

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

2017

Annual Report



View from The Edge over Manhattan, New York

Table of contents

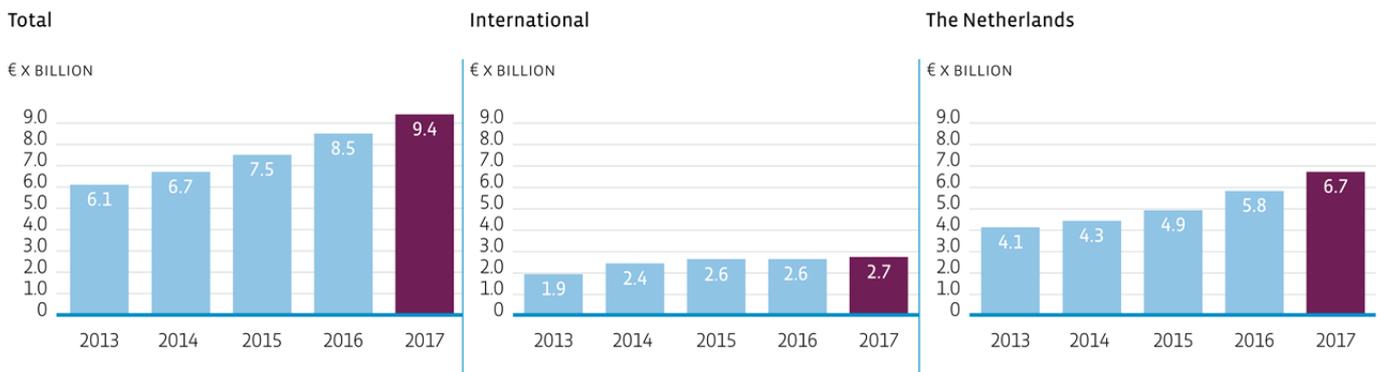
2017 at a glance	3
Key information	3
Message from the Chairman	7
Report of the Supervisory Board	9
Report of the Board of Directors	11
Market developments 2017	11
Portfolio results 2017	12
Financial performance	16
Outlook	17
Responsible Investing & Corporate Responsibility	19
Human Resources Management	22
Corporate governance	24
Board of Directors	24
Supervisory Board	24
Meeting of Shareholders	24
Internal/external audit	24
Dutch Management and Supervision Act	25
Control	26
Lines of defence	26
Risk management	27
Compliance	29
In control statement	30
Financial statements	31
Balance sheet as at 31 December 2017	31
Profit and loss account	32
Statement of cash flows	33
Notes to the financial statements	34
Notes to the balance sheet	36
Notes to the profit and loss account	39
Other information	43
Stipulations in the Articles of Association pertaining to the appropriation of profit	43
Independent auditor's report	44
Appendix	47
Company profile	47
Composition of the Board of Directors	48
Composition of the Supervisory Board	49
Stakeholders' matrix	50
ESG performance indicators	52
Contact information	56

2017 at a glance

Key information

<p>11% GROWTH OF ASSETS UNDER MANAGEMENT</p> <p>€ 9.4</p> <p>BILLION</p>	<p>RETURN ON ASSETS UNDER MANAGEMENT</p> <p>12.4%</p> <p>(EXCL. FOREX)</p>	<p>RESULT AFTER TAXES</p> <p>€ 4.7</p> <p>MILLION</p>
<p>TOTAL TRANSACTIONS THE NETHERLANDS + INTERNATIONAL</p> <p>€ 785</p> <p>MILLION</p>	<p>SECURED PIPELINE</p> <p>€ 1,414</p> <p>MILLION</p>	<p>SUSTAINABLE INVESTMENT TOTAL PORTFOLIO</p> <p>76.3%</p> <p>(GRESB 4/5 STARS)</p>
<p>NUMBER OF CLIENTS</p> <p>18</p> <p>1 NEW CLIENT</p>	<p>COMMITMENTS OPEN FUNDS</p> <p>€ 784</p> <p>MILLION</p>	<p>EMPLOYEE SATISFACTION SCORE</p> <p>8.0</p> <p>Participation rate 96.1%</p>

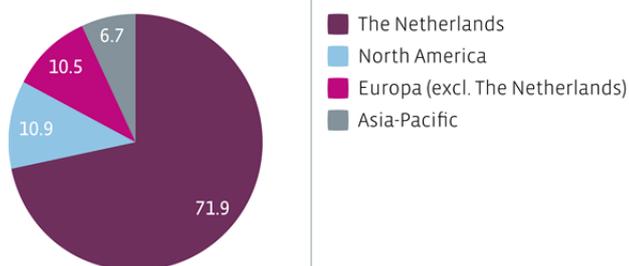
Assets under management



Distribution assets under management total portfolio

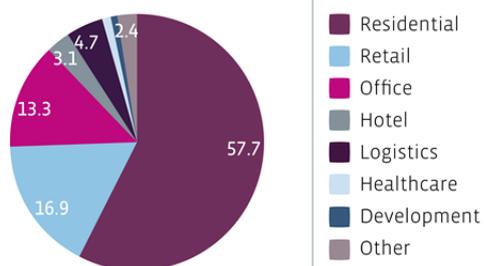
Regions

PERCENTAGE



Sectors

PERCENTAGE



Distribution assets under management Dutch funds and international mandates

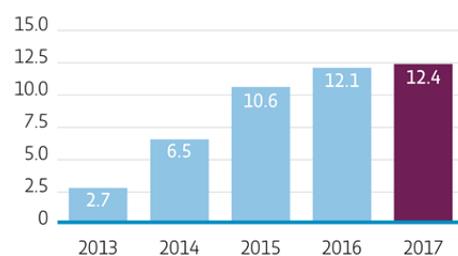
x € thousands, unless otherwise stated

	2017	2016
Europe mandate	1,009,180	958,419
North America mandate	1,023,604	1,148,970
Asia-Pacific mandate	629,427	521,634
NL Residential Fund	4,751,642	3,995,034
NL Retail Fund	888,894	824,201
NL Office Fund	631,446	525,988
NL Hotel Fund	221,610	189,232
NL Healthcare Fund	112,001	53,733
Other	156,206	239,658
Total	9,424,010	8,456,869

Return on assets under management

Total

PERCENTAGE



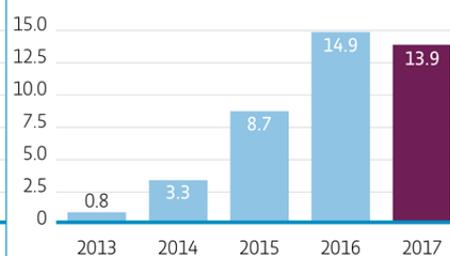
International

PERCENTAGE



The Netherlands

PERCENTAGE



Transactions

x € million

Transactions	2017	2016
International		
Europe (excl. The Netherlands)	115	121
North America	145	-
Asia-Pacific	102	158
	362	279
The Netherlands		
Residential Fund	300	249
Retail Fund	50	41
Office Fund	-	131
Hotel Fund	-	65
Healthcare Fund	73	47
	423	533
Total	785	812

Europe Mandate

Metropolitan, offices
Düsseldorf, Germany (Hines)



North America Mandate

Retail, Westport, Connecticut,
US (Clarion)



Asia Pacific Mandate

Student housing, Melbourne,
Australia (Scape)



Residential Fund

Little C, lofts
Rotterdam, The Netherlands



Retail Fund

Oosterheem, shopping centre,
Zoetermeer, The Netherlands



Healthcare Fund

Life, assisted-living apartments,
Amsterdam, The Netherlands



Responsible Investing & Corporate Responsibility

	Residential Fund	Office Fund	Retail Fund	Hotel Fund	Healthcare Fund	Europe Mandate	North America Mandate	Asia Pacific Mandate
GRESB participant	✓	✓	✓	✓	✓	90%	60%	65%
GRESB star rating 2017	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Participation in sustainable portfolio (GRESB 4/5 stars)	100%	100%	100%	0%	0%	36%	32%	36%

Employees and results satisfaction survey

	Satisfaction	Engagement	Enthusiasm	Response rate
Average score 2017 (benchmark financial markets)	8.0 (7.4)	8.1 (7.5)	8.0 (7.3)	96.1% (81.4%)
Average score 2015 (benchmark financial markets)	8.0 (7.4)	7.7 (7.7)	7.6 (7.2)	95.5% (82.0%)

	Number of employees	Senior management	Employee turnover	Absenteeism ratio	Number of internships	% of total wages spent on training and education
2017	Woman 31% Man 69% Total 152.5 FTE	Woman 19% Man 81%	3.8%	3.0%	4	3.0%
2016	Vrouw 34% Man 66% Total 136.6 FTE	Vrouw 24% Man 76%	9.9%	2.2%	7	3.5%

Key information over five years

x € thousands, unless otherwise stated

	2017	2016	2015	2014	2013
Number of shares (actual)	225,000	225,000	225,000	225,000	225,000
Net result	4,660	2,595	4,422	3,173	4,903
Per share	20.71	11.53	19.65	14.10	21.79
Assets under management	9,424,010	8,456,869	7,495,325	6,700,206	6,060,282
Total assets	43,287	36,889	33,010	30,770	28,517
Shareholders' equity	33,977	29,317	29,422	27,186	24,013
Per share	151.01	130.30	130.76	120.83	106.72
Solvency ratio	78%	79%	89%	88%	83%
Management fee income	34,288	30,722	30,503	27,854	27,324
Personnel costs	20,846	19,276	17,959	17,014	16,815
Number of FTEs (year-end)	152.5	136.6	131.1	128.0	122.6
Personnel costs per FTE	136.7	141.1	137.0	132.9	137.2
Fee per FTE	224.8	224.9	232.7	217.6	222.9

Message from the Chairman

Bouwinvest Real Estate Investment Management can look back on a good year. We recorded a return of 12.4% on our portfolio as a whole, excluding currency results. This marked the third year in a row that we have recorded a double digit return. And last year, both our Dutch funds and our international mandates made a significant contribution to the good returns we booked in 2017.

Of course, the favourable value developments we saw worldwide had a positive impact on our returns. Growing economies, primarily in urban areas, and low interest rates boosted the demand for real estate investments across the globe. This means that the relative return for the portfolio as a whole, or in other words the return compared with the market average, is therefore also a relevant yardstick for our performance. This relative return was well above the market average measured over the past five years.

In terms of assets under management, what we have seen most of all is growth in the interest per client, partly due to the fact our clients are expanding their investments to other real estate sectors. So what we are seeing is the steady increase in diversification in our clients' real estate portfolios. And that diversification strategy is paying off, due to the fact that the various real estate sectors are in different phases. For instance, the Dutch residential market has been recovering since 2014, while the office market only showed signs of real recovery over the past year. We now have a total of 18 clients. To improve the up-to-date information supply to our clients, we launched our new Investor Portal in October 2017.

The increased global demand for real estate investments did translate into a marked increase in competition for the acquisition of new projects. Nonetheless, we managed to realise a total transaction volume of close to € 800 million, without making any concessions to our quality and return criteria. This result was due in large part to our long-standing relationships with partners and our extensive network of contacts, as well as our focused acquisition strategy in the various Dutch and international real estate sectors.

Last year, we expanded our investments in homes and student accommodation in Australia and the Netherlands, in offices in Western Europe and Asia, retail real estate in Asia, North America and the Netherlands, logistics in Europe and North America and healthcare real estate in the Netherlands.



'The long-term fundamentals are good, but we are also facing a number of challenges'

Dick van Hal,
Chairman of the Board of Directors

In 2018, we will see even more institutional investments flowing into the various real estate markets. The forecasts differ, but there are hundreds of billions worldwide just waiting in the wings for lucrative investments. And those billions will find a home, so to speak, because the global population is growing and the likes of the urbanisation trend, technological developments, sustainability and economic growth will demand investments on a huge scale.

At the same time, all that glitters is not gold. For instance, transparency is not what it should be in all markets. Plus the pro-cyclical valuation risk is lurking on the horizon and a hike in interest rates could spoil the party. On top of this, (geo-)political risks remain a fact of life. And devoting attention to liveability is now crucial, certainly for a long-term investor like Bouwinvest. Poorly thought out densification could ultimately have a negative impact on the attractiveness of metropolitan areas and real estate investments.

Actually, the Netherlands is the world in a nutshell. Because, aside from transparency-related risks, our country is facing all of these risks. The prices for A1 locations have risen considerably and interest rates are still at historical lows. What is more, real estate investments via Fiscal Investment Institutions (FIIs) are now the subject of political debate and the pressure on Amsterdam and other major cities is increasing exponentially.

In short, the long-term fundamentals are looking good and offer enough opportunities. But we are also facing a number of challenges that we will have to take into account in 2018 and the years ahead.

Bouwinvest expects to increase its assets under management to more than € 13 billion by 2020, divided across 10 international core regions and six core sectors, namely residential, offices, retail, logistics, hotels and healthcare real estate.

To enable the growth of our Funds and mandates within the applicable laws and regulations, the number of employees at Bouwinvest will increase to 180 FTEs. We will of course face the challenge of the growing scarcity on the Dutch labour market, so it will remain vitally important to be an employer of choice. In its most recent employee survey, Bouwinvest emerged with a score of 8. In the financial sector, we were voted the best employer 2017/2018. However, in the coming period we will be devoting extra attention to issues such as office accommodation, efficiency and client focus, to reinforce our strong position on the labour market.

Finally, I would like to thank our clients for their trust in Bouwinvest, and thank our Supervisory Board for their constructive supervision. And, just as importantly: I would like to thank all our employees for their dedication, cooperation and efforts over the past year.

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

Report of the Supervisory Board

The Supervisory Board met seven times in 2017. In the context of its supervisory role, the Board also conducted six conference calls regarding investments in the international real estate portfolio and the investments in the Dutch real estate funds. These discussions covered matters such as the plans to increase investments in student accommodation in Australia, the acquisition of the Oosterheem neighbourhood shopping centre in Zoetermeer and the continued growth of the Residential Fund.

All the members of the Supervisory Board were sufficiently present at these meetings and calls to take into account the developments on the global and Dutch real estate markets. Real estate investment generally generates good returns due to the strong growth of metropolitan areas and the low interest rate environment.

The Supervisory Board devoted a great deal of attention to Bouwinvest's future strategy for the period 2018-2020. The Board endorses Board of Directors choice for sustainable growth, both on the Dutch home market and the global real estate market. And the members of the Supervisory board approved this strategy, including Bouwinvest's very clear ambitions on the sustainability front. In 2020, Bouwinvest wants 70 percent of its total portfolio to have a GRESB 4 or 5-star label. The company is targeting growth of its assets under management to € 13 billion in the period 2018-2020.

The Supervisory Board also discussed the bpfBOUW's strategic Real Estate Investment Plan. bpfBOUW has no plans to increase its commitments in the Netherlands on the residential, office, retail and hotel estate fronts. The Healthcare Fund is the one exception to this rule. Bouwinvest is interested in both expanding its cooperation with existing clients and finding new sustainable institutional investors who are looking for high-quality investments.

In addition, the Supervisory Board discussed the various (quarterly) reports, the compliance and risk management policies and the supervision of related-party transactions.

The members of the Supervisory Board also attended a meeting on the theme of international investments. The Supervisory Board appreciates being provided with this kind of information, due to the insight it gives into the latest trends and developments on global real estate markets.

Financial statements

The Supervisory Board discussed the financial statements prepared by the Board of Directors. Deloitte Accountants have audited the financial statements and provided an unqualified independent auditor's report. The financial statements will be submitted to the 2018 General Meeting of shareholders as part of the 2017 annual report. The Supervisory Board will propose that the General Meeting of Shareholders adopt the financial statements and discharge the Board of Directors for its management of the company and its assets under management and the Supervisory Board for its supervision of same.

Audit committee

The Audit Committee has two members: J.H.W.R. van der Vlist, chairman, and R. Th. Wijmenga. The Audit Committee met five times in 2017, 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 also advised the Supervisory Board on the performance of the external auditor, which was judged adequate.

Selection and remuneration committee

The Selection and Remuneration Committee has two members: C.G. Gehrels, chairman, and C.J. Beuving. The Selection & Remuneration Committee met twice in 2017 and discussed Bouwinvest's HRM policy, its management development programme and succession planning. The Committee also discussed the performance of the members of the Board of Directors and target-setting.

We would like to thank the members of the Board of Directors and all Bouwinvest employees for their dedication and engagement and for the excellent results they achieved in 2017.

Amsterdam, 19 March 2018

The Supervisory Board

Kees Beuving, *Chairman*

Jan van der Vlist

Roel Wijmenga

Carolien Gehrels

Report of the Board of Directors

Market developments 2017

The global economy continued its growth last year and in the early part of 2018. This growth is being driven by improved business and consumer confidence, stronger industrial production and growing employment and trade. In 2017, the global economy grew by an average of 3.5%. And the OECD (Organisation for Economic Cooperation and Development) is expecting economic growth to be even higher in 2018. However, growth is varying per continent. The US and European economies recorded growth of around 2% last year. In China, GDP growth flattened out to 6.8% in 2017, while Japan saw GDP growth of 1.6%.

Despite the economic growth, the European economy for one is faced with a number of uncertainties. The uncertainty being created by the impending Brexit extends way beyond the borders of the United Kingdom, and it is still unclear what impact the UK exit from the EU will have on markets elsewhere in Europe. This uncertainty is being exacerbated by the increasing fragmentation in the political landscape, the continuing threat of refugee flows in the direction of Europe and increasing tensions in Turkey. Plus a global economy that is highly sensitive to tensions in the likes of Asia and the Middle East.

The abundance of capital earmarked for real estate investments has created a favourable climate on international real estate markets. The persistent low interest rate environment, the low returns from bond investments and fluctuating stock markets make real estate a safe haven that is highly attractive for (institutional) real estate asset managers. As a result, we are seeing the supply of good investment opportunities lagging demand. This is creating increasing investment pressure and a search for alternative investment categories.

The Netherlands has now recovered from the economic crisis and the outlook is fairly positive. Unemployment has dipped even further. And the housing market, for one, has already recovered the the level prior to the crisis. That said, there are still marked differences between urban areas and the countryside. For instance, in Utrecht and Amsterdam the very tight housing markets are showing signs of overheating. In more peripheral regions, the recovery has barely reached pre-crisis levels, while in some places the recovery still has some way to go to reach those levels.

Bouwinvest's Dutch funds are affected by more than just the domestic economic recovery. We cannot ignore development at a European level. Nor is it entirely clear what impact the potential changes in the ECB's monetary policy will have. The installation of a new coalition government in the Netherlands also has its shadow side. The plans unveiled by the Rutte III cabinet include a corporate income tax obligation for Fiscal Investment Institutions (FIIs) from 2020. That could mean that our investment funds will be liable for the payment of corporate income tax on their entire investment result. Bouwinvest is currently investigating the potential impact of these measures on its investment funds. We are also looking at alternative structures to minimise the fiscal consequences for the investors in these funds.

The Dutch real estate market remains highly popular. Not only are domestic institutional investors looking to expand their allocation to real estate; more and more foreign investors have also set their sights on the Dutch market. Compared with London or Paris, the Holland Metropole region is still favourably priced. Foreign players are now active in all Dutch real estate sectors. And these days it is not just residential that is popular, but also offices, retail, hotels and healthcare real estate. The increasing demand has resulted in yield compression.

Portfolio results 2017

Portfolios

Bouwinvest has a family of funds structure with three international mandates and five Dutch funds.

Family of Funds

Name	Size 2017	Secured pipeline 2017	Target size 2020	Return 2017	Relative performance 2012-2016
Europe Mandate	€ 1.0 billion	€ 175 million	€ 1.5 billion	10.9%	1.1%
North America Mandate	€ 1.0 billion	€ 183 million	€ 1.5 billion	6.2%	1.5%
Asia Pacific Mandate	€ 0.6 billion	€ 135 million	€ 1.3 billion	16.2%	(2.9)%
Residential Fund The Netherlands	€ 4.8 billion	€ 689 million	€ 6.0 billion	15.6%	2.1%
Retail Fund The Netherlands	€ 0.9 billion	€ 8 million	€ 1.1 billion	7.8%	3.1%
Office Fund The Netherlands	€ 0.6 billion	€ 113 million	€ 0.9 billion	13.1%	0.3%
Hotel Fund The Netherlands	€ 0.2 billion	€ 40 million	€ 0.6 billion	13.4%	-
Healthcare Fund The Netherlands	€ 0.1 billion	€ 71 million	€ 0.5 billion	8.0%	-

Europe mandate

Bouwinvest's European portfolio recorded a return of 10.9% in 2017 (2016: 2.7%). At year-end 2017, the portfolio had a value of € 1,009 million. In 2017, we invested a total of € 141 million in residential, office, retail and logistics real estate. Last year, 35.5% of the investments in the European portfolio had GRESB 4 or 5-star labels.

Looking forward, Bouwinvest sees excellent opportunities for investments in residential and student accommodation in France, Germany, the United Kingdom and Ireland.



Caleido

Stuttgart,
Germany

Offices, retail and apartments
Hines Pan-European Core Fund

North America mandate

Bouwinvest's North American portfolio recorded a return of 6.2% in 2017 (2016: 8.8%). At year-end 2017, the portfolio was valued at a total of € 1,024 million. Over the past year, we invested € 188 million in residential real estate, high street retail properties and grocery stores and logistics centres. At this point in time, 32.4% of our investments in the North American portfolio have a GRESB 4 or 5-star label.

Bouwinvest's plans for the future of the North American portfolio include investments in rental residential properties, healthcare-related real estate, offices and logistics centres. The top 10 more secondary urban areas in North America with stable populations and growing employment offer some interesting investment opportunities.



Westport

Connecticut,
United States

Retail
Clarion Retail L.P.

Asia-Pacific mandate

Bouwinvest's Asia-Pacific portfolio recorded a return of 16.2% in 2017 (2016: 2.7%). At year-end 2017, the Asia-Pacific portfolio was valued at € 629 million. In 2017, Bouwinvest invested € 130 million in offices, retail real estate and student accommodation. At year-end 2017, 35.6% of Bouwinvest's investments in its Asia-Pacific portfolio had been awarded GRESB 4 or 5-star labels.

For the period ahead, Bouwinvest sees some excellent opportunities for investments in family homes (Japan, Australia and China) and student accommodation in Australia. We have also set our sights on both unlisted and listed prime logistics real estate in certain emerging markets.



Joondalup

Perth,
Australia

Retail
*Lendlease Australia Prime
Property Fund Retail*

Residential Fund

In 2017, the Residential Fund recorded a total return of 15.6% (2016: 20.5%), with a direct return of 2.8% (2016: 3.4%). The direct return percentage was lower than last year due to the fact that the fund currently has a substantial pipeline that is not yet generating any rental income. The direct return was also lower because rental increases failed to keep up with house price rises. The Residential Fund booked an indirect return of 12.8% in 2017 (2016: 17.1%). The Fund maintained its stable occupancy rate, which came in at around 98% last year. The average rental price increase was 2.9% in 2017 (2016: 3.2%).

At year-end 2017, the Fund's portfolio included 240 assets with a value of € 4.1 billion. The Fund added a total of 1,017 apartments and 131 family homes to the portfolio in 2017. Additionally, the Fund divested portfolio properties with a book value of € 52 million, as these properties no longer met the Fund's strategic criteria.

In 2017, we once again exceeded our acquisition target for this fund. We invested a total of € 300 million in 773 apartments and 383 family homes. Due to the relatively limited supply and major demand from investors, the Residential Fund has broadened its focus slightly to include suburban areas and medium-sized cities with a strong growth outlook. Last year, the Residential Fund made 18 acquisitions in various locations in Amsterdam and Rotterdam, as well as cities such as Hoofddorp, Purmerend and Zwolle.



Het Dok

NDSM wharf, Amsterdam,
The Netherlands

In 2017, existing clients added € 215 million to their investments in the Residential Fund. At 1 January 2018, the Fund also succeeded in adding a new client, which invested a total of € 300 million. The Residential Fund currently has a total of 17 investors.

For the fourth year in a row, the Residential Fund was awarded a GRESB four-star rating. The Fund's return was also above the average recorded in the IPD Property Index.

Retail Fund

Bouwinvest's Retail Fund recorded a total return of 7.8% in 2017 (2016: 8.5%). This was the result of a direct return of 4.5% (2016: 4.6%) and an indirect return of 3.3% (2016: 3.9%). The average rate came in at 95.6% in 2017 (2016: 94.2%).

At year-end 2017, the Retail Fund's portfolio included 49 assets with a value of € 0.9 billion. In line with the Fund's strategy, it also invested more in (supermarket-anchored) shopping centres for daily necessities (convenience). But the fund also invested in a number of stand-alone shops in city centre high streets. Last year, the Fund also completed the renovation of Molenhoek shopping centre in Rosmalen, including an upgrade of the centre's sustainability rating (now A-label rated).



Shopping Centre Oosterheem

Zoetermeer,
The Netherlands

The Fund added one new client in 2017 and now has a total of five clients. Two investors added a total of € 55 million to their investments in the Retail Fund last year.

The Retail Fund was awarded a GRESB four-star rating for the fourth year in a row in 2017. The Retail Fund also outperformed the IPD Property Index.

Last year's most significant transactions included the acquisition of the Slangenbeek shopping centre in Hengelo (11 retail units, including two supermarkets) and the Oosterheem neighbourhood shopping centre in Zoetermeer (38 retail units, including three supermarkets). The Fund also acquired two high street shops in Nijmegen.

Office Fund

Bouwinvest's Office Fund recorded a total return of 13.1% in 2017 (2016: 5.5%). The direct return came in at 2.9% (2016: 3.6%) and the indirect return at 10.2% (2016: 1.9%). The positive movement of the indirect return was a result of the positive revaluation, which was particularly marked in the Amsterdam market.

At year-end 2017, the Office Fund portfolio included 14 assets with a value of € 0.5 billion. The Fund did not make any new acquisitions in 2017. Nor did it dispose of any office assets. The Fund did invest some € 47 million in the optimisation of the portfolio.

In 2017, the Fund saw its average occupancy increase to 86% (2016: 81%). The new lease transactions related to Nieuwe Vaart in Utrecht – an office complex for companies with a clear corporate social responsibility profile – were the main driver of the higher occupancy rate. Plus the upgrades at the WTC The Hague and the renovation of the WTC Rotterdam also paid off in terms of higher occupancy rates. The Fund is looking to the future with confidence, thanks to a number of positive developments, including a multi-year lease for the Centre Court office building in The Hague.

The Fund welcomed one new investor in 2017 and now has a total of three clients. These clients committed to investments of € 145 million in the Office Fund in 2017.

Last year saw the start of construction on the Hourglass building in Amsterdam's Zuidas business district, as well as continued progress on the redevelopment of Building 1931 and Building 1962 (former Citroën buildings), also in Amsterdam. Thanks to these investments, we believe the Fund will once again outperform the IPD property index in the future, as it did in the years 2012 and 2013.

The Office Fund improved its GRESB benchmark score in 2017 and was once again awarded a five-star rating, the highest score in the GRESB universe.



Hourglass

Zuidas, Amsterdam,
The Netherlands

Hotel Fund

The Hotel Fund recorded a total return 13.4% in 2017 (2016: 14.2%), with a direct return of 5.4% (2016: 6.1%) and an indirect return of 8.0% (2016: 8.1%).

At year-end 2017, the Hotel Fund had a portfolio of four assets with a value of € 0.2 billion. The Fund portfolio comprises four hotels in The Hague and Amsterdam, with a total of 1,120 rooms. The Fund's pipeline includes three projects in Amsterdam (Hourglass, Boot&Co and AmstelTower), with a total of 383 rooms. The Fund has signed lease agreements for the new hotels with terms of between 20 and 25 years.

The Hotel Fund improved its GRESB score considerably last year and was awarded a two-star label. All of the Fund's hotels have green energy labels.



Boot&Co

Houthaven, Amsterdam,
The Netherlands

Healthcare Fund

Bouwinvest's Healthcare Fund recorded a total return of 8.0% in 2017 (2016: 4.9%), with a direct return of 3.0% (2016: 3.7%) and an indirect return of 5.0% (2016: 1.2%).

At year-end 2017, the Healthcare Fund's portfolio comprised seven assets with a total value of € 58 million. The Fund stepped up its investments considerably last year, signing transactions with a value of € 73 million related to independent assisted care apartments and intramural care properties in Apeldoorn, Leidschendam, Almere, Heiloo, Amsterdam and Groningen. The Fund did not dispose of any healthcare properties in 2017. The Healthcare Fund was awarded a GRESB one-star label in 2017.

Last year's largest investment was the acquisition of a healthcare centre with group residences for patients suffering from dementia, 48 individual assisted care apartments and related facilities in the Life complex in Amsterdam's Houthavens district. Healthcare organisation Zorgmensen/Siza will lease a healthcare complex with 105 units for both nursing care and care for people suffering from dementia on the site of the former Juliana Hospital in Apeldoorn. Healthcare provider Florence is set to lease 74 studios for people suffering from dementia in a complex located at Nieuwe Mariënpark 74 in Leidschendam.



Life

Houthaven, Amsterdam,
The Netherlands

Financial performance

Income

Net income came in at € 4.7 million in 2017, compared with € 2.6 million in 2016. The operating income of € 4.8 million was € 2.3 million higher than in 2016. This increase was largely due to a € 3.6 million increase in the management fee, offset by a € 1.3 million increase in operating expenses.

Management fee

The management fee increased by € 3.6 million to € 34.3 million in 2017 (2016: € 30.7 million). The increase in the management fee was driven by the 12% increase in the total assets under management compared with 2016. All the Dutch funds and International Investment contributed to this increase in assets.

Operating costs

Operating costs rose by € 1.3 million (4.4%) to € 29.5 million in 2017, compared with € 28.3 million in 2016. These higher costs were the result of a € 1.6 million increase in personnel costs and a € 0.4 million increase in amortisation costs and lower other operating costs of € 0.7 million.

The higher personnel costs were due to an increase in the number of FTEs to 152.5 in 2017 (2016: 136.6 FTEs), and the hiring of temporary staff. This increase will enable Bouwinvest to record controlled growth of its assets under management and remain state-of-the-art as an organisation. The extra temporary staff were primarily deployed to fill open vacancies and for the management of ongoing projects.

Amortisation costs increased by € 0.4 million in connection with the accelerated amortisation of renovations and inventory. This was related to the decision, taken jointly with the owner, to renovate Maincourt in Amsterdam in 2018.

Other operating costs came in € 0.7 million lower than in 2016. Most of the decline was due to € 0.5 million lower IT costs, due largely to lower IT project/update costs in connection with the planned upgrade of our core application SAP. Office accommodation costs were also € 0.2 million lower, following the settlement of services costs for the years 2015 and 2016 and the termination of the lease agreement for our meeting space in the Olympic Stadium in 2016.

Fiscal result

The deferred tax assets for 2017 are recognised at € 0.8 million, based on losses from previous years that may be settled with the tax authorities through to year-end 2018. At year-end 2017, Bouwinvest has recognised a deferred tax liability of € 0.7 million for the difference between the fiscal and the commercial valuation of participations.

Financial position

Bouwinvest's shareholders' equity increased by € 4.7 million to € 34.0 million in 2017, due to the addition of the net profit. The solvency ratio declined slightly to 78% in 2017, from 79% in 2016.

Cash position

At year-end 2017, Bouwinvest had a total of € 27.9 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 pay out a dividend of € 4.0 million and to add € 0.7 million to the other reserves in 2018.

Taxes

Bouwinvest Real Estate Investment Management B.V. is in talks with the Dutch tax office concerning the objectivity of the offsets relating to the redevelopment of the Damrak - Nieuwendijk projects in Amsterdam. The discussion centres on which part should be allocated to the redevelopment which Bouwinvest Development B.V. carried out on behalf of the Retail Fund NV. So far the results are unclear.

Outlook

Bouwinvest constantly follows the most significant trends in its relevant markets. The real estate sector is affected by a number of trends, such as global population growth, ongoing urbanisation and the growing importance of sustainability. On the capital markets front, we have institutional investors still looking for healthy returns, which has led to a build-up of capital just waiting to be invested in real estate. In addition, we are expecting to see reforms in the Dutch pension system and further consolidation in the sector.

Bouwinvest sees a lot of good opportunities for 'sustainable growth', both in the Dutch and in foreign real estate markets. Our Dutch sector funds will continue on their growth path thanks to capital inflows from third-party investors or our anchor investor bpfBOUW.

In addition, our international investments on behalf of bpfBOUW will increase by an additional € 1.5 billion in the period to 2020. In 2020, we expect our investments in Europe, North America and the Asia-Pacific region to account for 40% of our total portfolio.

We expect to record an annual return of 6% to 7% for our entire portfolio in the long term. We also expect the management company to record further profit growth thanks to the continued growth of our assets under management and additional synergy benefits.

We expect to see our total assets under management to increase to over € 13 billion in 2020, from € 9.4 billion at year-end 2017. This growth will be driven by our well-filled pipeline of new-build projects that currently stands at € 1.4 billion and new investments of around € 800 million a year.

Amsterdam, 19 March 2018

Bouwinvest Real Estate Investment Management

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

Arno van Geet, *Managing Director Finance & Risk*

Allard van Spaandonk, *Managing Director Dutch Investments*

Stephen Tross, *Managing Director International Investments*

Responsible Investing & Corporate Responsibility

Global goals and challenges

The Paris Climate Agreement (COP21), the United Nations 2030 agenda for sustainable development and the Dutch Energy Agreement all marked the start of the race to curb global greenhouse gas (GHG) emissions in order to keep the global temperature rise below 2 degrees Celsius by 2050. At that point, all major business sectors should be operating in what will essentially be a zero carbon emission environment.

The built environment consumes around 40% of the world's energy and accounts for up to 30% of the world's annual GHG emissions. Additionally, the building industry accounts for a large proportion of global raw materials use. As a company that invests in real estate at a global level, we therefore feel obliged to play a role in finding solutions to the challenges we all face. What this means in concrete terms is that we want to contribute to the realisation of a CO₂ neutral, sustainable and healthy living environment.

Our approach

Bouwinvest aims to provide a solid return on real estate investments for institutional investors and their beneficiaries. And because we invest for the long term, we do this in a responsible manner. What this means is that environmental, social and corporate governance (ESG) criteria play a significant role in our business operations.

By applying these ESG criteria to our business operations, we want to create an environment in which each and every employee in our organisation accepts responsibility for the impact their actions have on the environment and on society as a whole. Our main priority on this front is to reduce our negative impact on the environment and society.

With responsible investment we mean the inclusion of environmental, social and governance (ESG) criteria in our investment decisions. And we do this to generate sustainable returns for the long term, in line with the United Nations' Principles for Responsible Investment (UN PRI). This will enable us to create a future-proof and sustainable real estate portfolio, which is essential to an investor with a long-term view such as Bouwinvest.

Sustainability goals

Bouwinvest once again sharpened the definition of its sustainability goals in 2017. In addition to the long-term returns for our clients, we also want our real estate investments to make a contribution to finding solutions for the social and environmental challenges we face. As part of this mission, by 2020 we want at least 70% of our assets under management to score above-average on the sustainability front (GRESB 4 or 5 stars) and to make a positive contribution to the United Nations' sustainable development goals. These goals pertain to sustainable cities, affordable and clean energy, health and well-being, climate change and other social challenges, with 2030 set as the horizon. Bouwinvest uses these goals to translate its responsible investment strategy into concrete actions.

Corporate Responsibility: strategy and progress

We see corporate responsibility as much more than simply complying with minimum laws and regulations. CSR plays a role in every decision we take and choices we make. This does of course create dilemmas, as we have to make decisions in that area of conflict between financial profit and social profit. The challenge for us is to meet our duty to act according to the principle of corporate responsibility in a way that is appropriate for Bouwinvest, that responds to the expectations of our stakeholders and creates added social value. Our strategy is focused on reducing the environmental impact of the management organisation, increasing employee satisfaction and engagement, community engagement, sponsoring and ESG governance.

Reducing our environmental impact

The management organisation is also working on the reduction of its environmental impact. We have reached agreement with the owner of the Bouwinvest head office in Amsterdam on adjustments to the building's shell and improvements to the climate installations. Together with the owner, we are aiming to achieve BREEAM In-Use good certification and energy label A/B. Last year, we also replaced our car lease scheme with a mobility scheme. The aim of this is to stimulate the use of alternative forms of mobility, plus we have set a maximum limit on the CO₂

emissions of our lease cars. Despite these and other measures, we recorded a slight increase in our absolute CO₂ emissions in 2017, which were 0.4% higher at 551 tonnes CO₂e. The emission-intensity, expressed in tonnes CO₂e/FTE, did fall by 10% to 3.6 tonnes CO₂e/FTE/year.

Employees

Bouwinvest employees are extremely important to the company. Every two years, we conduct an employee survey, with the aim of achieving a score higher than 7. In last year’s employee survey, Bouwinvest scored an average of 8. This above-average score puts us in the top three of the financial services group in the Effactory label.

Community engagement and sponsoring

We actively encourage the social engagement of our employees and we sponsor various social initiatives. Last year, we sponsored Dutch Green Building Week and we extended our sustainable partnership with Homeplan for another three years. Bouwinvest is a member of a number of industry associations and sustainability initiatives. Our employees actively participate in or manage work groups organised by ULI,GRESB, DGBC, FSC Nederland, ANREV, INREV and the IVBN.

ESG governance

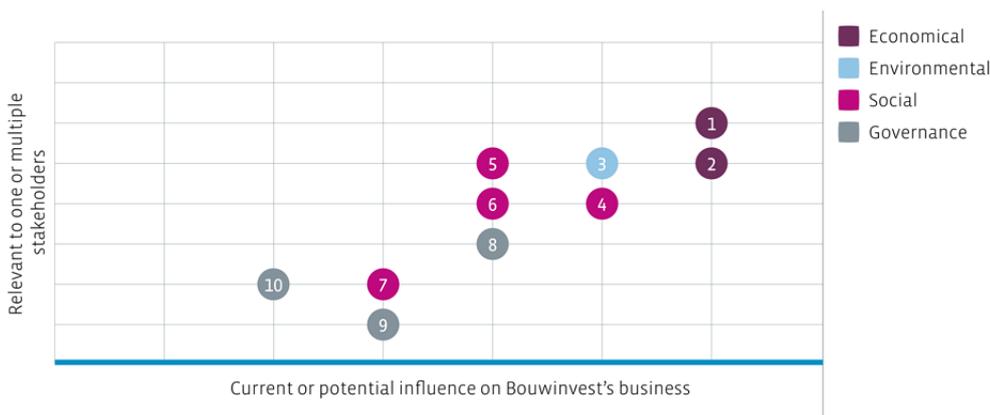
In 2017, Bouwinvest set up the CSR & Innovation department and added a new FTE. This department has been assigned the task of strengthening the corporate and investment sustainability within the organisation. Following the expansion of the department, we have given it a permanent advisory position on the internal investment committee.

Dialogue with stakeholders

The trust of our stakeholders serves as the basis for Bouwinvest’s business operations. This is about cooperation, integrity, honesty and corporate responsibility. These are fundamental conditions for achieving optimum returns for our stakeholders. In 2017, we conducted an analysis to define and map out the interests of investors, shareholders, national and local government organisations, business partners (building firms / developers), local operators, regulatory bodies, tenants and employees. On the basis of this analysis, we drew up a materiality matrix. The table and graph below show the aspects Bouwinvest believes are relevant to one or more stakeholders (y-axis) and that may have an impact on Bouwinvest’s current or future business operations (x-axis). We have added the detailed table in the appendix. Next year, we plan to initiate a dialogue with our stakeholders on these materiality aspects.

Materiality matrix

Economical:		Environmental:	
1	Long term return on real estate investments	3	Sustainable real estate investments
2	Growth of real estate investments		
Social:		Governance:	
4	Tenant and investor services and engagement	8	Thought leadership & reputation
5	Careers & employment	9	Protection of privacy
6	Stand-out employer	10	Responsible business practices
7	Partnerships & long term commitment		



Responsible investment: strategy and progress

The responsible investment strategy of our five Dutch real estate funds is built on three pillars: Fund & Asset Sustainability, Community & Stakeholder Engagement and Environmental impact.



Fund & asset sustainability

- Global Real Estate Sustainability Benchmark (GRESB)
- Green asset certificates
- Energy labels (EPA)



Community & stakeholder engagement

- Tenant engagement and satisfaction
- Procurement
- Safety
- Community & stakeholder management



Environmental impact

- Energy
- Renewable energy
- Water
- Waste
- GHG emissions

Sustainable real estate funds and buildings contribute to the fight against climate change and in addition to this generate broader social, economic, environmental and health benefits. We are convinced that our approach reduces risks, raises returns for our clients and increases the attractiveness and lettable of our real estate assets. Our efforts on the responsible and sustainable investment front were recognised with an award at the international BREEAM Award Festival.

In 2017, we made progress on the following fronts:

Responsible investment strategy	Category	Result 2017
Improved sustainability performance of funds and building	Fund/mandate	<p>96% of the Dutch funds had GRESB 4/5-star ratings in 2017 (2016: 25%)</p> <p>34% of the investments in the international mandates had a GRESB 4/5-star rating in 2017 (2016: 20%).</p> <p>The Dutch funds had an average GRESB score of 74 points in 2017, an improvement of 7 points compared with 2016.</p> <p>The average GRESB score of the international mandates in 2017 (73 points) was 12 points higher than in the previous year and was 10 points higher than the GRESB worldwide average in 2017 (63 points)*</p> <p>Just as they did in 2016, 100% of the Dutch funds participated in the GRESB survey. 72% of the investments in the international mandates (based on invested capital) participated in the GRESB survey. This was the same as in 2016.</p>
	Building	<p>31% of the surface area included in the Dutch funds is covered by sustainable building certificates and 93% has a green energy label (A, B or C).</p> <p>The international mandates scored an average of 54 points on the component sustainable building certificates in the GRESB survey. This is 8 points higher than the worldwide average.*</p>
Improved stakeholder engagement	People	<p>The tenants in the buildings of the Dutch funds gave Bouwinvest an average score of 6.7.</p> <p>83% of the international investments conducted a tenant satisfaction survey. The worldwide GRESB average came in at 70%. *</p>
Reduction of environmental impact	Environment	<p>The energy consumption of the Dutch open funds was 1.8% lower than in 2016 (like-for-like). Within the international mandates, energy consumption was down by 2.7% compared with the previous year *</p>
		<p>The buildings in the Dutch funds were fitted with solar panels adding up to 2.2 megawatt peak. This was an increase of 1.6 megawatt peak compared with 2016.</p> <p>14% of the energy consumption of the international investments was generated from renewable sources*</p>

*Results of the most recent GRESB benchmark 2017

Human Resources Management

Bouwinvest's success depends on the company's employees. It is thanks to their dedication, commitment and hard work that we can achieve excellent results and that we are able to meet our targets. The aim of Bouwinvest's HRM strategy is to realise the optimum workforce and the creation of a positive working environment.

Corporate culture

The Bouwinvest corporate culture involves effective and meaningful cooperation between and within departments. It is only by working together that we achieve the optimum results for our clients. We have always sought to recruit respectful, well-intentioned and ethical employees who are prepared to share know-how and information with each other to cooperate on a constructive basis. But we also look for people who are willing and able to embrace change, and who see the opportunities and the challenges. Another very important factor for us is fun: people need to enjoy their work and enjoy working with each other.

Employer of choice

Bouwinvest attaches a great deal of importance to being a good employer. We encourage our employees to find a healthy balance between their work and their private lives. To support the sustainable employment of our employees, Bouwinvest offers good secondary employment terms and conditions: working hours tailored to individual needs, part-time contracts, tools and devices that enable employees to work anywhere, plus a generous leave allowance. On top of this, we have a fair and controlled remuneration policy, in line with the guidelines of the Dutch Financial markets Authority (AFM) and the Dutch Central Bank (DNB).

Evaluation by our employees

Every two years, we conduct an employee survey, because Bouwinvest is keen to know how satisfied, engaged and enthusiastic our employees are. First and foremost, we would like to know what we can do to be a better employer.

For instance, the employee survey we conducted in 2015 revealed very clearly that the quality of the working environment had room for improvement. So last year, we reached agreement with the owner of our head office on improvements to the building and the renewal of the technical installations. At the same time, this year we will modernise and adjust the work stations to make them fit-for-purpose according to today's requirements. The new office lay-out has been expressly designed to support all possible forms of cooperation.

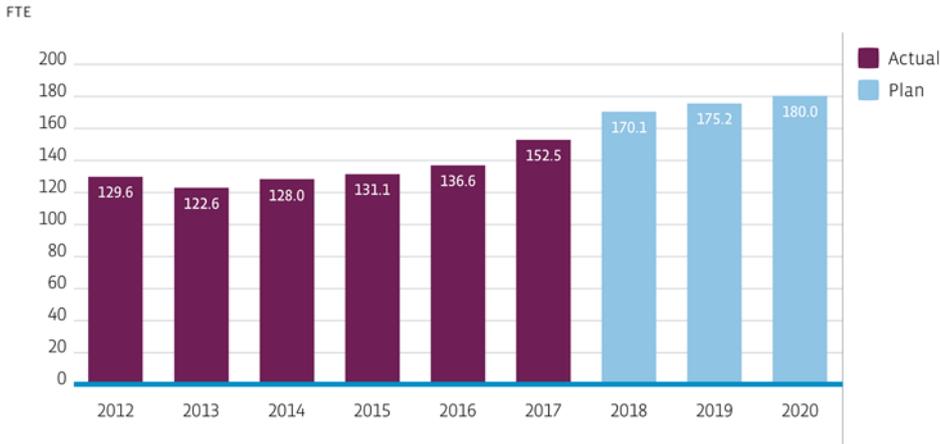
Our approach has been successful, as since the start of our employee surveys back in 2009, we have achieved better results year after year. In 2017, our employees gave the organisation an average score of 8. That is an exceptionally good score. In the financial sector (category < 1,000 employees), Bouwinvest can claim to be one of the best employers in the Netherlands. This score also meant we achieved the Effectory three-star label.

These good results do not mean that Bouwinvest cannot continue to improve its HRM strategy. We plan to devote even more time and attention to cooperation, communication and innovation.

Recruitment policy

Along with the sustainable growth of our assets under management, our organisation will also increase in size. At year-end 2017, Bouwinvest had 162 employees (152.5 FTEs). We expect to see our workforce increase significantly over the next three years. The arrival of a large number of new people means that we will have to devote considerable time and energy to the integration of new employees in our existing (corporate) culture. They will have to be made aware of our goals, our investment philosophy and Bouwinvest's key messages.

Number of employees (FTEs)



It is a major challenge to meet our recruitment targets, as the growth of the economy is increasing the competition on the labour market. And yet Bouwinvest has managed to recruit and retain new, talented people. Thankfully, Bouwinvest is a very popular career choice for people looking for real estate-related positions. Our current staff members play a very important role in that, as they frequently act as the ideal ambassadors for our organisation.

The fact that Bouwinvest is already thinking about its future staffing needs is also in the interests of our current employees. We are a relatively compact organisation and that limits the career potential within our separate departments. But we do offer opportunities for people to make upward career moves in other attractive positions elsewhere in the company. However, that will only work if we devote sufficient attention – in time – to helping our people develop the right competencies. This is why Bouwinvest is always keen to invest in training for our people.

Labour market profile

In the coming years, we will be looking to devote more attention to our labour market communications. Over the past few years, we have invested heavily in Bouwinvest’s market positioning as an asset manager. This has increased both Bouwinvest’s name recognition and its visibility. To make sure we maintain our position as an attractive employer for potential employees on the highly competitive labour market, we believe it is important to get the message about Bouwinvest as a good employer to the right target groups. This is why we sponsor, for instance, an applied professorship in Area Development at the Technical University (TU) Delft and the Amsterdam School of Real Estate. We also organise conferences for first-year graduate Structural engineering students and we are active in various student and alumni associations for real estate and investment-related degree courses.



TU Delft

An informative day organized for students at the NDSM terrain in Amsterdam

Corporate governance

Bouwinvest Real Estate Investment Management B.V. ('Bouwinvest') is a private limited liability company. Bouwinvest is a wholly-owned subsidiary of Stichting Bedrijfstakpensioenfondsvoor de Bouwnijverheid (bpfBOUW), the Dutch pension fund for the construction industry. Bouwinvest manages the following funds:

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

In 2017, the Residential Fund, the Retail Fund and the Office Fund were open to institutional investors. Bouwinvest has a separate mandate from bpfBOUW for the management of international real estate investments. Bouwinvest also manages a project development company (Bouwinvest Development).

Board of Directors

Bouwinvest's Board of Directors consists 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. The Board of Directors endorses the Dutch Corporate Governance Code.

Supervisory Board

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 has appointed an Audit Committee and a Selection & Remuneration Committee. Both committees have a set of regulations that lay down their tasks and responsibilities.

The Supervisory Board currently has four members. The maximum term of office is four years, with the possibility of reappointment for an additional four years. The Supervisory Board is supported by the company secretary. The company secretary ensures that the correct procedures are followed and that the Supervisory Board acts in accordance with its legal and statutory obligations and powers and the applicable corporate governance rules.

Meeting of Shareholders

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

Internal/external audit

Bouwinvest has established an independent internal audit function to help the company meet its operational and business targets by taking a systematic, disciplined approach to evaluation. The internal audit function also ensures the continuous improvement of the effectiveness of our risk management, control and governance processes.

On the operational front, this involves audit of the ISAE processes, the custodian/depositary processes and the AFM processes, as well as all IT-related processes (such as COBIT, SAP, eFront) to ensure that Bouwinvest has sufficient fail-safe, 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 the assessment of our external property managers. The internal audit function reports to the Board of Directors and the Supervisory Board.

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/or the Supervisory Board, in the event of future resignations Bouwinvest will carry out an evaluation to determine the desired profile of any new members. This evaluation will take into account diversity criteria, including a balance of male and female members.

Control

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 reporting to stakeholders.

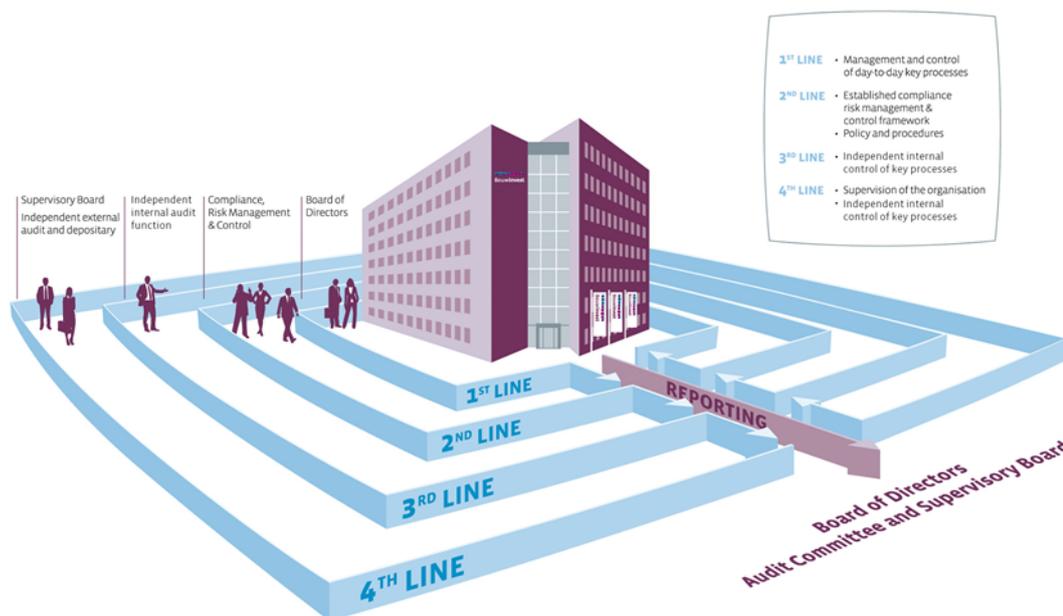
Bouwinvest has an effective internal control framework based on the COSO framework. The internal control framework provides reasonable assurance that the management company and the funds it manages will achieve their financial and operational objectives, the effectiveness and efficiency of the business, 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 sixth year in a row in 2017.

Lines of defence

Bouwinvest recognises the importance of a solid 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 model 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.

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 in such a way that they meet the requirements of regulatory bodies, public opinion and shareholders, while making the execution of supervisory functions as focused, efficient and cost effective as possible.

The four Lines of Defence are shown in the figure below:



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 (AIFs). In 2017, Bouwinvest discovered no major issues in the context of the AIFMD.

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 the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Risk management

The Risk Management team uses a risk management cycle to determine how targets are set and achieved. In this annual report, we describe the risk management of the management organisation.

In addition to the risks recognised for Bouwinvest, we have described the additional risks, definitions and control measures the real estate portfolio in bpfBOUW's real estate investment plan and the fund plans for the Dutch sector funds. We report on these in the 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"> • REIM business plan • Framework letters • Investment plans and fund plans • Annual plans business units and departments • Reporting process • Annual ISAE 3402 type II audit • Business Continuity Plan • Service Level Agreements with outsourcing partners • Data security policy (COBIT)
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"> • Framework letters • Investment plans and fund plans • Investment Committee • Business partner due diligence • Internal (process) control framework in accordance with ISAE 3402 type II • External auditor • Procedure for business incidents • Pricing & Valuation Committee
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"> • Transparent culture and remuneration policy • Measures to ensure high levels of employee satisfaction • Key position succession and promotion policy • Building and maintaining reputation on the employment market
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"> • Internal Legal Affairs department • External specialist law firms • Various corporate and asset insurance policies (professional and directors liability) • Risk checks on main assets • Insurance manual
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"> • Internal Tax Affairs department • (Structural) external involvement tax specialists (also evaluative role) • Tax Policy Principles
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"> • Active approach to attraction of funding by the Client Management department • Clear annual funding statement in the fund plans
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"> • Transparent and frequent communications with shareholders and clients • Integrity Risk Analysis

Monitoring and reporting

The Board of Directors monitors the risks related to Bouwinvest's various activities. To support this monitoring and to optimise risk transparency, the risk controller produces quarterly risk reports.

In 2017, 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 2017. 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 2017.

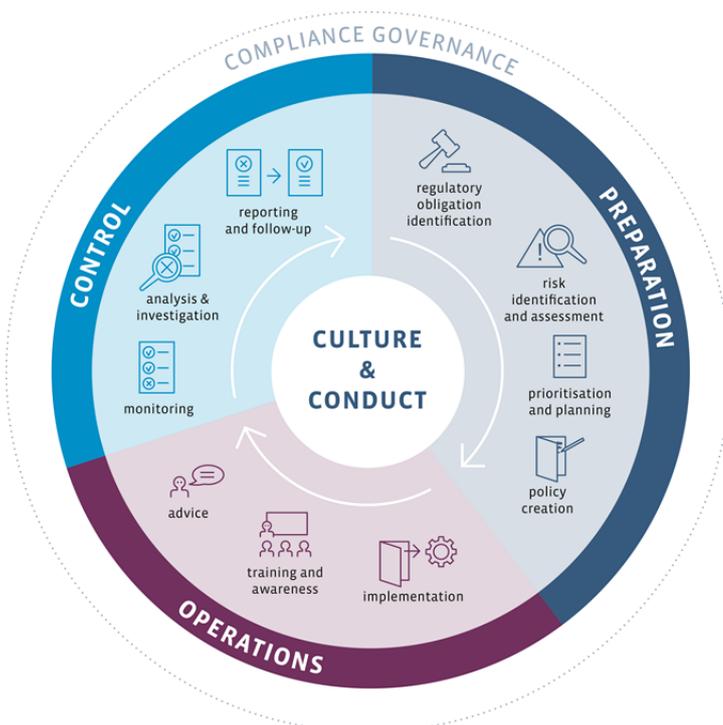
Compliance

Bouwinvest has an independent compliance function that identifies, assesses and monitors the company's compliance risks and advises and reports on same. For the planning, execution and reporting of all compliance activities, Compliance uses the Bouwinvest Compliance Cycle. This cycle contains groups of activities. 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. On the basis of same, we set priorities and translate the (amended) legislation and identified risks into policies, which we then implement.

Compliance designs 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 (both during the introduction of new policies and on a continuous basis) on relevant compliance risks and how to deal with them, which has helped us to reduce the number of incidents.

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

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 once again a major focus in 2017, and Compliance ran a number of training courses and sessions on legislative changes and updated procedures. Bouwinvest also organises a mandatory annual integrity workshop for all employees.

The compliance risk environment is very dynamic and the legislation governing asset managers changes constantly. In 2017, the Compliance officer worked on the updating of a number of risk-related internal rules and regulations. These included the rules governing the screening of business partners, as well as rules related to sanctions, privacy legislation and related matters. Last year, Compliance also updated the remaining internal compliance policies. Bouwinvest closely monitors relevant legislation and regulations 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. This code includes rules with respect to ethical conduct, conflicts of interest, compliance with laws and (internal and external) regulations, CSR (Corporate Social Responsibility), health and safety and requirements for our business partners. The Code also includes specific regulations for the Board of Directors and the Supervisory Board with respect to conflicts of interest and investments.

Bouwinvest has a whistleblower scheme in place with guidelines for reporting and investigating unethical behaviour. All Bouwinvest employees receive code of conduct training.

Conflicts of Interest policy

Bouwinvest has also drawn up a Conflicts of Interest policy, with the aim of ensuring that no material conflicts of interest occur that could inflict damage on 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 interest.

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, as well as for the assessment of the effectiveness of same. On the basis of its assessment of the risk management and internal control systems, the 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 2017 and there is no indication that these systems will not function properly in 2018. We did not identify any shortcomings that could have a material impact in these systems in 2017, nor up to the date this annual report was signed in 2018.

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

Financial statements

Balance sheet as at 31 December 2017

Before appropriation of result, all amounts in € thousands	Note	2017	2016
Assets			
Intangible fixed assets	1	571	517
Tangible fixed assets	2		
Leasehold improvements		209	587
Equipment		224	149
		433	736
Financial fixed assets			
Participations	3	12,705	11,496
		12,705	11,496
Current assets			
Receivables		5	8
Receivables group companies	4	50	81
Taxes	5	530	709
Deferred tax assets	6	776	2,027
Other receivables and accrued assets		294	112
Cash and cash equivalents	7	27,923	21,203
		29,578	24,140
Total assets		43,287	36,889
Equity and liabilities			
Issued capital		225	225
Share premium		41,367	41,367
Retained earnings		(12,275)	(14,870)
Net result for the year		4,660	2,595
Shareholders' equity	8	33,977	29,317
Provisions			
Deferred tax liabilities	9	718	415
		718	415
Current liabilities			
Accounts payable		384	64
Taxes and social security premiums	10	1,065	1,006
Pension premiums	11	584	486
Payables group companies	12	3,969	3,229
Other liabilities		1,119	1,198
Accrued liabilities		1,471	1,174
		8,592	7,157
Total equity and liabilities		43,287	36,889

Profit and loss account

	Note	2017	2016
Management fee	13	34,288	30,722
Operating costs			
Personnel costs	14	20,846	19,276
Depreciation costs	1-2	955	526
Other operating costs	13	7,733	8,481
Total operating costs		(29,534)	(28,283)
Operating result		4,754	2,439
Result from participations	16	1,556	1,589
Interest income and expenses	17	(96)	(49)
Result before taxes		6,214	3,979
Corporate income tax	18	(1,554)	(1,384)
Result after taxes		4,660	2,595

Statement of cash flows

	2017	2016
Cash flow from operating activities		
Net result	4,660	2,595
Adjustments for:		
Depreciations	955	526
Result from participations	(1,556)	(1,589)
Interest income and expenses	96	49
Movements in working capital and provisions:		0
Movement in deferred tax assets	1,251	969
Movement in receivables	31	683
Movement in provisions	303	415
Movement in current liabilities	1,435	3,569
	7,175	7,217
Interest paid	(96)	(49)
Cash flow from operating activities	7,079	7,168
Cash flow from investment activities		
Investments in tangible fixed assets	(378)	(152)
Investments in intangible fixed assets	(328)	(247)
Dividends received	347	380
Cash flow from investment activities	(359)	(19)
Cash flow from financing activities		
Dividends paid	-	(2,700)
Cash flow from financing activities	-	(2,700)
Net cash flow	6,720	4,449
Cash and cash equivalents as at 1 January	21,203	16,754
Increase/(decrease) in cash and cash equivalents	6,720	4,449
Cash and cash equivalents as at 31 December	27,923	21,203

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 Company is registered with the Amsterdam Chamber of Commerce under number 34180506. Bouwinvest's objective is to provide real estate investment services to the Stichting Bedrijfstakpensioenfondsvoor de Bouwnijverheid (pension fund for the construction industry - bpfBOUW), to other institutional investors 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 company's financial information has been recorded in the financial statements of bpfBOUW. Copies are available in the trade register of the Chamber of Commerce, as well as on the bpfBOUW website.

Bouwinvest is an investment manager specialised in real estate for institutional investors. Bouwinvest manages five Dutch sector funds. Bouwinvest also manages a separate mandate for BpfBOUW for real estate investments in Europe, North America and the Asia-Pacific region. In the Netherlands, the management services cover the entire real estate chain, from acquisition 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 for the preparation of the financial statements

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

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

Accounting policies

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

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

The 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

Intangible fixed assets are stated at purchase price less straight-line depreciations, calculated taking into account the estimated economic life of the assets in question, and, 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 takes place over a period of three to five years.

Tangible fixed assets

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

Depreciation takes place 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. The valuation of associated companies takes any impairment into account.

Current assets

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

Deferred tax assets

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

Cash and cash equivalents

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

Provisions

Provisions are recognised if 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 face value and are predominantly of 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 on the basis of 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 deferred tax assets (if applicable) only recognised 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 are considered to be highly liquid investments. Interest income and expenses are recognised in the cash flow from ordinary operations.

Notes to the balance sheet

All amounts in € thousands

1 Intangible fixed assets

	2017	2016
Book value as at 1 January	517	488
Investments	328	247
Depreciations	(274)	(218)
Book value as at 31 December	571	517
Purchase value	8,104	7,776
Cumulative depreciations	(7,533)	(7,259)
Book value as at 31 December	571	517

2 Tangible fixed assets

	Leasehold Improvements	Equipment	Total 2017	Total 2016
Book value as at 1 January	587	149	736	892
Investments	75	303	378	152
Depreciations	(453)	(228)	(681)	(308)
Book value as at 31 December	209	224	433	736
Purchase value	5,717	1,516	7,233	6,855
Cumulative depreciations	(5,508)	(1,292)	(6,800)	(6,119)
Book value as at 31 December	209	224	433	736

3 Participations

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

	Book value 31-12-2016	Deposit/ repayment	Dividend	Result 2017	Book value 31-12-2017
Bouwinvest Dutch Institutional Residential Fund N.V. (0.2%)	7,636	-	(204)	1,171	8,603
Bouwinvest Dutch Institutional Retail Fund N.V. (0.3%)	2,080	-	(89)	150	2,141
Bouwinvest Dutch Institutional Office Fund N.V. (0.3%)	1,780	-	(54)	235	1,961
	-	-	-	-	-
Total	11,496	-	(347)	1,556	12,705

4 Receivables group companies

	2017	2016
Bouwinvest Retail Development B.V.	-	3
Bouwinvest Office Development B.V.	50	-
Bouwinvest Development B.V.	-	78
Total	50	81

5 Taxes

	2017	2016
Value added tax	364	536
Dividend tax	166	173
Total	530	709

6 Deferred tax asset

	2017	2016
Deferred tax assets	776	2,027
Total	776	2,027

The compensable losses amounted to € 3.1 million at year-end 2017 (2016: € 8.1 million). Taking into account the compensable loss, the deferred tax asset has been estimated at € 0.8 million. This deferred tax asset can be realised in the following two years up to and including 2018.

7 Cash and cash equivalents

	2017	2016
Bank balances	27,923	21,203
Total	27,923	21,203

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
Balance at 1 January 2017	225	41,367	(14,870)	2,595	29,317
Net result for the year	-	-	-	4,660	4,660
Appropriation of result	-	-	2,595	(2,595)	-
Dividend paid	-	-	-	-	-
Balance at 31 December 2017	225	41,367	(12,275)	4,660	33,977

Before appropriation of result

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

Appropriation of profit 2016

The General Meeting of Shareholders held on 19 April 2017 adopted and approved the 2016 financial statements. The profit of € 2,595,000 for 2016 was added to the retained earnings.

Proposal for appropriation of profit 2017

The management proposes that the General Meeting of Shareholders approve the proposal to pay a dividend of €4,000,000 and add the remaining € 660,000 of profit to the retained earnings. The net profit for 2017 amounted to € 4,660,000.

This proposal has not been incorporated in the financial statements.

9 Deferred tax liabilities

	2017	2016
Deferred tax liabilities	718	415
Total	718	415

A deferred tax liability of € 0.7 million has been recognised for the difference between the fiscal and commercial valuation of the participations of € 2.9 million at year-end 2017 (2016: € 1.7 million). The deferred tax liability is of a long-term nature.

10 Taxes and social security premiums

	2017	2016
Payroll taxes	1,065	1,006
Total	1,065	1,006

11 Pension premiums

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

	2017	2016
Balance as at 1 January	486	450
Payment relating to previous years	(486)	(464)
	-	(14)
Premiums due for the financial year	2,236	1,928
Payments relating to the financial year	(1,652)	(1,428)
Total	584	486

12 Payable to group companies

	2017	2016
Schuld aan Bouwinvest Development B.V.	15	0
Payable bpfBOUW	3,954	3,229
Total	3,969	3,229

This is a fee incentive to be paid to bpfBOUW for the year 2017.

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 portfolios for an indefinite period with a five-year notice period. The management fee is calculated on the basis of net asset value and this is expected to be approximately € 38 million for the year 2018.

Contingent liabilities

This pertains to rental and lease agreements:

	2017	2016
First year	1,746	1,641
Second to fifth year	5,334	4,208
More than five years	8,774	-
Total	15,854	5,849

Bouwinvest Real Estate Investment Management B.V. is in talks with the Dutch tax office concerning the objectivity of the offsets relating to the redevelopment of the Damrak - Nieuwendijk projects in Amsterdam. The discussion centres on which part should be allocated to the redevelopment which Bouwinvest Development B.V. carried out on behalf of the Retail Fund NV. So far the results are unclear.

Notes to the profit and loss account

All amounts in € thousands

13 Management fee

Bouwinvest received a management fee of € 34.3 million in 2017 (2016: € 30.7 million), € 33.3 million (2016: € 29.2 million) of which was based on the assets under management. The fee related to project development was € 1.0 million in 2017 (2016: € 0.9 million), based on invoiced instalments.

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 company's total assets under management at year-end is stated below.

	2017	2016
Bouwinvest Dutch Institutional Residential Fund N.V.	4,751,642	3,995,034
Bouwinvest Dutch Institutional Retail Fund N.V.	888,894	824,201
Bouwinvest Dutch Institutional Office Fund N.V.	631,446	525,988
Bouwinvest Dutch Institutional Hotel Fund N.V.	221,610	189,232
Bouwinvest Dutch Institutional Healthcare Fund N.V.	112,001	53,733
Bouwinvest Development B.V.	65,020	108,285
bpfBOUW (mandates International Investments & Heritage)	2,753,397	2,760,396
Total	9,424,010	8,456,869

The management fee was € 33.4 million in 2017 (2016: € 30.7 million). For the funds, this fee is calculated as 0.5% of the net asset value; for bpfBOUW's international investments, the fee is calculated as 0.3% of the net asset value.

The management fee for the project development activities amounted to € 1.0 million in 2017 (2016: € 0.9 million).

14 Personnel costs

	2017	2016
Wages and salaries	13,103	12,342
Social security charges	1,297	1,283
Pension fund charges	2,202	1,940
Temporary staff	1,819	1,332
Other personnel costs	2,425	2,379
Total	20,846	19,276

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

	2017
Pension fund agreements chargeable to the financial year	2,516
Deductions	(314)
Total	2,202

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

The accrued entitlements are always fully financed in the relevant calendar year via - at the very least - cost-effective contribution payments. The pension plan is a career average plan including a single payment scheme, for both active and inactive participants (sleepers and retired persons). The granting of supplementary premiums (indexation) depends on the investment return. The annual accrual of pension entitlements amounted to 23.1% of the pensionable salary in 2017 (2016: 22.0%), with a maximum of € 103,317. The annual employee contribution is at least 1.75% and capped at 4.2% of the pensionable salary. The management board of the industry pension fund determines the contribution each year on the basis of the coverage ratio and expected returns.

In addition to this basic scheme, which is mandatory for every Bouwinvest employee, Bouwinvest also has a net pension scheme (Netto Pensioen Regeling - NPR), which is offered to employees with a total fixed income above the permissible fiscal limit of € 103,317. These employees receive an employer contribution amounting to the maximum deposit in a net pension scheme. Participation in the net pension scheme is voluntary.

The industry pension fund in question has stated that its coverage ratio was 114.5% in 2017 (2016: 107.4%). On the basis of the agreed pension scheme, the group has no obligation to make additional contributions in the event of a deficit, other than in the form of higher future contributions.

Employees

The number of employees stood at 152.2 FTEs at year-end 2017 (2016: 136.6 FTEs). The average number of employees in 2017 was 143.0 FTEs (2016: 134.0 FTEs).

Remuneration

In the year under review, Bouwinvest, paid total remuneration (including social security charges and pension premiums) of € 16.6 million to 152.2 FTEs (2016: € 15.6 million to 136.6 FTEs), 5.7% of which was variable remuneration, with the remainder fixed remuneration.

The total remuneration includes an amount of € 1.3 million (2016: € 1.2 million) for the members of the Board of Directors. The Board of Directors are the only staff members whose actions have a significant influence on the risk profile of the Residential Fund, the Retail Fund, the Office Fund and the other Funds and the separate mandates of the investment manager. The variable remuneration is awarded on a discretionary basis determined by the Bouwinvest Board of Directors and is partly dependent on 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 amounted to a total of € 125,000 in 2017 (2016: € 115,000).

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. It is not possible to allocate the remuneration per investment entity and this information is therefore not available.

15 Other operating costs

	2017	2016
Office expenses	1,890	2,127
Automation expenses	2,368	2,840
Communications expenses	712	666
Consultancy costs	360	428
Research and Investor Relations costs	341	354
Non-deductible VAT	1,708	1,771
Other expenses	354	295
Total	7,733	8,481

16 Results from participations

	2017	2016
Result from participations	1,556	1,589
Result from participations	1,556	1,589

17 Interest income and expenses

	2017	2016
Interest expenses	(96)	(49)
Interest income and expenses	(96)	(49)

18 Corporate income tax

	2017	2016
Result before taxes	6,214	3,979
Corporate income tax	(1,554)	(985)
Impairment deferred tax assets	-	(399)
Corporate income tax previous years	-	-
Total	(1,554)	(1,384)

Subsequent events

There were no significant events after the balance sheet date.

Signing of the financial statements

Amsterdam, 19 March 2018

The Board of Directors

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

Arno van Geet, *Managing Director Finance & Risk*

Allard van Spaandonk, *Managing Director Dutch Investments*

Stephen Tross, *Managing Director International Investments*

The Supervisory Board

Kees Beuving, *Chairman*

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 portion of the profit shall be added to the reserves. The remaining profit is at the disposal of the General Meeting of Shareholders.

Independent auditor's report

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

Report on the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 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 2017, and of its result for 2017 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 2017.
2. The profit and loss account for 2017.
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 Auditing Standards. Our responsibilities under those standards are described in more detail in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Bouwinvest Real Estate Investment Management B.V. in accordance with the Regulation pertaining to the independence of auditors in audit assignments (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten - VI0) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Regulation pertaining to the code of ethical and professional conduct for auditors (Verordening gedrags- en beroepsregels accountants -VGBA).

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

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.

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

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

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

Description of responsibilities for the financial statements

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

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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 impact of any identified misstatements on our opinion.

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

- Identifying and assessing the risks of material misstatements in the financial statements, whether due to fraud or error, designing and performing audit procedures in response to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtaining an understanding of the internal controls 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 controls.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors in the financial statements.
- Reaching a conclusion on whether the Board of Directors' assumption regarding the company's ability to continue as a going concern is acceptable and, based on the audit evidence obtained, whether there is any material uncertainty regarding events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is some material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 render the company unable 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 give a true and fair representation of the underlying transactions and events.

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

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

Amsterdam, 19 March 2018

Deloitte Accountants B.V.

Signed on the original: J. Holland RA

Appendix

Company profile

Bouwinvest Real Estate Investment Management is one of the largest institutional real estate investors in the Netherlands, with assets under management of € 9.4 billion. Bouwinvest has been investing on behalf of the pension fund for the Dutch construction industry, bpfBOUW, since 1952. Thanks to this long experience, we are fully aware of the needs of institutional investors and we know the dynamics of the global real estate markets.

Thanks to a combination of direct investments in the Dutch real estate sector and a highly diversified global real estate portfolio, Bouwinvest has a clear picture of the developments and trends within the various real estate sectors and markets. This puts Bouwinvest in a position to make the right investment decisions for its clients.

We invest in real estate for the long term. In the Netherlands, we invest directly in real estate via five sector funds (Residential, Retail, Office, Hotel and Healthcare). For our three international real estate mandates (Europe, North America and Asia-Pacific), we work with reliable and trustworthy partners with a proven track record and who share our investment philosophy.

Composition of the Board of Directors



Chairman of the Board of Directors

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

Dick van Hal has been Chairman of the Board of Directors since 2008. Prior to joining Bouwinvest, he held several senior positions at Syntrus Achmea Vastgoed, including Managing Director and CEO. Dick started his career with Centraal Beheer Beleggingen and Staal Bankiers.

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



Board Member | Managing Director Finance & Risk

(Arno) van Geet (1973, Dutch)

Arno van Geet has been Managing Director Finance since 2014. Prior to joining Bouwinvest, he held various management positions at Interpolis and Westland Utrecht Hypotheekbank and most recently as CFO at Allianz Nederland. Arno is responsible for financial and risk management, financial accounting, reports, corporate control, internal audit, business process management, IT and research.

Mr. Van Geet studied Law and Economics at the University of Utrecht.



Board Member | Managing Director Dutch Investments

(Allard) van Spaandonk (1961, Dutch)

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

Mr. Van Spaandonk is a board member at NEPROM.



Board Member | Managing Director International Investments

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

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

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

Composition of the Supervisory Board

The Supervisory Board has four members, all with Dutch nationality. All the members of the board are independent. The composition of the Supervisory Board did not change in 2017



C.J. (Kees) Beuving, chairman

Kees Beuving (1951) joined the Supervisory Board of Bouwinvest in August 2014 and was appointed chairman in December 2014. His current term ends in 2018.

Mr. Beuving has a long history in the banking industry. Until 2013, he was Chairman of the Board of Directors of the former Friesland Bank. Before that, he held a number of executive positions at Fortis Bank, including Chairman of the Board of Directors from 2002 to 2006.

He has a great deal of experience in supervisory directorships. He is currently a member of the Supervisory Board of Bank Nederlandse Gemeenten (BNG) and Chairman of the board of Stichting VSB Vermogensfonds. He is also Chairman of the Supervisory Board of charity VOxImpuls and chairman of the Supervisory Board of Dutch microfinance organisation Qredits Microfinanciering Nederland. Until 1 January 2018, Mr. Beuving was a member of the Supervisory Board of Delta Lloyd Bank N.V.



J.H.W.R. (Jan) van der Vlist

Jan van der Vlist (1954) was first appointed to the Supervisory Board in 2013. His current term ends in 2021.

Mr. Van der Vlist is currently director of consultancy firm Klockensteijn B.V. 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 positions at Dutch pension fund PGGM.

Mr. Van der Vlist currently holds several supervisory positions, including chairman of the Supervisory Board of Holland Property Group, Chairman of the Board of NIBC Infrastructure Partners I B.V., Director at Barrage Vastgoed B.V. and non-executive director at Aventicum Real Estate Partners Europe GP Ltd.



R.Th (Roel) Wijmenga

Roel Wijmenga (1957) was first appointed to the Supervisory Board in 2014. His current term ends in 2018.

Mr. Wijmenga has a background in the insurance industry. His most recent role was CFO at Dutch insurer ASR Verzekeringen. Prior to this, he held a number of financial executive positions at companies including AMEV, Interpolis and Eureko.

He holds several (supervisory) positions, including chairman of the Board of Philips Pensioenfonds and a member of the Supervisory Board of insurer Achmea.



C.G (Carolien) Gehrels

Carolien Gehrels (1967) was first appointed to the Supervisory Board in 2015. Her current term ends in 2019.

Ms. Gehrels is currently European Cities Director at Arcadis. Prior to this, she worked in the public sector, serving as an Alderperson on Amsterdam City Council, where she was responsible for economic affairs, arts & culture.

Ms. Gehrels is a member of the Supervisory Board of Technical University (TU) Delft and a member of the Supervisory Board of World Waternet and a member of the board of the Forum for City Renewal and Urban Development.

Stakeholders' matrix

Material aspect	Stakeholders	Stakeholders expectations	Our intended impact	Target 2018-2020	Situation 2017
Economic					
1. Long-term return on real estate investments	Investors, shareholders, tenants	<ul style="list-style-type: none"> • Long-term return on real estate funds/ mandates in line with target return • Financially healthy business • Rental prices in line with market practices 	Investors receive a long-term return that is on average in line with the risk profile of the real estate investments and that contributes to the indexation of pension benefits	<ul style="list-style-type: none"> • Average long-term return (5 years) on assets under management: 5-7.5% 	<ul style="list-style-type: none"> • Average 8.9% total return on assets under management (period 2013-2017)
2. Growth of real estate investments	Investors, shareholders, national and local government institutions, local operators, supply chain partners	<ul style="list-style-type: none"> • Liquid funds/mandates (entry and exit) • Availability of capital to invest • Secured pipeline real estate transactions • Increase number and share of third-party investors in addition to anchor investor bpfBOUW 	Stakeholders have confidence in the future growth of the real estate investments because the inflow and outflow of real estate and capital is assured for the longer term	<ul style="list-style-type: none"> • New real estate transactions of €800 million each year • In 2018, opening of representative offices in New York and Sydney • Investment strategy for emerging markets in Asia and Brazil 	<ul style="list-style-type: none"> • New real estate transactions in 2017: € 785 million • One head office in Amsterdam • Investments in 10 core regions
Environmental					
3. Sustainable real estate investments	Investors, shareholders, national and local government institutions, tenants	<ul style="list-style-type: none"> • Sustainable funds/mandates (GRESB score) • Sustainable buildings (building certificates) • Contribute to energy-transition (lower GHG emissions) • Contribute to health and well-being 	Society can count on both housing and business operations that contribute to the environment, health and local communities	<ul style="list-style-type: none"> • 70% of real estate investments are highly sustainable (GRESB 4/5-star rating) 	<ul style="list-style-type: none"> • 76% of investments have a GRESB 4/5-star rating
Social					
4. Tenant and investor services and engagement	Investors, shareholders, tenants	<ul style="list-style-type: none"> • Easily accessible and short response times • implement new technologies • provide services/facilities which increase the convenience of tenant and investor 	Tenants and investors have peace of mind and greatly appreciate Bouwinvest's services	<ul style="list-style-type: none"> • Average tenant satisfaction score > 7 • Average investor satisfaction score > 7 	<ul style="list-style-type: none"> • Tenant satisfaction score: 6.7 • Investor satisfaction score: 7.9
5. Career & employment	Employees	<ul style="list-style-type: none"> • Internal career advancement for employees • Training and development for employees • Employee remuneration in line with market practices 	Employees receive support on the development and career fronts , are paid in line with prevailing market practices and give Bouwinvest an above-average rating	<ul style="list-style-type: none"> • Average employee satisfaction score > 7 	<ul style="list-style-type: none"> • Employee satisfaction score: 8.0

Material aspect	Stakeholders	Stakeholders expectations	Our intended impact	Target 2018-2020	Situation 2017
6. Stand-out employer	Shareholder	<ul style="list-style-type: none"> • Timely filling of existing and future vacancies • Maintaining good position on the employment market 	The right talented people are aware of Bouwinvest as an employer	• Growth to 180 FTEs in 2020	• Net growth of 16 FTEs in 2017
7. Partnerships & long term commitment	Supply chain partners, local operators, employees, tenants	<ul style="list-style-type: none"> • Flexibility and innovative potential • Collaborating with the supply chain partners • Recurring cooperation • Maintain stable policies 	To create value for all stakeholders by entering into long-term partnerships	• Further intensification of internal and external cooperation	• Service level agreements with property managers
Governance					
8. Thought leadership and reputation	Investors, shareholders, national and local government institutions, fund managers	<ul style="list-style-type: none"> • Expertise and vision regarding real estate investments and markets • Make active contribution to sector organisations • Increase transparency of real estate market 	To further improve the climate for real estate investments (nationally and internationally)	• Make an active contribution to the transparency in the real estate markets where Bouwinvest invests	<ul style="list-style-type: none"> • Three published (research) papers • Contributions to sector organisations, incl. ULI, IVBN, NEPROM, INREV, ANREV, RICS
9. Protection of privacy	Regulators	<ul style="list-style-type: none"> • Processing of personal data complies with laws and regulations 	Tenants can rest assured that their personal data is safe and well protected	• Continue to comply with privacy-related laws and regulations	<ul style="list-style-type: none"> • Safety of personal data is included in classification of IT services and (personal) data processing agreements with third parties are in place
10. Responsible business practices	Investors, regulators, tenants, local operators	<ul style="list-style-type: none"> • Comply with laws and regulations • Comply with Corporate governance code • Act professionally • High-quality and speed of business operations • Integrity / no conflicts of interest 	Stakeholders can trust that Bouwinvest's business operations are in order and comply with laws and regulations	• Maintain the current high quality of corporate governance	<ul style="list-style-type: none"> • Four lines of defence • AIFMD permit • ISAE3402 type 2 • Compliance & risk cycle • No conflicts of interest due to single fund structure

ESG performance indicators

Responsible investing performance indicators

Funds and assets

Impact area	Indicator		Units of measure	2017 (Abs)	2016 (abs)	% change (LfL)
Benchmark, certificates and labels	GRESB	Average star rating (weighted by AuM)	stars	4	3	23%
	GRESB	Average overall score (weighted by AuM) (GRI-CRESS: CRE8)	#	74	66	11%
	EPA	Labelled floor space (GRI-CRESS: CRE8) (weighted by floor space)	%	100%	98%	2%
		Green labelled floor space (A, B or C label) (weighted by floor space)	%	93%	90%	3%
		Average energy index (weighted by floor space)	#	1.22	1.25	-2%
		Number of DUO Labels	#	536	454	18%
	BREEAM	Green Building Certificates floor space (BREEAM or GPR; weighted by floor space) (GRI-CRESS: CRE8)	%	31%	11%	189%

Stakeholders

Impact area	Indicator		Units of measure	2017 (Abs)	2016 (abs)	% change (LfL)
Tenant engagement	Leases	Number of new leases	#	3846	3459	11%
		Number of green leases	#	44 of 18,436	25 of 16,714	76%
	Tenant satisfaction	Response rate (average) (GRI: PR5)	%	45%	36%	24%
		Average total score (GRI: PR5)	#	6.7	6.7	0%

Environmental (Dutch funds)

Impact area	Indicator		Units of measure	2017 (abs)	2016 (abs)	% change (LfL)
Energy	Electricity	Total landlord-obtained electricity (GRI: EN4)	MWh	29,149	29,049	-0.3%
	Gas	Total gas consumption (GRI: EN3)		10,319	11,850	-9.5%
	District heating and cooling	Total district heating and cooling (GRI: EN4)		12,930	12,881	0.4%
	Total	Total energy consumption from all sources (GRI: EN4)		52,399	53,780	-1.8%
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1) Energy and associated GHG disclosure coverage	kWh/m ² /year	45 269 of 298	47 279 of 293	-1.8% 0
GHG emissions	Direct	Scope 1 (GRI: EN15)	tonnes CO ₂ e	1,997	2,293	-9.5%
	Indirect	Scope 2 (GRI: EN16)		17,008	16,949	0.3%
	Total	Total GHG emissions (GRI: EN16) Scope 1 and 2		19,005	19,242	-0.9%
		Total GHG emissions after compensation	3,672	3,962	-5.1%	
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)	kg CO ₂ e/m ² /year	16	17	-0.9%
Water	Total	Total water consumption (GRI:EN8)	m ³	78,492	71,421	7.9%
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m ³ /m ² /year	0.40	0.41	-1.9%
Waste	Total	Total waste collected (GRI: EN22)	tonnes	791	604	20.4%
		Recycling rate	%	29%	31%	-1.3%

Environmental data head office

Impact area	Indicator		Units of measure	2017 (abs)	2016 (abs)	% change (Lfl)	
Energy	Electricity	Total consumed electricity	MWh	717	1003	-29%	
		Proportion of electricity from renewable sources on-site		0	0	0%	
	Gas	Total consumed gas consumption (GRI: EN3)		0	0	0%	
	District heating and cooling	Total district heating and cooling (GRI: EN4)		594	564	5%	
		Proportion of district heating and cooling from renewable sources on-site		0	0	0%	
	Total	Total energy consumption from all sources (GRI: EN4)		1,311	1,566	-16%	
Energy intensity	Building energy intensity (GRI-CRESS: CRE1) Energy and associated GHG disclosure coverage		kWh/m ² /year	250	299	-16%	
				1 of 1	1 of 1		
Waste	Total	Total waste collected (GRI: EN22)	kg	24,100	15,933	51%	
		Recycling rate	%	23%	21%	10%	
Mobility	Distance	Lease car	km	2,585,824	2,145,655	21%	
		Public transport		391,313	387,445	1.0%	
		Air plane		676,976	735,935	-8%	
GHG emissions	Direct	Scope 1 (GRI: EN15)	tonnes CO ₂ e	346	349	-1%	
	Indirect	Scope 2 (GRI: EN16)		202	199	2%	
	Total	Total GHG emissions (GRI: EN16) Scope 1, 2 and 3		551	549	0.4%	
		Total GHG emissions after compensation		551	549	0.4%	
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)		tonnes CO ₂ e/FTE/year	0.4	0.4	-6%
				tonnes CO ₂ e / FTE / year	3.2	3.6	-11%
			tonnes CO ₂ e / FTE / year	3.6	4.0	-10%	
Water	Total	Total water consumption (GRI:EN8)	m ³	1,189	961	24%	
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m ³ /FTE/year	7.8	7.0	11%	

Social data

Impact area	Indicator	Measure	Units of measure	2017	2016
Employee	Contracts (incl. women ratio)	Number of employees (GRI: LA1)	FTE	152,5 (31,3%)	136,6 (31,2%)
		Full-time contract ratio (GRI: LA1)	%	77% (23%)	74% (20,4%)
		Part-time contract ratio (GRI: LA1)	%	23% (70%)	26% (73,6%)
		Fixed-term contract ratio (GRI: LA1)	%	13% (33%)	7% (-%)
		Permanent contract ratio (GRI: LA1)		87% (34%)	93% (-%)
	Health	Sickness ratio (GRI: LA7)	%	3%	2%
	Turnover	Employee turnover ratio (GRI: LA2)	%	3.8%	9.9%
	Employee satisfaction	Employee engagement - survey response rate (GRI: DMA)	%	96.1%	95,5%*
		Employee satisfaction score (GRI: DMA)	#	8.0	8*
		Employee engagement score		8.1	7,7*
		Employee enthusiasm score		8.0	7,6*
	Equality & diversity	Women ratio (GRI: LA13)	%	34%	34%
		Women in senior management ratio (GRI: LA13)		19%	24%
Training & development	Number of internships	#	4	7	
Age (incl. women ratio)	<30	Ratio	9% (29%)	-	
	30-40		29% (28%)	-	
	40-50		34% (33%)	-	
	50-60		24% (42%)	-	
	>60		4% (43%)	-	
Client	Investor satisfaction	Response rate (GRI: PR5)	%	na	70%
		Average total score (GRI: PR5)	#	na	7.9

* this is a biennial survey. Figures are from 2015

Bouwinvest reports environmental data of those assets where management control is possible (operational control approach). Data is provided for those assets where we have the power to introduce and implement operating policies and where we are responsible for purchasing energy and water and the handling of 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 (measurable) sustainability performance of our assets.

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

Like-for-like data and any changes pertain to real estate assets in our portfolio that were fully owned by Bouwinvest and operational for the full 24-month period. We have excluded assets that were acquired, sold or underwent large-scale renovations in this period. The information therefore provides insight in the movement of an indicator over time at a constant portfolio scope. Total net CO₂ emissions, after compensation, represent the total CO₂ emissions after reduction and compensation of carbon emissions via Guarantees of Origin (GOs). This is in line with Bouwinvest's commitment to reduce the impact its operations have on climate change and to encourage renewable energy generation.

Energy, emissions and water consumption are reported on the basis of like-for-like consumption data and lettable floor area (LFA). This pertains to landlord obtained components and usage for common parts, as well as consumption data for tenant areas that are not individually metered.

Contact information

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This PDF annual report 2017 is a translation of the audited Dutch annual report for the financial year 2017 of Bouwinvest Real Estate Investment Management B.V. The Dutch annual report 2017 is the legally binding annual report. In the event that differences occur between this translation and the audited Dutch annual report, the audited Dutch annual report prevails.

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