

ANNUAL REPORT 2014



Bouwinvest
Real Estate
Investment
Management B.V.

This PDF annual report 2014 is an unofficial translation of the audited original Dutch annual report for the financial year 2014 of Bouwinvest Real Estate Investment Management B.V. In the event that differences occur between this translation and the audited Dutch annual report, the audited Dutch annual report prevails.

Table of contents

2014 at a glance	5
Key information	5
CSR key data	8
Key information over 5 years	9
Message from the Chairman	10
Report of the Supervisory Board	12
Composition of the Supervisory Board	12
Report of the Supervisory Board	14
Report of the Board of Directors	17
Composition of the Board of Directors	17
Market developments and trends	19
Mission and strategy	19
Progress made in 2014	21
Financial analysis 2014	24
Outlook	24
Corporate Social Responsibility	26
Introduction	26
Pillars	26
Progress made in 2014	28
Human Resources Management	30
Corporate governance	33
Board of Directors	33
Supervisory Board	33
Shareholders' Meetings	33
Policies, rules and regulations	33
Internal control framework	34
Regulators	35
Funds managed by Bouwinvest	35
External auditor	35
Dutch Management and Supervision Act	36
In Control Statement	36
Risk management	37
Introduction	37
Risk management framework	37
Main risks and mitigating measures	37
Control of investment decisions	38
AIFMD	38
Monitoring and reporting	39

Financial statements	40
Balance sheet as at 31 December	40
Profit and loss account	41
Statement of cash flows	42
Notes to the financial statements	43
Notes to the balance sheet	45
Notes to the profit and loss account	48
Signing of the financial statements	50
Other information	51
Stipulations in the Articles of Association pertaining to the appropriation of profit	51
Appropriation of profit 2013	51
Proposal for appropriation of profit 2014	51
Subsequent events	51
Independent auditor's report	52
CSR targets	53
CSR performance indicators	54

2014 at a glance

Key information

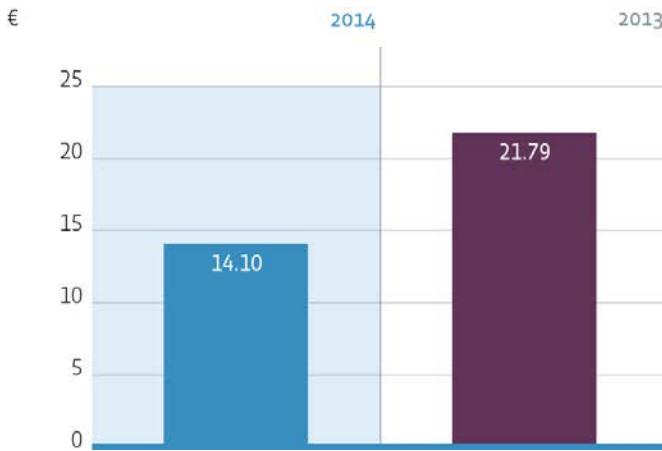
Highlights 2014

- Growth of assets under management to € 6.7 billion (10%)
- Return on assets under management 6.5% (excl. forex) and 8.8% (incl. forex)
- Record investments of over € 600 million in the Dutch portfolio and more than € 500 in international unlisted and listed funds
- First two acquisitions for Healthcare Fund
- New investors in the Residential Fund
- Management fee (0.5%) of Dutch investments below benchmark
- AIFMD license acquired as per 17 February 2014
- GRESB Green Star rating for our three Dutch sector funds
- Two new Supervisory Board members
- New Managing Director Finance as per 1 October 2014
- Growth of FTEs to 128.0 (4.4%)
- Low rate of absenteeism (2.35%)

Performance per share

	2014	2013
Net earnings (in €)	14.10	21.79
Net asset value (in € at year-end)	120.83	106.72

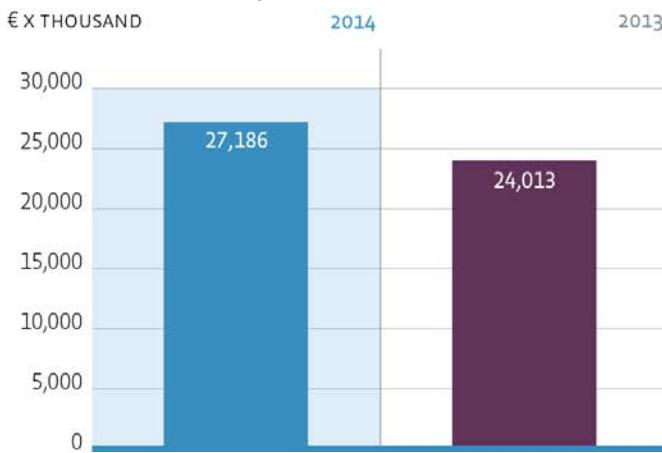
Net earnings per share



Balance sheet

X € THOUSAND	2014	2013
Total assets	30,770	28,980
Total shareholders' equity	27,186	24,013
Number of shares	225,000	225,000

Shareholders' equity



Result

	2014	2013
Result after taxes	3,173	4,903
Result before taxes	2,953	2,653

Result after taxes

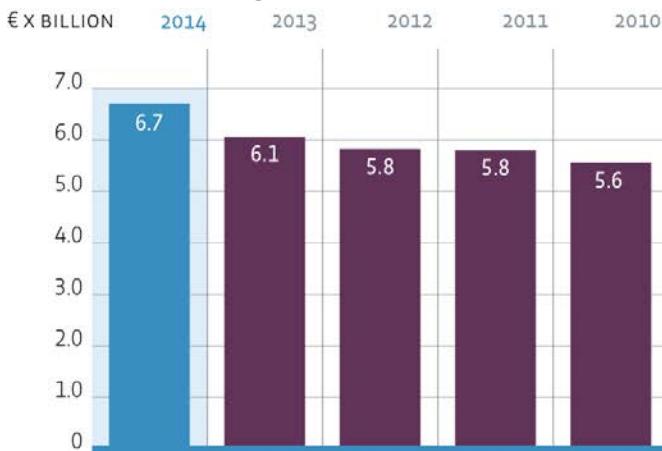


* The result after taxes of € 4.9 million in 2013 includes € 2.9 million income from tax loss carry-forward in 2013.

Figures management organisation

	2014	2013
Assets under management	6,700,206	6,060,282
Fee income	27,854	27,324
Personnel costs	17,014	16,815
Number of employees (fte)	128.0	122.6
Costs per employee	132.92	137.15
Fee income per employee	217.61	222.87

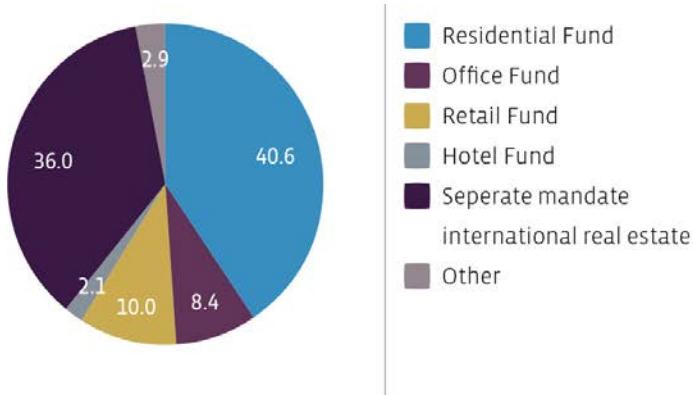
Assets under management



Distribution assets under management

	2014	2013
X € THOUSAND		
Residential Fund	2,715,283	2,599,612
Office Fund	565,113	469,201
Retail Fund	670,322	605,784
Hotel Fund	140,935	154,992
Separate mandate		
International real estate	2,412,267	1,947,231
Other	196,286	283,462
	6,700,206	6,060,282

PERCENTAGE



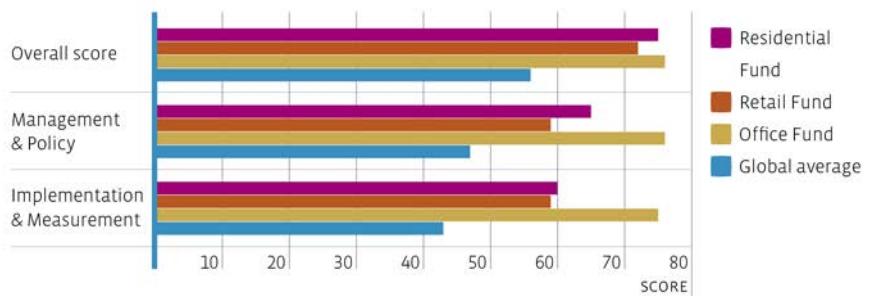
CSR key data

Sustainability performance



All three Bouwinvest sector funds Green Star

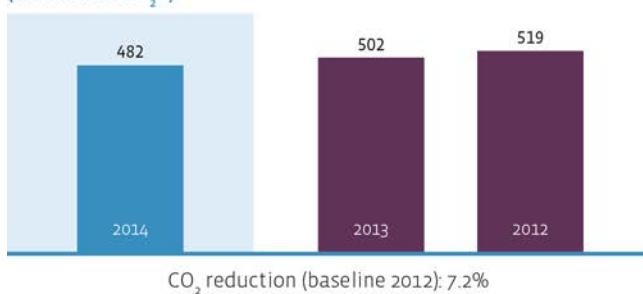
Performance Bouwinvest sector funds in the GRESB benchmark



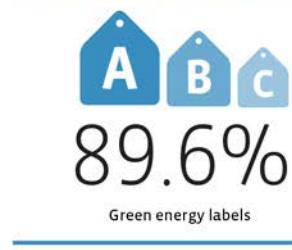
	2014	2013	2012
Response rate (based on NAV)			
Listed	55%	76%	82%
Non-listed	70%	59%	46%
Total Portfolio	67%	61%	44%
Outperforming benchmark	78%	75%	79%
Outperforming benchmark unlisted	49%	38%	56%
Number of Green Stars Listed	18	9	8
Number of Green Stars Unlisted	15	11	7
Listed improved performance (compared to last year)	54%	31%	n/a
Unlisted improved performance (compared to last year)	43%	48%	n/a

Energy consumption

CO₂ emissions management organisation
(in tonnes CO₂e)



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



Bouwinvest employees

	Total no of employees	Senior management	Employee turnover	Absenteeism ratio	Number of internships	% of total wages spent on training and education
2014	Woman 34% Man 66% Total 128.0 fte	Woman 15% Man 85%	5.0%	2.35% Benchmark 3.1%	6	3.5%
2013	Woman 33% Man 67% Total 122.6 fte	Woman 9% Man 91%	8.4%	2.10%	7	3.0%

Key information over five years

All amounts in € thousands unless otherwise stated

	2014	2013	2012	2011	2010
Number of shares (actual)	225,000	225,000	225,000	225,000	225,000
Net result	3,173	4,903	3,034	3,184	1,394
Per share	14.10	21.79	13.48	14.15	6.20
Assets under management	6,700,206	6,060,282	5,826,789	5,802,464	5,564,177
Total assets	30,770	28,517	23,336	20,094	18,941
Shareholders' equity	27,186	24,013	19,110	16,076	12,892
Per share	120.83	106.72	84.93	71.45	57.3
Solvency ratio	88%	83%	82%	80%	68%
Management fee income	27,854	27,324	27,115	26,925	26,253
Personnel costs	17,014	16,815	17,278	16,832	16,579
Number of FTEs	128.0	122.6	129.4	125.6	136.8
Personnel costs per FTE	132.92	137.15	133.52	134.01	121.19
Fee per FTE	217.61	222.87	209.54	214.37	191.91

Message from the Chairman

In 2014, we saw the first real signs of a significant recovery in the real estate sector, as transactions in the Dutch market more than doubled compared to 2013, which was already quite a good year. It was also a year in which we very much reaped what we have sowed over the past few years. We had a record year, as our Dutch Investments business unit invested over € 600 million and International Investments invested more than € 500 million in listed and unlisted funds. And because all of our over € 400 million Dutch residential investments were in new-build properties, we have secured our pipeline for the coming years.

We also took our first steps in a segment with excellent growth potential, acquiring the first properties for our Healthcare Fund. The ageing population, increasing demand for various levels of assisted facilities and the increasing quality demands in the healthcare sector makes this an essential feather in the cap of any real estate investor looking for a balanced portfolio. We expect to make more acquisitions in this sector in 2015 and beyond.

We are really seeing the benefits of our strategy of downsizing our development activities and opening up the funds to third-party investors. And of all the additional checks and balances we have introduced to comply with the Alternative Investment Fund Managers Directive. Consequently, we welcomed a second new investor to the Residential Fund, following the Rabobank pension fund's investment at the start of 2014. By 2 January 2015, three more investors had committed to the Residential Fund. We are seeing serious interest from investors in our commercial property funds.

Very importantly, of course, our funds continue to book solid returns in what are still challenging markets. Our Dutch Investments booked a return of 3.3% and outperformed the IPD benchmark (except for the Office Fund). Our International Investments business did remarkably well last year, booking a return of 19.5% on its listed and unlisted funds, with a little help from a strong US Dollar.

Of course, this is largely thanks to our strategy of continuing to invest during the crisis. That consistency also showed that we are a reliable partner in the market and that we are serious about growth and our ambitious targets. It put us in an excellent position now the markets are picking up and investors moving back in.

The market has also changed and is now a real seller's market. Volumes in the Netherlands doubled to € 10 billion last year as investors are looking for higher returns. Bonds are at record highs and the stock market is trading at fair value, so real estate has become a real alternative. Investors' biggest challenge is to find the right investment manager and that is where we come in. We have a clear market vision, roots in pensions and real estate, high-quality governance, a strong commitment towards sustainability and a great track record. Investors know they can trust us with their capital.

On top of this, we keep a close eye on our fees. A recent benchmark study showed that our fees are below the industry benchmark for Dutch Investments and at benchmark level for our international portfolio. And the outcome of a client satisfaction survey we conducted with bpfBOUW and our first two new investors was very positive, as we emerged with an average score of 7.7. It also provided us with a lot of insight into what investors want or need from their investment manager. These results capped what was already an excellent year for us.

I would like to thank all our employees for their commitment, dedication and focus over the past year in a time of market uncertainty and changes within Bouwinvest itself. And I would like to welcome our new Managing Director Finance, Arno van Geet, who joined us in 2014.

We bid farewell to Jacques van Ek, who has been chairman of our Supervisory Board for the past eight years. We are very grateful to him for his commitment, his inspiration and his contribution to Bouwinvest's success. We wish him well.

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



‘ Real estate has become a real alternative for investors. ’

Dick van Hal,
Chairman of the Board of Directors

Report of the Supervisory Board

Composition of the Supervisory Board

As per 1 January 2015, the Bouwinvest Real Estate Investment Management ('Bouwinvest') Supervisory Board has the following four members: C.J. Beuving (Chairman), M. Sint (Vice-Chairman), J.H.W.R. van der Vlist and R.Th. Wijmenga. Kees Beuving joined the Supervisory Board on 22 August 2014 and was appointed chairman of the board on 12 December 2014. Roel Wijmenga joined the board on 1 October 2014. J.C. van Ek stepped down as Chairman of the Supervisory Board on 11 December 2014, after serving the maximum term of two periods of four years.

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

Kees 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.

**M. (Marjanne) Sint**

(1949, Dutch)

Vice-chairman

Marjanne Sint was first appointed to the Supervisory Board of Bouwinvest when it was established in January 2007. She is currently chairman of the Supervisory Board of NL Healthcare BV, member of the Supervisory Board of Bank Nederlandse Gemeenten (BNG) and member of the Council for Public Health and Healthcare. Until February 2014, Ms. Sint was the Chairman of the Board of Directors of Isala clinics in Zwolle, the Netherlands, and until May 2014 she was chairman of the Supervisory Board of NV ROVA Holding. From 2000 to 2007, she was Secretary-General of the Ministry of Housing, Spatial Planning and the Environment. She had previously held various other senior positions in both central and local government and at VNU Business Publications.

Ms. Sint was first appointed to the Supervisory Board in 2007. Her second and final term ends in 2015.

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

(1954, Dutch)

Member

Jan van der Vlist was first appointed to the Supervisory Board of Bouwinvest in 2013. Mr. Van der Vlist is currently Principal of Klockenstein 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, member 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

Roel Wijmenga joined the Supervisory Board of Bouwinvest on 1 October 2014. He 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. Mr. Wijmenga studied Economics at Erasmus University Rotterdam. He holds several (supervisory) positions, including chairman of the Philips Pension fund 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.

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 2014 annual report at the 2015 Annual General Meeting of Shareholders (AGM). The Supervisory Board proposes that the AGM adopts the financial statements and discharges the Board of Directors for its management of the company and its funds and discharges the Supervisory Board for its supervision of same.

Key developments

Investments in the global real estate market were almost back at pre-crisis levels in 2014. Bouwinvest has in-depth knowledge of the Dutch and international real estate market 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 2014, investing more than € 1 billion in its Dutch and international portfolios, the largest annual amount invested in the company's history. The Residential Fund invested no less than € 400 million last year, most of which was in new-build properties, which means the Fund has a secured pipeline for the coming years. Both the Office Fund and the Retail Fund invested in very promising assets, fully in line with the strategy of both funds, while the newly-formed Healthcare Fund made its first investment in what promises to be a very high-growth market.

Supervisory Board meetings

The Supervisory Board met ten times in the course of 2014. 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 2015 – 2017 for bpfBOUW, the various (quarterly) reports and Bouwinvest's compliance and risk management.

The Supervisory Board discussed the medium-term strategy and offered advice on Bouwinvest's long-term strategy and the management of the Bouwinvest funds. In April 2014, the Board approved Bouwinvest's medium-term and long-term strategy.

New investors

In 2014, Bouwinvest welcomed two new investors to its Residential Fund, Stichting Rabobank Pensioenfonds (Rabobank pension fund) and Stichting Bedrijftakpensioenfonds voor de Zoetwarenindustrie (pension fund for the Dutch confectionary industry). As well as discussing the addition of these new shareholders and the changes to the corporate governance of the Residential Fund, the Supervisory Board met in late 2014 to discuss the potential addition of three new investors, all of which decided to join the Residential Fund as per 2 January 2015. These are the Stichting Pensioenfonds voor Fysiotherapeuten (the Dutch pension fund for the physiotherapy sector), Stichting Bedrijfstakpensioenfonds PNO Media (media pension fund) and Stichting COOP Pensioenfonds (COOP supermarket pension fund).

The Supervisory Board was extremely pleased to welcome these new investors to the Residential Fund, and to note heightened interest in Bouwinvest's Office and Retail 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 2014 in March 2015. The Supervisory Board also assessed the Annual General Meeting.

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

AIFMD license

The Supervisory Board also discussed the progress of the application to the Financial Markets Authority (AFM) for a license in the context of the European Alternative Investment Fund Managers Directive (AIFMD), as incorporated in the Dutch Financial Markets Supervision Act on 25 June 2013. Bouwinvest received its license on 17 February 2014 and is now subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Management fees

A study was commissioned of Bouwinvest's asset management fees. The Supervisory Board discussed the outcome of this study, which showed that Bouwinvest's fees are below the industry level benchmark for Dutch investments and at benchmark level for the company's international 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 due to the transparency of the funds' reporting on Corporate Social Responsibility and sustainability-related matters and the funds' efforts to increase the sustainability of their business operations and their real estate portfolios.

Other subjects

The Board also discussed and approved the regulations of the Selection & Remuneration committee. Other subjects discussed included the recruitment of new members of the Supervisory Board, to fill the vacancies created by the departure of Gerard Groener in 2013 and the retirement of chairman Jacques van Ek in late 2014. Kees Beuving and Roel Wijmenga were appointed as a member of the Supervisory Board in August and October 2014 respectively. In December 2014, Kees Beuving replaced Jacques van Ek as chairman of the Supervisory Board.

In 2014, the Supervisory Board met four times in the absence of the Board of Directors. These meetings were 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.

The chairman of the Supervisory Board, the chairman of the Board of Directors and the chairman of the Board of bpfBOUW, as shareholder in Bouwinvest, met several times in the course of 2014. Members of the Supervisory Board also attended several meetings of the Bouwinvest Works Council.

Audit Committee meetings

As per 1 January 2015, the Audit Committee has two members: J.H.W.R. van der Vlist, chairman, and R. Wijmenga. The Audit Committee met four times in 2014, to discuss the annual and quarterly results and the reports from the external auditor. 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 Committee also devoted particular attention to the ISAE 3402 type II certification, the implementation of SEPA and the implementation of the AIFMD license. 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 2015, the Selection and Remuneration Committee has two members: M. Sint, chairman, and C.J. Beuving. 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.

The Selection and Remuneration Committee met on a number of occasions to discuss the appointment of a new Managing Director Finance, following the departure of Roel de Weerd in late 2013. Arno van Geet joined Bouwinvest as Managing Director Finance on 1 October 2014. The Board was very pleased that Mr. Van Geet agreed to join the company, in view of his experience and long history in the financial sector. Van Geet has assumed responsibility for financial and risk management, accounting, reporting, corporate control, internal audit, business process management, IT and research.

A word of thanks

Jacques van Ek resigned as Chairman of the Supervisory Board in December 2014. We would like to express our sincere gratitude for Mr. Van Ek's dedication and input in this period. His valuable contribution was significant for 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 2014.

Amsterdam, the Netherlands, 16 March 2015

The Supervisory Board

Kees Beuving, *Chairman*

Marjanne Sint, *Vice-chairman*

Jan van der Vlist

Roel Wijmenga

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. Education in 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 ANREV Management Board.

Market developments and trends

Occupier market

The Dutch residential market has recovered in 2014 and the Dutch residential rental market as a whole offers stable rental income. After years of devaluations, market dynamics are increasing, with cities in the Randstad outperforming the market as a whole. The office market has been suffering from over-supply and downward pressure on lease prices for an extended period. The premium segment of the office market is in a much stronger position, however, with generally stable lease prices and occupancy rates.

Dutch retail assets have generated good returns over the past few years, but are facing a challenging period on the occupier market. There are signs of over-supply, partly due to trends such as online shopping, the ageing of the population and (overly) ambitious construction plans from the past, and these trends are likely to result in further polarisation among both users and investors. In the retail sector, A1 shopping streets in the major cities and local or neighbourhood shopping centres appear to be the best-equipped to resist these trends and are the most attractive investment category in this sector. The major cities are also the most attractive locations for hotels, led by Amsterdam, thanks to its position as the leading tourist and business destination in the country.

On a global scale, the highest growth is in the Asia-Pacific region, with the North American region coming in a close second. The growth outlook is lower in Europe, but the region does offer much greater stability. And even within these regions, we are seeing major differences between countries, cities, sectors and segments. The focus of our core investment strategy is on stable, transparent, large-scale, dynamic and liquid markets.

Investment market

The investment dynamic in the global real estate market fell sharply in 2008. In the intervening period that dynamic has gradually climbed back to pre-2008 levels. Investment volumes have now almost reached pre-crisis levels after a record-breaking last quarter in 2014. Over the past few years, a great deal of capital has fled to core markets and assets. These high-quality assets have largely regained a good deal of their value, with some markets approaching all time low yields. Lower quality or secondary assets, however, are still suffering from the downturn. The resulting polarisation we are seeing among both users and investors has resulted in a sharp drop in liquidity and negative pricing. However, what we did see last year was an increase in risk appetite, among both new and existing investors, with the risk appetite certainly higher than in 2013. This is because risk premiums have risen, especially in secondary markets. Investors are still cautious with leverage and are relatively risk-averse compared with pre-crisis sentiment.

Global real estate transaction volumes came in at around € 700 billion in 2014, with the EMEA and US regions booking the strongest growth. Both regions experienced huge transaction volumes in the last quarter. US cities formed half of the world's top 20 investment destinations with secondary markets interest growing remarkably. Growth in the Asia-Pacific region was concentrated in Australia, China, Japan, with a marked upswing in interest in South Korea and New Zealand. In Europe, London was a very lively investment market and saw transaction volumes of around € 45 billion in 2014.

The Dutch real estate market peaked with growing activity from Dutch and foreign investors. Last year saw some € 10 billion in registered transactions in the Netherlands. The long-term average transaction volume in direct Dutch real estate is around € 6 billion. Over the past few years, however, transaction volumes have dipped to roughly € 4 billion a year. The office segment is traditionally the largest segment, but recent years have seen a sharp increase in investment activity in the residential market.

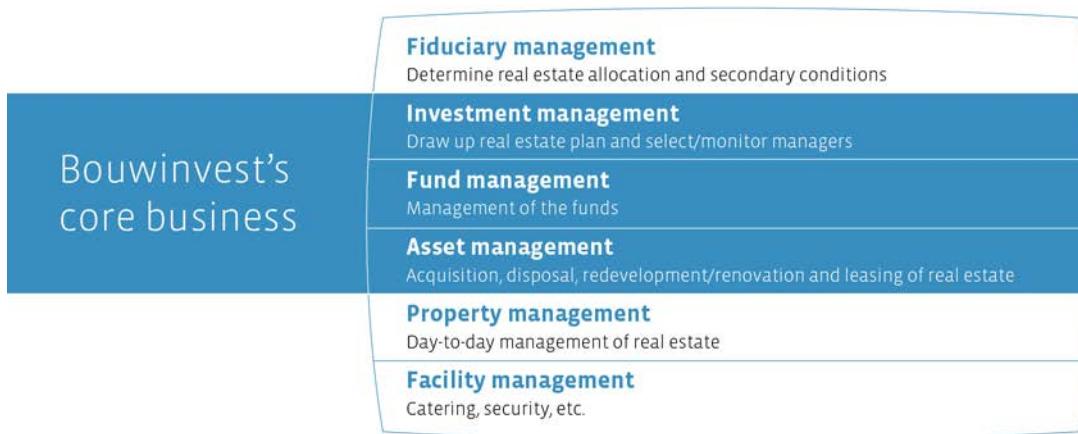
Mission and strategy

Bouwinvest is an investment manager specialised in real estate for institutional investors, with assets under management of € 6.7 billion, managed by 128 professionals (fte), all of whom are based in Amsterdam.

The highlights 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

We provide a solid return on real estate investments, in a responsible way, for institutional investors and their beneficiaries. Our dedicated real estate professionals achieve this by managing Dutch core sector funds and global real estate investments.

Our strategy and goals

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

For the period 2015-2017, this translates into the following targets:

- Realise the targets of the Investment Plan Real Estate 2014 for bpfBOUW
- The retention and acquisition of new clients for the Dutch sector funds
- Gradual reduction of the management fee for bpfBOUW
- Addition of healthcare sector real estate to the portfolio

The investor



Bouwinvest

Reliable real estate solutions

We provide a solid return on real estate investments, in a responsible way, for institutional investors and their beneficiaries.

Types of real estate



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 investors can participate.

Strategic pillars	Tactical pillars	Operational pillars
<ul style="list-style-type: none"> • Demand-oriented: focused on demand from clients • Based on investment beliefs of clients: returns, risks, costs, CSR • Tailor-made: define entire real estate allocation or a part of same • Adequate reporting • Customer intimacy 	<ul style="list-style-type: none"> • Focus on high-quality real estate in regions with a healthy economic and demographic outlook • Diversification strategy • Active asset management to maximise occupancy levels and cash flow • Active development of new activities: tailor-made solutions for clients 	<ul style="list-style-type: none"> • Global network in real estate of the very highest quality • Checks and balances implemented • Disciplined remuneration policy • Dedicated and passionate real estate professionals • Teamwork

Progress made in 2014

Highlights 2014

- Growth of assets under management to € 6.7 billion (10%)
- Return on assets under management 6.5% (excl. forex) and 8.8% (incl. forex)
- Record investments of over € 600 million in the Dutch portfolio and more than € 500 in international unlisted and listed funds
- First two acquisitions for Healthcare Fund
- New investors in the Residential Fund
- Management fee (0.5%) of Dutch investments below benchmark
- AIFMD license acquired as per 17 February 2014
- GRESB Green Star rating for our three Dutch sector funds
- Two new Supervisory Board members
- New Managing Director Finance as per 1 October 2014
- Growth of FTEs to 128.0 (4.4%)
- Low rate of absenteeism (2.35%)

Investment Plan bpfBOUW

Key achievements included the controlled growth of assets under management, improving the quality and consistency of returns, the diversification and internationalisation of assets, controlling costs, refining the CSR strategy and establishing more stringent checks and balances within the investment management organisation. In addition to the AIFMD license, we took a number of significant steps in improving governance, notably in achieving ISAE 3402 type II certification, COBIT 4 level 3 compliance and establishing a Business Continuity Plan. Last year, we realised our first investments in the healthcare segment, which we believe has huge growth potential. And finally, we and bpfBOUW went on a study visit to London, which was organised with APG.

Increased interest in our family of funds

The Rabobank pension fund's participation in the Residential Fund at the start of 2014 was a first step in realising our multi-client strategy. This strategy was validated further by subsequent participations in the Fund by four third party investors later last year and in early 2015. We are seeing an increased interest in our family of funds, partly thanks to our efforts on the Investor Relations front, our investor seminar and our Dutch property tours. Commitments of well over € 120 million during the past 12 months, on top of the existing commitment of bpfBOUW, have put us in an even stronger position to take advantage of opportunities in the years ahead while adhering to the consistent and sustainable growth strategy of our funds.

Real estate sectors

Residential Fund (open for third-party investors)

Pipeline secured by record investments of over € 400 million

The Residential Fund generated a total return of 5.1% (2013: 0.0%), with a direct return of 3.9% (2013: 3.6%), and an indirect return of 1.2% (2013: -3.6%). The Fund had a high and stable average occupancy rate of 96.5%. Like-for-like rental growth for 2014 amounted to 3.2% (2013: 3.1%), while rent arrears were low at 1.2% (2013: 1.5%). The dividend return for 2014 is 3.9% (2013: 3.6%).

The Residential Fund reaped the benefits of our regular growth strategy following the completion and delivery of seven excellent new-build projects, six of which were fully let before completion. We have a secured pipeline of 18 new residential projects following record investments totaling € 407 million in 2014 that will add 1,447 apartments and 207 family homes. We anticipate they will benefit from the growing scarcity of high-quality residential units in the liberalised rental sector, 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 foreign investors have led to a steady rise in values, giving us a positive indirect return in 2014, and we expect this to continue in the next few years. The renewed interest in the residential sector created an opportunity for the Fund to optimise its portfolio last year by selling 21 non-core assets for a total of € 116 million, which is close to its three-year target for divestments.

The recovery in the residential sector and the very high quality of the residential portfolio enabled the Fund to attract five new investors alongside anchor investor bpfBOUW in the 12 months to the end of January 2015. Rabobank pension fund invested in January 2014, followed by a € 30 million investment by the pension fund for the Dutch confectionery industry in July of 2014. Three more pension funds followed suit, investing a total of € 72.5 million by January 2015, while the pension fund for the Dutch confectionery industry added another € 20 million to its initial investment in the Fund.

At year-end 2014, the Fund's portfolio consisted of 210 properties with a total value of € 2.6 billion.

Retail Fund (open for third-party investors)

Two-pillar strategy is starting to pay off

The Retail Fund booked a return of 1.8% in 2014 (2013: 8.1%), the result of a direct return of 4.5% (2013: 5.1%) and a negative indirect return of -2.7% (2013: 3.0%). The average occupancy rate increased to 94.4% in 2014 from 92.9% the previous year. The dividend return for 2014 is 4.5% (2013: 5.0%).

The Retail Fund benefitted from a substantial increase in values of its retail assets in Amsterdam and improved its portfolio by 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 be a challenging sector in the years ahead, we believe that 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 2014, we acquired some excellent assets that matched our strategic focus on shopper 'Experience' and 'Convenience'-oriented retail properties. Towards the end of the year, we acquired almost 30 retail units in the multifunctional building Beurs-WTC Rotterdam in the heart of the city. This excellent addition to the portfolio's Experience category of retail property assets has enormous potential. In the Convenience category of retail assets, we added the new Parkweide shopping centre in Ede to our portfolio. The Retail Fund made € 57 million in acquisitions in 2014 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, in 2014, the Retail Fund agreed new leases and renewed existing contracts for a total of 32,590 m² of space, representing a rental value of some € 9.3 million.

At the end of 2014, the Fund's portfolio consisted of 41 properties with a total value of € 0.6 billion.

Office Fund (open for third-party investors)

Three prime assets acquired at the bottom of the market

The Office Fund booked a return of 0.1% in 2014 (2013: -0.3%), the result of a direct return of 5.7% (2013: 5.6%) and a negative indirect return of 5.6% (2013: -5.9%). The average occupancy rate fell slightly to 89.9% in 2014 from 90.4% in 2013. The dividend return was 5.7% (2013: 5.5%).

Last year was a turnaround year for the Office Fund as it made its first investments since 2008. The Fund invested € 138 million in three prime properties in Amsterdam and Rotterdam. The Dutch office market will continue to be an extremely challenging sector, but these high-quality acquisitions in prime locations highlight the fact that there are still excellent opportunities available. 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.

The Fund acquired two prime properties in Amsterdam, the Valina building in the centre and the former Citroën buildings in the popular southern part of the city. The assets are in prime Amsterdam office locations and represent significant additions to the Fund's overall portfolio. Towards the end of 2014, the Fund also acquired the Beurs-WTC office complex in the heart of Rotterdam's business district. The Citroën building and Beurs-WTC are both multi-functional, multi-tenant complexes, which are a primary focus for the Office Fund.

One of the highlights of 2014 was the Fund's success in winning its second successive IPD European Property Investment Award for the highest outperformance over the preceding three years (2011-2013).

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 22,507 m², representing an annual rental income of € 4.1 million in 2014.

At the end of 2014, the Fund's portfolio consisted of 30 properties with a total value of € 0.6 billion.

Hotel Fund (on behalf of bpfBOUW)

Best performing Fund in Dutch portfolio

The Hotel Fund lifted profits to € 9.8 million (2013: € 5.6 million) in the year under review. The Fund's total return slipped to 6.5% from 7.1% in 2013. Highlights of the year include its € 1.7 million investment in expanding the restaurant at CASA400, as well as the installation of thermal energy storage facilities for CASA400 and NH The Hague. The Hotel Fund's portfolio comprises three fully-let hotels with a total value of € 140 million. The Hotel Fund was our best performing Dutch fund in 2014.

Healthcare Fund (on behalf of bpfBOUW)

First acquisitions in very promising market

In its first year, the new Healthcare Fund reported a profit of € 0.4 million, while its total return amounted to 3.1%. In 2014, the Fund invested 3.0 million. Acquisitions included the assisted accommodation complex Hildebrand in Haarlem and the intramural care complex Ingenhouszhof in Amsterdam.

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' is no longer 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 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 is € 300 million for the coming years.

International Investments

Shift to listed investments improved returns

The total return on Bouwinvest's international investments came in at 12.5% in 2014, excluding currency variations. The exceptional performance of unlisted real estate funds in North America (17.3% in 2014) and listed real estate investments (23% in 2014) stood out as all regions performed well. The total return of 9.8% from European investments was a considerable improvement on the previous year's return and a sign of the gradual recovery that we are seeing in this region. The Asia-Pacific region performed well, with a 9.0% return in 2014. At year-end 2014, the average leverage in the portfolio had fallen to 33.6% from an average of 36% in 2013. However, new investments with a higher leverage level are planned for 2015-2017. The maximum average portfolio leverage is 45%, with a maximum leverage of 60% per investment. The total value of the international investments portfolio stood at € 2.4 billion at year-end 2014, compared with € 1.9 billion a year earlier. Total investments came in at € 438 million in 2014, while disposals came in at € 307 million, in line with the growth strategy outlined in the mandate for international investments. Exchange rates contributed € 137 million while valuation movements also added € 197 million to the growth of the portfolio in 2014.

Bouwinvest Development (on behalf of bpfBOUW)

Landholdings represent opportunities

Bouwinvest Development booked a negative return of 16.7% in 2014, widening from the -13.8% return reported in 2013. The direct result came in at -2.5% (2013: 0.4%) and the indirect result amounted to -14.2% (2013: -14.2%), mainly the result of a significant depreciation of a landholding in Nieuw Vennep.

The existing landholdings in the portfolio are becoming more and more important again. The landholdings represent a potential of 5.000 dwellings.

Financial analysis 2014

Income and costs

Fee income came in at € 27.9 million in 2014, 1.9% higher than in 2013. Combined with the reduced overall management costs of € 24.6 million, compared with € 25.3 million in 2013, we recorded a higher than expected margin of € 3.3 million in 2014, up € 1.3 million compared to 2013. The reduced operating costs, which came in € 0.7 million lower than in 2013, were key factors in the reduction of overall management costs.

Fiscal result

The revaluation of the fiscally compensable losses for corporate tax purposes had a positive impact of € 1.0 million on Bouwinvest results. This item includes the effects of losses booked in previous years which, on the basis of the ruling from the tax authorities, may be offset against the current and future profits of Bouwinvest.

Total result

The total profit for 2014 came in at € 3.2 million, almost equal to the average total profit of € 3.3 million recorded in the last five years.

Financial position

As a result of the profit booked in 2014, shareholders' equity increased to € 27.2 million in 2014, from € 24.0 million in the previous year. The solvency ratio had risen to 88% (excluding dividend) at year-end 2014, from 83% a year earlier.

Cash position

At year-end 2014, Bouwinvest had a total of € 12.5 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 € 2.1 million in 2015.

Phui Energy

The thermal energy storage installations were sold at market value to the Bouwinvest Funds, resulting in a negative result of € 0.6 million. In the last quarter of 2014, Phui Energy was liquidated.

Outlook

We expect most real estate markets to continue to recover in 2015 and beyond, and we are generally positive on the outlook for the growth of returns from our assets under management. In 2014, we saw the benefits of our continued investment in the past few years and we will reap the benefits of our investments in high-quality real estate assets in 2015. We have a very solid secured pipeline of new properties of around € 700 million, which will lead to more participants in the funds and growth of the portfolios.

Of course, there is a flip side to this. More and more investors are discovering that real estate is an attractive asset class, with solid potential for long-term investments. This is likely to make the market far more competitive and more expensive, certainly for top-notch assets in the prime segment of our core regions. On the other hand, many investors are looking for an investment manager with expertise and a solid track record in the real estate industry.

This is why we are seeing a lot of interest from investors in our open funds. We expect to see this interest increase in the future and to see more investors participating in these funds, which 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 2015 and beyond to meet this growing demand from investors.

Amsterdam, the Netherlands, 16 March 2015

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.

CSR highlights 2014

- Several success stories in building long term value through sustainable partnerships
- GRESB Green Star status for our three Dutch sector funds two years ahead of schedule
- Number of best performing 'green star' fund managers more than doubled over the past three years in our international portfolio
- CO₂ emissions for the management organisation further reduced by 4.0% in 2014 (7.2% since 2012)
- First steps taken in the composition of a materiality matrix
- Active endorsement of our social responsibility in our hiring policy and through a partnership with HomePlan

Stakeholder engagement and communications

Bouwinvest believes that the best way to engage with its stakeholders is through open and transparent dialogue. It helps us to identify the material issues relevant to the Bouwinvest organisation and its funds and to find out what our stakeholders want and what they think is relevant. Identifying those issues in turn helps us to reduce costs, future-proof the organisation and ultimately create value for all our stakeholders.

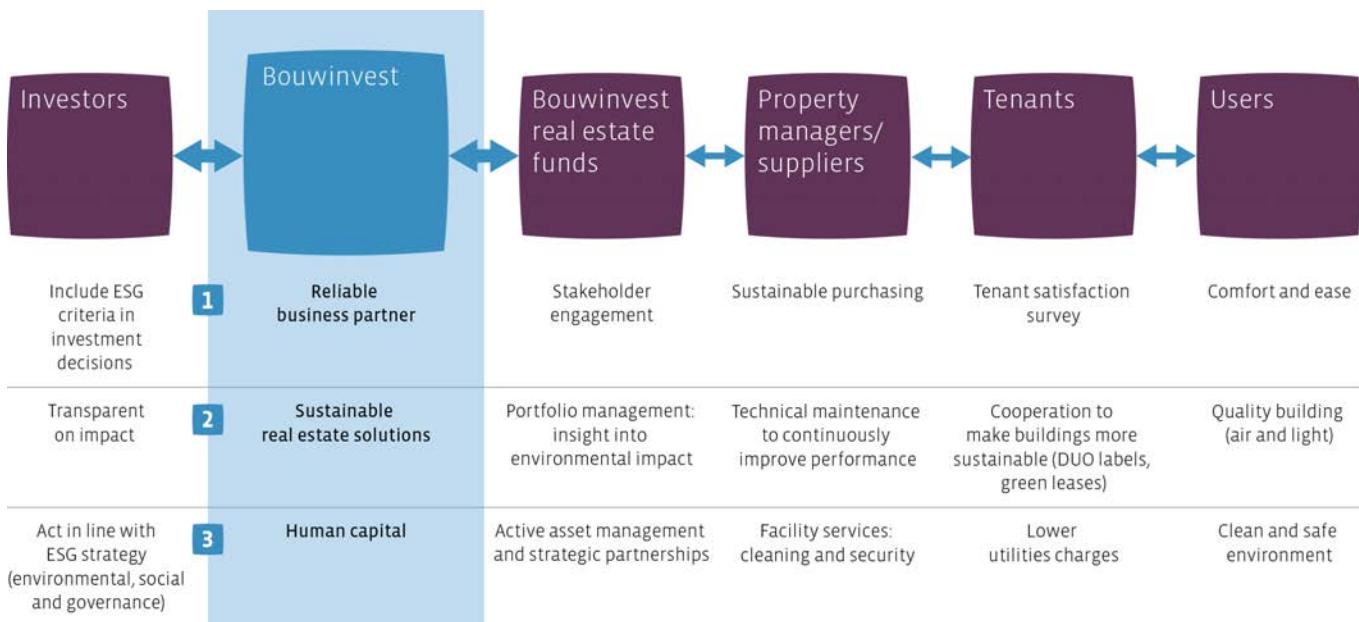
CSR pillars

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



1. 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.

Value creation

In today's challenging market, it is essential to be a reliable business partner both in economic terms and on the sustainability front. Of course investors are looking for added economic value, but now they also expect their partners to add social and environmental value. And they want complete transparency with regards to sustainability goals and performance and the related issues they find relevant.

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

2. 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.

Joint effort

This is why one of Bouwinvest's top priorities is to work with all its stakeholders to improve the sustainability of its assets and its business as a whole. We work with our tenants, business partners and other stakeholders, such as local city councils, to create sustainable properties and local environments. Places where people will want to live, work or shop long into the future.

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 2014, 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. The result of the strategy and actions that Bouwinvest has taken to improve its environmental and social performance is that in 2014, well ahead of schedule, Bouwinvest's Residential, Office and Retail funds all moved up from 'Green Talker' to 'Green Star', the highest possible category in the GRESB rankings.

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.

The results of the GRESB benchmark were better in 2014 than in both 2013 and 2012. The response rate in the GRESB assessment in Bouwinvest's international portfolio was also higher in 2014.

Highlights GRESB and international portfolio:

- The number of participating investors in the GRESB benchmark increased again to 68% from 61% measured by NAV.
- The number of Green Stars increased to 15 from 11 for (unlisted investments) and doubled to 18 from 9 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 a average total score of 52 against 47 (global average), with a larger difference than in 2013.
- Throughout the portfolio the score showed a substantial increase. For the unlisted investments, 43% improved its score compared to last year (in 2013: 48%). For the listed investments the increase was even more impressive: 54%, following an increase of 31% in 2013.

Sustainability performance is now part 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.

3. A sustainable, ethical and fair employer

Bouwinvest sees its employees as its most important source of value creation. Our HR policy is aimed at providing the organisation with the knowledge, expertise and skills it needs and to develop the talents of our employees in 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. The most recent survey (2013) again showed an improvement of our employment engagement score, this time to 7.8, from 7.4 in 2011.

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

Progress made in 2014

In 2014, Bouwinvest took a number of significant steps to further integrate corporate social responsibility into its day-to-day business and refined the pillars of its CSR strategy. This is now based on three pillars: 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. This 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.

Sustainability hotspots

Not content to rest on its laurels, Bouwinvest is currently working on a so-called 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 serious 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 is a starting point to further engage with several relevant stakeholder groups in 2015.

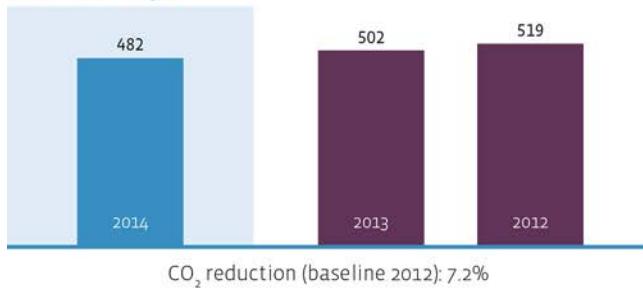
CO₂ footprint Bouwinvest organisation

In 2012, Bouwinvest started to improve the transparency of the management organisation's CO₂ emissions. Last year, we expressed our ambition to make our operations to be carbon neutral by 2020. We have already made significant progress in recent years in reducing our emissions and we took further steps to reduce emissions in 2014. Progress made this year include:

- CO₂ emissions from energy consumption fell by 17%, following the introduction of Flex Work 2.0 and the resultant shutdown of two floors at the Bouwinvest office building.
- Renovations related to the introduction of Flex Work 2.0 resulted in a once-only increase of 28% in CO₂ emissions on our waste disposal. On a like-for-like basis, our waste emissions remained stable.
- The use of more fuel-efficient lease cars (including hybrid and electric lease cars) resulted in a reduction in CO₂ emissions of more than 11%, while the number of kilometres driven increased by 9%.
- A side-effect of an increase in our international real estate allocation was a 36% increase in CO₂ emissions from air travel.

These and other measures led to a total reduction in our total CO₂ emissions of 4.0% compared to the previous year. Carbon emissions intensity, calculated as tonnes of CO₂/fte dropped by 8.1%. 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.

**CO₂ emissions management organisation
(in tonnes CO₂e)**



Human Resources Management

Following the organisational changes at Bouwinvest in 2013, Human Resources Management (HRM) focused on refining and enhancing the organisation in 2014, with a clear focus on increasing efficiency and encouraging more cooperation and knowledge exchange across the company. Bouwinvest wants to be the best in its market, the best at what we do and, very importantly, provide investors and other stakeholders with the highest possible levels of service. The only way to do that is by having the best people in the right place in an organisation that is both effective and efficient, and that can add value at an individual and organisational level.

HRM Highlights in 2014:

- Instigating real change by putting our people in charge
- Increasing the commercial focus and efficiency of back-office processes, including digitising accounts payable and a new administrative system for International Investments
- Increasing the awareness of AIFMD-related processes and demands
- Promoting collaboration and knowledge-sharing through an open-space office, business and social networking, plus intensified internal communications
- Actively endorsing our social responsibility in our hiring policy and through a partnership with HomePlan

Organisational development

One of Bouwinvest's strategic goals is to increase its assets under management to € 7.7 billion in 2017. But we are not interested in growth for growth's sake. We want to book controlled growth, combining entrepreneurial spirit with accountability and control processes. We are now under much more scrutiny than in the past, as we now fall under the supervision of the Dutch Financial Markets Authority and the Dutch Central Bank. Additionally, we now have to meet the conditions of our AIFMD license. So we need to meet very strict control and reporting standards, and increase our focus on the commercial side of the business.

Creating a clear identity

In 2014, HRM took further steps towards creating this new Bouwinvest corporate identity, a culture based on accountability, focus and collaboration. Of course, you cannot create a new corporate culture overnight.

Organisational change has to be accompanied by a change in the mindset of the people it affects the most.

This is why Bouwinvest's approach to change is to put its people at the forefront, to make them stakeholders in that change. It may not be the quickest road to change, but we have found that the most effective way to realise real change is to put together small but diverse project groups, who help to define the changes necessary. Then we get as many people as possible involved in actually making the changes and embedding them in the organisation. People are much more willing to accept change that they have helped to shape. This not only increases buy-in and the chances of success, it helps Bouwinvest to make changes that actually work and add value for clients, the organisation, and our employees.

Focus on core competencies, efficiency and control

To achieve this added value, our focus has to be more competency-driven, putting highly-skilled specialists where they are the most effective. For instance, we have a lot of specialists in fields such as compliance, risk management, internal audit, tax and reporting. We have continuous process management, document management and change management in place. In other words, we are in control. In fact, this is virtually a business within the business, which is vital in the much more demanding compliance environment in which we now operate.

Last year, we took a number of practical measures to improve these processes and the efficiency of the 'back-office'. These included the introduction of the SEPA (Single European Payments Area) system, digitalising accounts payable and reducing administration. We improved our quarterly reporting both quantitatively and qualitatively, raising overall reporting to AIFMD standards. Last year saw several measures aimed at enhancing the AIFMD compliance process and increasing awareness of AIFMD standards. And Bouwinvest decided to decentralise its IT systems and migrate from one supplier to a number specialised IT companies. This gave us an opportunity to increase control of our company-wide IT system. In line with the sharp increase in investments at our International portfolio, we decided to invest in a new and far more efficient administration system.

Collaboration is key

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 magazines, 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 to 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. Last year's launch of the development programme for team leaders and high potentials was the next logical step in the process. We will continue to roll this out in 2015, paving the way for the next generation of leaders. We will also be conducting our bi-annual employee engagement survey, which will show us when our employees think we are on the right track and identify other improvements to make us even more effective.

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 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 November of last year, three Bouwinvest employees spent time in Mexico with a HomePlan team building homes in the slums of San Andrés Azumiatla in the country's Puebla province. Ten 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 increased 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 the 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 whistleblower 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 2014, 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 2015, Bouwinvest was awarded ISAE 3402 type II certification for the year 2014.

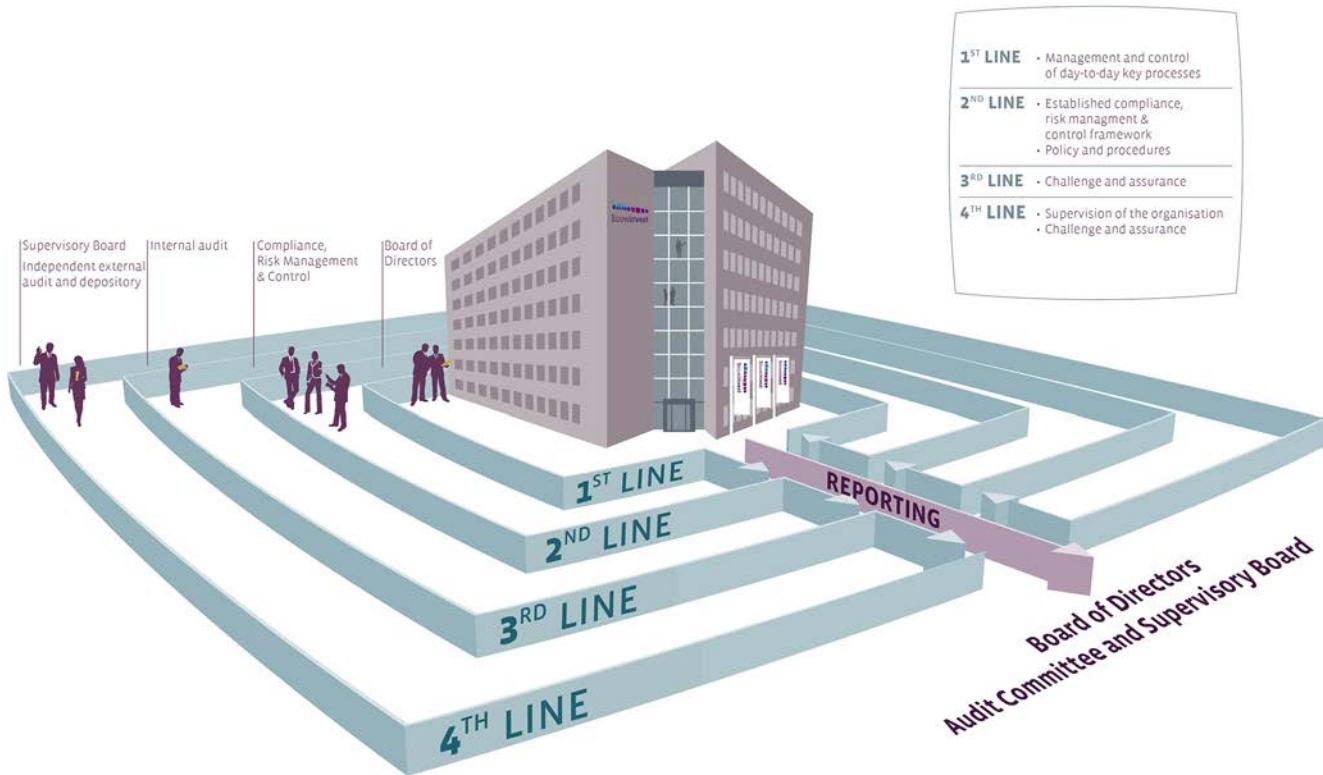
Four lines of defence

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. Also supervises internal risk management and control systems, financial reporting and assesses the internal and external auditors.

Bouwinvest's four lines of defense



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 five 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.

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 REIM. 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 2014 and there is no indication that these systems will not function properly in 2015. No shortcomings that could have a material impact were identified in these systems in 2014, nor up to the date this annual report was signed in 2015. 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.

Introduction

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 all now face increased 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 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 2014, Bouwinvest recognised the following management risks:

- Continuity
- Quality
- Relative performance
- Transparency
- Management fee

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 updating/maintaining a business continuity plan and the application of an information security policy.

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.

Relative performance

This risk pertains to the extent to which the management organisation fails to achieve the relevant benchmarking with the entities it manages, as a result of which bpfBOUW and other clients may decide to withdraw their assignments from Bouwinvest. This risk is mitigated by monitoring Bouwinvest's own performance vis-à-vis the relevant benchmarking on the basis of quality (IPD Property Index, INREV Fund Index and NCREIF Fund Index) and annually (ANREV Index) and by management of (the results of) the managed entities.

Transparency

The transparency risk is the risk that the management organisation is unable to account for its activities in accordance with the timely reporting and quality requirements laid down in the Service Level Agreements closed with bpfBOUW and other clients. This risk is mitigated by actively managing the process with a view to the timely delivery of high-quality reports.

Management fee

This describes the risk that Bouwinvest's fee income is lower than its expenses. This risk is mitigated by identifying fee income developments in a timely fashion and if necessary responding to same with cost-control measures.

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 of Bouwinvest's 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. The exception to this are investments by Bouwinvest funds which have a shareholders' committee.

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 and related due diligence and fiscal matters, and 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)

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's funds 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. For Bouwinvest this has led to an increased workload in reporting. On top of that, alignment activities with our newly contracted custodian -Intertrust Group- required additional operational efforts. Nevertheless, 2014 has shown that Bouwinvest is geared up for these additional tasks. Bouwinvest foresees no AIFMD-related challenges for 2015 besides minor optimisation of internal processes.

You will find more detailed information on financial risks in the Financial risks section of the explanatory notes to the financial statements.

Monitoring and reporting

At Bouwinvest, monitoring risks is a fixed part of day-to-day activities of the managers responsible for same and an integral part of the planning and control cycle. The Bouwinvest Board of Directors receives quarterly risk reports, which report on the management of risks on the basis of risk indicators. In 2014, Bouwinvest continued to expand and refine its risk management system through detailed assessment. This will result in an improved risk reporting framework, which is expected to be in place as per 2015.

Financial statements

Balance sheet as at 31 December

Before appropriation of result, all amounts in € thousands

	Note	2014	2013
Assets			
Tangible fixed assets	1		
Leasehold improvements		765	960
Equipment		903	1,022
		1,668	1,982
Financial fixed assets			
Group companies	2	-	4,570
Other participations	3	9,831	3,929
		9,831	8,499
Current assets			
Receivables		2	197
Receivables group companies	4	686	-
Taxes	5	1,450	887
Deferred tax assets	6	4,470	4,250
Other receivables and accrued assets		177	91
Cash and cash equivalents	7	12,486	12,611
		19,271	18,036
Total assets		30,770	28,517
Equity and liabilities			
Issued capital		225	225
Share premium		41,367	41,367
Retained earnings		(17,579)	(22,482)
Net result for the year		3,173	4,903
Shareholders' equity	8	27,186	24,013
Current liabilities			
Accounts payable		257	38
Liabilities group companies	9	-	962
Taxes and social security premiums	10	894	853
Pension premiums	11	589	598
Other liabilities		749	1,057
Accrued liabilities		1,095	996
		3,584	4,504
Total equity and liabilities		30,770	28,517

Profit and loss account

All amounts in € thousands

	Note	2014	2013
Management fee	12	27,854	27,324
Operating costs			
Personnel costs	13	17,014	16,815
Depreciation costs	1	765	962
Other operating costs	14	6,812	7,550
Total operating costs		(24,591)	(25,327)
Operating result		3,263	1,997
Result from participations	15	(331)	652
Interest income	16	21	4
Result before taxes		2,953	2,653
Corporate income tax	17	220	2,250
Result after taxes		3,173	4,903

Statement of cash flows

All amounts in € thousands

	2014	2013
Cash flow from operating activities		
Operating result	2,933	2,649
Adjustments for:		
Depreciations	765	962
Deferred tax assets	220	2,250
Movements in working capital:		
Increase receivables	(1,065)	(2,515)
Increase current liabilities	(885)	730
Cash flow from operations	1,968	4,076
Interest received	21	4
Interest paid	-	-
Cash flow from operating activities	1,989	4,080
Cash flow from investment activities		
Investments in tangible fixed assets	(451)	(1,849)
Cash flow from investment activities	(451)	(1,849)
Cash flow from financing activities		
Proceeds from sale of group companies	4,001	-
Acquisition of other participations	(5,906)	(4,000)
Dividends received	242	77
Cash flow from financing activities	(1,663)	(3,923)
Net cash flow	(125)	(1,692)
Cash and cash equivalents as at 1 January	12,611	14,303
Increase/(decrease) in cash and cash equivalents	(125)	(1,692)
Cash and cash equivalents as at 31 December	12,486	12,611

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.

Changes in group companies

The associated companies Phui Energy BV and DRI I Beheer BV were disposed in the financial year 2014. As a result of the disposal of these companies, the comparative figures have been restated. The movement in the associated companies is stated in explanatory note 2 with a balance of nil at year end 2014. The results of the disposed associated companies are included in the financial statements up to their date of disposal, see explanatory note 15.

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.

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 fifteen years.

Costs for periodical major maintenance are charged to the result at the moment they arise. Leasehold improvements are depreciated over a ten-year period. The estimated useful lives of the leasehold improvements are in line with the remaining term of the corresponding lease.

Financial fixed assets

Group companies

Where significant influence is exercised, associated companies in non-consolidated group companies are valued under the net asset value method, but not lower than a nil value. This net asset value is based on the same accounting principles as applied by Bouwinvest.

Associated companies with a negative net equity value are valued at nil. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively to enable the associated company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Other 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.

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.

The legal entity is part of a fiscal unity for corporate income tax and VAT purposes and for that reason it is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

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 Tangible fixed assets

	Leasehold Improvements	Equipment	Total 2014	Total 2013
Book value as at 1 January	960	1,022	1,982	2,982
Investments	139	312	451	12
Disposal	-	-	-	-
Depreciations	(334)	(431)	(765)	(962)
Book value as at 31 December	765	903	1,668	1,982
Purchase value	5,578	8,289	13,867	13,416
Cumulative depreciations	(4,813)	(7,386)	(12,199)	(11,434)
Book value as at 31 December	765	903	1,668	1,982

2 Group companies

The movement in the group companies recorded as financial fixed assets is as follows:

	Book value 31-12-2013	Disposal	Result 2014	Book value 31-12-2014
Phui Energy B.V.	4,552	(3,983)	(569)	-
DRI I Beheer B.V.	18	(18)	-	-
Total	4,570	(4,001)	(569)	-

3 Other participations and loans

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

	Book value 31-12-2013	Deposit/ repayment	Dividend	Result 2014	Book value 31-12-2014
Bouwinvest Dutch Institutional Residential Fund N.V. (0.2%)	1,937	4,000	(115)	214	6,036
Bouwinvest Dutch Institutional Office Fund N.V. (0.3%)	962	906	(68)	4	1,804
Bouwinvest Dutch Institutional Retail Fund N.V. (0.3%)	1,030	1,000	(59)	20	1,991
Total	3,929	5,906	(242)	238	9,831

4 Receivables group companies

	2014	2013
Bouwinvest Dutch Institutional Residential Fund N.V.	503	-
Bouwinvest Development B.V.	183	-
Total	686	-

5 Taxes

	2014	2013
Value added tax	1,391	876
Dividend tax	59	11
Total	1,450	887

6 Deferred tax asset

	2014	2013
Deferred tax asset	4,470	4,250
Total	4,470	4,250

The compensable loss at year-end 2014 amounted to € 18,012,000 (2013: € 20,966,000). This deferred tax asset can be taken for the remaining five years up to and including 2018. Taking into account the compensable loss, the deferred tax asset has been set at € 4.5 million. The increase in the deferred tax asset is based on the revised profit forecast.

7 Cash and cash equivalents

	2014	2013
Bank balances	12,486	12,611
Total	12,486	12,611

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 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

Before appropriation of result

	Issued capital	Share premium	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2013	225	41,367	(25,516)	3,034	19,110
Net result for the year	-	-	-	4,903	4,903
Appropriation of result	-	-	3,034	(3,034)	-
Balance at 31 December 2013	225	41,367	(22,482)	4,903	24,013

9 Liabilities group companies

	2014	2013
Bouwinvest Dutch Institutional Residential Fund N.V.	-	687
Bouwinvest Dutch Institutional Retail Fund N.V.	-	150
Bouwinvest Dutch Institutional Office Fund N.V.	-	125
Total	-	962

10 Taxes and social security premiums

	2014	2013
Payroll taxes	894	853
Total	894	853

11 Pension premiums

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

	2014	2013
Balance as at 1 January	598	624
Payment relating to previous years	(597)	(626)
	1	(2)
Premiums due for the financial year	1,917	2,123
Payments relating to the financial year	(1,328)	(1,525)
Total	589	598

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 2015.

Contingent liabilities

Rental and lease agreement-related contracts entered into:

	2014	2013
First year	1,455	1,440
Second to fifth year	2,716	4,629
More than five years	-	-
Total	4,171	6,069

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 incase 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

12 Management fee

Bouwinvest received a management fee of in total € 27.9 million (2013: € 27.3 million), of which € 25.7 million (2013: € 24.3 million) is based on the assets under management and € 2.2 million (2013: 3.0 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.

	2014	2013
Bouwinvest Dutch Institutional Residential Fund N.V.	2,715,283	2,599,612
Bouwinvest Dutch Institutional Office Fund N.V.	565,113	469,201
Bouwinvest Dutch Institutional Retail Fund N.V.	670,322	605,784
Bouwinvest Dutch Institutional Hotel Fund N.V.	140,935	154,992
Bouwinvest Dutch Institutional Healthcare Fund N.V.	15,572	11,755
Bouwinvest Development B.V.	108,934	128,840
bpfBOUW (mandates International Investments & Heritage)	2,484,047	2,090,098
Total	6,700,206	6,060,282

The management fee in 2014 was € 25.7 million (2013: € 24.3 million). For the funds this fee is based on 0.5% of the 'net asset value'; for the international investments of bpfBOUW it is based on 0.3% of the 'net asset value'.

The management fee for other mandates and project development activities amounted to € 2.2 million (2013: € 3.0 million) and can be itemised as follows:

- € 1.5 million (2013: € 1.7 million) development fee based on development turnover
- € 0.6 million (2013: € 0.8 million) development fee based on invested capital
- € 0.1 million (2013: € 0.5 million) heritage fee based on amount of invested capital

13 Personnel costs

	2014	2013
Wages and salaries	10,753	10,553
Social security charges	1,213	1,116
Pension fund charges	1,800	1,911
Temporary staff	989	980
Other personnel costs	2,259	2,255
Total	17,014	16,815

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

	2014
Pension fund agreements chargeable to the financial year	1,917
Deductions	(116)
Settlement pensions 2013	(1)
Total	1,800

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 23.0% of the pensionable salary (2013: 23.6%). 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 114.0% in 2014 (2013: 116.3%). 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 2014 amounted to 128.0 fte (2013: 122.6 fte). The average number of employees in 2014 was 126.3 fte (2013: 126.8 fte).

Remuneration

The investment manager, Bouwinvest, paid in 2014 a remuneration (including social security charges and pension premiums) of in total € 13.8 million to 126.3 fte (2013: € 13.6 million to 126.8 fte), of which 6.8% variable remuneration, and the remainder was fixed remuneration.

The total remuneration includes an amount of € 1.0 million (2013: € 0.9 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.

During the reporting period, the manager, Bouwinvest is responsible for eight 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 2014 amounted to a total of € 113,000 (2013: € 116,000).

14 Other operating costs

	2014	2013
Office expenses	2,131	2,270
Automation expenses	2,753	2,963
Communications expenses	523	626
Consultancy costs	411	334
Research and Investor Relations costs	249	236
Other expenses	745	1,121
Total	6,812	7,550

15 Result from participations

	2014	2013
Result from group companies	(569)	576
Result from other participations	238	76
Result from participations	(331)	652

16 Interest income

	2014	2013
Other interest income	21	4
Interest income	21	4

17 Corporate income tax

	2014	2013
Result before taxes	2,953	2,653
Corporate income tax	(727)	(653)
Income from tax loss carry-forward	947	2,903
Corporate income tax previous years	-	-
Total	220	2,250

Subsequent events

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

Signing of the financial statements

Amsterdam, the Netherlands, 16 March 2015

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*

Marjanne Sint, *Vice-chairman of the Supervisory Board*

Jan van der Vlist

Roel Wijmenga

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 2013

The General Meeting of Shareholders held on 24 April 2014 adopted and approved the 2013 financial statements. The profit for 2013 of € 4,903,000 was added to the retained earnings.

Proposal for appropriation of profit 2014

The management proposes that the General Meeting of shareholders approve the addition of the profit to the retained earnings. Net profit for the year amounts to € 3,173,000.

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 2014 of Bouwinvest Real Estate Investment Management B.V., Amsterdam, which comprise the balance sheet as per December 31, 2014, 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, 2014 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 16, 2015

Deloitte Accountants B.V.

Signed on the original: J. Holland

CSR targets

CSR targets 2014-2016

	when	status 2014
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	not 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	on track
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	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	on track
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	on track
Continue to develop social activities and sponsorship policy	2014	achieved

CSR performance indicators

Social Data

BOUWINVEST	2014	2013	Employee survey		2013	2011	
Human resources							
Number of employees in fte (LA1)	128.0	122.6	Satisfaction		7.8	7.4	
Fixed-term contract (%) (LA1)	4%	3%	Engagement		7.6	7.0	
Permanent contract (%) (LA1)	96%	97%	Enthusiasm		7.0	6.6	
Sickness ratio (LA7)	2.4%	2.1%	Employee age groups (LA13) 2014				
Employee turnover (LA2)	5.0%	8.4%			Average		
Equality & Diversity					Male	Female	
Women (LA13)	34%	33%	<30	8%	9	2	
Women in senior management (LA13)	15%	9%	30-40	37%	37	13	
Training and development				40-50	31%	24	
Number of internships	6	7	>50	24%	20	12	
			Total	135	90	45	

Environmental data

	Residential Fund		Office Fund		Retail Fund	
	2014	2013	2014	2013	2014	2013
Energy consumption						
Total energy consumption (MWh) (EN4)	8,400	7,890	28,696	29,996	7,168	7,080
Energy intensity (kWh/m ²) (CRE1)	10.2	10.6	150.6	157.4	60.8	70.6
Total electricity consumption (MWh)	8,286	7,826	22,144	23,987	3,421	3,410
Total gas consumption (m ³) (EN3)	11,578	6,482	446,783	435,430	372,111	364,418
Change total energy consumption (Like-for-Like) (EN5)	- 4.1%		- 4.8%		- 13.8%	
Scope	92 of 95		16 of 16		15 of 17	
Greenhouse Gas (GHG) emissions						
Total GHG emissions (tonnes CO ₂ e) (EN16)	21	3,573	815	11,709	679	2,217
Direct GHG emissions (tonnes CO ₂ e) (EN16)	21	12	815	795	679	665
Indirect GHG emissions (tonnes CO ₂ e) (EN16)	0	3,561	0.01	10,914	0	1,552
GHG intensity (kg CO ₂ e/m ²) (CRE3)	0.03	4.8	4.3	61.4	8.6	16.3
Change total GHG emissions (like-for-like) (EN18)	- 99.6%		- 92.9%		- 47.0%	
Scope	92 of 95		16 of 16		15 of 17	

	Residential Fund		Office Fund		Retail Fund	
	2014	2013	2014	2013	2014	2013
Water consumption						
Total water consumption (EN8)	38,999	31,310	62,151	59,018	639	337
Water intensity (m³/m²) (CRE2)	0.119	0.100	0.414	0.394	0.025	0.013
Scope	64 of 64	53 of 64	12 of 12		4 of 10	
	2014	2013	2014	2013	2014	2013
Waste management						
Total waste collected (tonnes) (EN22)	-	-	401	388	470	456
Recycling rate	-	-	74.0%	82.4%	81.9%	80.7%
Scope	-	-	8 of 8		4 of 4	
	2014	2013	2014	2013	2014	2013
Certificates						
EPC labels coverage (CRE8)	100%	100%	71%	94%	76%	77%
Green certificates (A,B or C label)	92.3%	92.1%	85.5%	79.9%	79.1%	60.1%
Average energy index	1.33	1.36	1.04	1.04	1.03	1.14

Reporting of performance indicators

Bouwinvest reports environmental data for those assets where management control is possible (operational control approach). Data is provided for those assets where we have the 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 into the performance of an indicator over time at a constant portfolio scope. The relatively large reduction in GHG emissions is due to the compensation of carbon emissions through the purchase of carbon certificates. This is in line with Bouwinvest's commitment to reduce the impact its operations have on climate change.

Energy, emission and water intensities are reported using "shared services" as the numerator and the lettable floor area (LFA) as the denominator. "Shared services" refers to landlord-obtained consumption for common areas and any services provided to tenant areas that have not been sub-metered.

