

Annual Report 2015

Bouwinvest Real Estate Investment Management B.V.



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2015 at a glance

Key information

Highlights 2015













- Growth of assets under management to € 7.5 billion (+12%)
- Return on assets under management 10.6 % (excl. forex) and 12.8 % (incl. forex)
- Investments of around € 520 million in the Dutch portfolio and € 260 million in global unlisted and listed funds
- Three new investors in the Dutch Residential Fund in 2015 and another five new investors in this Fund from 1 January 2016
- One new investor in the Office Fund in 2015 and three new investors in the Retail Fund from 1 January 2016
- Acquisitions for Residential Fund, Healthcare Fund and Hotel Fund
- Management fee (0.5%) of Dutch investments below industry benchmark
- GRESB Green Star status for three open Dutch sector funds for second year in a row
- ISAE 3402 type II-report for the fourth consecutive year and AIFMD license
- Growth of FTEs to 131.1 (+2.4%)
- Employee satisfaction survey 8.0% and low absenteeism 1.9%

Figures management organisation

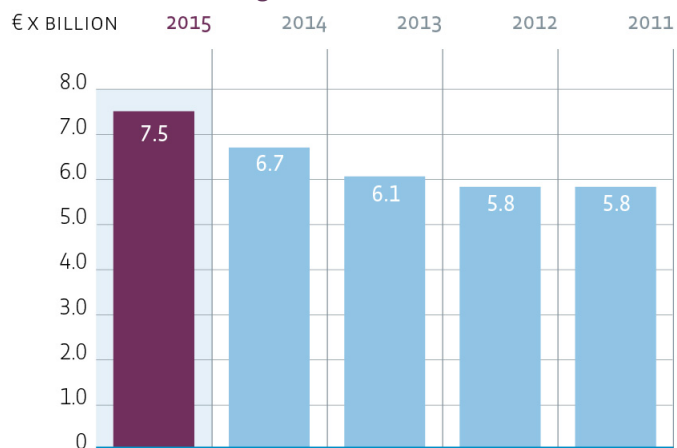
x € thousands, unless otherwise stated

	2015	2014
Assets under management	7,495,325	6,700,206
Fee income	30,503	27,854
Personnel costs	17,959	17,014
Number of employees (FTE)	131.1	128.0
Costs per employee	136.99	132.92
Fee income per employee	232.67	217.61

Bouwinvest employees

	Total no of employees	Senior management	Employee turnover	Absenteeism ratio	Number of internships	% of total wages spent on training and education
2015	Woman 34%  66% Man Total 131.1 FTE	Woman 18%  82% Man	 6.1%	 1.9% Benchmark 2.9%	 4	 2.8%
2014	Woman 34%  66% Man Total 128.0 FTE	Woman 15%  85% Man	 5.0%	 2.4%	 6	 3.5%

Assets under management

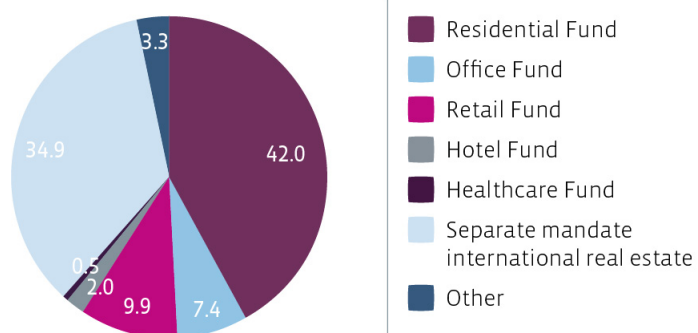


Distribution assets under management

x € thousands, unless otherwise stated

	2015	2014
Residential Fund	3,151,198	2,715,283
Office Fund	554,723	565,113
Retail Fund	738,335	670,322
Hotel Fund	147,923	140,935
Healthcare Fund	34,066	15,572
Separate mandate International real estate	2,617,936	2,412,267
Other	251,144	180,714
	7,495,325	6,700,206

PERCENTAGE



Key information over five years

All amounts in € thousands unless otherwise stated

	2015	2014	2013	2012	2011
Number of shares (actual)	225,000	225,000	225,000	225,000	225,000
Net result	4,422	3,173	4,903	3,034	3,184
Per share	19.65	14.10	21.79	13.48	14.15
Assets under management	7,495,325	6,700,206	6,060,282	5,826,789	5,802,464
Total assets	33,010	30,770	28,517	23,336	20,094
Shareholders' equity	29,422	27,186	24,013	19,110	16,076
Per share	130.76	120.83	106.72	84.93	71.45
Solvency ratio	89%	88%	83%	82%	80%
Management fee income	30,503	27,854	27,324	27,115	26,925
Personnel costs	17,959	17,014	16,815	17,278	16,832
Number of FTEs (year-end)	131.1	128.0	122.6	129.4	125.6
Personnel costs per FTE	136.99	132.92	137.15	133.52	134.01
Fee per FTE	232.67	217.61	222.87	209.54	214.37

CSR key data

Sustainability performance

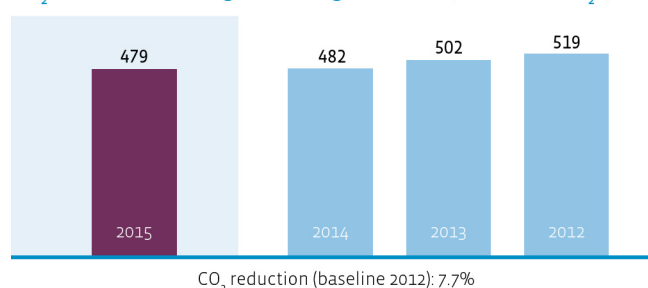
GRESB Green Star status



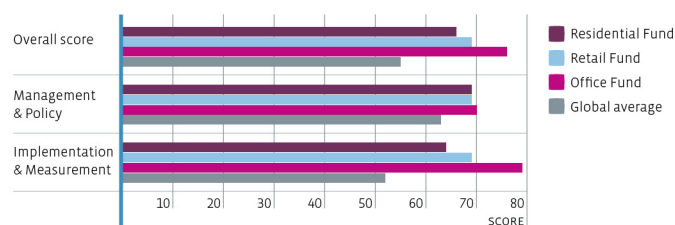
All three Bouwinvest sector funds Green Star

Energy consumption

CO₂ emissions management organisation (in tonnes CO₂e)

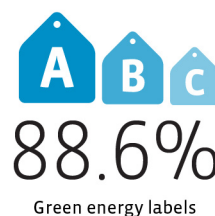


Performance Bouwinvest sector funds in the GRESB benchmark



Green energy labels

(based on total value Dutch sector funds)



2014: 89.6%

Performance International Investments Bouwinvest ESG assessment (based on GRESB benchmark)

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

Message from the Chairman

Dear stakeholders,

Last year was another good year for Bouwinvest. We saw a strong recovery on the real estate markets, both in the Netherlands and globally. This led to good returns in our Dutch and International portfolios. More importantly, virtually all our funds outperformed the industry benchmarks on a long-term base, which shows that our investment strategy is working and that we are making the right choices. We invested a total of € 782 million last year, with € 522 million in our Dutch portfolio and € 260 million in international investments. This was lower than the record investment of € 1.1 billion in 2014, but was still a good performance given the fierce competition on the market and our strict quality criteria.

We made progress on a number of fronts and in line with the investment plan of our investor bpfBOUW. Our assets under management grew once again, to € 7.5 billion from € 6.7 billion at year-end 2014, despite the Office Fund's disposal of a large portfolio of offices that no longer meet the Fund's strategic premises. We also continued to improve the diversity of the portfolio, adding assets to both our Hotel and Healthcare funds and internationally increasing our Asia-Pacific and Listed allocation. We see a lot of potential in the healthcare real estate sector, given the combination of ageing of the population and higher life expectancy.

We retained our existing investors in our Dutch sector funds and welcomed eight investors to our main three funds. This means we have now welcomed a total of 11 institutional investors (in addition to bpfBOUW) to our funds in just over two years. Of course, this has helped us achieve another of our targets, which was to diversify the funding for our investment funds.

This underlines the growing interest in real estate investment among institutional investors. Real estate is a perfect long-term investment for pension funds and other institutional investors with long-term commitments. Returns are stable and relatively strong, compared to stocks and bonds. In addition, risks are under control and real estate offers institutional investors the opportunity to diversify their investment portfolios. Real estate also enables them to create value – beyond the financial benefits – in society as a whole. It provides homes, creates employment and is a very tangible investment, you cannot underestimate the importance of that element.

We believe these factors will continue to drive investment in the real estate sector in the years ahead. Looking to the future, we are convinced that investors want to choose whether they invest in the Netherlands or on an international level. The Netherlands is just one small part of a global market, which is itself getting smaller and smaller as the world's major markets, like the United States, Europe and the Asia-Pacific region, become increasingly transparent. We can benefit from this globalisation, as we have built up a lot of experience and expertise in international real estate. After all, we currently have some € 2.6 billion invested in international real estate, via both listed and unlisted funds, with healthy returns.

Bouwinvest realises its investments strategy with a team of 140 people (131.1 FTE), all based in Amsterdam. We have the right strategy and the right focus, plus we have solid and sustainable partnerships with the best local experts. Because just as we focus on our core regions in the Netherlands, we focus on what we believe are the core regions on a global scale and the investment managers based in those regions.

Due to continuing urbanisation around the world, we believe the biggest growth – and the biggest increases in value – will be in the major cities of certain countries or regions. So on an international level we focus very specifically on major cities in what we see as the future powerhouses of the global economy. Of course, we invest in markets that have transparent real estate sectors, plus we work with partners that have solid track records and that reflect our own focus on quality. We and our anchor investor are convinced that this international investment strategy will provide solid returns long into the future. Which is why bpfBOUW has decided to increase the strategic proportion of international investments to 40% of its assets under management. The remaining 60% will remain invested in our five Dutch sector funds.

This faith in our international investments was certainly justified in 2015, as our international portfolio delivered an outstanding return of 19.2% on its listed and unlisted funds, with some help from a strong US dollar. We are of course very pleased to report that our five Dutch funds also delivered good performances last year (8.7%). We booked an overall return of 12.8% and on a weighted average outperformed the market.



‘ Real estate also enables investors to create value in society as a whole ’

Dick van Hal,
Chairman of the Board of Directors

Of course, all of this puts very heavy demands on the Bouwinvest organisation. The good news is that last year we once again made significant progress on a number of fronts at an organisational level. As part of our operational excellence drive, we renewed and improved the risk reporting of our portfolio and bpfBOUW's entire portfolio. We also conducted integrated integrity risk analyses and arranged integrity training courses for all our people. Our efforts aimed at creating a pleasant and challenging working environment are also paying off. Last year, no less than 95% of our staff participated in our employee engagement survey. Our score for employee satisfaction improved once again, to 8.0 from 7.8 in 2013.

On the CSR front, we are all proud that our three main sector funds were awarded GRESB Green Star status for the second year in a row. Of course, we will have to work even harder to retain this status, as sustainability criteria will only become stricter and more important in the future. But that is part and parcel of our mission – to generate solid returns in a responsible manner – and inherent in our commitment to the long-term quality of our portfolio.

All that remains is for me to thank all our employees for their commitment, dedication and hard work over the past year. We can all be very proud of what we achieved in 2015.

Last year, we bid farewell to Marjanne Sint as vice-chairman of the Supervisory Board. We would like to thank her for her commitment and inspiration over the past eight years and her contribution to Bouwinvest's success. We wish Marjanne every success in the future. Her seat has been taken by Carolien Gehrels, whom we welcomed as new member in July 2015.

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

Report of the Supervisory Board

Composition of the Supervisory Board

The Bouwinvest Real Estate Investment Management ('Bouwinvest') Supervisor Board has the following four members: C.J. Beuving (Chairman), J.H.W.R. van der Vlist, R.Th. Wijmenga and C.G. Gehrels. C.G. Gehrels joined the Supervisory Board on 2 July 2015. After serving the maximum term of two periods of four years, M. Sint stepped down as vice-chairman of the Supervisory Board on 1 May 2015.

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



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

Chairman

Mr. Beuving joined the Supervisory Board of Bouwinvest in August 2014 and was appointed Chairman in December 2014. Mr. Beuving has a long history in the banking industry. Until 2012, he was Chairman of the Board of Directors at Friesland Bank and, before that, held a number of functions within the Board of Directors of Fortis Bank, including Chairman from 2002 to 2006. In the period 2006 to 2010, Mr. Beuving held various executive positions and supervisory directorships, including the Fortis Nederland pension fund and Currence B.V. He 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 Tear and Dutch microfinance organisation Qredits. As per February 2015, he was appointed as a member of the Supervisory Board of Delta Lloyd Bank N.V. Mr. Beuving studied Business Economics at Erasmus University Rotterdam.

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



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

Member

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

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



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

Member

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

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



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

Member

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

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

Report of the Supervisory Board

Financial statements and profit appropriation

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

The financial statements will be submitted for adoption as part of the 2015 annual report at the 2016 Annual General Meeting of Shareholders (AGM). The annual report contains the proposal to pay a dividend of € 2.7 million over 2015. The Supervisory Board proposes that the AGM adopts the financial statements and discharges the Board of Directors for its management of the company and its funds and discharges the Supervisory Board for its supervision of same.

Key developments

Investments in the global real estate market are right back at pre-crisis levels in 2015, with a marked increase in real estate investment activity in the Netherlands, driven by increased interest from both domestic and international investors. Bouwinvest has in-depth knowledge of the Dutch and international real estate markets, through its in-house regional experts, its own research department and via cooperation with local partners. The company was able to take full advantage of this in 2015, investing € 782 million in its international and Dutch portfolios. The Residential Fund invested € 466 million last year in new-build properties. This gives the Fund a very healthy secured pipeline for the coming years. The focus of the Retail Fund was on redevelopments of properties and new developments, while the Office Fund disposed of a package of 14 office buildings which are no longer considered core assets. Both the Healthcare Fund and the Hotel Fund invested in new assets in the course of the year and International Investments invested in Asia-Pacific and Listed real estate.

Supervisory Board meetings

The Supervisory Board met eleven times in the course of 2015, including several meetings specifically for international investments. All members of the Supervisory Board were frequently present. The main subjects discussed at these meetings were Bouwinvest's strategy, the strategy of the Funds it manages and its investments in international listed and unlisted real estate funds, together with real estate market developments. The Supervisory Board also discussed the Investment Plan Real Estate 2016 – 2018 for bpfBOUW, the various (quarterly) reports and Bouwinvest's compliance and risk management. The Board assessed investment proposals for the funds and the international portfolio and supervised the application of the related parties transactions policy. The Board also discussed the mandatory implementation of the mitigated statutory two tier status (verzwakt structuurregime).

The Supervisory Board discussed the medium-term strategy and offered advice on Bouwinvest's long-term strategy and the management of the Bouwinvest funds, including the governance of Bouwinvest and the Bouwinvest Funds. In September 2015, the Board approved Bouwinvest's medium-term and long-term strategy.

New investors

In 2015, Bouwinvest welcomed new investors to its Residential Fund and its Office Fund. As per 1 January 2016, new investors committed to the Retail Fund and the Residential Fund. The Supervisory Board was pleased to welcome these new investors to its three main Funds, and to note heightened interest in all of Bouwinvest's Funds.

Financial performance

In four meetings, the Supervisory Board discussed the company's quarterly reports, as well as the quarterly reports related to Compliance, Risk Management and Business Incidents. The Board discussed the financial statements for 2015 in March 2016. The Supervisory Board also assessed the 2015 Annual General Meeting.

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

Corporate Social Responsibility (CSR)

As it does each year, the Supervisory Board devoted extra attention to Bouwinvest's corporate CSR strategy. We are pleased to report that Bouwinvest's three Dutch sector funds were awarded GRESB Green Star status for the second year in a row, thanks to the transparency of the funds' reporting on Corporate Social Responsibility and sustainability-related matters and the funds ongoing efforts to increase the sustainability of their business operations and their real estate portfolios.

Other subjects

In May 2015, Marjanne Sint reached the maximum term of two periods of four years. The Board discussed the recruitment of a new member of the Supervisory Board, to fill the vacancy created by the departure of Marjanne Sint. Carolien Gehrels joined the Supervisory Board in July 2015.

In 2015, the Supervisory Board met once in the absence of the Board of Directors. This meeting was convened to discuss and evaluate the Supervisory Board, its committees and its individual members. The self-evaluation was based on an extensive questionnaire. The main conclusion was that the Board is performing well and effectively. The Supervisory Board also discussed the performance of the Board of Directors and its individual members. At least once a year, the Chairman of the Supervisory Board meets with the Head of Compliance. In 2015, they met once and reported no specific points of attention.

The Chairman of the Supervisory Board, the Chairman of the Board of Directors and the Chairman of the Board of bpfBOUW, as a shareholder in Bouwinvest, met several times in the course of 2015. Members of the Supervisory Board also attended several meetings of the Bouwinvest Works Council.

Audit Committee meetings

The Audit Committee has two members: J.H.W.R. van der Vlist, chairman, and R. Th. Wijmenga. The Audit Committee met four times in 2015, to discuss the annual and quarterly results and the reports from the external auditor.

The Audit Committee also met with the external auditor in the absence of the Board of Directors.

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

Selection and Remuneration Committee meetings

As per 1 January 2016, the Selection and Remuneration Committee has two members C.J. Beuving, chairman, and C.G. Gehrels. The Selection & Remuneration Committee met two times. The Committee discussed Bouwinvest's HRM policy, (management) development and succession planning. The Committee also discussed the performance of the members of the Board of Directors and target-setting.

A word of thanks

After completing the maximum term of two periods of four years, Marjanne Sint resigned as vice-chairman of the Supervisory Board in May 2015. We would like to express our gratitude for Ms. Sint's dedication and input in this period. She made a significant contribution to the growth of Bouwinvest over the past eight years.

We would also like to thank the Board of Directors and all Bouwinvest employees for their hard work, and commitment, and the results they achieved for Bouwinvest in 2015.

Amsterdam, the Netherlands, 14 March 2016

The Supervisory Board

Kees Beuving, *Chairman*

Jan van der Vlist

Roel Wijmenga

Carolien Gehrels

Report of the Board of Directors

Composition of the Board of Directors



Chairman of the Board of Directors and Statutory Director

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

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



Managing Director Finance

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

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



Managing Director Dutch Investments

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

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



Managing Director International Investments

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

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

Company profile

Bouwinvest is one of the largest Dutch investment managers specialised in real estate with total assets under management of € 7.5 billion.

Internationally, Bouwinvest manages a mandate for bpfBOUW (the Dutch pension fund for construction workers). These investments are indirect via listed and non-listed real estate funds, joint ventures and club deals in Europe, North America and the Asia-Pacific region.

In the Netherlands, Bouwinvest manages direct investments for five real estate sector Funds for bpfBOUW, three of which, the Residential Fund, the Retail Fund and the Office Fund, are open for like-minded institutional investors. At present, the Healthcare Fund and the Hotel Fund are managed exclusively for bpfBOUW. However, there is a possibility that other institutional investors may participate in these funds in the future.

Bouwinvest is recognised as one of the leading real estate investment managers in the Netherlands, due to its solid track record as a fund manager that outperforms sector benchmarks. Bouwinvest has built up in-depth knowledge of the Dutch real estate markets, supported by best-in-class valuation and risk management policies. Thanks to this experience and expertise in the Dutch market, and its outstanding in-house research team, Bouwinvest is able to select the best investments and investment managers for its International Investments portfolio. Bouwinvest forges true and lasting partnerships with its international investment managers, adding to our own expertise, with the aim of improving the services we provide our clients and adding to our knowledge of international real estate investment markets. We also believe that knowing our investors is the best way to meet their long-term investment needs.

Bouwinvest is also recognised as a leading real estate investor on the sustainability front. All three of our real estate sector funds in the Netherlands open to investors have been awarded the highest GRESB sustainability ratings, and an increasing number of our international investment managers now use GRESB to assess the sustainability of their portfolios.

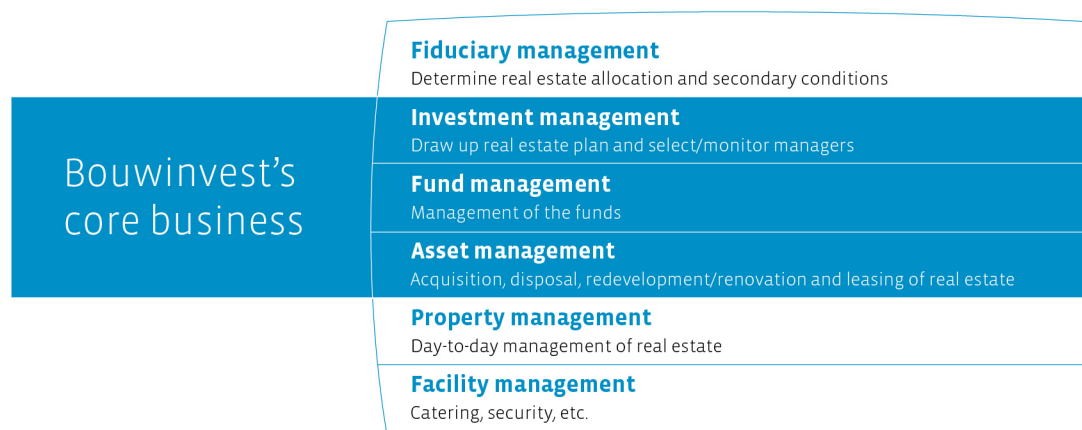
Vision and strategy

Bouwinvest is an investment manager specialised in real estate for institutional investors, with assets under management of € 7.5 billion, managed by 140 professionals (131.1 FTE), all of whom are based in Amsterdam.

The unique characteristics of our organisation are:

- Specialised investment manager
- Roots in real estate and pensions
- Stable, self-supporting organisation with robust governance structure
- Checks and balances in place
- Client-oriented organisation (tailor-made solutions)

Bouwinvest's core business covers investment management, fund management and asset management.



Our mission

Bouwinvest aims to provide a solid return on real estate investments for institutional investors and their beneficiaries and to do this in a responsible manner. Our dedicated real estate professionals achieve this by managing global real estate investments and Dutch core sector funds.

Our vision

Bouwinvest believes the international real estate investment markets offer an excellent perspective for long-term investments, with relatively stable returns and opportunities for asset growth.

Real estate is now a full-fledged asset class in its own right, with transparent global investment markets and strict corporate governance requirements. Several global demographic trends, such as ongoing urbanisation, the increase in the number of smaller households and the ageing population will increase the demand for residential, retail and office real estate in the coming decades.

Real estate also gives institutional investors the opportunity to diversify their portfolios at country and sector levels while providing a better risk-return profile than either stocks or bonds. On top of this, stable rental income and annual rent increases add an inflation hedge to investments, enabling institutional investors to keep pace with their obligations. This is why an increasing number of investors are looking for the right investment manager to increase their exposure to global real estate.

Our strategy and goals

The Bouwinvest management organisation's strategy is to book growth in a controlled manner, while keeping our investors 100% satisfied.

For the period 2016-2018, this translates into the following targets:

- Realise the targets of the Investment Plan Real Estate 2016 for bpfBOUW
- Realise the targets of the Fund plans of the Dutch sector funds
- Retain existing investors and acquire new investors for the Dutch sector funds

Our market proposition: reliable real estate solutions

At Bouwinvest, everything we do is done in the full awareness that the assets we manage have been invested by pension fund participants. Everything we do is therefore based on the conviction that financial security is one of the most important principles we can have.

We provide this security by offering reliable real estate solutions. Bouwinvest does this by building a bridge between the real estate investment assignment and the various kinds of real estate open to investment. We offer reliable real estate solutions by managing a separate real estate mandate for bpfBOUW and the management of Dutch real estate funds, in which institutional investors can participate.

Market highlights and trends

International markets

Global real estate markets flourished in 2015, with worldwide investment volumes reaching or even exceeding pre-crisis levels. Driven by low interest rates, real estate has become an attractive alternative to risk-averse investors searching for stable returns. Investment yields are well below their long-term average in all regions. However, supported by all-time low yields on risk-free alternatives, yield gaps remain healthy and are attracting more capital to real estate. Most global markets benefited in 2015 and saw solid capital growth. The favourable occupier market outlook for well-located assets now seems largely incorporated in today's prices and is starting to push some investors to slightly off-pitch properties.

Mega trends are driving demand in the occupier market. Globalisation affects the way people interact and office space demand is becoming more internationally oriented. The growing number of worldwide flights is creating solid fundamentals for the hotel market. Large international retailers are spreading their concepts across borders and now dominate local retail markets, while the huge upsurge in online retail is changing the retail landscape with an increasing demand for state-of-the-art logistics real estate. A continuous stream of people is being drawn towards urban areas, which means that demographic outlooks are very different, even within countries. This and the major increase in single person and two-person households is creating enormous demand for residential real estate, especially in metropolitan areas. Meanwhile, the worldwide ageing of the population is likely to boost demand for healthcare-related real estate, such as care homes and assisted living facilities. The urbanisation trend is also increasing the competition between individual cities and a simple country-level approach is no longer sufficient for global real estate investors.

This is why Bouwinvest incorporated a city ranking in its Global Market Monitor, which compares key indicators across countries and cities for each real estate sector. A final ranking shows regions attractive for residential, office, retail and logistics investments. On the office and logistics markets, cities in the Asian-Pacific (APAC) region are performing exceptionally well – the top ten of the Office Ranking includes eight APAC cities and the Logistics Ranking includes five. North America is performing well on all key indicators in the Global Market Monitor. Canada, the United States and Mexico are all in the top ten countries worldwide. Large, liquid markets like New York and Washington DC, and high-performing tech metros like Boston and San Francisco, top the rankings on a city level. European countries stand out on the residential ranking, supported by strong market activity in Germany, the Netherlands and Sweden.

Dutch market

The Dutch real estate market has recovered swiftly and investment appetite is growing. Dutch pension funds invested in 2015 in the Netherlands and are looking to expand their allocation to real estate in the next few years. In addition to Dutch investors, international investors are increasing their investments dramatically. In fact, most real estate investments in the Netherlands now come from international investors. Dutch prime markets are still attractively priced compared to other key markets as London, Paris and Munich, where prices have already increased to pre-crisis levels. However, the interest from both Dutch and international investors is quickly pushing up prices and investors are broadening their view from a strong focus on prime to include sub-prime locations.

After several rough years, the Dutch residential market has gradually recovered. The increased number of households and low production of housing stock during the crisis has resulted in a structural housing shortage. Driven by urbanisation, housing shortages have rapidly pushed up prices in the country's main cities, especially Amsterdam. A combination of stable rental growth and yield shift resulted in very positive total returns in 2015. Changes to government policies have affected the housing market and increased demand for liberalised sector rental homes, a product that is perfectly suited for institutional investors looking for stable direct returns.

Office space demand is very sensitive to economic cycles. After several lean years, economic growth has picked up and prospects for the office market now look promising. However, a surge in companies looking for cost efficiencies and new technologies are changing qualitative demand. Tenants are focusing on specific location types, but are also less bound to their offices and are looking for more flexibility. Prime office locations include high-quality and multi-tenant offices, with excellent road and public transport accessibility in regions with a ready pool of highly-skilled employees. On the other hand, a group of secondary locations are gradually losing tenants, leaving large office buildings completely vacant. This polarisation trend between prime and secondary is expected to continue in the next few years.

Polarisation is also affecting the Dutch retail market. In 2015, several large Dutch retailer chains struggled to keep up with the changes in consumer market dynamics. Some were forced to file for bankruptcy, leaving a large number of square metres vacant. Others were forced to renegotiate their lease terms. On a more positive note, a large number of major international retail chains, such as Primark and Zara, have adapted swiftly and now have a solid position on the Dutch retail market. Retailer demand seems to be focused on high-quality, large-scale retail units in prime locations. Most experts expect to see further differentiation in the retail landscape in terms of prime and secondary retail real estate.

Portfolio results

International Investments

Bouwinvest invests globally in residential, retail, office, logistic, hotels and some other real estate sectors, such as self-storage and parking. All these investments are indirect investments via listed and unlisted real estate funds, joint ventures and club deals. As a manager of pension fund assets, the International Investment team aims to generate stable and regular annual returns of around 7% to hedge our client's long-term liabilities. The main goal of the substantial increase of the allocation to international real estate in recent years was to increase the diversification of bpfBOUW's real estate investments. For one, it has enabled our anchor investor to diversify geographically, steadily increasing the allocation to promising regions such as the Asia-Pacific and United States markets and away from its initial focus in Europe. It also adds another layer of diversification through its exposure to real estate sectors in different countries. For instance, the office sectors in Australia, the United States or Japan are quite different from the Dutch office sector.

The addition of listed funds three years ago added yet another level of diversification, enabling us to fill a number of gaps in our international portfolio by investing capital in sectors that offered interesting investment opportunities with higher returns than generally available from unlisted funds. The international investment portfolio also provides our client with a more diversified risk profile. Global real estate markets are dynamic, but market corrections and crises tend to affect the various sectors differently in different countries. A balanced exposure to the various sectors in different regions acts as a hedge on market volatility.

Bouwinvest's investments in global mezzanine debt markets add another layer of diversification to its international portfolio. With the right expertise, exposure to mezzanine debt gives investors access to high-quality properties and borrowers, currently on very favourable terms. These investments generate attractive risk-adjusted returns and provide additional low-cost exposure to real estate sectors often difficult to access via either listed or unlisted funds.

BpfBOUW's firm commitment to its international portfolio enabled Bouwinvest's International Investment team to invest in the world's real estate markets even during the various crises of recent years. This enabled us to take advantage of opportunities when other investors were withdrawing from the market. We are a long-term investor, but we have the flexibility to use short-term volatility to our advantage. We were encouraged to see that our best performing funds in 2015 included both funds we invested in recently and those we invested in a number of years ago, such as logistics real estate in Australia and office real estate in the United States.

Bouwinvest's International Investment team has a very strong focus on developed economies, where the real estate markets are transparent and liquid. We will not invest in countries with poor records in terms of transparency or corruption. On a country level, the main focus is on major cities, as we believe that sustainable long-term returns will be driven by a number of trends that will favour large cities in the future. These include ongoing urbanisation, which will create mega cities in certain parts of the world, with a concomitant growth in employment (offices) and a surge in demand for residential and retail real estate. Another trend is the growth of online shopping, which is increasing demand for state-of-the-art logistics facilities, one of the focus areas of the international portfolio. Also, given the huge surge in tourism expected in the coming decades, demand is likely to far outstrip supply in the hotel sector, making this an excellent investment opportunity. The rapid ageing of the population in countries like Japan, combined with higher life expectancy, will also increase the need for healthcare-related real estate, and we see this as very promising sector for the future. The growing affluence in the Asia Pacific region will drive a number of real estate trends, especially in the residential sector. For one, it is likely to lead to a huge increase in demand for student accommodation, another sector we are monitoring very closely.

Another major priority for Bouwinvest's International Investment team is the quality of the underlying real estate. We see a very strong correlation between the performance of indirect real estate investments and the quality of the underlying real estate itself. When making an investment decision, therefore, we assign a great deal of weight to analyse underlying rental income, occupancy and potential rental growth. This makes the sustainability of the underlying real estate extremely important and we apply strict ESG criteria in all our investments. We also work exclusively with top notch local fund managers in all of the countries in which we invest. The investment fund managers we work with understand the DNA of a pension fund and act as an extension of the Bouwinvest investment philosophy. They know their markets intimately, have solid track records, good governance and share our focus on quality and sustainability. In 2015, we were pleased to note that once again a higher proportion of the fund managers we work with signed up for the GRESB sustainability assessment and that our managers' GRESB scores were higher than in 2014. We also like to be major participants in the funds in which we invest, as this enables us to exert influence on investment decisions and strategies. We have built up very strong relationships with a large number of fund managers and this has proven to be a major advantage over the years.

Of course, such a diverse portfolio comes with its own unique set of challenges. One of our biggest challenges is making truly sustainable investments. The built environment accounts for a very large proportion of harmful emissions and we are already seeing cities virtually shut down due to pollution. This is why we have made a firm commitment to make a contribution to a cleaner and healthier built environment, by only investing in real estate that complies with very strict sustainability criteria. Another challenge is that it is becoming harder to find the right investment product – the underlying real estate – as the huge surge in capital looking for real estate investments is making the global real estate market extremely competitive.

Real estate markets are volatile and virtually all markets – national, regional and sectors – experience corrections at some point. Our edge in this case is the sheer diversity of our portfolio, plus we have the expertise, market knowledge and resources to take advantage of short-term corrections.

The world's markets – including real estate – are also affected by the geo-political issues that abound today. We monitor all our markets very closely, with the help of our local partners. Interest rates are currently at historical lows, making real estate a remarkably attractive asset class, but rates will increase in the future. Property prices will continue to rise, but not at today's rates. On the other hand, yields have come down in line with interest rates, but yields are likely to increase in the future, at least in primary unleveraged markets.

What this means in the long term is that we expect annual net returns to stabilise at 7-8%.

The performance on Bouwinvest's international investments continued its strong course in 2015, leading to a total return of 12.7% for 2015 before currency results and after management fees. When currency results are included, the total return amounts to 19.2% after management fees. Both the unlisted (14.0%) and the listed investments (10.0%) contributed to the total return. From the following section onwards, all figures are excluding currency results, unless otherwise stated. The best performing region in 2015 was Europe. The sale of a Berlin residential portfolio well above its book value, combined with strong listed real estate returns lead to a 16.1% return in Europe, driven by yield compression due to capital inflows. Both the unlisted (17.9%) and the listed investments (16.1%) contributed to the total return.

The 2015 performance of 6.8% for the Asia Pacific portfolio showed some recovery from the correction due to the global fear of economic slowdown of Chinese economic growth forecasts. Despite the turmoil in China the listed performance remained positive with a 2.8% return for 2015. The unlisted funds showed a strong 8.3% performance driven by the Australian and Japanese investments.

The Northern American portfolio finished the year with a total return of 13.0%. The United States real estate market is likely to remain in the mature phase of the cycle with property yields at record lows. The long-expected interest rate increase by the Fed in December 2015 has left the market virtually untouched.

At year-end 2015, the average leverage in the International portfolio had fallen to 30% from an average of 33.6% in 2014. The total value of the international investments portfolio stood at € 2.6 billion at year-end 2015, compared with € 2.4 billion a year earlier. Total new commitments came in at € 260 million in 2015, in line with the growth strategy outlined in bpfBOUW's mandate for international investments. The divestments gained speed in 2015, due to the increased market liquidity resulted in the realisation of exit plans for many assets in several closed-end funds in Europe and North America.

Exchange rates contributed € 143 million, while valuation movements also added € 182 million to the growth of the portfolio in 2015.

Europe

Bouwinvest is confident about the long-term real estate fundamentals for investing in Europe. Economies are recovering in many European countries and GDP growth is up. Low interest rates and the poor returns from fixed-rate bond investments, plus the volatility of stock markets, means there is an enormous amount of international capital looking for investments in real estate. This has added a lot of liquidity to the European real estate market. The continued economic recovery is also having a positive impact on rental values in most European countries. The massive surge in e-commerce and online shopping is driving demand for logistics real estate. Of course, this has affected the retail real estate market and made it even more important to invest in prime retail to guarantee rental income growth and solid returns. There is also healthy demand for both residential and prime office real estate. However, while Europe as a whole is recovering, a great deal of the economic recovery is concentrated in the larger cities of north-western Europe, in countries like Germany, the United Kingdom, France and the Nordics. These countries also tend to have the most well-developed and transparent real estate markets. Rapid urbanisation is driving population growth in larger European cities and leading to population shrinkage in parts of most countries. Bouwinvest's European investments are therefore largely focused on cities and metropolitan areas with the best economic and demographic outlook.

Bouwinvest's current European real estate investment portfolio is well-positioned for solid returns in the coming years. The portfolio is well-balanced both in terms of its country spread and in terms of sector focus, while a number of niche investments add another layer of diversification.

All these investment are structured as funds, club deals, joint ventures and listed real estate companies. We also have a pan-European portfolio of mezzanine debt. Many of the current investments in closed-end funds, entered pre-crisis, are due to expire in the period to 2017. The unlisted portfolio includes shopping centres, and mezzanine debt, long-lease investments and logistics in the United Kingdom, and retail investments in France and Sweden. In Germany, we have a large residential portfolio, while on a pan-European level we have a large exposure to the thriving logistics sector.

In 2015, we continued to look for investment opportunities in the United Kingdom residential market, especially in the greater London area, and are optimistic on European office funds with a main city focus, as economic and demographic growth is concentrated in Europe's larger cities. Europe's junior and mezzanine debt markets are also developing quite rapidly and we committed our exposure to this market, as it offers solid returns with relatively little risk. We believe the market will offer some excellent investment opportunities. The mid-rental residential segment across Europe is very promising, as the supply is still fairly limited and demand is high, again especially in the large cities. Most new complexes are therefore fully occupied on completion and there is a lot of potential rent value growth. Europe is still in the early stages of recovery, so the residential, office and retail markets also have a lot potential for good investments, if you have the right expertise and the ability and resources to take advantage of opportunities. Real estate markets are changing so rapidly, our strategy in Europe is to maintain a solid layer of long-term listed and unlisted investments, while remaining flexible enough to take advantage of shifts in the various markets and new investment opportunities.

Bouwinvest prefers to take major stakes and play an active role in the funds we invest in. This enables us to influence the funds' investment decisions and strategies on several fronts, including sustainability. In this very dynamic environment, we firmly believe that solid partnerships with local fund managers and investment managers are the best way to guarantee stable long-term returns for our client. We devote a great deal of attention to finding the right partners and all our local partners have excellent track records. We have also worked with many of our partners since before the crisis, and working through crises is a very good way to get to know who the best fund managers are. We also prefer to work with investment managers who share Bouwinvest's investment philosophy and understand the investment priorities of pension funds. One of these priorities is sustainability and a growing number of our partners now use GRESB assessments to measure and improve their sustainability performance, as this this will be increasingly important as we move forward.

North America

The North American real estate sector is a highly attractive investment market due to its long-term characteristics. The region boasts healthy population growth and the United States economy has now recovered and moved into growth mode. And economic growth has been gradual, so this is not a boom and bust scenario. This has resulted in rental growth in most sectors, which is very good for the real estate sector. The balance of supply and demand is also generally in good shape, especially in the major cities. For instance, the office sector is not suffering from the massive oversupply we see in Europe, while office buildings neglected during the crisis offer a lot of value-add potential. On top of this, investor appetite is strong, which adds a good deal of liquidity to the market.

The residential and logistics sectors are leading the pack, although there is healthy demand for class-A office in large cities areas. The majority of the investments are concentrated in the metropolitan areas with the best economic and demographic outlook. These offer the best prospects for job growth and tend to be the most desired places to live.

Bouwinvest has built up a well-balanced and diversified real estate investment portfolio in North America over the 15 years it has been investing in the region. The current portfolio consists of a number of – mainly core – sector-specific holdings, plus a number of diversified and niche investments. The portfolio consists of investments in unlisted funds, joint ventures, co-investments, club deals and listed real estate companies.

Over the years, Bouwinvest has shifted the focus of its portfolio away from a majority of closed-end funds, as this made it more difficult to execute strategies quickly enough. The shift towards a more diversified strategy, with a balance of core, value-add and opportunistic investments, has made the portfolio both more resilient and more flexible. Investing in more open-ended funds also gave the portfolio a more stable layer, as there was no longer any danger of a large part of the portfolio terminating simultaneously. The addition of listed funds to the portfolio three years ago was fully in line with this strategy, as it put control firmly in Bouwinvest's hands, rather than the manager of the funds.

The North American portfolio has exposure to a diverse range of sectors, via both listed and unlisted funds, including residential, retail, office and logistics. The logistics sector is growing rapidly on the back of the growing popularity of online sales, while the return to GDP growth is driving demand for retail and office space. Residential is another key market for investment, as the re-urbanisation of the United States is driving up demand for rental homes in a number of the country's larger cities. High-end multi-family residential (rental) homes (apartment buildings) are performing extremely well.

For instance, Bouwinvest's decision to support its United States investment manager, Clarion, in its bid to acquire the Gables Apartment Fund at the end of 2014 turned out to be a very good move, as the Gables fund turned out to be one of last year's best performers. At USD 180 million it is currently the largest single investment in the United States portfolio. Bouwinvest's mezzanine debt investments, started in 2014 in the US, add another layer to the portfolio and promise to deliver good returns at fairly low risk.

Bouwinvest's strategy is to be a major and active participant in the funds we invest in, so we can influence investment decisions and strategies. We are also firm believers in forging strong partnerships with local investment specialists and fund managers, as this has proven to be the key to providing our client with the optimal balance of risks and returns. We prefer to work with local partners who share our investment philosophy and our priorities on the sustainability front. The fact that more and more of our partners are now using GRESB to assess and improve their ESG credentials is very encouraging, as sustainability criteria will only become more important in the future.

Asia-Pacific

Bouwinvest is positive on the long-term fundamentals for the Asia-Pacific region. These include resilient economic growth and socio-economic trends such as the unprecedented rate of urbanisation and a rapidly growing middle class. This is creating opportunities for investments in infrastructure and the development of new real estate to meet the rapidly increasing demand for residential, retail, offices and commercial real estate. For instance, burgeoning online sales and increasing trade has led to heavy demand for modern logistics real estate. Increasing wealth is also increasing the demand for student accommodation, which we see as a promising niche market. The rapid ageing of the population and higher life expectancy in the region is expected to boost demand for real estate in the healthcare sector, especially in Japan, and we are considering investment opportunities in this sector. Asia is also seeing a huge surge in international travel, which will have a major impact in demand for hotel beds, both in Asia itself and across the globe, so the outlook for the hotel industry is very positive. In view of these very strong fundamentals, Bouwinvest has increased the allocation of investments in the Asia-Pacific region to 25% of the total international portfolio, from the current 20%.

We focus primarily on the developed countries in the region, such as Japan, Australia, Singapore, Hong Kong, South Korea and certain cities in China. These all have well-developed, transparent and liquid real estate markets, with high financial governance standards. The major growth in these countries will be in the larger urban centres, so our investments are concentrated on real estate in tier-one cities, such as Tokyo and Osaka in Japan, Sydney and Melbourne in Australia, Shanghai in China and the capitals of other Asia-Pacific countries.

Bouwinvest has built up a balanced real estate investment portfolio in the Asia-Pacific region. It consists primarily of country (city) and sector-specific holdings in all the developed economies of the region. Our portfolio is a mix of long-term core investments, with some short-term investments with a focus on adding value. We currently have investments in unlisted funds, joint ventures, co-investments, club deals, combined with listed real estate companies. Due to the huge amount of interest in the region in recent years, the prices of prime real estate are currently quite high. We have adopted a cautious approach to investment for the near term, and we are looking for defensive investments as a hedge against any market corrections. Quite recently, Bouwinvest invested in retail real estate in Singapore and logistics real estate in Australia and China. Although Bouwinvest generally invests for the long term, we also opt for liquidity when market pricing is favourable. One example is the liquidation after three years of a Tokyo office real estate investment in 2015. This generated an investment return of 26%.

Bouwinvest aims to be a major and active participant in the funds we invest in, as this enables us influence over investment decisions and strategies. We firmly believe the partnerships we forge with local investment specialists and fund managers are the key to providing our client with the optimal balance of risks and returns.

Global listed real estate

Bouwinvest's listed real estate portfolio is an integral part of our international real estate investment portfolio. Bouwinvest started investing in listed real estate in late 2012, which now accounts for approximately 20% of the total international portfolio. The investments in listed real estate primarily serve as a complement to our unlisted portfolio. For the most part, we have a buy and hold strategy for our listed real estate investments, fully in line with Bouwinvest's overall long-term investment strategy. Additionally, listed investments add liquidity and enable us to rebalance the portfolio in terms of allocations per region or sector in the future. They also enhance the risk-return profile of the overall portfolio, as the exposure can be brought in line with our risk-return objectives. Listed funds also provide an arbitrage opportunity between unlisted and listed real estate exposure. Of course, listed investments are very effective to diversify real estate investments across sectors and countries, at considerably lower capital requirements than investments in direct real estate.

Bouwinvest's global listed portfolio currently consists of fourteen separate market-sector combinations with a carefully selected, limited number of holdings in listed real estate companies. The global portfolio is based on our expectations for various sectors in certain countries and very much based on forecasts for the real estate markets in those countries. Investing in listed real estate has also enabled Bouwinvest to invest in sectors difficult to gain access to via unlisted funds. For instance, we were able to enter the United States retail market in 2012 and invest in high-quality regional shopping malls. This type of retail assets are closely held by listed real estate companies, therefore it would not have been possible to achieve comparable diversified exposure to the underlying real estate assets through non-listed funds.

In 2015, an investment in a closed-end Tokyo office fund came to end, but we were able to regain access to the high-performance Tokyo office market via listed investments. We have also decided to increase our exposure to the US office market via listed funds, provided the pricing is right. Other recent investments include assets in main shopping streets in Japan and Chinese residential real estate.

The way Bouwinvest has set up and executes its investment strategy is recognised as unique and innovative. Because the portfolio was growing so rapidly, the listed funds team – which added an analyst this year – set itself the task of devising and developing a system to monitor not just its current portfolio, but all markets, sectors and funds that might be of interest. One of the unique elements of this system is that it is being set up in close cooperation with external partners, as most day-to-day activities are outsourced. It is conditional to a dynamic portfolio approach, that enables Bouwinvest to take advantage of the opportunities offered by short-term volatility and invest under attractive conditions compared to fairly illiquid unlisted real estate investments.

Dutch Investments

Residential Fund (open for institutional investors)

Pipeline secured by investments of more than € 690 million

The Residential Fund generated a total return of 12.5% (2014: 5.1%), with a direct return of 3.8% (2014: 3.9%), and an indirect return of 8.6% (2014: 1.2%). The Fund had a high and stable average occupancy rate of 97.6%. Like-for-like rental growth for 2015 amounted to 3.8% (2014: 3.2%), while rent arrears were low at 1.1% (2014: 1.2%). The dividend return for 2015 came in at 3.8% (2014: 3.9%).

The Residential Fund continued to reap the benefits of Bouwinvest's growth strategy and saw the completion and delivery of eight excellent new-build projects, most of which were fully let before completion. We currently have a secured pipeline of 27 new residential projects following investments of around € 466 million in 2015. These investments will add 1,712 apartments and 395 family homes. We fully expect to benefit from the growing scarcity of high-quality residential units in the liberalised rental sector, especially in our core markets, giving us visibility for the Fund's future and matching the Fund's regular long-term growth objectives.

The recovery in the residential market and growing interest from domestic and international investors led once again to a steady rise in values, as house prices returned to pre-crisis levels in some areas due to high demand and a lack of supply. This helped us to book a positive indirect return in 2015, and we expect this to continue in the next few years.

The recovery in the residential sector and the very high quality of the residential portfolio enabled the Fund to attract three new investors in 2015.

At year-end 2015, the Fund's property portfolio consisted of 216 properties with a total value of € 3.0 billion.

Retail Fund (open for institutional investors)

Two-pillar strategy is starting to pay off

The Retail Fund booked a return of 4.5% in 2015 (2014: 1.8%), the result of a direct return of 4.4% (2014: 4.5%) and an indirect return of 0.1% (2014: -2.7%). The average occupancy rate was 94.2% (2014: 94.4%). The dividend return for 2015 was 4.4% (2014: 4.5%).

The Retail Fund benefited from the continued economic recovery and a strong rise in consumer confidence, which was reflected in an increase in the values of its retail assets in Amsterdam and elsewhere. The Fund once again improved its portfolio through investments and upgrades of existing assets. This reflects the Fund's commitment to investing in assets with solid growth prospects throughout the crisis years. While retail real estate will remain a challenging sector in the years ahead, we believe that our portfolio with a good balance of 'Experience' and 'Convenience' oriented retail real estate assets will continue to generate solid returns in the long term.

In 2015, the completed redevelopments were all in line with our strategic focus on the 'Experience' and 'Convenience' segments of the retail sector. The Retail Fund invested around € 64 million in 2015 and intends to upgrade and future-proof several existing assets, reflecting our continued commitment to this segment of the real estate market.

On a very positive note, the Retail Fund attracted its first three new investors, who joined the Fund as of 1 January 2016. This underlines investor faith in the retail sector and the trust Bouwinvest has garnered on the real estate investment market.

In 2015, the Retail Fund agreed new leases and renewed existing contracts for a total of 38,987 m² of space, representing a rental value of some € 10.2 million.

At the end of 2015, the Fund's portfolio consisted of 42 properties with a total value of € 719 million.

Office Fund (open for institutional investors)

Package of 14 non-core office buildings sold following optimisation strategy

The Office Fund booked a return of 0.5% in 2015 (2014: 0.1%), the result of a direct return of 4.2% (2014: 5.7%) and a negative indirect return of -3.7% (2014: -5.6%). The average occupancy rate fell to 80.1% in 2015 from 89.9% in 2014. The dividend return came in at 4.2% (2014: 5.7%). The negative indirect return was partly due to a strong devaluation of the CentreCourt office complex in The Hague due to the potential vacation of this building by a government ministry.

After various year of outperformance, last year was a year of consolidation and portfolio optimisation for the Office Fund, as this included the disposal of 14 office buildings we no longer considered core assets. The Fund invested € 2.7 million in an upgrade of the WTC complex in The Hague and made preparations for the redevelopment of the Citroën buildings in Amsterdam.

The Dutch office market will continue to be an extremely challenging sector, but the high-quality acquisitions in prime locations the Fund has made in recent years clearly demonstrate that there are still excellent opportunities available. The disposal of non-core assets enabled us to consolidate and optimise our portfolio, taking the proportion of the properties located in our core regions to 100%. Our long-term commitment to this real estate sector means that we will continue to look for opportunities in the prime segment of the office market.

One of the highlights of 2015, was the fact that the Fund acquired its first third-party investor, a French insurer, advised by Amundi. This demonstrates renewed investor confidence in the office sector and trust that Bouwinvest's Office Fund is building a portfolio of offices that will withstand the test of time.

Active asset management and continued investment in upgrading and updating its office assets ensured that the Fund renewed or signed new leases for a total of 33,965 m², representing an annual rental income of € 4.2 million in 2015.

At the end of 2015, the Fund's portfolio consisted of 16 properties with a total value of € 478 million.

Healthcare Fund (on behalf of bpfBOUW)

Two new acquisitions taken into operation in a very promising market

In its second year, the Healthcare Fund reported a net result of € 1.9 million, while its total return amounted to 7.7%. In 2015, the Fund took two new assets into operation. These were both in the Premium Assisted Living segment, thereby creating a temporary imbalance with respect to the targeted distribution of segments. However, the Fund currently has several projects in the pipeline that will restore the balance, in line with the 2018 targets.

As healthcare moves from the state sector into the consumer market, we expect the demand for better quality services to increase substantially as people seek more value for money. We are on the threshold of a new era where 'one size fits all' will no longer be the norm, and consumers will require different levels of healthcare and accommodation according to their lifestyles and needs.

The ultimate potential for the entry of market forces into healthcare real estate in the Netherlands is immense, as the floor space in the sector is projected to grow to 30 million m² by 2030 in or roughly midway between the size of the retail and office markets. Real estate brokers DTZ and CBRE estimate that annual investment transaction volumes in the sector could hit between € 650 million and € 800 million over the next five years. The bpfBOUW mandate to invest in healthcare real estate is € 300 million for the coming years.

Hotel Fund (on behalf of bpfBOUW)

A year of promise

The Hotel Fund lifted profits to € 11.5 million (2014: € 9.8 million). The Fund's total return rose to 8.4% from 6.5% in 2014. Highlights of the year include a turnkey purchase agreement for Amstel Tower Hotel in Amsterdam. For this hotel we have also signed a long-term lease (25 years) with a fixed rent with tenant Meininger. Completion of the hotel is expected in the fourth quarter of 2017 and forward funding started in the fourth quarter of 2015.

In addition, the Fund looked at a number of other opportunities, two of which may turn into transactions.

Steady pressure in Amsterdam supports the Fund's growth strategy. Amsterdam city centre is seeing a clear increase in hotel rooms, driven in particular by the opening of new high-end hotels. A number of leading notable luxury hotel brands have opened recently, or are set to do so in the near future. Despite the growing supply, occupancy rates and average room rates are expected to remain stable due to the increasing demand from growing visitor numbers.

Bouwinvest Development (on behalf of bpfBOUW)

Landholdings represent opportunities

Bouwinvest Development booked a positive return of 2.7% in 2015, compared with a negative return of -16.7% in 2014. The direct result came in at 4.9% (2015: -2.5%) and the indirect result came in at -2.2% (2014: -14.2%), mainly the result of a significant depreciation of a landholding in Nieuw-Vennep.

The existing landholdings in the portfolio are once again increasing in importance. The landholdings represent a potential for 1,750 new homes.

Financial performance Bouwinvest in 2015

Income and costs

Fee income came in at € 30.5 million in 2015, 9.3% higher than in 2014. Combined with the overall management costs of € 25.4 million (2014: € 24.6 million), we recorded a higher than expected margin of € 5.1 million in 2015, up 55% compared to 2014. The total operating costs were higher than in 2014 due to the growth of the organisation and e related personnel costs.

Fiscal result

Deferred tax assets are less the calculated corporate taxes of € 1.5 million for 2015. Deferred tax assets are recognised on the basis of losses from previous years that will be settled with the tax authorities.

Total result

The total result after taxes for 2015 came in at € 4.4 million, which is 18.1% above the average total profit of € 3.6 million recorded in the last five years.

Financial position

As a result of the profit booked in 2015, shareholders' equity increased to € 27.2 million in 2015, from € 29.4 million in the previous year. The solvency ratio was 89% (2014: 88%).

Cash position

At year-end 2015, Bouwinvest had a total of € 16.8 million available in its current account with our 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 € 2.7 million in 2016.

Outlook

Due to the desire for greater diversification in the overall real estate allocation to International Investments, the target allocation will increase in the years ahead. Following last year's shift in focus towards North America and Asia Pacific, the plan is to shift the portfolio towards an equal weighting in terms of regional allocation in the longer term. The performance of the total portfolio International Investments is expected to be in line with the long term target of 7.5%, which is high compared to bonds and net initial yields on direct real estate investments, due to recovering asset values and J-curve effects in the existing portfolio. The existing investments in all regions are expected to generate these relatively high returns, as a result of a combination of anticipated rental growth and favourable financing costs. In general, cap rates are expected to remain in the low range, as the historically high spreads with government bond yields offer a cushion against rising interest rates. The addition of listed real estate contributes to an improvement of the overall risk-return characteristics of the international portfolio.

We expect most real estate markets to continue to grow in 2016 and we are generally positive on the outlook for the growth of returns from our assets under management.

In 2015, we once again reaped the benefits of our continued investment in the past few years – even during the crisis years – and we believe we will continue to benefit from the strategic decisions we made in 2015, including new residential and retail investments and the disposal of a package of office buildings we no longer considered as core assets. We have a positive outlook for the Dutch real estate market and a very solid secured pipeline of new properties of around € 700 million. This will generate even more interest and is expected to lead to new investors.

The real estate sector is now a full-fledged alternative asset class, with a proven track record of outperformance when compared to fixed interest and stock investments. More and more institutional investors are now increasing their allocation to real estate, as it provides solid and stable returns, acts as a hedge on inflation and enables them to diversify their investment portfolios. Real estate has the potential to make investment portfolios far more resilient in the face of turbulent and volatile financial markets and the increasing demands of market regulators. Of course, this is likely to make the market far more competitive and more expensive, certainly for top-notch assets in the prime segments of our core regions. On the other hand, many investors are looking for an investment manager with the right level of expertise and a solid track record in the real estate industry.

We believe we fit that bill. This is why we are seeing a great deal of interest from investors in our open funds. In just two years, we have gone from zero to eleven third-party investors in these funds and we fully expect to welcome many more in the years ahead. This puts us in a very strong market position. We have the funds, the commitment and the market know-how to continue to expand our secured pipeline in 2016 and beyond to meet this growing demand from Dutch and international institutional investors.

Amsterdam, the Netherlands, 14 March 2016

[Bouwinvest Real Estate Investment Management B.V.](#)

Dick van Hal, *Chairman and Statutory Director*

Arno van Geet, *Managing Director Finance*

Allard van Spaandonk, *Managing Director Dutch Investments*

Stephen Tross, *Managing Director International Investments*

Corporate Social Responsibility

Introduction

Bouwinvest believes it has a responsibility to make sure its investments meet sustainability criteria and that we operate in a responsible and ethical manner. We have always taken a long-term view and environmental, social and governance (ESG) criteria play a significant role in our investment strategy. This is because we are convinced that sustainable and socially responsible investments and business operations play a key role in helping us to book stable returns from our real estate investments.

The effective integration of social, environmental, and/or ethical considerations in our core business strategy and operations helps us to create more value for our stakeholders and generate better risk-adjusted financial returns for our shareholders. This is why we have included these ESG factors in our daily operations and decisions for many years.

Our CSR strategy enables us to respond to issues such as: investment market changes, shifting consumer demands, legislation and regulation compliance, climate change, and the need to use natural resources more efficiently. And we can do this in combination with the creation of value for all our stakeholders.

CSR highlights 2015

- Several success stories in building long-term value through sustainable partnerships
- GRESB Green Star status for our three Dutch sector funds for the second year in a row
- Commitment of the Chairman of the Board of Directors: accelerating sustainability by cooperation and a focus on value creation (statement Dutch Green Building Council)
- Number of best performing Green Star fund managers in our international portfolio have more than doubled over the past four years
- CO₂ emissions for the management organisation further reduced by 0.6% in 2015 (7.7% since 2012)
- Made significant progress in updating our CSR policy
- Active endorsement of our social responsibility in our hiring policy and through a partnership with HomePlan

Stakeholder engagement and management

At Bouwinvest, we work with various stakeholders and realise that our business conduct and the choices we make affect those stakeholders, either in short-term or the long-term. Our stakeholders include shareholders, investors, tenants, business partners, such as property managers, international real estate managers and real estate developers, our employees, regulatory bodies, local authorities and society as a whole. We make it our duty to show our involvement with these parties, and to take responsibility in the fields that our stakeholders find important.

The current environmental and social issues that are important to our stakeholders include good corporate governance, ethical behaviour, a strong respect for human rights, sustainable real estate and a good living environment. We pay close attention to these issues when making investments.

Bouwinvest believes that the best way to engage with its stakeholders is through open and transparent dialogue. This dialogue helps us to identify the material issues that are relevant to the Bouwinvest organisation and its funds and to ascertain what our stakeholders want and the issues they find relevant to them. Identifying these issues in turn helps us to have a more positive impact, reduce costs, future-proof our organisation and, ultimately, create value for all our stakeholders.

CSR pillars

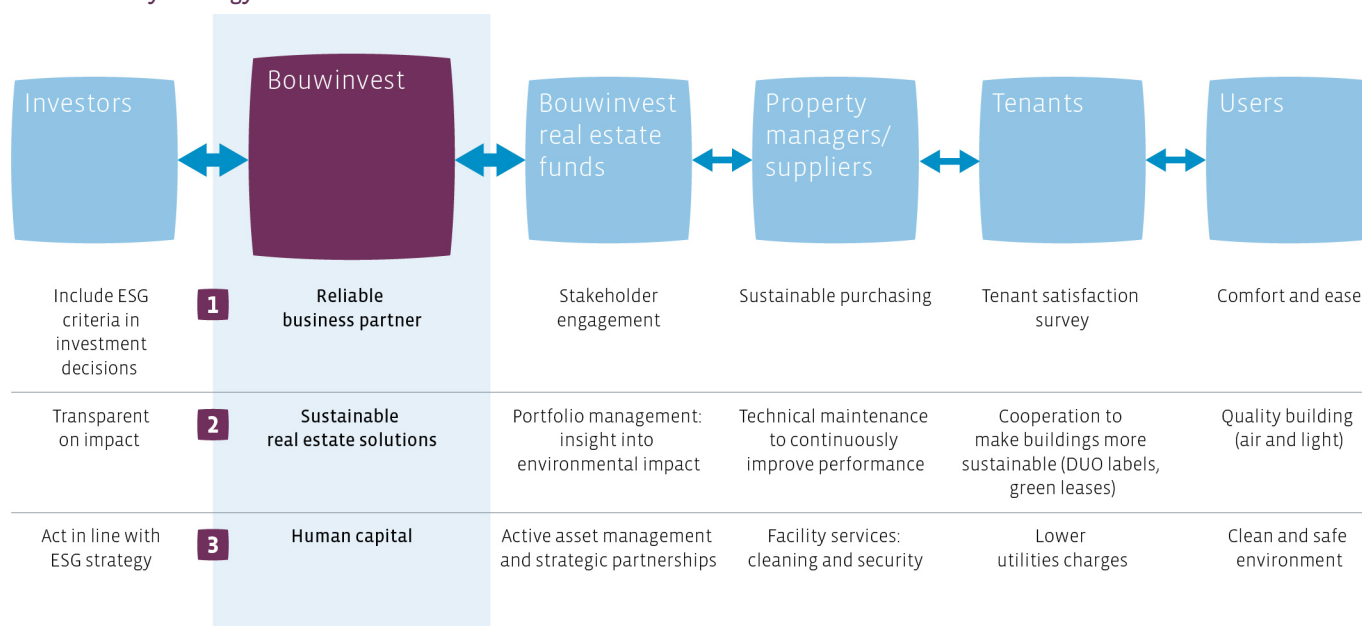
Our CSR pillars

Bouwinvest has divided its CSR mission and activities into three pillars:

1. We aim to be a reliable business partner and meet the expectations of our investors through full transparency on our CSR track record and goals.

2. We endeavour to continuously improve the sustainability of our investment portfolio in cooperation with all our stakeholders.
3. Our goal is to be a flexible, ethical and fair employer to help our people to achieve Bouwinvest's CSR ambitions.

Sustainability strategy and material issues



Sustainable and reliable business partner

Bouwinvest sees sustainability as an integral part of its business and we believe that transparency on where and how we impact society is a key element in improving our sustainability performance. This transparency gives us invaluable insight into the issues relevant to us and to our stakeholders, and enables us to define clear priorities and set concrete and measurable targets.

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

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

Sustainable real estate

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

See the CSR sections of the Fund annual reports for more details.

Benchmark international real estate investments

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

In 2015 we assessed the effectiveness of our Responsible Investment Property Policy. We received valuable input from our international real estate investments to evaluate and further enhance our policy and increased our understanding of the challenges and opportunities in the real estate sector regarding responsible property investment.

The results of the GRESB benchmark once improved in 2015, despite a slight drop in response rate in the yearly assessment.

Highlights GRESB and international portfolio:

- The number of investors participating in the GRESB benchmark dropped slightly to 65% from 68% measured by NAV.
- The number of Green Stars increased to 18 from 15 (unlisted investments) and rose to 21 from 18 for listed investments. This means that the number of Green Stars overall has more than doubled since benchmarking started.
- The international portfolio outperformed the benchmark, with an average total score of 59 compared with a global average of 55.
- The score increased considerably throughout the portfolio. For the unlisted investments, 91% improved their score compared to last year (in 2014: 43%). For the listed investments, the increase was also impressive: 78 %, following an increase of 54% in 2014.
- The unlisted investments participating in GRESB delivered a 3% overall decrease in energy consumption (80.531 MWh) and a 3% overall decrease in GHG emissions (18.841 tonnes).

Sustainability performance is one of our key criteria in investment decisions and risk assessment, and we give a clear preference to investments with higher sustainability scores. The inclusion of the corruption index per country and the RobecoSAM country sustainability index in our internal Bouwinvest Global Market Monitor also enables us to assess and manage ESG risks even more effectively when selecting our international investments.

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

A sustainable, ethical and fair employer

Bouwinvest sees its employees as its most valuable resource and its most important source of value creation. Our HR policy is aimed at providing our employees with the knowledge, expertise and skills they need, so they can develop their talents, expand their skill sets and help create a pleasant and stimulating working environment. The results of last years' employee engagement surveys show that this approach is working. For the past three years, Bouwinvest has booked a steady improvement in what we see as a one of the main spearheads of our HR policy. No less than 95.5% of our employees responded to the 2015 survey, which is more than 15% more than the benchmark of 80.5% for financial institutions and way above the national average of 70.8%. This demonstrates a remarkably high level of engagement on the part of our employees. This was confirmed by another rise in our employee engagement score to 8.0, compared with 7.8 in the 2013 survey.

For more details, please see the HRM section in this report.

Progress made in 2015

In 2015, Bouwinvest took a number of significant steps to further integrate corporate social responsibility into its day-to-day business. The pillars of our CSR strategy are: our aim to be a reliable business partner, to increase the sustainability of our real estate investments in cooperation with our stakeholders and our goal to be an ethical and fair employer. The shift to a more refined set of CSR pillars signals a step forward in our journey of linking financial and sustainability ambitions and strategy to create long-term stakeholder value.

Dutch real estate funds win Green Star status

Bouwinvest uses the Global Real Estate Sustainability Benchmark (GRESB) to measure and compare the sustainability performance of our three main Dutch sector funds. In 2015, Bouwinvest's three main Dutch sector funds once again actively participated in this initiative, which is aimed at boosting transparency and sustainability in the real estate sector. Thanks to this strategy and the actions that Bouwinvest continued to make in 2015, Bouwinvest's Residential, Office and Retail funds were awarded Green Star status for the second year in a row. Green Star is the highest possible category in the GRESB rankings and we will be doing our utmost to retain this status in 2016 and beyond.

Sustainability hotspots

Bouwinvest is currently working on a materiality matrix to help the company identify the main sustainability issues and devise a strategy to deal with them on an ongoing basis. This is important because sustainability is about a lot more than the environment and reducing emissions. Real sustainability also embraces ethical, legal, social, compliance, risk and human resources issues.

In today's ever more demanding environment, a CSR strategy has to address all these issues to create sustainable value for an organisation's stakeholders. The materiality matrix will help us to further boost awareness of how important it is for us to embed ESG criteria in our day-to-day business, and help us to refine our priorities and targets. It will also act as a starting point for further engagement with several relevant stakeholder groups in 2016.

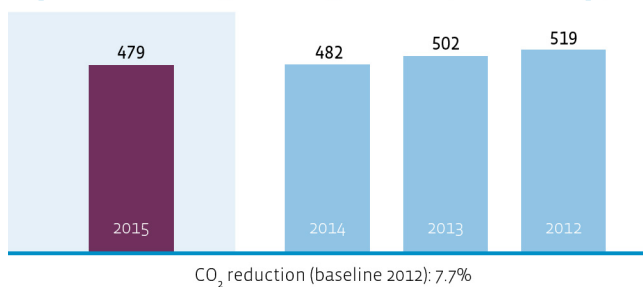
CO₂ footprint Bouwinvest organisation

In 2012, Bouwinvest started to improve the transparency of the management organisation's CO₂ emissions. A year later, we expressed our ambition to make our operations carbon neutral by 2020. We have already made significant progress in reducing our emissions in recent years and we took further steps to reduce emissions in 2015. Progress made this year include:

- Electricity consumption in our head office fell by another 9% in 2015; totalling a reduction of 37% since the start of active energy management in 2010.
- Emissions from our waste disposal fell by 11%.
- The use of more fuel-efficient lease cars (including hybrid and electric lease cars) resulted in a reduction in CO₂ emissions of more than 2%, while the number of kilometres driven increased by 4%.
- A side-effect of an increase in our international real estate allocation was a 14% increase in CO₂ emissions from air travel.

These and other measures led to a total reduction in our total CO₂ emissions of 0.6% compared to the previous year. Carbon emissions intensity, calculated as tonnes of CO₂/FTE dropped by 2.9%. In addition, Bouwinvest purchases renewable energy (electricity) for its entire real estate portfolio. This is part of Bouwinvest's policy to reduce any negative impact on the environment and stimulate the use of sustainable sources of energy.

CO₂ emissions management organisation (in tonnes CO₂e)



Highlights sector funds

Residential Fund

- GRESB Green Star classification for second successive year.
- Acquisition Rijswijk Buiten, first project in which homebound energy is reduced to zero.
- Start transformation former Shell head office into apartments.
- Renewable energy: solar panels to be installed in 39 family homes.
- Policy: introduction new sustainability assessment framework acquisitions.

ZEN homes

Bouwinvest has joined the ZEN (Zeer Energiezuinige Nieuwbouw – extremely energy-efficient new-build homes) platform, which aims to promote sustainability and make extreme energy efficiency the norm in new-build homes. Bouwinvest is the only liberalised sector rental home investor to have joined this initiative, which includes 40 companies from the construction industry and housing sector. As part of its sustainability drive, in June 2015, the Residential Fund and construction partner Dura Vermeer signed a contract for the construction and purchase of 200 homes in the Rijswijk Buiten residential development, close to the cities of Rijswijk, The Hague and Delft. All the homes will be in the liberalised mid-rental segment and come complete with state-of-the-art climate control systems. The homes will be fitted with solar panels, thermal energy systems and efficient ventilation installations. They will all have an energy-efficiency coefficient of zero, much higher than the 0.6 coefficient required for all new-build homes under current European environmental legislation. Construction on the first 43 homes started in 2015 and delivery is planned for 2016.

Retail Fund

- GRESB Green Star classification for second successive year.
- Fund continued to implement Green Leases.
- BREEAM design certificate (Very Good) for Damrak; the Fund's second green building certificate and two BREEAM In-Use certifications in progress (Goverwelle, Makado).
- Web-based energy consumption monitoring and management.

Green Building Certificates

The design for the redevelopment of the retail complex Damrak 70 and 80 in Amsterdam was awarded the BREEAM NL New Build and Renovation Very Good certificate at year-end 2015. The design team worked with a BREEAM NL expert to incorporate a host of sustainability measures in the design. The roof has been fitted with solar panels and the building has been fitted with LED lighting. The designers also opted for energy-efficient escalators and lifts, while virtually all the existing construction was either reused or incorporated in the design. The redevelopment also complied with the Bewuste Bouwers sustainable construction code, which includes standards for minimising and separating waste, the reduction of energy and water use, safety and the prevention of nuisance in the immediate environment. The plan is to continue this initiative by working with tenants to introduce a broad range of measures for the fit-out and use of the retail premises, with the ultimate aim of a BREEAM NL Very Good certificate once the renovation is complete and the tenants have moved into the complex. This is expected at year-end 2016.

The adjoining project Nieuwendijk 196 in Amsterdam has already received the design certificate BREEAM Very Good and delivery certification Very Good is expected in the first quarter of 2016. In 2015 the Fund also started the process for obtaining the BREEAM-NL In-Use certificate for two shopping centres; Goverwelle (Gouda) and Makado (Purmerend). Both certificates are expected at first quarter 2016.

Office Fund

- GRESB Green Star classification for second successive year.
- BREEAM In-Use certification in progress for Arthur van Schendelstraat.
- Full portfolio coverage energy certificates.
- 37% reduction in energy consumption Olympisch Stadion (Parking) by LED lighting and dynamic lighting system installed in 2014.
- Linking up Beurshal WTC Rotterdam to adjacent thermal energy storage system.

Sustainable partnerships

The Office Fund worked very closely with fair trade organisation Max Havelaar and micro-credit provider Oikocredit on the renovation and refitting of its Arthur van Schendelstraat building in Utrecht, with the aim of creating truly sustainable office suites. When Max Havelaar and Oikocredit approached Bouwinvest they had very clear demands regarding their future office space, as they wanted it to be a clear extension of the culture, working environment and identity of the two idealistic organisations.

They wanted pleasant lighting, a healthy interior climate and they wanted to be close to Utrecht central station. Arthur van Schendelstraat fit the bill perfectly and the Office Fund and its future tenants set to work – in partnership – to put together a package of measures that would create offices that will meet sustainability standards long into the future. These measures included solar panels, a wide range of energy efficiency measures and the use of sustainable materials for the renovation. This has already helped improve the energy label for the building to B from D and further improvement is expected. Bouwinvest has also applied for a BREEAM NL In-Use certificate and expects to obtain this in 2016. The improvements in the sustainability of the office building have led to a great deal of interest from like-minded organisations in the non-profit sector. The Fund is currently in negotiations on a number of leases.

Human Resources Management

Human Resources Management's primary goal is to ensure that Bouwinvest has the personnel it needs to achieve its goals, organised in a manner that facilitates those goals. Strategic personnel planning and succession planning are key factors in the HR planning cycle. The results of this planning include a personnel development scheme and mobility plans, from internal moves to hiring and retention. The annual cycle of work planning is a cascade from fund and business plans to department targets to individual plans and evaluation cycles. More than ever, change is the one constant factor. For this reason, organisational changes are aimed at increasing flexibility at various levels, across the organisation as a whole, within departments and individual jobs. To achieve this, Bouwinvest focusses on processes rather than hierarchy. Empowering personnel is essential to success. Changes in everyday workplaces are demanding and the input of each individual employee is needed if Bouwinvest is to move forward while staying firmly in control, something that is a major requirement of our investors and regulators (The Dutch Central bank and the Dutch Financial markets Authority). Information and knowledge-sharing throughout the company is essential, which requires constant investment in facilitating IT systems and exploring the expanding uses for information. Security awareness training has become an integral part of every IT training course and the annual compliance training scheme.

HRM Highlights in 2015

HR cycle

The annual HR cycle confirmed that Bouwinvest has a future-proof employee base and that key positions all have secured short-term replacements. We also identified growth potential. During the mid-year reviews, we matched individual ambitions with company needs. The main ensuing initiatives were aimed at job-related development and talent management, which Bouwinvest offers in the form of a potential program, as well as via company opportunities in internal projects. The awareness of potential and ambitions also increases internal mobility, which, combined with development opportunities, is an important driver of employee satisfaction.

IT and information

This year, we launched the document management system to facilitate company-wide information sharing, while at the same time ensuring a higher standard of digital document management. The system has many features and requires a different approach to documents and digital archives. Introducing the entire company to the system will take another year and realising its full potential possibly another two years.

Operational excellence and integrity

Each year, management announces one or two central themes that departments and individual employees are then expected to 'translate' to their own practices. In 2015, the themes were Operational Excellence and Integrity.

The operational excellence theme led to an impressive variety of initiatives throughout the company, from cost-efficiency measures related to existing business contracts to revised internal cooperative agreements and innovative exploratory initiatives. Integrity once again proved to be an integral part of the company DNA. Departments easily formulated suitable requirements and enthusiastically participated in the compliance dilemma training.

Innovation

Bouwinvest means to instigate real change by putting its people in charge. Delegating responsibilities to the lowest possible level will achieve this at individual job level. Taking one step further, we are trying to extend employee participation right into business management, paving the way for fresh views and innovative ideas. Colleagues from various departments and hierarchical levels are invited to join in projects involving process design, revising or designing internal regulations or selecting and implementing new IT applications. Last year, HR invited our young professionals, organised in Young Bouwinvest!, to explore future work trends and draft success factors for HRM in the near future. All these initiatives were warmly accepted and led to the formation of an Innovation Lab to promote and enable the exploration of innovative ideas throughout the organisation. Innovation will be one of the central themes for 2016.

Collaboration is vital

The real estate investment sector is a people business; it depends completely on know-how and expertise. And achieving commercial focus requires very high levels of collaboration and knowledge exchange, right across the organisation. This will be one of the major drivers of change at Bouwinvest in the years ahead. Collaboration is already implicit in almost everything we do, but in the future it will be a very explicit and integral part of how we do business.

To promote collaboration, we introduced an open-plan office, literally breaking down barriers and bringing people from different parts of the organisation closer together. This effort was boosted by the flex working practices we introduced, such as the absence of fixed work stations for a large number of our employees.

Communicating change

Communication is a key factor in the promotion of collaboration and Bouwinvest has stepped up its internal communications in several ways. We now make maximum use of internal media, such as our group intranet and various in-house newsletters, increasing the number of internal news items and project write-ups. People are now much more aware of what is happening in other parts of the organisation.

Putting people first

Our people and their know-how, their commitment and their engagement are essential to our continued success. This is why Bouwinvest places so much focus on its people's professional and personal development. We want our people to be committed and accept accountability for their results. But commitment and accountability are two-way streets. We cannot expect people to be engaged unless we as an organisation show similar levels of engagement. We provide our people with the tools they need and create a culture in which they can focus on what they need to do.

Respect people, have fun and make money

We invest both time and money in the development of professional and personal skills, to create project challenges and also to promote an active vitality programme with a range of individual sports activities and collective events. In addition to our commercial success, we feel that this engagement has also helped us to achieve one of the lowest absenteeism rates in the real estate industry and indeed in the Dutch corporate world.

We also organise regular social and networking events for the entire organisation. These have increased the opportunities for internal networking and helped create a much more cohesive organisation, with fewer barriers in communications across the company. Besides this, the social events give people a chance to get to know each other in an even more relaxed atmosphere.

Investing in the future

We want to continue to improve as an organisation with the people we have on board and we want them to grow with us. We already have strategic personal planning and succession planning in place and in 2013 we introduced the Management Development programme, covering a wide range of management skills. The 2014 launch of the development programme for team leaders and high potentials was the next logical step in the process. We continued to roll this out in 2015, paving the way for the next generation of leaders. We also conducted our bi-annual employee engagement survey, which shows us when our employees think we are on the right track and identify improvements to make us even more effective.

Last year's survey showed that we are indeed on the right track, as we recorded a score of 8.0, compared with 7.8 in the 2013 survey.

Accepting social responsibility

Bouwinvest does not exist in a vacuum and we aim to play an active and positive role in the world around us. We actively promote the regeneration of neighbourhoods in inner city areas across the Netherlands, both at head office level and through our investment funds, and encourage our people to get involved in social initiatives.

On a real bricks and mortar level, Bouwinvest once again extended its partnership with the HomePlan charity foundation, which builds houses for some of the world's poorest people. For an initial period of three years, Bouwinvest will make a fixed donation to the charity's housing projects, but we have also committed to getting our own people involved in initiatives around the globe. In October of last year, two Bouwinvest employees spent time in South Africa with a HomePlan team building homes in the slums of Pomeroy in the country's KwaZulu NatalSan province. Four families had new homes in time for Christmas.

On the home front, young people are currently finding it very difficult to enter the job market. Bouwinvest has therefore aims to increase the number of interns we take on each year, giving young people a chance to work in a highly professional environment and gain valuable work experience.

Influencing respectful personnel management with business partners has now been incorporated in selection criteria when tendering for Facility Management services, such as catering and cleaning. In addition to pricing, social responsibility is now a key issue in the selection of new partners and is part of our Service Level Agreements.

For more information on Bouwinvest's CSR initiatives, see the CSR section in this annual report.

Corporate governance

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

Board of Directors

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

Supervisory Board

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

Committees

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

Company secretary

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

Shareholders' Meeting

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

Policies, rules and regulations

Corporate Governance Code

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

Code of Conduct

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

Compliance

Bouwinvest has an independent compliance function that identifies, assesses, advises on, monitors and reports on the company's compliance risks. These include the risk of legal or regulatory sanctions, financial loss, or loss of reputation that the management company may suffer as a result of any failure to comply with applicable laws, regulations, codes of conduct and standards of good practice. The compliance officer reports to the statutory director on a monthly basis and to the chairman of the Supervisory Board on issues related to the Board of Directors. You will find more details on the compliance function in the Risk Management section of this annual report.

Conflict of Interests policy

Bouwinvest has a Conflicts of Interests policy. The purpose of this policy is to protect the interests of Bouwinvest and the interests of the Fund when Bouwinvest is contemplating entering into a transaction or arrangement that might benefit the private interests of a Bouwinvest employee or might result in a possible excess benefit transaction. The policy also describes how Bouwinvest should act with respect to the allocation of different investment opportunities over the respective funds and clients. The policy is intended to supplement but not replace any applicable Dutch laws governing conflicts of interests.

In 2015, there were no conflicts of interests as referred to in the Bouwinvest Conflicts of Interests Policy, either between the members of the Board of Directors, the management company, or the funds managed by the management company.

Internal control framework

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. In the first quarter of 2016, Bouwinvest was awarded ISAE 3402 type II certification for the year 2015.

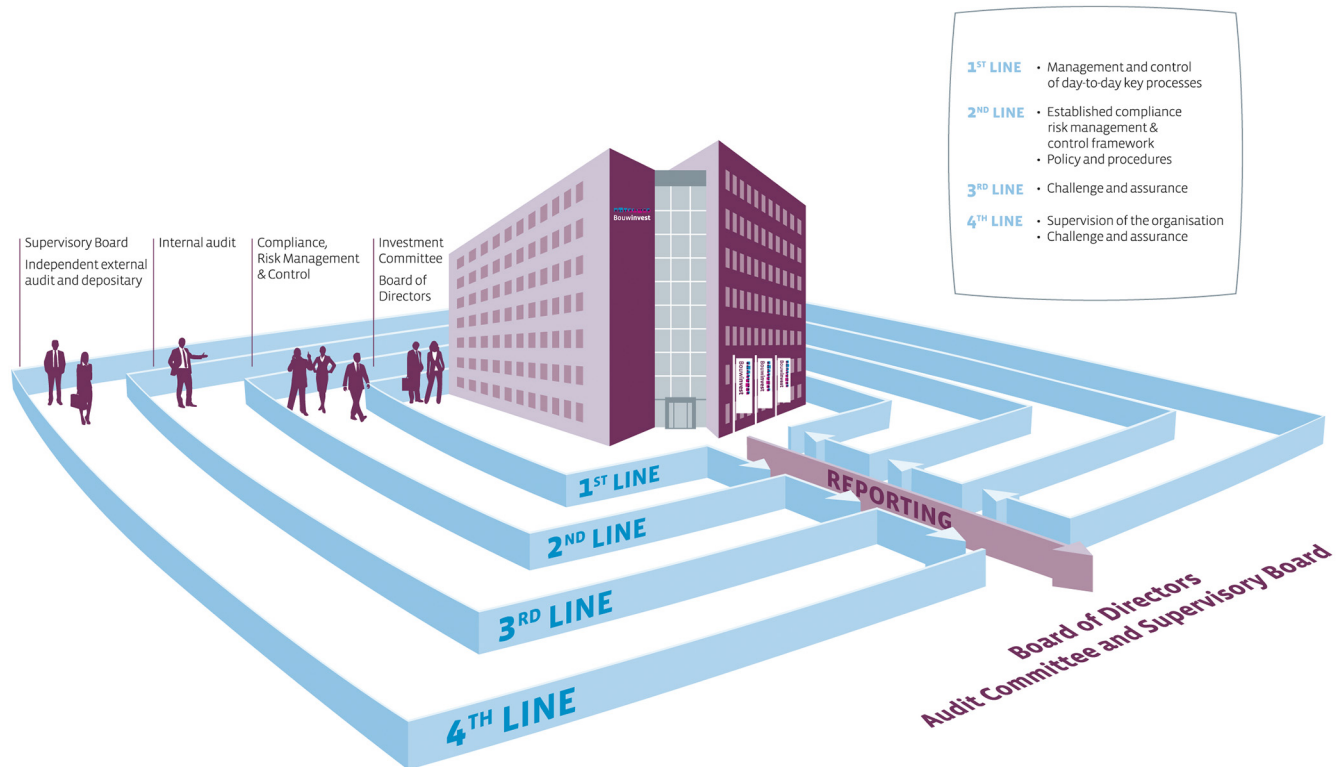
Four lines of defence

Bouwinvest has a monitoring and control framework based on the four lines of defence principle. The compliance, risk management, control and internal audit functions at Bouwinvest are aligned in accordance with that principle. This is an integrated approach to compliance and risk management, with policies designed to meet the demands of both regulatory supervision and public opinion, while enabling the oversight functions to operate in a focused, efficient and cost-effective manner.

The four lines of defence are as follows:

1. Board of Directors - responsible for embedding the risk and control environment in the organisation's day-to-day operations.
2. The Compliance, Risk Management and Control functions – responsible for risk-related, compliance and control policies, efficient and cost-effective implementation of the policies and continuous improvements.
3. Bouwinvest's internal auditor – operates independently and responsible for the execution of required control measures.
4. Supervisory Board and external auditor - the Supervisory Board supervises the Board of Directors and provides advice on Bouwinvest and her related business.

Bouwinvest's four lines of defence



Regulation

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

Funds managed by Bouwinvest

The management company manages the following funds:

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

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

External auditor

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

Dutch Management and Supervision Act

The Dutch Management and Supervision Act (Wet bestuur en toezicht) came into force on 1 January 2013. Bouwinvest has amended its articles of association and internal regulations in line with this legislation, insofar as applicable and necessary. The Management and Supervision Act includes a guideline for a balanced gender ratio within the Board of Directors and Supervisory Board. At least 30% of these positions should be filled by women and at least 30% by men. Bouwinvest's Board of Directors and Supervisory Board do not yet have the above-mentioned gender balance. Based on the profiles of the members of the Board of Directors and of the Supervisory Board, in the event of future resignations Bouwinvest will carry out an evaluation to determine the desired profile of any new members. This evaluation will take into account diversity criteria, including a balance of male and female.

In Control Statement

The Board of Directors has issued an 'in control' statement on the financial reporting risks and strategic and operational risk management at Bouwinvest. The Board of Directors is responsible for proper risk management and internal control systems and for assessing their effectiveness. Based on its assessment of the risk management and internal control systems, the Board of Directors believes that these systems provide a reasonable level of assurance that the financial reports contain no material errors. In general, the risk management and internal control systems functioned properly in 2015 and there is no indication that these systems will not function properly in 2016. No shortcomings that could have a material impact were identified in these systems in 2015, nor up to the date this annual report was signed in 2016. Furthermore, no deficiencies in the internal control systems were identified that could have a material impact on operational and compliance risks, nor on the financial reporting function and the functioning of the internal and external auditors.

Risk management

Risk management and compliance

Bouwinvest recognises the importance of a solid risk management framework. The aim of the framework is to identify and mitigate risks, making it possible for the company to achieve its goals more effectively.

The developments of the past few years in the financial sector and among asset managers have led to calls for stricter legislation and regulations to prevent a repeat of the various crises. The banking, insurance and pension sectors still face increasing regulation and monitoring by regulatory authorities. As a consequence, institutional investors attach ever increasing importance to internal risk management, compliance, transparency and open accountability to stakeholders.

The various cases of major real estate fraud seen in the past have led to a rethink in the sector. Apart from stricter legislation and stakeholders that have forced the sector to take action, real estate players have realised that this kind of behaviour simply cannot be tolerated. Due in part to new legislation and the sector's need for internal reform, real estate asset managers are continuously improving risk management, compliance and internal auditing practices to prevent future incidents. The real estate world is changing rapidly and players in the sector are – wherever possible – making use of lessons from the banking and insurance worlds.

Risk management framework

Bouwinvest recognises the importance of a solid risk management framework. The aim of the framework is to identify and mitigate risks, making it possible for the company to achieve its goals more effectively.

Bouwinvest has chosen the globally recognised COSO framework as the basis for its own risk management. This model goes beyond internal controls and also covers the entire internal management system and is known as COSO or Enterprise Risk Management Framework (ERMF). Based on this framework, Bouwinvest has also drawn up its own Reporting and Monitoring Framework with its Four Lines of Defence, as described in the Corporate Governance section in this annual report.

Main risks and mitigating factors

In 2015, Bouwinvest recognised the following management risks:

- Continuity
- Integrity and Compliance
- Quality
- Legal
- Fiscal

Continuity

The continuity risk is the risk relating to the continuity of the management organisation, as a result of which the company can no longer meet the terms of its agreements with bpfBOUW and other clients. This risk is mitigated by closing service level agreements with outsourcing partners, by drawing up and maintaining a business continuity plan and by the application of an information security policy.

Integrity and Compliance

Integrity and compliance risk covers risks related to the failure to comply with laws, regulations or transparency requirements by either Bouwinvest, any member of the Bouwinvest organisation or by any party with whom Bouwinvest is conducting business. This risk is primarily mitigated by having a clearly articulated governance structure and by providing Bouwinvest employees with a clear set of rules of conduct. On top of that, several procedures stipulate certain compliance activities to minimise the risk of integrity issues for Bouwinvest or any of its investors.

Quality

The quality risk is the risk that the management organisation is unable to deliver sufficient quality, as a result of which Bouwinvest is unable to meet the terms of its agreements with bpfBOUW and other investors in an adequate fashion. This risk is mitigated through the use of an internal (process) management framework in accordance with ISAE 3402, which is tested annually by an external auditor. In addition to this, a Corporate Social Responsibility action list is monitored and a business incidents procedure is in place.

Legal

As an investment manager, Bouwinvest and its subsidiaries engage in a wide array of contracts and legal obligations. Legal risk is the risk that an external party holds Bouwinvest liable for compensation for damages that Bouwinvest or a related party may have caused. To prevent any of these legal liabilities, the Bouwinvest Legal department is involved in due diligence for commitments made by Bouwinvest or any of its subsidiaries. If necessary, external counsel is brought in for highly specialised knowledge or for litigation purposes.

Fiscal

In a capital-intensive sector like real estate investment tax is an important part of investment decisions. In conducting business there is always a risk of paying either too much or too little tax. Both, but especially the latter, can have considerable financial and legal consequences. Guided by our tax manager and international tax lawyers, Bouwinvest optimises its activities fiscally to avoid over-taxation, while staying well within legal boundaries.

Control of investment decisions

The Investment Committee (IC) is an important advisory body for the Board of Directors in terms of risk management. Supported by the Risk Controller, the Manager Corporate Control participates in the IC and tests the investment process, decision-making and investment proposals. He does so together with the Compliance Officer and several other Bouwinvest specialists. Investment proposals are tested in advance against KPIs, the fundamentals of which are set annually in the investment plan. This includes looking at whether the investments are in line with the budgeted amounts of the various locations and whether the risk classification is correct and in line with the intended investment strategy and the goals for portfolio diversification.

After the IC has provided its advice, the proposal is presented to the Board of Directors. The Board will take the IC advice into consideration and makes the final decision. For investments above a certain threshold, an additional approval by the Supervisory Board is required. Using leverage is a well-known risk factor in the real estate world. Unlike many other real estate investors, Bouwinvest makes no use of leverage for Dutch investments. Bouwinvest's international investments do involve leverage, but this accounts for a limited proportion of total investments and is continuously monitored in financial and risk reports.

In addition to leverage, extra risk factors in Dutch and international investments include business partners, related due diligence and fiscal matters. All of these are monitored closely by the risk and compliance functions. In the case of international investments, Bouwinvest devotes extra attention to fee structures and their relation to a fund's performance.

Alternative Investment Fund Managers Directive (AIFMD)

In early 2014, Bouwinvest was one of the first parties in the Netherlands to obtain an AFM licence as required by the AIFMD. This licence allows Bouwinvest to manage funds that are open for other institutional investors besides bpfBOUW.

The AIFMD specifies certain transparency and integrity-related requirements for Alternative Investment Funds. In 2015, Bouwinvest further optimised its reporting processes. In addition to this, Bouwinvest streamlined its cooperation with depositary Intertrust. Bouwinvest foresees no AIFMD-related challenges for 2016.

Monitoring and reporting

Within the different activities of Bouwinvest a wide array of risks is continuously monitored by the Board of Directors. To support this monitoring and to optimise risk transparency, quarterly risk reports are produced by the Risk Controller. In 2015, 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 Portfolio bpfBOUW and the fund risk report have been revised in 2015. Revision has focused on clarifying and compacting information regarding risks 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 of Business Incident Reporting remained unchanged in 2015.

Financial statements

Balance sheet as at 31 December

Before appropriation of result, all amounts in € thousands

	Note	2015	2014
Assets			
Intangible fixed assets	1	488	-
Tangible fixed assets	2		
Leasehold improvements		648	765
Equipment		244	903
		892	1,668
Financial fixed assets			
Participations	3	10,287	9,831
		10,287	9,831
Current assets			
Receivables		9	2
Receivables group companies	4	-	686
Taxes	5	1,572	1,450
Deferred tax assets	6	2,996	4,470
Other receivables and accrued assets		12	177
Cash and cash equivalents	7	16,754	12,486
		21,343	19,271
Total assets		33,010	30,770
Equity and liabilities			
Issued capital		225	225
Share premium		41,367	41,367
Retained earnings		(16,592)	(17,579)
Net result for the year		4,422	3,173
Shareholders' equity	8	29,422	27,186
Current liabilities			
Accounts payable		160	257
Taxes and social security premiums	9	908	894
Pension premiums	10	450	589
Other liabilities		904	749
Accrued liabilities		1,166	1,095
		3,588	3,584
Total equity and liabilities		33,010	30,770

Profit and loss account

All amounts in € thousands

	Note	2015	2014
Management fee	11	30,503	27,854
Operating costs			
Personnel costs	12	17,959	17,014
Depreciation costs	1-2	654	765
Other operating costs	13	6,835	6,812
Total operating costs		(25,448)	(24,591)
Operating result		5,055	3,263
Result from participations	14	841	(331)
Interest income	15	-	21
Result before taxes		5,896	2,953
Corporate income tax	16	(1,474)	220
Result after taxes		4,422	3,173

Statement of cash flows

All amounts in € thousands

	2015	2014
Cash flow from operating activities		
Net result	4,422	3,173
Adjustments for:		
Depreciations	654	765
Result from participations	(841)	331
Deferred tax assets	1,474	(220)
Movements in working capital:		
Movement in receivables	722	(1,196)
Movement in current liabilities	4	(885)
Cash flow from operations	6,435	1,968
Interest received	-	21
Interest paid	-	-
Cash flow from operating activities	6,435	1,989
Cash flow from investment activities		
Investments in tangible fixed assets	(15)	(451)
Investments in intangible fixed assets	(351)	-
Dividends received	385	242
Cash flow from investment activities	19	(209)
Cash flow from financing activities		
Proceeds from sale of group companies	-	4,001
Acquisition of other participations	-	(5,906)
Dividends paid	(2,186)	-
Cash flow from financing activities	(2,186)	(1,905)
Net cash flow	4,268	(125)
Cash and cash equivalents as at 1 January	12,486	12,611
Increase/(decrease) in cash and cash equivalents	4,268	(125)
Cash and cash equivalents as at 31 December	16,754	12,486

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

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

Basis of preparation

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

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

Accounting policies

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

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

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

Financial instruments

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

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. The carrying amounts of all financial instruments approximate the fair value. If the financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes to the 'Contingent rights and obligations'.

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

Intangible fixed assets

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

Depreciation of equipment is over a period of three to five years.

Tangible fixed assets

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

Depreciation of equipment is over a period of three to five years.

Financial fixed assets

Participations

When significant influence is exercised, associated companies are valued at net asset value. When no significant influence is exercised, associated companies are valued at cost less impairment, if applicable. With the valuation of associated companies any impairment in value is taken into account.

Current assets

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

Cash

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

Current liabilities

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

Management fee

The management fee is calculated based on the assets under management and project turnover.

Taxes

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

Notes to the cash flow statement, general principles

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

Notes to the balance sheet

All amounts in € thousands

1 Intangible fixed assets

	2015	2014
Book value as at 1 January	-	-
Reclassified from tangible fixed assets	395	-
Investments	351	-
Depreciations	(258)	-
Book value as at 31 December	488	-
Purchase value	7,529	-
Cumulative depreciations	(7,041)	-
Book value as at 31 December	488	-

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

2 Tangible fixed assets

	Leasehold Improve- ments	Equipment	Total 2015	Total 2014
Book value as at 1 January	765	903	1,668	1,982
Reclassified to intangible fixed assets	-	(395)	(395)	-
Investments	-	15	15	451
Depreciations	(117)	(279)	(396)	(765)
Book value as at 31 December	648	244	892	1,668
Purchase value	5,578	1,125	6,703	13,867
Cumulative depreciations	(4,930)	(881)	(5,811)	(12,199)
Book value as at 31 December	648	244	892	1,668

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

3 Participations

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

	Book value 31-12-2014	Deposit/ repayment	Dividend	Result 2015	Book value 31-12-2015
Bouwinvest Dutch Institutional Residential Fund N.V. (0.2%)	6,036	-	(224)	735	6,547
Bouwinvest Dutch Institutional Office Fund N.V. (0.3%)	1,804	-	(78)	15	1,741
Bouwinvest Dutch Institutional Retail Fund N.V. (0.3%)	1,991	-	(83)	91	1,999
Total	9,831	-	(385)	841	10,287

4 Receivables group companies

	2015	2014
Bouwinvest Dutch Institutional Residential Fund N.V.	-	503
Bouwinvest Development B.V.	-	183
Total	-	686

5 Taxes

	2015	2014
Value added tax	1,456	1,391
Dividend tax	116	59
Total	1,572	1,450

6 Deferred tax asset

	2015	2014
Deferred tax assets	2,996	4,470
Total	2,996	4,470

The compensable loss at year-end 2015 amounted to € 11,941,000 (2014: € 18,012,000). This deferred tax asset can be taken in the following three years up to and including 2018. Taking into account the compensable loss, the deferred tax asset has been set at 3.0 million

7 Cash and cash equivalents

	2015	2014
Bank balances	16,754	12,486
Total	16,754	12,486

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 2015	225	41,367	(17,579)	3,173	27,186
Net result for the year	-	-	-	4,422	4,422
Appropriation of result	-	-	3,173	(3,173)	-
Dividends paid	-	-	(2,186)	-	(2,186)
Balance at 31 December 2015	225	41,367	(16,592)	4,422	29,422

Before appropriation of result

	Issued capital	Share premium	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2014	225	41,367	(22,482)	4,903	24,013
Net result for the year	-	-	-	3,173	3,173
Appropriation of result	-	-	4,903	(4,903)	-
Balance at 31 December 2014	225	41,367	(17,579)	3,173	27,186

9 Taxes and social security premiums

	2015	2014
Payroll taxes	908	894
Total	908	894

10 Pension premiums

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

	2015	2014
Balance as at 1 January	589	598
Payment relating to previous years	(589)	(597)
	-	1
Premiums due for the financial year	1,804	1,917
Payments relating to the financial year	(1,354)	(1,328)
Total	450	589

Contingent rights and liabilities

Contingent rights

Bouwinvest has management agreements with the funds for an indefinite period with a two-year notice period, as well as a mandate with bpfBOUW regarding the International and Heritage portfolios for an indefinite period with a five year notice period. The management fee is calculated on the basis of net asset value, amounting to approximately € 30 million for the year 2016.

Contingent liabilities

Rental and lease agreement-related contracts entered into:

	2015	2014
First year	1,728	1,455
Second to fifth year	5,412	2,716
More than five years	-	-
Total	7,140	4,171

Management takes the position that the management fees charged to the Residential Fund, Office Fund and Retail Fund are exempt from Dutch VAT under the exemption for the management of collective investment funds.

Bouwinvest did not pay the levied Dutch VAT over the second and third quarter of 2013. The Dutch Revenue has imposed an assessment of € 2.0 million with respect to the unpaid VAT. Bouwinvest has appealed the decision from the Dutch Revenue and management expects to pay nil. The maximum exposure, on result before tax, is € 2.9 million in case the VAT have to be paid whereas € 0.9 million is recorded as a receivable, see Note 5.

Notes to the profit and loss account

All amounts in € thousands unless otherwise stated

11 Management fee

Bouwinvest received a management fee of in total € 30.5 million (2014: € 27.9 million), of which € 29.7 million (2014: € 25.7 million) is based on the assets under management and € 0.8 million (2014: 2.2 million) is based on other mandates and project development activities.

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

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

	2015	2014
Bouwinvest Dutch Institutional Residential Fund N.V.	3,151,198	2,715,283
Bouwinvest Dutch Institutional Office Fund N.V.	554,723	565,113
Bouwinvest Dutch Institutional Retail Fund N.V.	738,335	670,322
Bouwinvest Dutch Institutional Hotel Fund N.V.	147,923	140,935
Bouwinvest Dutch Institutional Healthcare Fund N.V.	34,066	15,572
Bouwinvest Development B.V.	111,939	108,934
bpfBOUW (mandates International Investments & Heritage)	2,757,141	2,484,047
Total	7,495,325	6,700,206

The management fee in 2015 was € 29.7 million (2014: € 25.7 million). For the funds this fee is calculated as 0.5% of the 'net asset value'; for the international investments of bpfBOUW it is calculated as 0.3% of the 'net asset value'.

The management fee for the project development activities amounted to € 0.8 million (2014: € 2.2 million).

12 Personnel costs

	2015	2014
Wages and salaries	11,669	10,753
Social security charges	1,160	1,213
Pension fund charges	1,745	1,800
Temporary staff	1,135	989
Other personnel costs	2,250	2,259
Total	17,959	17,014

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

	2015
Pension fund agreements chargeable to the financial year	1,992
Deductions	(247)
Settlement pensions 2014	-
Total	1,745

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

The related accrued entitlements are always fully financed in the related calendar year through – at least – cost-effective contribution payments. The pension plan is a career average plan including – for both active and inactive participants (sleepers and retired persons) – conditional granting of supplements. The granting of supplements depends on the investment return. The annual accrual of the pension entitlements amounts to 22.7% of the pensionable salary (2014: 23.0%). The annual employer-paid contribution is at least 1.75% and capped at 4.2% of the pensionable salary. Based on the funding ratio and expected returns the board of the industry pension fund sets the contribution every year.

The related industry pension fund has stated that the funding ratio was 107.1% in 2015 (2014: 114.0%). Based on the administrative regulations the group has no obligation to make additional contributions in the event of a deficit other than through higher future contributions.

Employees

The number of employees at year-end 2015 amounted to 131.1 FTE (2014: 128.0 FTE). The average number of employees in 2015 was 129.6 FTE (2014: 126.3 FTE).

Remuneration

The investment manager, Bouwinvest, paid in 2015 a remuneration (including social security charges and pension premiums) of in total € 14.6 million to 131.1 FTE (2014: € 13.8 million to 126.3 FTE), of which 6.7% variable remuneration, and the remainder was fixed remuneration.

The total remuneration includes an amount of € 1.1 million (2014: € 1.0 million) for the Board of Directors. The Board of Directors are the only staff members whose actions has an important influence on the risk profile of the Residential Fund, the Office Fund, the Retail Fund and the other Funds and separate mandates of the investment manager. The variable remuneration is based on a discretionary basis by the Board of Directors of Bouwinvest and is partly dependent of the performance of the company. The variable remuneration of the Board of Directors is determined by the Supervisory Board.

During the reporting period, the manager, Bouwinvest is responsible for ten entities of which the Residential, Office and Retail Fund are under supervision of the Dutch Financial Markets Authority (AFM). The remuneration cannot be explicitly allocated per fund and is therefore not available.

The remuneration for the members of the Supervisory Board in 2015 amounted to a total of € 113,000 (2014: € 113,000).

13 Other operating costs

	2015	2014
Office expenses	2,098	2,131
Automation expenses	2,593	2,753
Communications expenses	542	523
Consultancy costs	441	411
Research and Investor Relations costs	403	249
Other expenses	758	745
Total	6,835	6,812

14 Result from participations

	2015	2014
Result from group companies	-	(569)
Result from participations	841	238
Result from participations	841	(331)

15 Interest income

	2015	2014
Interest income	-	21
Interest income	-	21

16 Corporate income tax

	2015	2014
Result before taxes	5,896	2,953
Corporate income tax	(1,474)	(727)
Income from tax loss carry-forward	-	947
Corporate income tax previous years	-	-
Total	(1,474)	220

Subsequent events

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

Signing of the financial statements

Amsterdam, the Netherlands, 14 March 2016

The Board of Directors

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

Arno van Geet, Managing Director Finance

Allard van Spaandonk, Managing Director Dutch Investments

Stephen Tross, Managing Director International Investments

The Supervisory Board

Kees Beuving, Chairman of the Supervisory Board

Jan van der Vlist

Roel Wijmenga

Carolien Gehrels

Other information

Stipulations in the Articles of Association pertaining to the appropriation of profit

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

Appropriation of profit 2014

The General Meeting of Shareholders held on 20 April 2015 adopted and approved the 2014 financial statements. A dividend of € 2,186,000 has been paid. The profit for 2014 of € 3,173,000 was added to the retained earnings.

Proposal for appropriation of profit 2015

The management proposes that the General Meeting of shareholders approve the proposal to pay € 2,700,000 dividend and to incorporate € 1,721,740 of the profit to the retained earnings. The net profit for the year amounts to € 4,421,740.

This proposal has not been incorporated in the financial statements.

Subsequent events

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

Independent auditor's report

To: the shareholder of Bouwinvest Real Estate Investment Management B.V.

Report on the financial statements

We have audited the accompanying financial statements 2015 of Bouwinvest Real Estate Investment Management B.V., Amsterdam, which comprise the balance sheet as per December 31, 2015, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Bouwinvest Real Estate Investment Management B.V. as per December 31, 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Directors, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, March 14, 2016

Deloitte Accountants B.V.

Signed on the original: J. Holland

CSR targets

CSR targets 2014-2016

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

* Achieved for two of the three funds

CSR performance indicators

Social data

BOUWINVEST	2015	2014			2015	2013
Human resources			Employee survey			
Number of employees in fte (GRI: LA1)	131.1	128	Satisfaction		8.0	7.8
Fixed-term contract (%) (GRI: LA1)	5%	4%	Engagement		7.7	7.6
Permanent contract (%) (GRI: LA1)	95%	96%	Enthusiasm		7.6	7.0
Sickness ratio (%) (GRI: LA7)	1.9%	2.4%	Employee age groups (GRI: LA13) 2015			
Employee turnover (%) (GRI: LA2)	6.1%	5.0%	Average	%	Male	Female
Equality & Diversity			<30	8	75	25
Women (%) (GRI: LA13)	34%	34%	30-40	33	78	22
Women in senior management (%) (GRI: LA13)	18%	15%	40-50	35	61	39
Training and development			50-60	18	48	52
Number of internships	4	6	>60	6	63	37

Environmental data

	Residential Fund		Office Fund		Retail Fund	
	2015	2014	2015	2014	2015	2014
Tenant engagement						
Number of leases	14,597	13,771	742	889	461	451
New tenants	2,533	1,683	136	186	69	34
Green Leases	n/a	n/a	2	7	10	2
DUO Labels (GRI-CRESS: CRE8)	n/a	n/a	5	5	352	263
Response rate (GRI: PR5)	1,902	2,186	29%	34%	49% *	
Satisfaction scores (GRI: PR5)	7.3	7.4	6.9	7.5	5.8 *	

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

		Absolute			like for like comparison					
		Residential Fund			Office Fund		Retail Fund		Total	
INREV Sustainability performance measures	Units	2015	2015	2014	2015	2014	2015	2014	2015	2014
Energy consumption										
Total electricity consumption (GRI: EN4)	MWh	33,616	7,025	7,541	14,071	14,564	1,018	1,045	22,114	23,150
Total gas consumption (GRI: EN3)	MWh	15,597	2,920	2,807	367	272	3,391	3,432	6,678	6,511
Total district heating and cooling (GRI: EN4)	MWh	24,080	-	-	3,034	3,761	57	111	3,091	3,873
Total energy consumption from all sources (GRI: EN4)	MWh	73,293	9,945	10,349	17,472	18,597	4,466	4,588	31,882	33,534
Carbon emissions (GHG)										
Total direct GHG emissions (GRI: EN15) Scope 1	tonnes CO ₂ e	2,914	545	524	69	51	633	641	1,247	1,216
Total indirect GHG emissions (GRI: EN16) Scope 2	tonnes CO ₂ e	92,450	2,796	3,001	5,600	5,797	405	416	8,801	9,214
Total GHG emissions (GRI: EN16) Scope 1 and 2	tonnes CO ₂ e	95,363	3,342	3,526	5,669	5,847	1,039	1,057	10,049	10,430
Total GHG emissions after compensation	tonnes CO ₂ e	2,914	545	524	69	51	633	641	1,248	1,216
Water consumption										
Total water consumption (GRI:EN8)	m³	78,819	n/a	n/a	54,912	55,804	678	639	55,590	56,443
Waste management										
Total waste collected (GRI: EN22)	tonnes	575	n/a	n/a	244	292	141	162	385	454
Recycling rate		71	n/a	n/a	1	1	8	12	65	65
INREV Sustainability intensity measures										
Building energy intensity (GRI-CRESS: CRE1)	kWh/m²/year		9.3	9.6	145.0	155.0	34.4	35.4		
Greenhouse gas intensity from building energy (GRI-CRESS: CRE3)	kg CO2e/m²/year		3.1	3.3	48.7	47.2	8	8.2		
Building water intensity (GRI-CRESS: CRE2)	m³/m²/year		n/a	n/a	0.480	0.487	0.027	0.026		

	Residential Fund		Office Fund		Retail Fund	
	2015	2014	2015	2014	2015	2014
Certificates						
EPC labels coverage (GRI-CRESS: CRE8)	100.0%	100.0%	100.0%	71.0%	93.4%	76.0%
Green certificates (A,B or C label)	92.6%	92.3%	66.7%	85.5%	82.2%	79.1%
Average energy index	1.32	1.33	1.25	1.04	0.98	1.33
Green Building Certificates (BREEAM) (GRI-CRESS: CRE8)	n/a	n/a	n/a	n/a	4	1
Global Real Estate Sustainability Benchmark (GRESB)						
Overall Score (GRI-CRESS: CRE8)	66	65	76	76	69	63

Reporting of performance indicators

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

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

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

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