its employees to be satisfied and engaged, and measures these indicators every two years via a survey. We strive for a minimum average satisfaction score of 7.5.

Cyber security and privacy

Bouwinvest considers data security as strategically important. Clients and tenants should be able to trust that their personal data is well protected. Bouwinvest has strict procedures in place to prevent cybercrime. All of our critical operating processes are backed up by IT applications. From a governance perspective, IT data security is an integral part of the risk management process. One of the defined risks in the scheduled IT Risk Assessment is the threat of a cyber-attack. To mitigate this risk, we have designed a number of control measures and we carry out regular tests.

Because we work with chain partners in real estate, we conduct annual surveys at our partners to check the effective operation of their control measures and IT security around Bouwinvest data. We measure our own cyber security on an annual basis via an assessment by an external partner. This shows that we are well protected. Our goal is to manage our data effectively, exclude substantial incidents on the personal data front and to have our cyber security defence and response in order.

In addition to data security measures, Bouwinvest has also designed policies and processes for the processing and correct handling of personal data, to meet our obligations pursuant to the General Data Protection Regulation (GDPR). We use the annual Systematic Integrity Risk Analysis (SIRA) to evaluate privacy and the processing of personal data. Bouwinvest has a privacy officer who oversees our compliance with requirements pursuant to the law and internal policies.

IT and data-related components inside a building in our real estate portfolio fall outside the management scope.

Affordability

We consider the affordability of homes to be an important issue, as we have been investing in Dutch urban areas for 20 years or more. Liveable, affordable and inclusive cities offer a better guarantee for the attractiveness of an area and therefore the value retention of the buildings in that area. People want to live, work and stay in these areas now and in the future. This provides our clients with a long-term stable return on real estate.

Bouwinvest strives to offer sufficient homes for which there is an above-average demand, such as affordable rental homes and affordable homes in combination with healthcare. This is why we focus in particular on the addition of (care) homes in the mid-rental segment. Not only in the largest cities in the Netherlands, but also elsewhere in the world. The realisation of affordable (care) homes depends on a number of conditions: availability of building locations, feasible land prices and the room for an appropriate rental policy.

New technologies and innovation

The world around us is changing at an incredible pace. Technological changes could help improve our business, but could just as well threaten our business in the long run. This is why Bouwinvest keeps a very close eye on new technological developments.

We are actively involved in various platforms, such as Holland Contech & PropTech. This enables us to maintain contacts with entrepreneurs in the fields of artificial intelligence, blockchain, Internet of Things and other new technologies. We also exchange know-how and run pilots. Predictive analysis based on big data, process automation, digital communications platforms and innovations devised by new FinTech companies can help us to keep both our investments and our business operations future proof.

Innovations focus on user experience, circularity and sustainability and the way we work (all of which can help us improve the quality of our investment decisions). All three help us to record better results for our stakeholders.

Health & safety

People spend a good part of their days in a home, an office or a school. Despite this, the indoor climate of many buildings is still unhealthy. This is why the realisation of healthy buildings is currently on the rise. Bouwinvest works on the realisation of healthy buildings via the use of various green building certificates. By certifying buildings with broad-ranging sustainability labels, we make sure that these buildings are more than just energy-efficient and that they take the environment into account; first and foremost, they are a healthy living environment for their users.

Healthy buildings make a positive contribution to the productivity and the well-being of their users. This is why Bouwinvest takes a critical look at, among other things, the quality of the installations to be used and why we are committed to the use of natural materials. We focus on the health aspect via various green building certificates (BREEAM and GPR Building). We also devote attention to the safety of living environments. We plan to make all our Dutch real estate portfolios heart safe.

The impact of the buildings we invest in begins at the start of the construction process. After all, a building site has an impact on its immediate environment. Our priorities are the safety, health and working conditions of employees and limiting the inconvenience for the immediate environment. The Considerate Constructors (Dutch: Bewuste Bouwers) code of conduct offers concrete guidance, above and beyond all legal requirements, for consciously working with a view to the local surroundings, the environment, safety and minimising inconvenience. We advocate the use of the use of this code for all building sites.

The challenge we face on this front is that we have limited influence on the use of the code. In the case of new-build projects, we generally sign turnkey agreements with project developers, while only contractors can apply for Considerate Constructors certification. Despite this, we have set ourselves the goal of having at least 50% of the building sites we invest in (new-build and redevelopments) registered under the Considerate Constructors scheme every year.

Climate-resilient buildings

The impact of climate change is becoming more and more visible. Physical risks are increasing, but transition risks are also growing as a result of additional legislation governments are introducing to put a brake on global climate change. This means we need to devote more attention to the risks stemming from climate change and the financial impact this will have.

Bouwinvest charts the exposure of the buildings in its Dutch portfolios to climate risks. We do this via a so-called climate stress test, which combines climate data and building information. This measures the likes of potential hindrance or damage due to flooding, heat stress inside and outside buildings and subsidence due to drought and soil compaction. We want a clear picture of whether our current – and future – investments are climate resilient, both in the short term and around 2050. At the same time, we are analysing which (control) measures we need to take to prevent damage to our buildings and to safeguard the safety and well-being of the users of those buildings.

Report of the Executive Board of Directors

In the Business Plan 2019-2021 'Move up to the next level', Bouwinvest set itself a number of goals. These included an average long-term return of 5% to 7% per year, excluding currency exchange effects, an annual transaction volume of € 800 million and a GRESB 4 or 5-star rating for at least 75% of our total invested capital.

Bouwinvest also set itself the target of scoring a minimum of 7.0 in its tenant satisfaction surveys and is still targeting a minimum of 7.5 in its client and employee satisfaction surveys. To support the growth of the organisation, Bouwinvest will increase the number of FTEs working at the organisation to 200 in 2021. With 185 FTEs in 2019, we are well on track to achieve this target. Bouwinvest also set itself the target of fleshing out investment strategies for emerging markets (Asia) and opening local offices in New York (North America) and Sydney (Asia-Pacific) in the plan period 2019-2021.

Bouwinvest realised the following targets in 2019: the return on invested capital came in at 11%, excluding currency exchange effects, the transaction volume stood at € 1,043 million and 81% of Bouwinvest's invested capital had a GRESB 4 or 5-star rating. In addition, tenant satisfaction stood at 7.3, while the average stakeholder appreciation and employee satisfaction scores both came in at 7.8.

Strategy for responsible investment and business

Bouwinvest's goal is to realise a solid return on sustainable real estate investments for institutional investors and their participants. Because we invest for the long term, we do this in a responsible manner. Sustainability criteria in the fields of environment, society and good governance (ESG criteria) play an important role in all our business operations.

As a real estate investor, we feel it is our responsibility to play our part in the search for solutions that will help improve the environment and society as a whole. We want to have a positive impact through our business activities (social return):

- **Financial contribution to pension income**
 - We contribute to pension incomes.
- **Liveable and inclusive cities and areas**
 - We contribute to healthy, safe and inspiring places where people want to live, work and spend their time both now and in the future.
 - We reduce the impact of real estate on the climate thanks to CO₂ reduction.
- **Future-proof real estate sector**
 - We contribute to the professionalism and integrity of the real estate sector.

To make sure we can continue to generate sustainable returns in the long term, we include environmental, social and governance (ESG) criteria in all our investment decisions. This is in line with the United Nations Principles of Responsible Investment (UN PRI), which we have signed. By underwriting the UN PRI, we recognise the importance of responsible investment and we publicly commit to the implementation of the six principles in our investment process. We are also committed to achieving the targets laid down in the Paris climate agreement. Our long-term goal is to have a 'zero carbon, nearly energy-neutral' portfolio (energy index of 0) in 2045 - a so-called 'Paris-proof' portfolio.

On the way to achieving a Paris-proof portfolio, our target is to make sure at least 75% of our invested capital has an above-average sustainability rating (GRESB 4 or 5 stars) by 2021, and to make a positive contribution to the United Nations Sustainable Development Goals (UN SDGs).

- Sustainable cities and communities (SDG 11): We invest in real estate with an above-average sustainability rating and affordable homes.
- Affordable and clean energy (SDG 7): We reduce energy use and invest in renewable energy.

- Decent work and economic growth (SDG 8): We maintain an active dialogue with our partners on the aspects health, safety and working conditions at building sites.
- Health and well-being (SDG 3): We invest in healthcare real estate, healthy buildings and lifecycle-proof homes.



By acting in line with the tenets of corporate social responsibility, we want to create an environment in which all the employees in our organisation take responsibility for the impact of their actions on the environment and society as a whole. Our strategy is focused on reducing the environmental impact of the management organisation, increasing employee satisfaction and broader community engagement. In addition to this, we offer financial support to activities with a social impact and that increase knowledge within our organisation and the real estate sector as a whole.

Responsible investment

Portfolio results 2019

x € million

Funds and mandates	Size 2019	Target size 2022	Secured pipeline 2019	Return 2019	Relative performance 2014 - 2018
North America Mandate	1,370	1,665	441	11.5%	0.9%
Europe Mandate	1,190	1,671	182	6.4%	0.8%
Asia-Pacific Mandate	1,063	1,718	252	10.6%	0.0%
Dutch Residential Fund	6,529	8,172	784	11.5%	1.6%
Dutch Office Fund	1,077	1,317	134	20.3%	(2.2)%
Dutch Retail Fund	979	1,055	0	4.3%	2.1%
Dutch Hotel Fund	333	559	34	22.3%	-
Dutch Healthcare Fund	262	538	71	7.7%	-
Bouwinvest Development	65				
Other	64				

Europe Mandate

The European portfolio recorded a return of 6.4% 2019 (2018: 4.7%). At year-end 2019, the European portfolio was valued at € 1.2 billion. In 2019, 47% of the investments in the European portfolio had above-average sustainability scores (GRESB 4 or 5 stars). The energy use of the assets declined by 1.4% and CO₂ emissions fell by 1.2%.

The European mandate made a total of € 143 million in new investments in 2019, largely in offices and logistics centres. The Europe Mandate has an investment of € 182 million.



Suresnes

Residential and healthcare real estate
Paris, France
(Europe Mandate, AEW Residys)

North America Mandate

The North American portfolio recorded a return of 11.5% (2018: 4.3%). At year-end 2019, the portfolio was valued at € 1.4 billion. Currently, 28% of the investments in the North American portfolio have above-average sustainability score (GRESB 4 or 5 stars). The energy use of the assets declined by 0.3% and CO₂ emissions were cut back by 0.4%.

The North America Mandate has an investment pipeline of € 441 million. In 2019, Bouwinvest invested a total € 348 million in this region, with investments in affordable homes, healthcare real estate and logistics real estate. The latter investment is focused specifically on small distribution centres in cities in the eastern part of the United States, including Chicago, Dallas, Houston, Atlanta, Philadelphia, Baltimore-Washington and central and southern Florida.



Truck Service Area

Last Mile Logistics
Orlando, North America
(North America Mandate,
High Street Logistics Properties)

Asia-Pacific Mandate

De Asia-Pacific portfolio recorded a return of 10.6% in 2019 (2018: 8.9%). At year-end 2019, the portfolio was valued at € 1.1 billion. Last year, 31% of the investments in this portfolio had above-average sustainability scores (GRESB 4 or 5 stars). The energy use of the assets in the Asia-Pacific Mandate declined by 2.5% and CO₂ emissions fell by 9.1%.

The Asia-Pacific Mandate has an investment pipeline of € 252 million and invested a total of € 209 million in 2019. Last year, this mandate invested in offices, retail real estate, logistics and student accommodation. For instance, the mandate invested € 88 million in metropolitan areas in the Asia-Pacific region. This was an investment in a portfolio that includes office buildings in Tokyo, Osaka, Hong Kong, Seoul and Auckland.



Autumn

Offices

Hong Kong, China

(Asia-Pacific Mandate, Pan-APAC Offices (PAG))

Residential Fund

The Residential Fund recorded a total return of 11.5% in 2019 (2018: 18.2%), with an income return of 2.3% (2018: 2.5%). Capital growth came in at 9.1% in 2019 (2018: 15.4%). At year-end 2019, the Fund had invested capital of € 6.5 billion. The Residential Fund retained its GRESB 4-star rating in 2019. The CO₂ emissions from the assets in the Residential Fund increased by 10.3% last year, as a result of an increase in gas consumption. Energy use fell by 2.2% in 2019. The Fund has 22 clients, who signed new commitments for a total of € 190 million in 2019.

The Residential Fund has an investment pipeline of € 784 million and last year signed transactions for € 422 million in new assets. For instance, the Fund invested in 30 natural gas-free apartments in The Hague. The Residential Fund also acquired three projects with 177 homes in Rijswijk, Hoofddorp and Zwolle; invested in 316 homes in Delft and acquired 115 apartments in the De Open Veste project in Purmerend. The Fund also made two investments in Eindhoven: 139 rental apartments in the De Gebroeders project in the Oud-Strijp neighbourhood and 99 apartments in the NEXT project in the Strijp-S neighbourhood. The majority of the homes will be rented in the mid-rental segment.



Zonnehoeve

Residential

Apeldoorn, the Netherlands

(Residential Fund)

Retail Fund

In 2019, the Retail Fund recorded a total return 4.3% (2018: 5.6%). This was the result of an income return of 4.2% (2018: 3.5%) and capital growth of 0.1% (2018: 2%). At year-end 2019, the Fund had total invested capital of € 979 million. The Retail Fund once again retained its GRESB 4-star rating. The energy use of the assets in the Retail Fund declined by 7.3% in 2019, while CO₂ emissions fell by 18.6%. In 2019, the Fund's clients committed a total of € 78 million, taking total commitments to € 90 million. The Fund currently has seven clients.

At this moment, the Fund's investment pipeline is empty. The transaction volume came in at € 8.2 million in 2019. In line with its strategy, the Fund invested in shopping centres for daily goods (convenience). For instance, the Fund completed the modernisation of the Goverwelle centre in Gouda. The Fund also invested in retail units in main shopping streets, including another retail unit on the Demer shopping street in Eindhoven. Following this acquisition, Bouwinvest now has more than 2,000 m² of retail space on this street.



Zoutelande

Convenience

Westkapelseweg 10, the Netherlands
(Retail Fund)

Office Fund

The Office Fund recorded a total return of 20.3% in 2019 (2018: 11.4%). The income return came in at 2.3% (2018: 2.2%) and capital growth amounted to 17.8% (2018: 9.1%). At year-end 2019, the Office Fund had total invested capital of € 1,077 million. Last year, the Office Fund once again retained its GRESB 5-star rating (the highest). The energy use of the assets in the Office Fund declined by 10.2% in 2019, while CO₂ emissions fell by 7.8%. In 2019, the Fund's clients committed a total € 72 million. The Fund currently has seven clients.

The Fund has an investment pipeline of € 134 million and did not sign any new transactions in 2019. January saw the start of construction on the Central Park office building (28,000 m²) in Utrecht. The redevelopment of the former Citroën buildings on the Stadionplein in Amsterdam was also completed last year.



Move

Offices

Amsterdam, the Netherlands
(Office Fund)

Hotel Fund

The Hotel Fund delivered a total return of 22.3% in 2019 (2018: 17%), with an income return of 4.2% (2018: 4.9%) and capital growth of 17.6% (2018: 11.7%). At year-end 2019, the Fund had total invested capital of € 333 million. The Hotel Fund once again improved its GRESB score considerably in 2019 and raised its GRESB rating to four stars. GRESB named the Hotel Fund the global sector leader in unlisted real estate funds for the second year in a row.

The Hotel Fund has an investment pipeline of € 34 million and signed transactions worth € 25 million in 2019. Hotel Boat & Co in Amsterdam-Houthaven was officially delivered in 2019. Boat & Co offers an innovative hotel concept with 82 spacious hotel apartments, bar and restaurant, spa and gym.



Boat&Co

Hotel
Amsterdam, the Netherlands
(Hotel Fund)

Healthcare Fund

The Healthcare Fund recorded a total return of 7.7% in 2019 (2018: 8.1%), with an income return of 2.8% (2018: 3.0%) and capital growth of 4.8% (2018: 5.0%). At year-end 2019, the Fund had invested capital of € 262 million. The Healthcare Fund improved its sustainability performance considerably in 2019 and was awarded a GRESB 4-star rating, up from a 1-star rating in 2018.

The Fund has an investment pipeline of € 71 million. In 2019, the Fund signed transactions totalling € 85 million for investments in independent care apartments and intramural care facilities in Rijswijk-Buiten, Zoetermeer and Heerenveen. The Healthcare Fund also acquired a care facility in Harderwijk. This facility will be built flexibly and in line with circular building principles and will meet the standards required for WELL certification.



Rosorum

Assisted Living (premium)
Amersfoort, the Netherlands
(Healthcare Fund)

Sustainable real estate investments

Our sustainable real estate investment strategy focuses on the continuous improvement of our sustainability performance by investing in sustainable real estate, improving stakeholder value and acting as a responsible organisation.

Investing in sustainable real estate

Our main goal is to ensure that at least 75% of our invested capital has an above-average sustainability rating (GRESB 4 or 5 stars) by 2021. The share of investments with above-average sustainability scores increased by 2% to 81% in 2019 and is now more than 6% above the minimum target of 75%. This increase was largely due to the fact that the Hotel Fund and the Healthcare Fund were both awarded GRESB 4-star ratings for the first time in 2019. GRESB also named the Hotel Fund global sector leader in the unlisted funds category.

Each quarter, Bouwinvest reports to shareholders on its sustainability performance at fund, mandate and group level. In the third quarter, we provide investors with the updated strategy and the plan per fund/mandate for the next three years. When we update our strategy, we evaluate the previous targets and if necessary we adjust our approach and the targets.

Bouwinvest has raised its target for the percentage of sustainable investments, which came in 81% in 2019, so well above the original minimum target of 75%, to a minimum of 80% for the next three years. Our approach will remain the same.

In 2019, Bouwinvest participated in the PRI benchmark for the first time. For both the strategy and governance module and the property module, we scored an A+, the highest possible score.

Target for improving sustainability performance

In 2021, at least 75% of the invested capital has an above-average sustainability rating (GRESB 4 or 5 stars)	On track: 81.3%
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Our sustainable real estate investment strategy is based on two pillars: certified sustainable real estate and reducing our environment impact.

Certified sustainable real estate

Sustainability certificates demonstrate the quality of our buildings, provide us with insight into the current status of our investments in terms of sustainability and potential improvements. We use internationally accepted green building certificates to measure and assess the overall sustainability of our buildings and portfolios.

For the Residential Fund and the Healthcare Fund, Bouwinvest uses the GPR label. The GPR label scores the sustainability performance of buildings based on five themes, including health. The GPR label assesses the reduction measures of noise nuisance, sufficient influx of fresh air, comfortable ventilation and sufficient presence of daylight. In addition, the GPR label process checks user quality, which includes the likes of a safe living environment.

The Retail, Office and Hotel funds use BREEAM-NL certification. BREEAM assesses asset performance and building management on eleven health aspects, comparable to the GPR aspects noise, air quality, thermal comfort, light and visual comfort and user quality. Any acquisitions made by the Dutch funds are subject to strict minimum building label requirements and Bouwinvest has raised its target scores for the standing portfolios. This is how Bouwinvest plans to realise a sustainable portfolio, but also a healthy one. Each year, we evaluate the spread in the portfolio and draw up a plan for improvements. While health has so far been an integral part of the certification schemes, we expect future assessments to look more closely at the specific scores of the underlying aspects that make up a sustainability certificate.

A building that has been certified as sustainable helps to combat climate change and generates broader social, economic, ecological and health benefits. We are convinced that gaining insight in the sustainability performance of our assets reduces risk, ensure higher returns and increases the attractiveness of our real estate and portfolios. In 2019, Bouwinvest was once again one of the biggest clients for the certification of new-build plans using BREEAM-NL. During the Provada property trade fair, Bouwinvest received its 200th GPR building certificate. Bouwinvest was also a co-investor in The Spiral office building (260,000 m²) in New York. Thanks to a number of adjustments in the final design phase of this project – partly at the behest of Bouwinvest – the intended LEED sustainability certificate was adjusted upward to Gold.

The percentage of buildings with green building certificates in the Dutch funds increased to 98.2% in 2019 (2018: 62%). And we also saw an increase in the percentage of buildings with sustainability labels among the GRESB participants in the international mandates. What is more, the international portfolio scored higher than the global average in terms of sustainable building certificates.

Reducing environmental impact

Last year, we once again reduced the environmental impact of the Dutch portfolio via renewable energy generation, i.e. the installation of solar panels and thermal energy storage systems. In addition to this, we include sustainability improvements in strategic maintenance projects. For instance, the use of modern energy-efficient climate control systems, smart lighting systems and the use of new technologies and innovations can all reduce the environmental impact of our assets and portfolios.

Each quarter, the realised reduction in energy use and CO₂ emissions per sector fund is reported to the Executive Board of Directors and investors, evaluated and. In the third quarter, Bouwinvest updates and refines the fund plans for the coming three years and submits these to the investors in the funds for approval. When Bouwinvest updates the strategy for the funds, it evaluates the ESG targets (including the reduction of energy use and CO₂ emissions). And if necessary, we adjust our approach and our targets.

Over the past few years, the Dutch Residential Fund has implemented a wide range of energy-saving measures and acquired many energy-efficient homes. Thanks to these efforts, 100% of the properties in the residential portfolio had been awarded green energy labels as of 2019.

We see cooperation and targeting real energy use reduction as an essential part of the effort to meet the targets laid down in the Paris Climate agreement. As part of this effort, the Office Fund and technical services provider ENGIE signed the Energy Performance Contract for the WTC The Hague. The aim of this contract is to continue to reduce the energy use in the WTC The Hague in the coming years, effectively making the building Paris-proof, so it can meet the Paris climate targets (for offices: 50 kWh/m²).

The Retail Fund also initiated a collaboration with Albert Heijn. As part of this agreement, we have installed solar panels on the Molenhoek shopping centre in Rosmalen. Bouwinvest leases these panels to Albert Heijn and the energy generated is used to provide electricity for the Albert Heijn supermarket in the centre.

In 2019, Bouwinvest's Dutch portfolio had a total installed sustainable energy capacity of 9.4 MWp. This was in an increase of 4.6 MWp, due in part to the installation of 1.0 MWp of solar panels on homes in the residential portfolio. This puts us well on track to achieve our target of installed capacity of 12.5 MWp by year-end 2021.

In 2019, the final reduction in energy use amounted to 7.7% for the Dutch funds open to investors and 1.1% for the international mandates. The Dutch portfolio reduced CO₂ emissions by 6.8% and the international mandates reduced emissions by 3.5%.

The 6.8% reduction in emissions exceeds our target of 3%. In the year ahead, we will be looking at whether we can include the reduction of CO₂ emissions in the quarterly reports, to increase the evaluation frequency.

We will continue to devote attention to making sure we have full and complete access to accurate energy use data in time. To improve the access to energy use data, since 2019 we have been working on gaining direct access to energy use data via an environmental data management system. We have now completed the pilot we ran in 2019 and this helped us draw up a tender for a system that will have to be suitable for all types of property and environmental data. In 2020, we will make a start on the implementation of this system. We have also determined a baseline year for each fund for the calculation of reduction targets from 2020 onwards.

On top of this, we have been devoting an increasing amount of attention to climate risks, such as floods, drought, heat and extreme winds. Extreme weather conditions could have an impact on real estate investments, due to the likes of physical damage, the rising costs of resources or changing demands in terms of products and services. This is likely to result in higher maintenance costs, higher insurance costs or limited availability or coverage of insurance policies, but in extreme cases could also result in the permanent loss or (partial) decline in the value of a building, due to changes in the demand for certain products/locations.

This is why Bouwinvest has started to map out its current portfolio's exposure to climate risks. We are doing this by combining climate data with building data and other data. In 2020, we will continue to roll out the analysis in terms of asset and portfolio-specific risks, together with appropriate measures.

In addition to being a big user of energy, the built environment – and the real estate sector – is a major user of raw materials. Circular development and building will be necessary to arrive at a new real estate economy and a sustainable building industry. Buildings built according to circular principles generally have a lower environmental impact, as they tend to reuse what are often scarce raw materials and to reduce waste flows. In addition, circular real estate is more sustainable and generates broader social, economic, ecological health benefits. This is why Bouwinvest, too, has set its sights on circularity. In 2019, we invested in a healthcare facility (Villa Verde) in Harderwijk that will be built according to circular building principles.

On top of this, a team of people from accountancy firm Deloitte, materials passport provider Madaster and eight leading real estate owners, including Bouwinvest, have conducted research into the added value of circular building. This research clearly demonstrates the financial impact of integrating the reuse value of materials in buildings in circular business cases.

Target for sustainable buildings	
100% of Dutch portfolio labeled in 2020	On track: 98.2%
Target for environmental impact	
Reduction of 5% per year	Achieved: -7.7%
12,5 MWp of installed capacity in 2021	Achieved: c. 10.6 MWp

Improving stakeholder value

Bouwinvest strives to optimise the long-term relationships with its stakeholders. Our most important stakeholders include our clients, local operators, tenants and employees. Clients provide us with capital to invest, local operators help us to invest in buildings outside the Netherlands, our Dutch tenants use our buildings and our employees are essential to achieving our targeted results.

To monitor what our main stakeholder groups think about us, where we could improve our services, or in fact where we are doing well, we regularly conduct various satisfaction surveys. We conduct an annual tenant satisfaction survey, and biennial employee and client satisfaction surveys. The results and improvement points are discussed with the Executive Board of Directors and we publish the outcome in the annual report.

Last year, we conducted our first ever reputation survey, to gain a better understanding of how our stakeholders rate us and what we as an organisation can improve. For this survey, we organised interviews with 45 of our main stakeholders. Clients, consultants who advise pension funds, international partners, Dutch developers and municipal authorities gave us an average score of 7.8. We score highly on items such as entrepreneurship, solidity, enthusiasm, collaboration, expertise and returns. This is something we want to maintain, but there is also room for improvement. Our stakeholders expect us to be more transparent, to provide more information and they want us to have a clear profile on the sustainability front.

Clients see Bouwinvest as a good and professional player. Consultants see Bouwinvest as an effective, solid and professional player. At the same time, both clients and consultants would like to receive timely information on the likes of disappointing results or issues.

International partners are enthusiastic about Bouwinvest. Our peers recognise the development Bouwinvest is going through, but do question our international ambitions. Chain partners value Bouwinvest as a reliable, solid and pleasant partner to work with. Industry organisations see Bouwinvest as an engaged member committed to the sector. Municipal authorities see Bouwinvest as one of the top players in the real estate sector, but find us too modest when it comes to our contribution to cities and communities.

We measure satisfaction among our tenants via an annual tenant satisfaction survey. The teams who are in direct contact with our tenants evaluate the outcome of the surveys. We include any actions necessary to improve the customer journey in our annual planning cycle. We publish the results of the survey in our annual report and discuss these with our property managers so they can make their contribution to improving tenant satisfaction. In 2019, our average tenant satisfaction score was 7.3, which was above our minimum target.

Other initiatives to meet the needs of our tenants include the new tenant portal we developed in 2019. We expect this to help us improve the information we provide to our tenants. In addition, shared mobility company Hely is installing mobility hubs at a number of residential complexes in urban areas. These offer tenants a sustainable alternative to owning and using their own cars. These hubs offer the likes of (electric) shared cars, bikes and cargo bikes that are available to all the tenants in a complex. Hely completed the first hub in Amsterdam North last year.

We also want to contribute to the industry-wide awareness of the environment and social issues. For instance, we teamed up with GRESB to organise the GRESB Annual Results event. One of the aims of this event was to exchange know-how on the consequences of climate risk within the real estate sector.

In 2019, we devoted specific attention to the standard framing and closing of green leases. These contracts include a clause in which both the landlord and the tenant commit to cooperate to make a building more sustainable. Landlords frequently require access to user data, to improve monitoring and to make any sustainability-related efforts more effective. At the same time, landlords commit to listening to any requests tenants may have with regards to improving a building's sustainability.

We are also working full out in the building sector to improve safety, sustainability and local communications through the certification of our building sites. In its agreements with project developers and construction companies, Bouwinvest includes a condition that the building sites in question should be registered with the Dutch Considerate Constructors scheme (Stichting Bewuste Bouwers). This code of conduct provides the entire project team with concrete guidance on how they can consciously work with a view to the local area, the environment and safety and with less inconvenience for local residents, and goes much further than the legal minimum requirements. In 2017, we set ourselves the target of having more 50% of our building projects registered under the Considerate Constructors scheme each year. Every six months, the percentage of Considerate Constructors building sites is reported to the Executive Board of Directors and to our shareholders. If necessary, we then make adjustments. We publish these results in our annual report and they are audited by our external auditor. In 2019, 51% of our building sites were registered under the scheme (2018: 46%). Last year, we also took a seat on the Advisory Board of the Considerate Constructors Foundation.

Because we achieved our target for 2019, our ambition is now to increase that percentage. To achieve this, from 2020 onwards, in the acquisition phase of a project we will initiate a dialogue with project developers on safety in the construction phase.

Bouwinvest is an active member of various sector organisations and is involved in a range of sustainability and liveability-related initiatives. For instance, Bouwinvest is an active participant in the Sustainable Renovation Deltaplan of the Dutch Green Building Council (DGBC). This is a long-term sustainability programme for shops, supermarkets, offices, logistics centres and social real estate, including schools and healthcare institutions. The goal is to meet the Paris targets for real estate, but earlier than the date of 2050 set by the Dutch government cabinet. Bouwinvest is participating in both the umbrella working group for the sector as a whole and the working group for retail and office real estate.

The members of the Bouwinvest Executive Board of Directors and its employees actively participate in 50 boards and working groups at organisations such as ULI, IVBN, INREV, ANREV, GRESB, DGBC, NEPROM and FSC Nederland. Bouwinvest is also a partner in the Holland Metropole initiative. Last year, Bouwinvest joined Platform31, Stichting Kennisontwikkeling Gebiedsontwikkeling (Knowledge Exchange Area Development - SKG) and the Dutch National Renovation Platform (NRP).

Targets for improving stakeholder value

Conducting a client and tenant satisfaction survey every two years	Achieved: client satisfaction score 7.8
Satisfaction score of > 7	Achieved: tenant satisfaction score 7.3
Minimum of 50% of building sites registered as Considerate Constructors scheme ('Bewuste Bouwers')	Achieved: 51% registered

Being a responsible organisation

Bouwinvest believes it is important to run its business on the basis of integrity, honesty and transparency and we respect the interests of those with whom we maintain relationships. We have embedded these values throughout our organisation and included them in our code of conduct. We believe integrity, honesty and corporate social responsibility are essential to ensure that we do our work properly.

The housing shortage in the Netherlands, primarily in the mid-rental segment with rents between € 720 and € 1,000, in the country's major cities, is a problem we all face. Bouwinvest considers the affordability of homes to be important, not least because we have been investing in urban areas for 20 years or more. We believe that liveable, affordable and inclusive cities provide a better guarantee for the value retention of our investments. This gives us the best chance of long-term stable returns for our clients. We are closely involved in the discussion on affordable mid-rental segment homes. Our contribution is as follows:

- In 2019, we maximised the rental increases of our liberalised sector rental homes at inflation plus 0.5%, following a maximised rental increase of inflation plus 0.5% in 2018. This is a temporary solution, but it has an immediate positive impact for tenants.
- We have set ourselves the target that 60% of our residential investments must be in affordable mid-rental segment homes.

- We were involved in the agreements with the municipal authorities of Utrecht and Amsterdam for the realisation of affordable rental homes.

The Residential Fund's acquisition team monitors the number of mid-rental segment homes that are acquired. When making acquisitions, investment proposals explicitly indicate whether and how many mid-rental segment homes are included in the complex and what requirements have been set for mid-rental segment homes. At the end of the year, the result is explained in the Residential Fund's annual report.

Our investments are less vulnerable to legal, financial and reputation risks as they are a good match with what society requires from us. This also applies to our fiscal conduct. Bouwinvest does not therefore see taxes as a cost item that must be minimised, but as an investment in infrastructure, the legal system and the communities of the jurisdictions in which we invest.

In concrete terms, this means that Bouwinvest takes in to account international initiatives focused on combatting tax evasion and the promotion of greater transparency regarding fiscal matters. Nor do we wish to abide solely with the letter of the law, but also act in accordance with the intention behind legal rules and tax treaties.

We took part in a debate on the culture of the real estate world and the need to continue to boost integrity and transparency in the sector.

A responsible organisation can be expected to organise its procurement in a socially responsible manner. In 2019, Bouwinvest adjusted its procurement policy and made this more sustainable. This is about more than just prices. We also take into account the impact purchasing products has on people and the environment.

Target for being a responsible organisation

Zero incidents as a result of negligence	Achieved: No issues
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Summary of results in 2019

In 2019, Bouwinvest achieved the following results on the sustainable real estate investment front:

	Results responsible investment
Continuous improvement of our sustainability performance	<p>81% above-average sustainable investments total portfolio (GRESB 4/5 Stars) (2018: 79%)</p> <p>100% of the Dutch investments had GRESB 4/5 stars in 2018 (2018: 94%)</p> <p>35% of investments in the international mandates had GRESB 4/5 stars in 2018 (2018: 41%)</p> <p>Transparency:</p> <p>As they did last year, all the Dutch sector funds participated in GRESB.</p> <p>79% of the international mandates (on the basis of invested capital) participated in GRESB. This is a rise of 4%-point compared with 2018</p> <p>Sustainability performance:</p> <p>The Dutch funds have an average GRESB score of 85 points (2018: 79)</p> <p>The average GRESB score of the international mandates in 2019 (79 points) is equal to previous year and seven points higher than the GRESB global average in 2019 (72 points)*</p>
Investing in sustainable real estate	<p>Sustainable building certificates</p> <p>98% of the total floor space of the Dutch funds has been awarded a sustainable building certificate (2018: 62%)</p> <p>The International mandates scored a weighted average of 57 points (2018: 56) on the component sustainable building certificates in GRESB. This is two points higher than the global average (55 points).*</p> <p>Reducing environmental impact</p> <p>Renewable energy:</p> <p>The buildings in the Dutch funds had solar panels generating c. 10.6 MWp of electricity in 2019. This was an increase of 4.7 MWp compared with 2018.</p> <p>12% of the energy consumption of the international investments came from renewable sources in 2019.*</p> <p>Reduction of energy consumption:</p> <p>The Dutch portfolio recorded a like-for-like energy reduction of 7.7% compared with 2018 and a reduction of 6.8% in GHG-emissions.</p> <p>The International mandates recorded a 1.1% reduction in energy consumption in 2018 compared with the previous year and a reduction of 3.5% in GHG-emissions.*</p> <p>Energy-efficient buildings:</p> <p>98% of the Dutch portfolio has a green label (51% A-label) and the average energy index improved to 1.10</p>
Improving stakeholder value	<p>51% of the construction projects were registered under Considerate Constructors Scheme (2018: 46%).</p> <p>36 of Bouwinvest's employees have active positions on 50 boards or working groups in sector related organisations i.e. IVBN, ANREV, INREV, AFIRE, VBA, ULI, DGBC and NEPROM</p>

* Results of the most recent GRESB benchmark 2019

Responsible business

Sustainable business operations

We see corporate social responsibility as much more than simply complying with minimum laws and regulations. Responsible business practices play a role in every choice we make. By definition, this does of course create dilemmas, as we have to make decisions in that area of conflict between financial profit and social returns. The challenge for us is to act according to the principle of corporate social responsibility in a way that is appropriate for Bouwinvest, that responds to the expectations of our stakeholders and creates added social value. Our strategy is focused on reducing the environmental impact of the management organisation, increasing employee satisfaction and engagement and community engagement in a broader sense.

Environmental impact management organisation

The management organisation is also working on reducing its environmental impact. Last year, we took measures to make our head office more sustainable and modernised the climate control system. Following the completion of the renovation works, we expect the building to be awarded a BREEAM-NL-In-Use VERY GOOD rating. Thanks to the addition of energy-efficient technical installations, new climate ceiling systems, LED lighting and solar panels, the

building's energy label improved to A from C. Our goal is to reduce the energy consumption of our head office, in cooperation with the owner, to the Paris-proof norm of 50 kWh/m² in the years ahead.

In connection with the renovation and refurbishment of the head office, we do not have any complete and representative data on energy use or for the total environmental impact of the management organisation in 2019. We have therefore decided to not report on energy use and our CO₂ footprint in 2019. In 2020, we will once again have representative data on our environmental impact, which we expect to show the effects of the measures we took last year.

Wherever possible, we target the reduction of our CO₂ footprint. One negative effect of our international growth is the increase in CO₂ emissions due to business flights. We try to prevent or reduce CO₂ emissions as much as possible through the use of digital communications or alternative forms of transport. In addition, we have decided that from 2020 onwards, we will offset all our business flights. We will offset any emissions we caused last year retroactively.

Growing management organisation

In a fiercely competitive environment, we are steadily increasing our focus on providing our clients with good and effective services. Not only have we adjusted and improved our process and working methods; changing circumstances also require that our employees 'Move up to the Next Level'. The changes the organisation is undergoing can be seen, for one, in the growth of the number of employees. In 2019, we added 20 FTEs to take our total workforce to 185 FTEs. More specifically, we added even more expertise in the fields of innovation, sustainability and corporate social responsibility, data analysis and IT. Due to the ongoing internationalisation of our business activities, this included hires for our offices in Australia and North America. Despite the tight labour market, Bouwinvest has little problem recruiting new talent, due in part to Bouwinvest's solid track record as a good employer. And last year, Bouwinvest was once again awarded the three-star 'Best Employer' title by Effectory.

Our HR policy involves more than just the successful recruitment and effective onboarding of our new employees; we also devote a great deal of attention to fostering a positive working climate. We have drastically refurbished and improved our Amsterdam head office, including the addition of a flexible, welcoming and healthier working environment. As part of this, we have also made the food and drinks on offer in our company restaurant more varied and healthier.

Increasing employee satisfaction and engagement

Bouwinvest attaches a great deal of importance to being a good employer. Last year, we devoted a great deal of attention to the social connection between our employees, pleasant working conditions, good employment terms and conditions and appropriate remuneration. To promote the flexibility and career progression of our employees, as part of our new job classification system, we created groups of positions with comparable responsibilities.

In the biennial employee satisfaction survey we conducted in 2019, Bouwinvest was given a score of 7.8, well above average when compared with the benchmark score of 7.3 for the financial sector. One of the most important findings in this survey was that employees gave their own engagement a score of 8.1, compared with an average of 7.4 in the financial sector. We also scored well on motivation. Bouwinvest employees gave themselves a score of 7.9, compared with the benchmark score of 7.3.

In 2019, absenteeism was below the average in the Dutch financial sector. To help us quickly integrate new employees, we have developed a buddy system. This helps in the onboarding process and boosts and accelerates engagement with the Bouwinvest organisation. For the fourth year in a row, a group of colleagues completed a personal leadership training course and last year we launched a Colleague Coaching programme. In addition, due to the rising retirement age, we devoted extra attention to the development of older employees.

Community engagement & sponsoring

In 2018, Bouwinvest launched the Promotion of Community Service scheme for our employees. Each employee is now allowed to devote one working day per year to a good cause via the DeedMob platform. Last year, 108 employees made use of this scheme, clocking up around 864 hours in voluntary work, way above the expected minimum of 500 hours. Most activities were carried out by teams of people. They organised meals for homeless people and helped a group of elderly people suffering from dementia with their daily activities. Finally, we sponsor various social initiatives, such as Homeplan and Museum Het Schip in Amsterdam.

Financial analysis

Result

Net profit came in at € 4.3 million in 2019 (2018: € 3.2 million). The operating result of € 4.1 million recorded in 2019 was € 1.8 million higher than in 2018. This rise was due to an increase in the management fee and a lower increase in operating expenses.

Management fee

Compared with 2018, the management fee increased by € 7.7 million to € 46.1 million in 2019 (2018: € 38.5 million). The increase in the management fee was driven by the 15% rise in invested capital compared with 2018. Both the international mandates and the Dutch funds saw an increase in their invested capital.

Operating costs

Operating costs increased by € 5.9 million (16.3%) to € 42.0 million in 2019, compared with € 36.1 million in 2018. This rise was the result of € 3.0 million higher personnel costs, € 0.4 million higher amortisation costs and higher operating costs of € 2.5 million.

The rise in personnel costs was due to the increase in the number of employees to 185 FTEs (2018: 170 FTEs), and the extra hiring of personnel. This increase in staff numbers will enable Bouwinvest to increase its managed capital in a controlled manner and to remain state-of-the-art as an organisation. The extra hires were largely deployed to fill open vacancies and for the execution of current projects.

Depreciation costs increased by € 0.4 million as a result of the completion of the renovation of the Bouwinvest head office and a number of major IT projects, including a SAP upgrade.

Other operating costs increased by € 2.5 million in 2019 compared with 2018. Automation costs came in € 1.3 million higher, due to increased IT support and the execution of major projects. Consultancy costs came in € 0.4 million higher as a result of the optimisation of the risk management systems and the opening of offices outside the Netherlands. In general, rising costs and heavy investments resulted in a € 0.4 million higher costs for non-deductible VAT. The opening of Bouwinvest's first foreign office in Sydney, Australia, had a negative impact of € 0.2 million on the result.

Fiscal result

At year-end 2019, Bouwinvest recognised a deferred tax liability of € 1.2 million for the difference between the fiscal and commercial valuation of its investments.

Financial position

Bouwinvest's shareholders' equity increased by € 1.3 million to € 34.4 million in 2019, due to the addition of the net profit for 2019 (€ 4.3 million) and the payment of dividends over 2018 (€ 3 million). The solvency ratio increased by 2% to 72% in 2019 (2018: 70%) on the back of the increase in shareholders' equity and a decline of € 0.9 million in short-term borrowings.

Cash position

At year-end 2019, Bouwinvest had € 26 million available in its current account with house banker ABN AMRO. This was more than sufficient to meet all of its outstanding obligations and to meet the formal requirements of the Alternative Investment Fund Manager Directive (AIFMD).

Profit distribution and dividend policy

In line with the capital policy, the Executive Board of Directors proposes to strengthen Bouwinvest's shareholders equity by adding the result of € 4,264,000 for 2019 to the retained earnings.

Taxes

Bouwinvest is in talks with the Dutch tax authorities regarding the taxable fiscal result of Bouwinvest Office Development B.V. on the development of the Move and The Garage buildings. Bouwinvest has explained how it calculated this result and which factors contributed to the increase in the market value of both objects during the development. Based on a decision of the Ministry of Finance in the autumn of 2019, the tax authorities will take the standpoint that the result on the redevelopment will have to be determined in a different manner than that agreed between Office Development B.V. and the Office Fund N.V. In 2020, we will continue the talks with the tax authorities with the aim of reaching agreement with said tax authorities.

Outlook

The rapidly spreading coronavirus will have a global impact on society and the world's economies. Tourism has been and will continue to be hit very hard. Due to government policies and quarantine measures, international travel has been postponed and airlines have drastically reduced the number of flights. Trade has weakened as factories right across the world have been closed, which is affecting the global logistics sector. Experts are currently unable to predict the duration and seriousness of the pandemic, let alone the economic impact this will have.

We have taken measures to safeguard the continuity of our services. Bouwinvest has long-term contracts with fee agreements based on the valuation of our real estate funds and real estate mandates. The pandemic will have an impact on these valuations, which could result in lower revenues. Bouwinvest is in a healthy solvency position and has sufficient reserves and cash and cash equivalents to absorb a temporary decline in its revenues. This puts us in a good position to weather this crisis.

Amsterdam, 9 april 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*

Assurance report of the external auditor

To: the shareholder and Supervisory Board of Bouwinvest Real Estate Investors B.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2019 of Bouwinvest Real Estate Investors B.V. in Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on the procedures we performed, nothing has come to our attention that leads 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 events and achievements on that front for the year 2019,

in accordance with the reporting criteria included in the section 'About this Report'.

The sustainability information consists of the following sections:

- Section 'Overview responsible investment & business' part of chapter '2019 at a glance' on page 6 of the annual report.
- The indicator 'energy consumption of assets' in the sections 'Europe mandate', 'North America Mandate', 'Asia-Pacific Mandate', 'Residential Fund', 'Retail Fund' and 'Office Fund' sections of the chapter 'Portfolio results 2019' on pages 20-24 of the annual report.
- Section 'Summary of results 2019' of the chapter 'Sustainable real estate investments' on pages 24-30 of the annual report.

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports). Our responsibilities under this standard are described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We are independent of Bouwinvest Real Estate Investors B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for professional accountants, a regulation pertaining to independence) and other relevant independence regulations in the Netherlands. In addition, we complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics for accountants).

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

Section highlighting the impact of the coronavirus

The coronavirus also has an impact on Bouwinvest Real Estate Investors B.V. The management admits that it is difficult at this point in time to estimate what impact the coronavirus will have on the ESG performance of Bouwinvest Real Estate Investors B.V. We have not adjusted our opinion with respect to this event.

Reporting criteria

The sustainability information needs to be read and understood in conjunction with the reporting criteria. Bouwinvest Real Estate Investors B.V. is 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 Sustainability Reporting Standards of the Global Reporting Initiative (GRI) Core Option and the applied supplemental reporting criteria as disclosed on page 76 of the annual report.

Limitations on the scope of our opinion

The sustainability information includes prospective information, such as ambitions, strategy, plans, expectations and estimates. Inherent in prospective information is that actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

Responsibilities of the Executive Board of Directors and the Supervisory Board for the sustainability information

The Executive Board of Directors is responsible for the preparation of the sustainability information in accordance with reporting criteria as explained in the section 'ESG performance indicators', disclosed on pages 72-75 of the annual report, including the identification of stakeholders and the definition of material aspects. The choices made by the Executive Board of Directors regarding the scope of the sustainability information and the reporting policy are summarised in the chapter 'About this Report' on pages 76-77.

The Executive Board of Directors is also responsible for such internal controls as the Executive Board of Directors deems necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of Bouwinvest Real Estate Investors B.V.

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 information for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and vary in nature and timing from, and are less extensive than for an assurance engagement aimed at obtaining a reasonable level of assurance. The level of assurance obtained in a review is therefore substantially lower 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 this sustainability information. The materiality affects the nature, timing and scope of our review procedures and the evaluation of the impact 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 controls, including documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout our review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review included but was not limited to:

- Performing an analysis of the external environment and gaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, the consistent application of same and related disclosures in this regard in the sustainability information. This includes the evaluation of the outcome of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board of Directors;
- Gaining an understanding of the reporting processes for the sustainability information, including gaining a general understanding of the internal control measures, insofar as 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 included but were not limited to:

- Interviewing members of the management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and performance;
- Interviewing relevant staff members responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
- Obtaining assurance information to the effect that the sustainability information reconciles with the 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 overall presentation, structure and content of the sustainability information;

- Considering whether the sustainability information as a whole, including the disclosures included in same, reflects the purpose of the reporting criteria used;
- Assessing whether the Report has been prepared in accordance with the Sustainability Reporting Guidelines (GRI Standards Core option) of the Global Reporting Initiative.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and any significant findings that emerged from our review.

Amsterdam, 9 April 2020

Deloitte Accountants B.V.

Signed on the original: J. Holland

An aerial photograph of a modern residential building complex in Berlin, Germany, during the "blue hour" of dusk. The building features a prominent, tall, rectangular tower with a grid-like facade of windows, many of which are illuminated from within, casting a warm glow. To the right of the tower is a lower, more complex structure with multiple wings and balconies, also featuring a grid-like window pattern. The building is situated in an urban environment, with other city buildings and a construction crane visible in the background. The foreground shows a paved area with parked cars and some trees. The sky is a deep blue with a hint of orange from the setting sun.

Residential units

Berlin

Germany

Grandaire (Europe
Mandate Dekor)

Report of the Supervisory Board

The Supervisory Board hereby offers the 2019 annual report of Bouwinvest Real Estate Investors B.V. (Bouwinvest), which includes the financial statements for 2019. The Bouwinvest Executive Board of Directors prepared the annual report, while Deloitte Accountants B.V. has audited the financial statements and provided an unqualified auditor's report (see the auditor's report on page 67). The Supervisory Board discussed the annual report with the Executive Board of Directors, in the presence of the external auditor. Partly on the basis of these discussions, the Supervisory Board concluded that the annual report meets all the rules and requirements in the field of governance and transparency. The report provides an accurate and complete picture of the results, risks and events that the Supervisory Board oversees.

The financial statements will be submitted to the Annual General Meeting of shareholders (AGM) for adoption on 22 April 2020, as part of the 2019 annual report. The Supervisory Board proposes that the meeting adopt the financial statements and add the profit, as proposed by the Executive Board of Directors, to Bouwinvest's shareholders' equity. The Supervisory Board proposes that the AGM discharge the Executive Board of Directors for their management and the Supervisory Board for their supervision of said management, and that the AGM adopt the financial statements.

Supervision

The previous Supervisory Board resigned on 18 April 2019. After announcing its intention to resign, the Supervisory Board in question only dealt with any pending matters through to 18 April 2019.

Following the appointment of the new Supervisory Board, for the Supervisory Board 2019 was largely dominated by the structuring of the board and getting acquainted with the company and its main stakeholders. The board went through an extensive induction programme, gaining a good understanding of Bouwinvest and of the activities Bouwinvest carries out as the fund manager for Bouwinvest's Dutch funds and as an international real estate investment manager. In that context, the supervisory directors had extensive discussions with the shareholder, stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW) and other Bouwinvest stakeholders. Last year also saw regular consultations between the chair of the Supervisory Board, the chair of Audit, Risk & Compliance committee, the chair of the board- and the Managing Director of the Executive Office of stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid and the Bouwinvest CEO and CFO.

The newly composed board also talked to the Works Council.

Business plan 2020 - 2022

The Supervisory Board discussed the draft Business plan 2020 - 2022. The Business plan comprises the strategy, including the financial and non-financial targets and the parameters for the implementation of same. Client focus, sustainability and internationalisation are the main pillars of Bouwinvest's growth strategy. This will also require the continued development of and adjustments to the organisation, which now has to continue its growth to the 'next level'. This includes specific attention for the client organisation, risk management and governance. KPMG is providing the organisation with support in the continued development and the implementation of risk management systems. New investors also make new demands on fronts such as reporting, communications and governance. Effective client services are an important part of this. In this context, the Supervisory Board also advised the Executive Board of Directors on the structuring of the Client Management department and was closely involved in the implementation of this initiative. We will continue with the fleshing out of the Strategic plan 2020 - 2022 in early 2020 and the Supervisory Board will ensure that the consequences of the recent COVID-19 pandemic is taken into account as much as possible.

In the execution of its supervisory tasks, the Supervisory Board also devoted specific attention to sustainability. The board appreciates the fact that Bouwinvest continues to devote itself to improving the sustainability of its Dutch and international investments. The board endorses the importance of the further internationalisation of the organisation, clients and the real estate portfolios, and monitors the developments and initiatives on that front.

The Executive Board of Directors reports to the board regularly on the progress of the strategic plan. In that context, the board discussed the quarterly reports, the fund reports and the internal audit reports. At the board's

request, Bouwinvest has now expanded its reporting, giving the board the opportunity to form a complete picture of the stakeholder value and the finances of the Bouwinvest management company.

In 2019, the organisation invested a great deal in improving its IT systems and operating processes, which led to an improvement in the standard processes. Bouwinvest expects to make increasing investments on this front in the year to come, in connection with the continued growth of the organisation. The board endorses these investments and their importance for client services and performance. The board also discussed and approved the new procurement policy.

In January 2019, Bouwinvest opened an office in Sydney, and expects to open an office in New York in the first quarter of 2020. The opening of these new offices is another step in the internationalisation of Bouwinvest's activities and local presence puts the company in a stronger position in both the North American market and Asia-Pacific markets.

The board discussed the developments on the real estate markets in the Netherlands, Europe, North America and the Asia-Pacific region. The board discussed the fund plans for the Dutch Funds and the mandate plans for the international portfolios. In that context, we also devoted attention to the funding of the Dutch funds, partly in light of the fact that the anchor investor, stichting Bedrijfstakpensioenfondsen voor de Bouwnijverheid (bpfBOUW) has reached its target allocation for Dutch real estate investments in Bouwinvest's Dutch funds. More specifically, we discussed the funding gap of the Bouwinvest Residential Fund. We discussed the backtesting procedure for the international investments.

In November, Stichting Bedrijfstakpensioenfondsen voor de Bouwnijverheid closed new asset management agreements with Bouwinvest for the management of its international real estate portfolios in Europe, North America and the Asia-Pacific region. These agreements provide a good basis for the continued growth of the international real estate portfolio under Bouwinvest's management. The Supervisory Board discussed these agreements.

In mid-2019, stichting Bedrijfstakpensioenfondsen voor de Bouwnijverheid appointed Russell Investments as fiduciary advisor. The board discussed the role and working methods of the fiduciary advisor. A point of attention is the prevention of any conflict of interests, especially with regards to the international real estate investments that will be executed by both Bouwinvest and Russell Investments. Additional agreements will be reached on this front.

Approval of investments

In accordance with its own regulations, the Supervisory Board is supposed to approve decisions of the Executive Board of Directors with respect to investments above certain threshold amounts. In 2019, the board decided to approve investment proposals for both Bouwinvest's Dutch funds and for the international portfolios. The Supervisory Board is still considering how it will supervise investments in the future. For the international investments, the supervision will be in combination with the fiduciary advisor bpfBOUW has appointed for this portfolio, which advises the bpfBOUW board on the set-up and execution of the real estate investment management.

All the members of the Supervisory Board were present at the meeting of the board in its new composition.

Audit, Risk & Compliance committee

Until 18 April, the audit committee consisted of the members Jan van der Vlist and Roel Wijmenga. As of 15 August 2019, the committee, under the new name Audit, Risk & Compliance committee, consists of the members Jos van Lange (chair) and Wendy Verschoor.

In 2019, the committee met once prior to the resignation of the Supervisory Board. The collective meeting of the board discussed the annual results and the reports of the external auditor. The committee also met with the auditor in the absence of the Executive Board of Directors. The committee also advised the Supervisory Board on the performance of the external auditor. The committee considered the performance of the auditor to be adequate.

After 15 August 2019, the committee met twice in its new composition. The committee had an initial consultation with the external auditor. In that context, the committee had a number of discussions with the members of the

Executive Board of Directors, managers and other Bouwinvest staff members. The committee had detailed discussions regarding risk management and the monitoring and control framework.

Selection and Remuneration committee

Prior to the resignation of Kees Beuving, the Selection and Remuneration committee consisted of the members Carolien Gehrels (chair) and Kees Beuving. The committee did not meet in that composition.

As of 11 November 2019, the Selection and Remuneration committee consists of Gabriëlle Reijnen (chair) and Jos Nijhuis. The committee did not meet in 2019. In view of the extraordinary situation, the members of the Supervisory Board did discuss the performance of the Executive Board of Directors and the setting of targets.

Now that the committee has a full complement of members, it discussed the results of the recent employee satisfaction survey and the new job evaluation system and is currently working on the remuneration for 2019 and the target-setting for 2020.

Composition

The composition of the Supervisory Board and of the board's committees is shown in the figure below.

	J.A. Nijhuis (Chair)	J.H.P.M. van Lange	G.E.A. Reijnen	W.B. Verschoor
Supervisory Board	•	•	•	•
Audit, Risk & Compliance committee		• (C)		•
Selection and Remuneration committee	•		• (C)	

All the members of the Supervisory Board are independent according to the criteria as these are laid down in the regulations of the Supervisory Board. The Supervisory Board consists of two male members and two female members. The Executive Board of Directors consists of three male members and one female member. The Supervisory Board and the Executive Board of Directors will do their utmost to also achieve a distribution of the seats on the Executive Board of Directors that is as diverse as possible.

The Supervisory Board met twice in the period to 17 April 2019. The board also met via teleconference on one occasion. The board met a total of six times in its new composition, including a meeting in connection with the induction programme. The members also met a number of times via teleconference in connection with the approval of both Dutch and international investments.

Governance

The Supervisory Board, consisting of the members Kees Beuving (chair), Carolien Gehrels, Jan van der Vlist and Roel Wijmenga resigned on 18 April 2019, due to differences of opinion with the shareholder regarding Bouwinvest's strategy and the structuring of the organisation, once it was revealed that these differences were irreconcilable. Kees Beuving resigned earlier, on 1 February 2019. Following the resignation of the Supervisory Board, a full new board was appointed. As of 13 May 2019, Jos Nijhuis was appointed as supervisory director and chair of the board. As of 24 May 2019, Jos van Lange was appointed as supervisory director and chair of the Audit, Risk and Compliance committee. Wendy Verschoor was appointed as supervisory director as of 15 August 2019 and Gabriëlle Reijnen was appointed as supervisory director as of 11 November 2019. This means the Supervisory Board is now at full strength. Wendy Verschoor was appointed in the context of the Work's Council's enhanced right of recommendation. The Supervisory Board would like to thank Kees Beuving, Carolien Gehrels, Jan van der Vlist and Roel Wijmenga for their work as supervisory directors.

As of 15 October 2019, Rianne Vedder was appointed Chief Financial & Risk Officer (CFRO), as the successor to Arno van Geet. The search for the CFRO was led by the Supervisory Board. Rianne Vedder was appointed due to her background and experience in fields including finance, risk management, operations and IT. Rianne Vedder gained this expertise and experience with both financial institutions (banks, insurers, pension funds/pension fund providers, asset managers), as well as non-financial institutions. The Works Council issued a positive opinion with respect to the appointment.

Evaluation

In view of the phased appointment of all the supervisory directors in 2019, the Supervisory Board has not yet conducted an internal analysis of its performance. The board has decided to have an external evaluation of its performance conducted this year, to give it an opportunity to optimise the composition and the various roles.

Word of thanks

The Supervisory Board would like to thank the members of the Executive Board of Directors and all Bouwinvest employees for their commitment and engagement and for the good results the company recorded last year.

Amsterdam, 9 april 2020

The Supervisory Board

Jos Nijhuis

Jos van Lange

Gabriëlle Reijnen

Wendy Verschoor



Offices

New York
United States
The Spiral (North
America Mandate,
Tishman Speyer)

Governance

Corporate governance

Bouwinvest Real Estate Investment Management B.V. ('Bouwinvest') is a wholly owned subsidiary of stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW), the Dutch pension fund for the construction industry. Bouwinvest manages the following funds:

- Bouwinvest Dutch Institutional Residential Fund N.V.;
- Bouwinvest Dutch Institutional Retail Fund N.V.;
- Bouwinvest Dutch Institutional Office Fund N.V.;
- Bouwinvest Dutch Institutional Hotel Fund N.V.;
- Bouwinvest Dutch Institutional Healthcare Fund N.V.

Since 2010, the Bouwinvest Residential Fund, the Bouwinvest Retail Fund and the Bouwinvest Office Fund have been open to institutional investors. Bouwinvest has separate mandates from bpfBOUW for the management of international real estate investments in Europe, North America and the Asia-Pacific region.

Executive Board of Directors

The Bouwinvest Executive Board of Directors consists of four persons: 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 directors are appointed by the General Meeting of Shareholders following nomination by Bouwinvest's Supervisory Board. The Executive Board of Directors is governed by a set of regulations that also outline its tasks and responsibilities. The Executive Board of Directors endorses the Dutch Corporate Governance Code.

The Supervisory Board

The role of the Supervisory Board is to supervise the policies of the Executive Board of Directors and the general affairs of the company. The Supervisory Board has appointed an Audit, Risk & Compliance Committee and a Selection & Remuneration Committee. Both committees have a set of regulations that lay down their tasks and responsibilities.

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 Supervisory Board is supported by the company secretary. The company secretary ensures that the correct procedures are followed and that the Supervisory Board acts in accordance with its legal and statutory obligations and powers and the applicable corporate governance rules.

General Meeting of Shareholders

General Meetings of Shareholders are held at least once a year to discuss the company's business over the past year and the annual report, to adopt the financial statements, decide on the dividend proposal, discharge the members of the Board of Directors for their management and discharge the members of the Supervisory Board for their supervision of same. When necessary, the meeting also appoints the members of the Supervisory Board and the statutory directors. Shareholder approval is required for resolutions that have a material impact on Bouwinvest's strategy or risk profile.

Internal/external audit

Bouwinvest has established an independent internal audit function to help the company meet its operational and business targets. The internal audit function ensures that the company takes a systematic, disciplined approach to the evaluation and continuous improvement of the effectiveness of our risk management, the financial administration, the tenant administration and the fund administration and monitors the control and governance processes.

On the operational front, this involves an audit of the ISAE processes, the custodian/depositary processes and the AFM processes, as well all IT-related processes (such as COBIT, the SAP system and eFront software). The latter is to ensure that Bouwinvest's IT systems are always secure and operate effectively. The Internal Audit team takes a

proactive approach to its tasks and offers advice and recommendations on potential improvements and updates to processes and systems.

Since 2016, the Internal Audit team's auditing coverage has included the assessment of the processes at our external property managers. The internal audit function reports to the Executive Board of Directors and the Supervisory Board.

The Dutch Management and Supervision Act

The Dutch Management and Supervision Act includes a guideline for a balanced gender ratio within the Executive Board of Directors and Supervisory Board. At least 30% of these positions should be filled by women and at least 30% by men. The gender ratio in Bouwinvest's Executive Board of Directors has improved. This has gone from 0% women and 100% men to 25% women and 75% men. The gender ratio in the Supervisory Board is currently 50% women and 50% men, and in line with this guideline. Based on the profiles of the members of the Executive Board of Directors and/or the Supervisory Board, in the event of future resignations Bouwinvest will carry out an evaluation to determine the desired profile of any new members. This evaluation will of course take into account diversity criteria, including a balanced ratio of male and female members.

Works Council

Bouwinvest does not have a collective labour agreement. The Works Council protects the interests of the company's employees. One of the ways the Works Council does this is to make use of its right to consultation and right of consent. The Works Council is involved in virtually everything the company and employees do to keep the employees as well-informed as possible. The Works Council meets with the Executive Board of Directors four times a year, and a member of the Supervisory Board is present at two of these meetings.

Internal control and risk management

Risk management

Bouwinvest is well aware that it invests the money of third parties. The organisation is compact and client centric. We add value by doing business on the basis of a sound vision of the developments in various real estate markets. Risk management plays a key role in this vision. For one, so we can handle the money of third parties with all due care and secondly for the realisation of our ambitions. In addition, we want to avoid any unnecessary or unwanted risks.

Risk management is the process of understanding the risks to which Bouwinvest and its clients are exposed and then managing those risks effectively within certain defined tolerances. For this purpose, we have an effective and efficient system of control measures we use to measure and monitor the degree of risk management at every level.

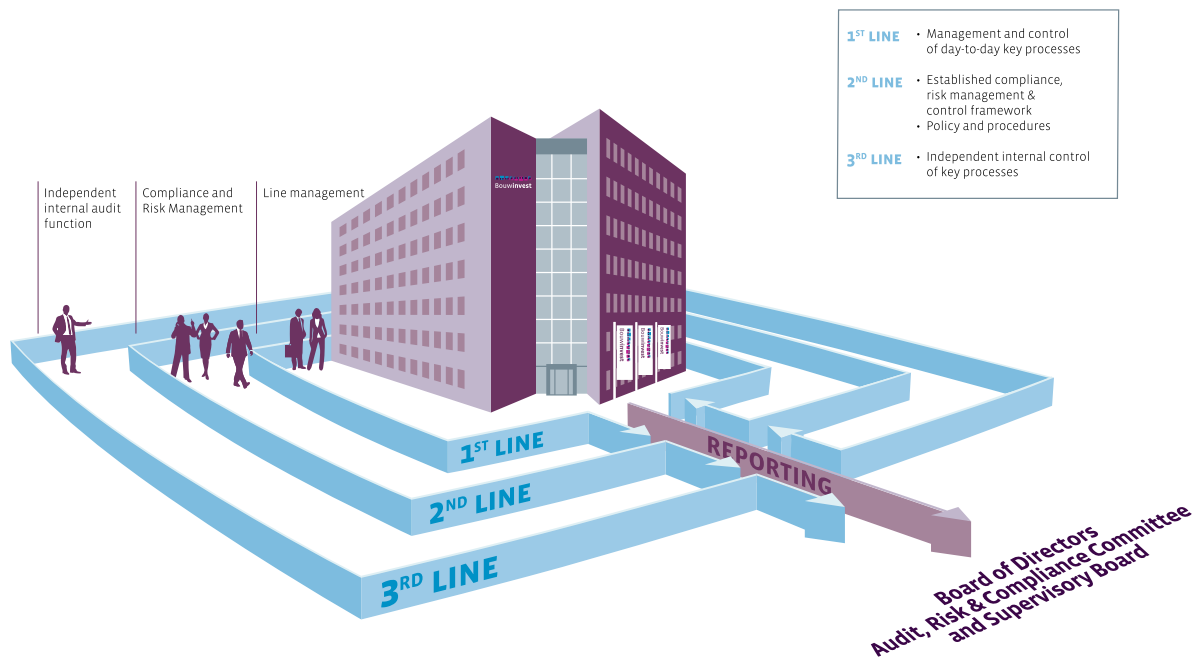
Bouwinvest believes risk management must contribute to the creation, optimisation and protection of the value of the company. We do this by managing the risks integral to all activities of the management organisation, the Dutch funds and the international mandates. We do this at a strategic, tactical and operational level.

Lines of defence

Bouwinvest has opted for an effective structure and permanent monitoring of its internal risk management and control systems and a solid reporting system for same. These systems have to provide the management with insight into the nature of the risks (both retrospective and prospective) and into which control measures are being taken in terms of both substance and procedure. In addition, we require a clear understanding of the remaining risks, so we can decide whether any additional control measures are required.

Bouwinvest's risk and governance structure is based on the three lines of defence model. This structure is focused on the monitoring of the processes and achieving the company's strategic and operational targets. Within the governance structure, we recognise the following components (the lines of defence):

1. Executive Board of Directors and Managers (1st line) – primarily responsible for the risks inherent in the day-to-day business;
2. Risk Management and Compliance (2nd line) – responsible for providing support and advice on the quality of the risk management carried out by the first line;
3. Internal Audit (3rd line) – oversees the performance (soundness and effectiveness) of internal control mechanisms in the first and second lines.



Risk Management function

The Risk Management department is responsible for the design, the implementation and the effectiveness of the risk management within the organisation and the monitoring of the first line of defence. It does this by continuously identifying, measuring, managing and monitoring risks, but also by facilitating and monitoring the implementation of the processes. In addition, the so-called second line monitors the compliance with risk limits, the effective operation of internal controls, the accuracy, completeness and timeliness of reports and the timely identification of and mitigation of incidents or issues. The department's other responsibilities include advising the Executive Board of Directors regarding the integrated risk controls for the three-fold scope (Bouwinvest as management organisation, the Dutch funds and the international mandates).

The Risk Management department's role is focused on obtaining a complete overview of how risks are managed, at strategic, tactical and operational levels. To be able to meet this obligation, the Risk Management department should collect all risk-related disclosures and reports, consolidate these at Bouwinvest level and provide an opinion on same.

With respect to risk management, Bouwinvest distinguishes the risk areas shown in the Risk Taxonomy below. The risk management of the main risks is explained in the risk matrix below this Risk Taxonomy.

LEVEL 0	Enterprise risk						
LEVEL 1	1.0 Financial risk			2.0 Non-Financial risk			
	1.1 Market risk	1.2 Credit & Counter-party risk	1.3 Liquidity risk	2.1 Strategic & Business risk	2.2 Operational risk	2.3 Compliance risk	
LEVEL 2	1.1.1 Interest rate risk	1.1.8 Real estate strategy risk	1.2.1 Credit risk	1.3.1 Liquidity risk	2.1.1 Business environment risk	2.2.1 Process risk	2.3.1 Integrity risk
	1.1.2 Currency risk	1.1.9 Leverage risk	1.2.2 Counterparty risk	1.3.2 Funding risk	2.1.2 ESG risk	2.2.2 IT risk	2.3.2 Regulatory risk
	1.1.3 Market concentration risk	1.1.10 Operational expenditure risk			2.1.3 Model risk	2.2.3 Information risk	
	1.1.4 Price volatility risk	1.1.11 Valuation risk			2.1.4 Ability to change risk	2.2.4 Outsourcing risk	
	1.1.5 Market liquidity risk	1.1.12 Inflation risk			2.1.5 Claim risk	2.2.5 HR risk	
	1.1.6 Occupancy rate risk	1.1.13 Fund manager risk			2.1.6 Continuity risk		
	1.1.7 Real estate portfolio risk	1.1.14 Fund organisation risk			2.1.7 Legal risk		
					2.1.8 Tax risk		
					2.1.9 Reputation risk		
					2.1.10 Concentration risk		

Risks from the Risk Taxonomy					
			Definition	Risk appetite	Risk mitigation
1.0 Financial risk	1.1 Market risk	1.1.4 Price volatility risk	The risk of changes in the value of assets under management and related fees as a result of changes in market prices.	Bouwinvest has a high risk appetite for price volatility risk, and we actively seek out this risk to realise the upwards potential of price fluctuations, as Bouwinvest focuses on long-term returns.	<ul style="list-style-type: none"> - Diversification within the real estate portfolio across various international and national regions and sectors; - Spread of unlisted and listed real estate funds; - Bouwinvest focuses on real estate investments with a long-term return horizon.
	1.2 Credit & Counterparty risk	1.2.1 Credit risk	The risk that a counterparty fails to comply with contractual or other agreed obligations (including extended credits, loans, claims, pledges, rental obligations, bank credit positions and guarantees received).	Bouwinvest has a low risk appetite for credits risk, and it does not actively seek this risk, but instead aims to mitigate credit risk, taking into account an optimum balance between risk and control.	<ul style="list-style-type: none"> - Bank balances at highly creditworthy (minimum A-rated) banking institutions; - Income, including receivables, largely from group companies or related entities (Dutch funds).
	1.3 Liquidity risk	1.3.1 Liquidity risk	The risk of losses due to the lack of timely access to sufficient liquidity to meet obligations and withdrawals, or the need to sell assets at unfavourable conditions due to the lack of liquidity.	Bouwinvest has a low risk appetite for liquidity risk, and it does not actively seek this risk, but instead aims to mitigate the liquidity risk inherent in the asset category, taking into account an optimum balance between risk and control.	<ul style="list-style-type: none"> - Operational cash flows (income and expenses) are extremely regular and costs are monitored on the basis of approved budgets; - Capital positions are largely kept liquid (partly on the basis of regulatory rules) and are higher than regular outgoings.
2.0 Non-financial risk	2.1 Strategic & Business risk	2.1.10 Concentration risk	The risk arising from the dependence on a limited number of large clients, advisory mandates and types of investment products. Bouwinvest is aware of its dependence on bpfBOUW as its only client for the international portfolio, but at the same time recognises this client as a solid partner that is also perceived as such in the market.	Bouwinvest has a high risk appetite with respect to concentration risk, and actively seeks this risk if and when, on balance, a certain level of concentration entails a strategic advantage.	<ul style="list-style-type: none"> - Bouwinvest business plan; - Framework letters; - Portfolio diversification; - Investment Committee procedure.
	2.2 Operational risk	2.2.1 Process risk	The risk resulting from poorly designed (or the lack of) processes or how adequately processes are executed, due to which Bouwinvest is unable to deliver sufficient quality and cannot execute its agreements with clients correctly.	Bouwinvest has a low risk appetite with respect to process risks, and does not actively seek these risks, but instead aims to mitigate process risks, taking into account an optimum balance between risk and control.	<ul style="list-style-type: none"> - Internal (process) control framework; - Three lines of defence model; - Business Process Management procedures; - ISAE 3402 type 2 report.
		2.2.2 IT risk	Risks related to IT systems, cyber-criminality, data security and the fact that the IT strategy and the IT policy are insufficiently tailored to the operating processes and existing information and data processing, resulting in insufficient support for processes and information flows.	Bouwinvest has a low risk appetite with respect to IT risks and does not actively seek these risks, but instead attempts to mitigate IT-related risks, taking into account an optimum balance between risk and control.	<ul style="list-style-type: none"> - Cobit self assessment; - Attack & Penetration test; - Back-up & recovery plan; - Business Continuity Management plan; - Data security policy and procedures.

Developments 2019

Risk management

Bouwinvest's growth ambitions are putting ever higher demands on the maturity of its risk management. In 2019, the Risk Management department, together with other departments (including Compliance and Internal Audit), focused on the renewal of the integrated risk management policy. This resulted in a tightened integrated Risk Management Framework, Risk Appetite Statement and Risk Taxonomy. The activities required to realise the continued growth in risk maturity were included in the Risk Roadmap. In 2019, we took a significant first step in the execution of the Roadmap and the implementation of this roadmap in the organisation. This will contribute to the further professionalisation of Bouwinvest's risk management. This has strengthened the foundation that will enable us to firmly embed risk management within the Bouwinvest organisation.

For 2020, we have defined the following spearheads:

- The continued structuring of a robust integrated Risk & Control Framework
- The continuous improvement of adequate accounting and management information
- The continued professionalisation of the three lines of defence.

These are both important and ambitious spearheads that will help us take the step to Next Level Risk Management. In view of the continued developments on the laws and regulations front and the attendant requirements, we will continue with the implementation of our Next Level Risk Management plan in 2021. This will include the 'Risk Way of Working' initiative, which we use to continuously raise the risk awareness our employees and embed integrated risk management as a part of our regular processes.

Monitoring and reporting

The Executive Board of Directors oversees the risks related to its various activities and the funds and mandates Bouwinvest manages. To support this and to optimise risk transparency, the Risk Management department, where necessary with input from the Compliance department, draws up a quarterly risk report. This report covers the (management and development of) risks in the risk taxonomy, business incidents and issues and developments in the field of laws and regulations based on an integrated risk management policy.

Compliance

Bouwinvest considers integrity, transparency and corporate social responsibility important conditions in achieving its targets. In that context, Bouwinvest strives to do business in an ethical and controlled manner, in which Bouwinvest and its employees abide by laws and regulations and its own internal codes of conduct.

Compliance function

Bouwinvest has an independent compliance function that focuses on the supervision of compliance with laws and regulations and internal rules, the development of policy, monitoring the effectiveness of the compliance control measures, investigating integrity reports and providing (solicited and unsolicited) advice.

In addition to this, the compliance function focuses on raising integrity awareness and promoting desired conduct within the Bouwinvest organisation, including the organisation of training courses.

The compliance function reports to the Chief Executive Officer and also reports to the Supervisory Board's Audit, Risk & Compliance committee on a quarterly basis.

In 2019, the compliance function intensified its cooperation with other departments, such as Risk Management, HR, Internal Audit and Corporate Communications. The need to intensify cooperation arose from the wish to take a more integrated approach to the likes of risk management and culture & conduct-related activities.

Laws and regulations

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

Bouwinvest closely monitors the developments in laws and regulations and adjusts its internal policies in line with any new or amended legislation.

In 2019, Bouwinvest started a project related to the revision of its internal policy related to the implementation of the Dutch act on the prevention of money-laundering and the financing of terrorism Act (Wet ter voorkoming van witwassen en het financieren van terrorisme - Wwft).

Management of compliance risks

Bouwinvest uses the three lines of defence model for the management of its risks. In this model, the compliance function focuses on the management of compliance risks and plays a second-line role. The definition of compliance risks covers the main risk themes regulatory risk and integrity risk.

As part of its second-line role, the compliance function supports, advises, coordinates and monitors the first line of defence in the management of Bouwinvest's identified compliance risks. This function supports the first line by raising awareness of risks and by making it clear how employees can reduce or control these risks and what Bouwinvest expects from them on this front. One important activity on this front is the annual Systematic Integrity Risk Analysis (SIRA), which involves a large part of the organisation. The aim of the SIRA is to map out compliance risks and assess the effectiveness of compliance control measures. The outcome of the SIRA is used as input for the compliance year plan for the year ahead.

As part of the continued development of the integrated risk management system, in 2020 the compliance function will continue its close cooperation with the Risk Management and Internal Audit departments.

Training and awareness

In the spring of 2019, the compliance function organised a number of integrity workshops. These workshops are mandatory for all Bouwinvest employees and are aimed at increasing awareness among employees by having them talk to each other about integrity-related issues.

In addition to significant compliance themes such as conflicts of interest, corruption, fraud and behaviour, these workshops also focused on moral courage. They were also used to discuss dilemmas that people may be confronted with in their day-to-day work.

Reports and advice

In 2019, there were no incidents that led to a report to the regulator, the Dutch Financial Markets Authority (Autoriteit Financiële Markten - AFM) and there were no well-founded reports of corruption. The compliance function did receive other kinds of reports. All reports were investigated and followed up according to internal policies. Where necessary, Bouwinvest took appropriate measures or initiated a dialogue with the employee(s) in question.

With respect to the processing of personal data (privacy), Bouwinvest experienced 10 data breaches in 2019. We reported one of these breaches to the regulator, the Dutch Data Protection Agency (DPA). Most of the cases involved an incorrectly sent e-mail. Some of the data breaches were at processors. We investigated all the data breaches and took additional measures when this proved necessary.

On the advice front, the compliance function is primarily consulted on issues such as business partner assessments, ancillary positions, gifts & events and privacy.

'In control' statement

The Executive Board of Directors has issued an in control statement on the financial reporting risks and strategic and operational risk management at Bouwinvest. The Executive Board of Directors is responsible for proper risk management and internal control systems, as well as for the assessment of the effectiveness of same. On the basis of its assessment of the risk management and internal control systems, the Executive Board of Directors believes that these systems provide a reasonable level of assurance that the financial reports contain no material misstatements. Bouwinvest has been ISAE3402 type II certified for its financial reporting processes since 2012, which shows these are in order.

In general, the Executive Board of Directors believes the risk management and internal control systems functioned properly in 2019. Nor is there any indication that these systems will not function properly in 2020. We did not identify any shortcomings that could have a material impact in 2019, nor up to the date this annual report was signed in 2020.

Furthermore, we did not identify any shortcomings in the internal control systems that could have a material impact on operational and compliance risks, nor on the financial reporting function and the functioning of the internal and external auditors.

Composition of the boards

Composition of the Executive Board of Directors



D.J. (Dick) van Hal, Chief Executive Officer and statutory director
(1958, Dutch)

Dick van Hal has been CEO since 2008. Prior to joining Bouwinvest, 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.

Mr. Van Hal studied Investment Analysis (VBA) at the University of Amsterdam. In May 2017, he was appointed Chairman of IVBN (Dutch Association of Institutional Investors in Real Estate).



M.A. (Rianne) Vedder, Chief Financial & Risk Officer and Statutory Director
(1970, Dutch)

Rianne Vedder was appointed Chief Financial & Risk Officer on 15 October 2019. Prior to joining Bouwinvest, she was a partner at EY Financial Services Advisory and shared responsibility for the growth and continued development of EY's advisory business. Prior to that, she held various positions within EY Financial Services and Capgemini.

Mrs. Vedder studied business economics at the University of Maastricht and is also a Chartered Controller. She is an INSEAD-certified Independent Non-Executive Director.



A. (Allard) van Spaandonk, Chief Investment Officer Dutch Investments
(1961, Dutch)

Allard van Spaandonk has been Chief Investment Officer Dutch Investments since 2013. Prior to this, he was Director Asset Management at Bouwinvest, Director Residential and Retail Investments at Syntrus Achmea Vastgoed and head of Residential Mortgages at Achmea Vastgoed.

Mr. Van Spaandonk is a board member at NEPROM.



S. A. (Stephen) Tross, Chief Investment Officer International Investments
(1967, Dutch)

Stephen Tross has been Chief Investment Officer International Investments since 2010. Prior to joining Bouwinvest, he worked in the real estate audit practices at KPMG Accountants NV and PricewaterhouseCoopers in the Netherlands, New York and London.

He studied Business Economics at the Hogeschool Utrecht and accountancy at NIVRA Nyenrode. Mr. Tross is a professional member of the British Institution of Chartered Surveyors and a member of the AFIRE and ANREV management boards.

Composition of the Supervisory Board

The Supervisory Board has four members, all with Dutch nationality. All the members of the board are independent.



From left to right: Gabriëlle Reijnen, Jos Nijhuis, Wendy Verschoor and Jos van Lange.

J.A. (Jos) Nijhuis

Supervisory Board chair Jos Nijhuis (1957) was CEO of the Royal Schiphol Group in the period 2009 to 2018. From 2009 to 2017, he held supervisory director positions in the financial services sector at AON Group Nederland and SNS Reaal NV/Volksbank. Prior to joining Schiphol Group, he held various positions at PWC, for the last seven years as CEO of PWC the Netherlands. Jos Nijhuis holds a number of supervisory positions, including member of the Supervisory Board of Hotel Okura Amsterdam, non-executive board member of Vision Box (Portugal), chair of the investment committee van Quadrum Capital and member of the board of the Dutch National Opera & Ballet.

J.H.P.M. (Jos) van Lange

Jos van Lange (1956) area of expertise is in the fields of finance, risk, control and compliance in combination with real estate. Within the Supervisory Board, he is the chair of the Audit Risk & Compliance committee. From 1980 through 2017, he held various positions at Rabobank Nederland and the Rabo Vastgoed Groep. At the Rabo Vastgoed Groep, he was CFRO from 2006 to 2013, and CEO from 2013 to 2017. Jos van Lange holds a number of supervisory positions, including member of the Supervisory Board of De Volksbank, member of the Supervisory Board of the Zuyderland Medical Centre foundation, member of the investment advisory committee of DELA, member of the board of the Tilburg University foundation and chair of the Supervisory Board of the CBF (charity sector regulator).

W.B. (Wendy) Verschoor

Wendy Verschoor (1974) is a real estate specialist and an executive with 20 years of experience in advising clients on real estate and asset management. Within the Supervisory Board, she is a member of the Audit, Risk & Compliance committee. Since April 2018, Wendy Verschoor has been running her own consultancy practice in the fields of strategy, leadership and governance. Prior to this, she was Head of Client Care at CBRE Nederland and Buildings director at Arcadis Nederland. Wendy Verschoor is a member of the Supervisory Board of Ascort.

G.E.A. (Gabriëlle) Reijnen

Gabriëlle Reijnen (1967) has more than 25 years' experience as an executive, including positions in client and portfolio management, finance and risk. Within the Supervisory Board, she is chair of the Selection and Remuneration committee. Gabriëlle Reijnen is currently CFO at Beter Bed Holding. In addition to this, she is a member of the supervisory boards of Aegon Bank and Aspen Oss. Her previous positions include Managing Director at ABN AMRO and Alvarez & Marsal.

Financial statements 2019

Balance sheet at 31 December

Before appropriation of result, all amounts in € thousands	Note	2019	2018
Assets			
Intangible fixed assets	1	513	1,041
Tangible fixed assets	2		
Leasehold improvements		3,836	1311
Equipment		1,002	800
		4,838	2,111
Financial fixed assets			
Participations	3	15,656	14,243
		15,656	14,243
Current assets			
Receivables		28	-
Receivables group companies	4	115	92
Taxes	5	405	926
Other receivables and accrued assets		546	2547
Cash and cash equivalents	6	25,851	26,341
		26,945	29,906
Total assets		47,952	47,301
Equity and liabilities			
Issued capital		225	225
Share premium		41,367	41,367
Statutory reserve participations		4,461	3,504
Retained earnings		(15,901)	(15,119)
Net result for the year		4,264	3,175
Shareholders' equity	7	34,416	33,152
Provisions			
Deferred tax liabilities	8	1,235	903
		1,235	903
Current liabilities			
Accounts payable		58	18
Taxes and social security premiums	9	1,368	1,241
Pension premiums	10	717	660
Payables group companies	11	5,393	7,026
Other liabilities		2,938	2,598
Accrued liabilities		1,827	1,703
		12,301	13,246
Total equity and liabilities		47,952	47,301

Statement of profit or loss

All amounts in € thousands

	Note	2019	2018
Management fee	12	46,129	38,474
Operating costs			
Personnel costs	13	27,868	24,867
Depreciation costs	1-2	1,217	848
Other operating costs	14	12,900	10,410
Total operating costs		(41,985)	(36,125)
Operating result		4,144	2,349
Result from participations	15	1,684	1,882
Interest income and expenses	16	(131)	(95)
Result before taxes		5,697	4,136
Corporate income tax	17	(1,433)	(961)
Result after taxes		4,264	3,175

Statement of cash flows

All amounts in € thousands

	2019	2018
Cash flow from operating activities		
Net result	4,264	3,175
Adjustments for:		
Depreciations	1,217	848
Result from participations	(1,684)	(1,882)
Interest income and expenses	131	95
Movements in working capital and provisions:		
Movement in deferred tax assets	-	776
Movement in receivables	2,471	(2,686)
Movement in provisions	332	185
Movement in current liabilities	(945)	4,654
	5,786	5,165
Interest paid	(131)	(95)
Cash flow from operating activities	5,655	5,070
Cash flow from investment activities		
Investments in tangible fixed assets	(3,410)	(1,917)
Investments in intangible fixed assets	(6)	(1,079)
Investments in participations	(102)	-
Dividends received	373	344
Cash flow from investment activities	(3,145)	(2,652)
Cash flow from financing activities		
Dividends paid	(3,000)	(4,000)
Cash flow from financing activities	(3,000)	(4,000)
Net cash flow	(490)	(1,582)
Cash and cash equivalents as at 1 January	26,341	27,923
Increase/(decrease) in cash and cash equivalents	(490)	(1,582)
Cash and cash equivalents as at 31 December	25,851	26,341

Notes to the financial statements

All amounts in € thousands, unless otherwise stated.

General

Legal structure and principal activities

Bouwinvest Real Estate Investment Management B.V. ('Bouwinvest' or 'the company'), with its head office in Amsterdam, at La Guardiaweg 4, is a private company with limited liability incorporated on 9 October 2002. The Company is registered with the Amsterdam Chamber of Commerce under number 34180506. Bouwinvest's objective is to provide real estate investment services to the Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (pension fund for the Dutch construction industry - bpfBOUW), to other institutional investors and to bpfBOUW group companies as defined in article 2:24b of the Dutch Civil Code.

In connection with its foreign offices in Sydney and New York (set to open in early 2020), Bouwinvest has two subsidiaries: Bouwinvest Asia Pacific PTY LTD (Australia) and Bouwinvest North America LLC (USA). Bouwinvest holds 100% of the shares in these companies.

All shares in the company are held by bpfBOUW. The company forms part of a group, headed by bpfBOUW in Amsterdam, the Netherlands. The company's financial information is included in the financial statements of bpfBOUW. Copies are available in the trade register of the Chamber of Commerce, as well as on the bpfBOUW website.

Bouwinvest is an investment manager specialised in real estate for institutional investors. Bouwinvest manages five Dutch sector funds. Bouwinvest also manages a separate mandate for BpfBOUW for real estate investments in Europe, North America and the Asia-Pacific region. In the Netherlands, the management services cover the entire real estate chain, from acquisition, development and redevelopment to asset management and disposal. For the international investments, the management services consist primarily of defining the real estate investment strategy, fund selection and monitoring the performance of the selected fund managers and funds.

Bouwinvest and bpfBOUW are a fiscal entity for the purposes of VAT. BpfBOUW is the head of the fiscal entity and in addition to Bouwinvest this entity also includes Bouwinvest Dutch Institutional Hotel Fund N.V., Bouwinvest Dutch Institutional Healthcare Fund N.V., Bouwinvest Development B.V. and GIP Beheer B.V. for the purposes of VAT. The fiscal entity for the purposes of VAT has actually existed since 1 January 2018; the companies in this fiscal entity file their VAT returns independently.

Basis for the preparation of the financial statements

The financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.

The legal entity is subject to the medium-sized company financial statements regulations as defined in article 2:397 of the Dutch Civil Code.

Accounting policies

Assets and liabilities are valued and results are determined on a historical cost basis. Unless stated otherwise in the relevant policy regarding a specific balance sheet item, assets and liabilities are valued on a cost basis.

Income and expenses are accounted for in the period to which they pertain. Profit is only included if this has been realised on the balance sheet date. Losses originating before the end of the financial year are recognised if they are known before preparation of the financial statements.

The company's financial statements are presented in thousands of euro (€), unless otherwise stated.

Financial instruments

Financial instruments include primary financial instruments, such as receivables and payables.

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. The carrying amounts of all financial instruments approximate the fair value. If the

financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes to the 'Contingent rights and obligations'.

For the valuation principles of primary financial instruments, reference is made to the notes per balance sheet item.

Intangible fixed assets

Intangible fixed assets are stated at purchase price less straight-line depreciations, calculated taking into account the estimated economic life of the assets in question, and less any impairments if applicable. Acquisitions in the year under review are subject to depreciation according to the proportion of the year they have been held.

Depreciation is over a period of three to five years.

Tangible fixed assets

Tangible fixed assets are stated at purchase price less straight-line depreciations, calculated taking into account the estimated economic life of the assets in question, and less impairments if applicable. Any assets purchased in the year under review are subject to depreciation according to the proportion of the year they have been held.

Depreciation is over a period of three to five years.

Financial fixed assets: Participations

When significant influence is exercised, associated companies are valued at net asset value. When no significant influence is exercised, associated companies are valued at cost less any impairments if applicable. The valuation of associated companies takes into account any impairments.

Current assets

Upon initial recognition, receivables are included at fair value and then valued at amortised cost. The fair value and amortised cost equal the face value. Any provision for doubtful debts deemed necessary is deducted. These provisions are determined by individual assessment of the receivables.

Deferred tax assets

Deferred tax assets are recognised if and in so far as it is likely that the tax asset can be realised in due course. These deferred tax assets are valued at face value and are predominantly of a short-term nature.

Cash and cash equivalents

Cash and cash equivalents are valued at face value. If cash equivalents are not freely disposable, then this should be taken into account in the valuation of same.

Provisions

Provisions are recognised if the company has a legally enforceable or constructive obligation as a result of a past event; it is likely that an outflow of resources will be required to settle the obligation; and the amount can be estimated reliably. Provisions are taken for the cash value of the outflows that are expected to be required for the settlement of the obligation, if the impact of same is material.

Deferred tax liabilities

Deferred tax liabilities are recognised for the difference between the fiscal and commercial valuation of the participations. These deferred tax liabilities are valued at face value and are predominantly of a long-term nature.

Current liabilities

Upon initial recognition, the liabilities recognised are stated at fair value and then valued at amortised cost.

Management fee

The management fee is calculated on the basis of the invested capital and project turnover.

Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with deferred tax assets (if applicable) only recognised in so far as their realisation is likely.

Notes to the cash flow statement, general principles

The cash flow statement is drawn up according to the indirect method. The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents are considered to be highly liquid investments. Interest income and expenses are recognised in the cash flow from ordinary operations.

Notes to the balance sheet

1 Intangible fixed assets

	2019	2018
Book value as at 1 January	1,041	571
Investments	6	1,079
Depreciations	(534)	(609)
Book value as at 31 December	513	1,041
Purchase value	1,969	9,183
Derecognition of old hardware and software	-	(7,220)
Cumulative depreciations	(1,456)	(922)
Book value as at 31 December	513	1,041

2 Tangible fixed assets

	Leasehold Improvements	Equipment	Total 2019	Total 2018
Book value as at 1 January	1,311	800	2,111	433
Investments	2,835	575	3,410	1,917
Depreciations	(310)	(373)	(683)	(239)
Book value as at 31 December	3,836	1,002	4,838	2,111
Purchase value	9,890	2,670	12,560	9,150
Derecognition of old renovations and business equipment	(5,700)	(900)	(6,600)	(5,391)
Cumulative depreciations	(354)	(768)	(1,122)	(1,648)
Book value as at 31 December	3,836	1,002	4,838	2,111

3 Participations

The movement in the group companies and participations that belong to the group recognised under financial fixed assets were as follows:

	Book value 31-12-2018	Deposit/ repayment	Dividend	Result 2018	Book value 31-12-2019
Bouwinvest Dutch Institutional Residential Fund NV (0,2%)	9,926	-	(227)	1,132	10,831
Bouwinvest Dutch Institutional Retail Fund NV (0,3%)	2,170	-	(102)	98	2,166
Bouwinvest Dutch Institutional Office Fund NV (0,3%)	2,147	-	(44)	431	2,534
Bouwinvest Asia Pacific Pty Ltd (100%)	-	102	-	23	125
Bouwinvest North America LLC (100%)	-	-	-	-	-
Total	14,243	102	(373)	1,684	15,656

Bouwinvest Asia Pacific Pty Ltd (Bouwinvest APAC) is a Bouwinvest subsidiary, founded on 21 December 2018. Acting as a representative office, Bouwinvest APAC advises Bouwinvest on the selection and management of real

estate investments in the Asia-Pacific region on the basis of a Service Agreement with Bouwinvest. In addition, the subsidiary provides Bouwinvest with support services, such as market analyses and hold/sell analyses.

Bouwinvest North America LLC (Bouwinvest US) is a Bouwinvest subsidiary, founded on 2 January 2020. Acting as a representative office, Bouwinvest North America LLC advises Bouwinvest on the selection and management of real estate investments on the North American continent on the basis of a Service Agreement with Bouwinvest. In addition, the subsidiary provides Bouwinvest with support services, such as market analyses and hold/sell analyses. No capital was paid in in 2019.

4 Receivables group companies

	2019	2018
Bouwinvest Retail Fund N.V.	91	-
Bouwinvest Retail Development B.V.	14	10
Bouwinvest Office Development B.V.	4	81
Bouwinvest Office Fund N.V.	-	1
Bouwinvest Hotel Development B.V.	6	-
Total	115	92

5 Taxes

	2018	2018
Value added tax	38	823
Dividend tax	52	103
Corporate income tax	315	-
Total	405	926

6 Cash and cash equivalents

	2019	2018
Bank balances	25,851	26,341
Total	25,851	26,341

The cash and cash equivalents are freely available to the company.

7 Shareholders' equity

Before appropriation of result

	Issued capital	Share premium	Statutory reserve participations	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2019	225	41,367	3,504	(15,119)	3,175	33,152
Net result for the year	-	-	-	-	4,264	4,264
Appropriation of result	-	-	-	3,175	(3,175)	-
Change in statutory reserve participations	-	-	957	(957)	-	-
Dividend paid	-	-	-	(3,000)	-	(3,000)
Balance at 31 December 2019	225	41,367	4,461	(15,901)	4,264	34,416

Before appropriation of result

	Issued capital	Share premium	Statutory reserve participations	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	225	41,367	-	(12,275)	4,660	33,977
Inclusion of statutory reserve participations			2,151	(2,151)	-	-
Net result for the year	-	-	-	-	3,175	3,175
Appropriation of result	-	-	-	4,660	(4,660)	-
Change in statutory reserve participations	-	-	1,353	(1,353)	-	-
Dividend paid	-	-	-	(4,000)	-	(4,000)
Balance at 31 December 2018	225	41,367	3,504	(15,119)	3,175	33,152

Share capital

The shares have a face value of 1 euro. As at 31 December 2019, a total of 225,000 shares had been issued and paid up.

Legal reserve participations

To improve the transparency of Bouwinvest's capital position, the company has formed a legal reserve participations for its financial position in the real estate funds. For comparison purposes, the recognition of the reserve has been accounted for retrospectively.

Result appropriation 2018

On 17 April 2019, the General Meeting of Shareholders adopted the 2018 financial statements. The General Meeting of Shareholders resolved to pay out a dividend of € 3,000,000 for 2018 and to add the remaining result of € 175,000 to the retained earnings.

Proposal for appropriation of profit 2019

It will be proposed to the General Meeting of Shareholders that it approve the addition of the result for 2019 of € 4,264,000 to the retained earnings, in line with the capital policy. The addition of this result will facilitate the growth of the organisation with a strengthened shareholders' equity.

This proposal has not been incorporated in the financial statements.

8 Deferred tax liabilities

	2019	2018
Deferred tax liabilities	1,235	903
Total	1,235	903

A deferred tax liability of € 1.2 million has been recognised for the difference between the fiscal and commercial valuation of the participations of € 5.6 million at year-end 2019 (2018: € 4.4 million). The deferred tax liability is of a long-term nature.

9 Taxes and social security premiums

	2019	2018
Payroll taxes	1,368	1,241
Total	1,368	1,241

10 Pension premiums

The movements in the short-term liabilities related to pension premiums were as follows:

	2019	2018
Balance as at 1 January	660	584
Payment relating to previous years	(660)	(584)
Premiums due for the financial year	2,621	2,593
Payments relating to the financial year	(1,904)	(1,933)
Total	717	660

11 Payables to group companies

	2019	2018
Payable bpfBOUW	4,986	4,416
Payable Retail Fund	-	1,367
Payable Office Fund	407	1,082
Payable Residential Fund	-	161
Total	5,393	7,026

Contingent rights and liabilities

Contingent rights

Bouwinvest has management agreements with the Dutch funds it manages. These management agreements are for an indefinite period with a two-year notice period. In addition, Bouwinvest has three investment management agreements with bpfBOUW for the management of its International portfolios. Each of these three management agreements is for an indefinite period and can be terminated each year, with a period of notice of two years. The management fee is calculated on the basis of net asset value.

Contingent liabilities

This pertains to rental and lease agreements and the costs related to the renovation of Maincourt.

	2019	2018
First year	3,832	5,162
Second to fifth year	6,786	5,408
More than five years	7,489	8,826
Total	18,107	19,396

Notes to the statement of profit or loss

All amounts in € thousands

12 Management fee

Bouwinvest received a management fee totalling € 46.1 million in 2019 (2018: € 38.5 million), consisting of € 45.2 million (2018: € 38.3 million) based on the invested capital. The fee for the project development activities was € 0.9 million (2018: 0.2 million) on the basis of the invoiced instalments.

Bouwinvest provides real estate services to the following funds and entities (group companies, as defined in article 2:24b of the Dutch Civil Code). The company's total invested capital at year-end is stated below.

	2019	2018
Bouwinvest Dutch Institutional Residential Fund N.V.	6,529,289	5,761,761
Bouwinvest Dutch Institutional Retail Fund N.V.	979,393	969,680
Bouwinvest Dutch Institutional Office Fund N.V.	1,077,155	771,241
Bouwinvest Dutch Institutional Hotel Fund N.V.	333,192	259,111
Bouwinvest Dutch Institutional Healthcare Fund N.V.	262,368	178,443
Bouwinvest Development B.V.	64,779	63,337
bpfbOUW (mandates International Investments & Heritage)	3,687,279	3,274,238
Total	12,933,455	11,277,811

For the funds, the management fee is calculated as 0.5% of the net asset value. For bpfbOUW's international investments the fee is calculated as 0.25% of the net asset value.

13 Personnel costs

	2019	2018
Wages and salaries	17,388	15,597
Social security charges	1,779	1,585
Pension fund charges	2,621	2,545
Temporary staff	2,806	2,060
Other personnel costs	3,274	3,080
Total	27,868	24,867

The pension fund costs chargeable to the financial year can be broken down as follows:

	2019	2018
Pension fund agreements chargeable to the financial year	3,064	2,928
Deductions	(443)	(383)
Total	2,621	2,545

In line with the Dutch pension system, this pension plan is financed by contributions (premiums) to an industry pension fund. For Bouwinvest, this is APG's Ondernemingspensioenfond (OPF).

The accrued entitlements are always fully financed in the relevant calendar year via - at the very least - cost-effective contribution payments. The pension plan is a career average plan including a single payment scheme, for both active and inactive participants (sleepers and retired persons). The granting of supplements (indexation) depends on the investment return. The annual accrual of pension entitlements amounted to 23.8% of the pensionable salary in 2019 (2018: 23.1%), with a maximum of € 107,593 (2018: € 105,075). The annual employee

contribution is at least 1.75% (2018: 1.75%) and capped at 4.2% (2018: 4.2%) of the gross salary. The management board of the industry pension fund determines the contribution each year on the basis of the coverage ratio and expected returns.

In addition to this basic scheme, which is mandatory for every Bouwinvest employee, Bouwinvest also has a net pension scheme (*Netto Pensioen Regeling - NPR*), which is offered to employees with a total fixed income above the permissible fiscal limit of € 107,593 (2018: 105,075). These employees receive an employer contribution amounting to the maximum deposit in a net pension scheme. Participation in the net pension scheme is voluntary.

The industry pension fund in question has stated that its coverage ratio was 105.2% in 2019 (2018: 116.8%). On the basis of the agreed pension scheme, the group has no obligation to make additional contributions in the event of a deficit, other than in the form of higher future contributions.

Employees

The number of employees stood at 185 FTEs at year-end 2019 (2018: 170 FTEs). The average number of employees in 2019 was 175 FTEs (2018: 162 FTEs).

Remuneration

In the year under review, Bouwinvest paid total remuneration (including social security charges and pension premiums) of € 21.6 million to 185 FTEs (2018: € 19.7 million to 170 FTEs), 5.3% of which was variable remuneration, with the remainder fixed remuneration.

The variable remuneration is awarded on a discretionary basis determined by the Bouwinvest Executive Board of Directors and is partly dependent on the performance of the company. The variable remuneration of the Executive Board of Directors is determined by the Supervisory Board and is capped at 20% of the annual salary. Bouwinvest's remuneration policy is assessed on a regular basis and updated when necessary.

The total remuneration included an amount of € 1.4 million (2018: € 1.4 million) for the members of the Executive Board of Directors, with € 0.6 million of this paid out as remuneration for the statutory directors. An additional € 4.1 million (2018: € 3.7 million) was paid out to other staff members who influence the risk profile of the organisation. Together, this group form the identified staff, whose actions have a significant influence on the organisation, the funds and the mandates.

The remuneration for the members of the Supervisory Board amounted to a total of € 105,000 in 2019 (2018: € 125,000).

Bouwinvest manages five Dutch real estate sector funds and three mandates for international real estate investments. The Residential Fund, the Retail Fund and the Office Fund are open for institutional clients. Bouwinvest manages the Hotel Fund and the Healthcare Fund, together with its international real estate investments, exclusively for bpfBOUW. The international portfolio includes both listed and non-listed real estate funds in Europe, North America and the Asia-Pacific region. It is not possible to allocate the remuneration per investment entity and this information is therefore not available.

14 Other operating costs

	2019	2018
Office expenses	2,279	2,069
Automation expenses	4,428	3,157
Communications expenses	978	974
Consultancy costs	1,031	629
Research and Investor Relations costs	590	471
Non-deductible VAT	2,792	2,358
Other expenses	802	752
Total	12,900	10,410

15 Result from participations

	2019	2018
Result from participations	1,684	1,882
Result from participations	1,684	1,882

16 Interest income and expenses

	2019	2018
Interest expenses	(131)	(95)
Interest income and expenses	(131)	(95)

17 Corporate income tax

	2019	2018
Result before taxes	5,697	4,136
Corporate income tax	(1,378)	(840)
Mutation deferred tax assets	(55)	(85)
Impairment deferred income tax receivable	-	(36)
Total	(1,433)	(961)

Subsequent events

During the completion of this annual report, the world was confronted with the outbreak of the coronavirus (COVID-19). This crisis will also have an impact on the valuations of Bouwinvest's real estate funds and real estate mandates, which are used to determine Bouwinvest's management fee. The implications for the future results of Bouwinvest and its funds will only become clear in the course of 2020. Bouwinvest has long-term management fee contracts and at this point in time has sufficient reserves and cash and cash equivalents to absorb any temporary decline in its revenues, which puts the company in a good position to weather this crisis.

Signing of the financial statements

Amsterdam, 9 April 2020

The Executive Board of Directors

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*

The Supervisory Board

Jos Nijhuis
 Jos van Lange
 Gabriëlle Reijnen
 Wendy Verschoor

Other information

Provisions of the Articles of Association pertaining to the appropriation of profit

Profit is appropriated in accordance with Article 4 of the Articles of Association, which stipulates that the General Meeting of Shareholders decides which portion of the profit shall be added to the reserves. The remaining profit is at the disposal of the General Meeting of Shareholders.

Independent auditor's report

To the shareholder and the Supervisory Board of Bouwinvest Real Estate Investors B.V.

Report on the financial statements 2019 included in the annual report

Our opinion

We have audited the 2019 financial statements of Bouwinvest Real Estate Investors B.V., based in Amsterdam.

In our opinion the financial statements included in this annual report give a true and fair view of the financial position of Bouwinvest Real Estate Investors B.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 financial statements comprise:

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

Basis for our opinion

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

We are independent of Bouwinvest Real Estate Investors B.V. as required by the European regulation regarding the specific requirements for the mandatory audits of the financial statements of public interest organisations, the Dutch Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties - Wta*), the Regulation pertaining to the independence of auditors in audit assignments (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten - ViO*) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Regulation pertaining to the code of ethical and professional conduct for auditors (*Verordening gedrags- en beroepsregels accountants - VGBA*).

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

Section highlighting the impact of the coronavirus

The coronavirus will also have an impact on Bouwinvest Real Estate Investors B.V. In the notes on pages 4, 5 and 19 of the financial statements, the management has explained the current impact and their plans on how to deal with these events or circumstances. The management also admits that it is difficult at this point in time to estimate what impact the coronavirus will have on the financial performance and health of Bouwinvest Real Estate Investors B.V. We have not adjusted our opinion with respect to this event.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report, the annual report contains other information, which consists of:

- Report of the Executive Board of Directors
- Other information
- Additional other information.

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

- Is consistent with the financial statements and does not contain any material misstatements.
- Includes all the information that is required by virtue of Part 9 of Book 2 of the Dutch Civil Code.

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

By performing these procedures, we complied 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 less extensive than the scope of those performed in our audit of the financial statements.

The Executive Board of Directors is responsible for the preparation of the other information, including the Report of the Executive Board of Directors and the other information, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of the Executive Board of Directors and the Supervisory Board for the financial statements

The Executive Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. In this context, the Executive Board of Directors is responsible for such internal controls as the Executive Board of Directors deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the aforementioned financial reporting framework, the Executive Board of Directors is supposed to prepare the financial statements on the assumption that the company will continue as a going concern, unless the Executive Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board of Directors must disclose any events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for the supervision of the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility 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 during our audit.

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

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Auditing Standards, ethical requirements and independence requirements. Our audit included the following procedures:

- Identifying and assessing the risks of material misstatements in the financial statements, whether due to fraud or error, designing and performing audit procedures in response 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, the intentional omission of transactions, misrepresentations, or the overriding of internal controls.
- Gaining an understanding of the internal controls relevant to the audit, in order to select audit procedures that are appropriate in the circumstances. These activities are not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and evaluating the reasonableness of the estimates made by the Executive Board of Directors and the notes on same in the financial statements.
- Reaching a conclusion on whether the Executive Board of Directors' assumption regarding the company's ability to continue as a going concern is acceptable. And, based on the audit evidence obtained, reaching a conclusion on whether there is any material uncertainty regarding events or circumstances that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is some material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, we are required 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 render the company unable to continue as a going concern.

- Evaluating the presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements give a true and fair representation of the underlying transactions and events.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant shortcomings in internal controls that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with the Supervisory Board regarding any and all business relationships and other matters that could reasonably be thought to have a bearing on our independence and, where applicable, any related measures taken to safeguard our independence.

Amsterdam, 9 April 2020

Deloitte Accountants B.V.

Signed on the original: J. Holland RA

Appendices

Company profile

Bouwinvest Real Estate Investors B.V. invests the capital of institutional investors (pension funds and insurance firms) in real estate. We invest for the long term and we do this in a responsible manner, with respect for the world around us. Our goal is to provide our clients with risk diversification and solid returns. We manage a diversified array of three international mandates and five Dutch sector funds. We currently manage total invested capital of € 12.9 billion (year-end 2019).

Expertise as a foundation for growth

Bouwinvest has more than 65 years of experience in the real estate and pension worlds and we fully understand the needs of our clients and anticipate and respond effectively in constantly changing markets. We are able to apply our decades of experience and knowledge of the Dutch market to international real estate markets. And our international expertise helps us to be successful in the Dutch market. Bouwinvest has a close-knit team of some 200 professionals. For more information, please visit our corporate website www.bouwinvest.com.

Materiality matrix



- 1 Integrity and transparency
- 2 Climate- neutral buildings
- 3 Limiting the CO₂ emissions of our real estate portfolio
- 4 Satisfied tenants and users
- 5 Client focus and satisfaction
- 6 Satisfied and engaged employees
- 7 Cyber security and privacy
- 8 Affordability
- 9 New technologies and innovation
- 10 Healthcare & Safety
- 11 Circular construction and use
- 12 Climate-risilient buildings
- 13 Initiate dialogue with main stakeholders
- 14 Reputation and leadership
- 15 Recruitment of talent
- 16 Lifecycle-proof real estate
- 17 Development & training employees
- 18 Green building and portfolio certification
- 19 Changing mobility needs
- 20 Responsible procurement
- 21 Reduce and separate waste
- 22 Maintain biodiversity
- 23 Reduce water consumption
- 24 Diversity & Inclusiveness
- 25 Nitrogen emissions and Pfas

ESG performance indicators

Continuous improvement of our sustainability performance

Impact area	Indicator	Measure	Unit	2019	2018	% change
Above-average sustainable investments	GRESB	Percentage above-average sustainable investments total portfolio	%	81%	79%	3%-point
	GRESB	Percentage Dutch funds with GRESB 4/5 stars	%	100%	94%	6%-point
	GRESB	Percentage of GRESB 4/5-star ratings in the regional mandates	%	35%	41%	-5%-point
	GRESB	GRESB coverage total portfolio	%	94%	92%	1%-point
	GRESB	GRESB coverage of Dutch funds	%	100%	100%	0%-point
	GRESB	GRESB coverage of the regional mandates	%	79%	75%	4%-point

Investing in sustainable real estate

Impact area	Indicator	Measure	Unit	2019	2018	% change
Sustainable building certificates	BREEAM or GPR	Share of sustainable building certificates based on m2 (BREEAM or GPR) (GRI-CRESS: CRE8)	%	98%	62%	36%-point

Reducing environmental impact

Impact area	Indicator	Measure	Unit	2019	2018	% change
Energy labels	EPC	Share of energy labels based on m2 (GRI-CRESS: CRE8)	%	100%	100%	0%-point
		Share of green energy labels based on m2 (A, B or C label)	%	98%	95%	3%-point
		Average energy index	#	1.10	1.15	-4%
		Number of DUO Labels	#	523	521	0%

Impact area	Indicator	Measure	Unit	2019 (Abs)	2018 (Abs)	% change (Lfl)
Energy	Electricity	Total electricity consumption (GRI: 302-2)	MWh	20,296	21,234	-8.1%
	Gas	Total gas consumption (GRI: 302-1)		3,855	7,663	-3.0%
	District heating and cooling	Total consumption district heating and cooling (GRI: 302-2)		10,435	18,145	-8.6%
	Total	Total energy consumption all sources (GRI: 302-2)		34,586	47,043	-7.7%
	Energy intensity	Average energy intensity of the buildings (GRI-CRESS: CRE1) Coverage ration data energy and CO2	kWh/m ² /jaar	28 137 of 191	38 126 of 170	-7.7%
CO2 emissions	Direct	Scope 1 (GRI: 305-1)	tonnes CO2e	743	1,478	-3.0%
	Indirect	Scope 2 (GRI: 305-2)		12,636	14,156	-8.1%
	Total	Total CO2 emissions (GRI: 305-2) Scope 1 and Scope 2		13,379	15,634	-7.9%
		Total CO2 emissions after offsetting		2,095	3,827	-6.8%
	CO2 emission intensity	Average CO2 intensity of the buildings (GRI-CRESS: CRE3)	kg CO2e/m ² /jaar	11	13	-7.9%
Water	Total	Total water consumption (GRI:303-1)	m ³	97,910	100,305	-1.5%
	Water intensity	Average water intensity of the buildings (GRI-CRESS: CRE2)	m ³ /m ² /year	0.40	0.37	-1.5%
Waste	Total	Total waste by weight (GRI: 306-1)	tonnes	933	870	10.2%
		Recycling percentage	%	25%	28%	-5.9%

Improving stakeholder value

Impact area	Indicator	Measure	Unit	2019	2018	% change
Stakeholder engagement	Tenant satisfaction	Response percentage (GRI: 102-43)	%	55%	58%	-3%
		Average total score (GRI: 102-43)	#	7.3	7.3	0%
Promote sustainability in the chain	Considerate Constructors Scheme	Number of registered building sites	#	22 (of 64)	20 (of 60)	
		Percentage of registered building sites (acquisition price)	%	51%	46%	5%

Responsible organisation

Impact area	Indicator	Measure	Unit	2019	2018	% change
Sustainable agreements	Rental contracts	Number of new rental contracts	#	4,338	4.248	2.1%
		Number of sustainable rental contracts (green leases)	#	397 (van 19,517)	120 of 18,349	1.38%

Environmental data head office

Impact area	Indicator	Measure	Unit	2019 (abs)	2018 (abs)	% change (Lfl)
Energy	Electricity	Total electricity consumption	MWh	na	551	
		Share of electricity from renewable sources		na	0	
	Gas	Total gas consumption (GRI: 302-1)		na	0	
	District heating and cooling	Total district heating and cooling (GRI: 302-2)		na	574	
		Percentage locally generated heating and cooling		na	0	
	Total	Total energy consumption all sources (GRI: 302-2)	na	1,125		
	Energy intensity	Energy intensity head office gross floor area (GRI-CRESS: CRE1)	kWh/m²/year	na	128	
Data Energy	Coverage data Energy and CO2		na	1 of 1		
Waste	Total	Total waste by weight (GRI: 306-1)	tonnes	27,011	22,774	19%
		Recycling percentage	%	36%	33%	3%-punt
Mobility	Distance	Lease cars	km	1,871,415	2,078,245	-10%
		Public transport		569,201	402,987	41%
		Air travel		1,181,059	1,258,131	-6%
CO2 emissions	Direct	Scope 1 (GRI: 305-1)	ton CO2e	na	310	
	Indirect	Scope 2 (GRI: 305-2)		na	268	
	Total	Total CO2 emissions (GRI: 305-2) Scope 1 and 2		na	579	
		Total CO2 emissions after compensation	na	579		
	CO2 emission intensity	CO2 intensity head office (GRI-CRESS: CRE3)	kg CO2e/FTE/year	na	0.3	
		CO2 intensity mobility (GRI-CRESS: CRE3)	kg CO2e / FTE / year	na	3.1	
CO2 intensity total (GRI-CRESS: CRE3)		kg CO2e / FTE / year	na	3.4		
	Total	Total water consumption (GRI:303-1)	m³	na	1,758	
	Water intensity	Water intensity head office (GRI-CRESS: CRE2)	m³/FTE/year	na	10.3	

Social data

Impact area	Indicator	Measure	Unit	2019	2018
Employees	Contract (incl. proportion of women)	Number of employees (GRI: 401-1)	FTE	184.7 (31.6)	169.7 (33.8)
		Full-time contract percentage (GRI: 401-1)	%	71.8 (21.4)	74% (21.7)
		Part-time contract percentage (GRI: 401-1)	%	28.2 (72.7)	26% (74)
		Temporary contract percentage (GRI: 401-1)	%	9.8 (63.2)	11%(45)
		Permanent contract percentage (GRI: 401-1)		90.2 (34.2)	89% (34)
	Health	Absenteeism (GRI: 403-3)	%	3.1%	2.6%
	Staff turnover	Staff turnover percentage (GRI: 401-2)	%	1.7%	5.4%
	Employee satisfaction	Employee engagement - survey response percentage (GRI: 103)	%	95.1	see 2017
		Average satisfaction score (GRI: 103)	#	7.8	see 2017
		Employee engagement score		8.1	see 2017
		Employee enthusiasm score		7.9	see 2017
	Equality & diversity	Percentage of women (GRI: 405-2)	%	35.9%	35.4%
		Percentage of women in senior management (GRI: 405-2)		21.7%	19.2%
	Training & development	Number of internships and graduate positions	#	3	4
	Age (incl. proportion of women)	<30	Ratio	10.9 (33.3)	7.4 (31)
		30-40		28.6 (23.6)	28.6 (28)
		40-50		38.0 (39.7)	38.3 (37)
		50-60		17.7 (41.2)	19.4 (35)
		>60		4.7 (55.6)	6.3 (45)
Clients	Investor satisfaction	Response percentage (GRI: 102-43)	%	na	na
		Average total score (GRI: 102-43)	#	7.8	na

About this report

The goal of this annual report is to inform our stakeholders regarding the financial and non-financial developments at our company in the 2019 calendar year. We also use this report to update our stakeholders on the progress we have made in our performance with respect to a number of material aspects – the boundaries and scope of which we have determined in consultation with our stakeholders. You will find a description of the process of determining materiality and a full list of material aspects in the section on the determination of materiality.

Scope of this report

We based the determination of the content and parameters of this report on the wishes of our stakeholders via the materiality analysis. In this matrix, we have set the degree of importance of aspects against the interest that our external stakeholders attach to said aspects. The annual report and the financial statements pertain to Bouwinvest Real Estate Investors B.V., the three international mandates (Europe, North America and Asia-Pacific) and its five funds (Retail, Residential, Office, Healthcare and Hotel). Unless otherwise stated, the scope of the report extends to all Bouwinvest's activities. This means it includes sub-contractors, unless otherwise stated.

The annual report is drawn up annually, based on a reporting period of one calendar year. The previous report dated 19 March 2019 pertained to the calendar year 2018. The 2018 annual report was prepared on 20 March 2019 and published on 25 April 2019. The 2019 annual report pertains to the calendar year 2019 that ran from 1 January 2019 through 31 December 2019.

Reporting policy and guidelines

Bouwinvest strives to improve its reporting each year, in line with the nature, risks and opportunities of the organisation. Bouwinvest reports in accordance with the GRI Standards Core version of the guidelines of the Global Reporting Initiative (GRI). GRI Standards are the global standard on the reporting guidelines front. GRI is based on the principle of materiality and requires organisations to report their management approach to their most material aspects. Reporting in line with GRI adds focus on material aspects to our annual report and allows us to report solely on aspects that are important to internal and external stakeholders. You will find general information on GRI at: www.globalreporting.org.

Data collection and verification of non-financial data

Data collection

We present our non-financial KPIs in this report. The non-financial data are collected in the first quarter of the subsequent year. Whenever possible, we collect data centrally, while some data are collected locally. Once we have collected the data, we consolidate the data and subject it to a trend analysis. If there are any considerable deviations in trends, we add context and verify with the relevant data provider. The data in this report have been quantified. In the absence of data, we have made estimates. We did not identify any uncertainties or inherent limitations in the data as a result of measurements, estimates and calculations.

Reporting environmental data

Bouwinvest reports environmental data of those assets where management control is possible (via the operational control approach). Data is provided for those assets where we have the power to introduce and implement operating policies and where we are responsible for purchasing energy and water and the processing of waste. Our management control differs greatly by type of real estate (e.g. residential or office real estate). These differences affect the level of influence we have over the (measurable) sustainability performance of our real estate assets.

Absolute use is the total use of the real estate assets in our funds during the period under review and provides insight into the overall environmental impact.

Like-for-like data and any changes pertain to real estate assets in our portfolio that were fully owned by Bouwinvest and operational for the full 24-month period. We have excluded assets that were acquired, sold or underwent large-scale renovations in this period. This data therefore provides insight into the movement of an indicator over time at a constant portfolio scope. Total net CO₂ emissions, after compensation, represent the total CO₂ emissions after reduction and compensation of carbon emissions via Guarantees of Origin (Garanties van

Oorsprong - GVO). This is in line with Bouwinvest's commitment to reduce the impact its operations have on climate change and to encourage sustainable energy generation.

Energy, emission and water intensity are reported on the basis of like-for-like usage data and lettable floor area (LFA). This pertains to collectively purchased components and usage for shared areas, as well as usage data for tenant areas that are not individually metered.

Changes

Significant changes in definitions and measurement methods compared with previous reporting periods are explained where relevant. The changes we made to our ESG strategy or our targets in 2019 are explained in the relevant sections of this report. The aspects included in this report were selected on the basis of our materiality analysis.

Verification

For the year 2019, we had the various non-financial KPIs verified by an external auditor. The CFRO was involved in the commissioning of this verification. We see this as a step towards integrated reporting according to GRI Standards. You will find an online GRI content index at: <https://www.bouwinvest-annualreports2019.com/>.

Feedback

For additional information on this report, please feel free to contact our Client Management department via clientmanagement@bouwinvest.nl or Dick van Hal, interim Director Client Management : +31 (0)20 677 1600. Bouwinvest appreciates any feedback on its annual report.

GRI Content index

Organisational profile

GRI Standard	GRI disclosure	Reference or information	Omissions
102 (2016)	General Disclosures		
102-1	Name of the organization	Notes to the financial statements - General	
102-2	Activities, brands, products, and services	Notes to the financial statements - General	
102-3	Location of headquarters	Notes to the financial statements - General	
102-4	Location of operations	Notes to the financial statements - General	
102-5	Ownership and legal form	Governance - Corporate governance	
102-6	Markets served	How we create value - Strategy How we create value - Market proposition Governance - Corporate governance	
102-7	Scale of the organization	How we create value - Market proposition Responsible business - Growing management organisation Balance sheet at 31 December Statement of profit or loss Notes to the financial statements - General	
102-8	Information on employees and other workers	There is no substantial use of interim personnel and the company is not subject to seasonal patterns that have an impact on the number of employees. Social data	
102-9	Supply chain	14 Other operating Costs	This standard is not applicable given the nature of the company's activities
102-10	Significant changes to the organization and its supply chain	Report of the Supervisory Board - Business plan 2020-2022 Corporate Governance	
102-11	Precautionary Principle or approach	Internal control and riskmanagement	
102-12	External initiatives	Report of the Executive Board of Directors - Strategy for responsible investment and business	
102-13	Membership of associations	Improving stakeholder value	

Strategy

GRI Standard	GRI disclosure	Reference or information	Omissions
102 (2016)	General Disclosures		
102-14	Statement from senior decision-maker	Message from the CEO	

Ethics & Integrity

GRI Standard	GRI disclosure	Reference or information	Omissions
102 (2016)	General Disclosures		
102-16	Values, principles, standards, and norms of behavior	Bouwinvest gedragscode - https://www.bouwinvest.nl/media/4117/bouwinvest-gedragscode-2018.pdf	

Governance

GRI Standard	GRI disclosure	Reference or information	Omissions
102 (2016)	General Disclosures		
102-18	Governance structure	Governance - Corporate governance	

Stakeholder engagement

GRI Standard	GRI disclosure	Reference or information	Omissions
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102 (2016)	General Disclosures		
102-40	List of stakeholder groups	Improving stakeholder value	
102-41	Collective bargaining agreements	Governance - Works Council	
102-42	Identifying and selecting stakeholders	Material aspects Improving stakeholder value	
102-43	Approach to stakeholder engagement	Material aspects Improving stakeholder value	
102-44	Key topics and concerns raised	Material aspects Improving stakeholder value Materiality matrix Increasing employee satisfaction and engagement	

Reporting practice

GRI Standard	GRI disclosure	Reference or information	Omissions
102 (2016)	General Disclosures		
102-45	Entities included in the consolidated financial statements	Notes to the balance sheet - 3 Participations	Bouwinvest Real Estate Investors has no subsidiaries. This means consolidation is not relevant.
102-46	Defining report content and topic boundaries	About this report	
102-47	List of material topics	Materiality matrix	
102-48	Restatements of information	About this report - Reporting policy and guidelines	
102-49	Changes in reporting	How we create value - Material aspects	
102-50	Reporting period	How we create value - Material aspects	
102-51	Date of most recent report	About this report - Scope of this report	
102-52	Reporting cycle	About this report - Scope of this report	
102-53	Contact point for questions regarding the report	Feedback	
102-54	The reporting organization shall report the following information:	About this report - Reporting policy and guidelines	
102-55	GRI content index	GRI content index	
102-56	External assurance	About this report - Data collection and verification of non-financial data	

Integrity and transparency

GRI Standard	GRI disclosure	Reference or information	Omissions
103 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its boundaries	Material aspects - integrity and transparency	
103-2	The management approach and its components	Material aspects - integrity and transparency Being a responsible organisation Compliance Bouwinvest gedragscode - https://www.bouwinvest.nl/media/4117/bouwinvest-gedragscode-2018.pdf	
103-3	Evaluation of the management approach	Compliance	
205-3	Confirmed incidents of corruption and actions taken	Compliance - Reports and advice	

Energy

GRI Standard	GRI disclosure	Reference or information	Omissions
103 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its boundaries	Material aspects - Climate-neutral buildings Data collection and verification of non-financial data - Reporting environmental data Glossary - Reduction of energy consumption	
103-2	The management approach and its components	Material aspects - Climate-neutral buildings Report of the Executive Board of Directors - Strategy for responsible investment and business Reducing environmental impact About this report - Data collection and verification of non-financial data	
103-3	Evaluation of the management approach	Material aspects Reducing environmental impact About this report - Data collection and verification of non-financial data	
302-4	Reduction of energy consumption	Responsible investment Reducing environmental impact Summary of results 2019 - Reduction of energy consumption ESG performance indicators - Reducing environmental impact About this report - Reporting environmental data About this report - Data collection and verification of non-financial data	

Emissions

GRI Standard	GRI disclosure	Reference or information	Omissions
103 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its boundaries	Material aspects: Limiting the CO emissions of our real estate portfolio Reducing environmental impact Data collection and verification of non-financial data - Reporting environmental data Reporting environmental data Glossary - reduction of energy consumption, Like-for-like reduction of emissions	
103-2	The management approach and its components	Material aspects - Limiting the CO emissions of our real estate portfolio Strategy responsible investment and business	

103-3	Evaluation of the management approach	Data collection and verification of non-financial data Reducing environmental impact About this report - Data collection and verification of non-financial data	
305-5	Reduction of GHG emissions	Summary of results 2019 - Reduction of energy consumption Reducing environmental impact - CO2 emissions	
305-4	GHG emissions intensity	Glossary - Like-for-like reduction of emissions Reducing environmental impact - CO2 emissions Glossary - Like-for-like reduction of emissions	

Health & safety

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Material aspects - Health and safety	
103-2	The management approach and its components	Material aspects - Health and safety	
103-3	Evaluation of the management approach	Material aspects - Health and safety Investing in sustainable real estate Improving stakeholder value	
SRS 403 (2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Improving stakeholder value ESG performance indicators: Improving stakeholder value Growing management organisation Social data - Health	

Construction and real estate

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its boundaries	Strategy responsible investment and business	
103-2	The management approach and its components	Responsible Investment - Investing in sustainable real estate	
103-3	Evaluation of the management approach	Responsible Investment - Investing in sustainable real estate Glossary - GRESB, Certified sustainable portfolio	
CRE8	TYPE AND NUMBER OF SUSTAINABILITY CERTIFICATION, RATING AND LABELING SCHEMES FOR NEW CONSTRUCTION, MANAGEMENT, OCCUPATION AND REDEVELOPMENT	Responsible Investment - Investing in sustainable real estate Summary of results 2019- GRESB, Transparency, Sustainability performance, Sustainability building certificates, Energy-efficient buildings ESG performance indicators: Investing in sustainable real estate, Reducing environmental impact	

Cybersecurity and privacy

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Material aspects - Cyber security and privacy	
103-2	The management approach and its components	Material aspects - Cyber security and privacy	
103-3	Evaluation of the management approach	Material aspects - Cyber security and privacy Compliance	

418-1 (2016)	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Compliance - Compliance function, Reports and advice	
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Affordability

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Trends: Demographic developments Material aspects: Affordability Being a responsible organisation	
103-2	The management approach and its components	Material aspects: Affordability Being a responsible organisation	
103-3	Evaluation of the management approach	Being a responsible organisation	
Company specific, no direct relation with GRI or SASB standard	Add residential units in mid-rental segment	Being a responsible organisation	

Satisfied tenants and users

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Material aspects: Satisfied tenants and users	
103-2	The management approach and its components	Report of the Executive Board of Directors Material aspects: Satisfied tenants and users	
103-3	Evaluation of the management approach	Improving stakeholder value	
Company specific, no direct relation with GRI or SASB standard	Average tenant satisfaction	Targets for improving stakeholder value	

Client-centric approach to investors

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Material aspects: Client focus and satisfaction	
103-2	The management approach and its components	Report of the Executive Board of Directors Material aspects: Client focus and satisfaction	
103-3	Evaluation of the management approach	Message from the CEO Client focus Improving stakeholder value	
Company specific, no direct relation with GRI or SASB standard	Average client appreciation	Improving stakeholder value: table Targets for Improving stakeholder value ESG performance indicators - Social data	

Satisfied and engaged employees

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		

103-1	Explanation of the material topic and its Boundaries	Material aspects: Satisfied and engaged employees	
103-2	The management approach and its components	Material aspects: Satisfied and engaged employees Growing management organisation Increasing employee satisfaction and engagement	
103-3	Evaluation of the management approach	Improving stakeholder value Growing management organisation Increasing employee satisfaction and engagement	
Company specific, no direct relation with GRI or SASB standard	Average employee satisfaction	ESG performance indicators - Social data	

Technology and innovation

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Material aspects: New technologies and innovation	
103-2	The management approach and its components	Material aspects: New technologies and innovation Reducing environmental impact Growing management organisation	
103-3	Evaluation of the management approach	Material aspects: New technologies and innovation	
Company specific, no direct relation with GRI or SASB standard	Connect with network and knowledge platforms in the field of innovation and technology	Our goal for last year was to join various knowledge platforms in the field of real estate and innovation. In 2018, Bouwinvest joined three knowledge platforms focused on innovation, new technologies and real estate. These are: Holland Contech & PropTech, PropTechNL and the Foundation for International Blockchain and Real Estate Expertise (FIBREE).	

Climate-resilient buildings

GRI Standard	GRI disclosure	Reference or information	Omissions
103 1-3 (2016)	Disclosure of Management Approach (DMA)		
103-1	Explanation of the material topic and its Boundaries	Sustainability and climate change Material aspects: Climate-resilient buildings	
103-2	The management approach and its components	Reducing environmental impact Material aspects: Climate-neutral buildings	
103-3	Evaluation of the management approach	Material aspects: Climate-neutral buildings Reducing environmental impact	
Company specific, no direct relation with GRI or SASB standard	Connect with network and knowledge platforms in the field of innovation and technology		

Glossary

Addition of mid-rental segment homes

This is the total number of new homes added to the Dutch residential portfolio with a rental price between €720 and €1,000 per month in the reporting period.

Certified sustainable portfolio (Dutch sector funds)

This is the relative share of real estate investments in a portfolio that have been formally assigned a sustainable building certificate (such as BREEAM-NL and GPR Building) at the end of a reporting period, as a percentage of the total portfolio (on the basis of m² LFA).

Certified sustainable portfolio (International mandates)

This is the average score of the international investments on the Building Certificates aspect in the GRESB assessment, weighted against the total NAV of the international mandate investments that participate in GRESB.

Client appreciation

This is the average score clients (pension funds, insurance firms and charitable organisations) gave in satisfaction surveys in a certain reporting year.

Compliance incident

This is an act or an event that endangers the ethical performance of Bouwinvest's business operations or those of one of its affiliated companies, such as to include the violation of laws or regulations, fraud, corruption and the violation of the duty of confidentiality.

Considerate Constructor sites

This is the share of the building sites related to Bouwinvest's acquisitions or renovations that are registered as Considerate Constructors sites under the Dutch Considerate Constructors (Bewuste Bouwers) scheme in the reporting period, weighted according to acquisition price.

Employee satisfaction

This is the unweighted average score in the biennial employee satisfaction survey.

Energy index of the portfolio

This is the average energy index of the Dutch real estate portfolio, weighted according to lettable floor surface. Real estate investments without an energy index are not included in the calculation. For the residential portfolio, the average energy index is calculated per residential unit.

Energy, emission and water intensity

Energy, emission and water intensity is reported on the basis of like-for-like use data and lettable floor area. This pertains to collectively purchased components and consumption data for common areas, as well as consumption data for leased areas that are not individually metered. Both scope 1 and scope 2 emissions data are included in the measurement.

Green portfolio

This is the share of lettable floor area (LFA) with an A, B or C energy label, as a percentage of the total lettable floor area of the portfolios of the Dutch sector funds. For the residential portfolio, the green portfolio share is calculated per residential unit.

GRESB participation

The share of Bouwinvest's investments that participate in GRESB in the reporting period, weighted against the NAV at the end of said reporting period.

GRESB score

The GRESB (Global Real Estate Sustainability Benchmark) score is a measurement of the ESG performance of an entity – shown as a number between 0 and 100. The score is the result of an annual assessment by GRESB of the real estate entity.

GRESB star rating

The GRESB star rating is based on the GRESB score and the relative position in the entire GRESB universe, which is determined each year on the basis of the scores. If an entity ends in the top 20% it is awarded a five-star rating. If an entity ends in the lowest 20% it is given a one-star rating, etc. Due to the fact that the GRESB star rating is calculated as a relative score vis-a-vis the worldwide scores of participating entities, the rating shows a fund's performance on a worldwide scale.

Investments with an above-average sustainability rating

These are investments with a GRESB 4 or 5-star rating. The share is shown as a percentage of the total NAV at the end of a reporting period. Investments participating in GRESB for the first time are given the option of not publishing their performance. If the score is communicated to Bouwinvest, this is included in its overall score.

Knowledge platform aimed at innovation

A knowledge platform is an interactive online/offline environment used to facilitate knowledge exchange and networking between various parties, with the aim of reusing existing knowledge and the development of new knowledge and technologies that contribute to the improved performance of real estate. This is also referred to as PropTech.

Like-for-like reduction of emissions

Like-for-like data and changes pertain to real estate assets in our portfolio that were owned by Bouwinvest for the full 24-month period and were operational in that period. Real estate assets that were acquired, sold or underwent a major renovation in this period are not included. The total emissions figures pertain to direct CO₂ emissions (scope 1) and indirect CO₂ emissions (scope 2) generated by electricity, gas and district heating systems. Total net CO₂ emissions after compensation is the total CO₂ emissions after offsetting and compensation via Guarantees of Origin. To calculate CO₂ emissions, Bouwinvest uses country-specific and energy source-specific conversion factors that can change from year to year. Bouwinvest uses the most recent conversion factors (source: www.co2emissiefactoren.nl).

Membership of sector organisations

This is the number of employees who are active members of boards or working groups of a real estate sector organisation in the reporting period.

Personal data security incidents

This is the number of major incidents involving the failure to comply with legal provisions and standards in the field of personal data protection, or security incidents that may be deemed data breaches. An incident qualifies as major if Bouwinvest is obliged to report said incident to a regulator, if a regulator or similar official body filed a report with Bouwinvest, or if an external party files a complaint with Bouwinvest and Bouwinvest considers said complaint legitimate.

Reduction of energy consumption (Dutch sector funds)

This is the percentage change in energy consumption (electricity and gas) at the end of the reporting period, compared with the previous year on a like-for-like basis for energy meters under the direct control of the funds. Like-for-like refers to the energy consumption of a portfolio with consistent activities in the comparative periods. Gas consumption is converted from m³ into kWh on the basis of the conversion factors published at the end of the period at <https://www.co2emissiefactoren.nl>. The gas consumption in the year under review is adjusted for the differences in the figures for 'degree days' (actual average day temperatures versus an agreed level) in DeBilt (the Netherlands) between the year under review and the previous year.

Reduction of energy consumption (International mandates)

This is the average like-for-like energy reduction (year-on-year), as reported by GRESB, weighted according to the NAV of international investments that participate in GRESB. Any reduction is based on the energy consumption period year one versus year two.

Share of renewable energy (International mandates)

This is the share of renewable energy in the total consumption of the international investments that participate in GRESB, as reported annually by GRESB. This consists of renewable energy that is generated and used/exported within the investments and that is generated outside the investments and used within the investments.

Solar panels installed (Dutch sector funds)

This is the amount of installed capacity (measured in kilowatt peak - KWp) from solar panels in the portfolio.

Tenant satisfaction

The total tenant satisfaction score is the unweighted average total score of the tenant satisfaction score per sector fund in the year under review. The score at fund level is also unweighted and average.

Colophon

This PDF annual report 2019 is a translation of the audited Dutch annual report for the financial year 2019 of Bouwinvest Real Estate Investors B.V. The Dutch annual report is the legally binding annual report. In the event that differences occur between this translation and the audited Dutch annual report, the audited Dutch annual report prevails.

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