

Annual Report  
2016

Bouwinvest Real Estate  
Investment Management B.V.



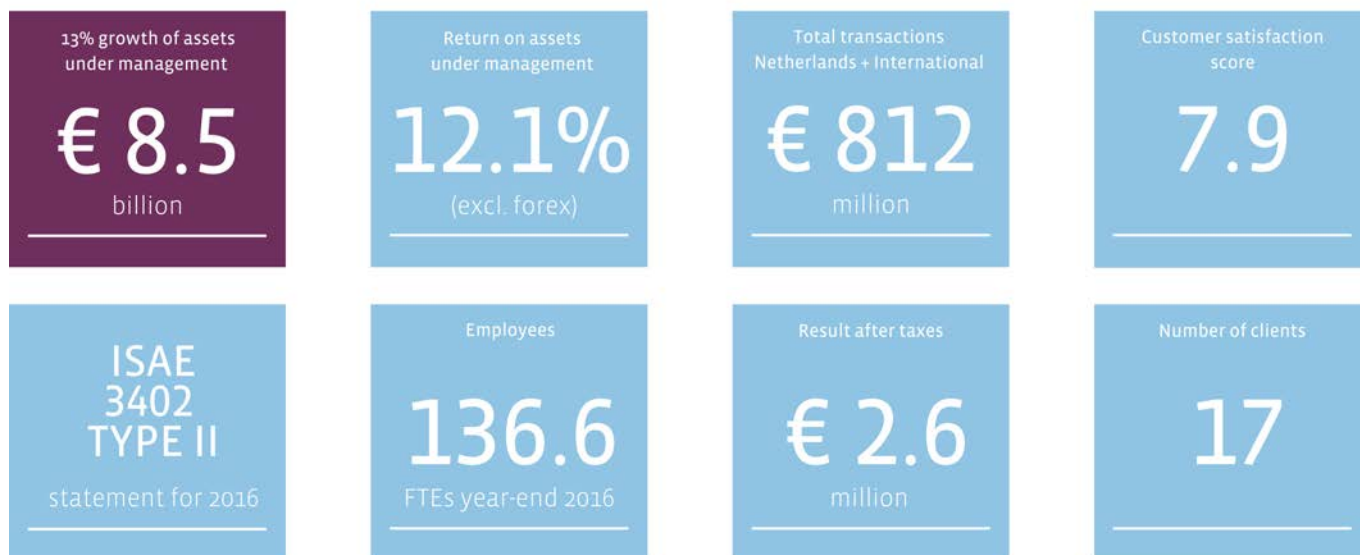
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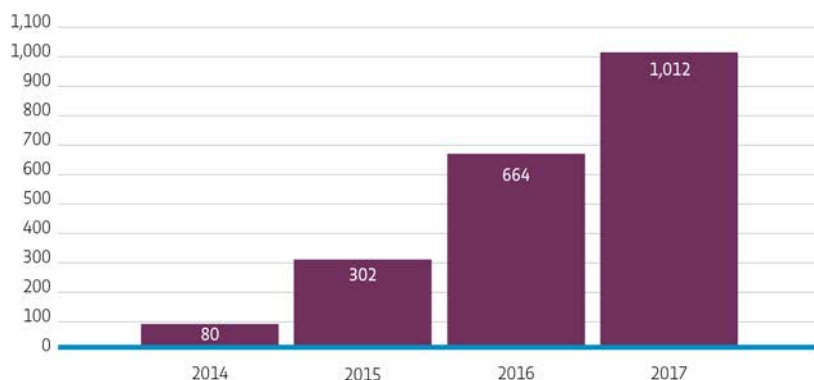
# 2016 at a glance

## Key information



## Funding

CUMULATIVE COMMITMENTS IN € X MLN



Commitments open funds

(per year x € million)

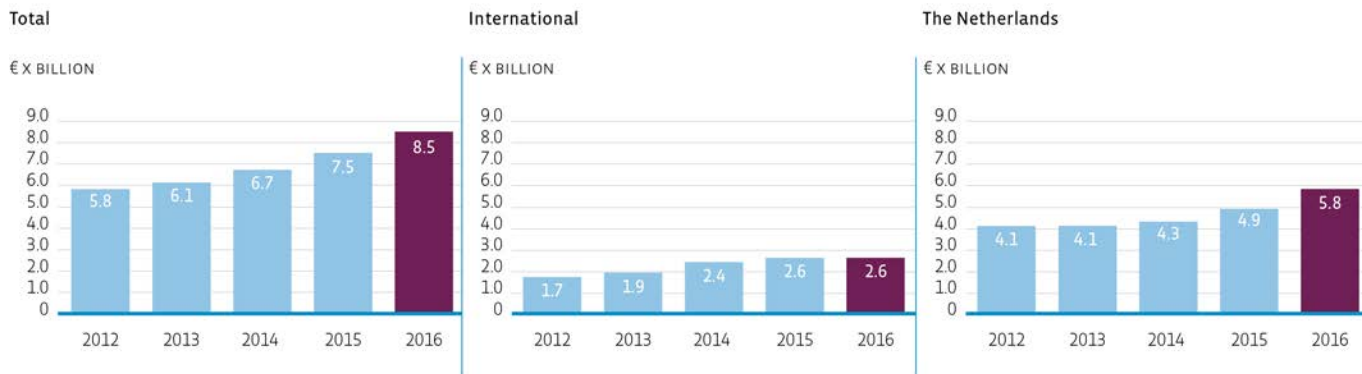
2017:	348
2016:	362
2015:	222
2014:	80
<b>Totaal:</b>	<b>1,012</b>

€ 1.0 billion commitments since 1 January 2014

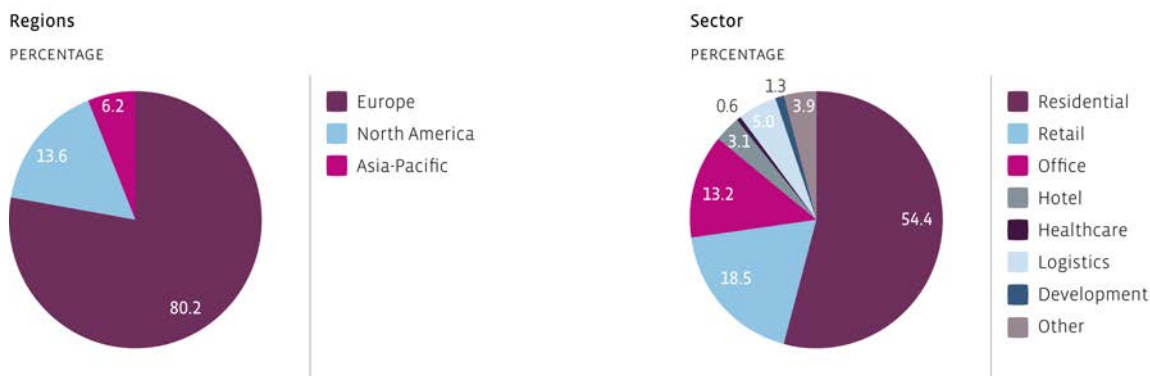
## Bouwinvest employees

	Number of employees	Senior management	Employee turnover	Absenteeism ratio	Number of internships	% of total wages spent on training and education
2016	Woman 34% Man 66% Total 136.6 FTE	Woman 24% Man 76%	9.9%	2.2% Benchmark 2.9%	7	3.5%
2015	Woman 34% Man 66% Total 131.1 FTE	Woman 18% Man 82%	6.1%	1.9%	4	2.8%

### Assets under management



### Distribution assets under management total portfolio

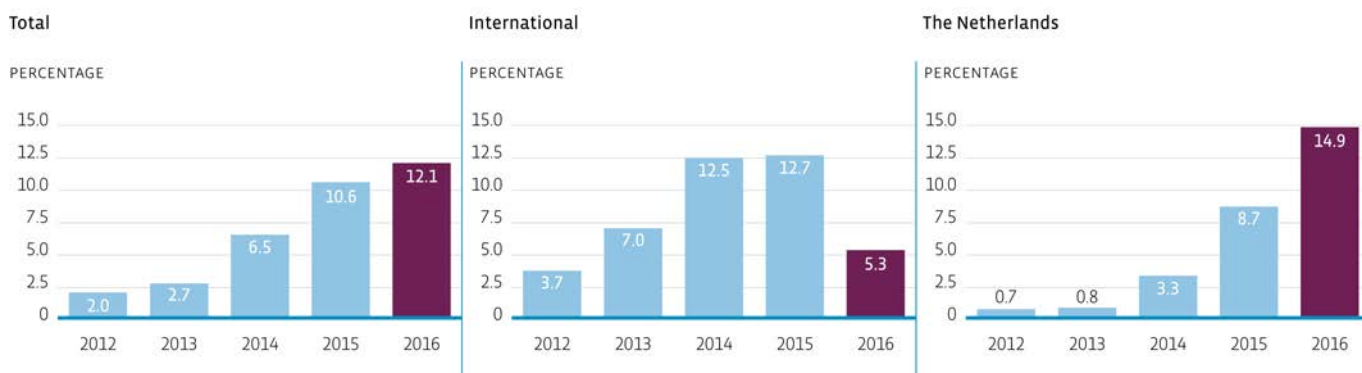


### Distribution assets under management Dutch funds and mandate international real estate

x € thousands, unless otherwise stated

	2015	2016
Residential Fund	3,151,198	3,995,034
Retail Fund	738,335	824,201
Office Fund	554,723	525,988
Hotel Fund	147,923	189,232
Healthcare Fund	34,066	53,733
Separate mandate International real estate	2,617,936	2,629,023
Other	251,144	239,658
<b>Total</b>	<b>7,495,325</b>	<b>8,456,869</b>

### Return on assets under management (excluding forex)



## Transactions &gt; € 30 million



## Transactions

x € million

Transactions	2015	2016
<b>International</b>		
Europe (excl. The Netherlands)	124	121
North America	70	-
Asia-Pacific	66	158
	<b>260</b>	<b>279</b>
<b>The Netherlands</b>		
Residential Fund	466	249
Retail Fund	-	41
Office Fund	-	131
Hotel Fund	24	65
Healthcare Fund	32	47
	<b>522</b>	<b>533</b>
<b>Total</b>	<b>782</b>	<b>812</b>

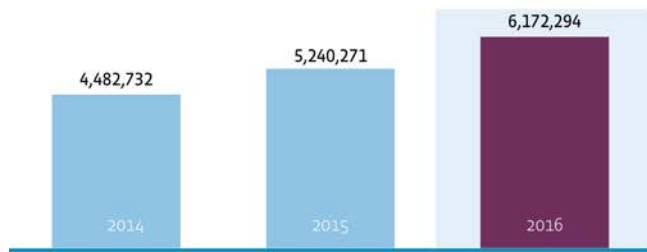
## Key information over five years

All amounts in € thousands unless otherwise stated

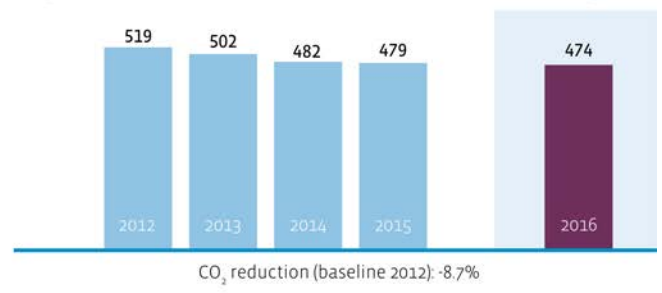
	2012	2013	2014	2015	2016
Number of shares (actual)	225,000	225,000	225,000	225,000	225,000
<b>Net result</b>	3,034	4,903	3,173	4,422	2,595
Per share	13.48	21.79	14.1	19.65	11.53
<b>Assets under management</b>	5,826,789	6,060,282	6,700,206	7,495,325	8,456,869
<b>Total assets</b>	23,336	28,517	30,770	33,010	36,889
<b>Shareholders' equity</b>	19,110	24,013	27,186	29,422	29,317
Per share	84.93	106.72	120.83	130.76	130.30
<b>Solvency ratio</b>	82%	83%	88%	89%	79%
<b>Management fee income</b>	27,115	27,324	27,854	30,503	30,722
<b>Personnel costs</b>	17,278	16,815	17,014	17,959	19,276
<b>Number of FTEs (year-end)</b>	129.4	122.6	128.0	131.1	136.6
Personnel costs per FTE	133.5	137.2	132.9	137.0	141.1
Fee per FTE	209.5	222.9	217.6	232.7	224.9

## Corporate Social Responsibility

Growth sustainable investments (x € thousand)



CO<sub>2</sub> emissions management organisation (in tonnes CO<sub>2</sub>e)



# Message from the Chairman

Dear stakeholders,

Last year we performed better than expected. We recorded a double digit return on Bouwinvest's assets under management of 12.1%, improving the total return of 10.6% we recorded in 2015. This time it was the Dutch portfolio that delivered a strong performance, especially the Residential portfolio. In 2015 our returns were lifted by excellent results from our International Investments arm. We are satisfied with the returns we booked in 2016, both in absolute and relative terms.

And I believe we were able to do this in a market that is fraught with risks and challenges precisely because we have continued to maintain our investment discipline and stick to our guns. We have always believed that we need to invest in high-quality real estate, in the right locations and geared to the current and future needs of tenants, all backed with thorough market research and real estate market expertise. That discipline and expertise, plus our continued belief in specific sectors in the Dutch and global real estate markets, even during the financial crisis, is now paying dividends.

Last year we also managed to invest over € 800 million, more than the € 782 million we invested in 2015, in what was an even more fiercely competitive market. This gives us a secure pipeline of over € 1.3 billion, putting us in a solid position for the future, especially as we have made no concessions whatsoever in terms of the quality of our portfolio assets.

An example of this is our acquisition of the Hourglass building in Amsterdam's Zuidas business district, which combines offices and a hotel. It fits into our strategy of acquiring multifunctional buildings and will be an excellent addition to both the Office Fund and the Hotel Fund. And that ability to divide this asset across our funds puts us in a very competitive position, as most investors want to acquire an office or a hotel, but seldom both together. But what I find most pleasing is that this was a real joint effort, involving a lot of hard work from people right across the organisation. The Hourglass acquisition is also a testament to our confidence in the Dutch office market, especially in multi-functional and multi-tenant assets. We are seeing clear signs of recovery at prime locations. The fact that we added a third client to the Office Fund shows that others share our faith in this market.

We welcomed six new clients in our funds last year, taking the total to 17 clients - including bpfBOUW - on 1 January 2017. These new clients reflect the growing interest in real estate as a whole and the confidence in our core investment approach. The new clients will have to wait a while to see their funds invested, as we are investing largely in new-build assets. But like us they have long-term investment scope and like us they want to invest in quality assets that will stand the test of time.

Our investment strategy also reflects a number of megatrends that we believe will dominate the market in the years to come. These include world population growth and the urbanisation trend, which will see a further concentration of people living in cities; the ever-increasing growth of one-person and two-person households, plus the demand for student housing, the ageing of the population and technology will all have a profound impact on the demand for real estate.



**‘ Whatever happens in the markets, we will continue to do what we’ve always done: stick to our guns, maintain our investment discipline and let our expertise and experience guide our decisions ’**

**Dick van Hal,**  
*Chairman of the Board of Directors*



Anticipating and responding to these megatrends will be a key factor in our future success. We are looking to increase our assets under management to over € 11 billion in the next three years (including value development), from the current € 8.5 billion. A large part of that will be in international markets. The demands on our management organisation are increasing, but our assets under management give us the critical mass we need to meet all the demands of the market and of our clients.

We are a relatively small organisation, with 146 people (136.6 FTEs) working from our head office in Amsterdam, but we are self-sufficient. We have our own investor relations team and risk management, compliance, tax, and legal functions. As the Hourglass acquisition proved, we are a very effective and responsive organisation. Our clients see that we are dedicated to the real estate sector, that we have good portfolios, take a responsible approach to investing, with a modern and hands-on organisation. And this was borne out last year, when IPE Real Estate voted us the best investment manager in the Benelux and we were nominated in the Best Global Investor category.

At the end of 2015, we set ourselves ambitious targets related to collaboration, innovation and client-orientation and we made progress on all those fronts last year. Client satisfaction has improved by 0.2 points since 2014, and we scored an overall 7.9 last year. We also set up a training programme in so-called soft-skills for our employees. And we set up an Innovation Lab to give people a chance to explore and test innovative ideas together. This also creates awareness of challenges and opportunities on the innovation front in the market, because people are looking at what is happening in the world outside and take this in account. To top all of this, Bouwinvest was ranked third in the best employer category for Dutch financial companies with up to 1,000 employees last year, something else we are proud of.

Last year, we also saw the installation of our first fully elected Works Council. I was impressed to see that no less than 90% of our staff voted in this election, which I believe is a clear sign that we have a committed and engaged workforce. I was also pleased to note that we now have more young people on the Works Council, which now has an average age of 40, compared with an average age of 56 before the election. All in all, I think this bodes well for the future and I am looking forward to our close cooperation with the Works Council in the years ahead.

This year we will continue with our Corporate Social Responsibility (CSR) strategy, with its focus on long-term investments, plus stable and sustainable returns. We will continue to invest in promising and high-quality real estate to create and maintain a portfolio that is sustainable and future-proof and meets tenants' and clients' needs today and in the future, with a risk-return profile that enables us to meet very strict requirements. Bouwinvest wants to stay in the leading group on the CSR front. For that reason, I was also pleased that WTC The Hague was awarded the BREEAM-NL In-Use Excellent certificate, and the fact that our three Dutch sector funds retained their GRESB Green Star ratings.

The real estate market is hot right now, and that brings its own challenges. The market is becoming more and more competitive but we are optimistic about our portfolios and the Dutch and international real estate markets. We believe we will continue increasing our assets under management and record long-term annual returns of 5-7% in the years to come. With regard to the management company we expect to maintain the good level of result of 2016 (€ 2.6 million)

All that is left is for me to express my gratitude to our clients for their continued trust and to our Supervisory Board for their efforts on our behalf. And last but certainly not least, I would like to thank all our employees for their commitment, dedication and collaboration over the past year.

Dick van Hal, *Chairman of the Board of Directors and Statutory Director*

# Report of the Supervisory Board

## Composition of the Supervisory Board

The Bouwinvest Real Estate Investment Management ('Bouwinvest') Supervisory Board has the following four members: C.J. Beuving (Chairman), J.H.W.R. van der Vlist, R.Th. Wijmenga and C.G. Gehrels.

All members of the Supervisory Board are independent in accordance with the criteria laid down in the Supervisory Board charter.



**C.J. (Kees) Beuving**  
(1951, Dutch nationality)

Chairman

Mr. Beuving joined the Supervisory Board of Bouwinvest in August 2014 and was appointed Chairman in December 2014. Mr. Beuving has a long history in the banking industry. Until 2012, he was Chairman of the Board of Directors at Friesland Bank and, before that, held a number of functions within the Board of Directors of Fortis Bank, including Chairman from 2002 to 2006. In the period 2006 to 2010, Mr. Beuving held various executive positions and supervisory directorships, including the Fortis Nederland pension fund and Currence B.V. He currently a member of the Supervisory Board of Bank Nederlandse Gemeenten (BNG) and Chairman of the board of Stichting VSB Vermogensfonds, Chairman of the Supervisory Board of charity VOxImpuls and Dutch microfinance organisation Qredits and a member of the Supervisory Board of Delta Lloyd Bank N.V. Mr. Beuving studied Business Economics at Erasmus University Rotterdam.

Mr. Beuving was first appointed to the Supervisory Board in 2014. His current term ends in 2018.



**J.H.W.R. (Jan) van der Vlist**  
(1954, Dutch nationality)

Member

Mr. Van der Vlist is currently Principal of Klockensteijn B.V., a Dutch real estate consultancy firm. Until 2011, he was Head of Investment Management and Managing Director at NIBC Bank N.V. Prior to joining NIBC, Mr. Van der Vlist held a number of senior positions at pension fund PGGM, most latterly as Director Structured Investments (Real Estate and Private Equity). Mr. Van der Vlist currently holds several (supervisory) positions, including Member of the Board of Directors of European Real Estate Investment Trust Ltd, chairman of the Supervisory Board of Holland Property Group BV, Chairman of the Board of NIBC Infrastructure Partners I B.V., Senior Board Advisor at NIBC Bank N.V., Director at Barrage Vastgoed B.V. and non-executive director of the Board of Aventicum Real Estate Partners Europe GP Ltd.

Mr. Van der Vlist was first appointed to the Supervisory Board in 2013. His current term ends in 2017.



**R. Th. (Roel) Wijmenga**  
(1957, Dutch nationality)

Member

Mr. Wijmenga has a background in the insurance industry and held a number of financial executive functions at leading Dutch financial companies, including AMEV, Interpolis and Eureko/Achmea. His most recent role was as CFO at insurer ASR Verzekeringen. He studied Econometrics at Erasmus University Rotterdam. He holds several (supervisory) positions, including chairman of the Philips Pensioenfonds and member of the Supervisory Board of Achmea.

Mr. Wijmenga was first appointed to the Supervisory Board in 2014. His current term ends in 2018.



**C.G. (Carolien) Gehrels**  
(1967, Dutch nationality)

Member

Ms. Gehrels is currently European Cities Director at Arcadis. She served as an Alderperson on Amsterdam City Council from 2006 until the mid-2014 municipal elections. During that time, her portfolio included Economic Affairs, Art & Culture, Water Management, Monuments, Local Media and Public Companies. From the end of 2012 until mid-2014, she also served as the capital city's Deputy Mayor. Ms. Gehrels is also a member of the Supervisory Board of Technical University (TU) Delft and member of the Supervisory Board of Worldwaternet and a member of the board of Forum for City Renewal and Urban Development.

Ms. Gehrels was first appointed to the Supervisory Board in 2015. Her current term ends in 2019.

## Report of the Supervisory Board

### Financial statements and profit appropriation

The Board of Directors prepared the Bouwinvest financial statements and discussed these with the Supervisory Board. Deloitte Accountants B.V. have audited the financial statements and provided them with an unqualified independent auditors' report.

The financial statements will be submitted for adoption as part of the 2016 annual report at the 2017 Annual General Meeting of Shareholders (AGM). The Supervisory Board proposes that the AGM adopts the financial statements and discharges the Board of Directors for its management of the company and its funds and discharges the Supervisory Board for its supervision of same.

### Key developments

In the global real estate market, investments continued the upward line seen in the past years, with another marked increase in real estate investment activity in the Netherlands, driven by increased interest from both domestic and international investors. Bouwinvest's in-depth knowledge of the Dutch and international real estate markets, thanks its in-house regional experts, its own research department and its cooperation with local partners, meant that the company was able to take full advantage of the real estate markets in 2016. Steady economic growth and the concomitant increases in employment and consumer and business confidence are all increasing interest in high-quality real estate in various sectors. On top of this, a number of megatrends, such as urbanisation, new technologies and the ageing of the global population, are driving demand for certain types of real estate right across the globe.

Bouwinvest used its knowledge of these developments and trends to invest over € 800 million in its Dutch and international portfolios in 2016. The Residential Fund invested € 255 million last year in a large number of high-quality and sustainable new-build properties, securing a solid pipeline for the years ahead. The Retail Fund once again focused on the optimisation of its portfolio, through a number of acquisitions and the development or redevelopment of new and standing assets. Last year saw the completion of the Nowadays (Damrak and Nieuwendijk) redevelopment in Amsterdam's city centre, along with the unveiling of the revamped Beurspassage and the opening of a Primark flagship store. The Office Fund also continued on the optimisation path, continuing and initiating a number of major redevelopment projects. The Fund also acquired the Hourglass building, a prestigious mixed-use (office and hotel) new-build project in Amsterdam's Zuidas Business district. In addition, both the Healthcare Fund and the Hotel Fund invested in new assets last year. Meanwhile, Bouwinvest's International Investments invested in Pan-Asian hotels, US retail, Australian student accommodation, European offices and Nordic commercial property, together with a number of top-up investments in core funds in Australia and Japan.

### Supervisory Board meetings

The Supervisory Board met seven times in the course of 2016 and conducted a total of ten conference calls, specifically for international investments and investments in the Dutch funds, including the Hourglass investment in Amsterdam by the Office Fund and the Hotel Fund. All members of the Supervisory Board were frequently present. The main subjects discussed at these meetings were Bouwinvest's strategy, the strategy of the funds it manages and its investments in international listed and unlisted real estate funds, together with real estate market developments. The Supervisory Board also discussed the Investment Plan Real Estate 2017–2019 for bpfBOUW, the various (quarterly) reports and Bouwinvest's compliance and risk management policies. The Board assessed investment proposals for the funds and the international portfolio and supervised the application of the related party transactions policy. The members of the Board also attended two themed sessions on real estate markets, one looking at hotels and the other exploring developments on the retail real estate market. The Board appreciates these opportunities to gain insight into the latest trends and developments in the global real estate world.

The Supervisory Board discussed the medium-term strategy and offered advice on Bouwinvest's long-term strategy and the management of the Bouwinvest funds, including the governance of Bouwinvest and the Bouwinvest funds. In November 2016, the Board discussed and approved Bouwinvest's business plan for the period 2017-2019.

### New clients

In 2016, Bouwinvest welcomed a number of new clients to its funds. As per 1 January 2017, three new clients had committed to the Residential Fund, the Retail Fund and the Office Fund, taking the total number of clients to 17, including bpfBOUW. The Supervisory Board was pleased to welcome these new clients to its three main funds, and to note a continuing interest in all of Bouwinvest's funds.

### Financial performance

In four meetings, the Supervisory Board discussed the company's quarterly reports, as well as the quarterly reports related to compliance, risk management and business incidents. The Board discussed the financial statements for 2016 in March 2017. The Supervisory Board also assessed the 2016 Annual General Meeting.

Finally, the Supervisory Board dealt with separate reports on Bouwinvest's management of bpfBOUW's international portfolio and its heritage portfolio.

### Corporate Social Responsibility (CSR)

As it does each year, the Supervisory Board devoted extra attention to Bouwinvest's CSR strategy. We are pleased to report that Bouwinvest's three Dutch sector funds were awarded GRESB Green Star status for the third year in a row. This was thanks once again to the transparency of the funds' reporting on CSR and sustainability-related matters and the funds' ongoing efforts to increase the sustainability of their business operations and their real estate portfolios. More than three-quarters of Bouwinvest's international portfolio is invested in unlisted funds that have been awarded Green Star certification.

## Other subjects

In 2016, the Supervisory Board met once in the absence of the Board of Directors. This meeting was convened to discuss and evaluate the performance of the Supervisory Board, its committees and its individual members. The self-evaluation was based on an extensive questionnaire. The main conclusion was that the Board is performing well and effectively. The Supervisory Board also discussed the performance of the Board of Directors and its individual members. At least once a year, the Chairman of the Supervisory Board meets with the Head of Compliance. In 2016, they met once and reported no specific points of attention.

Members of the Supervisory Board attended several meetings of the Bouwinvest Works Council. Also last year, Bouwinvest installed its first fully elected Works Council. No less than 90% of Bouwinvest's employees voted in this election, a testament to the engagement of the company's workforce. Following the election, the average age of the members of the Works Council had fallen to 40 from an average age of 56, which constitutes a welcome rejuvenation of the council. The Supervisory Board welcomes the new Works Council and we look forward to working with the new members in the year ahead.

## Audit Committee meetings

The Audit Committee has two members: J.H.W.R. van der Vlist, chairman, and R. Th. Wijmenga. The Audit Committee met four times in 2016, to discuss the annual and quarterly results and the reports from the external auditor. The Audit Committee also met with the external auditor in the absence of the Board of Directors.

In addition to financial reporting, the Audit Committee discussed the auditor's report, valuations, the monitoring and control framework, including risk management, the risk reports, the compliance reports and the Internal Audit function. The internal auditor has a separate line of reporting to the Chairman of the Audit Committee. The Committee also devoted particular attention to the ISAE 3402 type II certification. The Audit Committee advised the Supervisory Board on the performance of the external auditor, which was judged adequate.

## Selection and Remuneration Committee meetings

The Selection and Remuneration Committee has two members, C.G. Gehrels, chairman, and C.J. Beuving. The Selection & Remuneration Committee met twice. The Committee discussed Bouwinvest's HRM policy, (management) development and succession planning. The Committee also discussed the performance of the members of the Board of Directors and target-setting.

## A word of thanks

We would like to thank the Board of Directors and all Bouwinvest employees for their hard work and commitment and the excellent results they achieved for Bouwinvest in 2016.

Amsterdam, 20 March 2017

## The Supervisory Board

Kees Beuving, *Chairman*  
Jan van der Vlist  
Roel Wijmenga  
Carolien Gehrels

# Report of the Board of Directors

## Composition of the Board of Directors



### Chairman of the Board of Directors and Statutory Director

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

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



### Managing Director Finance

A. (Arno) van Geet (1973, Dutch nationality)

Arno van Geet joined Bouwinvest as Managing Director Finance on 1 October 2014. Prior to joining Bouwinvest, he spent his entire career in the financial sector, including various management roles at Interpolis and Westland Utrecht Hypotheekbank, most recently as Chief Financial Officer at Allianz Nederland. Arno is responsible for financial and risk management, accounting, reporting, corporate control, internal audit, business process management, IT and research. Arno studied Law and Economics at the University of Utrecht.



### Managing Director Dutch Investments

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

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



### Managing Director International Investments

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

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

## Company profile

Bouwinvest has been investing in real estate on behalf of the pension fund for the construction industry (bpfBOUW) since 1952. Thanks to the experience and expertise Bouwinvest has acquired over the past 64 years, Bouwinvest is now a specialist with in-depth knowledge of the worlds of real estate and pension funds. Bouwinvest currently invests on behalf of 17 pension funds and insurance firms.

Bouwinvest manages five Dutch real estate sector funds. 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.

At year-end 2016, Bouwinvest managed total assets of € 8.5 billion. The company's sole shareholder is bpfBOUW. Bouwinvest is based in Amsterdam and at year-end 2016 employed a total of 146 professionals (136.6 FTEs).

## Strategic principles

Bouwinvest believes the outlook is positive for the asset management of real estate for institutional clients:

- There will always be a need for real estate where people live, work, shop and stay and the demand is growing worldwide, especially in the US and the Asia-Pacific region;
- Real estate as an investment offers a range of benefits for institutional clients: diversification, risk-return profile between shares and bonds, stable rental income and inflation hedge;
- The extra solvency and liquidity requirements, the risks and the costs of investments in real estate are controllable when you take a systematic approach and you have a professional management organisation. This is exactly what Bouwinvest can provide.

### Mission

Bouwinvest aims to provide a solid return on real estate investments for clients and their beneficiaries and strives to do this in a responsible manner.

### Strategy

Bouwinvest invests with a long-term scope in transparent and stable countries, in highly marketable real estate sectors, high-quality assets in cities/metropolitan regions and takes into account the risk-return profile that matches the long-term obligations of its clients.

Strategy	
<b>Specialist or generalist?</b>	<p>As an investment manager, Bouwinvest focuses on national and international real estate investments for institutional clients.</p> <p>Bouwinvest has been active as an investment manager in real estate since 1952, and is therefore a <b>specialist real estate manager</b>.</p>
<b>Liability-driven profile or maximising return profile?</b>	<p>In view of the investment beliefs, the prudent person principle, the ALM secondary conditions and the ESG criteria of institutional clients, Bouwinvest has a long-term focus on transparent and stable countries, highly marketable real estate sectors, high-quality assets and a risk/return profile that matches the long-term commitments of its clients.</p> <p>Bouwinvest opts for the strategy that provides a good hedge for the commitments and the inflation risks of its clients and is therefore <b>liability-driven</b>.</p>
<b>Multi-client or single-client?</b>	<p>The illiquid nature and the long-term commitments of real estate require easy and continuous access to institutional capital. Permanently available funding safeguards continuity at Bouwinvest and ensures that the company is constantly and consistently in the market for the best investment transactions. A multi-client approach limits the funding risk.</p> <p>It is important that Bouwinvest has a <b>multi-client strategy</b>.</p>
<b>Multi-asset or mono-asset?</b>	<p>In the real estate sector, Bouwinvest focuses on countries and sectors that fall within the scope of the liability hedging profile. This approach increases Bouwinvest's investment opportunities, contributes to the mixed living environment and offers its clients opportunities for diversification.</p> <p>Bouwinvest spreads its risk across sectors and regions: <b>multi-asset</b>.</p>
<b>Multi-channel or mono-channel?</b>	<p>There are various ways of acquiring and managing the desired real estate investments: direct, indirect, unlisted and listed investments, joint ventures and club deals. Bouwinvest wants to use all possible channels to gain access to the best possible assets. Real estate is a 'local business'. In the Netherlands, Bouwinvest does its own asset management; at an international level, Bouwinvest works with carefully selected local managers.</p> <p>Bouwinvest wants to use all possible channels: therefore <b>multi-channel</b>.</p>



## Market highlights

### International markets

The year started with a slowdown in Chinese economic growth, and a major dip in Asian stock markets, which did eventually rebound. Growth may be slowing, but China is still recording annual GDP growth between 6 and 7%, putting the rest of the world's economies in the shade. The Brexit vote in the UK came as another major surprise to most and led to a great deal of uncertainty in Europe and beyond, testing the fragile economic recovery in most European markets. The potential impact of Brexit on both the UK and its main trading partners is still very uncertain and Europe-wide annual GDP growth forecasts have been revised downward to an average of 1.7%, from a previous forecast of 1.9%. The run-up to the US elections and the surprise victory of Donald Trump added to the prevailing uncertainty and this is likely to persist for the foreseeable future, or at least until the political direction the US will take under a Donald Trump presidency has become clearer. On top of this, political unrest is on the rise, with large numbers of voters in Europe unhappy with the current political status quo.

On a brighter note, the sheer weight of capital looking for investments buoyed sentiment in the world's real estate markets. Due to persistent low interest rates and extremely volatile stock markets, real estate has become a very attractive alternative for risk-averse investors searching for stable returns, like pension funds and other institutional investors. Investment yields are well below their long-term average in all regions. However, supported by all-time low yields on risk-free alternatives, yield gaps remain healthy and are attracting more capital to real estate. Real estate was set to attract some USD 1 trillion in 2016. Most global markets benefited from this movement in capital in 2016 and saw solid capital growth. The favourable occupier market outlook for well-located assets now seems largely incorporated in today's prices and an increasing number of investors are now turning to slightly off-pitch properties.

### Dutch market

The Dutch real estate market has recovered swiftly in the last two or three years and investment appetite is still growing. Dutch pension funds once again increased their real estate investments in the Netherlands last year and are looking to expand their allocation to real estate in the years ahead, driven by persistent low interest rates, low returns on bond markets and overly volatile stock markets. On top of this, international investors have now set their sights firmly on the Dutch market, and they now account for over 50% of real estate investments in the Netherlands. Dutch prime markets like Amsterdam, Utrecht, The Hague and Rotterdam are still attractively priced compared to other key European markets such as London, Paris and Munich, where prices are already above pre-crisis levels. However, the interest from both Dutch and international investors is quickly pushing up prices and investors are being forced to broaden their view from a strong focus on prime to include real estate in a number of sub-prime locations.

After several rough years, the Dutch residential market has recovered to pre-crisis levels. The ever-increasing number of households and low production of housing stock during and after the crisis further boosted structural shortage of housing. Driven by the ongoing urbanisation trend, housing shortages in the country's main cities have rapidly pushed up prices, with Amsterdam leading the pack, but closely followed by the likes of Rotterdam, Utrecht and The Hague. A combination of stable rental growth and yield shift resulted in very positive total returns in 2016. There is a huge demand for liberalised sector rental homes. This is pushing up prices and increasing competition for high-quality assets in prime locations.

Due to stable population growth and the ageing of the population, the demand for healthcare real estate is expected to show very solid growth in the coming decades. While overall population growth will be concentrated on the main cities of the Netherlands, households with residents aged 65 years and older are set to grow right across the country. The number of elderly people is forecast to grow in all 390 municipalities for at least another 15 years. In total, the number of elderly in the Netherlands is expected to increase to 2.9 million households in 2030 from 2.0 million in 2015. This makes healthcare a very interesting sector for institutional investors.

Office space demand is obviously very sensitive to economic cycles and thanks to the continued firming of Dutch economic growth and a fairly solid rise in business confidence, the prospects for the office market look more promising than they have for some time. This is partly due to falling unemployment, which dipped to 5.6% in 2016. However, qualitative demand has changed, driven by companies searching for cost efficiencies and the advent of new (mobile) technologies. Tenants are focusing on specific location types, but are also less bound to a single office and are looking for more flexibility, such as smaller satellite offices. These days, prime office locations tend to include high-quality and multi-tenant offices, with excellent road and public transport links in regions with a ready pool of highly-skilled employees. The flip side of this is that a growing number of secondary locations are gradually losing tenants, leaving large office buildings completely vacant and with little prospect of future tenants. This polarisation between prime and secondary (in terms of both locations and real estate) is now evident and is expected to continue for the foreseeable future.

This polarisation is also affecting the Dutch retail market. The bankruptcy of several large Dutch retailer chains in late 2015 left a large number of square metres vacant. Other retailers were forced to renegotiate their lease terms. On a more positive note, a large number of major international retail chains, such as Primark and Zara, have adapted swiftly and now have a solid position on the Dutch retail market. Retailer demand is focused on high-quality, large-scale retail units in prime locations. Thanks to this demand, the take-up of a large part of the retail property left vacant by the 2015 bankruptcies has been fairly swift. However, most experts expect to see further differentiation in the retail landscape in terms of prime and secondary retail real estate.

Another real estate sector set for solid growth and stable returns is the hotel sector, as tourism in the Netherlands continues to grow. The number of tourists visiting the country increased by 7% in 2015 and increased by another 3% in 2016. Amsterdam in particular benefitted from the increase in foreign tourist arrivals. The depreciation of the euro also helped to push tourism from outside the euro region. In reaction to this strong demand from tourists, the Dutch hotel market has increased in size significantly in recent years. The Dutch star-rated hotel market consists of approximately 2,160 hotels and more than 100,000 rooms, with 30,000 of these rooms in Amsterdam. Thanks to the rapid pace of hotel development in Amsterdam, the city is already set to add approximately 6,500 rooms to its current stock. New restrictive hotel development policies will limit the development of new hotels, which should be favourable for existing stock after 2020, when the majority of new supply will have been added to the total stock.

## Portfolio results

### International investments

Bouwinvest's International Investments delivered a solid performance modest performance in 2016. The total return came in at 5.3%, excluding currency results and after management fees. In 2016, unlisted investments made the largest contribution to this result (7.7%). However, the return of the listed investments was negatively affected by the uncertainty in global markets and amounted to -3.5% (2015: 9.6%). Despite the growing competition, we were able to make new investments of EUR 279 million in 2016.

Unless stated otherwise, all returns mentioned below are excluding currency results.

### Europe

Our European portfolio recorded a return of 2.7% in 2016, with returns pressured primarily by geo-political and macro-economic developments. These included the ECB's continued loose monetary policy, immigration issues and of course the unexpected Brexit vote. On top of this, the UK increased stamp duty by 1%, which led to a corresponding drop in values. Our returns were also slightly negatively impacted by the sharp fluctuations in the GBP-EUR FX rate in EUR funds with exposure to sterling. However, the prevailing volatility in European markets – and elsewhere – did create some excellent opportunities to enter the market at the low end of the cycle. We made some very solid investments in commercial real estate (mainly offices and retail) in the Nordics, as well as gateway offices in main cities such as London, Paris, Berlin and Frankfurt, all of which have solid fundamentals. Lastly, we increased our listed investments in Western-European offices. A significant part of our UK exposure is in mezzanine finance, which offers protection from initial write-downs. Plus we have a lot of exposure to properties with very long leases. We expect these investments to continue to contribute to solid returns in the future.

## North America

The US market was dominated by the presidential elections in 2016. Despite the uncertainty in the run-up to the election and the victory of Donald Trump, real estate fundamentals continued to improve last year, with rental growth above inflation and property yields still hovering around record lows, although at a comfortable cushion above US treasuries. The lower deferred tax liability as a result of the recent new FIRPTA regulations had a positive impact on the returns at total portfolio level and also improved the net return profile for value added strategies. The Northern American portfolio delivered another strong performance in 2016, ending the year with a total return of 8.8%. These results were bolstered by continued growth in demand and the lack of sufficient new supply. This led to rental growth in most US markets and sectors. There are concerns that the US market has peaked and we may see some cooling, but there will always be opportunities on a market this large. Prices are high at the moment, but these are largely justified by low interest rates and persistently strong investor demand. We continued to focus on the larger US cities last year, as these have the strongest fundamentals.

## Asia-Pacific

The Asia-Pacific portfolio delivered a return of 2.7% in 2016. The region's markets showed a certain level of volatility due to fears of an economic slowdown in China – which is still recording annual GDP growth of 6-7% – largely offset improving fundamentals in countries like Australia. Australian real estate funds with low leverage delivered solid double-digit growth. Japanese investments also performed well, but Singapore retail investments were hit by a weakening market. We also managed to sell office exposure at a good price. We expanded the Asia-Pacific portfolio last year, adding investments in the Pan-Asian hotel sector, which is growing rapidly thanks to the huge increase in tourist travel. We also invested in Australian student accommodation in a joint venture with Scape and APG. We are still very bullish on the Asia-Pacific region, and we made a number of top-up investments in Australian and Japanese real estate funds. Chinese economic growth is now much more sustainable than in the past and Australia, where we have a lot of investments, is proving remarkably resilient, with very strong fundamentals and a solid long-term outlook. The Bank of Japan's buy-up of J-REITS is having a major positive impact on listed real estate investments in Japan and this is set to continue for some time.

## Sustainability

### Benchmark international real estate investments

Last year, Bouwinvest continued its active cooperation with other institutional investors aimed at increasing sustainability and transparency in the real estate sector. We extended our membership of GRESB as an investor member and encouraged the fund managers of our (international) indirect investments to participate in the GRESB benchmark and to improve their scores.

### Highlights GRESB results international portfolio

- Overall GRESB participation improved to 72% of bpfBOUW's total international portfolio (2015: 65%);
- 69% of bpfBOUW's international portfolio has a Green Star;
- Index outperformance of bpfBOUW's international portfolio with a score of 64 (compared with 60);
- Energy consumption reduction of 4% and a 6% reduction in GHG emissions in bpfBOUW's international portfolio in the period 2014-2015.

	2012	2013	2014	2015	2016
Response rate GRESB (based on NAV)					
Listed	82%	76%	55%	62%	58%
Non-listed	46%	59%	70%	66%	75%
Total portfolio	50%	61%	67%	65%	72%
Outperforming benchmark GRESB listed	79%	75%	78%	83%	94%
Outperforming benchmark GRESB unlisted	56%	38%	49%	66%	64%
Number of Green Stars listed	8	9	18	21 (out of 26)	19 (out of 21)
Number of Green Stars unlisted	7	11	15	18 (out of 32)	17 (out of 29)
Listed improved performance (compared to last year)	n/a	31%	54%	78%	38%
Unlisted improved performance (compared to last year)	n/a	48%	43%	91%	69%

## Dutch investments

Bouwinvest manages five Dutch investment funds, three of which are open to third-party investors. Our main focus is on the residential, office and retail sectors in what we have identified as our core regions. These regions all have an above-average economic and demographic outlook and will benefit from the above-mentioned megatrends, such as the urbanisation trend, the ageing of the population and the rise of new technologies. We also invest in the healthcare sector, as we believe the ageing of the population will continue to increase demand for real estate with a healthcare element. The rapid rise in tourism is also increasing demand for hotels. This is a positive development for our Hotel Fund.

### Residential Fund

The Residential Fund generated a total return of 20.5% (2015: 12.5%), with a direct return of 3.4% (2015: 3.8%), and an indirect return of 17.1% (2015: 8.6%). The Fund had a high and stable average occupancy rate of 97.7%. Like-for-like rental growth for 2016 came in at 3.2% (2015: 3.8%), while rent arrears were low at 0.7% (2015: 0.9%). The dividend return for 2016 came in at 3.4% (2015: 3.8%).

The Residential Fund once again reaped the benefits of Bouwinvest's growth strategy and its confidence in the residential market in recent years and saw the completion and delivery of eight excellent new-build projects, nearly all of which were fully let before completion. We currently have a secured pipeline of 11 new residential projects (1,063 apartments and 194 family homes) following investments of around € 255 million in 2016. Demand for high-quality homes the liberalised rental sector is still growing, especially in our core markets.

Thanks to the continued recovery in the residential sector and the very high quality of the residential portfolio, the Fund to attracted six new clients in 2016. This took the total number of clients to 16 as of January 2017.

At year-end 2016, the Fund's property portfolio consisted of 237 properties with a total value of € 3.9 billion.

### Retail Fund

The Retail Fund booked a return of 8.4 % in 2016 (2015: 4.5%), the result of a direct return of 4.6% (2015: 4.4%) and an indirect return of 3.9% (2015: 0.1%). The average occupancy rate was 94.7% (2015: 94.2%). The dividend return for 2015 was 4.6% (2015: 4.4%).

The Dutch economy continued to recover in 2016; this led to a strong rise in consumer confidence. Furthermore, international investors' boosted interest in retail real estate resulted in a yield shift. This in turn led to a healthy increase in the values of the Fund's retail assets in Amsterdam and its other core regions in both the Experience and Convenience segments. The Fund continued to optimise its portfolio in 2016, adding new assets and redeveloping and upgrading existing assets. While retail real estate will remain a challenging sector in the years ahead, we believe that thanks to a good balance of 'Experience' and 'Convenience' oriented retail real estate assets, the Retail Fund's portfolio will continue to generate solid returns in the years ahead.

In 2016, we saw the completion and delivery of the Nowadays redevelopment at Damrak/Nieuwendijk in Amsterdam, one of the largest retail redevelopments in the capital in decades. We also took delivery of the Stadionplein and Mosveld shopping centres in the Convenience segment. The Retail Fund invested around € 31 million last year and will continue to upgrade and future-proof existing assets and look for acquisitions that meet our quality and return requirements.

The Retail Fund attracted three new clients in 2016. As of 1 January 2017, we welcomed an additional new client, taking the total number of clients to five. We see this as an endorsement of our strategy of focusing on the experience and convenience segments of the retail market and a clear sign that investors still believe that the retail sector offers opportunities for stable long-term returns.

In 2016, the Retail Fund agreed new leases and renewed existing contracts for a total of 72,997 m<sup>2</sup> of space, representing a rental value of some € 16.6 million.

At the end of 2016, the Fund's portfolio consisted of 47 properties with a total value of € 778 million.

## Office Fund

The Office Fund booked a return of 5.5% in 2015 (2015: 0.5%), the result of a direct return of 3.6% (2015: 4.2%) and an indirect return of 1.9% (2015: -3.7%). The average occupancy rate was stable at around 81% in 2016 from 80.1% in 2015, largely due to the high proportion of properties we are currently redeveloping. The dividend return came in at 3.6% (2015: 4.2%). The strong turnaround in the indirect return was driven by higher valuations for a number of office properties on the back of redevelopment plans.

After several years of outperformance as compared to the IPD index, the Fund's relative performance dipped somewhat over the past two years. Last year was a year of portfolio optimisation for the Office Fund. The highlight of 2016 was the acquisition of the Hourglass, a mixed-use building in Amsterdam's Zuidas business district. The Fund also invested € 3.0 million in the continued upgrade of the WTC Rotterdam and launched the redevelopment of the former Citroën buildings (The Olympic 1931 and The Olympic 1962) in Amsterdam.

In 2016, the WTC The Hague was awarded BREEAM-NL In-Use Excellent certification. This is the first time this score at building and building management level has been awarded to a multi-tenant asset in the Netherlands. Active asset management and continued investments in upgrading and updating its office assets ensured that the Fund renewed or signed new leases for a total of 15,509 m<sup>2</sup>, representing an annual rental income of € 2.9 million in 2016.

The Fund attracted another new client in 2016, a clear demonstration of the renewed confidence in the office sector, as well as in the Office Fund's strategy and the high quality of its portfolio. As of 1 January 2017, the Fund's total number of clients is three.

At year-end 2016, the Fund's portfolio consisted of 16 properties with a total value of € 503 million.

## Hotel Fund

The Hotel Fund recorded a profit of € 20.7 million in 2016, compared with € 11.5 million in 2015. The Fund's total return rose to 14.2% in 2016 from 8.4% in 2015.

Highlights of the year include a turnkey purchase agreement (together with the Office Fund) for a 115-room extended-stay hotel in the Hourglass, a multifunctional building in Amsterdam's Zuidas business district. This hotel is a turnkey project and the Fund has signed a 20-year fixed-rent lease with tenant Premier Suites. The Hourglass building is scheduled for completion in 2020. The Fund also signed a Head of Terms for extended-stay accommodation (82 rooms) in Amsterdam Houthavens in December 2016 with the consortium Boot&Co, together with a 25-year lease with tenant City ID Group. Completion of the hotel is expected in the fourth quarter of 2018. The Fund acquired the Stayokay Hotel Amsterdam (112-room hostel) and signed a 25-year lease with tenant Stayokay.

## Healthcare Fund

The Healthcare Fund reported a net result of € 1.1 million in 2016, compared with € 1.9 million in 2015. The total fund return (ROE) came in at 4.9% in 2016, 2.4% above budget and 2.8% lower than in 2015 (7.7%). Returns will be below the long-term target in the coming years, as the Fund acquires new projects, which result in no rent and therefore no direct income (rent), as most of the properties acquired will be new-build complexes.

In 2016, the Fund's property portfolio increased to € 46.9 million from € 24.1 million at year-end 2015. The Fund added one new asset to the portfolio, the Martha Flora complex in Haarlem (as of December). Construction work started on the Aliantus Oud-Seyst in Zeist in August, and the complex will be completed in the summer of 2017. In total, the Fund signed transactions worth € 46.6 million in 2016. At year-end 2016, the Healthcare Fund had a pipeline of € 55.5 million in assets under construction or redevelopment.

## Dutch real estate funds retain Green Star status

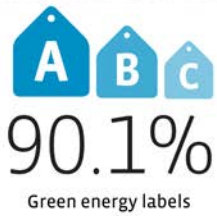
Bouwinvest uses the Global Real Estate Sustainability Benchmark (GRESB) to measure and compare the sustainability performance of our three main Dutch sector funds. In 2016, Bouwinvest's three main Dutch sector funds once again actively participated in this initiative, which is aimed at boosting transparency and sustainability in the real estate sector. Thanks to this strategy and the actions that Bouwinvest continued to make last year, Bouwinvest's Residential, Retail and Office funds were awarded Green Star status for the third year in a row. Green Star is the highest possible category in the GRESB rankings and obviously we will be doing our utmost to retain this status in 2017 and beyond.

GRESB Green Star status



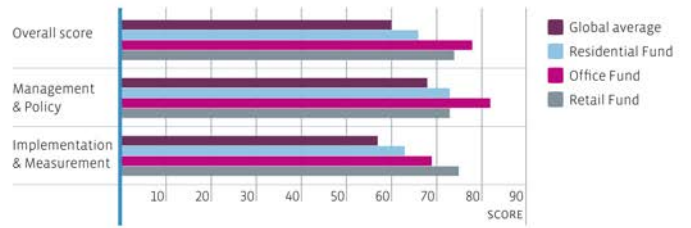
All three Bouwinvest sector funds Green Star

Green energy labels  
(based on total value Dutch sector funds)



2015: 88.6%

Performance Bouwinvest sector funds in the GRESB benchmark



## Financial performance Bouwinvest in 2016

### Income

Net income came in at € 2.6 million in 2016, compared with € 4.4 million in 2015. The operating income was € 2.4 million in 2016, € 2.6 million lower than in 2015. This decrease was primarily due to the increase of € 2.9 million in operating expenses, offset by a slight increase in the management fee.

### Management fee

The Management fee increased by € 0.2 million to € 30.7 million in 2016 (2015: € 30.5 million). Despite the increase in assets under management by 13% (2016: € 8.5 billion; 2015: € 7.5 billion), the management fee was only marginally higher, due to a fee incentive of € 3.2 million granted to bpfBOUW.

### Operating costs

Operating costs rose by € 2.9 million (11.4%) to € 28.3 million in 2016, compared with € 25.4 million in 2015. These higher costs were the result of a € 1.3 million increase in personnel costs and a € 1.6 million increase in other operating costs. This benefits the funds and increases the costs for the management company, at a stable management fee.

The higher personnel costs were caused by an increase in the number of FTEs to 136.6 in 2016 (2015: 131.1), hiring of temporary staff and an increase in training costs. This increase will enable Bouwinvest to record controlled growth of its assets under management and remain state-of-the-art as an organisation.

The increase in other costs was further due to an increase in costs related to 'non-deductible VAT'. This was the result of a ruling by the tax inspector, as a result of which the VAT exemption related to joint asset management was applicable retroactively. Consequently, the level of non-deductible VAT increased to 70% from 50%. This led to a one-off extra cost item of € 0.6 million for the period 2013-2015 and € 0.5 million for 2016.

Additional other operating costs were the rise of costs for ICT (€ 0.2 million) related to a number of IT projects (e.g. the renewal of the ERM architecture and new planning software), as well as costs related to the increase in the number of applications. Furthermore, to boost the company's corporate positioning and visibility, communications expenses increased with € 0.1 million in 2016. And finally, another € 0.2 million in other operating costs related to taking out a general professional liability insurance.

### Fiscal result

Deferred tax assets are less the calculated corporate taxes of € 1.0 million for 2016 and an additional write-off of € 0.4 million related to a recalculation of the deferred tax assets. Deferred tax assets are recognised on the basis of losses from previous years that may be settled with the tax authorities. These deferred tax assets can be realised in the coming two years through to year-end 2018. A deferred tax liability of € 0.4 million is accounted for regarding the difference between the fiscal and the commercial valuation of participations.

### Financial position

Bouwinvest's shareholders' equity remained virtually stable at € 29.3 million in 2016, from € 29.4 million at year-end 2015. This was due to the addition of the net profit, less the € 2.7 million in dividend paid out to bpfBOUW. The solvency ratio decreased by 10% to 79% in 2016, as a result of the fee incentive payable to bpfBOUW.

### Cash position

At year-end 2016, Bouwinvest had a total of € 21.2 million available in its current account with our house bank ABN AMRO. This was more than sufficient to cover all outstanding liabilities and was also in line with the formal requirements of the Alternative Investment Fund Manager Directive (AIFMD).

### Profit allocation and dividend policy

The management proposes to allocate the result to other reserves.

## Outlook

In the year ahead, Bouwinvest expects to increase its portfolio of assets under management to € 9 billion from the current € 8.5 billion. Around one-third of the total portfolio currently consists of assets in the international portfolio managed for bpfBOUW. We expect international investments to account for 37% of the total portfolio in 2019.

On an international level, we expect more investments in the North American and Asia-Pacific regions to give the portfolio a more balanced geographical spread. We expect global real estate investment markets to remain highly dynamic and that investment pressure will continue to lead to yield compression in the best locations, which will in turn lead to renewed interest in secondary products. At the same time, we expect our long-term return to be 5-7%, in line with our targets.

In the Netherlands, the conditions are near perfect for real estate: low interest rates, population growth, economic growth, growing employment, the recovery of consumer confidence and high real estate transaction volumes. But we also expect to face a number of challenges in the Dutch market. How vibrant will Dutch city centres remain given the changes we are seeing in the retail landscape? How do we make sure the cities outside the top 10 remain attractive? What is likely to happen on the (rental) residential market? How will the elections affect the current policy for the mid-rental segment? How do we ensure a diversified supply in our major cities, and how do we make sure there are enough affordable homes?

Real estate market cycles do not run concurrently and it is possible to mitigate risks by continuing to spread investments across continents, countries, cities, sectors and investment products. We will continue to follow that strategy. Our acquisition strategy will remain focused on quality assets in stable countries, transparent markets and highly-marketable sectors.

Amsterdam, 20 March 2017

### **Bouwinvest Real Estate Investment Management B.V.**

Dick van Hal, *Chairman and Statutory Director*

Arno van Geet, *Managing Director Finance*

Allard van Spaandonk, *Managing Director Dutch Investments*

Stephen Tross, *Managing Director International Investments*



# Corporate Social Responsibility

## Introduction

### Our view of sustainability

Bouwinvest aims to provide a solid return on real estate investments for institutional investors and their beneficiaries and to do this in a responsible manner. What this means is that we take a long-term view and environmental, social and governance (ESG) criteria play a significant role in our investment strategy. We have integrated social, environmental, and/or ethical considerations in our core business strategy and operations to create more value for our stakeholders and generate better risk-adjusted financial returns for our clients.

Sustainable and socially responsible investments and business operations play a key role in booking growth in a controlled manner, future-proofing our organisation and real estate investments and is part of the role we want to play in tackling the challenges we all face today and in the future. In other words, we see sustainability as an inherent part of our corporate mission and our license to operate.

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It's our ambition to remain in the leading group of sustainable real estate investment managers

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### Our sustainability mission

Our ambition is to be in the leading group of sustainable real estate managers. We want to set the standard in our sector and create and sustain stakeholder value through effective integration of material ESG issues that lower risks and future-proof our real estate investments, enhance the skills and satisfaction of our employees and contribute to the development of the communities we invest in.

Our strategy to achieve this goal is based on three main pillars:

1. **Long-term performance:** we want to provide stable returns and improve overall performance.
2. **Building value:** we want to create added value for all our stakeholders.
3. **Sustainable partnerships:** we want to develop and maintain sustainable partnerships with our stakeholders.

Making this sustainability strategy an integral part of our business will enable us to respond to issues such as investment market changes, shifting consumer demands, legislation and regulation compliance and climate change, and helps us to safeguard the sustainable use of natural resources. We aim to do all of while still creating value for our stakeholders.

### Long-term performance

In line with our CSR pillars, we are focused on increasing the sustainability performance and attractiveness of the assets in our real estate portfolios and of the funds in which we invest indirectly. Not only does this boost the long-term performance of our assets, it also increases the total value of the property portfolios we manage and creates financial and social value for all our stakeholders.

### Building value

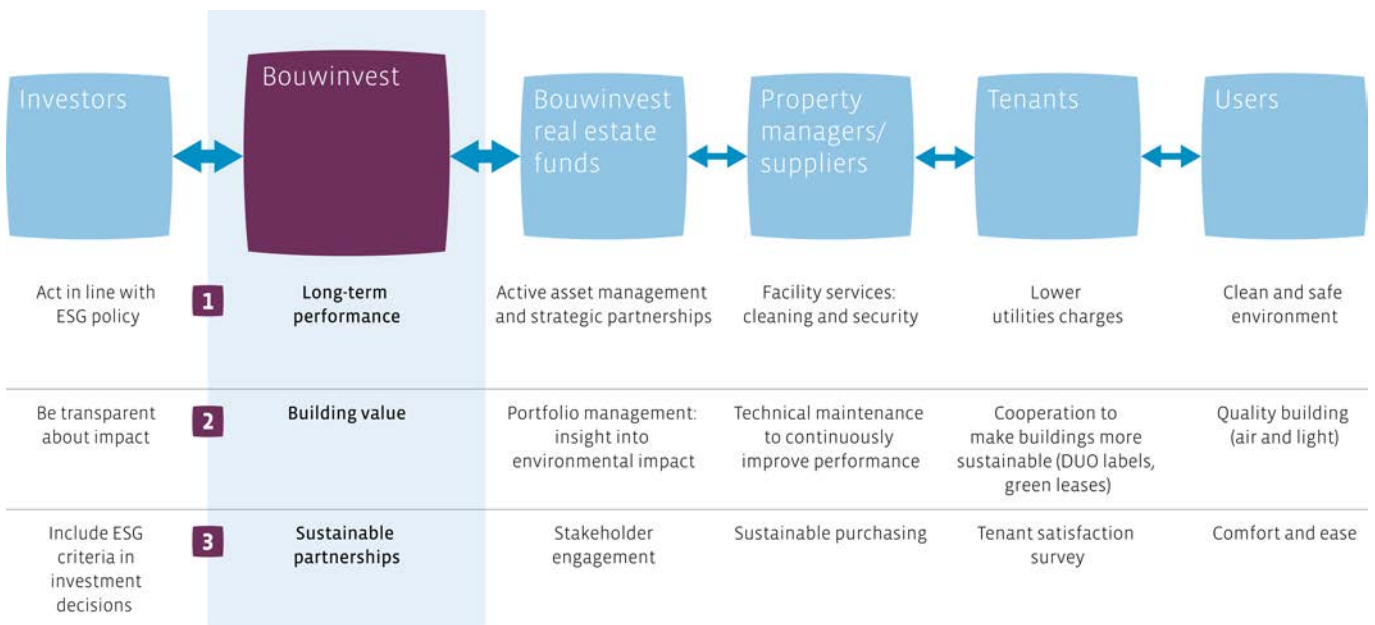
Bouwinvest considers investments in sustainability from a business perspective, as we want to create sustainable value long into the future. Energy-efficiency measures improve the competitive position of our portfolios and add value for all our stakeholders, including our clients, our tenants and our employees. However, Bouwinvest's sustainability strategy extends beyond energy use to the social aspects of sustainability, such as investments to upgrade local public amenities, and create a pleasant working environment where people can also meet and enjoy various leisure activities. In effect, we have moved beyond the question of the value that sustainability can add to our business to looking at the value our business can create for all our stakeholders, including the local environments in which we operate and society as a whole.

### Sustainable partnerships

Cooperation and engagement with our clients, tenants, suppliers and other stakeholders are an essential part of our sustainability strategy. We firmly believe that we can achieve the most by working with our clients and other stakeholders, sharing ideas and devising innovative solutions to the challenges we all face.

We also believe that the best way to ensure that our CSR strategy is effective is to form sustainable long-term partnerships with our business partners. These organisations play a vital role in our daily operations, and ensure that our assets remain clean, safe and vibrant places. We set strict requirements for our third-party suppliers and assess their performance regularly. We also forge long-term business partnerships with other stakeholders, such as our investors, in which we protect the interests of our clients by conducting our business in a transparent, fair and ethical manner, avoiding all forms of corruption and unethical conduct, while providing stable and sustainable returns on their investments.

See the Corporate governance section in this report for more details.



### Sustainable real estate

Bouwinvest is constantly improving the transparency and sustainability performance of its three main sector funds, both at a bricks and mortar level, area level and at fund level. We use globally accepted performance indicators (INREV, GRI) and sustainability labels (GRESB, BREEAM) to benchmark our performance and our progress.

For more details, please see the CSR sections in our fund reports and the CSR performance indicators in this annual report

## Progress made in 2016

In 2016, Bouwinvest took a number of significant steps to further integrate CSR into its day-to-day business. Our ESG pillars serve as a guide on the journey we are making with our stakeholders, to combine and integrate our financial and sustainability ambitions to create long-term stakeholder value.

### Stakeholder value

In 2016, Bouwinvest introduced a stakeholder value matrix to help the company identify the key issues related to ethics, law, society, compliance, risks and human resources, and devise a strategy to deal with them on an ongoing basis. This matrix will help us to refine our priorities and our ambitions. It will also make us more aware of just how essential it is to integrate ESG criteria in our day-to-day business. Moreover, the matrix will serve as the starting point for discussions with various relevant stakeholder groups.

## CO<sub>2</sub> footprint Bouwinvest organisation

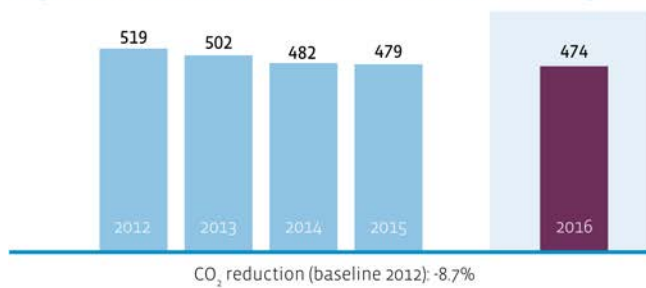
In 2012, Bouwinvest started to improve the transparency of the management organisation's CO<sub>2</sub> emissions. A year later, we expressed our ambition to make our operations carbon-neutral by 2020. We have already made significant progress in reducing our emissions in recent years and we took further steps to reduce emissions in 2016. This year, our efforts had the following results:

- Electricity consumption in our head office fell by another 8% in 2016, taking total reduction to 42% since the start of active energy management in 2010.
- Changes in waste processing resulted in a decrease in the related emissions of 66% compared to 2015.
- The use of more fuel-efficient lease cars (including hybrid and electric lease cars) resulted in stable CO<sub>2</sub> emissions, while the number of kilometres driven increased by 2%.
- A side-effect of an increase in our international real estate allocation was a 35% increase in CO<sub>2</sub> emissions from air travel compared to 2015.

These and other measures led to a total reduction in our total CO<sub>2</sub> emissions of 1% compared to the previous year. Carbon emissions intensity, calculated as tonnes of CO<sub>2</sub> /FTE dropped by 5%.

Within the Dutch portfolio various measures are taken to reduce energy levels and CO<sub>2</sub> emissions. The remainder of the CO<sub>2</sub> emissions related to energy usage are offset by purchasing so-called 'guarantees of origin' (Garanties van Oorsprong). This is part of our policy to limit the negative impact on the environment and stimulate the use of sustainable sources. For more information about the environmental impact of the real estate portfolio and the results achieved, see the respective annual fund reports and the CSR performance indicators set out in the annex.

### CO<sub>2</sub> emissions management organisation (in tonnes CO<sub>2</sub>e)



# Human Resources Management

## Introduction

The focus of Bouwinvest's Human Resources Management (HRM) policy is to ensure the company has the optimum number of staff, consisting of highly-educated, engaged and enthusiastic professionals who work together to realise our business goals and create value for our stakeholders. We see highly enthusiastic people as the key to our success. Bouwinvest can only continue to book sustained progress while remaining firmly in control thanks to their commitment, dedication and hard work.

## Long-term strong performance

Bouwinvest has 146 employees (136.6 FTEs) and € 8.5 billion in assets under management. This means we need a flexible organisation to achieve our goals of solid returns and controlled growth. An organisation that can respond effectively to the rapid changes in the real estate world and the laws and regulations we need to deal with. For that, we need expert and engaged employees, we need to recruit people who fit within our organisation, with the right skills and expertise, and we need to retain those people by offering opportunities for personal and professional growth.

We have strategic personal planning and succession planning in place, as part of our business planning cycle. The input for this plan comes from the REIM business plan, the fund plans and investment plans, department plans and the plans of individual employees. Bouwinvest has a development programme for team leaders and high potentials. We conduct a bi-annual employee engagement survey, which gives our employees the opportunity to say whether we are on the right track, but also to identify potential improvements. This is one of the ways we keep pace with rapid developments and constantly make our organisation even more effective.

## Building value

Bouwinvest sets great store in being a good employer. To compare our performance in the market, we use a national benchmark (financial companies with fewer than 1,000 employees). We emerged as third in the Netherlands according to this benchmark. As an employer, Bouwinvest has a clear policy for employment terms, HRM systems, recruitment and equal opportunities and rewards. We endorse the Dutch Central Bank's prudent remuneration policy.

Bouwinvest believes in a healthy work-life balance and offers individually customised working hours, part-time contracts, IT tools to support work anytime anywhere and generous paid leave. In the office itself, we offer customised flexible workspaces, health programmes and sports programmes. We use all of these programmes to support the sustainable employability of our employees. Bouwinvest encourages employees to participate in activities not directly related to their day-to-day work and our young professionals can join Young Bouwinvest to develop new skills and expand their networks.

## Sustainable partnerships

Bouwinvest's results are partly thanks to the collective efforts of all our employees, working together towards our shared goals. We see collaboration across the organisation as essential. Enhancing collaboration was therefore one of our main corporate targets last year and to achieve this we defined and implemented a number of specific improvements for every department.

Innovation was another collective target in 2016. Bouwinvest set up an Innovation Lab last year, to encourage our employees to stay up-to-date with innovations in the real estate world. Technological innovations have an impact on virtually all areas of real estate and how it is used. The Innovation Lab has led to a number of initiatives that we are currently working on and implementing.

Last year, Bouwinvest installed its first elected Works Council. More than 90% of our employees participated in the elections. Other opportunities for employees to help shape our organisation included projects such as the (re)development of business tools or helping to devise a new corporate mobility concept. We find that this kind of engagement with employees increases understanding and buy-in for the choices we make, which in turn facilitates the smooth implementation of organisational changes.

# Corporate governance

Bouwinvest Real Estate Investment Management B.V. ('Bouwinvest') is a private limited liability company with a Board of Directors and a Supervisory Board. Bouwinvest is a wholly-owned subsidiary of Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW), the Dutch pension fund for the construction industry.

## Board of Directors

Bouwinvest has a Board of Directors, consisting of one statutory director, also Chairman of the Board, and three managing directors: the Managing Director Finance, the Managing Director Dutch Investments and the Managing Director International Investments. The Statutory Director is appointed by the General Meeting of Shareholders following nomination by Bouwinvest's Supervisory Board. The Board of Directors is governed by a set of regulations that also outline its tasks and responsibilities.

## Supervisory Board

Bouwinvest has an independent Supervisory Board with a minimum of three and a maximum of five members. The Supervisory Board currently has four members. The maximum term of office is four years, with the possibility of reappointment for an additional four years. The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of the company and its related business. The Supervisory Board is responsible for the quality of its own performance. The members of the Supervisory Board are appointed by the General Meeting of Shareholders. In carrying out its duties, the Supervisory Board is guided by the interests of the company and the business connected with it.

### Committees

The Supervisory Board has appointed an Audit Committee and a Selection & Remuneration Committee. The task of these committees is to support the Supervisory Board. The Audit Committee's tasks and responsibilities are set out in the Regulations of the Audit Committee of the Supervisory Board. The Selection & Remuneration Committee's tasks and responsibilities are set out in the Regulations of the Selection & Remuneration Committee of the Supervisory Board. More information on the composition of the committees can be found in the Report of the Supervisory Board elsewhere in this report.

### Company secretary

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.

## Shareholders' Meeting

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 Board of Directors for its management and discharge the members of the Supervisory Board for their supervision. The meeting also appoints the members of the Supervisory Board and statutory director. Shareholder approval is required for resolutions that have a material impact on Bouwinvest's strategy or risk profile.

### Corporate Governance Code

Although the Dutch Corporate Governance Code is not mandatory for Bouwinvest as an unlisted company, the Board of Directors endorses the best practices of the Code as far as applicable to Bouwinvest.

## Funds managed by Bouwinvest

The management company 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.

Three of these funds, the Residential Fund, the Retail Fund and the Office Fund, are open to institutional investors. Bouwinvest has a separate mandate from bpfBOUW for the management of international real estate investments. Bouwinvest also manages Bouwinvest Development, a project development company.

## Internal audit

In line with AIFMD requirements, Bouwinvest established an independent internal audit function in 2012 to help us accomplish our operational and business targets by taking a systematic, disciplined approach to the evaluation and continuous improvement of the effectiveness of our risk management, control and governance processes.

In 2016, Bouwinvest added another dedicated Internal Audit officer to its Internal Audit team to increase the effectiveness of the monitoring of Bouwinvest's company-wide financial and operational processes and systems. On the operational front, this involves audit of the ISAE processes, the custodian/depository processes and the AFM processes, as well as all IT-related processes (such as COBIT, SAP, eFront) to ensure that Bouwinvest has sufficient failsafe, recovery and data protection functions in place to safeguard its IT systems. 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. In 2016, the Internal Audit team extended its auditing coverage to external property managers.

## External auditor

Bouwinvest's external auditor is Deloitte Accountants B.V. Deloitte audits the financial statements of Bouwinvest Real Estate Investment Management B.V. Deloitte also audits the financial statements of the funds managed by Bouwinvest.

## Dutch Management and Supervision Act

The Dutch Management and Supervision Act includes a guideline for a balanced gender ratio within the Board of Directors and Supervisory Board. At least 30% of these positions should be filled by women and at least 30% by men. Bouwinvest's Board of Directors and Supervisory Board do not yet have the above-mentioned gender balance. Based on the profiles of the members of the Board of Directors and of 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 take into account diversity criteria, including a balance of male and female members.

# Operational Control

## Introduction

Banks, insurance companies and pension funds, but also specialised investment managers like Bouwinvest, have to deal with ever stricter regulations and monitoring by regulatory bodies. As a result, institutional investors attach ever greater importance to internal risk management, compliance, transparency and open reporting to stakeholders.

Bouwinvest has an effective internal control framework based on the COSO framework. The internal control framework provides reasonable assurance that the management company and the funds it manages will achieve their financial and operational objectives, the effectiveness and efficiency of the business, the reliability of its financial reporting and compliance with applicable laws and regulations. Bouwinvest is in possession of a positive ISAE3402 type II statement, which was renewed for the fifth year in a row for 2016.

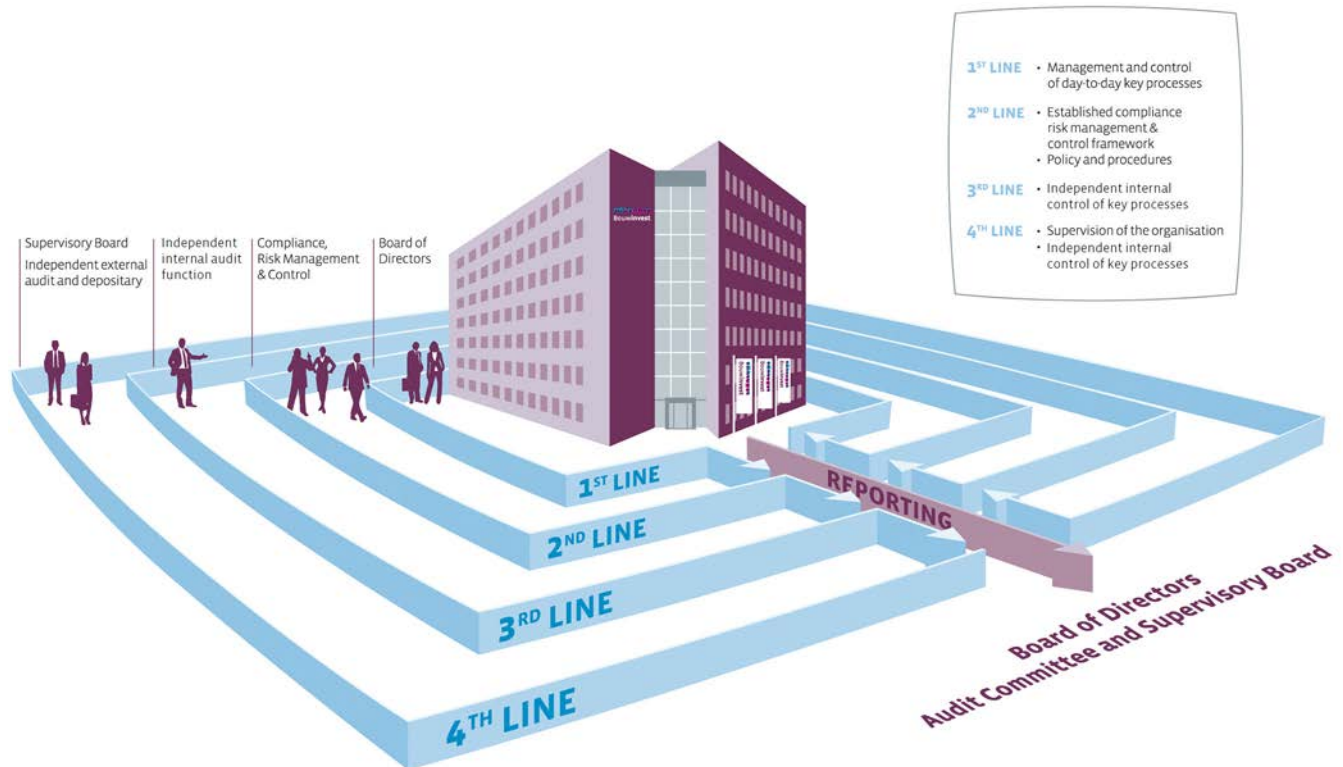
## Risk management process & internal framework

Bouwinvest recognises the importance of a solid process and framework for risk management aimed at identifying and mitigating risks, which in turn makes it possible for the company to achieve its goals more effectively. Bouwinvest has chosen the globally recognised COSO framework as the basis for its risk management. This model goes beyond internal controls and covers the entire internal management system and is known as COSO II or the Enterprise Risk Management Framework (ERMF). Bouwinvest used this framework to draw up its own reporting and monitoring framework with its four lines of defence model (see figure below). Compliance, risk management, control and internal audit have all been designed in line with this model. This model takes an integrated approach to compliance and risk management, with policies designed to meet the requirements of regulatory bodies, public opinion and shareholders, while the execution of supervisory functions are made as focused, efficient and cost effective as possible.

The four lines of defence are:

1. Board of Directors – responsible for embedding the risk and control environment in the organisation's day-to-day operations.
2. The compliance, risk management and control functions – responsible for risk-related, compliance and control policies, efficient and cost-effective implementation of the policies and continuous improvements.
3. Independent internal auditor – responsible for the execution of required control measures.
4. Supervisory Board and external auditor – the Supervisory Board supervises and advises the Board of Directors.

## Bouwinvest's four lines of defence



### Alternative Investment Fund Managers Directive (AIFMD)

In early 2014, Bouwinvest was one of the first parties in the Netherlands to obtain an AFM licence as required by the AIFMD. This licence allows Bouwinvest to manage funds that are open for other institutional investors besides bpfBOUW. The AIFMD specifies certain transparency and integrity-related requirements for Alternative Investment Funds. In 2015, Bouwinvest further optimised its reporting processes. In addition to this, Bouwinvest streamlined its cooperation with depositary Intertrust. In 2016, Bouwinvest conducted an assessment of the processes in place and made any necessary improvements, but discovered no major issues. Bouwinvest foresees no AIFMD-related challenges for 2017.

### Dutch Financial Supervision Act

Bouwinvest has obtained a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). Bouwinvest is therefore subject to supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

## Risk management

The goal of risk management is to identify and mitigate risks, which in turn makes it possible for the company to work towards its goals more effectively. The risk management department uses a risk management cycle to determine how targets are defined and achieved.

This annual report includes a description of the risk management of the management organisation (Bouwinvest). In addition to these corporate risks, additional risks, definitions and control measures are set for the real estate portfolio. These risks are described in Bouwinvest's investment plan and the fund plans of each of the Dutch sector funds, and are reported in the respective quarterly and annual reports.

Bouwinvest recognises the following risks for the management organisation:

- Continuity
- Integrity
- Quality
- Key people
- Legal and liability
- Fiscal
- Funding
- Reputation



## Risk matrix

Risk	Definition	Control measures
Continuity risk	The continuity risk is the risk that the management organisation can no longer meet the terms of its agreements with bpfBOUW, other clients, its own employees and the organisation	<ul style="list-style-type: none"> <li>· REIM business plan</li> <li>· Framework letters</li> <li>· Investment plans and fund plans</li> <li>· Annual plans business units and departments</li> <li>· Reporting process</li> <li>· Annual ISAE 3402 type II audit</li> <li>· Business Continuity Plan</li> <li>· Service Level Agreements with outsourcing partners</li> <li>· Data security policy (COBIT)</li> </ul>
Integrity risk	Integrity risks are associated with non-compliance with laws and regulations (such as fraud and cyber crime) or transparency requirements of Bouwinvest, its employees or any party with whom Bouwinvest is conducting business	The Compliance policy and measures are explained in the next section
Quality risk	This is the risk that the management organisation delivers poor quality, as a result of which Bouwinvest is unable to meet the terms of its agreements with its clients	<ul style="list-style-type: none"> <li>· Framework letters</li> <li>· Investment plans and fund plans</li> <li>· Investment Committee</li> <li>· Business partner due diligence</li> <li>· Internal (process) control framework in accordance with ISAE 3402 type II</li> <li>· External auditor</li> <li>· Procedure for business incidents</li> <li>· Pricing &amp; Valuation Committee</li> </ul>
Key people risk	This is the risk that the organisation does not have employees with the right skills and qualities	<ul style="list-style-type: none"> <li>· Transparent culture and remuneration policy</li> <li>· Measures to ensure high levels of employee satisfaction</li> <li>· Key position succession and promotion policy</li> <li>· Building and maintaining reputation on the employment market</li> </ul>
Legal and liability risk	The risk of threats to the legal position of the organisation, including the risk of the possibility that contractual provisions cannot be enforced or are not correctly documented	<ul style="list-style-type: none"> <li>· Internal Legal Affairs department</li> <li>· External specialist law firms</li> <li>· Various corporate and asset insurance policies (professional and directors liability)</li> <li>· Risk checks on main assets</li> <li>· Insurance manual</li> </ul>
Fiscal risk	This is the risk that the organisation's fiscal position is determined incorrectly, as a result of which the current and deferred tax (position) is depicted incorrectly	<ul style="list-style-type: none"> <li>· Internal Tax Affairs department</li> <li>· (Structural) external involvement tax specialists (also evaluative role)</li> <li>· Tax Policy Principles</li> </ul>
Funding risk	The risk that the funding position is not adequate and/or safeguarded, due to the fact that the growth of the organisation's assets under management is not covered by the addition of new capital from investors	<ul style="list-style-type: none"> <li>· Active approach to attraction of funding, which is the role of the Investor Relations department</li> <li>· Clear annual funding statement in the fund plans</li> <li>· Funding part of investment proposal</li> </ul>
Reputation risk	In the event that one of the above-mentioned risks occurs, the occurrence of said risk is inevitably related to (some) measure of reputation damage	<ul style="list-style-type: none"> <li>· Transparent and frequent communications with shareholders and clients</li> <li>· Integrity Risk Analysis</li> </ul>

## Monitoring and reporting

The Board of Directors continuously monitors a wide array of risks in Bouwinvest's various activities. To support this monitoring and to optimise risk transparency, the risk controller produces quarterly risk reports. In 2016, there were three types of quarterly risk reporting:

- Risk report for portfolio bpfBOUW
- Risk report as part of fund reports for AIF funds
- Business incident reports

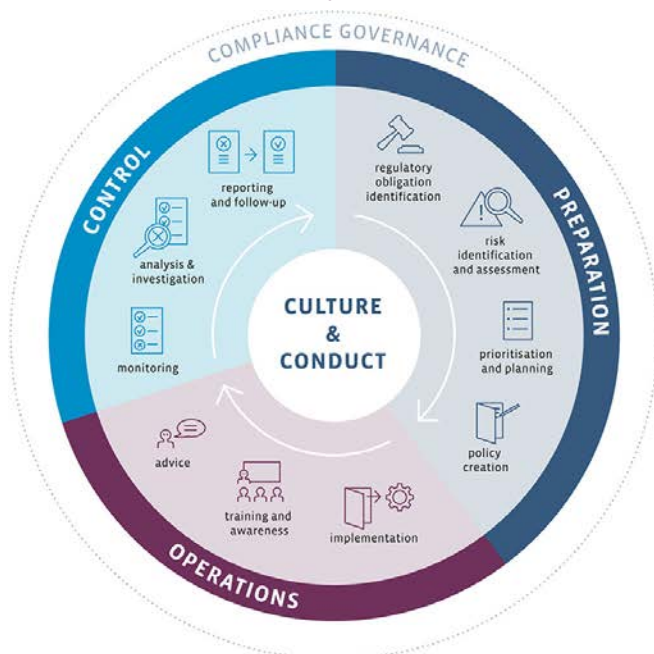
Both the bpfBOUW portfolio and the fund risk reports were revised in 2016. This revision resulted in more transparent and compact reports on both aggregation levels. On top of that, the reporting on bpfBOUW's portfolio has been tailored to the risks that are identified in the pension fund's risk charter. The format for business incident reporting remained unchanged in 2016.

## Compliance

Bouwinvest has a dedicated compliance function that identifies, assesses, advises on, monitors and reports on the company's compliance risks. For the planning, execution and reporting of all compliance activities, Compliance employs the Bouwinvest Compliance Cycle. This cycle contains groups of activities that are vital for the compliance function. The first group of activities focuses on the identification and interpretation of existing and new legislation relevant to Bouwinvest and its stakeholders and to determine its impact. Bouwinvest subsequently identifies and assigns scores to the relevant compliance risks and, on the basis of same, determines priorities. Next, the (amended) legislation and identified risks are translated into policies, which are then implemented. For this, Compliance facilitates the design of the processes, procedures and/or controls needed to execute the updated and new policies. During implementation and on an ongoing basis, Compliance devotes a great deal of effort to creating awareness and providing advice on relevant compliance risks and how to deal with them, ensuring a reduction in the number of incidents.

Bouwinvest's compliance function supervises and monitors the effectiveness of the controls and initiates specific investigations when incidents or findings from regular monitoring activities necessitate this. Compliance reports on findings and on any areas of improvement in regular compliance reports, as well as reports on any investigations initiated.

### The Bouwinvest Compliance Cycle



## Key priorities

One of the key priorities of Bouwinvest's integrity and compliance function is creating and increasing company-wide awareness of compliance risks, how employees can mitigate or control these risks and what is expected from them on this front. Increasing awareness was a major focus in 2016, and Compliance ran a number of training courses and sessions on legislative changes and updated procedures. Bouwinvest also has a mandatory annual integrity workshop for all employees. The compliance risk environment is very dynamic and the legislation governing asset managers and investment managers changes constantly. In 2016, the Compliance officer worked on the risk-based updating of a number of internal rules and regulations. These included the rules governing the screening of business partners, as well as rules related to the Sanctions Act, privacy legislation and ancillary positions. In 2017, Compliance will update the remaining internal compliance policies. Bouwinvest monitors relevant legislation and regulations closely and will continue to adapt and update its own internal compliance regulations to new or amended legislation.

## Code of Conduct

Bouwinvest has a Code of Conduct that applies to all its employees and which includes rules that apply to the Board of Directors and Supervisory Board with respect to conflicts of interest and investments. The Code of Conduct deals with issues such as ethical behaviour, conflicts of interest, compliance with laws and (internal and external) regulations, CSR (corporate social responsibility), health and safety and requirements for our business partners. Bouwinvest also has a whistleblower policy with guidelines for the reporting and investigation of unethical behaviour. All employees receive code of conduct training.

## Conflicts of Interests policy

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

# In Control Statement

The Board of Directors has issued an 'in control' statement on the financial reporting risks and strategic and operational risk management at Bouwinvest. The Board of Directors is responsible for proper risk management and internal control systems and for assessing their effectiveness. Based on its assessment of the risk management and internal control systems, the Board of Directors believes that these systems provide a reasonable level of assurance that the financial reports contain no material errors. In general, the risk management and internal control systems functioned properly in 2016 and there is no indication that these systems will not function properly in 2017. No shortcomings that could have a material impact were identified in these systems in 2016, nor up to the date this annual report was signed in 2017. Furthermore, no deficiencies in the internal control systems were identified 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.

# Financial statements

## Balance sheet as at 31 December

Before appropriation of result, all amounts in € thousands	Note	2016	2015
<b>Assets</b>			
Intangible fixed assets	1	517	488
Tangible fixed assets	2		
Leasehold improvements		587	648
Equipment		149	244
		<b>736</b>	<b>892</b>
Financial fixed assets			
Participations	3	11,496	10,287
		<b>11,496</b>	<b>10,287</b>
Current assets			
Receivables		8	9
Receivables group companies	4	81	-
Taxes	5	709	1,572
Deferred tax assets	6	2,027	2,996
Other receivables and accrued assets		112	12
Cash and cash equivalents	7	21,203	16,754
		<b>24,140</b>	<b>21,343</b>
<b>Total assets</b>		<b>36,889</b>	<b>33,010</b>
<b>Equity and liabilities</b>			
Issued capital		225	225
Share premium		41,367	41,367
Retained earnings		(14,870)	(16,592)
Net result for the year		2,595	4,422
<b>Shareholders' equity</b>	<b>8</b>	<b>29,317</b>	<b>29,422</b>
Provisions			
Deferred tax liabilities	9	415	-
		<b>415</b>	<b>-</b>
Current liabilities			
Accounts payable		64	160
Taxes and social security premiums	10	1,006	908
Pension premiums	11	486	450
Payables group companies	12	3,229	
Other liabilities		1,198	904
Accrued liabilities		1,174	1,166
		<b>7,157</b>	<b>3,588</b>
<b>Total equity and liabilities</b>		<b>36,889</b>	<b>33,010</b>

## Profit and loss account

All amounts in € thousands

	Note		
<b>Management fee</b>	13	<b>30,722</b>	<b>30,503</b>
<b>Operating costs</b>			
Personnel costs	14	19,276	17,959
Depreciation costs	1-2	526	654
Other operating costs	13	8,481	6,835
<b>Total operating costs</b>		<b>(28,283)</b>	<b>(25,448)</b>
<b>Operating result</b>		<b>2,439</b>	<b>5,055</b>
<b>Result from participations</b>	16	<b>1,589</b>	<b>841</b>
<b>Interest income and expenses</b>	17	<b>(49)</b>	-
<b>Result before taxes</b>		<b>3,979</b>	<b>5,896</b>
Corporate income tax	18	(1,384)	(1,474)
<b>Result after taxes</b>		<b>2,595</b>	<b>4,422</b>

## Statement of cash flows

All amounts in € thousands

	2016	2015
<b>Cash flow from operating activities</b>		
Net result	2,595	4,422
Adjustments for:		
Depreciations	526	654
Result from participations	(1,589)	(841)
Interest income and expenses	49	-
Movements in working capital and provisions:		
Movement in deferred tax assets	969	1,474
Movement in receivables	683	722
Movement in provisions	415	-
Movement in current liabilities	3,569	4
	<b>7,217</b>	<b>6,435</b>
Interest paid	(49)	-
<b>Cash flow from operating activities</b>	<b>7,168</b>	<b>6,435</b>
<b>Cash flow from investment activities</b>		
Investments in tangible fixed assets	(152)	(15)
Investments in intangible fixed assets	(247)	(351)
Dividends received	380	385
<b>Cash flow from investment activities</b>	<b>(19)</b>	<b>19</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(2,700)	(2,186)
<b>Cash flow from financing activities</b>	<b>(2,700)</b>	<b>(2,186)</b>
<b>Net cash flow</b>	<b>4,449</b>	<b>4,268</b>
Cash and cash equivalents as at 1 January	16,754	12,486
Increase/(decrease) in cash and cash equivalents	4,449	4,268
<b>Cash and cash equivalents as at 31 December</b>	<b>21,203</b>	<b>16,754</b>

# 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'), domiciled in Amsterdam, is a private company with limited liability incorporated on 9 October 2002. The Chamber of Commerce number of the company is 34180506. Bouwinvest's objective is to provide real estate investment services to the Stichting Bedrijfstakpensioenfondsvoor de Bouwnijverheid (bpfBOUW), to third parties and to bpfBOUW group companies as defined in article 2:24b of the Dutch Civil Code. All shares in the company are held by bpfBOUW. The company forms part of a group, headed by bpfBOUW in Amsterdam, the Netherlands. The financial information of the company has been recorded in the financial statements of bpfBOUW. Copies are available at the trade register of the Chamber of Commerce as well as on the website bpfBOUW.

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 international investments in Europe, North America and the Asia Pacific region. In the Netherlands, the management services cover the entire real estate chain, from acquisition and (re)development through asset management and disposal. For the international investments, the management services consist mainly of fund selection and monitoring the performance of the selected fund managers and funds.

### Basis of preparation

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 annual accounts regulations as defined in article 2:397 of the Dutch Civil Code.

### Accounting policies

Valuation of assets and liabilities and determination of the result take place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Income and expenses are accounted for on accrual basis. Profit is only included when realised on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

The financial statements of the company 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 principles of primary financial instruments, reference is made to the recognition per balance sheet item.

### Intangible fixed assets

Equipment is stated at purchase price less straight-line depreciations, calculated while taking into consideration the estimated economic life of the assets in question, and, if applicable, less impairments in value. 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

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

Depreciation of equipment 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 impairment, if applicable. With the valuation of associated companies any impairment in value is taken into account.

## Current assets

Upon initial recognition the 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 accounts deemed necessary is deducted. These provisions are determined by individual assessment of the receivables.

## Deferred tax assets

Deferred tax assets are recognised if it is likely that the temporary differences will be settled in the near future. These deferred tax assets are valued at nominal value and have a short-term nature.

## Cash

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

## Provisions

Provisions are recognised if a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event), payment is probable ('more likely than not'), and the amount can be estimated reliably. If the effect is material, provisions are made that are equal to the present value of the expenditure that is expected to be required for the settlement of the liability.

## 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 nominal value and have a long-term nature.

## Current liabilities

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

## Management fee

The management fee is calculated based on the assets under management 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 which deferred tax assets (if applicable) are only valued insofar 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 can be considered to be highly liquid investments. Interest income and expenses are recognised in the cash flow from ordinary operations.



## Notes to the balance sheet

All amounts in € thousands

### 1 Intangible fixed assets

	2016	2015
<b>Book value as at 1 January</b>	<b>488</b>	-
Reclassified from tangible fixed assets	-	395
Investments	247	351
Depreciations	(218)	(258)
<b>Book value as at 31 December</b>	<b>517</b>	<b>488</b>
Purchase value	7,776	7,529
Cumulative depreciations	(7,259)	(7,041)
<b>Book value as at 31 December</b>	<b>517</b>	<b>488</b>

In 2015, software and licences has been reclassified from the tangible assets to intangible assets.

### 2 Tangible fixed assets

	Leasehold Improvements	Equipment	Total 2016	Total 2015
<b>Book value as at 1 January</b>	<b>648</b>	<b>244</b>	<b>892</b>	<b>1,668</b>
Reclassified to intangible fixed assets	-	-	-	(395)
Investments	64	88	152	15
Depreciations	(125)	(183)	(308)	(396)
<b>Book value as at 31 December</b>	<b>587</b>	<b>149</b>	<b>736</b>	<b>892</b>
Purchase value	5,642	1,213	6,855	6,703
Cumulative depreciations	(5,055)	(1,064)	(6,119)	(5,811)
<b>Book value as at 31 December</b>	<b>587</b>	<b>149</b>	<b>736</b>	<b>892</b>

In 2015, software and licences has been reclassified from the tangible assets to intangible assets.

### 3 Participations

The movement in the participations recognised in the financial fixed assets that do not belong to the group are as follows:

	Book value 31-12-2015	Deposit/ repayment	Dividend	Result 2016	Book value 31-12-2016
Bouwinvest Dutch Institutional Residential Fund N.V. (0.2%)	6,547	-	(226)	1,315	7,636
Bouwinvest Dutch Institutional Retail Fund N.V. (0.3%)	1,999	-	(89)	170	2,080
Bouwinvest Dutch Institutional Office Fund N.V. (0.3%)	1,741	-	(65)	104	1,780
<b>Total</b>	<b>10,287</b>	<b>-</b>	<b>(380)</b>	<b>1,589</b>	<b>11,496</b>

### 4 Receivables group companies

	2016	2015
Bouwinvest Retail Development B.V.	3	-
Bouwinvest Development B.V.	78	-
<b>Total</b>	<b>81</b>	<b>-</b>

## 5 Taxes

	2016	2015
Value added tax	536	1,456
Dividend tax	173	116
<b>Total</b>	<b>709</b>	<b>1,572</b>

## 6 Deferred tax asset

	2016	2015
Deferred tax assets	2,027	2,996
<b>Total</b>	<b>2,027</b>	<b>2,996</b>

The compensable loss at year-end 2016 amounted to € 8.1 million (2015: € 11.9 million). Taking into account the compensable loss, the deferred tax asset has been set at 2.0 million. This deferred tax asset can be taken in the following two years up to and including 2018.

## 7 Cash and cash equivalents

	2016	2015
Bank balances	21,203	16,754
<b>Total</b>	<b>21,203</b>	<b>16,754</b>

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

## 8 Shareholders' equity

Before appropriation of result

	Issued capital	Share premium	Retained earnings	Net result for the year	Total equity
<b>Balance at 1 January 2016</b>	<b>225</b>	<b>41,367</b>	<b>(16,592)</b>	<b>4,422</b>	<b>29,422</b>
Net result for the year	-	-	-	2,595	2,595
Appropriation of result	-	-	4,422	(4,422)	-
Dividend paid	-	-	(2,700)	-	(2,700)
<b>Balance at 31 December 2016</b>	<b>225</b>	<b>41,367</b>	<b>(14,870)</b>	<b>2,595</b>	<b>29,317</b>

Before appropriation of result

	Issued capital	Share premium	Retained earnings	Net result for the year	Total equity
<b>Balance at 1 January 2015</b>	<b>225</b>	<b>41,367</b>	<b>(17,579)</b>	<b>3,173</b>	<b>27,186</b>
Net result for the year	-	-	-	4,422	4,422
Appropriation of result	-	-	3,173	(3,173)	-
Dividend paid	-	-	(2,186)	-	(2,186)
<b>Balance at 31 December 2015</b>	<b>225</b>	<b>41,367</b>	<b>(16,592)</b>	<b>4,422</b>	<b>29,422</b>

### Appropriation of profit 2015

The General Meeting of Shareholders held on 18 April 2016 adopted and approved the 2015 financial statements.

A dividend of € 2,700,000 has been paid. The profit for 2015 of € 1,721,740 was added to the retained earnings.

### Proposal for appropriation of profit 2016

The management proposes that the General Meeting of shareholders approve the proposal to incorporate € 2,595,000 of the profit to the retained earnings.

This proposal has not been incorporated in the financial statements.

## 9 Deferred tax liabilities

	2016	2015
Deferred tax liabilities	415	-
<b>Total</b>	<b>415</b>	<b>-</b>

The difference between the fiscal and commercial valuation of the participations is € 1.7 million for which a deferred tax liability of € 0.4 million is recognised. The deferred tax liability has a long-term nature.

## 10 Taxes and social security premiums

	2016	2015
Payroll taxes	1,006	908
<b>Total</b>	<b>1,006</b>	<b>908</b>

## 11 Pension premiums

The movements in the short-term debt with regard to pension premiums were as follows:

	2016	2015
<b>Balance as at 1 January</b>	<b>450</b>	<b>589</b>
Payment relating to previous years	(464)	(589)
	<b>(14)</b>	<b>-</b>
Premiums due for the financial year	1,928	1,804
Payments relating to the financial year	(1,428)	(1,354)
<b>Total</b>	<b>486</b>	<b>450</b>

## 12 Payable to group companies

	2016	2015
Payable bpfBOUW	3,229	-
<b>Total</b>	<b>3,229</b>	<b>-</b>

This is a fee incentive to be paid to bpfBOUW over the year 2016.

## Contingent rights and liabilities

### Contingent rights

Bouwinvest has management agreements with the funds for an indefinite period with a two-year notice period, as well as a mandate with bpfBOUW regarding the International and Heritage portfolios for an indefinite period with a five year notice period. The management fee is calculated on the basis of net asset value, amounting to approximately € 33 million for the year 2017.

### Contingent liabilities

Rental and lease agreement-related contracts entered into:

	2016	2015
First year	1,641	1,728
Second to fifth year	4,208	5,412
More than five years	-	-
<b>Total</b>	<b>5,849</b>	<b>7,140</b>

The management fee which Bouwinvest charges to the Residential, Office and Retail Fund are exempt from Dutch VAT. This is confirmed in 2016 by the Dutch Revenue in a ruling on an objection filed by Bouwinvest. This objection relates to the second and third quarter of 2013 but has also impact on the fourth quarter of 2013 and beyond.

## Notes to the profit and loss account

All amounts in € thousands unless otherwise stated

### 13 Management fee

Bouwinvest received a management fee of in total € 30.7 million (2015: € 30.5 million), of which € 29.2 million (2015: € 29.1 million) is based on the assets under management and € 1.5 million (2015: 1.4 million) is based on other mandates and project development activities.

Bouwinvest is an investment manager specialised in real estate for institutional investors. The company also manages a separate mandate for international investments and project development activities.

Bouwinvest delivers real estate services to the following funds and entities (group companies as defined in article 2:24b of the Dutch Civil Code). The total assets under management of the company at year-end is stated below.

	2016	2015
Bouwinvest Dutch Institutional Residential Fund N.V.	3,995,034	3,151,198
Bouwinvest Dutch Institutional Retail Fund N.V.	824,201	738,335
Bouwinvest Dutch Institutional Office Fund N.V.	525,988	554,723
Bouwinvest Dutch Institutional Hotel Fund N.V.	189,232	147,923
Bouwinvest Dutch Institutional Healthcare Fund N.V.	53,733	34,066
Bouwinvest Development B.V.	108,285	111,939
bpfBOUW (mandates International Investments & Heritage)	2,760,396	2,757,141
<b>Total</b>	<b>8,456,869</b>	<b>7,495,325</b>

The management fee in 2016 was € 30.7 million (2015: € 30.5 million). For the funds this fee is calculated as 0.5% of the 'net asset value'; for the international investments of bpfBOUW it is calculated as 0.3% of the 'net asset value'.

The management fee for the project development activities amounted to € 1.5 million (2015: € 1.4 million).

### 14 Personnel costs

	2016	2015
Wages and salaries	12,342	11,669
Social security charges	1,283	1,160
Pension fund charges	1,940	1,745
Temporary staff	1,332	1,135
Other personnel costs	2,379	2,250
<b>Total</b>	<b>19,276</b>	<b>17,959</b>

The pension fund agreements chargeable to the financial year are composed as follows:

	2016
Pension fund agreements chargeable to the financial year	2,232
Deductions	(292)
Settlement pensions 2014	-
<b>Total</b>	<b>1,940</b>

Pursuant to the Dutch pension system this plan is financed by contributions to an industry pension fund. Participation in the industry pension fund has been made obligatory in the collective labour agreement applicable to Bouwinvest.

The related accrued entitlements are always fully financed in the related calendar year through – at least – cost-effective contribution payments. The pension plan is a career average plan including – for both active and inactive participants (sleepers and retired persons) – conditional granting of supplements. The granting of supplements depends on the investment return. The annual accrual of the pension entitlements amounts to 22.0% of the pensionable salary (2015: 22.7%) with a maximum of € 101,519. The annual employee-paid contribution is at least 1.75% and capped at 4.2% of the pensionable salary. Based on the funding ratio and expected returns the board of the industry pension fund sets the contribution every year.

In addition to these basic rules which are mandatory for every employee, there is also a net pension scheme (Netto Pensioen Regeling) offered to employees with a total fixed income exceeding the permissible fiscal limit of € 101,519. These employees receive a contribution by the employer amounting to the maximum deposit in a net pension scheme; participation in the net pension scheme is voluntary.

The related industry pension fund has stated that the funding ratio was 107.4% in 2016 (2015: 107.1%). Based on the administrative regulations the group has no obligation to make additional contributions in the event of a deficit other than through higher future contributions.

## Employees

The number of employees at year-end 2016 amounted to 136.6 FTE (2015: 131.1 FTE). The average number of employees in 2016 was 134.0 FTE (2015: 129.6 FTE).

## Remuneration

The investment manager, Bouwinvest, paid in 2016 a remuneration (including social security charges and pension premiums) of in total € 15.6 million to 136.6 FTE (2015: € 14.6 million to 129.6 FTE), of which 5.5% variable remuneration, and the remainder was fixed remuneration.

The total remuneration includes an amount of € 1.2 million (2015: € 1.1 million) for the Board of Directors. The Board of Directors are the only staff members whose actions has an important influence on the risk profile of the Residential Fund, the Office Fund, the Retail Fund and the other Funds and separate mandates of the investment manager. The variable remuneration is based on a discretionary basis by the Board of Directors of Bouwinvest and is partly dependent of the performance of the company. The variable remuneration of the Board of Directors is determined by the Supervisory Board and is capped at 20% of the annual salary.

The remuneration for the members of the Supervisory Board in 2016 amounted to a total of € 115,000 (2015: € 113,000).

Bouwinvest manages five Dutch real estate sector funds. 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. The remuneration cannot be explicitly allocated per entity and is therefore not available.

## 15 Other operating costs

	2016	2015
Office expenses	2,127	2,098
Automation expenses	2,840	2,593
Communications expenses	666	542
Consultancy costs	428	441
Research and Investor Relations costs	354	403
Non-deductible VAT	1,771	753
Other expenses	295	5
<b>Total</b>	<b>8,481</b>	<b>6,835</b>

## 16 Result from participations

	2015	2015
Result from participations	1,589	841
<b>Result from participations</b>	<b>1,589</b>	<b>841</b>

## 17 Interest income and expenses

	2016	2015
Interest expenses	(49)	-
<b>Interest income and expenses</b>	<b>(49)</b>	<b>-</b>

## 18 Corporate income tax

	2016	2015
Result before taxes	3,979	5,896
Corporate income tax	(985)	(1,474)
Impairment deferred tax assets	(399)	-
Corporate income tax previous years	-	-
<b>Total</b>	<b>(1,384)</b>	<b>(1,474)</b>

## Subsequent events

Bouwinvest has no significant subsequent events that need to be disclosed.

## Signing of the financial statements

Amsterdam, 20 March 2017

### The Board of Directors

Dick van Hal, Chairman of the Board of Directors and Statutory Director

Arno van Geet, Managing Director Finance

Allard van Spaandonk, Managing Director Dutch Investments

Stephen Tross, Managing Director International Investments

### The Supervisory Board

Kees Beuving, Chairman of the Supervisory Board

Jan van der Vlist

Roel Wijmenga

Carolien Gehrels

# Other information

## Stipulations in 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 proportion of the profit is added to the reserves. The remaining sum 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 Investment Management B.V.

Report on the financial statements 2016 included in the annual report

## Our Opinion

We have audited the financial statements 2016 of Bouwinvest Real Estate Investment Management 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 Investment Management B.V. as at 31 December 2016, and of its result for 2016 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 2016.
2. The profit and loss account for 2016.
3. The notes comprising a summary of the accounting policies and other explanatory information.

## Basis for our opinion

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

We are independent of Bouwinvest Real Estate Investment Management B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the 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.

## 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 that consists of:

- Report of the 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 material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

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

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

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



## Description of responsibilities for the financial statements

### Responsibilities of management and the Supervisory Board for the financial statements

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

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

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

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

### Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 20 March 2017

Deloitte Accountants B.V.

Signed on the original: J. Holland

# CSR targets

## CSR targets 2014-2016

	when	status 2016
<b>Contributing to employee satisfaction</b>		
Retention management: set up training and development for key personnel, potentials and high performers	2016	achieved
Vitality: maintain absenteeism at a level below 2.1%	2014-2016	achieved
Career advancement opportunities: stimulate internal mobility (mobility ratio of 10%)	2014-2016	not achieved *
Diversity: promote the influx of young talent by providing at least eight places for interns	2014-2016	achieved
<b>Effective collaboration with stakeholders and effective corporate governance as a guiding principle for all our actions</b>		
Structural cooperation with external property managers to enhance environmental performance	2014	not achieved
Develop and implement a sustainable purchasing policy	2015-2016	partially
Develop engagement program with tenants to raise awareness on sustainability issues	2014	achieved
<b>Minimising environmental impact</b>		
Expand Environmental Management System (EMS), including smart meters	2014	achieved
Update sustainability assessment of new investments and conduct assessments in existing portfolio	2014	achieved
Improve energy efficiency by 10% compared to 2012	2015	partially**
Carbon-neutral operations by 2020 (direct emissions)	2020	on track
<b>Making a positive contribution to society</b>		
Increase participation rate of ESG assessment and engage with fund managers to improve performance	2014	achieved
Fully implement integrated reporting framework	2015-2016	not achieved
Continue to develop social activities and sponsorship policy	2014	achieved

\* Internal flow has reached 10%

\*\* Achieved for two of the three funds

# CSR performance indicators

## Social data

BOUWINVEST	2016	2015		2015	2013	
<b>Human resources</b>			<b>Employee survey</b>			
Number of employees in FTE (GRI: LA1)	136.6	131.1	Satisfaction	8.0	7.8	
Fixed-term contract (%) (GRI: LA1)	7%	5%	Engagement	7.7	7.6	
Permanent contract (%) (GRI: LA1)	93%	95%	Enthusiasm	7.6	7.0	
Sickness ratio (%) (GRI: LA7)	2.2%	1.9%	<b>Employee age groups (GRI: LA13) 2015</b>			
Employee turnover (%) (GRI: LA2)	9.9%	6.1%	Average	%	Male	Female
<b>Equality &amp; Diversity</b>			<30	8	100	0
Women (%) (GRI: LA13)	34%	34%	30-40	33	72	28
Women in senior management (%) (GRI: LA13)	24%	18%	40-50	35	64	36
<b>Training and development</b>			50-60	18	56	44
Number of internships	7	4	>60	6	55	45

## Environmental data

	Residential Fund		Office Fund		Retail Fund	
	2016	2015	2016	2015	2016	2015
<b>Tenant engagement</b>						
Number of leases	15,523	14,597	717	742	474	461
New tenants	3,208	2,533	164	136	87	69
Green Leases	n/a	n/a	2	2	23	10
DUO Labels (GRI-CRESS: CRE8)	n/a	n/a	5	5	454	352
Response rate (GRI: PR5)	1,994	1,902	36%	29%	49% *	
Satisfaction scores (GRI: PR5)	6.9	7.3	7.3	6.9	5,8 *	

\* This is a bi-annual survey. The latest survey was conducted in 2014.

		Absolute			like for like comparison					
		Residential Fund			Office Fund		Retail Fund		Total	
INREV Sustainability performance measures	Units	2016	2016	2015	2016	2015	2016	2015	2016	2015
<b>Energy consumption</b>										
Total electricity consumption (GRI: EN4)	MWh	28,214	7,253	7,964	16,978	17,385	972	944	25,203	26,293
Total gas consumption (GRI: EN3)	MWh	13,072	5,588	5,200	4,298	5,176	2,455	2,668	12,341	13,044
Total district heating and cooling (GRI: EN4)	MWh	12,881	-	-	12,033	12,416	-	-	12,033	12,416
Total energy consumption from all sources (GRI: EN4)	MWh	54,167	12,841	13,164	33,309	34,977	3,427	3,612	49,577	51,753
		2016	2016	2015	2016	2015	2016	2015	2016	2015
<b>Carbon emissions (GHG)</b>										
Total direct GHG emissions (GRI: EN15) Scope 1	tonnes CO <sub>2</sub> e	2,442	1,044	971	803	967	459	498	2,306	2,436
Total indirect GHG emissions (GRI: EN16) Scope 2	tonnes CO <sub>2</sub> e	11,229	2,887	3,170	6,757	6,919	387	376	10,031	10,465
Total GHG emissions (GRI: EN16) Scope 1 and 2	tonnes CO <sub>2</sub> e	13,671	3,931	4,141	7,560	7,886	846	874	12,337	12,901
Total GHG emissions after compensation	tonnes CO <sub>2</sub> e	2,442	1,044	971	803	967	459	498	2,306	2,436
		2016	2016	2015	2016	2015	2016	2015	2016	2015
<b>Water consumption</b>										
Total water consumption (GRI: EN8)	m <sup>3</sup>	71,421	n/a	n/a	70,291	69,171	116	83	70,407	69,254
		2016	2016	2015	2016	2015	2016	2015	2016	2015
<b>Waste management</b>										
Total waste collected (GRI: EN22)	tonnes	599	n/a	n/a	508	401	91	101	599	502
Recycling rate		31	n/a	n/a	35	98	12	8	31	74
		2016	2016	2015	2016	2015	2016	2015	2016	2015
<b>INREV Sustainability intensity measures</b>										
Building energy intensity (GRI-CRESS: CRE1)	kWh/m <sup>2</sup> /year		8.7	8.9	194.3	204.0	34.3	36.2		
Greenhouse gas intensity from building energy (GRI-CRESS: CRE3)	kg CO <sub>2</sub> e/m <sup>2</sup> /year		2.7	2.8	44.1	46	8.5	8.8		
Building water intensity (GRI-CRESS: CRE2)	m <sup>3</sup> /m <sup>2</sup> /year		n/a	n/a	0.455	0.448	0.010	0.007		

	Residential Fund		Office Fund		Retail Fund	
	2016	2015	2016	2015	2016	2015
<b>Certificates</b>						
EPC labels coverage (GRI-CRESS: CRE8)	100.0%	100.0%	100.0%	100.0%	86.8%	93.4%
Green certificates (A,B or C label)	93.3%	92.6%	73.0%	66.7%	85.2%	88.0%
Average energy index	1.30	1.32	1.12	1.25	0.91	0.98
Green Building Certificates (BREEAM) (GRI-CRESS: CRE8)	3	-	6	-	4	4
Global Real Estate Sustainability Benchmark (GRESB)						
Overall Score (GRI-CRESS: CRE8)	66	66	78	76	74	69

## Reporting of performance indicators

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

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

Energy, Emission and Water intensities are reported using “shared services” as the numerator and lettable floor area (LFA) as the denominator. “Shared services” refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered.

# Contact information

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