Annual report 2020

Bouwinvest Dutch Institutional Healthcare Fund N.V.

Bouwinvest | Real Estate Investors

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The Fund
at a glance

About the Healthcare Fund

The Bouwinvest Dutch Institutional Healthcare Fund is an investment fund that invests in healthcare real estate exclusively for the Dutch construction sector pension fund bpfBOUW in line with the pension fund's financial targets and social ambitions. Investing in this sector provides good long-term prospects, both financial and social, due to the increasing demand for care homes and care solutions.

The Healthcare Fund manages a diverse portfolio of healthcare assets, divided across core regions and the various healthcare segments.

Growth

The number of people in the 65+ age group has been on the rise in the Netherlands since the early 1990s, along with a concomitant ageing of the overall population. The average life expectancy is set to increase from 79.5 years of age in 1990 to an average of 85.5 years of age in 2040. This so-called double-ageing, driven by both changing demographics and increasing life expectancy, will raise the number of 65+ households by 1.1 million in the period to 2040 and provides a solid foundation for the future growth of the Fund.

Social return

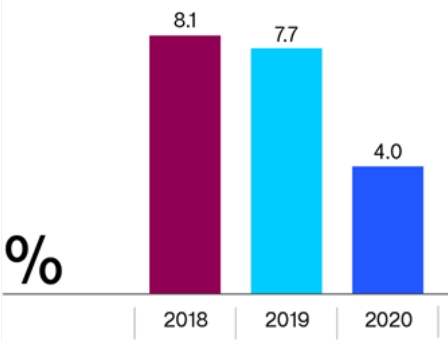
The demand for healthcare real estate will only increase in the years ahead. This makes the market for senior housing and healthcare assets attractive, as investors can bank on healthy returns for the longer term. On top of this, by investing in healthcare real estate, the parties involved will also generate healthy social returns. In this case, investments that make a direct contribution to high-quality senior housing and care for elderly people and disabled people.

Sustainability

The Fund devotes a good deal of attention to the acquisition of sustainable assets. Not only because of the need to reduce environmental impact, but also to reduce climate risks. In our case, liveability for our tenants, for instance with respect to heat stress, is an important issue. The Fund aims to ensure our portfolio is net-zero carbon by 2045. In 2020, the Fund was awarded a GRESB four-star sustainability rating.

The Fund's contribution to Real Value for Life

Fund return



Realised 2020

4.0%

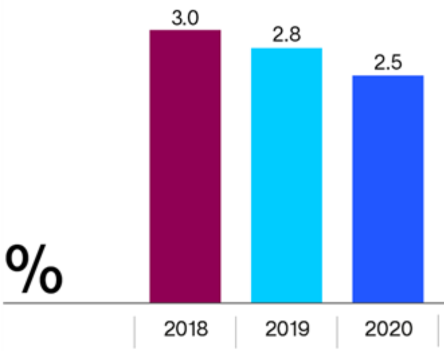
Plan 2020

6.8%

Long-term average target

5.5% - 7.0%

Fund income return



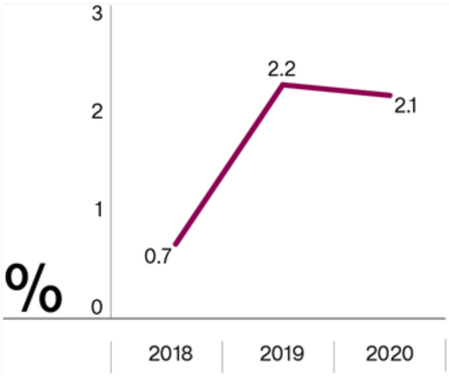
Realised 2020

2.5%

Plan 2020

3.7%

Like-for-like rental income



Realised 2020

2.1%

Plan 2020

2.4%

Acquisitions (x € MILLION)

Realised 2020

€ 74

Plan 2020

€ 100

Investments (x € MILLION)

Realised 2020

€ 108

Plan 2020

€ 85

Occupancy rate

Realised 2020

91.1%

Plan 2020

98.7%

Core regions

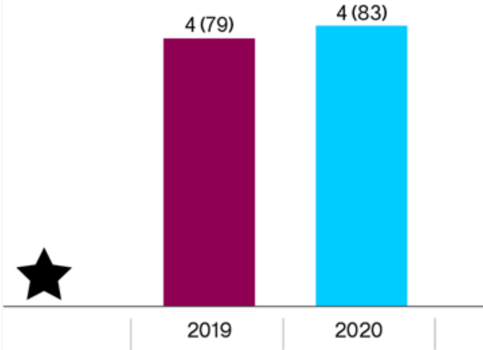
Realised 2020

98.4%

Plan 2020

98.0%

GRESB star rating (score)

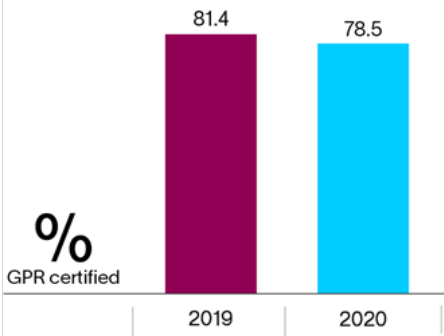


Realised 2020

★★★★

4 star rating
(83 Points)

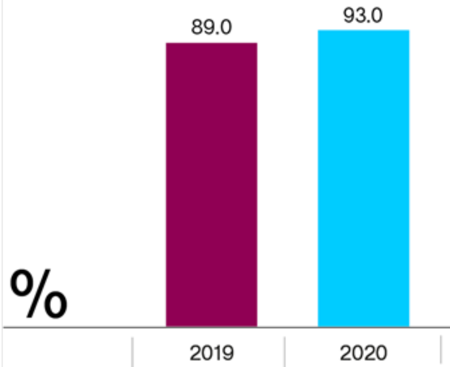
GPR building label



Realised 2020

78.5%

Energy label (A)



Realised 2020

93.0%

Tenant satisfaction (score)

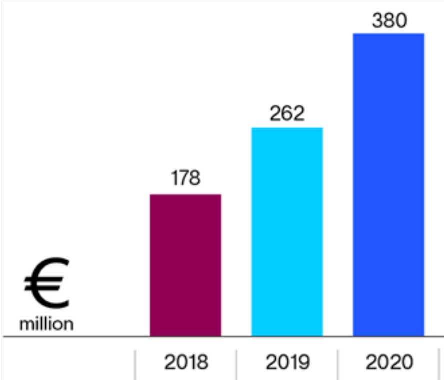
Realised 2020

7.7

Plan 2020

7.0

NAV (x € MILLION)



Realised 2020

380

Plan 2020

365

Dividend paid per share

Plan 2020

€ 104.08

Realised 2020

€ 73.66

Issued capital (x € MILLION)

Plan 2020

€ 60

Realised 2020

€ 115

Key performance over five years

All amounts in € thousands, unless otherwise stated	**2020**	2019	2018	2017
Statement of financial position				
Total assets	394,780	278,010	184,775	114,049
Total shareholders' equity	380,381	262,368	178,443	112,001
Total debt from credit institutions	-	-	-	-
Performance per share				
Dividends (in €)	73.66	81.48	86.28	81.99
Net earnings (in €)	104.00	206.64	196.04	195.19
Net asset value IFRS (in €, at year-end)	3,032.59	2,989.03	2,859.02	2,738.14
Result				
Net result	10,328	16,385	9,781	5,061
Total Global Expense Ratio after tax (TGER)	0.56%	0.54%	0.64%	0.51%
Real Estate Expense Ratio (REER)	0.78%	0.40%	0.46%	0.37%
Fund return				
Income return	2.5%	2.8%	3.0%	3.0%
Capital growth	1.4%	4.8%	5.0%	4.6%
Total Fund return	4.0%	7.7%	8.1%	7.7%
Portfolio figures				
Investment property	342,594	221,961	136,920	57,870
Investment property under construction	44,608	54,068	47,079	47,960
Gross initial yield	5.3%	5.3%	5.6%	6.4%
Total number of properties	33	22	15	7
Average monthly rent per square metre (in €)	12	13	14	14
Financial occupancy rate (average)	91.1%	98.7%	99.1%	100.0%
Property performance (all properties)				
Income return	3.2%	3.6%	3.8%	3.7%
Capital growth	1.1%	4.7%	4.4%	4.0%
Total property return	4.3%	8.5%	8.4%	7.7%

Message from the Director Dutch Healthcare Investments

The past year has been dominated by the Covid-19 pandemic, the government measures taken to contain the outbreak and the social and economic impact of the virus and the restrictions. Luckily, the Dutch economy was in good shape before the outbreak, thanks to its strong culture of innovation and solid IT infrastructure. In addition, public and private sector organisations responded effectively and most companies that were able to switch to remote working adapted rapidly to the new situation. Thanks to this and government support measures, the pandemic had far less impact on the economy than initially feared in the spring. However, even with the early signs of economic recovery and the ongoing roll-out of the vaccine, the Dutch economy is very delicately poised and the outlook for the immediate future is still highly uncertain.

The healthcare real estate sector was one of the least affected by Covid-19, thanks to its strong fundamentals. It is a growth market for real estate investors, driven by the double ageing of the population (ageing population and people living longer) and the government policy of encouraging people to live at home longer. The government also put in place effective support measures to compensate for the higher costs incurred by operators in dealing with the Covid-19 crisis. The crisis also prompted the sector as a whole to take a critical look at operations and finances, especially in private residential care and intramural care institutions which we believe has accelerated consolidation and professionalisation in the sector.

In response to the Covid-19 outbreak, we engaged with our tenants. Thankfully, there was little need for rent deferrals, as very few private tenants experienced payment difficulties. And the above-mentioned government support measures more than compensated our professional tenants for the extra costs they incurred. We also stepped up our ongoing efforts to combat loneliness and made a number of iPads available to our intramural tenants, so their clients could maintain contact with friends and family. We also rolled out our Bouwinvest community concept in our Houthaven LIFE complex, which includes hostesses who organise activities for residents (mylivy).

> ‘Healthcare real estate is a strong growth market, providing a unique opportunity for long-term financial and social return.’

Erwin Drenth
Director Dutch Healthcare Investments

Of course, last year was not without its setbacks. Due to the Covid-19 outbreak, people were less keen on physical viewing of properties. This had an additional adverse effect on the already challenging initial leasing of Houthaven LIFE in Amsterdam.

We put acquisitions on hold for a relatively short period. When it became apparent that valuations would not be negative, we resumed our acquisition efforts. Covid-19 revealed just how robust this relatively young asset class is, even in crisis situations.

Thanks to the hard work of our team, we were largely able to continue working on our long-term goals, adding critical mass in the form of high-quality and affordable healthcare assets and increasing the social and environmental sustainability of our portfolio. The Juliana elderly and disabled care complex in Apeldoorn was delivered in the spring, and this was used as a ‘coronavirus hotel’ until June, when we added it to our portfolio. We also added existing elderly care complexes in Eindhoven and Katwijk. Following the near bankruptcy of the tenant of Villa Overbosch and De Lawet in 2019, we managed to find a solid and highly professional French bourse-listed tenant for both assets. Finally, we completed the acquisition of the Kuifmees intramural care facility in Nieuwegein. This involves the transformation of an obsolete office building into a highly sustainable – A-label – care facility.

Our other sustainability measures included the installation of solar panels on our Craenenbroeck complex in Heiloo and Rosorum care complex in Apeldoorn. We have made so much progress on this front that we have raised our target for solar-generated energy to over 1100 kWp by 2023. And we once again increased our score by four points in the 2020 Global Real Estate Sustainability Benchmark (GRESB) assessment and retained our four-star rating. We are currently running a pilot with Hello Energy in the Cardia-operated care complex in Zoetermeer, to raise energy awareness by monitoring and publishing energy use and savings.

Despite the difficult and unpredictable year, the Healthcare Fund came close to meeting its pre-Covid-19 growth target and NAV closed at € 380 million in 2020, putting us not only on track to meet our long-term growth targets, but also within arm's reach of the total amount of funding by our anchor investor.

Valuations were below budget, but remained in positive territory. Income return also ended below plan, due to the Covid-19 outbreak leading to more difficult initial leasing in LIFE and other factors, including maintenance cost overruns for our Veenstaete asset and increasing legal costs.

On the bright side, we expect investment volumes in this real estate sector to increase, as investors seek to enter this growth market. This will of course increase competition for high-quality assets, but as we demonstrated in 2020, we have a solid strategy and the ability to acquire the right operational and new-build assets, partly thanks to our reputation as a reliable partner and long-term investor with a sharp focus on social and environmental sustainability. On the whole, we are cautiously optimistic that we will be able to achieve our long-term growth and return targets in the coming period.

All that is left is to thank our investor bpfBOUW for their continued trust in us and our strategy. And of course, I want to thank our team for their flexibility and determination in dealing with constantly changing circumstances and for new levels of collaboration that enabled us to anticipate and respond to the latest developments. Our team has kept our professional and private tenants and our client front of mind throughout this crisis and were constantly on the lookout for the best solutions for everyone. All of this, without losing sight of their normal day-to-day work. It is thanks to them that we emerged so strongly from what was an exceptionally difficult year.

Erwin Drenth
Director Dutch Healthcare Investments

Report of the Executive Board of Directors

Market environment

Key macro developments

The year 2020 was dominated globally by the fight against the spread of Covid-19 and can be characterised as one of the most remarkable years in modern history. The key events and developments for the Dutch economy were as follows:

- The Covid-19 pandemic affected the Dutch economy and society from March 2020 onwards. Following the controlled lockdown initiated by the government, measures were eased over the summer and resulted in an increase in economic activity. However, a second wave of Covid-19 flared up again during the last quarter of the year and once again resulted in a so-called functional lockdown. The year ended with positive news on the availability of a vaccine in early 2021.
- Dutch GDP declined by 3.8% in 2020, with significant differences across the final three quarters of the year. The economy contracted in both Q2 and Q4 due to the lockdown, while Q3 saw a strong recovery as the contingency measures were eased. Private consumption was the major contributor to economic growth in Q3 but dropped 6.6% over the year. Remarkably, house prices were not affected by the Covid-19 pandemic and increased by an average of 7.8%. In December, the EU and UK reached a Brexit agreement on trade, preventing the introduction of tariffs. It is still unclear what impact this agreement will have on the Dutch economy.
- Consumer confidence declined heavily after the outbreak of the virus to the lowest level since 2013. It recovered during Q4, but ended the year much lower than at the start of the year. Producer confidence displayed the same pattern, although the recovery was considerably stronger.
- Average unemployment rates increased slightly over the year, although government support measures prevented higher levels. The number of unemployed people increased after the first lockdown and declined again in Q4.
- The yield on 10-year Dutch government bonds was relatively stable but did decline in the course of the year and ended 40 basis points lower at -0.54%.
- Inflation rates showed a similar trend and amounted to 1.3% on average, substantially lower than in 2019.

Key economic indicators	2021 forecast	**2020**	2019
GDP	2.9%	(3.8)%	1.6%
Consumer spending	2.4%	(6.6)%	1.5%
Consumer price index (CPI) *	1.6%	1.3%	2.6%
Government bond yields, long-term *	(0.3)%	(0.3)%	(0.1)%
Unemployment rate *	5.0%	3.8%	3.4%

**Average numbers over the year*
Source: Oxford Economics (25 February 2021)

Market update 2020

Public policies

The main policy events in 2020 were aimed at securing funding and continuation of care provision during the first waves of the Covid-19 pandemic. Measures were aimed at compensating for revenue loss, but also to compensate for extra costs, such as costs for personal protection equipment and extra personnel due to an increase in sick leave. These measures were adapted over the course of the year according to the situation, and both long-term care providers, such as nursing care homes and primary and secondary care providers, were compensated for revenue losses.

On a non-Covid-19 policy front, long-term care allowances (ZZP - care intensity packages) were recalibrated in January 2020 and indexed by 2.7%. In short, the allowances for old-style nursing care homes for less intensive care were reduced even further, while the ZZP 5 and 7 allowances intended for dementia and Alzheimers' care were increased.

On Budget Day 2020 ('Prinsjesdag'), the Dutch government announced various measures to improve the accessibility of the housing market for young starters. To strengthen the position of young starters compared to investors, young starters who meet various requirements can apply for exemption from the real estate transfer tax (RETT). This will be financed by raising the RETT rate for investors. The RETT for housing (care apartments) will increase to 8% from 2% and to 8% from 6% for other asset classes, such as primary care and intramural care properties. These measures were adopted as of 1 January 2021. The impact of these measures will become clear in early 2021.

Occupier market

As the healthcare sector has been at the heart of the Covid-19 pandemic, last year healthcare operators allocated most of their human and financial resources to fighting the pandemic. Especially during the first wave, there was a great deal of uncertainty regarding the impact the outbreak and government restrictions would have on healthcare institutions and their finances, and most healthcare institutions expected strong financial headwinds in 2020. During the year, and especially after the announcement of several compensation packages aimed at securing funding and the continuation of care provision, there were mixed signals regarding the financial health of care providers from both providers themselves and accountants and banks. At the end of the year, there was cautious optimism that the financial impact of the pandemic on most healthcare operators would be limited.

Meanwhile, the fundamentals of healthcare real estate remain strong. The double ageing of the population, an elderly care system focused on independent living and largely outdated healthcare real estate stock all continue to drive strong quantitative and qualitative demand for healthcare real estate.

Occupier key factors The Netherlands	2021 forecast	**2020**	2019
Household growth	→	1.2%	0.9%
Household growth 65+	↑	2.6%	2.3%
Prime rent assisted living apartments (€/sqm/month)	→	€ 24	€ 23
Prime rent Private Medical Specialist Spaces (PMSS) (€/sqm/year)	→	€ 240	€ 230
Intramural Normative Housing Component*	↑	€ 34	€ 33

**Daily housing tariffper patient for intramulral elderly care, ZZP 5 & 7 average*
Sources: CBS, Bouwinvest Research & Strategic Advisory

Investment market

The Dutch real estate investment market started the year strongly, with investment volumes of € 3.9 billion in Q1 2020. However, due to the Covid-19 outbreak and the associated uncertainty regarding the economy and the various real estate sectors, investors reconsidered their tactical investment policy. Investments in retail, offices and hotels lagged for the rest of the year, while logistics investments and healthcare investments increased. The housing market also remained popular and the limited decline in the segment was largely due to lagging investment supply.

All in all, investments in Dutch property totalled € 18 billion in 2020. While this was 15.7% lower than in 2019, it was still the fourth-highest volume ever recorded in the Netherlands.

We expect investors' appetite to remain high for real estate investments, supported by to the low interest rate environment, the yield spread offered by real estate and the direct and total returns it offers compared to interest rates and other asset classes.

The Dutch Healthcare investment market accounted for 5.6% of the total investment volume and saw approximately € 1 billion in investments in 2020, compared with € 1,125 billion in 2019, which was an 11% year-on-year decline. Interest in healthcare real estate remained high, from both domestic and international investors, not least because of the resilience of the Dutch healthcare sector during the Covid-19 outbreak. Despite high investor interest, uncertainty led to a slight decompression of yields in the first half year, but yields ultimately remained stable, closing the year at the same level as in Q1 2020.

Investment key factors	2021 forecast	**2020**	2019
Prime net initial yield assisted living apartments	→	3.60%	3.75%
Prime net initial yield assisted living care homes	↓	4.60%	4.90%
Prime net initial yield Private Medical Specialist Spaces (PMSS) (primary and secondary care)	↓	5.15% - 5.50%	5.15% - 5.60%
Prime net initial yield Intramural Care	→	4.60%	4.65%
Investment volumes (€ bln)	→	€1.0	€1.1

Sources: CBRE, Capital Value, Bouwinvest Research & Strategic Advisory

Market outlook 2021-2023

In November 2020, Bouwinvest published its Real Estate Market Outlook 2021-2023. We refer to this document for more detailed insight into current macro and market trends, as well as scenario analyses regarding the impact of the Covid-19 crisis.

Healthcare market

Market trends

Megatrends

The Fund's strategic pillars and objectives

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	Link to performance
Growth	Growth NAV	• Growth NAV • Inflation-linked rental growth
	Targeted acquisitions	• Major segments • Investments & divestments
	Focus on core regions	• Core regions
Social return	Intramural and private care	• Intramural and private care
	Differentiated target groups based on lifestyle	• Differentiated segments
	Community building	• Number of Assisted Living mid-segment projects with hostesses
	Customer satisfaction	• Customer satisfaction score
	Mid segment rental Assisted Living	• Invest in affordable real estate
Sustainability	Highly sustainable Fund	• GRESB score
	Investing in sustainable real estate	• Sustainable investments • Environmental impact
	Enhancing stakeholder value	• Stakeholder engagement • Sustainable stewardship
	Being a responsible organisation	• Responsible business operation

Critical success factors

Active asset management	• High occupancy rate • Appropriate rental levels • Hostess services in individual leases
Property managers as strategic partners	• Earnings model based on performance • Focus on financial/social returns & client satisfaction • Cooperation Community managers
Co-creating future-proof healthcare real estate	• Forging partnerships with developers, construction firms, healthcare operators, government authorities and other partners in the sector • Tailor-made complexes (intramural segment)
Innovation	• Fostering a culture of innovation • Data gathering and advanced analytics • Integration of technology in healthcare buildings • Improve living quality and enhance liveability, reducing energy and property management costs

Investment objectives

3-year average Fund return	Net asset value of invested capital year-end 2020
Target 5.5%-7.0%	*Target* € 365 M
Realised 2016-2020 8.0%	*Realised 2020* € 380 M

Investment restrictions*

	Target	*Realised 2020*	*Compliant 2020*
Invested in single investment property	<15%	9.1%	n.a.
Invested in non-core (non-residential) property	<20%	0.0%	n.a.
No investments will have a material adverse effect on the Fund's diversification guidelines	0	0	n.a.
Risk categories each have their own hurdle rates, on the basis of which assets are divested or acquired	100%	100%	n.a.
Potential acquisitions with a forecast return that deviates negatively by more than 10% of the applicable hurdle rate require the approval of the GM	0%	0%	n.a.

Diversification guidelines

Invested in core regions

Target
>80%

Realised 2020
98.4%

	Target	*Realised 2020*
Total rental income originating from one single operator	<15%	7.6%
Target risk profile		
• Core	50%	55.0%
• Core minus	30%	45.0%
• Core plus	20%	0.0%
Target segment diversification		
• Assisted Living	50%	67.7%
• Intramural Care	40%	27.9%
• Private Medical Specialist Spaces	10%	4.4%

** The restrictions do not apply as long as the value of the Fund's total investments is lower than € 750 million.*

Healthcare operator Korian invests in Dutch healthcare market

Real Value for Life

Major international healthcare institutions have been venturing into the Dutch healthcare market for some time now. The French provider Korian is just one of the firms that have taken their first steps into the Dutch market via Belgium. This move included taking leases on three Bouwinvest healthcare complexes. These and other investments by several highly professional operators are all contributing to the ongoing professionalisation of healthcare facilities in the Netherlands.

Korian enters Dutch healthcare market

The French stock exchange listed firm Korian took its first steps into the Dutch market in 2019, acquiring the Dutch Stepping Stones private healthcare organisation, which was quickly followed by more acquisitions. In addition to its home market France, Korian is currently active in six other European countries. The company provides care to more than 300,000 patients. Korian records annual revenues of around € 3.3 billion.

In just a short space of time, the Dutch healthcare landscape has become quite a bit more international. The tricolour of major French healthcare providers is now flying at a number of healthcare facilities in this country. Erwin Drenth, director of the Bouwinvest Healthcare Fund, explains the recent surge in interest: "The healthcare markets in France and Belgium are saturated, which is why these players are now eyeing the markets in other countries. Korian has taken over the operation of a number of complexes in our portfolio and is now one of our biggest tenants. This is reducing the fragmentation in the market and increasing the expertise and professionalism in the Dutch healthcare sector. And that's excellent, as it's in the interests of people who need good healthcare".

Dominiek Beelen is CEO of Korian Benelux and has a clear vision on the direction healthcare should be moving. And on the importance of collaboration: "We got to know Bouwinvest really well in 2020, and we share their values and vision. Right now, we are operating three small-scale healthcare complexes owned by Bouwinvest: two assisted living facilities in Haarlem and Amersfoort and a residential care home in Wageningen. In addition to these, we have a recuperative care facility in Hilversum, where we are currently exploring expansion opportunities in collaboration with the Healthcare Fund. Finally, we have a joint new-build project with the Healthcare Fund. This is a residential care home and an assisted living facility at the same location in Apeldoorn. These projects show the added value of a flexible real estate partner with a long-term horizon. Bouwinvest conducts expert analyses, together with us as the operator, into the current needs of a region, the opportunities offered by each location and, very importantly, the sustainability measures we can take to future-proof our facilities".

'Given the lack of real estate, we cannot realise our growth and other ambitions alone. We need trustworthy and proactive partners, like Bouwinvest'. **Dominiek Beelen**, Korian Benelux

Performance
on strategy

Portfolio characteristics

- Total property value: € 376.3 million (33 standing properties, four properties under construction) at year-end 2020;
- Property under construction: four properties (€ 44.6 million property value);
- Total Fund return: 4.0% (Fund income return 2.5%);
- Occupancy rate in 2020 was 91.1% (Plan: 98.7%; 2019: 98.7%);
- Core regions: 98.4% of all properties are located in core regions;
- GRESB 4-star rating (83 points);
- GPR building sustainability certificates: 78.5%;
- Green energy label (A/B/C): 100% (A label: 93%).

Performance on growth

Focus on growth

The Healthcare Fund has a clear growth strategy, with a target NAV of € 594 million by the end of 2023. We are on track, as we had realised a NAV of € 380 million at year-end 2020 (plan: € 365 million). However, this growth is limited by the remaining funding from bpfBOUW, as we will reach the limits of the € 500 million mandate in 2021. The Fund will initiate discussions on this topic in early 2021.

To achieve this growth target, we will acquire assets for € 100 million each year, and invest € 286 million. The steady growth of the Fund's investments is putting temporary pressure on the Fund's income return, as new-build acquisitions do not immediately generate rental income. However, in the long term we will meet our target return of 5.5 – 7.0%.

So although the Fund will continue to acquire new-build assets, we will balance this by acquiring assets that are already operational and that meet both our investment criteria and current healthcare requirements. Our newly acquired assets Warande, Leilinde (both in Eindhoven) and Parledam (Katwijk) are a good example of this type of asset.

In addition, our focus on larger tickets resulted in an increase in the average asset value to € 13.9 million at year-end 2020, from approximately € 9.2 million in the Fund's first three years.

Inflation-linked rental growth

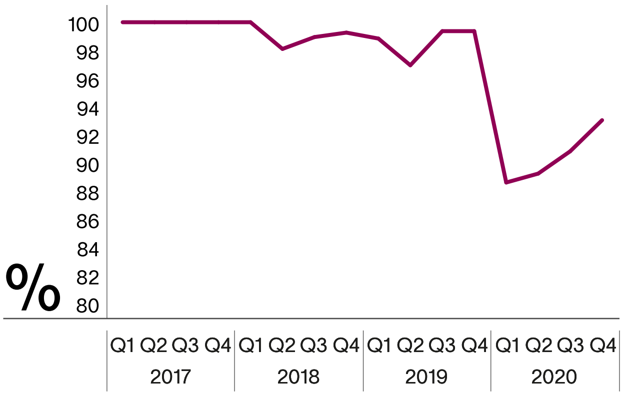
Like-for-like rental growth came in at 2.1%, compared with 2.4% in 2019. Since our rental contracts are all inflation linked, this is mainly due to the lower inflation rate.

Financial occupancy

In 2020, financial occupancy stood at 91.1%, compared with 98.7% in 2019. The plan was 98.7%. This below budget occupancy was almost entirely due to the apartments in Houthaven LIFE. Initial leasing was below expectations, due to an unfortunate mix of circumstances: the area around the building (Reval Island) had not yet been finalised due to delays in the construction of the adjacent building, plus moats had not yet been dug out, which is a vital part of the 'island experience'. And as of March last year, the Covid-19 crisis made leasing even more challenging for obvious reasons. We took several measures to increase occupancy to over 50% at year-end. In addition to our usual activities, these measures included advertising (online and offline), the addition of an extra leasing agent and lowering the minimum entry age to 55. We also reduced rents to mid-rental segment levels, at least until occupancy is up to par. At that point, we will evaluate the situation to determine whether a rent increase is in order. This limited capital growth to 0.6% over 2020, as the value of the apartments in the complex declined by 4.3%. However, given the structural need for this type of senior living, we are confident capital growth will increase in 2021.

Fortunately, initial leasing for Nieuw Cavaljé (Ede) went well. This asset was delivered in September, and all but two apartments had been rented at year-end.

Financial occupancy rate

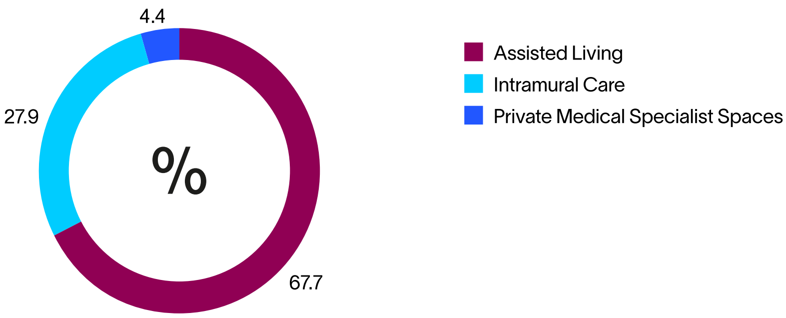


Major segments

The Healthcare Fund recognises a number of distinct segments in the healthcare market and spreads its investments across those segments. These segments are aimed at both the elderly and mentally disabled people, and include:

- Assisted Living
- Intramural Care
- Private Medical Specialist Spaces (PMSS)

Composition of focus segments



At year end, the segment Assisted Living was overrepresented (68% vs. the 58% targeted for the end of 2023). However, as we have several intramural assets objects in our secured and unsecured pipelines, we expect the segments to level off in the coming plan period. Furthermore, we will increase our efforts with regard to the acquisition of assets the intramural segment.

We will evaluate the weighting of all categories in the coming year to see whether we need to adjust our long-term allocation. Given the enormous need for mid-rental assisted living facilities, we may propose increasing allocation to this segment.

The breakdown of the segment Assisted Living is discussed below ('Investing in affordable real estate' section).

Investments and divestments

Acquisitions

Below, we provide an overview of the Fund’s acquisitions in 2020. Our target was € 100 million for the year. We adjusted this to € 50 million when the Covid-19 crisis reared its head. However, despite these difficulties, we realised € 74 million in new acquisitions. € 60 million of this was invested in existing buildings, greatly advancing our cash out and cash in for our investor.

As in previous years, we are still seeing an increase in interest in and competition for prime assets, which is pushing up prices and depressing yields, albeit not as steeply as prior to 2020. Growth may also be hampered by the limited supply of suitable new-build real estate. However, given the demand for more housing and the need to increase the quality of existing facilities, continued growth of the market is inevitable.

In 2020, despite Covid-19, we managed to screen 73 different propositions, which breaks down as follows:

- Screening: 73
- Offering: 12
- Closing: 3

The three newly acquired projects are:

- De Kuifmees, Nieuwegein (€ 13.7 million, Intramural Care)
- Warande & Leilinde, Eindhoven (€ 42.8 million, Assisted Living, mid-rental segment)
- Parledam, Katwijk (17.2 million, Assisted Living, mid-rental segment)

Investments

In 2020, the Healthcare Fund added the following assets to its portfolio:

Added to the portfolio in 2020

Rosorum Zorgvilla

Location
Amersfoort
Segment
Assisted Living premium
Number of units
19 units
Theoretical rent
€ 411,840
Delivery date
01-03-2020

Juliana

Location
Apeldoorn
Segment
Intramural Care
Number of units
106 units
Theoretical rent
€ 945,057
Delivery date
03-02-2020

De Lawet

Location
Wageningen
Segment
Assisted Living premium
Number of units
34 units
Theoretical rent
€ 415,000
Delivery date
18-12-2020

Warande & Leilinde

Location
Eindhoven
Segment
Assisted Living medium
Number of units
139 units
Theoretical rent
€ 1,565,594
Delivery date
04-12-2020

Parledam

Location
Katwijk
Segment
Assisted Living medium
Number of units
61 units
Theoretical rent
€ 622,135
Delivery date
23-12-2020

Floriadehof

Location
Zoetermeer
Segment
Intramural Care
Number of units
64 units
Theoretical rent
€ 626,954
Delivery date
17-11-2020

Lindeborg

Location
Utrecht
Segment
Assisted Living - Premium
Number of units
22 units
Theoretical rent
€ 586,963
Delivery date
14-10-2020

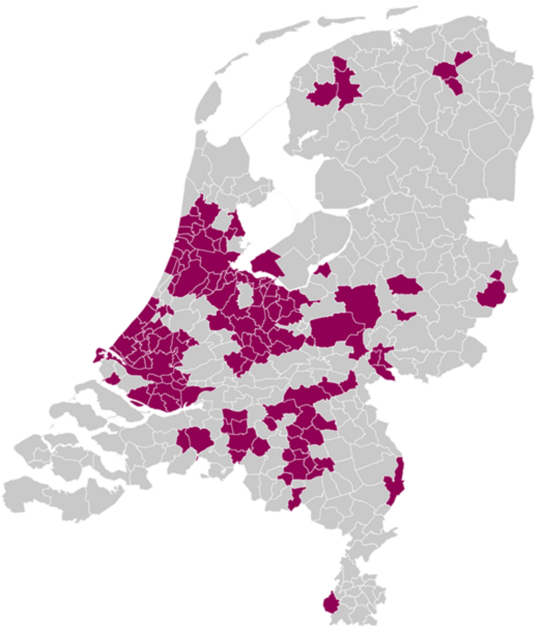
Divestments
The Fund made no divestments in 2020.

Core regions

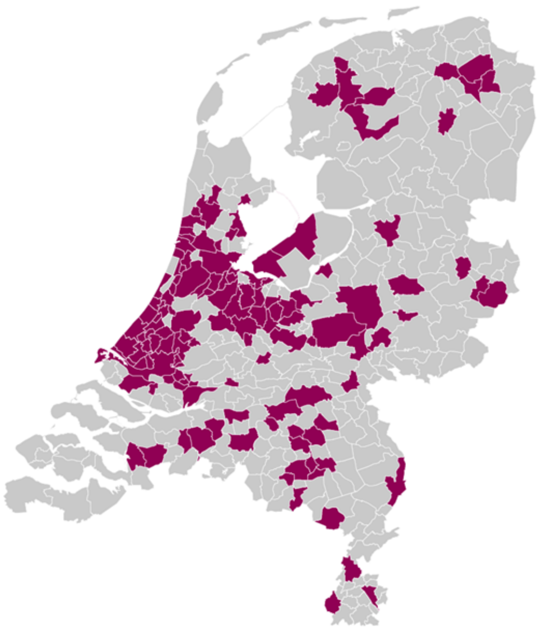
The Fund's strategy focuses on the best locations for senior living and healthcare investments in the Netherlands. Our primary concern is always the quality of the asset and its location, rather than a primary focus on cash flow, for instance. This geographical focus is mainly determined by demographics, the economy and the healthcare real estate market, for both the elderly and for mentally disabled people. As the different healthcare focus segments have different characteristics, we have selected different regions for the segments Intramural and Assisted Living and care for the disabled. In the Assisted Living and Intramural Care segment, we put stronger emphasis on demographic developments (growth of the elderly population and the number of people with dementia). To summarise, the relevant criteria for the regions are:

- Size and growth of elderly or disabled population
- Growth in the number of people with dementia
- Employment rate and economic growth
- Vacant values and rental levels
- Supply and demand of homes for elderly people suffering from dementia

Core regions Healthcare - Extramural



Core regions Healthcare - Intramural



Performance on social return

Focus on social return

Large parts of the world, including the Netherlands, are currently experiencing a major demographic shift. The number of elderly people is increasing, along with a concomitant increase in the number of people who need care. This shift is at the core of the Fund, with our focus on intramural care and affordable assisted living facilities that combat the problems that come with ageing, such as loneliness and loss of control (by introducing community hostesses), and physical difficulties (by offering senior-proof floor plans and healthcare services at arm's length).

Number of nursing beds Intramural Care and Private Care

In 2020, we added 253 nursing beds (mainly dementia care) to the portfolio, both in Intramural Care and Private Care.

Community building: Assisted Living hostesses

Four Assisted Living facilities now offer hostesses in different formats, from pro-active community building (Houthaven LIFE) to a hostess service twice every week (e.g. Nieuw Cavaljé in Ede).

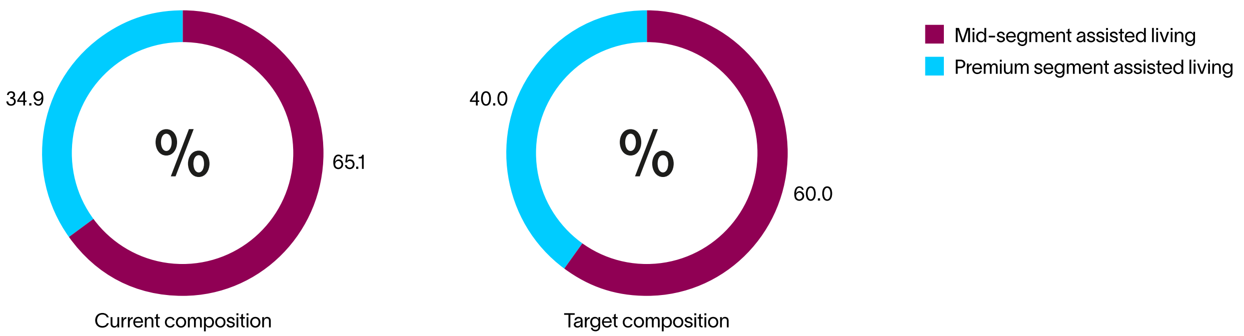
Customer satisfaction

- Our 2019 score for commercial tenants was an NPS score of 8.0. We will repeat this survey in 2021 (target: 7.0)
- Our 2020 score (out of 10) for individual tenants was 8.2 (residence) and 7.6 (amenities) (target: 7.0)

Investing in affordable real estate

In 2020, all our acquisitions were in the affordable segment: assisted living facilities Warande & Leilinde and Parledam are in the mid-rental range, while De Kuifmees is an intramural nursing home with no minimum income requirements. We are currently slightly above target, both in terms of the size of the Assisted Living segment and in terms of the internal allocation between premium and mid-rental segment, in favour of the latter. However, given the enormous demand for this type of real estate, we will evaluate our allocation and strategy in 2021.

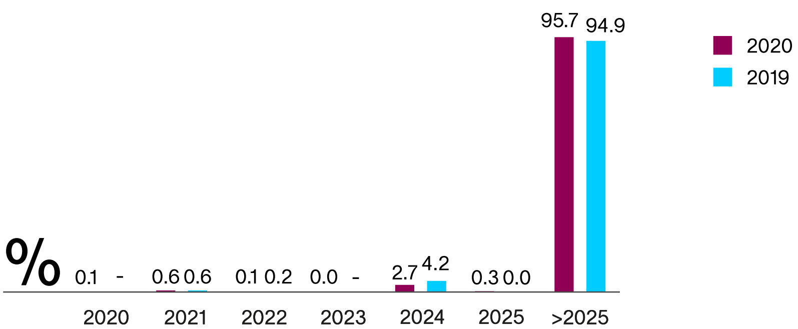
Current breakdown of the Assisted Living segment (including development property)



Expiry dates

Close relationships with tenants enable the Fund to propose lease extensions at the right time. The Fund takes into account lease endings for master leases and anticipates this to attract new tenants. Expiry dates are not currently a significant issue for the Fund, as all the (long) leases we have were closed recently, with the exception of the lease for the Ambachtsmark asset in Almere, which is due to expire in 2024. However, the tenant has already expressed its satisfaction with the building and its desire to extend the lease.

Expiry dates as a percentage of rental income

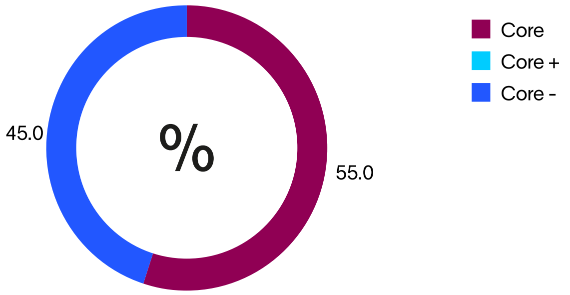


Allocation by risk

In terms of risk diversification, the plan risk profile for 2023 is 50% core, 30% core minus and 20% core plus. The actual risk allocation as at year-end 2020 is shown in the figure below, and overweighted in core (55%) and core minus (45%). Core+ propositions remain difficult to acquire, as there are buyers (mostly leveraged) willing to acquire these types of projects at lower returns than our Core+ hurdles.

Every year, the Fund assesses all properties separately. As stated above, the Fund was classified as 100% within core and core minus, and as such was consistent with the framework of the Fund's terms and conditions.

Allocation of investment property by risk category based on market value



Performance on sustainability

Highlights performance on sustainability 2020

- Awarded GRESB 4-star rating and improved overall score to 83 points (2019: 79 points);
- 78.5% GPR-certified assets, average score of 7;
- 100% green label portfolio (93% A label); average energy index of 0.85;
- Approx. 800 kWp solar power installed by year-end 2020, above plan of 300 kWp (2019: 561 kWp);
- 8.3% rental contracts with a sustainability clause (green rental contract);
- 23% of construction sites registered under the Dutch Considerate Constructors scheme ('Bewuste Bouwer');
- € 413 million invested (including secured pipeline) in healthcare properties with a focus on mid-rental segment;
- Coverage of 87% 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 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, we feel it is part of our responsibility to help find solutions for the current challenges our 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. We are convinced that our approach reduces risk, increases client returns and makes our real estate assets and portfolios more attractive.

Environmental, social and governance (ESG) factors will play a major role in our investment strategy. As part of our climate change ambition, we are targeting a net-zero carbon, nearly energy-neutral and resilient portfolio by 2045 (approx. 80 kWh/ m^2 GLA per year). In addition to energy consumption and CO_2 reductions, this will include an analysis of climate-related risks at asset level, including a plan on how to mitigate these risks to make our portfolio resilient.

Furthermore, we devote attention to the 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. We are committed to circular building projects.

Well-being and healthy buildings is an increasingly important theme, especially for buildings in the healthcare sector. The health of a building is generally related to material use, design, safety, indoor air quality, thermal comfort, daylighting, freedom from noise and the user experience. In the light of the current Covid-19 pandemic, health aspects, especially with regards to ventilation, are now seen as even more important.

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

Sustainable development goals

11 SUSTAINABLE CITIES AND COMMUNITIES	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	3 GOOD HEALTH AND WELL-BEING
Above average sustainable portfolio	Installation of renewable energy	Considerate constructor scheme for construction projects	Investments in Healthcare related property

Highly sustainable fund

Our goal for 2020 was a continued improvement in our sustainability performance and in our GRESB score to obtain a 4-star rating. In 2020, the Fund improved its overall GRESB score by four points to 83 points, from 79 in 2019, and was awarded a GRESB 4-star rating.

The Fund is currently investigating measures to improve its score in the coming years, with the goal of achieving a 5-star rating at year-end 2022. The improvement in our score in 2020 was due, among other things, to the GPR labelling of most assets, our increased monitoring of the energy consumption of our tenants and, of course, the acquisition of sustainable buildings. In addition to this, we made progress in our data collection and like-for-like environmental impact reductions.

We devote special attention to our goals related to the Dutch Considerate Constructors scheme. Right now, 23% of our construction sites are registered with the scheme, and our target is 75% by the end of 2021. The main reason for the low percentage lies in the fact that the Fund works with relatively small developers, who can be reluctant to register with the scheme.

GRESB scores 2020

Furthermore, Bouwinvest is a signatory of the UN PRI. In 2020, we scored an A+ on both the Strategy & Governance module and the Property module.

Investing in sustainable real estate

Sustainable buildings

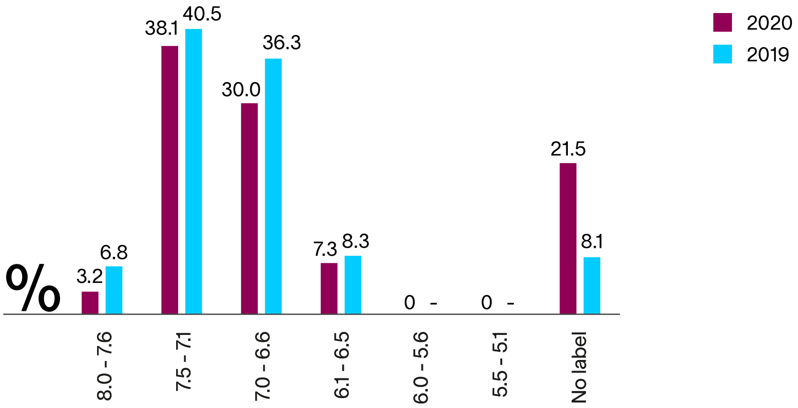
Sustainable building certificates enable us to show where we are in terms of sustainability at asset level and how far we still have to go. We use internationally accepted sustainability certificates to measure and assess the overall sustainability of our assets. Certificates such as GPR Building measure criteria that go beyond legislative requirements and provide us with instruments to encourage more responsible tenant behaviour, such as cutting waste and reducing energy consumption.

The Fund uses GPR Building software to measure and assess the overall sustainability of its buildings. GPR Building provides data on the sustainability of healthcare and residential real estate. GPR Building reports on five performance indicators: Energy, Environment, Health, Quality of Use and Future value, and assigns a score for each performance indicator on a scale of 1 to 10. When used on existing buildings, GPR can help to identify quality improvements following sustainability measures. This in turn makes it possible to compare various scenarios and the outcome of any measures.

In 2020, our plan was to achieve an average GPR score higher than 7.5 (with a coverage of 100%) by the end of 2021. In 2020, we had GPR labels for 78.5% of the standing assets in the portfolio, with an average score of 7.0. The remaining percentage pertains to Warande & Leilinde and Parledam. We have requested GPR labels for these assets and this is now pending.

For the coming years, we will focus on improving the five GPR performance indicators to gain a higher average GPR-label score. Our goal is to achieve coverage of 100% with an average GPR score higher than 7.0 by the end of 2021.

GPR scores (% of standing lettable floor space)



Tenant engagement

We have made the satisfaction of our tenants a priority for the coming years. We want to further improve the quality and efficiency of our processes, to optimise our contacts with our tenants and to take a more proactive approach to how we provide our services.

Covid-19 hit the healthcare sector hard in early 2020. We responded immediately, stepping up our communications with our tenants. We also postponed our scheduled rent increase for our individual tenants from July to October, waiving the increase for the intervening three months. In 2020, only one commercial tenant requested a concrete rent deferral of two months' rent, and we are actively engaging them to find the best solution for both them and the Fund.

As part of our continuous efforts to improve our services, last year we rolled out our tenant portal 'Living with Bouwinvest' and a client monitoring system. initially, Residential Fund tenants were able to use this portal for the likes of repair requests, online payments, changes in personal details and to file complaints, whenever and wherever they see fit. In the second part of 2020, the first Healthcare Fund tenants were also connected. We are looking to connect all individual tenants in 2021, giving those tenants a single access point for all their queries and comments.

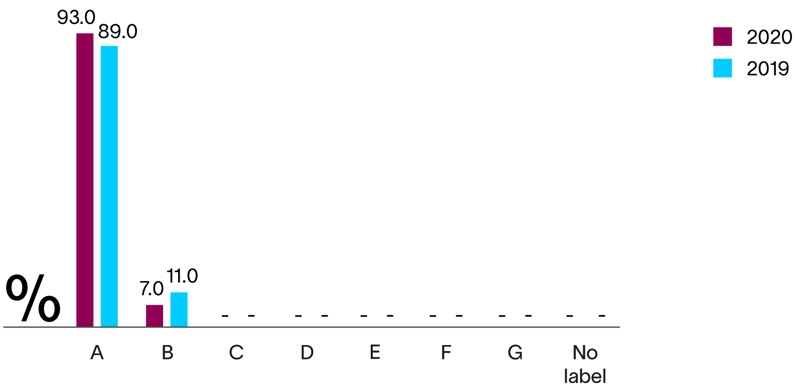
Our tenants are one of our most important stakeholders. In 2020, we conducted a tenant satisfaction survey among our individual tenants, and received a score of 7.7 (out of 10) for tenant satisfaction. This covered topics such as the service level of the property managers, complaints and repair procedures, the quality of the properties and the living environment.

Green portfolio

Another 2020 target related to the sustainability at asset level was to achieve a 100% green portfolio (EPC label A, B or C). The Fund achieved this target last year and now has a 100% green portfolio, as all assets had an energy label A, or B. The distribution of energy labels in the portfolio is shown below. No less than 93% of the Fund's assets have an A label. Investment properties under construction are excluded from this overview. The Fund expects these to receive an energy label A upon delivery. As shown below, we received green energy labels for 100% of our assets.

To keep improving, we raised our target for improved energy efficiency for 2021-2023 to energy label A or better for 90% of the portfolio (energy index 0.7) at year-end 2021.

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



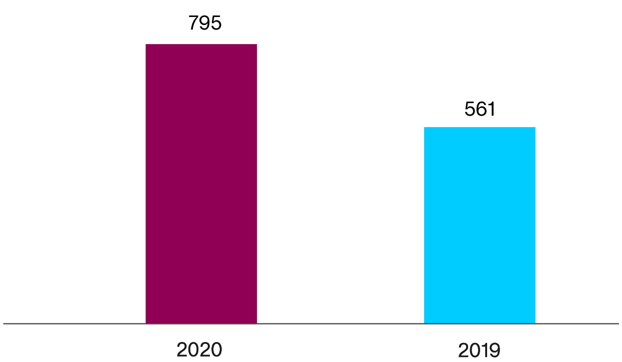
Environmental impact

Bouwinvest committed itself to the Paris Proof commitment of the Dutch Green Building Council (DGBC). The Fund drawn up roadmaps to realise its target of being net-zero carbon (Paris Proof) before 2045. In 2021, the Fund will implement the technologies and measures required for the execution of the roadmaps in our strategic maintenance plan for the coming years.

For the coming years, we aim to reduce energy consumption by 5% per year.

Renewable energy production
The Fund increased the generation of solar power to 800 kWp in 2020. This meant we easily achieved our target of 300 kWp for 2020 and we have included more ambitious goals in our Fund Plan for 2021-2023. For 2021, we have set a new target of 900 kWp.

On-site solar panels (kWp)



Enhancing stakeholder value

Bouwinvest does its utmost to optimise long-term alliances with all our stakeholders. We have methods and means in place to understand, meet and respond to our stakeholders needs and to engage with the issues that our stakeholders find important. In addition to this, we take 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.

Stakeholder engagement

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. We are clear on our investment strategies and are dedicated to demonstrating our ability to meet or exceed our clients' expectations, by offering investment opportunities, services and market data related to existing and potential new investments.

In 2019, we conducted a stakeholder survey, asking our main stakeholders, including our investors, how they view us in terms of what we are getting right and where we could make improvements. This survey provided us with a lot of valuable feedback. It revealed that we are on the right track on the ESG front, but we can improve how and how much we communicate with investors on the progress we are making in achieving our ESG ambitions. These and other actions will contribute towards improving our client services and communications towards our clients. Our ultimate goal is to achieve a steady long-term client satisfaction score of above 7.5 (out of 10). We will repeat our stakeholder survey at the end of 2021, and the results will be available in early 2022.

Tenant engagement

In 2019, the Fund conducted a tenant satisfaction survey among our operators, which provides insight into the satisfaction of our professional tenants (the healthcare operators) and highlights potential improvements. The NPS score was 8.0. The survey was sent to 12 tenants in total, and three of these completed the questionnaire in full. In 2020, we also surveyed individual tenants, resulting in a 7.7 score for tenant satisfaction.

The NPS (Net Promotor Score) approach starts with a response of each tenant to a single question: How likely is it that you would recommend the service provider to a friend or business partner? The scoring for this answer is based on a 0 to 10 scale and came in at 8.0.

Green rental contracts

In 2020, we once again devoted specific attention to making our rental contracts 'green', making our procurement more sustainable and investing in affordable (mid-rental segment) healthcare real estate.

Every rental contract we close includes a clause in which tenants commit to providing us with information related to energy and water use and waste disposal.

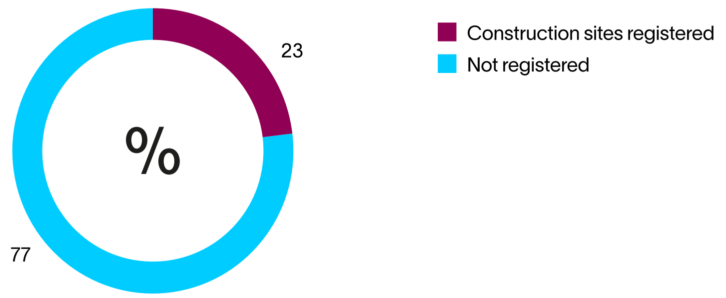
The target for 2021, is to have a sustainability clause included in 15% of all rental contracts. By the end of 2020, we are well on track, since 7.1% of all rental contract includes a sustainability clause. Our focus now is on making sure that all new and renewed rental contracts include a sustainability clause.

Sustainable stewardship

We take an active approach to raising environmental, social and governance awareness throughout the real estate industry. We encourage our partners to enhance their sustainability performance. We focus on health & safety at construction sites, active participation (memberships) in industry associations and community programmes. To further improve the climate for real estate investments, we are an active member of boards and committees of sector, industry and cross-disciplinary networks, such as NEPROM, IVBN, Holland Metropole, the DGBC, INREV and ULI.

Around 23% of the construction sites related to the Fund's assets were registered under the Dutch Considerate Constructors scheme ('Bewuste Bouwer') at year-end 2020. This certification ensures that the contractor deals with the concerns of local residents and addresses safety and environmental issues during the construction phase. Although most construction firms the Fund works with embrace the scheme, there has been too little emphasis on actually registering specific sites, which is necessary to actually qualify as a 'Considerate Constructors' site. The Fund will focus more sharply on the certification of building sites in the coming period.

% of construction sites registered under Considerate Construction Scheme



AED

Bouwinvest was the first company 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 2020, we continued focusing on the installation of AEDs. Our target for the end of 2021 is to make sure that all our tenants and communities have an AED available within six minutes walking distance. At the end of 2020, 87% of our tenants and communities had an AED available within this distance.

Being a responsible organisation

We believe that integrity, honesty and corporate responsibility are essential to ensuring we do our job properly and that this will in turn enable us to optimise returns for our clients. We are committed to upholding the highest ethical standards and compliance stewardship in all our business dealings and we avoid conflicting interests. To ensure accountability and transparency, we set targets based on international sustainability standards that enable us to monitor our progress.

Financial performance

Return of the Fund

The Fund realised a total return of 4.0% in 2020, consisting of 2.5% income return and 1.4% in capital growth. Net rental income, administrative and finance expenses are the main drivers for the income return. Capital growth is under pressure due to the Covid-19 market conditions and rental price reductions in our LIFE asset. The results for 2020 were below plan. The income return was impacted by lower net rental income and higher than planned finance expenses. Valuations were impacted by the Covid-19 pandemic.

Fund performance	2020 Actual	Plan	2019 Actual
Income return	2.5%	3.7%	2.8%
Capital growth	1.4%	3.1%	4.8%
Fund performance	4.0%	6.8%	7.7%

Income return

Net rental income of € 9.6 million was € 3.3 million lower than the plan of € 12.9 million (2019: € 7.9 million). The most significant drivers of the deviation from the plan were the lower gross rental income, mainly due to higher vacancy in Houthaven (- € 2.2 million), higher non-deductible VAT (- € 0.3 million), unforeseen maintenance costs for Veenstaete (- € 0.2 million), higher service charges (- € 0.2 million), higher fixed real estate expenses (- € 0.2 million) and higher than expected allocation to the provision for bad debtors (- € 0.1 million). This effect was partly offset by lower land lease costs due to a reclassification of these costs in line with IFRS 16 (+ € 0.3 million).

Administrative expenses (€ 1.6 million) were € 0.1 million lower than plan (€ 1.7 million), due to lower management fee costs, directly driven by the lower-than-planned average NAV of the Fund. Finance expenses totalled € 0.4 million compared with the plan of € 0.1 million. The difference of € 0.3 million was due to higher land lease costs. The difference in land lease costs, also visible in the net rental income, is due to the allocation of these costs according to IFRS 16.

The lower net rental income and higher finance expenses resulted in a decline in income return to 2.5% compared with the plan of 3.7%.

Capital growth

The Fund realised a capital growth of 1.4% compared with the plan of 3.1%. Ingenhouszhof (Amsterdam) and Nieuw-Mariënpark (Leidschendam) contributed the most with relatively large positive valuations. While most other assets also showed positive valuations, capital growth was pressured by market conditions following the outbreak of Covid-19 and the government's proposal to increase Real Estate Transfer Tax (RETT) from 1 January 2021.

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.

Houthaven LIFE
All segments

Amsterdam
The Netherlands

Shareholder information

Introduction

In this section, we summarise the financial management policies, activities and performance of the Fund over 2020, followed by the Fund's overall governance and structure. We conclude this section with more details about the fund manager.

Financial management

Results

Income Statement summary (all amounts in € thousands)	2020	2019	Change	in %
Revenues	12,424	9,273	3,151	34%
Operating expenses	(2,838)	(1,330)	(1,508)	113%
Net rental income	**9,586**	**7,943**	**1,643**	**21%**
Net valuation gain / (loss)	2,725	10,063	(7,338)	-73%
Result on disposal	-	-		
Administrative expenses	(1,617)	(1,215)	(402)	33%
Finance expenses	(366)	(406)	40	-10%
Income taxes	-	-		
Result for the year	**10,328**	**16,385**	**(6,057)**	**-37%**
Financial occupancy	91.1%	98.7%		
REER	0.78%	0.40%		
TGER	0.56%	0.54%		

In 2020, the full-year result declined to € 10.3 million, from € 16.4 million in 2019 (- 37%). The decline of € 6.1 million was mainly driven by the lower valuations of the investment properties as a result of continued uncertainty due to the Covid-19 pandemic.

Revenues of € 12.4 million were € 3.1 million higher than 2019 (€ 9.3 million), primarily driven by the growth of the real estate portfolio. Vacancy in Houthaven resulted in a lower occupancy rate of 91.1% (2019: 98.7%).

Operating expenses of € 2.8 million were € 1.5 million higher than 2019 (€ 1.3 million). The increase was primarily driven by the growth of the real estate portfolio, higher maintenance costs (€ 0.3 million), an addition of € 0.1 million to the provision for bad debtors and higher fixed real estate expenses (€ 0.3 million). The increase in operating expenses led to an increase in the REER to 0.78%, from 0.40% in 2019.

Administrative expenses, mainly consisting of management fees, increased to € 1.6 million (2019: € 1.2 million). The increase of € 0.4 million consisted of management fee as a direct result of the higher average NAV, and higher consultancy costs. The finance expenses were lower as a result of a lower average cash balance. The combination of higher administrative and finance expenses led to an increase the TGER to 0.56% from 0.54% in 2019.

Dividend

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

The Executive Board of Directors proposes to pay a dividend of € 7.6 million for 2020 (2019: € 6.4 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, € 5.7 million or 75% was paid out in the course of

2020. The fourth instalment was paid on 15 February 2021. The rest of the distribution over 2020 will be paid in one final instalment following the adoption of the annual report by the Annual General Meeting of shareholders on 21 April 2021.

Funding

According to internal guidelines, the Fund is not allowed to have an unsecured pipeline. At the end of 2020, the Fund did not have an unsecured pipeline. In 2020, the Fund received no additional commitments from its investor and made six capital calls for a total amount of € 115 million.

Leverage

Leverage policy: In line with the Fund's Information Memorandum, it is allowed to incur debt up to a debt to total asset ratio of up to 3%, to bridge any temporary liquidity constraints and accommodate distributions to shareholders and redemption of shares.

In 2020, 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 2020, to manage the Fund's liquidity and financial risks. The main objectives of the treasury management activities are to secure the shareholder's dividend pay-out, ensure other obligations can be met and to manage the Fund's cash position.

At year-end 2020, the Fund had € 6.7 million freely available in cash. In 2020, the Fund's cash position increased by € 5.5 million compared with year-end 2019.

Interest rate and currency exposure

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

Tax

Tax policy: 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.

The Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2020. In 2020, the Fund complied with FII requirements.

Fund governance

Bouwinvest Dutch Institutional Healthcare 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.

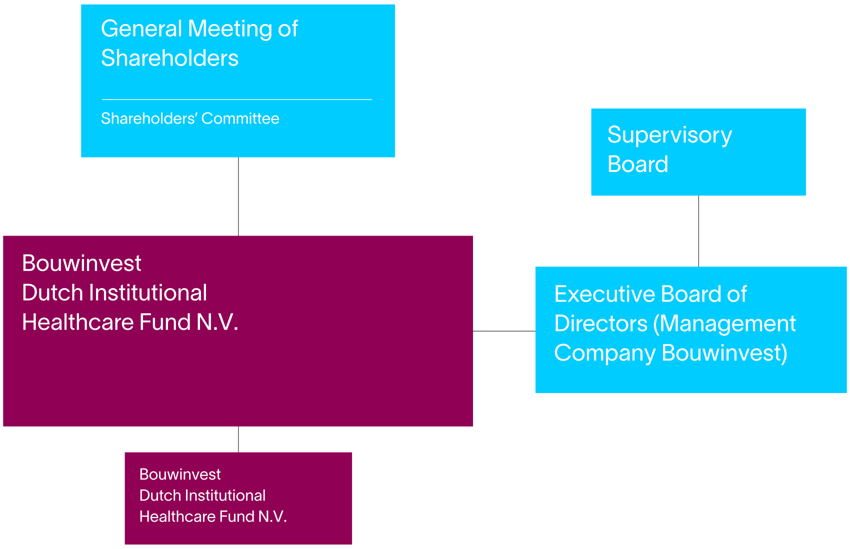
Structure of the Fund

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 the supervision of the Dutch Financial Markets Authority (AFM).

Subsidiaries

The Fund has one taxable subsidiary, Bouwinvest Dutch Institutional Healthcare Fund Services B.V., which can render services that are ancillary to the Fund's renting activities. The activities are placed within this taxable subsidiary to ensure the Fund’s compliance with the investment criteria of the FII regime.

Fund governance structure



General Meeting of Shareholders

Shareholders in the Healthcare 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 Investment Officer Dutch Investments, the Chief Investment Officer International Investments and the Chief Client Officer. The Statutory Director is 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 2020, there was 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 2021	Payment interim dividend fourth quarter 2020
21 April 2021	General Meeting of Shareholders
28 April 2021	Payment of final dividend 2020
17 May 2021	Payment interim dividend first quarter 2021
18 August 2021	Payment interim dividend second quarter 2021
19 November 2021	Payment interim dividend third quarter 2021
15 December 2021	General Meeting of Shareholders
15 February 2022	Payment interim dividend fourth quarter 2021

Oranjewoud
Assisted Living

Heerenveen
The Netherlands

Risk management

Risk Management Framework

Bouwinvest has set up an Integrated Risk Management Framework, which enables Bouwinvest to address all the risks it has identified that may prevent it from achieving its objectives, and to manage these risks while taking into account Bouwinvest's risk appetite. Bouwinvest has put together a balanced set of control measures and updates and improves these measures to address identified control deficiencies. Risks are viewed as both a threat and an opportunity to improve the organisation and add value.

Integrated risk management addresses risks across a variety of levels in the organisation, including strategic, tactical and operational risks. Widening the scope of risk management to cover both strategic risks and opportunities (in addition to tactical and operational risks) creates an integrated approach that can bridge the gap between strategy and tactics. Integrated risk management is an interactive process of:

- Drafting the strategy and the related risk profile and risk appetite;
- Identifying risks and opportunities;
- Drafting and implementing the policy for risk management; and
- Implementing, monitoring and providing feedback on risks and control measures and a continuous review of risks and control measures.

The three lines of defense and the risk taxonomy are two crucial elements of Bouwinvest's Risk Management Framework, which are applied to the Bouwinvest management organisation, the Dutch funds and the international mandates. Further information on the risk governance can be found in the 2020 annual report of the manager of the Fund, Bouwinvest Real Estate Investors.

Main Fund risks

On the basis of the taxonomy and in line with AIFMD regulations, the Fund has identified a number of risks, including market, credit, counterparty, liquidity, operational risks, together with related mitigants.

Risks from the Risk Taxonomy

1.0 Financial risk

1.1 Market risk

Risk type	Risk description	Risk mitigation
1.1.1. Interest rate risk	The risk that interest rate fluctuations – due to an imbalance between interest rate sensitive assets and liabilities (including off-balance sheet items) in the field of interest maturity and interest rate – lead to undesirable effects on the balance sheet and result.	Cash position in line with current cash flows; capital calls only when instalments are due.
1.1.3 Market concentration risk	The risk that, due to insufficient diversification within the assets under management, a certain development or event could have an above-average impact on the value of the assets under management.	Long term investment strategy, with portfolio spread over different healthcare sectors and locations. Investment restrictions do not yet apply , and due to the limited size of the portfolio certain concentrations may arise.
1.1.4 Price volatility	The risk of changes in the value (of marketable instruments) within the assets under management due to changes in market prices.	Active management with goal to provide long-term stable returns. Hurdle rates apply to acquisitions to maintain long-term minimum returns.
1.1.5 Market liquidity risk	The risk that available assets cannot be converted into cash and cash equivalents quickly enough or at acceptable prices.	Long-term investment strategy Acquisitions with attractive (expected) yields meeting hurdle rates are scarce.
1.1.6 Occupancy rate risk	The risk of losses due to an exessively low occupancy rate in the assets under management.	Mostly master lease contracts (with 100% occupancy); otherwise active tenant strategy with local and asset strategy differentiated by type of asset.
1.1.7 Real estate portfolio risk	The risk of losses arising from suboptimal asset and tenant diversification, suboptimal asset quality and unsustainable assets under management.	Long-term strategy focusing on sustainable assets attractive to tenants now and in the future.
1.1.8 Real estate strategy risk	The risk of losses related to the chosen real estate strategy, taking account of the degree of development in the assets under management, blind pool and non-income producing share in the assets under management.	Growing portfolio with acquisitions often new-build or developments leading to substantial non-income producing properties under construction. With growth in size, this risk will diminish over time.
1.1.10. Operational expenditure risk	The risk of losses arising from high operational costs of the assets under management that are not in line with the budgeted costs.	All assets have annually updated maintenance plans to keep assets in good condition.
1.1.11 Valuation risk	The financial risk that an asset is undervalued and worth less than expected when it matures or is sold. Factors that could contribute towards valuation risk include incomplete data, market instability, uncertainties in financial modelling and poor data analysis by people responsible for determining the value of the asset.	Mitigated by frequent appraisals with periodic rotation of appraisers, quality of appraisers (NRVT, certification) and additional scrutiny by external accountant.
1.1.12 Inflation risk	The risk of losses arising from changes in the inflation rate.	Rental rates contain (yearly) indexation clauses. Construction costs are usually capped (partial or no indexation).

1.2 Credit & counterparty risk

Risk type	Risk description	Risk mitigation
1.2.1 Credit risk	The risk that a counterparty defaults on contractual or other agreed obligations (including furnished credits, loans, receivables, pledges, rental obligations, banking credit positions and received guarantees).	Spread over multiple tenants, healthcare sectors and locations. Risk asssessment of potential tenants, frequent reporting of updated financials, deposits and or bank guarantees). Active payment collection strategy with dedicated department.
1.2.2 Counterparty risk	The risk that a counterparty (to a transaction) defaults before the final settlement of the cash flows (associated with the transaction) has taken place (breaching delivery versus payment).	Risk assessment of developer and or contractor, with instalments lagging actual construction costs and frequent (independent) monitoring of building progress.

1.3 Liquidity risk

Risk type	Risk description	Risk mitigation
1.3.1 Liquidity risk	The risk of losses arising from the inability to gain timely access to sufficient liquidity to meet obligations or withdrawals or, due to the lack of liquidity, being forced to sell assets under unfavourable conditions.	Contractual cash outflows (operational expenditure, fees) are relatively small compared to direct income. Investment instalments are fully covered by available funding from commitments.
1.3.2 Funding risk	The risk that commitments made are not covered by contractually agreed financing (from promises of investors and/or promised loans).	Acquisitions and related investment instalments must be fully covered by available funding from commitments.

2.0 Non - financial risk

2.1 Strategic & business risk

Risk type	Risk description	Risk mitigation
2.1.2 ESG risk	The risk arising from improper behaviour on the part of Bouwinvest with respect to to environmental criteria, social performance and governance, or its inadequate response to developments in the field of ESG.	Ambitious climate targets to anticipate existing or future legislation and trends from tenants. Construction projects usually undertaken under the Dutch Considerate Constructors (Bewust Bouwers) label.
2.1.3 Model risk	The risk that decisions based on models could lead to wrong outcomes and/or assumptions, such as financial losses or lower than expected results, reputational damage and erroneous strategic decision-making.	Models are applied to hold/sell and acquisition decisions and frequently updated based on newly available data and insights. Model validation policy in place.
2.1.5 Claim risk	The risk that claims are instituted or that insufficient capital is available to cover an awarded claim or that one is not properly insured against it.	Mitigated by appropriate insurance against property related claims.
2.1.7 Legal risk	The risk associated with the possibility of a threat to the legal position of Bouwinvest and/or funds and mandates managed by Bouwinvest, including the possibility that contractual stipulations are not enforceable or incorrectly documented.	Mitigated by standard contracts and dedicated in-house legal department.
2.1.8 Tax risk	The risk related to taxation, i.e. where the competent legislator levies tax on a threshold determined by the legislator, including sanctions in the case of shortfalls observed in the payment of the due taxes. Exemptions, lower tax rates or carrying out activities in different jurisdictions are circumstances that could result in an increased tax risk.	Mitigated by active, dedicated in-house tax department; Tax Control Framework includes anticipation of future fiscal changes that may affect the Fund; lobbying with other real estate investors (e.g. IVBN).
2.1.10 Concentration risk	The risk arising from the dependence on a limited number of large clients, advisory mandates and types of investment products.	bpfBOUW is the Fund's sole investor, which exposes the Fund to changes in the pension fund's healthcare strategies and allocations.

2.2 Operational risk

Risk type	Risk description	Risk mitigation
2.2.4 Outsourcing risk	The risk that the continuity, integrity and/or quality of the procedures outsourced to third parties (whether or not within a group) or the equipment and personnel provided by these third parties are damaged.	This risk is mitigated by making use of reliable property managers that are regularly scrutinised via audits performed by Bouwinvest.

2.3 Compliance risk

Risk type	Risk description	Risk mitigation
2.3.1 Integrity risk	The risk of reputational damage or existing or future threats against equity or results due to inadequate compliance with any legal stipulations or with standards set by society or the organisation. This includes risks associated with fraud, money laundering, conflicts of interest, terrorist financing, sanctions legislation, corruption, undesirable conduct, insider knowledge and market abuse.	This risk is mitigated by applying client due diligence in line with regulations, and working with trusted parties that have often had a long relationship with Bouwinvest.

Monitoring and reporting

Monitoring risks is embedded in the daily activities of the responsible line manager and is an integral part of the planning and control cycle. Bouwinvest monitors all the defined risks via key risk indicators, supported by the performance reporting and business incidents reporting processes. Each quarter, the Executive Board of Directors is provided with a risk report, including the risk indicators indicated above and actions necessary to limit or mitigate risk, if there is a deviation between the outcome and the pre-determined norm.

Risks in the portfolio are monitored closely and the following events and risks were noteworthy in 2020.

Occupancy rate risk

Occupancy rate risk became more elevated with the delivery of two assets (LIFE Houthaven, Amsterdam, and Nieuw Cavaljé, Ede) with individual leasing instead of master leases. Vacancy in the Fund's Ede asset was low at year-end, but the Fund's vacancy rate is still relatively high due to vacancy in the LIFE asset.

Valuation risk

Despite the Covid-19 situation, there are no uncertainty clauses remaining from our appraisers. The Fund experienced some inconsistency between appraisers, which is beyond the Fund’s control as appraisers are independent. However, the differences are within our appetite.

To mitigate this risk, the Fund asked the appraisers to use the return taxation tool as of October 2020. A notable outlier in the valuation was the Houthaven LIFE asset, which was revalued by -4.7% over the year, following the rent reductions introduced to new tenants to increase occupancy.

Credit risk

To monitor this risk, the Fund periodically (mostly quarterly or semi-annually) receives information from its operators on their occupancy and financials. Accounts receivables are monitored monthly. Arrears are reported as a percentage of annual rent. However, arrears are still within appetite and there are no indications that these will increase substantially.

At the start of the year, two contracts (Villa Overbosch and De Lawet) with a weak tenant, resulting in some arrears, were taken over by a much stronger tenant.

Reported rent in arrears is mainly due to one asset, Aliantus Oud-Seyst. The Fund still expects a restructuring of the tenant by its shareholders, but the tenant has requested a reduction in rent. As a result, the Fund has set aside a provision of € 100,000.

Furthermore, due to additional tax assessment from the Tax Authorities, credit risk might increase, as Domus Magnus is also a large tenant of the Fund. The tenant of Dousberg Maastricht has requested rent relief, and the Fund has set aside a provision of € 44,000.

Funding risk

Commitments are fully secured by committed funding from our investor, bpfBOUW. The Fund does not expect liquidity issues (even when taking into account stressed rental payments) due to the Fund's strong cash position and relatively low operating and administrative expenses. Current committed funding by bpfBOUW is sufficient (€ 103 million at year end). In terms of expected funding position, the acquisition plan for 2021 exceeds the mandate of € 500 million, which means that the Fund will only be able to realise the 2021-2023 plan if it secures additional funding.

Fiscal risk

FII regime:
In its 2021 Tax Plan, the Dutch government announced that the Dutch Ministry of Finance is planning to evaluate the FII regime in 2021. This evaluation could eventually result in the abolishment of the real estate FII. As a result the Fund would become subject to tax at the ordinary income tax rate. In anticipation of the outcome of this evaluation, Bouwinvest commenced an investigation of a possible restructuring of the Fund into the legal form of a closed Fund for Mutual Account. The fiscal transparency of the Fund for Mutual Account prevents double taxation for investors.

Another significant risk has required additional attention, a risk that cannot be mapped one-to-one with the above risks, namely climate risk.

Climate risk

Last year was another year with exceptional hot weather, reminding us of the need to deal with climate changes 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, namely physical risks directly affecting our real estate and or tenants (heat stress, flooding, strong winds, etc), and transition risks, or risks related to the adaptation of our real estate to future climate changes (an environment in which greenhouse gasses 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. At Bouwinvest, the Sustainability & Innovation department is dedicated to advising the Board on preparing the management organisation and the Fund for the necessary steps and related changes. These climate risks affect a large number of risks within our risk taxonomy, and our risk taxonomy will be adapted to incorporate climate risk where necessary. As an example of recent initiatives, Bouwinvest has commissioned an impact analysis (including financials and returns) for our real estate to meet Paris Proof goals in 2045.

Compliance

Bouwinvest sees integrity, transparency and corporate social responsibility as important prerequisites to achieving its business objectives. In that context, Bouwinvest strives for ethical and controlled business operations in which Bouwinvest and its employees comply with laws and regulations and the company’s own Code of Conduct.

The compliance function is largely asked for advice on the subjects: assessment of business partners, ancillary positions, gifts & events and privacy.

Reports and advice

Information on Bouwinvest's compliance policy and procedures as well as incidents in 2020 can be found in the annual report 2020 of Bouwinvest Real Estate Investors B.V.

Mylivy helps build communities

Real Value for Life

The LIFE residential complex in Amsterdam's Houthaven district offers homes to senior citizens with or without a need for healthcare. Right from the outset, the Healthcare Fund wanted LIFE to offer more than just high-quality real estate. We also wanted to offer a range of services aimed at improving the social lives of our tenants. As part of this drive, we recently launched a pilot in cooperation with Mylivy – the combination of a hostess and smart technology that helps to make life both more comfortable and more fun.

Helping to create an inclusive neighbourhood

The energy-neutral LIFE building is located in the new Amsterdam Houthaven residential neighbourhood. The Healthcare Fund acquired 59 liberalised rental sector assisted living apartments in the LIFE complex, together with 940 m^2 of amenities (after-school child care, a pharmacy, general practitioners, physiotherapists, a neighbourhood centre and home care). The Fund has also invested in a nursing home for Cordaan, with 48 care studios for people suffering from dementia. The complex also includes government-regulated rental apartments and owner-occupier apartments. The target group ranges from 'vital seniors' to people with light or acute care needs. LIFE is the embodiment of inclusive area development in which everyone participates and everyone matters. patients. Korian records annual revenues of around € 3.3 billion.

Mylivy was developed by Marian Euverman and a number of other people. She had previously gained experience with the Wijdewijk.nl ('we the neighbourhood') concept that offers support to neighbourhood residents: 'We used that experience to develop Mylivy. The inspiration was quite personal. My mother developed Parkinson's and my family and I were faced with the question: how are we going to organise this? We saw that senior citizens needed three things: to meet people and really get to know them, to engage in activities with each other and build relationships so people dare to ask for help'.

The Mylivy formula is built on two pillars: a hostess who is present in the day-to-day living environment and smart digital technology in the form of an app, which provides help by coming up with ideas for all kinds of activities – both solo and group activities. 'The initial contact with Bouwinvest was really spontaneous and pleasant. Together we looked at how we could use Mylivy in its first project, in LIFE Amsterdam Houthaven. We have been offering Mylivy to senior residents in the liberalised rental sector, vital seniors from 52 to 82 years of age, since the autumn of 2020. The response has been excellent and we are learning new things every single week. Very importantly, we are seeing the emergence of a real community of residents. And the experience we gain at LIFE will be really useful for other projects. So this project is a real kick-start for Mylivy'.

Erwin Drenth, director of the Healthcare Fund, has been involved in the project on the Bouwinvest side right from the start. 'We believe it's important that people can live independently for as long as possible and remain in charge of their own destinies. But also that they have healthcare within easy reach, and access to activities that alleviate feelings of loneliness. Mylivy is a form of informal care that fosters an atmosphere in which people look out for each other more. That has enormous social value'.

> 'We try to help people to stay fit and vital. Meaning and goals in life are an essential part of that'.
>
> **Marian Euverman**, Mylivy

Outlook

Healthcare occupier market

The Dutch government extended the care continuity package for the Dutch healthcare sector until 1 January 2022, which means that the government will continue to compensate the larger part of the revenue losses for all long-term care types (such as nursing care). In addition, the government continues to compensate many extra costs related to Covid-19, although definitive numbers are yet unknown. As a result, the financial outlook for healthcare operators remains positive for 2021, despite lower-than-expected operational occupancy rates and increased personnel costs.

Higher mortality rates in nursing homes are putting pressure on the sector in the short term, but overall demand remains higher than supply and waiting lists continue to increase. According to the Dutch Central Agency for Statistics, the Covid-19 pandemic is not expected to have any material impact on life expectancy of over-65s in the longer term; the investment fundamental, the double aging trend, remains unchanged.

The Covid-19 outbreak has led operators to take to a critical look at operations and finances, especially in private residential care and intramural care institutions. This is fuelling the ongoing professionalisation and consolidation of the sector. At sector level, the Covid-19 outbreak has created a greater perceived need for structural changes, due to continued tariff pressure and increasing (personnel) costs. However, we do not expect to see any radical policy changes in the short term, and the continuity and quality of care will remain high on the agenda.

Healthcare investor market

Despite lower investment activity in the second quarter of 2020, total investment volume for 2020 was just 11% lower than in 2019. Given the strong investor interest in this sector, we expect to see an increase in investment in 2021. Uncertainty resulted in slight decompression of yields in the first half of 2020, but yields stabilised and were the same in Q4 as they were in Q1 2020. We expect to see some additional yield compression in 2021.

The sector has continued to perform well in terms of both operational and real estate parameters. Given the double aging of the population and the increasing prosperity of the elderly, the policy of 'living longer at home' and the insufficient amount of and obsolete healthcare real estate stock, the investment fundamentals remain positive in the long term and we expect to see increasing demand for exposure to this asset class from investors.

Healthcare Fund plan

The Covid-19 outbreak and the resultant impact on the economy has clearly demonstrated just how robust healthcare real estate is in the face of economic cycles. As a result, it is possible that investors will see healthcare real estate as more or less a safe haven and increase their allocation to this segment of the real estate market. At the same time, the main theme in the healthcare market right now is consolidation, as an increasing number of highly professional foreign operators look to build market share. So although we could see an increase in the number of bankruptcies among financially weaker operators, there will be no shortage of operators keen to take their place. The fundamentals of the healthcare real estate market are simply too strong for the current crisis to have any lasting impact.

The Healthcare Fund has a growth strategy, with a clear focus on maximising the sustainability and social return of its portfolio. We are targeting € 594 million in invested capital by the end of 2023. We are targeting acquisitions of € 300 million in the period 2021-2023 from the level at the end of 2020. Taking into account bpfBOUW's commitment, this will require additional commitments from bpfBOUW or other investors. Given the quality of the Fund's portfolio, its solid track record and opportunities, we expect to meet the Fund's growth target for the coming plan period (2021-2023).

We believe that we can only generate long-term stable financial returns for our investors if we take the societal impact into account in every decision we take. Our focus is on the liveable areas of the future and we aim to create real value for life by investing for the long term in a responsible manner. The Healthcare Fund contributes to sustainable, liveable and inclusive metropolitan areas. We do this in part by accepting responsibility and ownership for important aspects of senior housing. Firstly and obviously by providing it, but secondly by adding another level of care, such as hostesses and communication apps to combat the growing issue of loneliness for the elderly. In addition, we aim to reduce the environmental impact of our 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 developments that had already been initiated before the pandemic, e.g. technological or medical, accelerated during the crisis. At the same time, we are convinced that once Covid-19 measures are lifted, people will want to meet each other again. With its long-term investment scope, the Fund focuses on adding value for our investors, tenants and stakeholders by continuing to invest in attractive living environments.

Amsterdam, 22 maart 2021

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 Investment

Financial statements

Statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note	2020		2019	
Gross rental income	5	12,074		9,006	
Service charge income	5	329		240	
Other income		21		27	
Revenues			**12,424**		**9,273**
Service charge expenses		(461)		(240)	
Property operating expenses	6	(2,377)		(1,090)	
			(2,838)		**(1,330)**
Net rental income			**9,586**		**7,943**
Result on disposal of investment property			**-**		**-**
Positive fair value adjustment investment property	11	8,691		14,080	
Negative fair value adjustment investment property	11	(2,971)		(6,144)	
Net valuation gain (loss) on investment property under construction	12	(2,995)		2,127	
Net valuation gain (loss)			**2,725**		**10,063**
Administrative expenses	7		(1,617)		(1,215)
Result before finance result			**10,694**		**16,791**
Finance expenses	8	(366)		(406)	
Net finance result			**(366)**		**(406)**
Result before tax			10,328		16,385
Income taxes	10		-		-
Result for the year			**10,328**		**16,385**
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			**10,328**		**16,385**
Net profit attributable to shareholders			10,328		16,385
Total comprehensive income (loss) attributable to shareholders			**10,328**		**16,385**
Distributable result	19		7,604		6,405
Pay-out ratio	19		100%		100%
Earnings per share (€)					
From continuing operations					
Basic			104		207
Diluted			104		207

Statement of financial position

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2020	2019
Assets			
Non-current assets			
Investment property	11	342,594	221,961
Investment property under construction	12	44,608	54,068
Financial assets		4	5
Total non-current assets		**387,206**	**276,034**
Current assets			
Trade and other current receivables	13	869	728
Cash and cash equivalents	14	6,705	1,248
Total current assets		**7,574**	**1,976**
Total assets		**394,780**	**278,010**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		125,431	87,777
Share premium		223,365	148,626
Revaluation reserve		31,585	25,059
Retained earnings		(10,328)	(15,479)
Net profit for the year		10,328	16,385
Total equity	15	**380,381**	**262,368**
Liabilities			
Non-current lease liabilities	16	10,943	10,758
Current trade and other payables	17	3,456	4,884
Total liabilities		**14,399**	**15,642**
Total equity and liabilities		**394,780**	**278,010**

Statement of changes in equity

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	**87,777**	**148,626**	**25,059**	**(15,479)**	**16,385**	**262,368**
Comprehensive income						
Net profit	-	-	-	-	10,328	10,328
Total comprehensive income	-	-	-	-	10,328	10,328
Other movements						
Issued shares	37,654	77,346	-	-	-	115,000
Appropriation of result	-	-	-	16,385	(16,385)	-
Dividends paid	-	(2,607)	-	(4,708)	-	(7,315)
Movement revaluation reserve	-	-	6,526	(6,526)	-	-
Total other movements	37,654	74,739	6,526	5,151	(16,385)	107,685
Balance at 31 December 2020	125,431	223,365	31,585	(10,328)	10,328	380,381

* See explanation dividend restrictions Note 15.

For 2019, 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 2019	**62,414**	**99,989**	**16,040**	**(9,781)**	**9,781**	**178,443**
Comprehensive income						
Net profit	-	-	-	-	16,385	16,385
Total comprehensive income	**-**	**-**	**-**	**-**	**16,385**	**16,385**
Other movements						
Issued shares	25,363	48,637	-	-	-	74,000
Appropriation of result	-	-	-	9,781	(9,781)	-
Dividends paid	-	-	-	(6,460)	-	(6,460)
Movement revaluation reserve	-	-	9,019	(9,019)	-	-
Total other movements	**25,363**	**48,637**	**9,019**	**(5,698)**	**(9,781)**	**67,540**
Balance at 31 December 2019	**87,777**	**148,626**	**25,059**	**(15,479)**	**16,385**	**262,368**

* See explanation dividend restrictions Note 15.

Statement of cash flows

All amounts in € thousands

	Note	2020	2019
Operating activities			
Net result		10,328	16,385
Adjustments for:			
Valuation movements		(2,725)	(10,063)
Result on disposal of investment property		-	-
Net finance result		366	406
Movements in working capital		(1,568)	(1,444)
Cash flow generated from operating activities		**6,401**	**5,284**
Interest paid		(366)	(323)
Cash flow from operating activities		**6,035**	**4,961**
Investment activities			
Proceeds from sale of investment property		-	-
Payments of investment property	11	(64,658)	(4,896)
Payments of investment property under construction	12	(43,606)	(66,394)
Contribution to participation		1	(5)
Cash flows from investment activities		**(108,263)**	**(71,295)**
Finance activities			
Proceeds from the issue of share capital		115,000	74,000
Dividends paid		(7,315)	(6,460)
Cash flows from finance activities		**107,685**	**67,540**
Net increase (decrease) in cash and cash equivalents		5,457	1,206
Cash and cash equivalents at beginning of year		1,248	42
Cash and cash equivalents at end of year	14	**6,705**	**1,248**

Notes to the financial statements

All amounts in € thousands, unless otherwise stated

1 General information

The Healthcare Fund (Chamber of Commerce number 34366399) 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 healthcare real estate in the Netherlands.

The Fund owns a taxable subsidiary, Bouwinvest Dutch Institutional Healthcare Fund Services B.V. (Chamber of Commerce number 67492800) which can render services that are ancillary to renting activities of the Fund. While these services might go beyond mere investing, they are performed by a taxable subsidiary of the Fund. Structuring these ancillary activities this way, the Fund remains compliant with the investment criterion of the FII regime.

Bouwinvest is the manager and Statutory Director of the Healthcare Fund. The Statutory Director will present the annual report to the Annual General Meeting of Shareholders on 21 April 2021, 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 2020 was a normal calendar year from 1 January to 31 December 2020.

2.1 Basis of preparation

Statement of compliance
In accordance with Part 9, Book 2 of the Dutch Civil Code, Section 362, subsection 8, the financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements of the Fund presented are also in accordance with Part 9, Book 2 of the Dutch Civil Code based on Section 362, subsection 8 and 9.

In 2016, the Fund established a taxable subsidiary, Bouwinvest Dutch Institutional Healthcare Fund Services B.V. (Healthcare Fund Services). For the year 2020, this subsidiary is not consolidated due to the fact that the revenues, costs and assets, equity and liabilities are negligible.

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 2020, 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 2020:

- Amendments to IAS 1 and IAS 8 - Definition of Material - adopted on November 29, 2019 are effective from January 1, 2020
- Amendments to References to the Conceptual Framework in IFRS Standards adopted on November 29, 2019 are effective from January 1, 2020

- Amendments to IFRS 9, IAS 39 and IFRS7 Interest Rate Benchmark Reform Phase 1 - adopted on January 15, 2020 are effective from January 1, 2020
- Amendments to IFRS 3 Business Combinations – definition of a business – adopted on April 21, 2020 are effective from January 1, 2020
- Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions adopted on October 9, 2020 is effective from June 1, 2020

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, effective for financial years beginning on or after 1 January 2021

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:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 – adopted on December 15, 2020 are effective from January 1, 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 – adopted on January 13. 2021 are effective from January 1, 2021

New and amended standards and interpretations not yet adopted by the European Union

The Fund is not yet applying the standards, amended standards and interpretations that have not yet been adopted by the European Union.

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 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 integral part of the Investment property. The accounting principles for land leases are disclosed in more detail in note 2.4 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 balance sheet.

2.3 Investment property under construction

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

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 2.4 Leases.

2.4 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 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 primarily the 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 land lease, less any incentives provided by the lessor. After initial recognition, the Fund measures the right-of-use asset applying a cost model. For land leases, the Fund applies the fair value model in IAS 40.

The accounting principles for lease liabilities are disclosed in more detail in note 2.9 Non-current lease liabilities.

2.5 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.

2.6 Prepayments

Prepayments are stated at cost less any accumulated impairment losses.

2.7 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.

2.8 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.

2.9 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 to be theoretical because the land lease is highly interlinked with the investment property. Breaking the lease will destroy the value of the property. Therefore, the lease term for continuous contracts is also considered perpetual.

2.10 Current trade and other payables

Current trade and other payables are recognised initially 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Other income

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

2.15 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.

2.16 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.

2.17 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.

2.18 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 16.5% - 25%.

3 Financial risk management

3.1 Financial risk factors

The risk management function within the Fund is carried out with respect to financial risks. Financial risks are risks arising from financial instruments to which the Fund is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and other price risks), credit risk and liquidity risk.

Risk management is carried out by the risk manager under policies approved by the Statutory Director of the Fund. The treasury manager identifies and evaluates financial risks in close cooperation with the Fund's business units and the risk manager. The Statutory Director of the Fund provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of excess liquidity.

Market risk

The market risk of financial instruments relates to foreign exchange risk, price risk and interest rate risk. For more information, we refer you to the Risk Management section.

(I) Foreign exchange risk

The Fund has no exposure to foreign exchange risk as it operates in a euro country only.

(II) Price risk

The Fund has no significant exposure to price risk as it does not hold any equity securities or commodities. The Fund is not exposed to price risk other than in respect of financial instruments, such as property price risk, including property rental risk.

(III) Interest rate risk

The Fund has exposure to (negative) interest rate risk for its bank balances. As the Fund has no external loans and borrowings, it has no exposure to related interest rate risks.

(IV) Hedging risk

The Fund has no hedging instruments in place.

Credit risk

Credit risk is defined as the unforeseen losses on assets if counterparties should fail to meet their obligations. The Fund closely monitors the creditworthiness of tenants. When entering into a contract, 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.

It is our policy to enter into financial transactions only with financial institutions with a credit rating of at least A (Standard & Poor's). The financial risk is monitored for each individual transaction. Given the high credit rating of its counterparties, the Fund does not expect any defaults.

The credit risk relating to the receivables is maximised to € 0.9 million in 2020 (2019: € 0.7 million) and the receivables are closely monitored.

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.

There is a significant concentration of credit risk with respect to cash and cash equivalents, as the Fund holds cash accounts with one financial institution. This financial institution has a credit rating of A (Standard & Poor's) and therefore the credit risk is mitigated.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury manager aims to maintain flexibility in funding by keeping committed credit lines available.

The Fund's liquidity position is monitored on a daily basis by management and is reviewed quarterly by the Statutory Director of the Fund. The Finance department manages liquidity risks and is derived from managerial reports at Fund level. The amounts are disclosed in the notes to consolidated statement of financial position. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

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 less impairment provision of trade receivables and trade payables 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 risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a 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 makes estimates and assumptions concerning the future. 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 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.

5 Gross rental income and service charge income

	2020	2019
Theoretical rent	13,426	9,219
Incentives	(152)	(92)
Vacancies	(1,200)	(121)
Total gross rental income	**12,074**	**9,006**

Service charge income amounted to € 329 thousand (2019: € 240 thousand) 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 2020, until the end of the contract (accounted for on the basis of the minimum rent) can be analysed as follows:

	2020	2019
First year	12,948	8,125
Second year	12,578	7,935
Third year	12,559	7,880
Fourth year	12,247	7,861
Fifth year	12,112	7,368
More than five years	127,797	77,536

6 Property operating expenses

	2020	2019
Taxes	478	259
Insurance	124	31
Maintenance	580	199
Valuation fees	105	115
Property management fees	123	73
Letting and lease renewal fees	166	123
Owners associations	137	-
Non reclaimable VAT	281	156
Addition to provision for bad debts	149	-
Other operating expenses	234	134
Total property operating expenses	**2,377**	**1,090**

In 2020 € 62 thousand (2019: nil) of the maintenance expenses related to unlet properties.

Other operating expenses relate to operational consultancy, promotion and marketing costs.

7 Administrative expenses

	2020	2019
Management fee Bouwinvest	1,434	1,139
Audit fees	25	18
Other Fund expenses	158	58
Total administrative expenses	**1,617**	**1,215**

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 Fund expenses relate to regulators' costs, legal fees and sustainability development.

8 Finance expenses

	2020	2019
Finance expenses on bank balances	43	89
Interest on leaseliabilities	323	317
Total finance expenses	**366**	**406**

The Fund had no external loans and borrowings during 2020. The Fund was subject to the negative interest rates for its bank balances.

9 Employee benefits expense

The Healthcare 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 (2020: 16.5% - 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 as 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 2020. The effective tax rate was 0% (2019: 0%).

Legislation FII status

In its 2021 Tax Plan, the Dutch government announced that the Dutch Ministry of Finance is planning to evaluate the FII regime in 2021. This evaluation could eventually result in the abolition of the real estate FII. As a result, the Fund would become subject to tax at the normal income tax rate. In anticipation of the outcome of this evaluation, Bouwinvest commenced an investigation of a possible restructuring of the Fund into the legal form of a closed Fund for Mutual Account. The fiscal transparency of the Fund for Mutual Account prevents double taxation for investors.

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

		2020		2019
At the beginning of the year		**220,636**		**135,958**
First time adoption IFRS16		**-**		**762**
Investments		**59,915**		**4,533**
Transfers to investment property under construction	(4,533)		-	
Transfers from investment property under construction	59,161		71,561	
Total transfers to/from investment property under construction		**54,628**		**71,561**
Disposals		**-**		**-**
Net gain (loss) from fair value adjustments on investment properties (like for like)	3,868		191	
Net gain (loss) from fair value adjustments on investment properties	1,852		7,745	
In profit or loss		**5,720**		**7,936**
In other comprehensive income		**-**		**-**
Transfers out of level 3		**-**		**-**
Movement of right of use ground leases		**185**		**(114)**
Total investment property (level 3)		**341,084**		**220,636**
Lease incentives		**1,510**		**1,325**
At the end of the year		**342,594**		**221,961**

The Fund’s investment properties are valued by independent external appraisers on a quarterly basis. On 31 December 2020, these properties were revalued by independent professionally qualified valuation experts with experience in the locations and categories of the investment properties valued (level 3). The carrying values of investment property as at 31 December 2020, and 1 January 2020, are in line with the valuations reported by the external valuation experts. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year and there were no transfers between levels 2 and 3 during the year.

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

Investments	2020	2019
Intramural Care	(272)	-
Private Medical Specialist Spaces	7	-
Assisted Living	60,180	4,533
Total Investments	**59,915**	**4,533**

The negative capital expenditures mainly relate to a settlement of Real Estate Transfer Tax after reaching an agreement with the Dutch tax authorities.

Since the accounting effect of lease incentives granted is included under non-current assets the recognised amount of € 1.5 million (2019: € 1.3 million) is deducted from the total fair value of investment properties.

The right of use of land is included as an integral 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.

	2020	2019
Investment Property	342,594	221,961
Less: Lease Liabilities	(10,943)	(10,518)
Valuation as per valuation report	**331,651**	**211,443**

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

	2020	2019
Current average rent (€/m²)	12.12	13.46
Gross initial yield	4.5%	5.3%
Net initial yield	2.9%	3.9%
Current vacancy rate	8.9%	1.3%
Long-term growth rental rate	2.0%	2.2%
Risk free (NRVT)	0.1%	0.4%

In the table above the yield compression due to increasing price levels is clearly visible in the initial and exit yields. The net valuation gain (loss) for the year included a positive fair value adjustment of € 8.7 million (2019: € 14.1 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 finance leases. The carrying amount is nil (2019: nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 2.9% (2019: 3.9%). If the net initial yields used for the appraisals of investment properties on 31 December 2020 had been 100 basis points higher (2019: 100 basis points higher) than was the case at that time, the value of the investment properties would have been 25.3% lower (2019: 20.4% lower). In this situation, the Fund's shareholders' equity would have been € 84 million lower (2019: € 42 million lower).

		2020		2019
Change rental rates	-5%	5%	-5%	5%
Value of the investment property change	**(16,583)**	**16,583**	**(10,346)**	**10,346**

		2020		2019
Change net initial yield	– 25 bps	+ 25 bps	– 25 bps	+ 25 bps
Value of the investment property change	**30,746**	**(25,937)**	**4,728**	**(21,858)**

12 Investment property under construction

		2020		2019
At the beginning of the year		**54,068**		**47,079**
First time adoption IFRS16		**-**		**10,028**
Investments		**48,163**		**66,395**
Transfers to investment property	(59,161)		(71,561)	
Transfers from investment property	4,533		-	
Total transfers to/from investment property		**(54,628)**		**(71,561)**
Net gain (loss) from fair value adjustments on investment property under construction	(2,995)		2,127	
In profit or loss		**(2,995)**		**2,127**
In other comprehensive income		**-**		**-**
Transfers out of level 3		**-**		**-**
Movement of right of use ground leases		**-**		**-**
At the end of the year		**44,608**		**54,068**

The right of use of land is included as an integral 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 investment property value.

	2020	2019
Investment Property	44,608	54,068
Less: Lease Liabilities	-	(240)
Valuation as per internal valuation	**44,608**	53,828

The specification of investments in investment property under construction are set out below.

Investments	2020	2019
Intramural Care	25,118	17,601
Private Medical Specialist Spaces	-	1,378
Assisted Living	23,045	47,416
Total Investments	**48,163**	**66,395**

The investment property under construction relates to acquisitions and is being developed by third parties. For a list of the investment properties under construction and investment commitments, see Note 20.

The net valuation gain (loss) for the year included a positive fair value adjustment of € 8.6 million (2019: € 8.3 million) relating to investment properties 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 independent external valuation experts.

13 Trade and other current receivables

	2020	2019
Trade receivables	521	304
VAT Receivables	55	346
Other receivables	293	78
Balance as at 31 December	**869**	**728**

14 Cash and cash equivalents

	2020	2019
Bank balances	6,705	1,248
Balance as at 31 December	**6,705**	**1,248**

The cash and cash equivalents (balance and deposits) were freely available to the Fund as at 31 December 2020.

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

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	**87,777**	**148,626**	**25,059**	**(15,479)**	**16,385**	**262,368**
Comprehensive income						
Net profit	-	-	-	-	10,328	10,328
Total comprehensive income	-	-	-	-	10,328	10,328
Other movements						
Issued shares	37,654	77,346	-	-	-	115,000
Appropriation of result	-	-	-	16,385	(16,385)	-
Dividends paid	-	(2,607)	-	(4,708)	-	(7,315)
Movement revaluation reserve	-	-	6,526	(6,526)	-	-
Total other movements	37,654	74,739	6,526	5,151	(16,385)	107,685
Balance at 31 December 2020	125,431	223,365	31,585	(10,328)	10,328	380,381

* See explanation dividend restrictions in this Note.

For 2019, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2019	**62,414**	**99,989**	**16,040**	**(9,781)**	**9,781**	**178,443**
Comprehensive income						
Net profit	-	-	-	-	16,385	16,385
Total comprehensive income	**-**	**-**	**-**	**-**	**16,385**	**16,385**
Other movements						
Issued shares	25,363	48,637	-	-	-	74,000
Appropriation of result	-	-	-	9,781	(9,781)	-
Dividends paid	-	-	-	(6,460)	-	(6,460)
Movement revaluation reserve	-	-	9,019	(9,019)	-	-
Total other movements	**25,363**	**48,637**	**9,019**	**(5,698)**	**(9,781)**	**67,540**
Balance at 31 December 2019	**87,777**	**148,626**	**25,059**	**(15,479)**	**16,385**	**262,368**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Healthcare 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 2020	87,777	87,777	148,626	236,403
Issued shares	37,654	37,654	77,346	115,000
Dividends paid	-	-	(2,607)	(2,607)
Balance at 31 December 2020	**125,431**	**125,431**	**223,365**	**348,796**

	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 2019	**62,414**	**62,414**	**99,989**	**162,403**
Issued shares	25,363	25,363	48,637	74,000
Dividends paid	-	-	-	-
Balance at 31 December 2019	**87,777**	**87,777**	**148,626**	**236,403**

Issued capital

The authorised capital comprises 1,000,000 shares each with a nominal value of € 1,000. As at 31 December 2020, in total 125,431 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 2020 was determined at the individual property level.

Appropriation of profit 2019

The Annual General Meeting of shareholders on 22 April 2020 adopted and approved the 2019 financial statements of the Healthcare Fund. A dividend of € 6.4 million (in cash) has been paid. The profit for 2019, amounting to € 16.4 million, has been incorporated in the retained earnings.

Proposal for profit appropriation 2020

The management of the Fund proposes to the General Meeting of shareholders that a dividend of € 7.6 million (in cash) is to be paid for 2020. Of the net result for 2020 amounting to € 10.3 million, € 10.3 million will be incorporated in the retained earnings.

16 Non-current lease liabilities

	2020	2019
Opening balance at 1 January 2020	**10,758**	**-**
First time adoption IFRS16	-	10,790
Interest	-	83
Other movements	185	(115)
Balance at 31 December 2020	**10,943**	**10,758**

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

The value of the lease liability assumes the estimated redemption amount for the transition to perpetual leasehold in 2021. The final determination of the redemption amount is currently under discussion with the city of Amsterdam and is expected to be finalised in 2021.

Land lease obligations	2020	2019
Year 1	9,035	9,088
Year 2	61	60
Year 3-5	182	180
Year > 5	2,017	2,009
Total Land lease obligations	**11,295**	**11,337**

17 Current trade and other payables

	2020	2019
Trade payables	1,317	585
Tenant Deposits	1,240	911
Other payables	899	3,388
Balance as at 31 December	**3,456**	**4,884**

The other payables relate to invoices yet to be received for maintenance of and investments in the portfolio.

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.

	2020	2019
Net profit attributable to shareholders	10,328	16,385
Weighted average number of ordinary shares	99,310	79,288
Basic earnings per share (€ per share)	104.00	206.64

The Healthcare Fund has no potentially dilutive ordinary shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

19 Dividends per share

In 2020 the Fund paid out a dividend of € 73.66 per share (2019: € 81.48) which amounts to a total of € 7.3 million (2019: € 6.5 million). A total dividend of € 7.6 million (2019: € 6.4 million), is to be proposed at the Annual General Meeting of Shareholders on 21 April 2021. These financial statements do not reflect this dividend payable.

The dividend proposal for 2020 has not been accounted for in the financial statements. The dividend for 2020 will be paid in cash.

20 Contingent liabilities and assets

As at 31 December 2020, the Fund's total future investment commitments amounted to € 37 million (2019: € 71 million).

	2021	2022	>2023
Investment commitments (in € million)			
Buitenpoort (Intramuraal)	5	3	2
Buitenpoort (WON)	4	3	2
Loolaan	9	-	-
Kuifmees	8	-	-
overig ≤ 1	1	-	-
	27	**6**	**4**

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 subsidiary, members of the Supervisory Board (Bouwinvest) and the other entities under management by Bouwinvest, qualify as related parties of the Fund. A fee of € 1.4 million (2019: € 1.1 million) was paid to Bouwinvest in 2020.

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 2020.

22 Management fee

Bouwinvest is the manager and the Statutory Director of the Fund. The management fee paid for the year 2020 amounted to € 1.4 million (2019: € 1.1 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 invested capital in accordance with the valuation methods of the Fund. The management fee is payable quarterly in advance.

The remuneration of the members of the Supervisory Board is included in the management fee paid to Bouwinvest.

23 Audit fees

The table below shows the fees charged over the year 2020 by Deloitte Accountants B.V. and the Deloitte Network in respect of activities for the Healthcare Fund.

	2020	2019
Audit of the financial statements	21	18
Other audit engagements	4	-
Tax advisory services	-	-
Other non-audit services		-
Total fees	**25**	**18**

24 Subsequent events

In January 2021, shares were issued for € 5 million.

Signing of the Financial Statements

Amsterdam, 22 March 2020

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 shareholders of Bouwinvest Dutch Institutional Healthcare Fund N.V.

Report on the audit of the financial statements 2020 included in annual report

Our opinion

We have audited the accompanying financial statements 2020 of Bouwinvest Dutch Institutional Healthcare Fund N.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Healthcare Fund N.V. as at 31 December 2020, and of its result and its cash flows for 2020 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 financial statements comprise:

1. The statement of financial position as at 31 December 2020.
2. The following statements for 2020: the 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.

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 Healthcare Fund N.V. in accordance with 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 € 3.8 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	€ 3.8 million
Basis for materiality level	1% of total investment property
Threshold for reporting misstatements	€ 190 thousand

We agreed with Executive Board of Directors that misstatements in excess of € 190 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.

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 matter to the Executive Board of Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was 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 this matter.

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 financial statements. As at December 31, 2020 the Company held a portfolio of investment property with a fair value of € 343 million (December 31, 2019: € 222 million) and investment property under construction of € 45 million (December 31, 2019: € 54 million). The portfolio consist of 387 million residential properties. At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirementsof 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 therelative size of the investment property balance. The most significant assumptions and parameters involved,given the sensitivity and impact on the outcome.	Our audit procedures included, among others, the following: We have gained understanding of the valuation process and tested 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. In relation to the significant assumptions in the valuation of investment property we have: • determined that the valuation methods as applied by the management board, as includedin the valuation reports, are appropriate; • we have 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. **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 annual report

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

- The Report of the Executive Board of Directors.
- Other Information as required by Part 9 Book 2 of the Dutch Civil Code.
- Other additional information.

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

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

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

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

Management is responsible for the preparation of the other information, including the Report of the 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 management for the financial statements

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

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

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

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 e.g.:

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

draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 22, 2021

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

Assurance report of the independent auditor

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

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2020 of Bouwinvest Dutch Institutional Healthcare Fund N.V. at Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed 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 2020 in accordance with the reporting criteria as included in the section 'reporting of performance indicators'.

The sustainability information consists of performance information in the section 'Performance on Sustainability' part of chapter 'Performance on strategy' on page 27-33 of the 2020 Annual Report, excluding the performance information on installed AED's and the Paris-Proof commitment.

Basis for our conclusion

We performed our examination 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 examination of the sustainability information' section of our report.

We are independent of Bouwinvest Dutch Institutional Healthcare 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 Healthcare 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 disclosed in the Bouwinvest annual report on page 107-108.

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.

Responsibilities of the Executive Board of Directors for the sustainability information

The Executive Board of Directors is responsible for the preparation of the sustainability information in accordance with the applicable criteria, including the identification of the intended users and the criteria being applicable for their purposes. In this context, The Executive Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation, measurement or evaluation of the sustainability information that are free from material misstatement, whether due to error or fraud.

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.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

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 amongst 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 management (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;
- To consider 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 22, 2021

Deloitte Accountants B.V.

Signed on the original: V.S. Borreman

De Lawet
Assisted Living

Wageningen
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 on 1 March 2008. From 1999 until that time, he held several senior positions at Syntrus Achmea Vastgoed, including Managing Director and CEO. Dick started his career with Centraal Beheer Beleggingen and Staal Bankiers. He studied Investment Analysis (VBA) at the University of Amsterdam. Dick is Chairman of IVBN (Association of Institutional Property Investors in the Netherlands).

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 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).

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 Management Board of NEPROM (Dutch association of project development companies).

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 themanagement board of AFIRE and ANREV.

Director Dutch Healthcare Investments

E.W. (Erwin) Drenth, (1972, Dutch)

Erwin Drenth has been Director Dutch Healthcare Investments since the inception of the Fund in 2014. He is responsible for the strategy and development of the Fund and for the acquisition and performance of the assets. He joined Bouwinvest in 2007 as Manager Marketing. He is also member of the supervisory board of the healthcare operator De Pieter Raat Stichting and chairman of the foundation of Vrienden van het Reinaldahuis in Haarlem. Erwin studied Artificial Intelligence at the University of Groningen.

Responsible investment performance indicators

Continued improvement of the Fund's sustainability performance

Impact area	Indicator	Measure	Units of measure	2020	2019	Change	Plan 2020-2022
Fund sustainability benchmark	GRESB	Star rating	# stars	4	4	-	-
	GRESB	Overall score (GRI-CRESS: CRE8)	# [1-100]	83	79	+4	Annual improvement of overall GRESB score

Investing in sustainable real estate

Impact area	Indicator	Measure	Units of measure	2020	2019	% change	Plan 2020-2022
Asset sustainability certificate	Green Building Certificates (GPR)	Labelled floor space (GRI-CRESS: CRE8)	%	78.5%	81.4%	-2.8%	All standing investments GPR labelled and by end of 2021 an average score of 7.5
		Average score (GRI-CRESS: CRE8)	#	7.1	7.0	12.8%	
	Green Building Certificates (GPR) - new acquisitions	Labelled floor space (GRI-CRESS: CRE8)	%	18.7%	n/a	n/a	Acquisitions, major renovations and new developments have a minimum GPR of 7.5
		Average score (GRI-CRESS: CRE8)	#	7.9	n/a	n/a	

Reducing environmental impact

Impact area	Indicator	Measure	Units of measure	2020	2019	% change	Plan 2020-2022
Energy performance certificate	EPC	Labelled floor space (GRI-CRESS: CRE8)	%	100.0%	100.0%	0.0%	
		Green labelled floor space (A, B or C label)	%	100.0%	100.0%	0.0%	
		A labelled floor space	%	93.0%	89.0%	4.1%	90% of the portfolio to have energy label A or better (energy index <1.2) by end 2021
		Average energy index	#	0.85	0.73	16.0%	
Renewable energy	Solar panels	Installed kWp of solar panels	kWp	795	561	41.7%	Add renewable energy on location, installing 500kWp of solar panels before end of 2021
Renewable energy	Natural gas	New acquisitions free of natural gas	%	18.6%	73.0%	-54.4%	At least 90% of all new acquisitions will be free of natural gas

Impact area	Indicator	Measure	Units of measure	**2020 (abs)**	2019 (abs)	% change (LfL)	Plan 2020-2022
Energy	Electricity	Total landlord-obtained electricity (GRI: 302-2)	MWh	n/a	n/a	n/a	Annual reduction of environmental impact to increase:
	Gas	Total gas consumption (GRI: 302-1)		n/a	n/a	n/a	
	District heating and cooling	Total district heating and cooling (GRI: 302-2)		n/a	n/a	n/a	
	Total	Total energy consumption from all sources (GRI: 302-2)		n/a	n/a	n/a	from -2% in 2019 to -5% in 2021
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1)	kWh/m²/year	n/a	n/a	n/a	
		Energy and associated GHG disclosure coverage		n/a	n/a	n/a	
GHG emissions	Direct	Scope 1 (GRI: 305-1)	tonnes CO2e	n/a	n/a	n/a	
	Indirect	Scope 2 (GRI: 305-2)		n/a	n/a	n/a	
	Total	Total GHG emissions (GRI: 305-2) Scope 1 and 2		n/a	n/a	n/a	from -2% in 2019 to -5% in 2021
		Total GHG emissions after compensation		n/a	n/a	n/a	
Water	Total	Total water consumption (GRI:303-1)	m³	n/a	n/a	n/a	from -2% in 2019 to -5% in 2021
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m³/m²/year	n/a	n/a	n/a	
Waste	Total	Total waste collected (GRI: 306-1)	tonnes	n/a	n/a	n/a	from -2% in 2019 to -5% in 2021
		Recycling rate	%	n/a	n/a	n/a	

Stakeholder engagement performance

Impact area	Indicator	Measure	Units of measure	2020	2019	% change	Plan 2020-2022
Engage with stakeholders	Tenant satisfaction	Response rate (GRI: 102-43)	%	34%	25%	9.0%	Tenants give the Fund a score higher than 7
		Average total score (GRI: 102-43)	#	7.7	8.0	-3.3%	
	Leases	Number of new leases	#	231	56	313%	All new rental contracts include a sustainability clause
		Number of green leases	#	42 of 503	3 of 244	8.3%	
	Client satisfaction	Response rate (GRI: 102-43)	%	n/a			Clients give the Fund a score higher than 7,5
		Average total score (GRI: 102-43)	#	n/a	7.8	0.7%	
Sustainable stewardship	Considerate constructors scheme	Registered construction projects	#	3 of 12	2 of 17	-13.2%	In 2021, targetting 75% of construction sites (€) to be registered under Considerate Constructors Scheme ('Bewuste Bouwer')
		Participation rate (by acquisition price)	%	23.2%	7.9%	15.3%	
	Board seats and committee memberships industry organisations, related to the Dutch healthcare sector	Number	#	1	1	no change	Bouwinvest's employees have several active positions on boards or working groups of the networking and industry organisations like: IVBN, INREV, ULI, DGBC, Holland Metropole and NEPROM. One position is explicitly related to the healthcare sector.
	Make areas heart safe	Number	%	87.2%	n/a	n/a	By the end of 2021, our tenants have an AED available within six minutes walking distance
Responsible business operation	Digital tenant portal	Usage of tenants	%	0.0%	0.0%	0.0%	In 2021 all our tenants can use our tenant portal incl. sustainability performance

Impact area	Indicator	Measure	Units of measure	2020	2019	% change	Target
Invest		Invested amount including secured pipeline	EUR	413	336	23.0%	Invest € 500 million in healthcare property (including secured pipeline) in 2022 with a focus on mid-price
Fair rental prices	Rent indexation	Index above CPI	%	1.0%	-0.6%	1.6%	Have fair rental prices: evaluate our rent indexation policy with regard to social needs on affordable housing

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

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

For the managed portfolio (scope 1 and 2), Bouwinvest reports on total energy consumption including all direct energy sources (gas and fuel) 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, we used the most recently available factors for 2020 (source:www.co2emissiefactoren.nl).

Energy, Emission and Water intensities are reported only on properties where energy and 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 communal areas 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/Property name	Floor space (in m²)	No. of parking units	Year of construction/ renovation	Land ownership	Core region	Financial occupancy rate (average)
'S-Hertogenbosch	De Boschstede	4,961	0	2018	Freehold	Brabantstad	100.0%
Almere	Ambachtsmark	2,158	0	2014	Freehold	Randstad	100.0%
Amersfoort	Rosorum	1,547	0	2020	Freehold	Randstad	100.0%
Amsterdam	Van 't Hofflaan	3,157	0	2015	Leasehold	Randstad	100.0%
Amsterdam	Ritzema Bos	3,532	0	2018	Leasehold	Randstad	100.0%
Amsterdam	Houthaven LIFE, Intramuraal (Cordaan) + 5 PP	3,159	5	2019	Leasehold	Randstad	100.0%
Amsterdam	Houthaven LIFE, COG + 2 PP	206	2	2020	Leasehold	Randstad	63.7%
Amsterdam	Houthaven LIFE, Dagbesteding + 4 PP	120	4	2019	Leasehold	Randstad	100.0%
Amsterdam	Houthaven LIFE, Gezondheidscentrum + 4 PP	595	4	2019	Leasehold	Randstad	100.0%
Amsterdam	Houthaven LIFE, Woningen + 37 PP	4,637	37	2019	Leasehold	Randstad	30.4%
Apeldoorn	Juliana	7,213	0	2020	Freehold	Midden Oost	100.0%
Ede	Nieuw Cavaljé Intramuraal	1,323	0	2020	Freehold	Midden Oost	100.0%
Ede	Nieuw Cavaljé Verzorgd Wonen	2,657	27	2020	Freehold	Midden Oost	92.2%
Eindhoven	Warande	4,439	43	2010	Freehold	Brabantstad	95.6%
Eindhoven	Leilinde	8,887	96	2010	Freehold	Brabantstad	98.6%
Haarlem	Hildebrand	1,980	0	2015	Freehold	Randstad	100.0%
Haarlem	Martha Flora	2,745	10	2016	Freehold	Randstad	100.0%
Heiloo	Zorgvilla Craenenbroeck	2,607	0	2014	Freehold	Randstad	100.0%
Hilversum	Villa Overbosch	2,320	0	2002	Freehold	Randstad	100.0%
Katwijk	Parledam	5,184	50	2016	Freehold	Randstad	100.0%
Kortenhoef	Veenstaete Intramuraal	899	0	2011	Freehold	Randstad	100.0%
Kortenhoef	Veenstaete Appartementen	7,600	0	2011	Freehold	Randstad	94.8%
Kortenhoef	Veenstaete COG units	868	0	2011	Freehold	Randstad	100.0%
Leidschendam	Nieuw Mariënpark	4,590	0	2019	Freehold	Randstad	100.0%
Maastricht	De Dousberg	7,450	226	2008	Freehold	Niet kernregio	100.0%
Mijdrecht	Zonnehuis Majella	2,382	0	2019	Freehold	Randstad	100.0%
Mijdrecht	De Proosdij	1,935	12	2019	Freehold	Randstad	98.1%
Ouderkerk aan de Amstel	Zonnehuis Theresia	2,336	0	2018	Freehold	Randstad	100.0%
Ouderkerk aan de Amstel	De Gijsbrecht	4,388	20	2018	Freehold	Randstad	93.9%
Utrecht	De Lindenborg	2,253	0	2020	Freehold	Randstad	97.5%
Wageningen	De Lawet	2,150	0	2020	Freehold	Midden Oost	100.0%
Zeist	Aliantus Oud Seyst	3,433	0	2017	Freehold	Randstad	100.0%
Zoetermeer	Floriadehof/Zenobiagang Intramuraal	3,396	0	2020	Freehold	Randstad	100.0%
		107,105	**536**				

Glossary

Acquired residential units in mid-rental segment

The total number of acquired units with rental prices between € 737 and € 1,000 per month in the reporting period.

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.

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.

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Colophon

Text: Bouwinvest
Concept: Bouwinvest
Design and production: Cascade - visuele communicatie bv

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