Bouwinvest Real Estate Investors

Bouwinvest Dutch Institutional Hotel Fund N.V.

Annual report 2021

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The Fund
at a glance

Real Value for Life

Real Value for Life – that's what drives us. Our real estate investment management contributes to sustainable, liveable, accessible urban environments and to improving pension benefits.

But we can't do that alone. Together with our partners we are helping to give shape to the city of the future. In this way, Bouwinvest invests in what society needs and we create a stable return for our shareholders.

The Fund's strategy

Quality
High-quality leisure locations and environment

Diversification
Diversified hospitality solutions

Sustainability
Sustainable and responsible investments

The Fund's key strategic objectives

- Clear investment strategy
- Create a stable base of fixed rental income at fund level
- Invest in core hotel properties located in our core regions

- Invest in a diverse range of hotel concepts aimed at different target groups

- Sustainable buildings, investments and operations
- Reducing environmental impact
- Stakeholder engagement
- Sustainable stewardship

The Fund's strategic actions

The Fund's financial, social and environmental return 2021

Total return	Average occupancy rate	NAV IFRS
7.6%	100%	€356 MILLION

Transactions	Investments	Divestments	Funding
€0 MILLION	€3 MILLION	€0 MILLION	€0 MILLION

GRESB 5-star	Paris Proof	Tenant satisfaction	Stakeholder engagement
★★★★★	end of 2045 & increase climate resilience of the portfolio	SCORE 7.7	ACTIVE ENGAGEMENT WITH OUR COMMUNITY

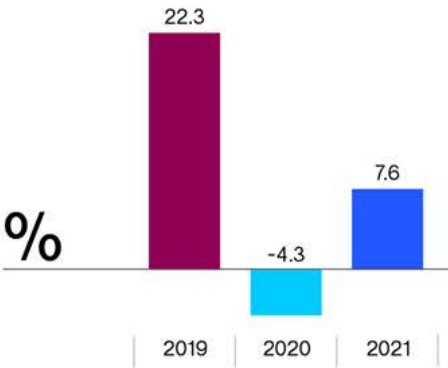
Real Value for Life

Stable long-term pension benefits with limited environmental impact

Healthy, safe and affordable places where people want to stay – now and in the future

The Fund's contribution to Real Value for Life

Fund return



Realised 2021

7.6%

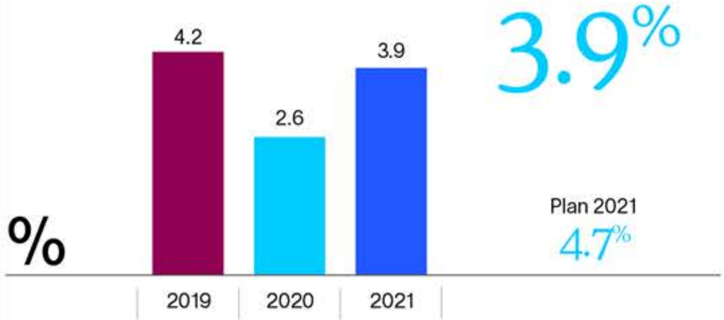
Plan 2021

-5.3%

Long-term average target

5.5%- 7.0%

Fund income return



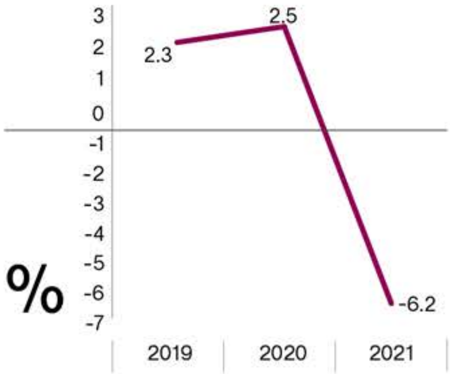
Realised 2021

3.9%

Plan 2021

4.7%

Like-for-like rental income



Realised 2021

-6.2%

Plan 2021

0.7%

Acquisitions (x € MILLION)

Realised 2021

0

Plan 2021

€ 50

Investments (x € MILLION)

Realised 2021

€ 3

Plan 2021

€ 50

Occupancy rate

Realised 2021

100%

Plan 2021

100%

G10 cities

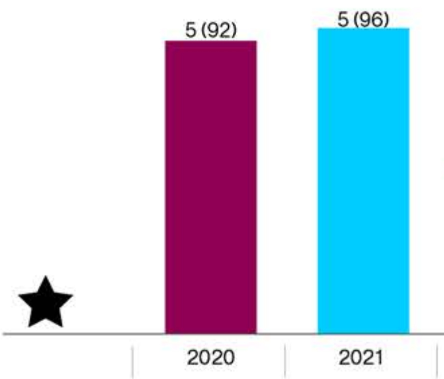
Realised 2021

100%

Plan 2021

100%

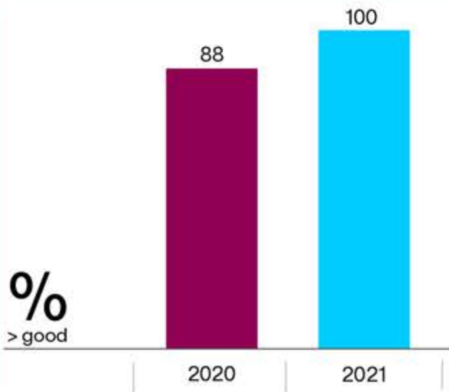
GRESB star rating (score)



Realised 2021

5 star rating
(96 Points)

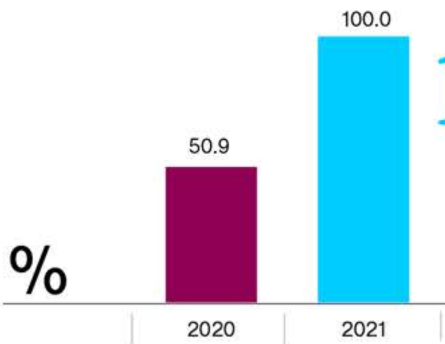
BREEAM building label



Realised 2021

100%

Energy label (A)



Realised 2021

100.0%

Tenant satisfaction (score)

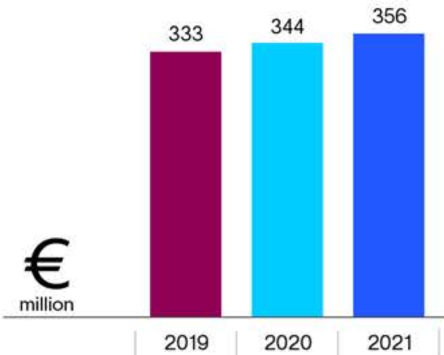
Plan 2021

7.0

Realised 2021

7.7

NAV (x € MILLION)



Realised 2021

356

Plan 2021

356

Dividend paid per share

Plan 2021

€ 381.35

Realised 2021

€ 381.03

Issued capital (x € MILLION)

Plan 2021

€ 50

Realised 2021

€ 0

Key performance over five years

All amounts in € thousands, unless otherwise stated	**2021**	2020	2019	2018	2017
Statement of financial position					
Total assets	383,970	366,282	353,230	261,567	223,520
Total shareholders' equity	355,647	344,320	333,192	259,111	221,610
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	381.03	253.63	346.55	379.46	406.60
Net earnings (in €)	686.20	(410.05)	1,868.71	1,282.73	1,019.32
Net asset value IFRS (in €, at year-end)	9,582.04	9,276.87	9,935.93	8,456.35	8,864.40
Result					
Net result	25,469	(14,749)	60,256	38,351	25,483
Total Global Expense Ratio after tax (TGER)	0.62%	0.57%	0.54%	0.54%	0.50%
Real Estate Expense Ratio (REER)	0.70%	1.65%	0.40%	0.34%	0.40%
Distributable result	14,306	9,124	11,536	11,345	10,165
Pay-out ratio	100%	100%	100%	100%	100%
Fund return					
Income return	3.9%	2.6%	4.2%	4.9%	5.3%
Capital growth	3.6%	(6.8)%	17.6%	11.7%	7.8%
Total Fund return	7.6%	(4.3)%	22.3%	17.0%	13.4%
Portfolio figures					
Investment property	363,854	328,236	305,878	231,136	180,347
Investment property under construction	-	20,152	34,386	26,186	36,357
Gross initial yield	5.8%	5.9%	5.5%	5.7%	6.2%
Total number of properties	8	7	6	5	4
Average rent per room (in €)	10,965	12,019	11,339	10,708	10,703
Financial occupancy rate (average)	100.0%	100.0%	100.0%	100.0%	100.0%
Property performance (all properties)					
Income return	4.4%	3.3%	4.9%	5.6%	5.9%
Capital growth	4.0%	(6.8)%	18.1%	12.1%	7.9%
Total property return	8.6%	(3.7)%	23.8%	18.3%	13.8%

Message from the Director
Dutch Hotel Investments

Market developments

Like 2020, last year was dominated by the Covid-19 pandemic and government measures and restrictions, including several full and partial lockdowns, aimed at containing the spread of the virus. Despite this, the Dutch economy proved remarkably resilient last year, with most experts agreeing that GDP would increase by around 4% in 2021 after contracting by 3.6% in 2020, and cautiously optimistic on the outlook for the coming years. This was partly due to the continued government support for the sectors hardest hit by the outbreak, plus the fact that most public and private sector organisations that were able to had already switched to remote working or hybrid models. And despite initial delays, the subsequent rapid roll-out of the vaccine programme led to a sharp dip in the number of hospital admissions and absenteeism rates. Unemployment also failed to rise as much as initially feared and the biggest threat to the labour market turned out to be the rising shortage of personnel in a number of important sectors, including the construction industry. More worrying was the sudden rise in inflation in 2021. If this continues, it could have a negative impact on both consumer confidence and consumer spending in 2022. And the surge in Covid-19 infections in late 2021, largely driven by the new Omicron variant, could endanger the recovery of the Dutch economy if the outbreak is prolonged and the government imposes further lockdowns.

"Sustainability is becoming increasingly important in the hotel sector."

Bas Jochims
Director Dutch Office & Hotel Investments

Hotel real estate market

The Dutch hotel market has been badly affected by the two years of the Covid-19 pandemic and government-imposed restrictions. Hotel revenues have dropped dramatically, which has in turn had a negative impact on the rental income for owners, as they have been forced to reach accommodations with hotel operators, including rent deferrals and discounts. Tourism did pick-up again in 2021, along with hotel stays, and tourism is expected to recover fully in the medium term. However, business travel is recovering at a much lower rate and may in fact never return to pre-Covid levels, as online meetings are here to stay and the international business sector looks to become more sustainable. Hotels that depend on business travellers and conference visitors will almost certainly have to switch their focus. The travel sector is facing ever louder calls to be more sustainable, which may impact air travel – and tourist figures - at some point in the future. Sustainable business is also becoming more important in the hotel sector itself.

There were very few hotel investment transactions in the hotel real estate sector in the first 18 months of the Covid-19 pandemic. The second half of 2021 saw the first larger hotel acquisitions and it was clear from these that investors are primarily on the look-out for hotels that are sustainable, both operationally and in terms of their real estate.

The Hotel Fund's achievements in 2021

The Hotel Fund devoted a great deal of time and effort to relationship management in 2021, reaching rent payment agreements with its tenants. We also spent a lot of time in talks with hotel operators on developments in the sector and forecasts for recovery. Reaching payment agreement with the Fund's hotel operators was also an opportunity to discuss green leases and data sharing and the Fund closed more of these agreements in 2021.

In 2021, the Fund made progress on all three of its new strategic pillars: Quality, Diversification and Sustainability. The fund portfolio includes quality hotels located in the city centres of three major cities (Amsterdam, The Hague and Rotterdam). Given the locations, Covid-19 has therefore had a lot of impact on the hotels, although there have been differences between the various concepts. Last year saw the delivery of Hotel Postillion WTC Rotterdam, the Fund's first hotel in the southern port city. The Fund sees this as the first step in its diversification across the top 10 hotel cities in the Netherlands. The benefits of a diversified portfolio have also become clearer during the pandemic, as individual hotels were affected differently in the various phases of the pandemic. The Fund's hostels (StayOkay and Meininger) were hit the hardest by restrictions for international tourists, while extended stay accommodations (Boat&co and Premier Suites) managed to achieve higher occupancy rates as they had numerous alternative rental options, such as temporary living or working spaces. The impact of Covid-19 also differed per city, as in the summer the NH hotel in The Hague was able to benefit from its proximity to the city's beach area. On the sustainability front, the Fund retained its GRESB five-star rating and improved it overall score, making it this year's regional and global sector leader. The Fund also achieved it target of 100% BREEAM Very Good labels for its hotel assets, as Aitana and Meininger was awarded Very Good labels. About 60% of the invested capital now has a BREEAM Excellent label.

The hotel sector has once again proven remarkably resilient in the face of the current crisis, and values remained stable, especially those of core hotel assets. The Fund is a core investor and values remained stable for all its assets in 2021, while some recorded increases in value. Following the -6.8% decline in values in 2020, the Fund recorded capital growth of a 3.6% in 2021, way above the decline forecast at the start of the year. The income return was below plan, due to the late delivery of Postillion and more rent deferrals than originally planned. Following the lockdown from mid-December and the Supreme Court's ruling on an equal distribution of damage between tenant and landlord, talks are taking place again with tenants about payment arrangements.

Outlook for the market and the Fund

There is still a great deal of uncertainty regarding the recovery of the Dutch economy and given the surge in infections in late 2021 and early 2022 it is possible that we will see additional periods of travel restrictions and other Covid-19-related measures. However, we are a long-term investor and we are confident that the hotel sector will recover fully in the medium term. Also, the low interest rate environment and the large amounts of available capital will keep investment volumes and initial yields at relatively normal levels. At the same time, the brake on new hotel developments will ensure continued demand for existing good quality hotels in good city centre locations.

All that remains is for me to thank our clients for their continued trust in us and our strategy. And of course I would like to thank our team for their flexibility and hard work helping our tenants. And for their professionalism and collaboration, which helped us to anticipate and respond to developments quickly and effectively. It is thanks to them that we emerged as strongly as we did from another dynamic year.

Bas Jochims
Director Dutch Office & Hotel Investments

Report of the Executive Board of Directors

Market environment

Key macro developments

After the challenging year 2020 and a steep decline in economic activity, the year 2021 showed strong economic recovery overall. Despite positive expectations due to a successful vaccination programme, the year ended somewhat disappointing with a strict lockdown. December 2021 saw a fifth wave of Covid-19 infections and a subsequent lockdown in the Netherlands, which was a clear demonstration that the Covid-19 crisis is not yet under control.

The key events and developments for the Dutch economy can be summarised as follows:
- The Covid-19 pandemic continued to dominate the Dutch economy in 2021. Following the controlled lockdown initiated by the government, measures were eased over the summer and resulted in an increase in economic activity. However, new waves of Covid-19 variants flared up again during the last quarter of the year and once again resulted in new social restrictions, despite the availability of vaccines.
- Dutch economic growth increased by 4.6% in 2021, with significant fluctuations during the course of the year. The economy contracted in Q1 due to the lockdown, but the remaining quarters saw a strong recovery. New contingency measures in Q4 prevented higher GDP growth. International trade and consumer spending were the major drivers of economic growth. By the end of the year, house prices were more than 20% higher than twelve months before, the highest year-on-year increase this century.
- During the second half of the year, the energy crisis escalated, resulting in record high inflation rates with a record level of 5.7% in December 2021. This resulted in average inflation of 2.6% for 2021 as a whole. Energy prices increased by 60% year-on-year and remain volatile. Opposing views on the duration of this inflationary period are resulting in different policies by central banks with regards to raising interest rates. The ECB did not announce any interest rate shifts in 2021. Interest rates on 10-year Dutch government bonds were relatively stable and ended the year 20 basis points higher at -0.32%.
- In 2021, consumer confidence recovered strongly from the negative impact of the Covid-19 pandemic. However, the energy crisis resulted in a heavy decline in consumer confidence later in the year. On the other hand, producer confidence ended the year at the highest level for the past 15 years, despite challenges in the supply chain market and high inflation rates.
- The situation on the labour market tightened during the year, with shortages becoming visible in a wide range of industries.
- Financial governmental support kept the number of bankruptcies at record low levels. Unemployment rates had fallen well below 3% by the end of the year.
- A new cabinet was formed in the last weeks of the year after a record formation period. The new cabinet consists of the same four coalition partners as the previous one and will face the task of resolving a number of major challenges. Besides the Covid-19 pandemic, major focus points will be the climate and nitrogen crisis and the housing market. Furthermore, more funding will be allocated to education, justice and security.
- The Russian invasion of Ukraine and rapidly escalating events in late February and in March 2022 are a significant tragedy for the people and causing disruption to business and economic activity in the region and worldwide.

	2022 forecast	**2021**	2020
GDP	3.5%	4.6%	(3.8)%
Consumer spending	6.5%	3.8%	(6.6)%
Consumer price index (CPI)*	3.3%	2.6%	1.3%
Government bond yields, long-term	0.1%	(0.2)%	(0.3)%
Unemployment rate*	3.5%	3.2%	3.8%

*Average number over the year
Source: Oxford Economics (4 February 2022)

More detailed information can be found in Bouwinvest's Market Outlook 2022-2024.

Market update 2021

Public policies

Cabinet formation and plans

In January, the third cabinet led by Prime Minister Mark Rutte collapsed, and Dutch parliamentary elections were held on 17 March. After a record long formation period of 299 days, a 'Rutte-IV' cabinet was established in December. The coalition of four parties (VVD/D66/CDA/CU) reflects the composition of the previous cabinet. The cabinet will face the challenge of dealing with a number of major issues. Besides the Covid-19 crisis, the main focus points will be the climate and the nitrogen emissions crisis, plus the housing market. Furthermore, the government is planning to allocate more funding to education, justice and security.

As of 1 January 2021, the real estate transfer tax (RETT) for property acquisitions increased to 8%, for residential as well as for commercial real estate. To put an additional brake on record house price increases, the transfer tax for investors will be increased to 9% as of 2023. In 2021, a number of local authorities launched initiatives, such as the halt on buy-to-let within the existing housing market.

Covid-19

In 2021, the caretaker cabinet was for the most part focused on fighting the Covid-19 pandemic and finding a balance between limiting the spread of the disease and keeping the economy and companies healthy. Despite the continued roll-out of the vaccination programme, lockdown measures came and went in 2021, which had a major impact on the (non-essential) retail and hotel and leisure segments. While most restrictions were lifted in the course of the third quarter, November and December in particular once again saw heavy restrictions for retailers.

The Dutch government implemented a set of emergency measures to mitigate the financial burden placed on companies by the Covid-19 pandemic. The initial plan was to end most of these measures from 1 October 2021 onwards. However, following the emergence of the new Omicron variant and the reintroduced lockdown, financial measures were extended. It is notable that, although affected companies have complained that restriction have led to a substantial reduction of their financial buffers, 2021 still saw the lowest number of bankruptcies for many years.

Hotel real estate policies

In 2021, the Dutch hotel sector was once again badly affected by the Covid-19 crisis. While hotels were allowed to stay open, for prolonged periods they were subject to strict measures limiting the actual use of restaurants and meeting rooms. Additionally, limitations and uncertainty regarding international (leisure and business) travel led to significant decline in cross-border tourism.

While the Dutch government launched a set of emergency measures to mitigate the financial burden placed on companies by the Covid-19 pandemic, many hotel entrepreneurs are facing severe financial challenges. As a result, 2021 was also characterised by frequent negotiations between landlords and hotel entrepreneurs.

With regard to the need for reduction of CO_2 emissions from travel, the new cabinet is looking to raise the airline ticket tax, installing emission boundaries for airports and supporting rail transport over air transport for short and mid-distance travel. In addition, a growing group of consumers is already looking more critically at short flights. As a result, we could see a gradual shift in modality, but Bouwinvest does not expect this to have a direct impact on the hotel market.

Occupier market

Due to the Covid-19 pandemic, the numbers of overnight stays in hotels remained low in 2021. The first three quarters of the year saw a drop of 46.4% compared with the same period in pre-Covid 2019. However, the trend was more positive when compared with 2020 data: in Q2 and Q3 2021, the hotel sector outperformed the comparable quarters in 2020.

The falling demand was mainly due to fewer non-European tourists and business bookings. Demand from European tourists remained volatile, as travel restrictions varied from country to country and from month to month. Hotels in Amsterdam and around Schiphol performed considerably less strongly than hotels near the coast or in rural areas, where domestic tourism picked up and in some instances more than made up for the lack of international tourists. As an example: CBS data indicates that in Q3 2021 total overnight stays in the Netherlands were still 19% lower than that in 2019, while the number of overnight stays in hotels in and around de Veluwe area was 19% higher than in pre-Covid 2019.

Due to the travel restrictions and lockdowns, the Revenue Per Available Room (RevPAR) remained very low last year. According to Horwath, the estimated RevPAR stood at €34 in the Netherlands in 2021, just slightly higher than in 2020 and way below the € 94 seen in 2019. For 2022 Horwath forecasts a RevPAR of € 62, while most of the hoteliers expect that the effects of Covid-19 on the hotel market will wear out by the end of 2022.

The Hotel Fund firmly belives that once travel restrictions are completely lifted, international leisure travel from within Europe will pick up rapidly. Long-haul flights and business travel are expected to take more time.

Investment market

Investor appetite remained strong in almost all real estate sectors last year and the overall investment volume totalled € 18.2 billion, just short of the € 19.0 billion in the previous year. This was despite the negative effects of the increase in the real estate transfer tax from 1 January 2021, which spurred many investors to close their deals in Q4 2020 and led to subdued transaction volumes in the first half of 2021.

Due to a very strong final quarter of 2021 hotel investments reached € 650 million, substantially higher than the € 230 million transacted in 2020, but well below 2019 which totalled € 1.5 billion. Still, it is a clear sign that activity in this investment sector is picking up speed again.

Transactions in this market ranged from a local hotel in Waddinxveen, two hotel developments in Leiden and Breda, both purchased by Commerz Real, boutique hotels The Albus and Hotel Rokin in Amsterdam, to the € 300 million purchase of the majority of the shares of the Eden Hotel Group by KSL Capital Partners.

The Covid-19 pandemic has led to yield decompression in the hotel sector. It is still difficult to estimate the magnitude of the decompression due to the lack of core market transactions. The estimated prime gross initial yield for 2021 remained in the 4.00% - 4.50% bandwidth - most likely the top end of this bandwidth - compared with 3.75% in 2019.

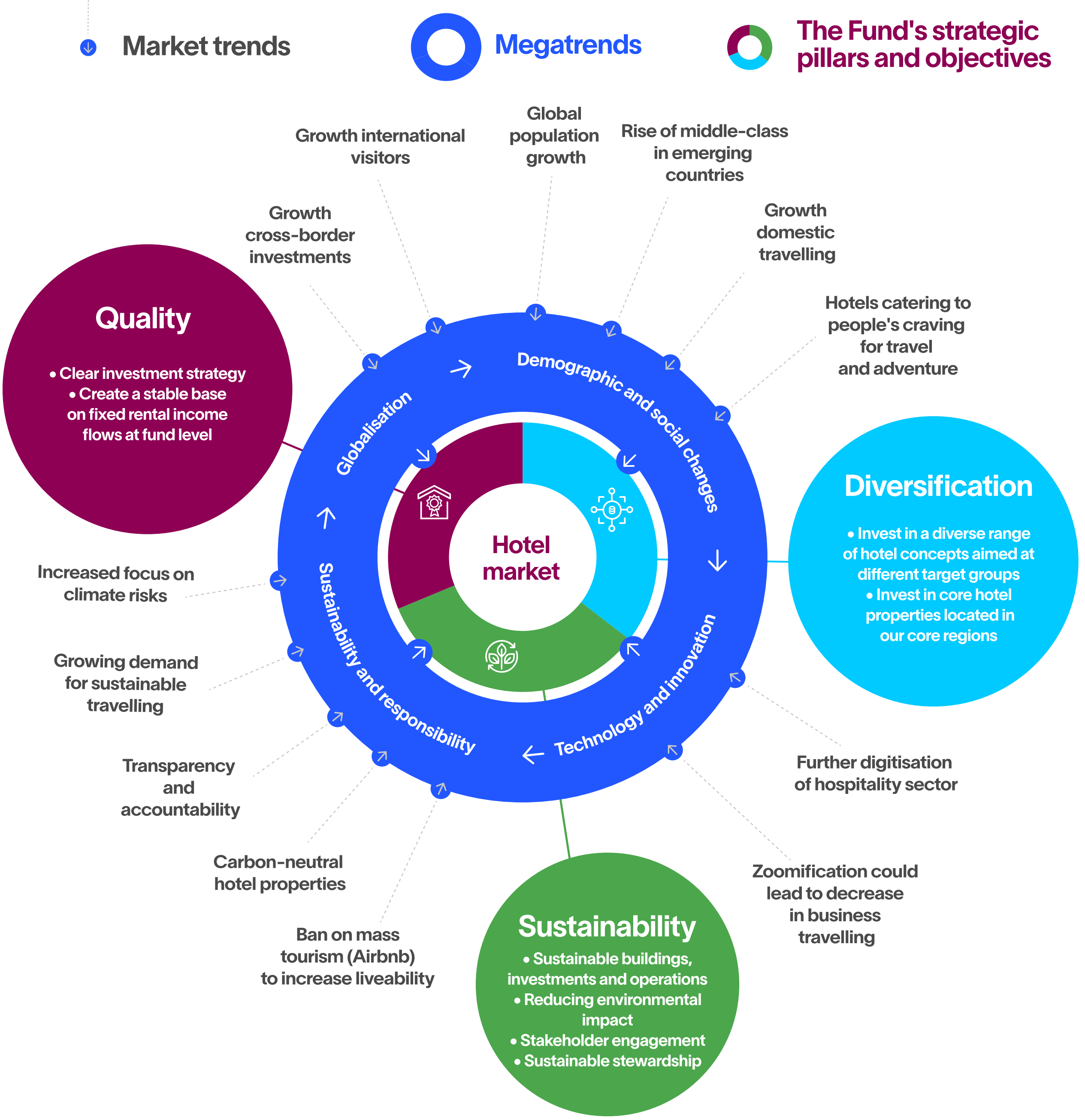
Investor key factors	2022 forecast	**2021**	2020
Prime net initial yields	↓	4.0-4.5%	3.75-4.25%
Investment volumes (€ bln)	↑	0.6	0.2

Sources: JLL, Bouwinvest Research & Strategic Advisory

Market outlook 2022-2024

In November 2021, Bouwinvest published its Real Estate Market Outlook 2022-2024. In this document, you will find more detailed insight into macro trends, real estate market conditions and expectations for the years ahead.

Hotel market



Fund strategy

Fund characteristics

Long-term investor	Core investment style	Robust governance structure	Investment structure for indefinite period of time	Reports in accordance with INREV standards

Strategic pillars

	Strategic objectives	Performance indicator
Quality	Clear investment strategy	• Targeted acquisitions • Excellent locations • Well-maintained assets
	Create a stable base of fixed rental income flows at fund level	• Expiry dates • Allocation by risk
	Invest in core hotel properties located in our core regions	• Core regions: G10 hotel cities
Diversification	Invest in a diverse range of hotel concepts aimed at different target groups	• Brands and concepts • Number of rooms • Tenant mix
Sustainability	Sustainable buildings, investments and operations	• GRESB rating and scoring • BREEAM coverage
	Reducing environmental impact	• Green energy label • Average energy performance • Reduction energy consumption • Reduction GHG emissions
	Stakeholder engagement	• Client satisfaction • Tenant satisfaction • Rental contracts with sustainability clause
	Sustainable stewardship	• AED coverage • Construction sites with Considerate Constructors' Scheme

Active asset management

Leisure environment

- Having a keen eye for the best places to invest
- Contributing to liveable and attractive locations
- Facilitating sustainable mobility (near public transport, shared cars, bikes etc.)

Portfolio

- Making targeted acquisitions
- Conducting regular hold/sell analyses
- Continuously optimising the Fund's portfolio
- Innovating

Assets

- Continuously investing in assets
- Making the Fund's assets Paris Proof
- Performing well-timed and good maintenance
- Combining the best brands with the right place

Tenants

- Investing in long-term relationships with the Fund's tenants
- Optimising interactions between tenants and property managers
- Improving the Fund's processes
- Using a client monitoring system to optimise services
- Monitoring the business performance of the Fund's tenants

Investment objectives

5-year average Fund return	Invest in sustainable real estate
Target 5.5%-7.0%	*Target* GRESB *****
Realised 2021 10.8%	*Realised 2021* GRESB 5 stars

Diversification guidelines

	Target	*Realised 2021*
Invested in low or medium risk categories	>90%	100%

Diversification guidelines and investment restrictions when total investments > € 600 M*

	Target	*Realised 2021*
At least 50% of the forecast rental income is fixed	≥ 50%	100%
At least 80% in core regions	≥ 80%	100%
At least 50% in strong international brands/ operators *	≥ 50%	50%
At least 75 rooms per hotel	0%	0%
No investments will have a material adverse effect on the Fund's Diversification Guidelines	0%	0%

≥50% of investments in Amsterdam/Schiphol area	At least 70% in 2, 3 and 4-star segments
Target ≥ 50%	*Target* >70%
Realised 2021 84%	*Realised 2021* 100%

**Restrictions are not applicable for the Hotel Fund, since total investments are below € 600 M.*

Performance
on strategy

Portfolio characteristics

- Total property value: € 344.8 million (eight assets) at year-end 2021;
- Total Fund return: 7.6% (Fund income return 3.9%);
- Occupancy rate: 100%;
- Long-term leases: WALT of 17.5 years;
- Core regions: 100% in Amsterdam, The Hague and Rotterdam;
- GRESB 5-star rating (96 points), sector leader in European and global (unlisted) peer group;
- 100% of assets BREEAM NL In-Use certified, 100% Good or better;
- Green energy labels (A/B/C): 100% (A label: 100%).

Performance on quality

Focus on quality

The Hotel Fund has a moderate growth strategy and is now targeting invested capital of € 415 million at year-end 2024. This growth is based on value development and the remaining commitment of bpfBOUW, as bpfBOUW has decided not to open the Fund to other investors. The quality of the portfolio is mainly reflected in the excellent locations selected from the 10 best hotel cities in the Netherlands. The hotels are leased on a long-term basis to operators who manage the hotels with strong (international) brands. In collaboration with the tenants, the Fund carries out maintenance in a timely manner to keep the buildings in very good condition. At the same time, the Fund consults regularly with the operators regarding potential improvements, in which sustainability often plays an important role.

Given the quality of the Fund's portfolio, its solid track record, targeted actions taken to add appropriate assets to the Fund and a potential recovery of the hotel market based on strong fundamentals, the Fund expects to meet its growth targets for the coming plan period.

Investments and divestments

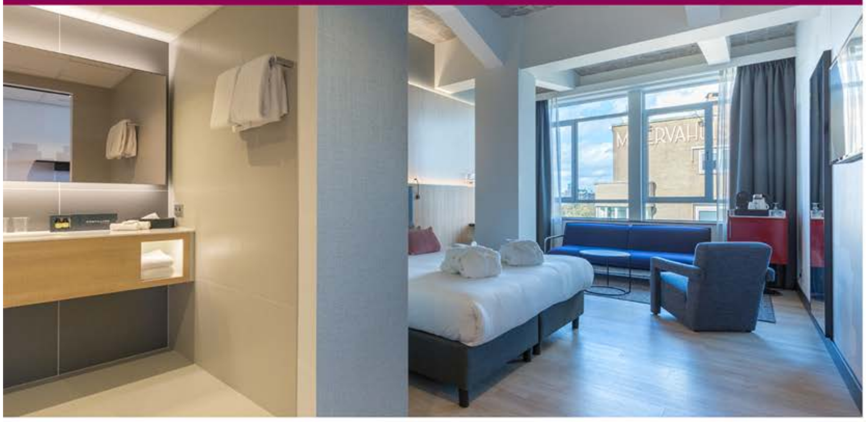
The mood in the hotel market fluctuated quite a lot in 2021. As soon as measures to control Covid-19 were eased, the market showed immediate signs of recovery. This also had an impact on the acquisition front. Few parties have initiated (forced) sales processes and developers generally wait for a more structural recovery. An additional challenge for the acquisition of new development projects is that final price negotiations with developers and builders only take place once development costs have stabilised.

It has become increasingly clear that extended stay concepts continually outperform other concepts in the hotel sector. In addition to this, the leisure (tourist) market has recovered far more quickly than the business market. On the acquisition front, the Fund will focus even more clearly on concepts that respond to this hotel concept and market segment.

Investments 2021
The Fund added one hotel, Postillion WTC Rotterdam, to the portfolio in the first quarter of 2021. Acquisition efforts have not yet resulted in transactions, but the Fund appears to close to agreement for one project.

Added to the portfolio in 2021

Postillion Hotel



Location
Rotterdam
Segment
4-star hotel
Number of rooms
168

Hotel Postillion WTC Rotterdam is a 4-star affordable design hotel in the city centre of Rotterdam. Tenant Postillion is a national hotel operator that operates six hotels and three convention centres (including one in WTC Rotterdam) in the Netherlands. The hotel has been redeveloped and fits seamlessly into the WTC concept, which is characterised by the wide variety of facilities. One of these is the conference centre that is also operated by Postillion, which they believe will generate a number of synergies. However, in the absence of a recovery as in business market, the concept at this location (on the Meent, with numerous boutiques and bars and restaurants) is very much aimed at the tourist market.

The Fund has obtained a BREEAM-NL In-Use Very Good and an energy label A for the Postillion Hotel.

Transactions 2021

Due to the tight investment market and the Fund's strategy, acquisitions have been difficult in recent years. The Fund did not make any acquisitions in 2021.

Divestments 2021

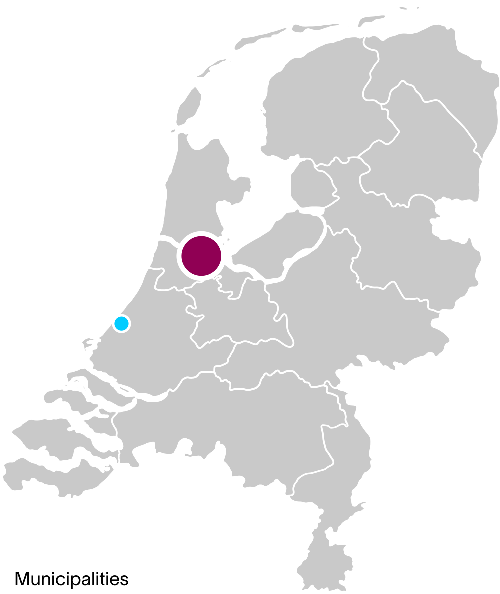
The Fund did not plan any divestments for 2021 and none were executed.

Performance on diversification

Core regions: G10 cities

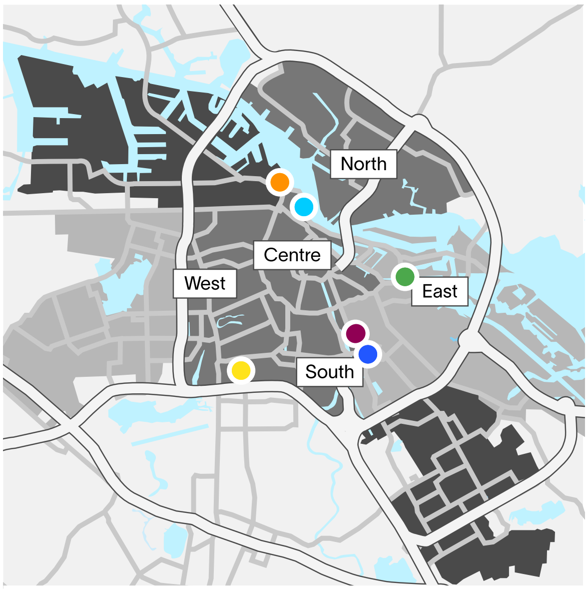
To identify the most attractive cities for hotel investments, the Fund takes into account the following indicators:

- Size of the hotel market
- Financial size of the hotel market
- Key hotel figures



Municipalities
(100% of the portfolio)

Amsterdam	89.5%
The Hague	10.5%



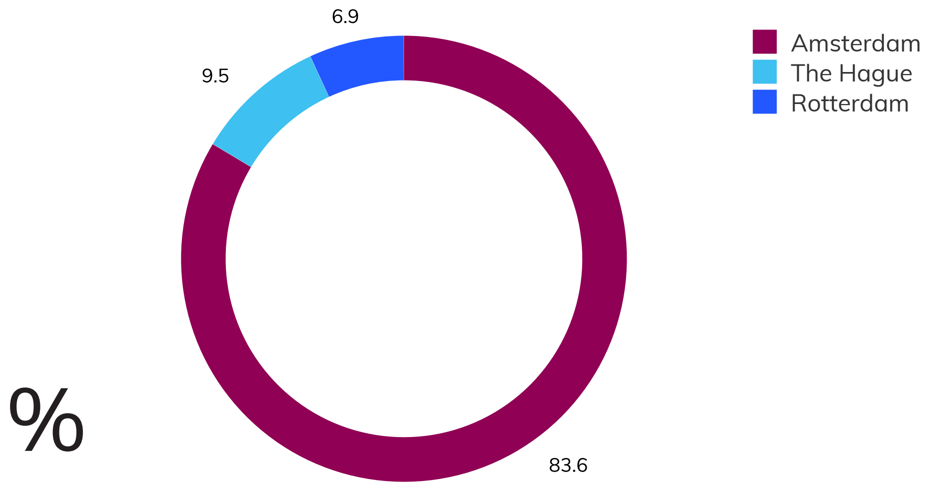
Hotels in Amsterdam

- Casa
- Aitana
- Meininger
- Stayokay
- Premier Suites Hourglass
- Boat&Co

Ther analysis of regions based on indicators resulted in the selection of the 10 most attractive Dutch hotel cities (Amsterdam, The Hague, Rotterdam, Utrecht, Maastricht, Eindhoven, Arnhem, Groningen, Haarlem and Leiden).

The plan is to have at least 80% of the total portfolio value invested in properties in the G10, with at least 50% in the Amsterdam/Schiphol Airport region. Currently, 100% of the total portfolio value is invested in properties in the G10 and 83.6% is invested in Amsterdam. The acquisition of the Postillion Hotel WTC Rotterdam has helped improve th Fund's regional diversification.

Allocation of investment property by core regions based on market value



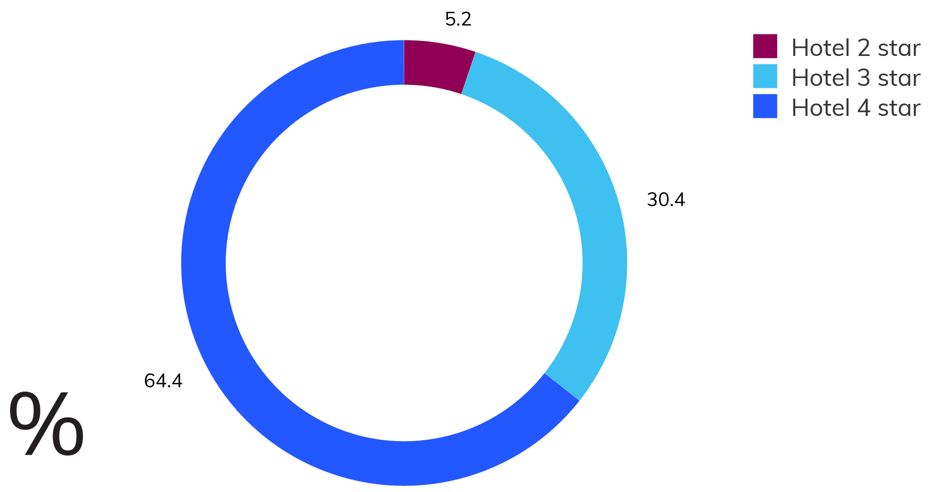
Major segments

The Fund strives for a healthy balance by spreading investments across a greater number of assets, in more geographical locations and across a more diverse range of hotel concepts and brands. The aim is to further diversify the portfolio by investing in different and distinctive concepts that focus on specific target groups. For instance, budget hotels for groups, young guests and families (Stayokay and Meininger Hotel) and extended stay hotels for young professionals who regularly travel for their work and stay in a city for between five nights and 12 weeks, such as Premier Suites, Hourglass (Amsterdam Zuidas) and Boat&Co (Amsterdam Houthavens).

Star ranking

The Fund aims to have at least 70% of the total portfolio value invested in 3 and 4-star hotels. This currently stands at 84.6%.

Allocation of investment property by hotel star ranking based on market value



Number of rooms

The Fund aims for an minimum size of 75 rooms per hotel.

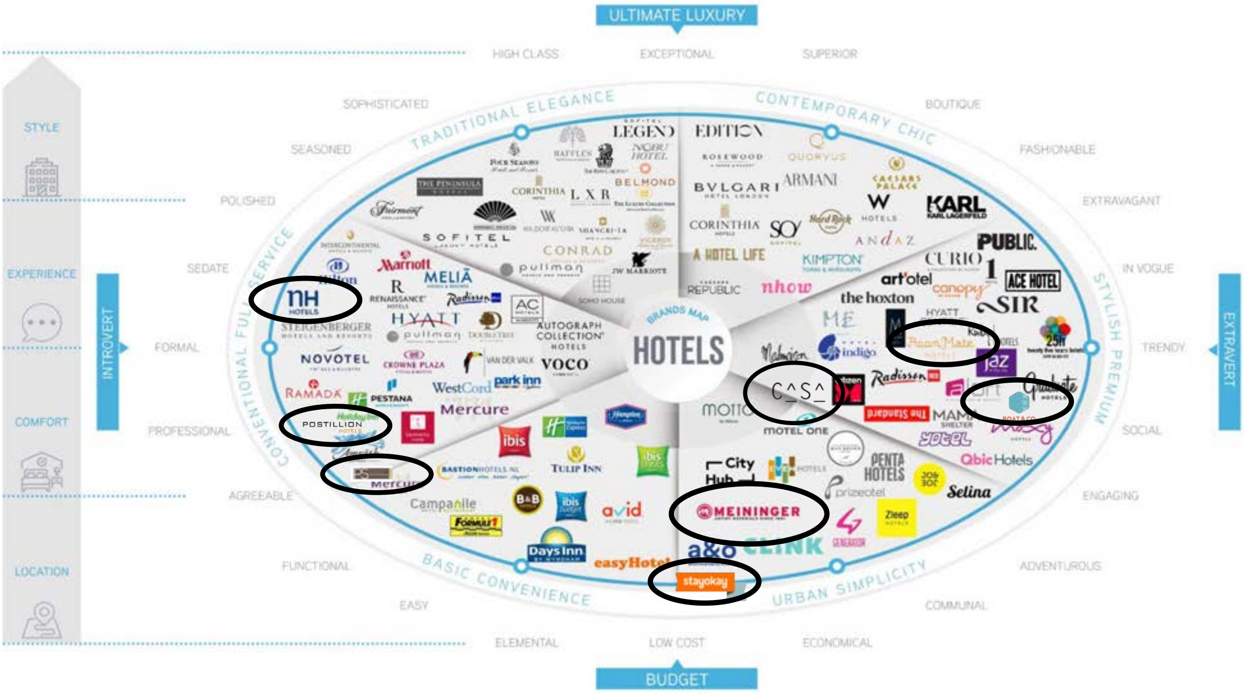
Number of rooms per hotel

Name	Number of rooms
NH Hotel	205
Casa	520
Aitana	285
StayOkay	112
Meininger Hotel	188
Premier Suits Hourglass	115
BOAT&CO	82
Postillion WTC Rotterdam	168

Tenant mix

The Fund prefers to invest in hotels managed by management companies operating in multiple countries/regions. The Fund's aim is for at least 50% of the total portfolio value to be invested in strong international brands/operators (hotels with management companies operating in multiple regions). This currently stands at 50%.

The Fund's hotel brands



Source: Brand map by Colliers

Expiry dates

All hotels have long-term leases with expiry dates beyond 2030. The first expiry date is for NH The Hague in 2030, while the expiry date for Premier Suites Hourglass in Amsterdam is 2040.

Allocation by risk

In terms of risk diversification, at least 90% of the investments must be low or medium risk. The actual risk allocation as at year-end 2021 is shown in the figure below. All properties are assessed separately on an annual basis. At year-end 2021, the Fund was classified as 100% low risk and as such was consistent with the framework of the Fund conditions.

Performance on sustainability

Highlights performance on sustainability 2021

- Improved GRESB score by four points to a total of 96; achieved GRESB 5-star rating and ranked GRESB Global Sector Leader for third consecutive year;
- 100% of investments are BREEAM-certified assets; all with a minimum Very Good rating;
- Approximately 60% of invested capital has a BREEAM-NL Excellent rating;
- 100% green label portfolio; average NZEB2 of 169; 100% A label;
- Installed a total of approx. 175 kWp in solar panels;
- Three rental contracts with a sustainability clause, which is 38% of all contracts;
- 100% of construction sites registered under the Considerate Constructors ('Bewuste Bouwer') scheme;
- Coverage of 100% AEDs within six minutes walking distance;
- Signed Dutch Green Building Council's Paris Proof commitment to become net-zero carbon at the end of 2045. In 2020, the Fund started drawing up up a roadmap to become Paris Proof in 2045.

Focus on sustainability

The built environment consumes around 40% of the world’s energy and accounts for up to 30% of the world’s annual GHG emissions. Additionally, the building industry is a large user of raw materials. As a global real estate investor, Bouwinvest feels it is part of its responsibility to help find solutions for the current challenges society faces. To contribute to a CO_2-neutral, sustainable, circular, resilient and healthy living environment, and to enhance stakeholder value by investing in sustainable real estate. Bouwinvest is convinced that its approach reduces risk, increases client returns and makes its real estate assets and portfolios more attractive.

Environmental, social and governance (ESG) factors will play a major role in the Fund's investment strategy. As part of Bouwinvest's climate change ambition, the Fund is targeting a net-zero carbon and resilient portfolio by 2045 (approx. 110 kWh/m per year). In addition to energy and CO_2 reductions, the Fund's ambition also includes an analysis of climate-related risks at asset level, including a plan on how to mitigate these risks to make the portfolio resilient. The Fund has set out clear targets for the reduction of its environmental footprint and improving its positive social impact.

To make a start, the Fund has formulated the following Paris Proof objectives for the mid-term:
- 2021-2030: a 2% year-on-year reduction in GHG emissions for the total portfolio (general and tenant consumption);
- 2030: portfolio has an average energy label A (EP2 <169).

Furthermore, Bouwinvest devotes attention tothe Dutch policy position on transitioning towards a circular economy in 2050, with the focus on the use (and reuse) of resources. The real estate industry needs to be transformed into a circular ecosystem. Bouwinvest is committed to circular building projects.

The Fund actively supports four United Nations Sustainable Development Goals (SDGs), as presented below.

Sustainable development goals

7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION
Installation of renewable energy	Considerate constructor scheme for construction projects	Above average sustainable portfolio	Climate adaptation

Highly sustainable Fund

The Fund's goal for 2021 was to continue to improve its GRESB score and retain its 5-star rating. Last year, the Fund improved its overall GRESB benchmark score by four points, taking it to 96 from 92 points and retained its GRESB 5-star rating. This is the highest rating and puts the Fund in the worldwide top 20%. The Fund was ranked European and Global sector leader (unlisted) for the third consecutive year. The Fund's target for 2022 is to once again improve its score and retain its 5-star rating.

In 2021, the Fund devoted particular attention to the quality of its tenants' ESG policies and to increasing the sustainability of its procurement activities. The Fund is currently in talks with all its tenants on closing green leases. These leases incorporate the Fund's and the tenant's sustainability targets. The Fund closed a number of green leases in 2021 and will continue with the roll-out of these leases in 2022.

GRESB score 2021

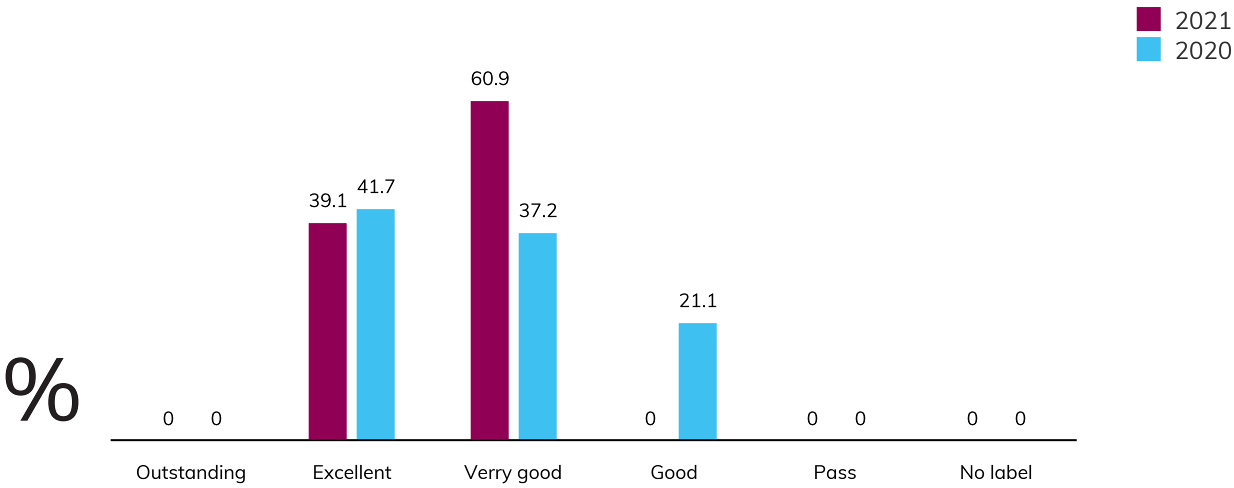
The higher GRESB score was primarily the result of improvements in performance indicators. To retain its GRESB 5-star rating, the Fund will continue to increase its focus on performance indicators and maintain its focus on Policy & Disclosure, Stakeholder Engagement, Monitoring & EMS.

Investing in sustainable real estate

Sustainable buildings and investments

In 2021, the Fund carried out a number of targeted actions to improve certification on Asset Performance and Building Management for the assets in its portfolio. The Fund also initiated a BREEAM portfolio strategy. It will be carrying out targeted actions to gain a BREEAM-NL In-Use minimum Very Good certification on Building Management for every asset in the portfolio and to maintain its score on Asset Performance.

BREEAM-NL certifications



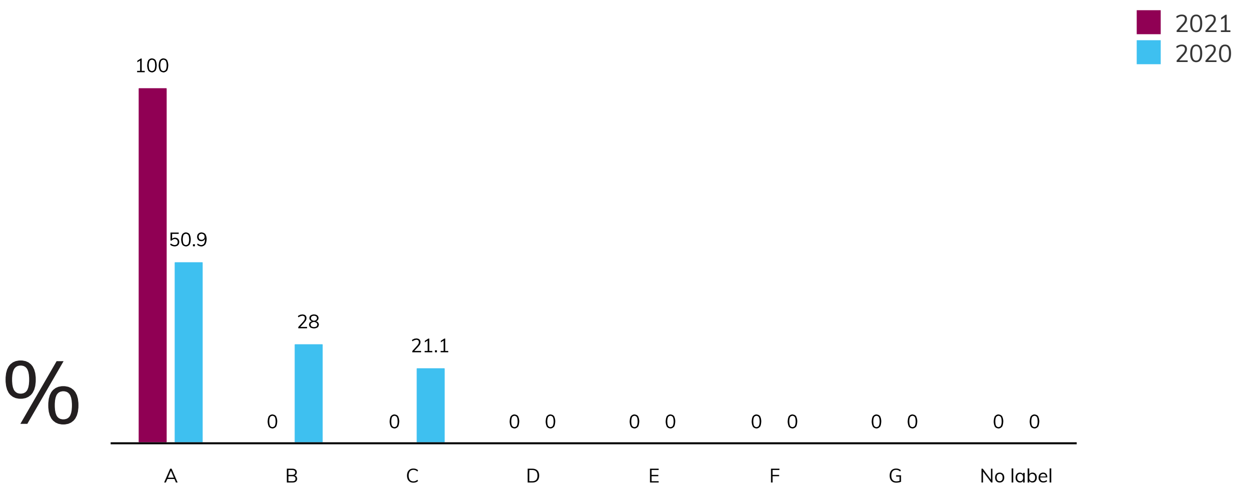
The Fund aims for continuous improvement, which is why it redefined these targets in the Fund Plan 2022-2024 in such a way that it retains its 100% BREEAM-NL-In-Use Very Good labels at asset performance and building management level as from the end of 2021. Up to this point, the Fund has focused on certification at asset level.

Green portfolio

The Fund is constantly looking for the best ways to reduce its environmental impact or to have a positive commercial or social impact both effectively and cost-efficiently. For instance, the target for its portfolio is to have a weighted average energy label A by 2030. Two of the Fund's hotels in Amsterdam (Casa and Aitana) have a great deal of glass frontage, which results in a lot of heat loss in colder weather, and therefore used to have B and C energy labels respecttively. However, the Fund managed to improve the energy labels of these hotels to energy label A.

Another target related to sustainability at asset level was to achieve a 100% green portfolio (EPC label A, B or C) in 2021. All of the Fund's assets have now been awarded a green energy label. The distribution of energy labels in the portfolio is shown below.

Distribution of energy label by floor space (m^2) in %



The Fund redefined these targets in the Fund Plan 2022-2024 in such a way that it is now aiming to maintain at least energy label A for 100% of the portfolio (EP2 <169) as from 2022. With 100% A-labelled and an average energy index of xx, the Fund met this target in 2021.

Environmental impact

Bouwinvest has committed to the Paris Proof ambitions of the Dutch Green Building Council (DGBC). The Fund has drawn up a roadmap for the realisation of its goal to be net-zero carbon (Paris Proof) before 2045. In 2021, the Fund implemented the technologies, measures and costs related to the implementation in its strategic maintenance plan for the coming years. The Fund has also drawn up asset-specific roadmaps, which are more detailed than the Fund-level roadmap.

Energy consumption and GHG emissions

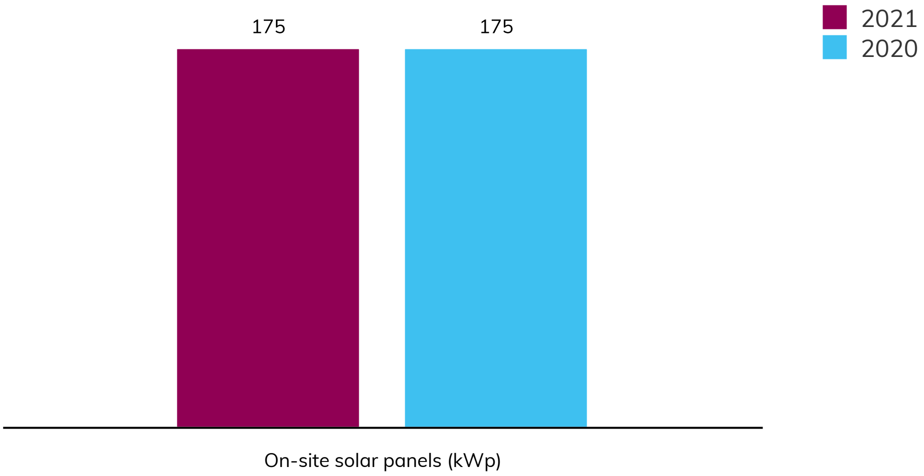
In 2021, the Fund recorded a drop in energy consumption of 1.0% on a like-for-like basis, while GHG emissions fell by 3.1%. In 2021, the Fund recalculated its targets for the reduction of energy consumption and GHG emissions to 2% per year, bringing this target in line with (international) climate goals (reduction of 95% in CO_2 emissions in 2050 compared with 1990).

Renewable energy production

In 2021, the Fund's target for renewable energy generated on-site via solar panels was 175 kWp by the end of 2021. In 2021, the Fund installed no solar panels. The solar panels generate 175 kWp of energy. In 2021, the Fund recalculated its targets for the reduction of its environmental impact in the period 2022-2024:

- Renewable energy: more than 300 kWp;
- Energy consumption: average annual reduction of 5% from 2022;
- GHG emissions: average annual reduction of 5% as from 2022.

On-site solar panels (kWp)



Enhancing stakeholder value

Bouwinvest does its utmost to optimise long-term alliances with all of its stakeholders. It has methods and means in place to understand, meet and respond to its stakeholders needs and to engage with the issues that its stakeholders find important. In addition to this, Bouwinvest takes an active approach to raising environmental, social and governance awareness throughout the real estate industry, partly through membership of various real estate sector organisations, such as the Association of Institutional Property Investors in the Netherlands (IVBN) and the Dutch Green Building Council.

Improving client services and communications

Real estate markets are remarkably dynamic, so Bouwinvest has to be responsive to internal and external news, as well as trends, risks and developments that could influence investments in real estate. Bouwinvest is clear on its investment strategies and is dedicated to demonstrating its ability to meet or exceed its clients' expectations, by offering investment opportunities, services and market data related to existing and potential new investments.

Early 2021, Bouwinvest conducted a client survey among its investors resulting in a score of 7.1 (out of 10) for client satisfaction. This survey provided Bouwinvest with a lot of valuable feedback. In 2021, in addition to formal meetings such as the Annual Meetings of Shareholders and quarterly conference calls to discuss the quarterlijk reports, Bouwinvest organised separate client meetings on the topics 'climate risk' and 'Paris Proof portfolio'. Furthermore, Bouwinvest kept its shareholder bpfBOUW updated through press releases and the Real Value for Life newsletter.

The company's ultimate aim is to achieve a steady long-term client satisfaction score of above 7.5 (out of 10). In the second half of 2022, Bouwinvest will conduct another client satisfaction survey to learn whether the various improvement initiatives have had the intended impact on client satisfaction.

Tenant engagement

Compared with other real estate sectors, tenants/lessees play a much larger role in real estate management in the hotel sector. The building itself – aside from the service – is the most important part of the business. This means the tenant has a vested interest in keeping the building in optimum condition. This high level of involvement is seen as an advantage.

In Q4 2021, the Fund conducted its annual tenant satisfaction survey. All tenants responded to the survey and the overall score increased to 7.7, compared with a score of 7.3 in 2020. The underlying scores for landlord, hotel and property management were 8.3, 7.6 and 7.3 respectively (2020: 8.2, 7.4, 6.3). Following a drop the score for the management by the external property managers in 2020, satisfaction on this front increased in 2021.

Green rental contracts

As mentioned above, the Fund devotes specific attention to the quality of tenants' ESG policies and making their procurement more sustainable. The Fund started implementing green leases with tenants in 2019 and continued with the implementation in 2020. These leases incorporate the Fund's and a tenant's sustainability targets. At the end of 2021, XX% of the Fund's tenants had a green lease contract.

Sustainable stewardship

Bouwinvest takes an active approach to raising environmental, social and governance awareness throughout the real estate industry. Bowinvest encourages its partners to enhance their sustainability performance. The focus is on: health & safety at construction sites, active participation (memberships) in industry associations and community programmes. To continue to improve the climate for real estate investments, Bouwinvest is an active member of boards and committees of sector, industry and cross-disciplinary networks such as NEPROM, IVBN, Holland Metropole, DGBC, INREV and ULI.

All the construction sites related to assets in the Hotel Fund are registered under the Dutch Considerate Constructors ('Bewuste Bouwer') sheme. This ensures the contractor deals with the concerns of local residents and addresses safety and environmental issues during the construction phase. The target was to have more than 75% of the Fund's construction sites registered under the Considerate Constructors scheme by the end of 2021. At the end of 2021, the Fund easily met this target, as 100% of the construction sites were registered under the scheme.

AED

Bouwinvest was one of the first real estate companies in the Dutch real estate investment sector to contribute to the establishment of a national AED (automatic external defibrillator) network, which it is estimated could save up to 2,500 lives every year in the Netherlands. The use of an AED offers the highest probability of survival within the first six minutes after a heart attack. In 2021, the Fund reiterated the target that 100% of the Fund's tenants and communities would have an AED available within six minutes walking distance. The Fund had met this target at the end of 2021.

Financial performance

Return of the Fund

The Fund realised a total return of 7.6% in 2021, consisting of 3.9% income return and 3.6% capital growth. Net rental income, administrative and finance expenses are the main drivers for the income return. The results for 2021 were above plan. Due to the recovery in the hotel market in Q3 and early Q4 2021, capital growth was higher than expected. The income return was lower due to higher than planned rental discounts.

Fund performance	2021 Actual	Plan	2020 Actual
Income return	3.9%	4.7%	2.6%
Capital growth	3.6%	(9.6)%	(6.8)%
Fund performance	7.6%	(5.3)%	(4.3)%

Income return

Net rental income of € 15.6 million was € 1.8 million lower than the plan of € 17.4 million (2020: € 11.4 million). The most significant driver of the deviation from plan was gross rental income of € 18.0 million, which was € 1.5 million lower than plan (€ 19.5 million) due to the later-than-planned delivery of the Hotel Postillion WTC in Rotterdam (€ 0.5 million) and higher-than-planned rent discounts (€ 1.0 million). Property operating expenses exceeded plan by € 0.3 million, as a result of higher-than-expected additions to the provision for doubtful debts.

Administrative and finance expenses were on plan.

The income return came in at 3.9%, compared with the plan of 4.7%, due to lower net rental income.

Capital growth

The Fund realised capital growth of 3.6%, compared with a plan of -9.6% (2020: -6.8%). Due to relatively stable yields and the recovery in the hotel market in Q3 and early Q4 2021, capital growth was higher than expected. The revaluation of the Meininger Hotel (Amsteltower, Amsterdam) in particular contributed to this. A change in appraiser resulted in a substantial positive revaluation, which is considered plausible after a second opinion based on the valuation management policy.

Property performance

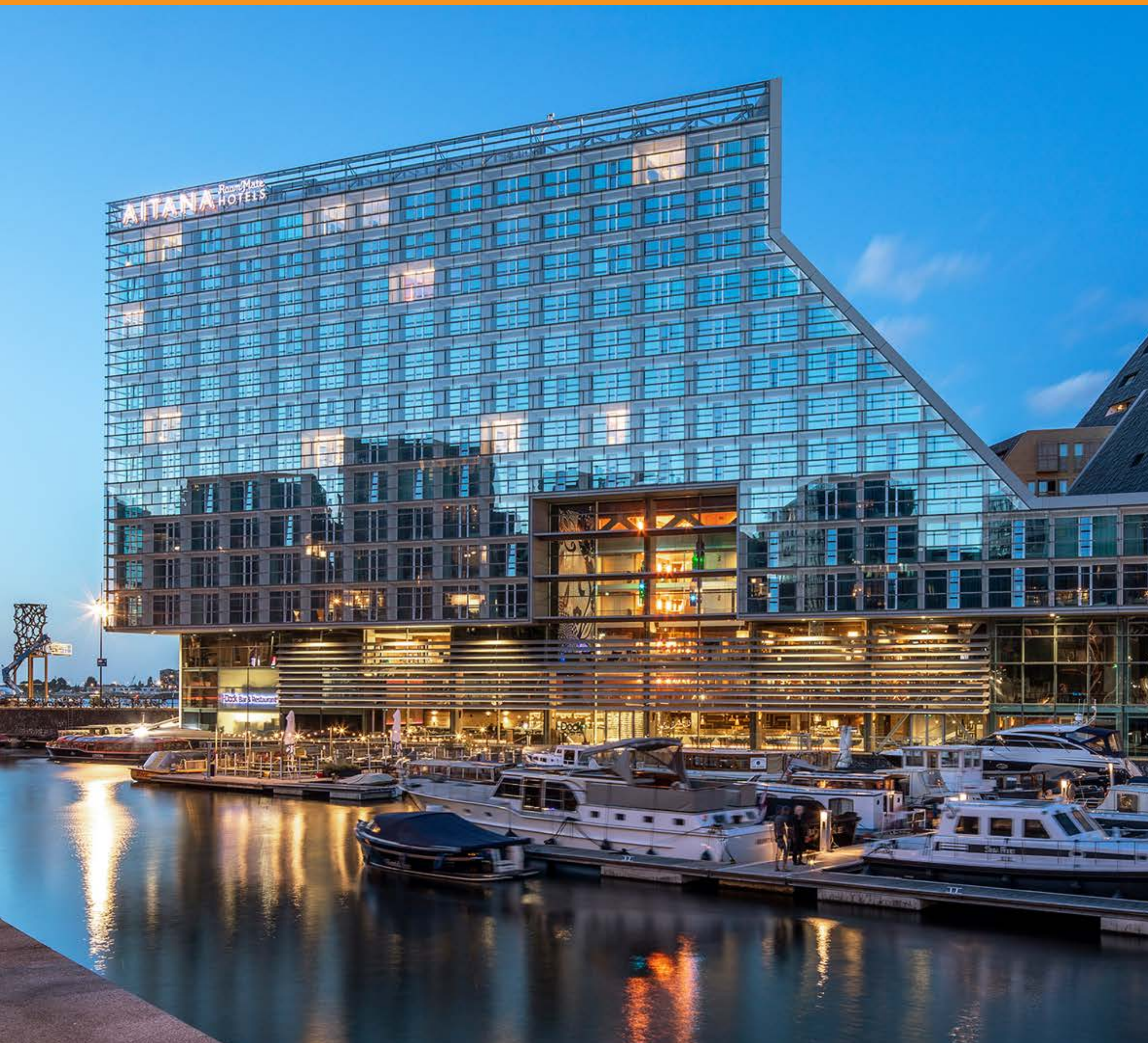
The Fund's property return came in at 8.6%, compared with -3.7% in 2020. The sharp increase was a direct result of the recovery in the hotel market in Q3 and in early Q4, which resulted in positive capital growth. The fund also reported a higher income return due to lower costs with respect to bad debts and payment arrangements.

Property performance	**2021 Actual**	2020 Actual
Income return	4.4%	3.3%
Capital growth	4.0%	(6.8)%
Property performance	8.6%	(3.7)%

The Fund return (INREV) and property return (MSCI) are different performance indicators. The Fund return is calculated according to the INREV Guidelines as a percentage of the net asset value (INREV NAV) and the property return is calculated according to the MSCI methodology as a percentage of the value of the investment properties. For example, INREV includes cash, fee costs and administrative costs in the calculation of the income return (INREV). Furthermore, the amortisation of acquisition costs is treated differently by INREV and MSCI.

Aitana hotel
Design boutique

Amsterdam
The Netherlands



Shareholder information

Introduction

This section covers the financial management policies, activities and performance of the Fund over 2021, followed by the Fund's overall governance and structure. This section concludes with more details about the fund manager.

Financial management

Results

Income Statement summary (all amounts in € thousands)	2021	2020	change	in %
Revenues	18,832	17,790	1,042	6%
Operating expenses	(3,233)	(6,368)	3,135	-49%
Net rental income	**15,599**	**11,422**	**4,177**	**37%**
Net valuation gain / (loss)	12,643	(23,600)	36,243	-154%
Result on disposal	0	0	0	0%
Administrative expenses	(1,843)	(1,850)	7	0%
Finance expenses	(642)	(628)	(14)	2%
Income taxes	(288)	(93)	(195)	210%
Result for the year	**25,469**	**(14,749)**	**40,218**	**-273%**
Financial occupancy	100.0%	100.0%		
REER	0.70%	1.65%		
TGER	0.62%	0.57%		

The full-year 2021 result came in at € 25.5 million, up from a loss of € 14.7 million in 2020 (+273%). The increase of € 40.2 million was mainly driven by higher valuations of the investment properties.

Revenues of € 18.8 million were € 1.0 million higher than 2020 (€ 17.8 million), driven by higher rental income, mainly due to the delivery of Hourglass in Amsterdam in 2020 and Postillion WTC Rotterdam in 2021. As in 2020, the Fund realised the maximum occupancy rate of 100.0%.

Operational expenses of € 3.2 million were € 3.2 million lower than 2020 (€ 6.4 million). This decrease was mainly driven by lower costs for doubtful debtors. As a result of the drop in operational expenses, the REER declined to 0.70%, from 1.65% in 2020.

Administrative expenses and finance expenses were almost the same as in 2020. Income taxes were higher in 2020, due to the taxable development activities in the subsidiary company of the WTC hotel in Rotterdam. Higher administrative and finance expenses, combined with the higher GAV, pushed the TGER up to 0.62% from 0.57% in 2020.

Dividend

As a result of the Fund’s fiscal investment institution (FII) status, Bouwinvest will distribute all of the distributable result to the shareholders through four quarterly interim dividend payments and one final dividend payment.

The Executive Board of Directors proposes to pay a dividend of € 14.3 million for 2021 (2020: € 9.1 million), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend will be paid in cash, within the constraints imposed by the company’s fiscal investment institution (FII) status. Of this total dividend € 11.0 million or 77% was paid out in the course of 2021. The fourth instalment was paid on 15 February 2022. The rest of the distribution over 2021 will be paid in one final instalment following the adoption of the annual report by the Annual General Meeting of shareholders on 13 April 2022.

Funding

According to internal guidelines, the Fund is not allowed to have an unsecured pipeline. At the end of 2021, the funding for the acquisition pipeline was completely secured.

In 2021, the Fund received no additional commitments from its investor. Last year, the Fund made no capital calls.

Leverage

In 2021, the Fund was financed solely with equity and did not use any loan capital for liquidity management purposes.

Treasury management

Treasury policy: For treasury management purposes, the Fund acted in accordance with Bouwinvest's treasury policy in 2021, to manage the Fund's liquidity and financial risks. The main objectives of the treasury management activities are to secure shareholders' dividend pay-out, ensure other obligations can be met and to manage the Fund's cash position.

At year-end 2021, the Fund had € 12.9 million freely available in cash, a decline of € 0.7 million compared with year-end 2020 (€ 13.6 million).

Interest rate and currency exposure

Interest rate and currency policy: As the Fund had no foreign currency exposure, there was no currency exposure risk. The Fund did not have any loans and borrowings. The interest rate risk was therefore limited to the negative interest rate developments on the Fund's bank balances.

Tax

FII regime: The Fund qualifies as a fiscal investment institution (FII) under Dutch law and as such is subject to corporate tax at a rate of zero percent. Being an FII, the Fund is obliged to distribute its entire fiscal result annually. In 2021, the Fund complied with FII requirements.

Furthermore, the Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2021.

Fund governance

Bouwinvest Dutch Institutional Hotel Fund N.V. (the 'Fund') was established in 2010. The Fund has a governance structure that ensures effective and efficient management, combined with proper checks and balances. The Fund's governance structure consists of a General Meeting of Shareholders and an Executive Board of Directors. Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW), the pension fund for the construction industry, is the Fund's sole shareholder.

The Fund is governed in a robust framework with systems and processes to manage risks appropriately. Safeguarding the interests of its investors, integrity and transparency, the Fund fosters the following governance principles:
- The compliance function is independent;
- Conflicts of interests are avoided and managed through compliance with Bouwinvest's conflicts of interest policy;
- Robust checks and balances through established framework with lines of defence;
- Focus on process management: ISAE 3402 type II certified.

Rules and principles governing day-to-day business:
- Best-in-class system for valuation of assets
- Elaborate approval process for all real estate investments
- Transparency and integrity integrated in daily business conduct
- Code of conduct
- Transparent and open shareholder communication

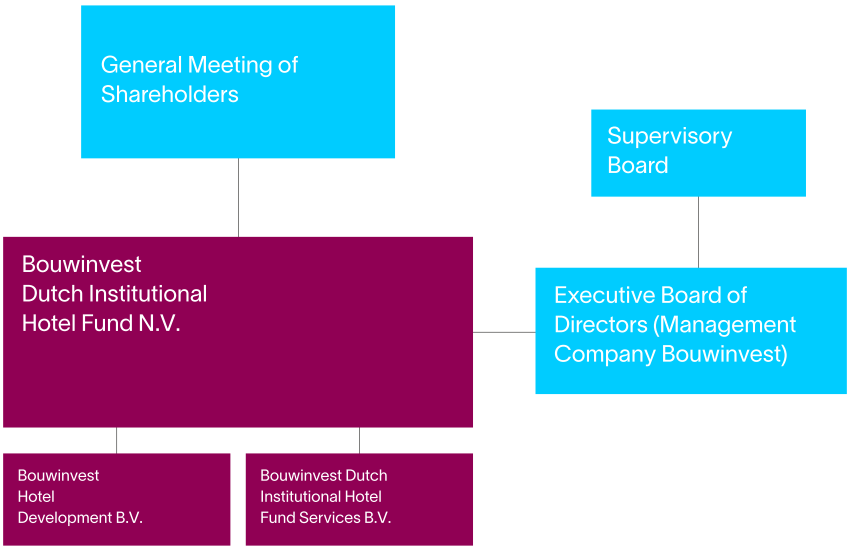
Structure of the Fund

The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code, with its corporate seat in Amsterdam, the Netherlands. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969. Bouwinvest Real Estate Investors B.V. (Bouwinvest) is the Fund's Statutory Director and management company pursuant to the management agreement. The management company has a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is subject to supervision of the Dutch Financial Markets Authority (AFM).

Subsidiaries

The Fund has two taxable subsidiaries, Bouwinvest Dutch Institutional Hotel Fund Services B.V., which renders services that are ancillary to the Fund's renting activities, and Bouwinvest Hotel Development B.V., in which development activities are pursued that are ancillary to the Fund's investment portfolio. Such activities are placed in these taxable subsidiaries to ensure the Fund's compliance with the criteria of the FII regime.

Fund governance bodies



General Meeting of Shareholders

Shareholders in the Hotel Fund must be professional institutional investors within the meaning of section 1:1 of the Dutch Financial Markets Supervision Act (FMSA). General Meetings of Shareholders are held at least once a year to discuss the annual report, adopt the financial statements and discharge the Statutory Director of the Fund for its management. Shareholder approval is required for the Fund Plan and for other resolutions pursuant to the Fund Documents.

Manager of the Fund

Bouwinvest is the fund manager of the Fund and as such is responsible for portfolio management and risk management. Bouwinvest, on behalf of the Fund, conducts the business activities related to the entire real estate investment process to achieve the Fund's investment objectives. Bouwinvest believes responsible business practices are a vital element in achieving the targeted return on investment. Bouwinvest is structured as a private limited liability company. bpfBOUW holds 100% of the shares in Bouwinvest.

Executive Board of Directors

Bouwinvest's Executive Board of Directors consists of the Chief Executive Officer, also Statutory Director, the Chief Financial & Risk Officer, also Statutory Director, the Chief Client Officer, the Chief Investment Officer Dutch Investments and the Chief Client Investment Officer International Investments. The Statutory Directors are appointed by the Bouwinvest General Meeting of Shareholders following nomination by Bouwinvest's Supervisory Board. The Executive Board of Directors is governed by Dutch law, as well as 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 Executive 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 Bouwinvest General Meeting of Shareholders. In carrying out its duties, the Supervisory Board is guided by the interests of Bouwinvest and its related business.

Policies, rules and regulations

Corporate Governance Code

Although the Dutch Corporate Governance Code does not directly apply to Bouwinvest as it is an unlisted company, the Executive Board of Directors endorses the best practices of the Code in as far as these are applicable to Bouwinvest and practical.

Code of Conduct

Bouwinvest has drawn up a Code of Conduct that applies to all its employees and which includes additional rules that specifically apply to the Executive 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, responsible investment, health and safety, as well as our business partners. Bouwinvest has also instituted a whistleblower policy to deal with the reporting and investigation of unethical behaviour. All employees receive code of conduct training.

Conflicts of Interest policy

Bouwinvest has a Conflicts of Interest policy. The purpose of this policy is to ensure that no material conflicts of interest occur that are damaging for investors in the Fund, the Fund or Bouwinvest. The policy also describes how Bouwinvest should act with respect to the allocation of different investment opportunities over the respective funds and clients. The policy is intended to supplement but not replace any applicable Dutch laws governing conflicts of interest. In 2021, there were no conflicts of interest as referred to in the Bouwinvest Conflicts of Interest Policy, either between the members of the Executive Board of Directors, the management company, the Fund and/or other funds managed by the management company.

Funds managed by Bouwinvest

Bouwinvest manages the following alternative investment funds:

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

Bouwinvest has separate mandates from bpfBOUW for the management of international real estate investments in Europe, North America and the Asia-Pacific region, hotel properties through Bouwinvest Dutch Institutional Hotel Fund N.V. and healthcare properties through Bouwinvest Dutch Institutional Healthcare Fund N.V.

Bouwinvest aims for the highest level of transparency in its communications on its financial situation, strategy, plans and other information relevant to its existing and potential investors and other stakeholders. In addition to this annual report, the management company reports on a quarterly basis on the status of the Fund and organises quarterly conference calls to discuss the developments within the Fund with its shareholders. Furthermore, Bouwinvest organises General Meetings of Shareholders twice a year, together with Shareholders' Committee meetings to discuss and approve the Fund plan and annual report. All information and documents related to the Fund are available for shareholders via the Bouwinvest Investor Portal.

Shareholders' calendar

15 February 2022	Payment interim dividend fourth quarter 2021
13 April 2022	General Meeting of Shareholders
26 April 2022	Payment of final dividend 2021
18 May 2022	Payment interim dividend first quarter 2022
18 August 2022	Payment interim dividend second quarter 2022
18 November 2022	Payment interim dividend third quarter 2022
14 December 2022	General Meeting of Shareholders
15 February 2023	Payment interim dividend fourth quarter 2022

Postillion Hotel
Affordable design

Rotterdam
The Netherlands

Risk management

Bouwinvest Real Estate Investors aims to operate on the basis of a healthy balance between risk and return and strives to take risks in a conscious and sustainable manner. Integrated Risk Management is a key mechanism to meet this goal by providing the means to identify, assess and understand various types of risk inherent in all Bouwinvest services/products, activities, processes and systems.

To support Integrated Risk Management and to ensure that the fund remains within its risk profile and consequently its risk appetite, Bouwinvest set up a Risk Management Framework that enables it to address the fund-specific risks that may prevent the Fund from achieving its objectives. This consists of a balanced set of control measures and fund-specific key risk indicators and limit setting (including early warning limits) for the Fund's risk taxonomy.

As manager of the Fund, Bouwinvest Real Estate Investors is responsible for the management of the risks in the Fund. Details regarding the risk management system applied to the Fund are elaborated on in the Bouwinvest Real Estate Investors' 2021 annual report.

Risks in the portfolio are monitored closely and the following events and risks were noteworthy in 2021:

Market Risk

Valuation risk
Since 2020, the Covid-19 pandemic has created a great deal of uncertainty worldwide, and had an impact on the valuations of real estate. There were fewer transactions in the market, which is why the appraisers appointed by the Bouwinvest Hotel Fund added a disclaimer in their appraisals up to and including the second quarter of 2021. As a result, during this period, external valuations provided less certainty than they would in normal circumstances.

Credit risk

The Covid-19 pandemic and the resultant travel restrictions have had a severe impact on the hotel market, decimating the Funds tenants’ room occupancy and room rates. As a result, most hotel operators have requested rent remissions and the postponement of rental payments. This resulted in an increase in outstanding rent in 2021, including deferrals and future rent remissions. Total outstanding tenant receivables stood at 57.7% at the end of 2021, with rent deferrals accounting for the largest part of this (52.8%). Although the Funds’ hotel assets are all well positioned for the long term, it had to make financial concessions to support the continuity of the Fund's tenants’ businesses. At the same time, the Fund finalised settlement agreements for deferred rent with most of its tenants. It set aside a provision of € 3.2 million (ex. VAT) for rent remissions and doubtful debts. After deduction of the provision for doubtful debtors, the credit risk related to the receivables is maximised to € 7.0 million in 2021 (2020: € 4.2 million). The Fund expects new discussions with tenants on the postponement of rental payments in the first half of 2022, due to the new Covid-19 restrictions that came into effect at the end of December 2021. Despite these developments, the Fund's occupancy rate was still 100% at year-end 2021.

Liquidity risk

Within the area of liquidity risk, no material risks occurred in 2021.

Business risk

Business environment risk
In 2021, the Dutch Ministry of Finance started the evaluation of the Fiscal Investment Institution (FII) regime that was announced in 2020. Bouwinvest is taking into account the possibility that this evaluation will lead to a change of law, as a result of which the Fund may no longer be able to apply the FII regime.

Bouwinvest has proposed a restructuring of the Fund into the legal form of a so-called closed Fund for Mutual Account (FMA) as of 1 January 2022 to bpfBOUW. Given its fiscal transparency, the closed FMA prevents double taxation for the investors and is therefore the most appropriate alternative for an FII.

However, bpfBOUW decided not to open the Fund for other investors, as a result of which there was no longer a need to restructure the Fund on this date. bpfBOUW recently decided that, as long as there is no clarity about the future of the FII regime, the Fund will not be restructured or dissolved.

ESG risk

Last year was another year with exceptional weather conditions, and as such a reminder of the need to deal with climate change and related risks. In line with the recommendations from the Task Force on Climate Financial Disclosures (TCFD), the Fund recognises two main risks related to climate change:

- Physical risks directly affecting the Fund's real estate and/or tenants (heat stress, pluvial flood, subsidence and coastal / river flood)
- Transition risks, or risks related to the adaptation of the Fund's real estate to future climate changes (an environment in which greenhouse gases should be minimised to limit future temperature rises to 2°C or less).

Core elements of the recommended disclosures include the organisation’s governance related to climate risks, the strategy, the risk management and resulting metrics and targets.

Within Bouwinvest, the Sustainability & Innovation department is dedicated to advising the Executive Board of Directors on preparing the management organisation and the Fund for the necessary steps and related changes. These climate risks affect a large number of risks in the Fund's risk taxonomy, and the Fund will adapt its risk taxonomy to incorporate climate risk where necessary. As an example of recent initiatives, the Fund has started a pilot for the next phase of identifying physical climate risks. The purpose of the pilot is to identify the net risk of all four physical climate risks based on both geographical location and building characteristics. The Fund is aiming to perform the same analysis for the total portfolio in 2022.

Operational risk

The Fund has devoted special attention to Hourglass as of 30 September, because a small piece of the facade fell down. Fortunately, no injuries occurred, but the situation is being closely investigated and the Fund is in intensive consultations with various stakeholders, including tenants, the developer, the builder and the municipality of Amsterdam. The building is temporarily fenced off until it is clear what caused the incident, and a solution has been found. An independent external agency that is recognised by the developer, builder and facade manufacturer is working on a report that should clarify the cause and extent of the risk that more facade sections wil detach from the building. Additional tests should also be performed.

Compliance risk

Within the area of compliance risk, no material risks occurred in 2021.

Outlook

Hotel occupier market

In recent years, new Dutch hotel supply has failed to keep up with demand. The occupancy rates, room rates and resultant revenue per available room (RevPAR) increased strongly and were at record levels at the end of 2019. As a result of the Covid-19 pandemic, 2020 and 2021 have been poor years for the hotel sector, but the Fund does expect to see the start of a recovery in 2022. How quickly this happens will depend on a number of factors, including the containment of Covid-19 infections. It could be several years before bookings and room prices return to 2019 levels. Plus it is uncertain if the business travel market will ever return to pre-Covid levels, given rising climate concerns and the rapid increase in the use of technology for business meetings.

In the short term, the Fund sees opportunities primarily in the locations that were already in demand before the Covid-19 pandemic. Due to current travel restrictions, the Fund expects to see a recovery in demand from Dutch and European travellers before any recovery in the numbers of non-European travellers and business travellers.

In the hotel industry, sustainability initiatives largely revolve around reducing towel usage and disposable items and increasing the role of sustainable materials. This is a good start, but the Fund expects many consumers and business travellers to attach more importance to sustainability in a broader sense, including physical accommodation. Aside from hotels, the tourism sector as a whole faces a huge challenge to become more sustainable. Air travel is a key driver of the tourism (and hotel) sector, but attitudes towards mobility are expected to change fundamentally post-Covid-19. A growing group of consumers is already looking more critically at short flights and 'flight shame' is prompting more travellers to swap planes for trains, especially for short distances.

Hotel investor market

In recent years, annual real estate investment volumes have averaged between € 18 billion and € 20 billion. This continued in 2021 when, despite the Covid-19 crisis, the investment volume came in at € 18.2 billion. At the same time, initial yields have either contracted or remained stable and relatively low in almost all real estate segments. This indicates that investor interest in real estate has remained high.

Overall, in this persistent low interest environment, the yield spread of real estate compared to bonds still provides interesting investment opportunities. Bouwinvest therefore expects investor interest to remain substantial for growth sectors, specific opportunities and for core properties. Bouwinvest will closely monitor inflation and potential impact on interest rates.

The number of hotel transactions has been close to zero since the start of the Covid-19 pandemic. This is mainly the result of a pricing mismatch between potential buyers and sellers, as they had different views on market uncertainties. However, there is no apparent shortage of potential buyers, as many investors see opportunities to purchase hotels at a certain discount to pre-Covid levels. For this reason, many sellers are taking a wait-and-see approach, as they are confident that the sector will return to normal levels in the medium to long term.

The Russian invasion of Ukraine and rapidly escalating events in late February and in March 2022 are a significant tragedy for the people and is causing disruption to business and economic activity in the region and worldwide. This qualifies as a non-adjusting subsequent event. These events and the related market uncertainty could have an adverse impact on the Fund, including but not limited to the fair value of its investments and/or cash flows. At this moment it is not possible to provide an estimate of the financial impact of this crisis worldwide and on the Fund. The Fund screens periodically its existing business relationships, including sanction lists where required. In respect to Russia and Belarus no determination of direct breaches of any current sanction rules were noted nor any material matters that affect the going concern of the Fund. The Fund will continue to monitor market conditions as information becomes available and evaluate potential impact, if any, on the value of the Fund's real estate investments and its operations going forward.

Hotel Fund plan

The Hotel Fund has a moderate growth strategy and is now targeting invested capital of € 415 million at year-end 2024. Given the quality of the Fund's portfolio, its solid track record and opportunities which may arise form distressed sales and a potential recovery of the hotel market based on strong fundamentals, the Fund expects to meet its growth target for the coming plan period (2022-2024).

To achieve growth and to diversify the portfolio, the Hotel Fund is targeting investments across a greater number of assets in more geographical locations and across a more diverse range of hotel concepts and brands. So while the Fund will continue to target investments in the G-6 hotel cities, future investments will also include hotels in smaller cities with a strong economic and demographic outlook and a healthy outlook on the hotel and tourism fronts (G-10 hotel cities). The Fund is currently in talks on a number of acquisitions, most of which are outside Amsterdam, which will help us broaden the geographical focus of the Fund's portfolio. The target is to have 80% of the total portfolio value invested in properties in the G-10 hotel cities, with at least 50% in the Amsterdam/Schiphol Airport region. Currently 100% of the total portfolio value is invested in properties in the G-10, with 90% invested in Amsterdam.

Bouwinvest believes that it can only generate long-term stable financial returns for its investors if it takes the societal impact into account in every decision it takes. The Fund's focus is on the city of the future and it aims to create real value for life by investing for the long term in a responsible manner. The Hotel Fund is working with hotel operators to create the most sustainable portfolio of hotels in the Netherlands, with a range of hotel concepts to meet the evolving needs of a wide range of guests. In addition, the Fund aims to reduce the environmental impact of its portfolio, striving for a net-zero carbon, nearly energy-neutral and climate-resilient Paris Proof portfolio before 2045.

The pandemic will leave its mark on the real estate markets. Many trends that were evident before the pandemic accelerated during the crisis. At the same time, Bouwinvest is convinced that once Covid-19 measures are lifted, people will want to travel and meet each other again. With its long-term investment scope, the Fund focuses on adding value for its investors, tenants and stakeholders by continuing to invest in attractive living, leisure and working environments.

Amsterdam, 21 March 2022

Bouwinvest Real Estate Investors B.V.

Dick van Hal, Chief Executive Officer and Statutory Director
Rianne Vedder, Chief Financial & Risk Officer and Statutory Director
Mark Siezen, Chief Client Officer
Allard van Spaandonk, Chief Investment Officer Dutch Investments
Stephen Tross, Chief Investment Officer International Investments

Financial statements

Consolidated statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note	2021		2020	
Gross rental income	5	18,015		17,112	
Service charge income	5	756		618	
Other income		61		60	
Revenues			**18,832**		**17,790**
Service charge expenses		(756)		(618)	
Property operating expenses	6	(2,477)		(5,750)	
			(3,233)		**(6,368)**
Net rental income			**15,599**		**11,422**
Result on disposal of investment property			**-**		**-**
Positive fair value adjustment investment property	11	12,057		456	
Negative fair value adjustment investment property	11	(148)		(23,829)	
Net valuation gain (loss) on investment property under construction	12	734		(227)	
Net valuation gain (loss)			**12,643**		**(23,600)**
Administrative expenses	7		(1,843)		(1,850)
Result before finance result			**26,399**		**(14,028)**
Finance expenses	8	(642)		(628)	
Net finance result			**(642)**		**(628)**
Result before tax			25,757		(14,656)
Income taxes	9		(288)		(93)
Result for the year			**25,469**		**(14,749)**
Items that will not be reclassified subsequently to comprehensive income			-		-
Items that may be reclassified subsequently to comprehensive income			-		-
Total comprehensive income (loss) for the year, net of tax			**25,469**		**(14,749)**
Net result attributable to shareholders			25,469		(14,749)
Total comprehensive income (loss) attributable to shareholders			**25,469**		**(14,749)**
Earnings per share (€)					
From continuing operations					
Basic	18		686		(410)
Diluted	18		686		(410)

Consolidated statement of financial position

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2021	2020
Assets			
Non-current assets			
Investment property	11	363,854	328,236
Investment property under construction	12	-	20,152
Total non-current assets		**363,854**	**348,388**
Current assets			
Trade and other current receivables	13	7,210	4,261
Cash and cash equivalents	14	12,906	13,633
Total current assets		**20,116**	**17,894**
Total assets		**383,970**	**366,282**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		37,116	37,116
Share premium		223,535	223,535
Revaluation reserve		94,159	81,244
Retained earnings		(24,632)	17,174
Net result for the year		25,469	(14,749)
Total equity	15	**355,647**	**344,320**
Liabilities			
Non-current lease liabilities	16	19,029	18,686
Current trade and other payables	17	9,294	3,276
Total liabilities		**28,323**	**21,962**
Total equity and liabilities		**383,970**	**366,282**

Consolidated statement of changes in equity

For 2021, before appropriation of result, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2021	**37,116**	**223,535**	**81,244**	**17,174**	**(14,749)**	**344,320**
Comprehensive income						
Net result	-	-	-	-	25,469	25,469
Total comprehensive income	**-**	**-**	**-**	**-**	**25,469**	**25,469**
Other movements						
Issued shares	-	-	-	-	-	-
Appropriation of result	-	-	-	(14,749)	14,749	-
Dividends paid	-	-	-	(14,142)	-	(14,142)
Movement revaluation reserve	-	-	12,915	(12,915)	-	-
Total other movements	**-**	**-**	**12,915**	**(41,806)**	**14,749**	**(14,142)**
Balance at 31 December 2021	**37,116**	**223,535**	**94,159**	**(24,632)**	**25,469**	**355,647**

* See explanation dividend restrictions Note 15.

For 2020, before appropriation of result, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2020	**33,534**	**192,117**	**104,141**	**(56,856)**	**60,256**	**333,192**
Comprehensive income						
Net result	-	-	-	-	(14,749)	(14,749)
Total comprehensive income	**-**	**-**	**-**	**-**	**(14,749)**	**(14,749)**
Other movements						
Issued shares	3,582	31,418	-	-	-	35,000
Appropriation of result	-	-	-	60,256	(60,256)	-
Dividends paid	-	-	-	(9,123)	-	(9,123)
Movement revaluation reserve	-	-	(22,897)	22,897	-	-
Total other movements	**3,582**	**31,418**	**(22,897)**	**74,030**	**(60,256)**	**25,877**
Balance at 31 December 2020	**37,116**	**223,535**	**81,244**	**17,174**	**(14,749)**	**344,320**

* See explanation dividend restrictions Note 15.

Consolidated statement of cash flows

All amounts in € thousands

	Note	2021	2020
Operating activities			
Net result		25,469	(14,749)
Adjustments for:			
Valuation movements		(12,643)	23,600
Result on disposal of investment property		-	-
Net finance result		641	628
Movements in working capital		3,070	(1,173)
Cash flow generated from operating activities		**16,537**	**8,306**
Interest paid		(463)	(454)
Cash flow from operating activities		**16,074**	**7,852**
Investment activities			
Proceeds from sale of investment property		-	-
Payments of investment property		(1,199)	(428)
Payments of investment property under construction		(1,460)	(31,201)
Cash flows from investment activities		**(2,659)**	**(31,629)**
Finance activities			
Proceeds from issue of share capital		-	35,000
Dividends paid		(14,142)	(9,123)
Cash flows from finance activities		**(14,142)**	**25,877**
Net increase/(decrease) in cash and cash equivalents		(727)	2,100
Cash and cash equivalents at beginning of year		13,633	11,533
Cash and cash equivalents at end of year	14	**12,906**	**13,633**

Notes to the consolidated financial statements

All amounts in € thousands, unless otherwise stated

1 General information

The Hotel Fund (Chamber of Commerce number 34366460) is a public limited company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund was formed for the purpose of providing shareholders with a rate of return by acquiring, managing, adding value to and disposing of a diversified real estate portfolio through investments in Hotel real estate in the Netherlands.

The Fund owns two taxable subsidiaries, Bouwinvest Hotel Development B.V. (Chamber of Commerce number 67492673) and Bouwinvest Dutch Institutional Hotel Fund Services B.V. (Chamber of Commerce number 67492703). These subsidiaries can perform activities that might go beyond mere 'investing'. By having these activities performed by these subsidiaries the Fund remains compliant with the investment criterion of the FII regime.

Bouwinvest Hotel Development B.V. (Hotel Development) performs development activities for the investment portfolio of the Fund, while Bouwinvest Dutch Institutional Hotel Fund Services B.V. (Hotel Fund Services) renders services that are ancillary to the renting activities of the Fund.

Bouwinvest is the manager and Statutory Director of the Hotel Fund. The Statutory Director will present the annual report to the Annual General Meeting of Shareholders on 13 April 2022, and will request the approval of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The Fund's functional and presentation currency is the euro. All amounts are in thousands of euros, unless otherwise stated. The financial year 2021 was a normal calendar year from 1 January to 31 December 2021.

2.1 Basis of preparation

Statement of compliance
The consolidated financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company financial statements of the Fund are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2, of the Dutch Civil Code. These financial statements have been prepared in accordance with the provision of Article 2:362 subsections 8 and 9, of the Dutch Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

Statement of comprehensive income
The Fund presents its statement of comprehensive income by nature of expenses.

Application of new and revised International Financial Reporting Standards (IFRS)

In 2021, the Fund adopted the new IFRS standards, amendments to IFRS and the interpretations that are mandatory for accounting periods that begin on or after 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (applicable for annual periods beginning on or after 1 April 2021 but not yet endorsed in the EU)

These standards, amendments and interpretations do not have a significant impact on the disclosures in the Fund's financial statements.

New and amended standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the European Union:

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)

The Fund is monitoring these regulatory changes.

Preparation of the financial statements

The consolidated financial statements have been prepared on a historical cost basis, except for investment property and investment property under construction, which are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The following entities are included in the consolidated financial statements:

- Bouwinvest Hotel Development B.V. (100%), established 15 December 2016
- Bouwinvest Dutch Institutional Hotel Fund Services B.V. (100%), established 15 December 2016

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Investment property

Investment property is initially measured at its cost, including related transaction costs such as advisory costs, notary costs, transfer taxes and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

In line with the Practice Statements, as incorporated in the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ('the Red Book'), valuations are performed as of the financial position date by professional valuation experts who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as an investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, including vacancy and rental incentives. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposal of investment properties are recognised in the statement of comprehensive income in the year of disposal.

The right-of-use component of land leases is included as an integrated part of the Investment property. The accounting principles for land leases are disclosed in more detail in note 2.5 Leases.

Investment property under construction or being developed for future use as investment property is presented under 'Investment property under construction'.

Net result on the sale of investment property

Proceeds from the sale of investment properties are recognised when the control of the property is transferred to the purchaser. The profits or losses on the sale of investment properties are identified as the difference between the net proceeds of the sale and the carrying value of the investment properties in the Fund's most recently published statement of financial position.

2.4 Investment property under construction

Investment property under construction for future use as investment property is stated at fair value.

In line with the valuation procedure, valuations are performed as of the financial position date by external professional valuation experts using the special assumption 'as-if completed'. This assumes that on the valuation date the project has been developed, delivered and leased. The 'as-if completed' valuation from the external appraiser serves as an input value to arrive at the valuation for investment property under construction. The external valuation 'as-if competed' is subsequently discounted from the expected completion date to the valuation date. This is also done for the remaining development costs to complete the project.

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable. If the Fund determines that the fair value of an investment property under construction is not reliably determinable when construction is incomplete, it shall measure that investment under construction at cost until either its fair value becomes reliably determinable or construction is completed.

It may sometimes be difficult to determine the fair value of the investment property under construction reliably. In order to evaluate whether the fair value of an investment under construction can be determined reliably, management considers, among other things, the following factors:

- The provisions of the construction contract
- The stage of completion
- Project/ property characteristics: standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar construction projects
- Pre-let percentage
- Status of construction permits

After the first instalment for the project under construction, an external valuation expert values the project each quarter. Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise.

The right-of-use component of land leases is included as an integral part of the Investment property under construction. The accounting principles for land leases are disclosed in more detail in note 2.5 Leases.

2.5 Leases

The Fund shall assess at the inception of a contract whether the contract is, or contains, a lease. A lease contract conveys the right to control the use of an identified asset owned by another party for a period of time in exchange for a consideration. The economic benefits deriving from that asset are transferred to the Fund. Where the Fund is a lessee, the Fund recognises a right-of-use asset and a lease liability.

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Fund leases properties that meet the definition of investment property. These right-of-use assets are presented as part of the line item 'Investment property' in the statement of financial position.

The lease liability is the primary basis for the accounting of the right-of-use asset. At inception, the right-of-use asset comprises the lease liability plus any direct costs of obtaining the lease, less any incentives provided by the lessor. After initial recognition, the Fund measures the right-of-use asset applying a cost model. For leases, the Fund applies the fair value model in IAS 40.

The accounting principles for lease liabilities are disclosed in more detail in note 2.10 Non-current lease liabilities.

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

The Fund determines the classification of its financial assets at initial recognition. At initial recognition, financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. With the exception of trade receivables that do not contain a significant financing component, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Fund's rent and other trade receivables do not contain a significant financing component, they are measured at the transaction price determined under IFRS 15.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership.

Financial assets recognised in the statement of financial position as trade and other receivables. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instrument except those held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Impaired debts are derecognised when they are assessed as uncollectible.

In determining the expected credit losses the Fund takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and those tenants expected to be offered a period of rent free as a result of temporary closures imposed in order to limit the spread of Covid-19 and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities
The Fund's financial liabilities comprise trade and other payables. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. The Fund determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.7 Prepayments

Prepayments are stated at cost less any accumulated impairment losses.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.9 Issued capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Non-current lease liabilities

At initial recognition, a lease liability is measured at the present value of the lease payments in the lease, including any renewal options where it is reasonably certain the Fund will exercise the option and the lease payments due after exercising the option can be estimated.

Lease payments are discounted using the rate implicit in the lease. If this rate cannot be estimated, the Fund's incremental borrowing rate for borrowings secured by a similar asset and for a similar term as the lease is used. Lease payments include fixed payments and variable payments that depend on an index or rate including any renewal options included in the determination of the term of the lease.

After initial recognition, the Fund measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

For land lease contracts, the Fund takes into account a perpetual view, even when the land lease contracts have a continuous character. Continuous contracts may include a potential break option, however this break option is considered theoretical, as the land lease is highly interlinked with the investment property. Breaking the lease destroys the value of the property. Therefore, the lease term for continuous contracts is also considered perpetual.

2.11 Current trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Tenant deposits

The Fund obtains deposits from tenants as a guarantee for the return of the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from one to 12 months. Such deposits are treated as financial assets in accordance with IFRS 9 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Tenant deposits are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the deposit for at least 12 months after the date of the statement of financial position.

2.12 Dividend distribution

An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year ('doorstootverplichting'). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other investments (including real estate), which are added to a so-called reinvestment reserve ('herbeleggingsreserve'), are not included in the distributable profit.

2.13 Rental income

Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Rent incentives granted by the Fund to its tenants are recognised as an integral part of the total rental income. The rent incentives are included in investment property.

Incentives to enter into rental agreements are spread evenly over the rental term, even if the payments are not made on such a basis. The rental term is the non-cancellable period of the rental agreement, together with any further term for which the tenant has the option to continue the rental agreement, when, at the inception of the rental agreement it is reasonably certain that the tenant will exercise this option.

Premiums received to terminate rental agreement are recognised in the statement of comprehensive income.

2.14 Service charges, property operating expenses and administrative expenses

In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, net of costs charged to tenants. These mainly relate to tax, insurance, leasehold, maintenance and professional fees. These are expensed as incurred. Administrative expenses are expenses that are not directly attributable to the operation of properties (including charged management costs not directly related to properties, office overheads, advice, valuation and audit fees, listing costs and marketing and promotion costs).

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

2.15 Other income

This is income attributable to the year that cannot be classified under any of the other categories.

2.16 Finance income and expenses

The finance result consists of interest income and expenses and is recognised in the statement of comprehensive income. Interest is recognised in the statement of comprehensive income as it accrues.

2.17 Cash flow statement

Cash flows are stated according to the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investment activities, as this reflects the Fund's business activities most appropriately.

Cash and cash equivalents comprise cash on hand, demand deposits, short-term deposits with banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Earnings per share

The Fund presents basic and diluted earnings per share (EPS) for its ordinary share capital. The earnings per ordinary share are calculated by dividing the profit or loss attributable to the Fund's shareholders by the weighted average number of issued ordinary shares during the reporting period. In calculating the diluted earnings per share, the profit or loss attributable to the

Fund's shareholders and the weighted average number of issued ordinary shares during the reporting period are adjusted for all potential dilutive effects on the ordinary shares.

2.19 Income taxes

Based on its status as an FII, the Fund is subject to Dutch corporate income tax at a rate of 0%. See Note 10. The subsidiaries of the fund are subject to Dutch corporate income tax at a rate of 15% - 25%.

3 Financial risk management

3.1 Financial risk factors

The Fund is exposed during or at the end of the reporting period to financial risk. To manage various types of financial risk a risk management governance and framework are in place, in order to identify, assess, monitor and understand the financial risks to which the Fund is exposed and to ensure they remain within the risk appetite of the Fund. Financial risk comprises market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk of changes in the value of assets under management due to fluctuations in the financial markets. Within a real estate alternative investment fund typical factors possibly influencing the volatility in the performance (NAV) of the Fund, are changes in yields (external valuations), and rental and occupancy rate levels. The concentration of these risks are mitigated by the Fund's diversification strategy on among others asset, tenant and geographical level. The sensitivity of the investment portfolio to changes in yields and rental rates is presented in the sensitivity analysis included in note 12.

Valuation risk

Since 2020, the Covid-19 pandemic has created a great deal of uncertainty worldwide, and had an impact on the valuations of real estate. There were fewer transactions in the market, which is why the appraisers appointed by the Bouwinvest Hotel Fund added a disclaimer in their appraisals up to and including the second quarter of 2021. As a result, during this period, external valuations provided less certainty than they would in normal circumstances.

Credit risk

Credit risk is defined as the risk that a counterparty defaults on contractual or other agreed obligations (including furnished credits, loans, receivables, pledges and rental obligations). When entering into a contract with a tenant, the Fund checks their credit rating, while throughout the term of the contract the Fund keeps a close watch on the accounts receivable. Rents are in general also payable in advance and part of the rent payable is secured by means of bank guarantees or guarantee deposits. There are no significant credit risk concentrations.

The Covid-19 pandemic and the resultant travel restrictions have had a severe impact on the hotel market, decimating the Funds tenants' room occupancy and room rates. As a result, most hotel operators have requested rent remissions and the postponement of rental payments. This resulted in an increase in outstanding rent in 2021, including deferrals and future rent remissions. Total outstanding tenant receivables stood at 57.7% at the end of 2021, with rent deferrals accounting for the largest part of this (52.8%). Although the Funds' hotel assets are all well positioned for the long term, it had to make financial concessions to support the continuity of the Fund's tenants' businesses. At the same time, the Fund finalised settlement agreements for deferred rent with most of its tenants. It set aside a provision of € 3.2 million (ex. VAT) for rent remissions and doubtful debts. After deduction of the provision for doubtful debtors, the credit risk related to the receivables is maximised to € 7.0 million in 2021 (2020: € 4.2 million). The Fund expects new discussions with tenants on the postponement of rental payments in the first half of 2022, due to the new Covid-19 restrictions that came into effect at the end of December 2021. Despite these developments, the Fund's occupancy rate was still 100% at year-end 2021.

Deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. These deposits (cash collateral) are a mitigating factor regarding the credit risk exposures.

Counterparty Credit Risk is defined as the risk that the counterparty (to a transaction) defaults before the final settlement of the cash flows (associated with the transaction) has taken place (breaching delivery versus payment). This risk also includes banking credit positions and received guarantees.

It is our policy to enter into financial transactions only with financial institutions with a credit rating of at least A (Standard & Poor's). Given the credit rating limits, as required by policy, and the adherence by these counterparties to these limits, the Fund does not expect any defaults. Currently, the Fund makes use of services of a single banking institution for all its cash accounts, which means that a counterparty credit risk concentration is applicable. Due to our policies and monitoring activities on the credit rating, as described above, the concentration risk is managed.

Liquidity risk

Liquidity risk is defined as the inability to have timely access to sufficient (cash) liquidity to meet obligations or withdrawal, due to unfavourable market circumstances or inadequate cash planning, being forced to sell assets under unfavourable conditions. Prudent liquidity risk management implies maintaining sufficient (cash) liquidity. The Finance department manages the liquidity positions within predefined limit and is reported on a monthly basis. The amounts are disclosed in the notes to the consolidated statement of financial position.

3.2 Fair value estimation

For financial purposes fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount reduced by the impairment provision of trades receivable and trades payable approximates their fair value. All other Statement of financial position items are short-term and therefore not adjusted to their fair value.

3.3 Capital management

The Fund's objectives when managing capital are to safeguard the Fund's ability to maintain its going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Funding is secured by its shareholders through capital calls for which estimations are made each year. No external funding will be obtained.

The Fund distributes the fiscal profit annually to its shareholders as required by tax law. Reference is made to Note 10. In order to maintain or adjust its capital structure, the Fund may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares from shareholders or sell assets to reduce debt.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

Management based its assumptions and estimates on circumstances and information available when the consolidated financial statements were prepared. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results. The estimates, assumptions and management judgements that carry a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of fair value property portfolio
The valuation of the investment property portfolio (including investment property under construction) is determined in accordance with the Fund's valuation principles. All investments are measured at fair value and based on active market prices, adjusted if necessary for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to (i) active market prices, (ii) the influence of so-called rent-free periods and vacancy rates, (iii) the discount rates and (iv) assumed trends in rents.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with the guidelines of MSCI Netherlands Property Index.

The valuations are based on a discounted cash flow (DCF) analysis of each property combined – where necessary – with valuations based on market evidence. The DCF analyses are adjusted to existing lease agreements, in order to cover the full period of existing lease agreements. The DCF analyses are based on calculations of the future rental revenue in accordance with the terms in existing lease agreements and estimations of the rental values when the agreements expire. The starting point for the estimation of the discount rate is the nominal interest rate for 10-year Dutch government bonds. This rate should be increased in accordance with the risks involved in property investments. The whole investment property portfolio is appraised on a quarterly basis by independent external appraisers.

The Fund's investment properties are valued by external valuation experts on a quarterly basis.
Due to the unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence to base their judgement, the external valuation experts reported the valuations of the investment properties as being subject to material valuation uncertainty as set out in VPS 3 and VPGA 10 of the RICS Valuation-Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the external valuation experts' valuations, that are the basis for the value of the investment properties of the Fund, than would normally be the case.

5 Gross rental income and service charge income

	2021	2020
Theoretical rent	19,312	17,167
Incentives	(1,297)	(55)
Vacancies	-	-
Total gross rental income	**18,015**	**17,112**

Service charge income represents € 0.8 million (2020: € 0.6 million) income receivable from tenants for the services of utilities, caretakers, etc. when the Fund acts as principal.

The future contractual rent from leases in existence on 31 December 2021, until the end of the contract (accounted for on the basis of the minimum rent) can be analysed as follows:

	2021	2020
First year	20,128	18,183
Second year	20,151	18,241
Third year	20,151	18,264
Fourth year	20,151	18,264
Fifth year	20,151	18,264
More than five years	251,969	243,943

6 Property operating expenses

	2021	2020
Taxes	410	484
Insurance	75	66
Maintenance	358	683
Valuation fees	20	43
Property management fees	232	168
Addition to provision for doubtful debtors	1,261	4,201
Other operating expenses	121	105
Total property operating expenses	**2,477**	**5,750**

The addition to the provision for doubtful debtors mainly relates to expected rent discounts to support the Fund's tenants in managing the impact of Covid-19. Other operating expenses consist of costs for owners association and operational consultancy.

7 Administrative expenses

	2021	2020
Management fee Bouwinvest	1,717	1,712
Audit fees	42	51
Other administrative expenses	35	30
Other Fund expenses	49	57
Total administrative expenses	**1,843**	**1,850**

Where administrative expenses relate directly to the operation of the property portfolio, they are charged to operating expenses. Where administrative expenses relate directly to the development of the property portfolio, they are capitalised.

Other administrative expenses consist mainly of legal fees and advice. Other Fund expenses relate to external communication and research for new transactions.

8 Finance expenses

	2021	2020
Finance expenses on bank balances	81	123
Interest on leaseliabilities	561	505
Total finance expenses	**642**	**628**

The Fund had no external loans and borrowings during 2021. The Fund was subject to the negative interest rate development for its bank balances.

9 Employee benefits expense

The Hotel Fund has no employees.

10 Income taxes

FII Status

The Fund has opted for the status of Fiscal Investment Institution (FII). Although an FII is not transparent for tax purposes the FII regime is based on the principle of tax transparency. This transparency is effectively realised by the fact that an FII is subject to Dutch corporate income tax at a rate of 0% in combination with the so-called distribution obligation (for more information see the distribution obligation section below). As a result any benefits derived from a shareholding in an FII are taxable at shareholder level only.

To benefit from the FII regime, the Fund must meet certain requirements regarding, inter alia, the aforementioned obligation to distribute its profits, its activities, its leverage and its shareholders. These requirements are outlined in greater detail below.

Distribution obligation

Because of the fiscal transparency principle, an FII must distribute 100% of its taxable profits within eight months after the end of the relevant fiscal year, with the exception of certain specific items. In practice, the company-only net rental income and net finance income, is distributed annually. Capital gains, either realised or unrealised, do not need to be distributed. Unrealised capital gains do not constitute taxable income whereas realised capital gains are added to a so-called reinvestment reserve. Part of the management costs need to be charged against the reinvestment reserve. If and to the extent that realised gains are added to the reinvestment reserve, such gains are treated as capital for dividend withholding tax purposes, rather than distributable profits (for more information see the dividend withholding tax section).

Activity rules

An FII is obliged to be engaged exclusively in passive investment activities, i.e. it may not (partly) conduct an active trade or business. Whether an activity is characterised as a passive investment activity or as a business activity for Dutch tax purposes depends on all relevant facts and circumstances.

Real estate development is not regarded as a 'passive' investment activity. However, development activities for the FII's own portfolio are specifically permitted. These activities should be carried out by a subsidiary which is subject to tax at the common corporate tax rate (2021: 15% - 25%). Improvements to existing properties do not qualify as development activities provided that the capital expenditure is less than 30% of the value of the property as determined by the Dutch Valuation of Immovable Property Act ('Wet Waardering onroerende zaken') prior to the improvements.

In addition activities that are ancillary to the Fund's passive investment activities (renting out of the Fund's real property) are under conditions permitted, provided that they are also carried out by a taxable subsidiary of the Fund.

The Fund avails of both a taxable subsidiary for development activities and a taxable subsidiary for auxiliary services.

Leverage restrictions

An FII may finance its investments with debt up to a maximum of 60% of the fiscal book value of the real estate property, plus 20% of the fiscal book value of all other investments.

Shareholder test

As the Fund is subject to supervision of the AFM due to Bouwinvest's AIFMD license as an alternative investment fund manager, the Fund is subject to the shareholder requirements for regulated FIIs. The shareholder requirements for regulated FIIs stipulate that:

- A single corporate entity which is subject to any form of profit tax, not being a regulated FII or an UCITS, or an entity whose profits are taxed in the hands of its participants, i.e. a tax transparent entity, may not own 45% or more of the shares together with such affiliated entities.
- A single individual may not own an interest of 25% or more.

Furthermore, all FIIs must meet the condition that their shares are not owned for 25% or more by Dutch resident entities through the interposition of non-Dutch entities which have a capital divided into shares or mutual funds.

The Fund met the requirements of an FII in 2021. The effective tax rate was 0% (2020: 0%).

Legislation FII status

In 2021, the Dutch Ministry of Finance started the evaluation of the Fiscal Investment Institution (FII) regime that was announced in 2020. This evaluation should be finalised in 2022. Bouwinvest is taking into account the possibility that this evaluation will lead to a change of law as a result of which the Fund might no longer apply the respective regime. Therefore Bouwinvest anticipates a restructuring of the Fund into the legal form of a so-called closed Fund for Mutual Account (FMA).

Given its fiscal transparency, the closed FMA prevents double taxation for investors and is therefore the most appropriate alternative for an FII. Future amendments to the Dutch tax transparency rules, which are expected to be announced in 2022, should not alter this conclusion. In the course of 2022, Bouwinvest will decide whether to propose a restructuring of the Fund to the Shareholders' Meeting and, if so, by which date such restructuring must be effected. Bouwinvest will take into account all uncertainties, including the future of the FII-regime and the impact on all investors, when taking such a decision.

Dividend withholding tax

Profit distributions by the Fund are subject to Dutch dividend withholding tax at the statutory rate of 15%. However, distributions made from the tax free reinvestment reserve are not subject to Dutch dividend withholding tax, provided that this is properly formalised.

11 Investment property

	2021	2021	2020	2020
At the beginning of the year		**326,988**		**305,073**
Investments		**314**		**(15)**
Transfers to investment property under construction	-		-	
Transfer from investment property under construction	22,346		45,208	
Total transfer to/from investment property under construction		**22,346**		**45,208**
Disposals		**-**		**-**
Net gain (loss) from fair value adjustments on investment properties (like for like)	11,008		(21,743)	
Net gain (loss) from fair value adjustments on investment properties	901		(1,630)	
In profit or loss		**11,909**		**(23,373)**
In other comprehensive income		**-**		**-**
Transfers out of level 3		**-**		**-**
Movement of right of use ground leases		**164**		**95**
Total investment property (level 3)		**361,721**		**326,988**
Lease incentives		**2,133**		**1,248**
At the end of the year		**363,854**		**328,236**

The Fund's investment properties are valued by external valuation experts on a quarterly basis.

As at 31 December 2021, these properties were revalued by independent professionally qualified valuation experts who hold a recognised relevant professional qualification and had recent experience in the locations and categories of the investment properties valued. The carrying values of investment property as at 31 December 2021, and 31 December 2020, are based on the valuations reported by the external valuation experts.

Further disclosure with respect to the assumptions used by the external valuation experts is made in note 4.1 (Critical accounting estimates and assumptions).

The lease incentives granted are included in the total fair value of investment properties. For the year 2021 the amount of lease incentives is € 2.1 million (2020: € 1.2 million).

The right of use of land is included as an integrated part of the Investment property. To compare the externally appraised values of the Investment property the lease liabilities are deducted from the investment property value.

	2021	2020
Investment property	363,854	328,236
Less: lease liabilities	(19,029)	(18,686)
Valuation as per valuation report	**344,825**	**309,550**

The specifications of acquisitions and other capital expenditures are set out below.

Investments	2021	2020
Amsterdam	-	(15)
Rotterdam	314	-
Total investments	**314**	**(15)**

The significant assumptions with regard to the valuations are set out below.

	2021	2020
Current average rent (€/per room)	10,965	12,019
Market rent (€/per room)	10,535	11,570
Gross initial yield	5.8%	5.9%
Net initial yield	4.6%	3.7%
Current vacancy rate	0.0%	0.0%
Long-term growth rental rate	0.0%	0.0%
Risk free (NRVT)	-0.2%	0.1%

The net valuation gain (loss) for the year included a positive fair value adjustment of € 12.1 million (2020: € 0.5 million) relating to investment properties that are measured at fair value at the end of the reporting period.

Investment property includes no buildings held under leases. The carrying amount is nil (2020: nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 4.6% (2020: 3.7%). If the yields used for the appraisals of investment properties on 31 December 2021 had been 100 basis points higher than was the case at that time, the value of the investments would have been 17.8% lower. In this situation, the Fund's shareholders' equity would have been € 61 million lower.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions.

		2021		2020
Change rental rates	-10%	10%	-10%	10%
Value of the investment property change	(34,483)	34,482	(30,955)	30,955

		2021		2020
Change net initial yield	– 50 bps	+ 50 bps	– 50 bps	+ 50 bps
Value of the investment property change	42,719	(34,236)	48,398	(36,869)

12 Investment property under construction

		2021		2020
At the beginning of the year		**20,152**		**34,386**
Investments		**1,460**		**31,201**
Transfer to investment property	(22,346)		(45,208)	
Transfer from investment property	-		-	
Total transfer to/from investment property		**(22,346)**		**(45,208)**
Net gain (loss) from fair value adjustments on investment property under construction	734		(227)	
In profit or loss		**734**		**(227)**
In other comprehensive income		**-**		**-**
Transfers out of level 3		**-**		**-**
Movement of right of use ground leases		**-**		**-**
At the end of the year		**-**		**20,152**

The right of use of land is included as an integrated part of the investment property under construction. To compare the externally appraised values of the Investment property under construction the lease liabilities are deducted from the Total investment property value.

	2021	2020
Investment property	-	20,152
Less: lease liabilities	-	-
Valuation as per internal valuation	**-**	**20,152**

The net valuation gain (loss) for the year included a positive fair value adjustment of € 0.7 million (2020: € 0.2 million negative) relating to investment property under construction that are measured at fair value at the end of the reporting period.

The as if completed value of the investment property under construction is determined by external valuation experts.

The specifications of acquisitions and other capital expenditures are set out below.

Investments	2021	2020
Amsterdam	-	10,614
Rotterdam	1,460	20,587
Total investments	**1,460**	**31,201**

The investments in the investment property under construction in 2021 relate to Hotel WTC in Rotterdam.

13 Trade and other current receivables

	2021	2020
Trade receivables	7,007	4,209
VAT receivables	-	-
Other receivables	203	52
Balance as at 31 December	**7,210**	**4,261**

	2021	2020
Trade receivables	**10,224**	**8,410**
Provision for doubtful debtors	(3,217)	(4,201)
Balance as at 31 December	**7,007**	**4,209**

Age of trade receivables (days past due)	2021	2020
1 - 30	6,913	3,476
31 - 60	94	697
61 - 90	-	16
> 90	-	20
Carrying amount	**7,007**	**4,209**

Movement in provision for doubtful debtors

	2021	2020
At the beginning of the year	**(4,201)**	**-**
Additions to the provision	(1,261)	(4,201)
Receivables written off during the financial year	2,245	-
At the end of the year	**(3,217)**	**(4,201)**

The provision for doubtful debtors is based on expected credit losses. The addition to the provision for doubtful debtors mainly relates to expected rent discounts to support the Fund's tenants in managing the impact of Covid-19.

In Q4 2021, the Fund finalised numerous agreements with several tenants regarding Covid-19 arrangements. As a result of these agreements the provision fell to € 3.2 million (excl. VAT) (2020: € 4.2 million). The effects of the new Covid restrictions that came into effect at the end of December 2021 are reflected in the provision.

Next to that, the Fund set aside an additional amount of € 1.2 million for Covid-19 arrangements based on the probability that a rent discount will have to be granted to one tenant retroactively due to the Supreme Court ruling in December 2021. Because the rent is already collected, this amount is accounted for in the current trade and other payables.

14 Cash and cash equivalents

	2021	2020
Bank balances	12,906	13,633
Balance as at 31 December	**12,906**	**13,633**

The cash and cash equivalents (balance and deposits) were freely available to the Fund as at 31 December 2021.

15 Equity attributable to shareholders of Bouwinvest Dutch Institutional Hotel Fund N.V.

For 2021, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2021	**37,116**	**223,535**	**81,244**	**17,174**	**(14,749)**	**344,320**
Comprehensive income						
Net result	-	-	-	-	25,469	25,469
Total comprehensive income	**-**	**-**	**-**	**-**	**25,469**	**25,469**
Other movements						
Issued shares	-	-	-	-	-	-
Appropriation of result	-	-	-	(14,749)	14,749	-
Dividends paid	-	-	-	(14,142)	-	(14,142)
Movement revaluation reserve	-	-	12,915	(12,915)	-	-
Total other movements	**-**	**-**	**12,915**	**(41,806)**	**14,749**	**(14,142)**
Balance at 31 December 2021	**37,116**	**223,535**	**94,159**	**(24,632)**	**25,469**	**355,647**

* See explanation dividend restrictions in this Note.

For 2020, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2020	**33,534**	**192,117**	**104,141**	**(56,856)**	**60,256**	**333,192**
Comprehensive income						
Net result	-	-	-	-	(14,749)	(14,749)
Total comprehensive income	**-**	**-**	**-**	**-**	**(14,749)**	**(14,749)**
Other movements						
Issued shares	3,582	31,418	-	-	-	35,000
Appropriation of result	-	-	-	60,256	(60,256)	-
Dividends paid	-	-	-	(9,123)	-	(9,123)
Movement revaluation reserve	-	-	(22,897)	22,897	-	-
Total other movements	**3,582**	**31,418**	**(22,897)**	**74,030**	**(60,256)**	**25,877**
Balance at 31 December 2020	**37,116**	**223,535**	**81,244**	**17,174**	**(14,749)**	**344,320**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Hotel Fund is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. Dutch Law stipulates that dividends can only be paid up to an amount equal to the excess of the Fund's own funds over the sum of the paid-up capital, statutory reserves and reserves required by law.

The revaluation reserve, being a legal reserve, cannot be freely distributed. Dividends are all payments from the free reserves. The free reserves consist of the share premium and retained earnings. Dividends will consist partly of profits and other payments.

In order to further align the processing of the distributable dividends with Dutch Law and taking into account the FII status of the Fund, the distributable dividends are made from retained earnings insofar as the retained earnings – being the total amount of retained earnings and result for the year – are not negative. The remaining amount of legally required distributable dividends is subsequently made from share premium. Any residual negative retained earnings is supplemented from the share premium.

	Number of shares in fully paid up equivalents	**Paid-up share capital**	**Share premium**	**Total share capital and share premium**
Opening balance at 1 January 2021	**37,116**	**37,116**	**223,535**	**260,651**
Issued shares	-	-	-	-
Dividends paid	-	-	-	-
Balance at 31 December 2021	**37,116**	**37,116**	**223,535**	**260,651**

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2020	**33,534**	**33,534**	**192,117**	**225,651**
Issued shares	3,582	3,582	31,418	35,000
Dividends paid	-	-	-	-
Balance at 31 December 2020	**37,116**	**37,116**	**223,535**	**260,651**

Issued capital

The authorised capital comprises 1,000,000 shares each with a nominal value of € 1,000. As at 31 December 2021, in total 37,116 shares had been issued and fully paid up.

Share premium

The share premium consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2021 was determined at the individual property level.

16 Non-current lease liabilities

	2021	2020
Balance as at 1 January	**18,686**	**18,418**
Interest	561	553
Lease payments	(382)	(380)
Other movements	164	95
Balance as at 31 December	**19,029**	**18,686**

The average discount rate used for discounting the lease payments is 3%.

Land lease obligations undiscounted	2021	2020
Year 1	383	375
Year 2	383	375
Year 3-5	1,149	1,126
Year > 5	31,134	30,883
Total land lease obligations	**33,049**	**32,759**

17 Current trade and other payables

	2021	2020
Trade payables	885	710
Rent invoiced in advance	755	665
Tenant deposits	3,445	-
VAT payable	308	368
Other payables	3,901	1,533
Balance as at 31 December	**9,294**	**3,276**

€ 1.2 million of the other payables relate to an additional provision for Covid-19 arrangements based on the probability that a rent discount will have to be granted retroactively to one tenant due to the Supreme Court ruling in December 2021. The remainder relates to transfer tax, dividend tax and current income tax payable (€ 1.0 million) and accrued expenses for service charges and maintenance of and investments in the portfolio (€ 1.7 million). For one tenant the bank guarantee has been claimed and converted into a tenant deposit (€ 3.4 million).

18 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Net result attributable to shareholders	25,469	(14,749)
Weighted average number of ordinary shares	37,116	35,968
Basic earnings per share (€ per share)	686.20	(410.05)

19 Dividends per share

In 2021, the Fund paid out a dividend of € 381.03 per share (2020: € 253.63) which amounts to a total of € 14.1 million (2020: € 9.1 million). A total dividend of € 14.3 million (2020: € 9.1 million) is to be proposed at the Annual General Meeting of shareholders on 13 April 2022. These financial statements do not reflect this final 2021 payment.

The dividend proposal for 2021 has not been accounted for in the financial statements. The dividend for 2021 will be paid in cash.

20 Contingent liabilities and assets

As at 31 December 2021 the Fund has no future investment liabilities (2020: € 2 million).

As at 31 December 2021, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 90 thousand (2020: € 45 thousand).

The Fund has a contractual agreement with Bouwinvest for an indefinite period in which it has to pay a management fee, based on the invested capital. The notice period is two years.

21 Related parties

The Fund's subsidiaries and members of the Supervisory Board and Executive Board of Directors (Bouwinvest) and the other entities under management by Bouwinvest, qualify as related parties of the Fund. A fee of € 1.7 million (2020: € 1.7 million) was paid to Bouwinvest in 2021.

BpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

Members of the Supervisory Board and Executive Board of Directors of Bouwinvest do not have any material interest in the Fund’s voting shares and do not have options on shares. The Fund has not granted any loans to the members of the Supervisory Board and Executive Board of Directors of Bouwinvest.

The members of the Supervisory Board and Executive Board of Directors of Bouwinvest held no personal interest in the Fund’s investments in 2021.

22 Management fee

Bouwinvest is the manager and the Statutory Director of the Fund. The management fee paid for the year 2021 amounted to € 1.7 million (2020: € 1.7 million).

In consideration of the management activities with respect to the Fund, Bouwinvest receives an annual management fee equal to 0.50% (exclusive of VAT) of the Fund’s net asset value in accordance with the valuation methods of the Fund. The management fee is payable quarterly in advance.

23 Audit fees

The table below shows the fees charged over the year 2021 by Deloitte Accountants B.V. and the Deloitte Network in respect of activities for the Hotel Fund.

	2021	2020
Audit of the financial statements	38	37
Other audit engagements	4	4
Tax advisory services	-	-
Other non-audit services	-	10
Total fees	**42**	**51**

24 Subsequent events

The Russian invasion of Ukraine and rapidly escalating events in late February and in March 2022 are a significant tragedy for the people and is causing disruption to business and economic activity in the region and worldwide. This qualifies as a non-adjusting subsequent event. These events and the related market uncertainty could have an adverse impact on the Fund, including but not limited to the fair value of its investments and/or cash flows. At this moment it is not possible to provide an estimate of the financial impact of this crisis worldwide and on the Fund. The Fund screens its existing business relationships, including sanction lists where required. In respect to Russia and Belarus no determination of direct breaches of any current sanction rules were noted nor any material matters that affect the going concern of the Fund. The Fund will continue to monitor market conditions as information becomes available and evaluate potential impact, if any, on the value of the Fund’s real estate investments and its operations going forward.

Company balance sheet

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2021	2020
Assets			
Non-current assets			
Investment property		363,854	328,236
Investment property under construction		-	20,152
Financial assets	3	400	440
Total non-current assets		**364,254**	**348,828**
Current assets			
Trade and other current receivables		7,059	4,261
Cash and cash equivalents		11,637	13,588
Total current assets		**18,696**	**17,849**
Total assets		**382,950**	**366,677**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		37,116	37,116
Share premium		223,535	223,535
Revaluation reserve		92,719	81,244
Retained earnings		(23,192)	17,174
Net result for the year		25,469	(14,749)
Total equity	4	**355,647**	**344,320**
Liabilities			
Non-current lease liabilities		19,029	18,686
Current trade and other payables		8,274	3,671
Total liabilities		**27,303**	**22,357**
Total equity and liabilities		**382,950**	**366,677**

Company
profit and loss account

All amounts in € thousands	2021	2020
Result of participation interests after taxes	960	434
Other income and expenses after taxes	24,509	(15,183)
Result for the year	**25,469**	**(14,749)**

Notes to the company financial statements

All amounts in € thousands, unless otherwise stated

1 Summary of significant accounting policies

1.1 General

The Company financial statements of Bouwinvest Dutch Institutional Hotel Fund N.V. (the Hotel Fund) are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. These financial statements have been prepared in accordance with the provision of Article 2:362 subsection 8 and 9, of the Dutch Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

If no other policies are mentioned, the applicable policies are those of the consolidated financial statements. The consolidated financial statements should be consulted for an appropriate interpretation of the Company financial statements.

The notes in the consolidated financial statements also apply to the Company accounts. If Company amounts are not directly traceable to the consolidated notes, additional notes are included in the Company notes.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The exemption laid down in Article 402 of Book 2 of the Dutch Civil Code has been applied to the Company profit and loss account of the Fund.

1.2 Financial assets

Subsidiaries
Subsidiaries include all entities over which the Fund has the power – directly or indirectly – to control financial and operational policies. Subsidiaries are valued under the net equity method, but not lower than zero.

The equity value is measured by valuation of assets, provisions and liabilities and determination of results based on the accounting policies of the consolidated financial statements.

Recognition of losses
If the share in losses attributable to the Fund exceeds the carrying amount of the net investment (investment and other unsecured receivables), further losses will not be recognised, unless the Fund has provided securities to the associate, committed to liabilities or paid on behalf of the associate. In that case, a provision will be set aside for the excess.

2 Financial risk management

Reference is made to Note 3 of the consolidated financial statements.

3 Financial assets

	2021	2020
As per 1 January	440	6
Dividend	-1,000	
Net result for the year	960	434
As per 31 December	**400**	**440**

The Fund acquired the shares (100%) of the following subsidiaries:

- Bouwinvest Hotel Development B.V., Amsterdam
- Bouwinvest Dutch Institutional Hotel Fund Services B.V., Amsterdam

Bouwinvest Hotel Development B.V. redevelops investment properties for Bouwinvest Dutch Institutional Hotel Fund N.V. Bouwinvest Dutch Institutional Hotel Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

4 Equity attributable to shareholders of Bouwinvest Dutch Institutional Hotel Fund N.V.

For 2021, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2021	**37,116**	**223,535**	**81,244**	**17,174**	**(14,749)**	**344,320**
Comprehensive income						
Net result	-	-	-	-	25,469	25,469
Total comprehensive income	**-**	**-**	**-**	**-**	**25,469**	**25,469**
Other movements						
Issued shares	-	-	-	-	-	-
Appropriation of result	-	-	-	(14,749)	14,749	-
Dividends paid	-	-	-	(14,142)	-	(14,142)
Movement revaluation reserve	-	-	11,475	(11,475)	-	-
Total other movements	**-**	**-**	**11,475**	**(40,366)**	**14,749**	**(14,142)**
Balance at 31 December 2021	**37,116**	**223,535**	**92,719**	**(23,192)**	**25,469**	**355,647**

* See explanation dividend restrictions in Note 15 of the consolidated financial statements.

For 2020, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2020	**33,534**	**192,117**	**104,141**	**(56,856)**	**60,256**	**333,192**
Comprehensive income						
Net result	-	-	-	-	(14,749)	(14,749)
Total comprehensive income	**-**	**-**	**-**	**-**	**(14,749)**	**(14,749)**
Other movements						
Issued shares	3,582	31,418	-	-	-	35,000
Appropriation of result	-	-	-	60,256	(60,256)	-
Dividends paid	-	-	-	(9,123)	-	(9,123)
Movement revaluation reserve	-	-	(22,897)	22,897	-	-
Total other movements	**3,582**	**31,418**	**(22,897)**	**74,030**	**(60,256)**	**25,877**
Balance at 31 December 2020	**37,116**	**223,535**	**81,244**	**17,174**	**(14,749)**	**344,320**

* See explanation dividend restrictions in Note 15 of the consolidated financial statements.

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2021, in total 37,116 shares had been issued and fully paid up.

Share premium

The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2021 was determined at the individual property level.

Appropriation of profit 2020

The Annual General Meeting of shareholders on 21 April 2021 adopted and approved the 2020 financial statements of the Hotel Fund. A dividend of € 9.1 million (in cash) has been paid. Of the negative result for 2020 amounting to € -14.7 million, € -14.7 million was incorporated in the retained earnings.

Proposal for profit appropriation 2021

The management of the Fund proposes to the General Meeting of shareholders that a dividend of € 14.3 million (in cash) be paid. Of the result for 2021 amounting to € 25.5 million, € 25.5 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Hotel Fund has no employees.

6 Remuneration

Reference is made to Note 22 of the consolidated financial statements.

Signing of the Financial Statements

Amsterdam, 21 March 2022

Bouwinvest Real Estate Investors B.V.
Dick van Hal, *Chief Executive Officer and Statutory Director*
Rianne Vedder, *Chief Financial & Risk Officer and Statutory Director*
Mark Siezen, *Chief Client Officer*
Allard van Spaandonk, *Chief Investment Officer Dutch Investments*
Stephen Tross, *Chief Investment Officer International Investments*

Other information

Articles of Association related to the appropriation of profit

Appropriation of profit is provided for in Article 20 of the Articles of Association. This specific article is quoted below.

20.1

The distributable profit shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves. If the General Meeting has made a decision about profit distribution not later than immediately prior to or after the adoption of the financial statements, the distributable profit will be added to the reserves.

20.2

Distribution of profits shall take place after the adoption of the financial statements which show that the distribution is permitted.

20.3

The General Meeting may resolve to distribute one or more interim dividends and/or other interim distributions. The Executive Board of Directors may also resolve to distribute one or more interim dividends.

20.4

Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.

20.5

Distribution to shareholders may be made only to the extent of distributable equity and if an interim dividend is paid, that requirement is met according to an interim financial statement as referred to in Article 2:105 Section 4 of the Dutch Civil Code. The Fund shall deposit the interim financial statements at the offices of the Chamber of Commerce (Commercial Register) within eight days after the date of the decision to make an interim distribution.

20.6

In calculating the appropriation of profits, the shares held by the Fund in its own share capital shall not be taken into account.

Independent auditor's report

To the shareholder of Bouwinvest Dutch Institutional Hotel Fund N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Bouwinvest Dutch Institutional Hotel Fund N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Hotel Fund N.V. as at December 31, 2021, and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Hotel Fund N.V. as at December 31, 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2021.
2. The following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2021.
2. The company profit and loss account for 2021.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Bouwinvest Dutch Institutional Hotel Fund N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 3.6 million. The materiality is based on 1% of total investment property. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview	
Materiality level	€ 3.6 million
Basis for materiality level	1% of total investment property
Threshold for reporting misstatements	€ 180 thousand

We agreed with Executive Board of Directors that misstatements in excess of € 180 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Bouwinvest Dutch Institutional Hotel Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Bouwinvest Dutch Institutional Hotel Fund N.V..

Our group audit mainly focused on significant group entities.

We have performed audit procedures ourselves at group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and the Executive Board of Directors' process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. A fraud risk assessment is a visible component of the internal control environment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of ethics and supporting policies. This includes anti corruption, anti money laundering, gifts and entertainment and whistleblower policy. We evaluated the design of the internal controls implemented to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. In this assessment we were supported by our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risk and performed the following specific procedures:

Fraud risk	How the fraud risk was addressed in the audit
Exectutive Board of Directors override of controls	
We presume a risk of material misstatement due to fraud related to Executive Board of Directors override of controls. Executive Board of Directors is in a unique position to perpetrate fraud because of Executive Board of Directors's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit procedures included, among others, the following: We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance. We considered available information and made inquiries of relevant key personnel focused on risk, compliance and finance. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting. We evaluated whether the judgments and decisions made by Executive Board of Directors in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Executive Board of Directors insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 4 of the financial statements. We performed a retrospective review of Executive Board of Directors judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Valuation of investment property is a significant area to our audit as the valuation is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. Reference is made to the section "Our key audit matter".

Audit approach fraud risks compliance with laws and regulations

We assessed the laws and regulations applicable to Bouwinvest Dutch Institutional Hotel Fund N.V. via our inquiries with the Executive Board of Directors and other personnel, and our assessment of relevant correspondence.

Non-compliance with applicable laws and regulations potentially have a material effect on amounts and/or disclosures in the financial statements or affect the fundament of the business operations. Given the nature of Bouwinvest Dutch Institutional Hotel Fund N.V. and the regulated environment its operates in, there is a risk of non-compliance with regulations, including amongst each other the Alternative Investment Fund Managers Directive (AIFMD), the Wet op het financieel toezicht (Wft), the Wet ter voorkoming van witwassen en het financieren van terrorisme (Wwft).

By nature, we remain alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to Executive Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of investment property	
Refer to notes 4.1, 11 and 12 to the consolidated financial statements. As at December 31, 2021 the Company held a portfolio of investment property with a fair value of € 363 million (December 31, 2020: € 328 million) and investment property under construction of € - (December 31, 2020: € 20 million). The portfolio consist of € 363 million hotel properties. At the end of each reporting period, the Executive Board of Directors determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property. As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalisation rate and market rent levels. In addition, and as the external appraiser has highlighted in its assessment of the fair value of the property portfolio, there is considerable uncertainty over the global economy due to Covid-19 and how long it will take before the economy is stabilized. This has introduced a level of uncertainty relating to projected future cash flows which affects the valuation of these assets resulting in special audit considerations.	Our audit procedures included, among others, the following: We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the property portfolio. We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise. We have further evaluated and challenged the assumptions made in respect to the creditworthiness of significant tenants, lease incentives and vacancy periods in the valuation calculations. In relation to the significant assumptions used in the valuation of investment property we have: - determined that the valuation methods as applied by the Executive Board of Directors, as included in the valuation reports, are appropriate; - evaluated and challenged the significant assumptions used (such as capitalisation rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments; - assessed the sensitivity analysis on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators; - assessed the appropriateness of the disclosures relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements. Observation We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Report of the Executive Board of Directors.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information comprising of The fund at a glance, Message from the Director Dutch Hotel Investments, Other information and Enclosures.

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

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Description of responsibilities regarding the financial statements

Responsibilities of the Executive Board of Directors for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board of Directors.
- Concluding on the appropriateness of the Executive Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Executive Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

From the matters communicated with Executive Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 21, 2022

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

Assurance report of the independent auditor

To the shareholder of Bouwinvest Dutch Institutional Hotel Fund N.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2021 of Bouwinvest Dutch Institutional Hotel Fund N.V. at Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on our review nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year 2021

in accordance with the reporting criteria as included in the section 'reporting criteria'.

The sustainability information consists of performance information in the section 'Performance on Sustainability' part of chapter 'Performance on strategy' on page 24-29 of the 2021 Annual Report.

Basis for our conclusion

We conducted our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (assurance engagements other than audits or reviews of historical financial information). This engagement is aimed to obtain limited assurance. Our responsibilities in this regard are further described in the 'Our responsibilities for the review of the sustainability information' section of our report.

We are independent of Bouwinvest Dutch Institutional Hotel Fund N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Bouwinvest Dutch Institutional Hotel Fund N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the reporting criteria as included in the section 'reporting of performance indicators' within the 2021 Annual Report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our examination

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

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information. Our conclusion is not modified in respect to these matters.

Responsibilities of the Executive Board of Directors for the sustainability information

The Executive Board of Directors is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in the section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board of Directors regarding the scope of the sustainability information and the reporting policy are summarised in the chapter "Hoe Bouwinvest waarde creëert" of the Bouwinvest Real Estate Investors B.V. annual report.

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

The supervisory board is responsible for overseeing the reporting process of Bouwinvest Dutch Institutional Hotel Fund N.V.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board of Directors;
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review ;

- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing the Executive Board of Directors (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends
  - Evaluating the presentation, structure and content of the sustainability information;
  - Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Executive Board of Directors regarding, among other matters, the planned scope, timing and outcome of the review.

Amsterdam, March 21, 2022

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

NH Hotel
Upscale urban hotel

The Hague
The Netherlands

Enclosures

Composition of the Executive Board of Directors

Chief Executive Officer and Statutory Director

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

Dick van Hal has been CEO since his appointment in 2008. 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 co-chairman of Holland Metropole.

Chief Financial & Risk Officer and Statutory Director

M.A. (Rianne) Vedder (1970, Dutch)

Rianne Vedder was appointed Chief Financial and Risk Officer on 15 October 2019. She was formerly a Partner at EY Financial Services Advisory and jointly responsible for the growth and continued development of the consultancy practice of the EY organisation. She previously held positions within EY Financial Services and Capgemini. Rianne studied Business Economics at Maastricht University and holds a postgraduate Chartered Controller degree. She is an INSEAD-certified Independent Non-Executive Director.

Chief Client Officer

M. (Mark) Siezen (1972, Dutch)

Mark Siezen was appointed Chief Client Officer and member of the Management Board on 1 November 2020. Mark previously worked as Executive Director and member of the board of CBRE. Prior to that, he held various positions at Multi Cooperation, NSI and COFRA Holding (including Redevco and C&A). Since 1 December 2021 Mark is member of the Supervisory Board of Northwest Clinics (Noordwest Ziekenhuis Groep).

Chief Investment Officer Dutch Investments

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

Allard van Spaandonk has been CIO Dutch Investments since 2013. He was formerly director Asset Management of Bouwinvest, director retail investments at Syntrus Achmea Vastgoed as well as head of residential mortgages at Achmea Vastgoed. Allard is a member of the Advisory Board of the Amsterdam School of Real Estate (ASRE) and was member of the Management Board of NEPROM (Dutch association of project development companies) until 31 December 2021.

Chief Investment Officer International Investments

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

Stephen Tross has been CIO International Investments since 2010. Stephen previously worked in the real estate audit practices at KPMG Accountants NV and PricewaterhouseCoopers in the Netherlands, New York and London. He studied Business Economics at the Hogeschool Utrecht and accountancy at NIvRA-Nyenrode. Stephen is a professional member of the British Institution of Chartered Surveyors and a member of the management board of ANREV (chairman per 1 January 2022).

Director Dutch Hotel Investments

S.F. (Bas) Jochims (1977, Dutch)

Bas Jochims has been Director of Dutch Hotel Investments since 2008. He is responsible for the performance of the assets of the Bouwinvest Dutch Institutional Hotel Fund. He joined Bouwinvest in 2005 as Asset Manager. He has sixteen years' experience in real estate asset management. Bas gained his real estate experience with Dynamis ABC, where he worked as an Account Manager and was responsible for the total property management in the greater Amsterdam and The Hague areas.

Responsible investment performance indicators

Continued improvement of the Fund's sustainability performance

Impact area	Indicator	Measure	Units of measure	2021	2020	Change	Plan 2021-2023
Fund sustainability benchmark	GRESB	Star rating	# stars	5	5	+0	Improve score and obtain GRESB 5 star rating
	GRESB	Overall score (GRI-CRESS: CRE8)	# [1-100]	96	92	+4	Annual improvement of overall GRESB score

Investing in sustainable real estate

Impact area	Indicator	Measure	Units of measure	2021	2020	% change	Plan 2021-2023
Asset sustainability certificate	BREEAM	Green Building Certificates floor space (BREEAM or GPR) (GRI-CRESS: CRE8)	%	100.0%	100.0%	+0.0 pp	All standing investments minimum BREEAM-NL in-use VERY GOOD or better by the end of 2021
		Certificate BREEAM-NL in-use PASS	%	0.0%	0.0%	+0.0 pp	
		Certificate BREEAM-NL in-use GOOD	%	0.0%	21.1%	-21.1 pp	
		Certificate BREEAM-NL in-use VERY GOOD	%	60.9%	37.2%	+23.7 pp	
		Certificate BREEAM-NL in-use EXCELLENT	%	39.1%	41.7%	-2.7 pp	
		Certificate BREEAM-NL in-use OUTSTANDING	%	0.0%	0.0%	+0.0 pp	
	BREEAM (new acquisitions)	Labelled floor space (GRI-CRESS: CRE8)	%	n/a	100.0%	n/a	Acquisitions and major renovations/ redevelopments minimum BREEAM-NL VERY GOOD
		Average score (GRI-CRESS: CRE8)	%	n/a	73.8%	n/a	

Reducing Environmental impact

Impact area	Indicator	Measure	Units of measure	2021	2020	% change	Plan 2021-2023
Energy performance certificate	EPC	Labelled floor space (GRI-CRESS: CRE8)	%	100.0%	100.0%	0.0%	100% green portfolio (A, B, C energy labels)
		Green labelled floor space (A, B or C label)	%	100.0%	100.0%	0.0%	
		A labelled floor space	%	100.0%	50.9%	96.5%	By end of 2021, 65% of the portfolio has an energy label A or better (energy index <0.9).
		Average EP2	#	168.56	211.38	-20.3%	
Renewable energy	Solar panels	Installed kWp of solar panels	kWp	174.6	174.6	0.0%	Add renewable energy on location, installing 300kWp of solar panels before end of 2021

Impact area	Indicator	Measure	Units of measure	**2021 (abs)**	2020 (abs)	% change (LfL)	Plan 2021-2023
Energy	Electricity	Total landlord-obtained electricity (GRI: 302-2)	MWh	895	5,104	-0.1%	Annual reduction of environmental impact to increase:
	Gas	Total gas consumption (GRI: 302-1)		391	3,188	-3.1%	
	District heating and cooling	Total district heating and cooling (GRI: 302-2)		0	3,273	0.0%	
	Total	Total energy consumption from all sources (GRI: 302-2)		1,286	11,565	-1.0%	from -2% in 2019 to -5% in 2021
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1)	kWh/m^2/year	85	186	-1.0%	
		Energy and associated GHG disclosure coverage		2 of 8	6 of 6		
GHG emissions	Direct	Scope 1 (GRI: 305-1)	tonnes CO_2e	93	757	-3.1%	
	Indirect	Scope 2 (GRI: 305-2)		382	2,496	-0.1%	
	Total	Total GHG emissions (GRI: 305-2) Scope 1 and 2		475	3,253	-0.7%	from -2% in 2019 to -5% in 2021
		Total GHG emissions after compensation		93	1,073	-3.1%	
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)	kg CO_2e/m^2/year	32	52	-0.7%	
Water	Total	Total water consumption (GRI:303-1)	m^3	N/A	56,749	N/A	from -2% in 2019 to -5% in 2021
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m^3/m^2/year	N/A	0.80	N/A	
Waste	Total	Total waste collected (GRI: 306-1)	tonnes	N/A	287	N/A	from -2% in 2019 to -5% in 2021
		Recycling rate	%	N/A	18%	N/A	

Stakeholder engagement performance

Impact area	Indicator	Measure	Units of measure	2021	2020	% change	Plan 2021-2023
Engage with stakeholders	Tenant satisfaction	Response rate (GRI: 102-43)	%	100%	100%	no change	Tenants give the Fund a score higher than 7
		Average total score (GRI: 102-43)	#	7.7	7.3	+0.4	
	Client satisfaction	Response rate (GRI: 102-43)	%	n/a	n/a	n/a	Clients give the Fund a score higher than 7.5
		Average total score (GRI: 102-43)	#	7.1	7.8	-9%	
Sustainable stewardship	Considerate constructors scheme	Registered construction projects	#	1 of 1	2 of 2	no change	In 2021, 75% of construction sites (€) registered under Considerate Constructors Scheme ('Bewuste Bouwer')
		Participation rate (by acquisition price)	%	100%	100%	no change	
	Board seats and committee memberships industry organisations, related to the Dutch Hotel sector	Number	#	2	1	+ 100%	Gain board seats and committee memberships industry organisations: have at least one active board/committee memberships within industry organisations in the Dutch hotel sector
	Make areas heart safe	Number	%	100%	100%	no change	By the end of 2021, 100% of our tenants (and hotel guests) have an AED available within six minutes walking distance

Being a responsible organisation

Impact area	Indicator	Measure	Units of measure	2021	2020	% change	Plan 2021-2023
Sustainable agreements	Leases	Number of new green leases	#	0 of 1	0 of 1	+0.0%	Annual increase in number of green leases
		Number of green leases	#	3 of 8	3 of 7	-5%	
Responsible business operation	Digital tenant portal	Usage of tentants	%	0.0%	0.0%	0.0%	In 2021 all our tenants can use our tenant portal incl. sustainability performance

Reporting of performance indicators

The Fund's ambition to increase the coverage and therefore the transparency of its environmental impact according to INREV Sustainability Reporting Guidelines is reflected in the summary of key performance indicators in the table above.

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

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

For the managed portfolio (scope 1 and 2), Bouwinvest reports on total energy consumption including all direct energy sources (gas, fuel oil) and indirect energy sources (electricity, district heating and district cooling). To calculate Greenhouse Gas (GHG) emissions, country and energy source-specific emission factors have been applied. Emission factors change over time. For this annual report most recently available factors for 2021 are used (source: www.co2emissiefactoren.nl).

Energy, Emission and Water intensities are reported only on properties where energy respectively water data is available, using 'shared services' as the numerator and lettable floor area (LFA) as the denominator. 'Shared services' refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered.

In the annual report of Bouwinvest Real Estate Investors B.V. the results of a conducted analysis on material topics and observations on stakeholders and reporting criteria with regard to Bouwinvest and its investment activities in general are included. The responsible investing indicators in this report are aligned with these results and observations where applicable.

Properties overview

Municipality	Street name/property name	Floor space (in m²)	No. of parking units	Year of construction/ renovation	Land ownership	Core region	Financial occupancy rate (average)
The Hague	NH, The Hague	9,715	0	2004	Leasehold	The Hague	100%
Amsterdam	CASA, Amsterdam	19,746	85	2010	Leasehold	Amsterdam	100%
Amsterdam	Aitana, Amsterdam	14,827	0	2013	Leasehold	Amsterdam	100%
Amsterdam	Meininger, Amsterdam Amstel	6,264	0	2018	Leasehold	Amsterdam	100%
Amsterdam	Premier Suits Hourglass	8,455	0	2020	Leasehold	Amsterdam	100%
Amsterdam	Stayokay, Amsterdam Zeeburg	6,464	0	1900	Leasehold	Amsterdam	100%
Amsterdam	BOAT&CO	5,300	44	2019	Leasehold	Amsterdam	100%
Rotterdam	Hotel WTC Rotterdam	5,354	0	2021	Freehold	Rotterdam	100%
		76,125	**129**				

Glossary

Considerate constructors scheme

The proportion of construction sites controlled by the reporting company that are registered under the Dutch Considerate Constructors (Bewuste Bouwers) scheme in a reporting year, weighted by purchase price.

Direct property return

Direct property return as a percentage is equal to the net rental income of investment properties divided by the value of the investment properties, including purchaser's transaction costs, on a monthly basis (MSCI methodology).

Distributable result

Distributable result is the company only total rental income and other income net of all expenses, costs, fees (including management fee), financing costs and taxes borne by the Fund available for distribution to the shareholders.

Energy index of the portfolio

Average energy index on asset level, weighted by lettable floor area. Based on investment properties and excluded units without an energy index. For the residential portfolio, the average energy index is calculated at unit level.

Estimated rental value

The estimated rent at which space within a property could reasonably be expected to be let given current market conditions.

Financial occupancy rate

This is the average occupancy rate of the portfolio over the year calculated on the basis of rental revenue according to contracts as at the reporting date, as a percentage of the theoretical rent.

Fund capital growth (INREV)

Fund capital growth is the total return (INREV), less the distributable result, divided by INREV NAV at the beginning of the period plus the time weighted (daily) contributions for the quarter minus the time weighted (daily) distributions/ redemptions for the quarter. Annual fund capital growth is calculated compounded on the basis of 4 quarters.

Fund income return (INREV)

The fund income return per period as a percentage is equal to the distributable result, divided by INREV NAV at the beginning of the period plus the time weighted (daily) contributions for the quarter minus the time weighted (daily) distributions/ redemptions for the quarter. Annual fund income return is calculated compounded on the basis of four quarters.

Fund total return (INREV)

The fund total return for the quarter is equal to the sum of the unrounded fund income return and fund capital growth. As a result rounding differences may occur. The annual fund total return is calculated compounded on the basis of the quarterly fund total return. As a result, the fund total return is not the sum of the fund income return and the fund capital growth.

Green portfolio

Relative share of lettable floor area with energy label A, B and C compared with the total lettable floor area of the portfolio, based on investment properties and excluding listed buildings. For the residential portfolio, the green portfolio is calculated at unit level.

GRESB score

The GRESB (Global Real Estate Sustainability Benchmark) score is an overall measurement of ESG performance – represented as a percentage of a 100 percent maximum. The score is a result of the annual assessment of the entity by GRESB.

GRESB star rating

The GRESB star rating is based on the GRESB score and its quintile position relative to the GRESB universe, with annual calibration of the model. If an entity is placed in the top quintile, it will be a GRESB 5-star rated entity; if it ranks in the bottom quintile, it will be a GRESB 1-star rated entity, etc. As the GRESB star rating is calculated relative to the global performance of reporting entities, it shows exactly where the Fund stands on a global scale.

Gross Asset Value (GAV)

The total property portfolio plus the value of any further assets at market value as per the chosen valuation principles.

Gross initial yield (passing)

Passing rent divided by the gross capital value of the investment property including purchaser's transaction costs, as per end of period.

Gross initial yield (market)

Theoretical rent (market) divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross rental income

The gross rental income is the total contractual rental income over the reporting period from let properties reported under IFRS, including the net effects of straight-lining for lease incentives, including rent-free periods.

Indirect property return

Indirect property return as a percentage is equal to the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (MSCI methodology).

INREV NAV

INREV NAV is based on the fair value of the underlying assets and liabilities, as at the financial position date, and adjusted for the spreading of costs that will benefit different generations of investors.

Investment property

Property that is fully operational on the reporting date

Investment property under construction

Property that is being built or developed for future use as investment property.

Lease incentive

Any consideration or expense borne by the property company, in order to secure a lease.

Like-for-like gross rental income

Like-for-like gross rental income compares the increase/ decrease of the gross rental income of the portfolio that has been consistently in operation, during two full preceding periods that are described.

Membership of industry associations

Number of employees active in board/committee memberships in industry organisations in the real estate sector in the reporting period.

MSCI Property Index

Benchmark organisation IPD has been rebranded as MSCI. This is why we now cite the MSCI Netherlands Annual Property Index, rather than the IPD Netherlands Annual Property Index. The composition and calculation of the indexes and benchmarks remain the same: indirect property return as a percentage is equal to the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis.

Net asset value (NAV)

The net asset value is equal to the shareholders' equity of the Fund.

Net initial yield

Net rental income divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Net rental income

Net rental income is gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

On-site solar power

Amount of installed power (kilowatt peak - kWp) from on-site solar panels in the investment portfolio.

Passing rent

The annualised cash rental income being received as at a certain date, excluding the net effects of straight-lining for lease incentives. For the avoidance of doubt, where no rent is currently being paid due to operation of a rent-free period, the passing rent will be shown as zero.

Pay-out ratio of distributable earnings

This is the distributed dividend in the reporting period divided by the distributable result in the reporting period.

Property value

The Property value equals the fair value of the Investment Property and Investment Property under Construction excluding the value of Lease Liabilities.

Real Estate Expense Ratio (REER)

Annual vehicle-level and property-specific costs over a 12-month period as a proportion of average vehicle assets (average GAV and average NAV).

Reduction of energy consumption

Percentage of change in energy consumption (electricity and gas) at end of reporting year compared with previous year on a like-for-like basis for energy meters that were under the direct control of the Fund. Like-for-like refers to the energy consumption of a portfolio that has been consistently in operation for two comparative periods. Gas consumption is converted from m^3 to kWh based on the conversion factor as published at end of period on https://www.co2emissiefactoren.nl. And gas consumption for the reporting year is corrected for differences in the number of degree days at De Bilt (the Netherlands) between the current and previous year.

Residential units in mid-rental segment

The total number of acquired units with rental prices between € 753 and € 1,013 per month (price level 2021) in the reporting period.

Sustainably certified portfolio

The relative share of investment properties within a portfolio that have been formally granted sustainable building certification, rating or labelling at the end of a reporting period, compared with the total portfolio of investment properties (based on m^2 LFA).

Theoretical rent

Passing rent over the reporting period plus estimated rental value of vacant units.

Total Global Expense Ratio (TGER)

The total expense ratio reflects the total Fund expenses of the current reporting period as a percentage of the time-weighted INREV Gross Asset Value (GAV) over the period. The TGER is backward looking and includes the management fee, administrative expenses and valuation fees.

Transactions

Transactions are contractual obligations for the purchase of investment properties, where such property is not generating income for the benefit of the Fund as of the reporting date.

Zero-energy projects

Number of acquisition transactions (investment proposals approved by the Executive Board of Directors) in the period 2018-2020, with agreed yearly total energy consumption of below 0 kWh.

Contact information

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