Bouwinvest Real Estate Investors

Bouwinvest Dutch Institutional Hotel Fund N.V.

Annual report 2020

Table of contents

4
The Fund at a glance

5 About the Hotel Fund
8 Key performance over five years

9
Message from the Director Dutch Hotel Investments

12
Market environment

12 Key macro developments
12 Market update 2020
14 Market outlook 2021-2023

16
Fund strategy

19
Performance on strategy

19 Portfolio characteristics
19 Performance on growth
21 Performance on G10 cities
25 Performance on sustainability
31 Financial performance

34
Shareholder information

34 Introduction
34 Financial management
36 Fund governance
36 Structure of the Fund
37 Manager of the Fund
39 Shareholders' calendar

41
Risk management

41 Main Fund risks
45 Monitoring and reporting
46 Compliance

48
Outlook

50
Financial statements

51 Consolidated statement of comprehensive income
52 Consolidated statement of financial position
53 Consolidated statement of changes in equity
54 Consolidated statement of cash flows
55 Notes to the consolidated financial statements
78 Company balance sheet
79 Company profit and loss account
80 Notes to the company financial statements

84
Other information

85 Independent auditor's report
90 Assurance report of the independent auditor

94
Enclosures

95 Composition of the Executive Board of Directors
97 Responsible investment performance indicators
101 Properties overview
102 Glossary
105 Contact information

The Fund
at a glance

About the Hotel Fund

The Bouwinvest Institutional Hotel Fund is an investment fund that invests in hotel real estate exclusively for the Dutch construction sector pension fund bpfBOUW in line with the pension fund's financial targets and social ambitions. The Fund focuses on strategic locations in the largest cities in the Netherlands. The hotel portfolio is characterised by diversification, not only geographically, but also in hotel concepts such as budget hotels, lifestyle and extended stay, where both business and leisure travellers feel at home. The geographic spread follows the national trend aimed at spreading the number of tourists across the country. Over the past few years, hotel real estate has developed from a niche market to a full-fledged investment category with attractive solid returns for institutional investors. The Hotel Fund's strategy is based on three pillars: growth, distribution across the the G10 hotel cities and sustainability.

Growth

The Hotel Fund has a growth strategy for the coming years. bpfBOUW is the sole shareholder in the Fund. Growth will mainly be realised by investing in hotels spread over the ten largest hotel cities in the Netherlands and across various hotel concepts and hotel segments.

G10 global cities

The Hotel Fund aims to invest at least 80% of the portfolio in the 10 largest hotel cities, with at least 50% in the Amsterdam/ Schiphol region. Currently, the focus of the hotel portfolio is in Amsterdam and we are primarily looking for additional investments outside the capital city. This will enable us to spread risks and benefit from the positive economic and demographic outlook for other major hotel cities in the Netherlands.

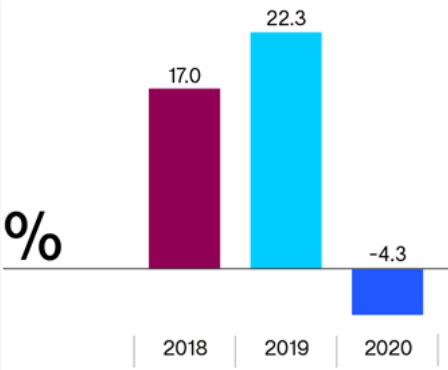
Sustainability

In terms of sustainability, the Hotel Fund set the bar high. In 2020, the Fund was awarded a GRESB five-star ratign in the annual GRESB benchmark survey. The Fund was also ranked the best-performing fund in the Netherlands and Europe and Global Sector Leader for the second consecutive year. This is a direct result of active asset management and a continuous dialogue with tenants and other stakeholders.

Environmental, Social and Governance (ESG) factors will continue to play an important role in the Fund's investment strategy. We anticipate future sustainability wishes and requirements in both acquisitions and the existing portfolio and ensure resilience to climate change. This is how we build on financial and social returns.

The Fund's contribution to Real Value for Life

Fund return



Realised 2020

-4.3%

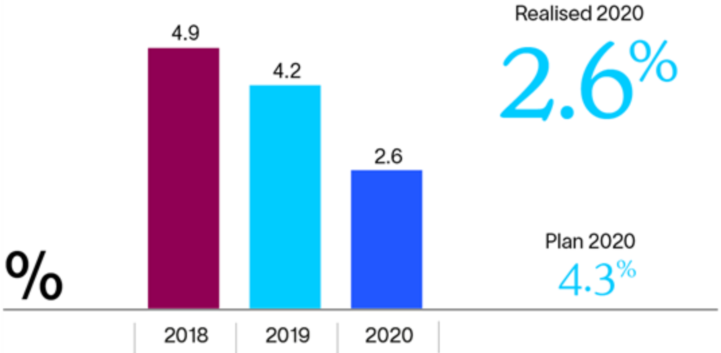
Plan 2020

5.3%

Long-term average target

5.5%- 7.0%

Fund income return



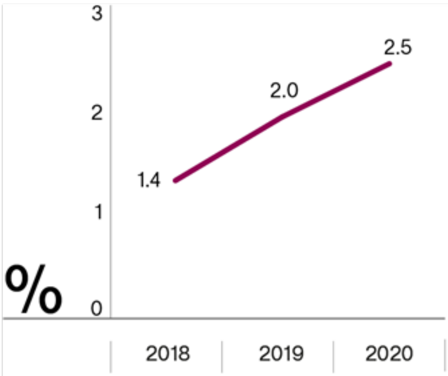
Realised 2020

2.6%

Plan 2020

4.3%

Like-for-like rental income



Realised 2020

2.5%

Plan 2020

0.8%

Acquisitions (x € MILLION)

Realised 2020

-

Plan 2020

€ 184

Investments (x € MILLION)

Realised 2020

€ 31

Plan 2020

€ 50

Occupancy rate

Realised 2020

100.0%

Plan 2020

min 100.0%

G10 cities

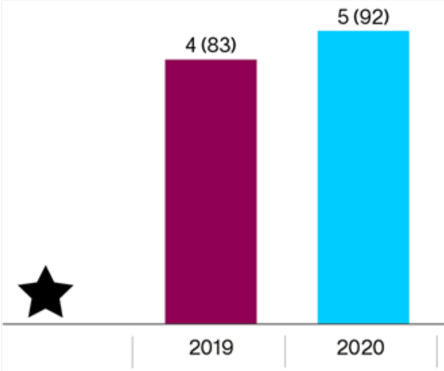
Realised 2020

100.0%

Plan 2020

100%

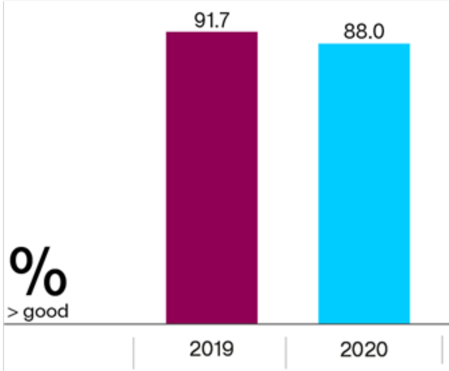
GRESB star rating (score)



Realised 2020

5 star rating
(92 Points)

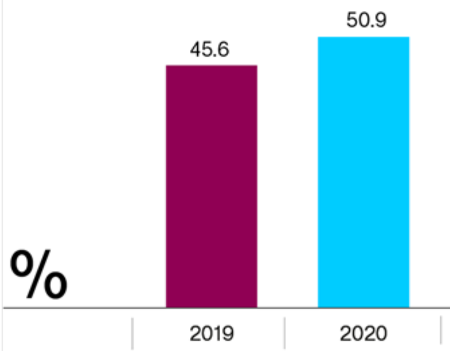
BREEAM builing label



Realised 2020

88.0%

Energy label (A)



Realised 2020

50.9%

Tenant satisfaction (score)

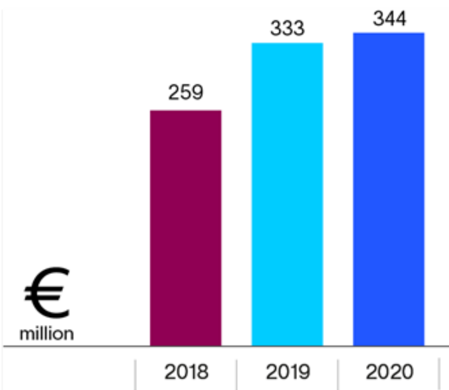
Realised 2020

7.3

Plan 2020

7.0

NAV (x € MILLION)



Realised 2020

344

Plan 2020

384

Dividend paid per share

Plan 2020

€ 369.20

Realised 2020

€ 253.63

Issued capital (x € MILLION)

Plan 2020

€ 65

Realised 2020

€ 35

Key performance over five years

All amounts in € thousands, unless otherwise stated	**2020**	2019	2018	2017	2016
Statement of financial position					
Total assets	366,282	353,230	261,567	223,520	190,867
Total shareholders' equity	344,320	333,192	259,111	221,610	189,232
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	253.63	346.55	379.45682	406.6	370.76
Net earnings (in €)	(410.05)	1,868.71	1,282.73	1,019.32	826.80
Net asset value IFRS (in €, at year-end)	9,276.87	9,935.93	8,456.35	8,864.40	7,569.28
Result					
Net result	(14,749)	60,256	38,351	25,483	20,670
Total Global Expense Ratio after tax (TGER)	0.57%	0.54%	0.54%	0.50%	0.55%
Real Estate Expense Ratio (REER)	1.65%	0.40%	0.34%	0.40%	0.47%
Fund return					
Income return	2.6%	4.2%	4.9%	5.3%	6.0%
Capital growth	(6.8)%	17.6%	11.7%	7.8%	8.0%
Total Fund return	(4.3)%	22.3%	17.0%	13.4%	14.3%
Portfolio figures					
Investment property	328,236	305,878	231,136	180,347	168,967
Investment property under construction	20,152	34,386	26,186	36,357	16,269
Gross initial yield	5.9%	5.5%	5.7%	6.2%	6.6%
Total number of properties	7	6	5	4	4
Average rent per room (in €)	12,019	11,339	10,708	10,703	10,607
Financial occupancy rate (average)	100.0%	100.0%	100.0%	100.0%	100.0%
Property performance (all properties)					
Income return	3.3%	4.9%	5.6%	5.9%	6.5%
Capital growth	(6.8)%	18.1%	12.1%	7.9%	7.5%
Total property return	(3.7)%	23.8%	18.3%	13.8%	14.0%

Message from the Director Dutch Hotel 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 Covid-19 pandemic has had a dramatic impact on the hospitality sector in general and the hotel market in particular. Due to travel restrictions demand from international tourists and business travellers virtually dried up in the immediate aftermath of the outbreak. And while tourism figures recovered slightly when restrictions were eased, most people are still reluctant to travel amidst so much uncertainty. As a result, many hotels have seen their occupancy levels plummet and the risk of financial hardship and even bankruptcy has increased sharply for operators dependent on international tourists and business travellers. However, we do expect long-haul and international travel to recover once vaccination is widespread and travellers become more confident. Business travel will take longer to return to normal levels, due to the significant increase in the use of online meetings and digital technologies.

'The pandemic badly affected hotels, but the fundamentals and resilience of the sector give cause for an optimistic outlook.'

Bas Jochims
Director Dutch Office Investments

Thanks to a strong rise in the number of 'staycations', hotels able to attract domestic tourists performed reasonably well in the summer of 2020, especially those near the coast or in the countryside. And many hotel operators, especially those in the big cities, came up with highly innovative and creative solutions to generate revenues during the crisis, including use as office space and student accommodation. After a reasonably good summer, the increase in infection numbers and the resultant Q4 lockdown, in which hotels were allowed to remain open but not serve food, put another severe dent in hotel revenues.

The Hotel Fund responded quickly to the outbreak of the virus and immediately increased our engagement with both tenants and client. We stepped up our communications with tenants, to engage with those hardest hit. Hotels were forced to close in the immediate aftermath of the outbreak and survived the crisis by calling on their reserves, government support and financial help from shareholders. We also reached tailor-made rent deferral and rent reduction arrangements with virtually all our tenants. We will continue to adjust these arrangements in line with the latest developments to help our tenants through the worst of the crisis.

On a more positive note, we able to use rent negotiations to gain structural access to operating revenues, enabling us to assess risks more accurately. We were also able to add so-called green clauses to two leases and negotiate on bank guarantees, fees to parent companies and other issues.

The Fund also increased communications with our client, to share with them the impact of the various scenarios on the Fund's portfolio and projected returns. Very importantly, we worked with our peers and the Association of Institutional Property Investors in the Netherlands (IVBN) to come up with ideas on how to deal with issues we all faced.

The Covid-19 pandemic showed that we made the right choice opting for fixed-rent leases, rather than revenue-related contracts. While we were affected by loss of rental income due to rent deferrals and reductions, we did not suffer any losses as such. The crisis also revealed just how resilient the tourist sector is, as domestic tourism picked up very quickly after the lockdown. We will continue to strive for a good balance of leisure and business guests in our portfolio. Extended stay is another solid proposition in the current climate and our acquisition process focuses on this concept in markets outside Amsterdam. Amsterdam was the hardest hit, due to its dependence on international travellers (both tourists and business travellers), but the capital will also recover the most quickly as global tourism recovers to more normal levels.

Given the current situation, the Hotel Fund has lowered its growth target to € 455 million at year-end 2023, from the 2019 target of € 538 million, and will need additional funding to realise this target. We did add the Postillion hotel in Rotterdam to our portfolio and we redeveloped this asset in 2020. On the whole, we are taking a cautious stance on acquisitions, as building costs remain high, while valuations are under pressure. The lack of market transactions is also making the pricing of hotel assets difficult. We do expect to resume our acquisition strategy once the dust has settled and the outlook for the hotel market is clearer.

We continued to make progress on our sustainability strategy. We obtained our first GRESB 5-star rating and improved our score by nine points, making the Fund global sector leader and number one in the Netherlands and Europe for the third consecutive year. Our entire portfolio is now BREEAM certified and we closed two more green leases with our tenants. We are now ready to roll out our new EMS system in 2021, and we have finalised our roadmap for the measure we will need to take to make our portfolio Paris Proof by 2035, or earlier.

The outlook for returns was quite grim at the start of the Covid-19 outbreak, but this turned out to be far less serious than initially expected. We were able achieve a total return of -4.3%, which was more positive than our initial forecasts in the second and third quarter of -18.1% and -5.4% respectively. Covid-19 will have an impact on valuations but this will be gradual, due to a lack of market references. The impact of the crisis will be felt more immediately in our income return, due to rent deferrals and rent reductions, and the fact that some tenants may prove unable to catch up with payments.

Despite this, we are cautiously optimistic about the medium and long-term outlook for the hotel sector and our own portfolio. Given the poor short-term outlook for the hotel sector, we do expect to see less interest from investors for the immediate future. This could well create opportunities for investors with a long-term perspective. Any deterioration in the Dutch and global economies will impact the business travel segment and this is unlikely to recover anytime soon. However, once the global vaccination drive takes off, global tourism will start to recover. The long-term fundamentals of the hotel market remain strong, despite current setbacks and it has repeatedly demonstrated its resilience in the face of various crises.

Finally, I would like to take this opportunity to thank our clients 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 kept our tenants and our clients front of mind at all times 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 as well as we did from what was an exceptionally difficult year.

Bas Jochims
Director Dutch Office & Hotel 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

Hotels have been directly affected by the Covid-19 crisis, including very low occupancy rates and (temporary) closures during the first lockdown. Hotels were allowed to keep their restaurants open for a good deal of the year, but were forced to close them at the start of the second lockdown in mid-December. As a result of Covid-19, many hotel entrepreneurs are facing major financial challenges. The Dutch government launched a set of emergency measures to mitigate the financial burden placed on companies by the Covid-19 outbreak. However, despite these measures, the hotel sector is expected to face some difficult months ahead in view of the continuing travel restrictions. We expect a rise in the number of bankruptcies.

On Budget Day 2020 ('Prinsjesdag'), the Dutch government announced a proposed adjustment of the real estate transfer tax (RETT) for all real estate classes as of January 2021. Specifically for commercial properties, the transfer tax will increase to 8% from 6%, increasing the pressure on the pricing of commercial assets. Given the current absence of transactions, it is still too early to predict the impact the higher RETT will have on investments in the Dutch hotel sector.

Occupier market

The Covid-19 outbreak resulted in a sharp drop in the numbers of tourists and business travellers in 2020 compared with the previous year. Many hotels were completely or partly closed at the end of Q1 2020, to safeguard their personnel and their customers and due to the lockdown. Many hotels reopened (partly) in Q2, while the summer saw a revival in demand due to a rise in domestic tourism. This revival was largely outside the large cities. In the final months of 2020, occupancy rates were very low due to travel restrictions. The sharp drop in demand was mainly due to fewer non-European tourists and business bookings. Demand from European tourists is volatile, as travel restrictions varied from country to country and from month to month. Hotels in Amsterdam and around Schiphol airport performed considerably less well than hotels near the coast or in rural areas, which saw a pick-up in domestic tourism.

Due to the travel restrictions and lockdowns, the Revenue Per Available Room (RevPAR) plummeted in 2020, especially in Amsterdam and around Schiphol airport. According to Horwath, the estimated RevPAR stood at €42 in the Netherlands in 2020, considerably lower than in 2019. The hotel market is expected to recover in 2021 compared with 2020.

Occupier key factors	2021 forecast	**2020**	2019
Growth overnight stays The Netherlands y-o-y*	↗	(41.4)%	+5.4%
Growth overnight stays Amsterdam y-o-y	↗	(61.8)%	+10.2%
RevPAR all hotels**	↗	€ 42	€ 94
RevPAR Amsterdam & Schiphol	↗	€ 41	€ 129

**Growth in 2019 concerns y-o-y growth versus 2018; growth in 2020 concerns growth Q1-Q3 2020 vs Q1-Q3 2019; Source: CBS*
**RevPAR data 2019 is actual; 2020 is estimated. Source: Horwath HTL*

Investment market

The Dutch real estate investment market started the year strongly, with an investment volume of € 3.9 billion in Q1 2020. However, following the Covid-19 outbreak and the resultant 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 seen in this segment was largely due to lagging investment supply.

Overall investments in Dutch real estate totaled € 18 billion in 2020. While this 15.7% lower than 2019 investment volumes, 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.

As the hotel market is currently in dire straits, investor interest is subdued. The hotel sector generated investment volumes of € 0.2 billion in the full year 2020, which is substantially lower than previous year (2019: €1.5 billion). We did not see any distressed hotel transactions in 2020, but these deals may come in 2021. There are still investors who believe in the resilience of the hotel market, for instance for leisure hotels and serviced apartments due to be completed over the next few years. The Covid-19 outbreak has led to yield decompression in the hotel sector. It is still difficult to estimate the magnitude of the decompression due to the lack of market transactions. The prime gross initial yield for 2020 was estimated at 4.00% - 4.50%, coming from 3.75% in 2019. As there is still investor appetite for hotels, positive scenarios predict yields to decline.

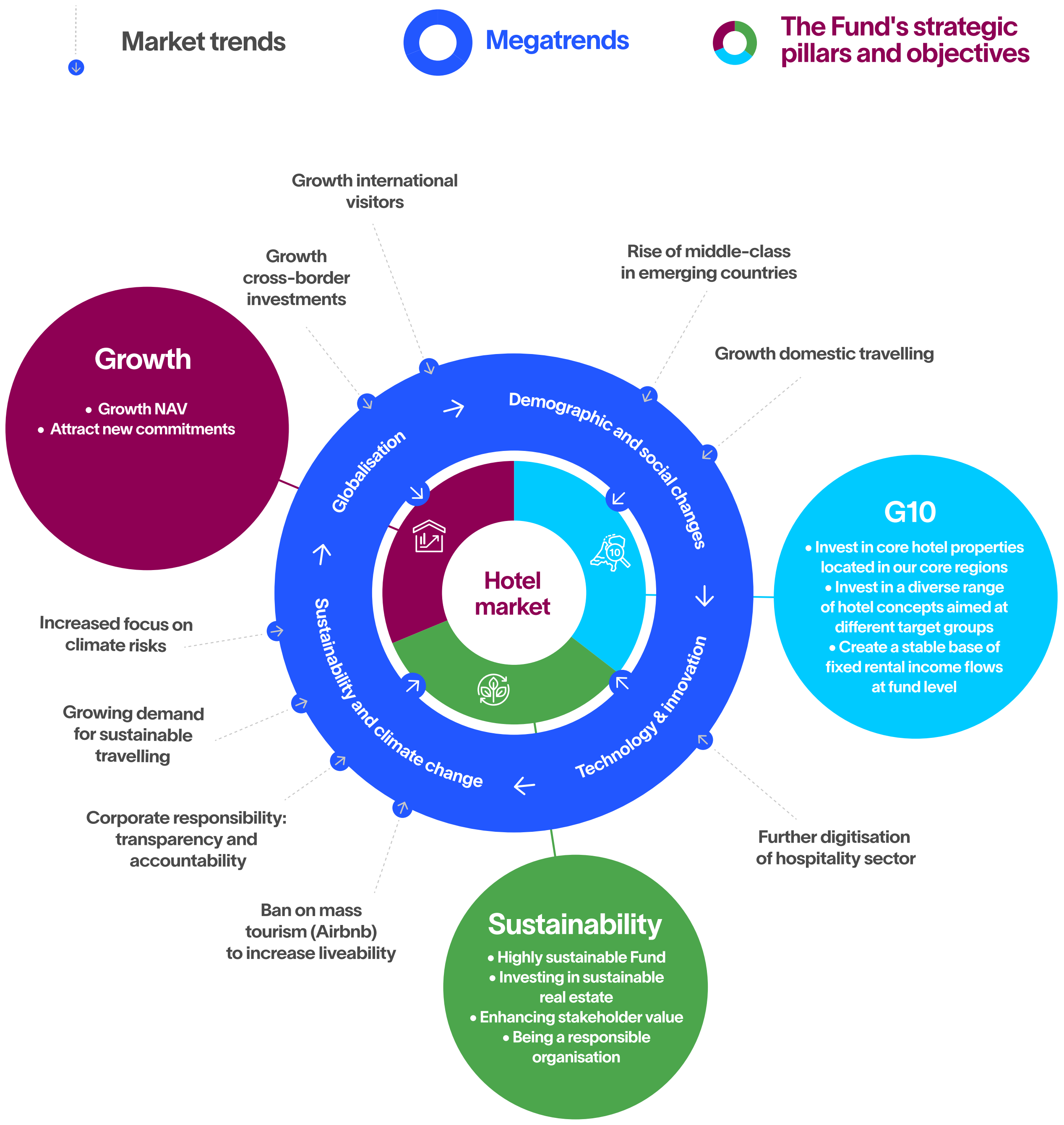
Investment key factors	2021 forecast	**2020**	2019
Prime Gross Initial Yields	↓	4.00%-4.50%*	3.75%
Investment volumes (€ bln)	↗	0.2	1.5

**Due to a lack of market evidence (transactions), this is an estimate based on market sentiment.*
Sources: JLL, Colliers, Bouwinvest Research & Strategic Advisory

Market outlook 2021-2023

In November 2020, Bouwinvest published its Real Estate Market Outlook 2021-2023. We refer you 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.

Hotel market



Fund strategy

Fund characteristics

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

Strategic pillars

Pillar	*Strategic objectives*	*Link to performance*
Growth	Atract new commitments	• Attract investors • Acquisitions
G10	Invest in core hotel properties located in our core regions	• Core regions: G10
	Invest in a diverse range of hotel concepts aimed at different target groups	• Type of property • Star ranking • Number of rooms • Tenant mix
	Create a stable base of fixed rental income flows at fund level	• Expiry dates • Allocation by risk
Sustainability	Highly sustainable Fund	• GRESB
	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

- Working closely with hotel operators on maintenance, turnover potential and ESG performance.
- Monitoring trends and developments in the hotel market, in combination with analyses and assessments of hotel operating results and prognoses.

Franchise and management agreements

- Professional hotel operator acts as a lessee to the Fund, while they close a management or franchise agreement with an effective hotel brand.
- Find intermediaries for transaction with some of the world's leading hotel brands.

Benchmarking

- Maintaining strategic and professional relationships with vendors, real estate developers, real estate agents, national government, local municipalities and corporations
- Partnering with lobby groups, network organisations and sector organisations.

Innovation

- Fostering a culture of innovation
- Data gathering and advanced analytics
- Enhancing involvement in technological development
- Collaboration with proptech startups and scale-ups

Investment objectives

5-year average Fund return	Invest in sustainable real estate
Target 5.5%-7.0%	*Target* GRESB 5 stars
Realised 2016-2020	*Realised 2020*
12.2%	GRESB 5 stars

	Target	*Realised 2020*
Diversification in regions, concepts, brands and operators (see diversification guidelines)	100%	100%
Aim for a stable base of fixed rental income flows at Fund level	100%	100%

Diversification guidelines

	Target	*Realised 2020*
Invested in low or medium risk categories	>80%	100%

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

	Target	*Realised 2020*
≥50% of forecast rental income is fixed	≥ 50%	100%
<20% invested outside core regions	<20%	0%
>50% invested in strong international brands/ operators	>50%	52%
>75 rooms per hotel; >100 rooms average	>75 rooms	>82 rooms/hotel (average 215 rooms/ hotel)
<10% invested in non-core (non-hotel) properties	<10%	0
No investments will have a material adverse effect on the Fund's diversification guidelines	0	0

≥50% of investments in Amsterdam/Schiphol area	>70% in 2, 3 and 4-star segments
Target ≥ 50%	*Target* >70%
Realised 2020	*Realised 2020*
90.1%	100%

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

Postillion connects worlds in WTC Rotterdam

Real Value for Life

The drastically renovated WTC Rotterdam has been home to Postillion since 2015. The hotel operator that developed the 'Meet-Work-Stay' concept can now unveil this concept in all its glory in Rotterdam. We talked to Postillion managing director Erik-Jan Ginjaar.

From office to hotel

The conversion of a part of the office space into 168 hotel rooms for Postillion is a major part of the transformation of the WTC building. This building now offers everything the business world could want or need, all under one roof. And the fact that WTC Rotterdam has undergone a sustainability upgrade is a perfect fit with Postillion's own sustainability ambitions. Sustainability rating agency Green Key has now awarded all Postillion hotels a gold rating for their efforts on the sustainability and corporate social responsibility fronts.

Postillion currently has seven locations in the Netherlands. These are typically located next to motorways. The WTC building in the Rotterdam city centre is a special exception to this rule. Erik-Jan Ginjaar explains why Postillion chose this ostensibly different location: 'Back in 2015, we had already taken 8,700 m^2 into operation in the Rotterdam trade centre, under a lease with the Bouwinvest Office Fund. This included 37 rooms we could use for our trade fairs and events. The location is perfect for those: we're right above a Rotterdam metro station and accessibility by car is also excellent, as there are two parking garages.' Postillion then came up with a plan to add a hotel to the facility. This opened on 1 April 2021. 'People can attend meetings and conferences and then stay overnight: we have everything under one roof. That adds a huge amount of value, certainly for our international conference attendees. It makes our hotel in WTC Rotterdam truly special. It also strengthens our position on the national and international conference market'.

'The mix of functions is vital for our 'Meet-Work-Stay' formula. We can offer pretty much everything at WTC Rotterdam. Also in these difficult times, with Bouwinvest's support'. **Erik-Jan Ginjaar,** managing director Postillion Hotels

When the Covid-19 pandemic hit the Netherlands, Postillion was quick to approach Bouwinvest, the owner of the building: 'We sought each other out and in a very amicable atmosphere we looked for potential solutions, from the perspective of both businesses. We were able to reach good arrangements on that front. We both have every faith that people will still need to come together in physical meeting places and that we will see business conferences being held in WTC Rotterdam in the future'.

Performance on strategy

Portfolio characteristics

- Total property value: € 309.6 million (7 assets) at year-end 2020;
- Total Fund return: -4.3% (Fund income return 2.6%);
- Occupancy rate: 100%;
- Long-term leases: WALT of 18.4 years;
- Core regions: 100% in Amsterdam, The Hague and Rotterdam;
- GRESB 5-star rating (92 points), sector leader in European and global (unlisted) peer group;
- 100% of assets BREEAM NL In-Use certified, 100% GOOD or better;
- Green energy labels (A/B/C): 100% (A label: 51%).

Performance on growth

Focus on growth

The Hotel Fund has a moderate growth strategy and is now targeting invested capital of € 455 million at year-end 2023, down from the previous target of € 538 million at year-end 2022 set in the previous fund plan. This implies NAV growth of € 111 million in the period 2021 to 2023. 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 that may arise form distressed sales and a potential recovery of the hotel market based on strong fundamentals, we expect to meet our growth target for the coming plan period.

Investments and divestments

In 2020, we proceeded cautiously with our acquisition activities to remain active on the market. Due to the pessimistic short-term forecast with respect to expected RevPAR and the fact that banks are reluctant to finance or refinance hotels, there is an increasing chance of distressed sellers in 2021. The distressed hotel market may offer opportunities for discounted acquisitions. One of the opportunities we have identified is for affordable and distinctive design formulas in attractive locations with a focus on leisure tourism for domestic and European visitors. These formulas tend to become part of the fabric of a city, as they offer much more than rooms for visitors. Another very attractive niche in the hotel market is serviced apartments, a segment that is a fit with the trend toward more mixed-use developments in urban areas.

The acquisition processes for new developments tend to be both prolonged and complex. You have to agree with local authorities on zoning restrictions and with construction firms on the programme of requirements. And of course you have to reach agreement with the hotel operator, which is remarkably difficult if you have not already arranged all of the above. If the hotel property is part of a mixed-use project and the developer is selling various parts of the project to different buyers, the entire process is even more complicated. However, the Fund is currently involved in a number of development projects for hotels in Maastricht, Utrecht and other cities and despite the many challenges we believe we will be adding at least some of these projects to our secured pipeline. In these uncertain times, it is hard to predict which projects will lead to a successful transaction. One of the main reasons for these uncertainties is the fragile feasibility studies for these new-build developments due to high building costs in combination with high purchase price expectations, the impact of the Covid-19 crisis and protective return requirements.

Investments 2020

The Fund added one hotel, Premier Suites Hourglass, to the portfolio in the second quarter of 2020. The investments of € 32 million were related to funding for Premier Suites Hourglass and pipeline project Postillion WTC Rotterdam.

Added to the portfolio in 2020

Premier Suites Hourglass

Location
Amsterdam
Segment
Extended stay
Number of rooms
115 rooms

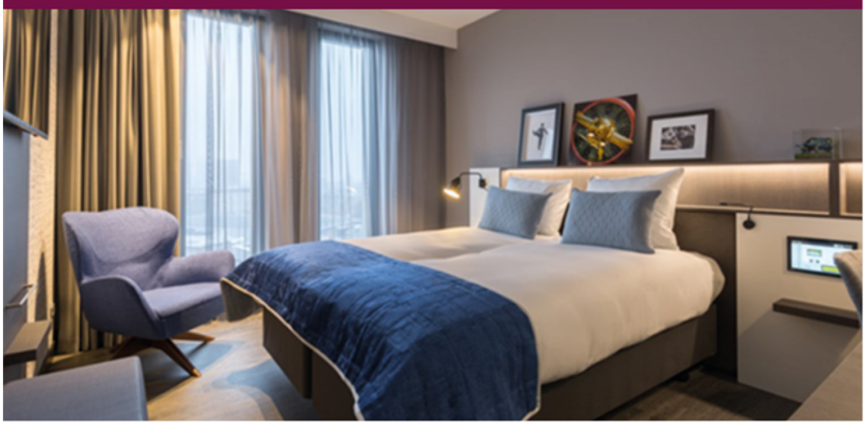
The Fund has closed a long-term (20-year), fixed-rent lease with tenant Premier Suites for the 4-star Hourglass hotel. Funding started in the third quarter of 2017 and the hotel was delivered in the second quarter of 2020. Premier Suites will be the first extended stay hotel in the Zuidas business district.

The PREM Group is an International Hotel Management Company. Established in Dublin in 1996, they specialise in operating hotels and serviced apartments across Ireland, England, Belgium, France and the Netherlands. Their portfolio combines a mix of owned, leased and managed assets across all hotel sectors, from budget to 4-star, city centre hotel to country resort.

The hotel was awarded a BREEAM–NL New Construction Excellent certificate and an energy label A.

Secured pipeline 2020

Postillion, WTC Rotterdam



Location
Rotterdam
Segment
4 star hotel
Number of rooms
168 rooms

Postillion WTC Rotterdam is a 4-star business hotel in the city centre of Rotterdam. Tenant Postillion is a national hotel operator that operates six hotels and three convention centres (including one in WTC Rotterdam) in the Netherlands.

The development was completed in January 2021 and the tenant is expected to finish the fit-out in the near future. The hotel is is expected to open for business in Q2.

The Fund aims to obtain a BREEAM-NL In-Use VERY GOOD and an energy A-label. The hotel will make use of a thermal energy storage system currently under development.

Transactions 2020

Due to the tight investment market and the Fund's strategy, acquisitions have been difficult in recent years. The Fund did not make any acquisitions in 2020.

Due to Covid-19-related uncertainty, the Fund is cautious about entering new negotiations. Meanwhile, we are keeping a close eye on new opportunities, which may arise due to distressed hotel operations.

Divestments 2020

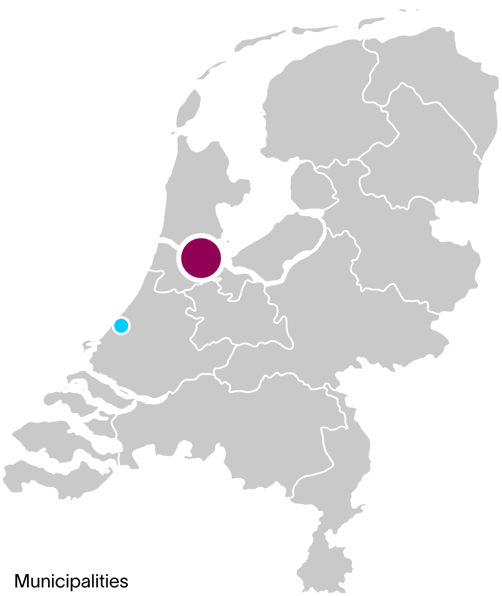
The Fund did not plan any divestments for 2020 and none were executed.

Performance on G10 cities

Core regions: G10 cities

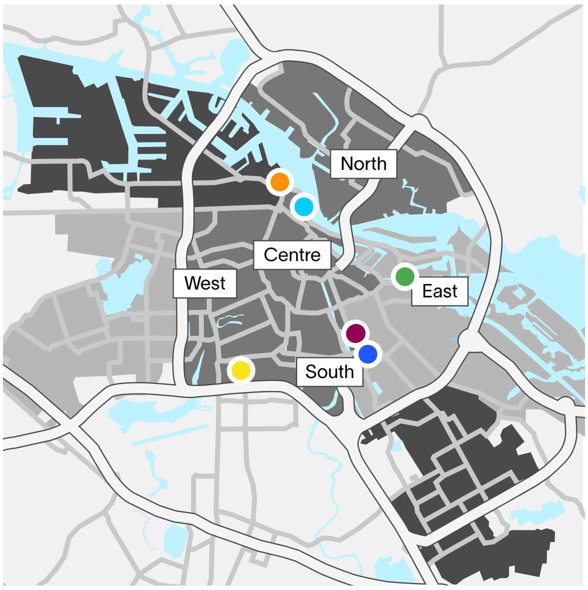
In 2018, the Fund expanded its core region policy from the Dutch G6 hotel cities to the Dutch G10 hotel cities (Amsterdam, The Hague, Rotterdam, Utrecht, Maastricht, Eindhoven, Arnhem, Groningen, Haarlem and Leiden). To identify the most attractive cities for hotel investments, the Fund takes into account the following indicators:

- Size of the hotel market
- Financial size of the hotel market
- Hotel key figures



Municipalities
(100% of the portfolio)

●	Amsterdam	89.5%
●	The Hague	10.5%

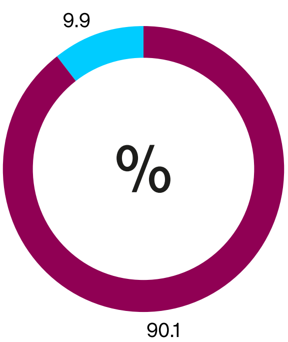


Hotels in Amsterdam

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

The plan is to have at least 80% of the total portfolio value invested in properties in the G10, with at least 50% in the Amsterdam/Schiphol Airport region. Currently 100% of the total portfolio value is invested in properties in the G10 and 90.1% is invested in Amsterdam. The acquisition of the hotel section of WTC Rotterdam will reduce this percentage in 2021.

Allocation of investment property by core regions based on market value



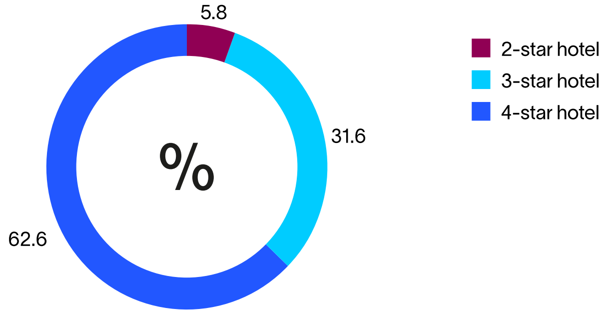
Major segments

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

Star ranking

The Fund aims to have at least 70% of the total portfolio value invested in 3 and 4-star hotels. This currently stands at 94.2%.

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



Number of rooms

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

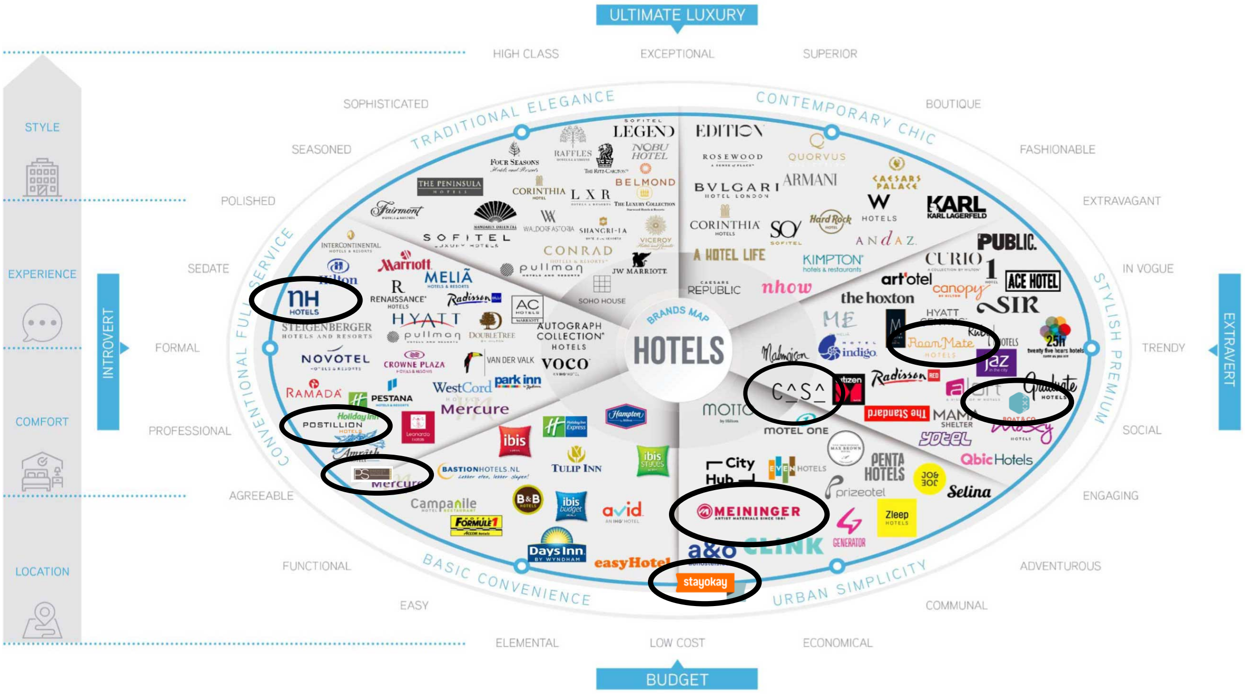
Number of rooms per hotel

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

Tenant mix

We prefer to invest in hotels managed by management companies operating in multiple countries/regions. The Fund's aim is for at least 50.0% of the total portfolio value to be invested in strong international brands/operators (hotels with management companies operating in multiple regions). This currently stands at 52.3%.

The Fund's hotel brands



Source: Brand map by Colliers

Expiry dates

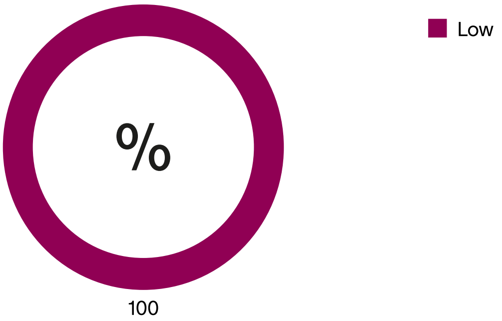
All hotels have long-term leases with expiry dates beyond 2030. The first expiry date is for NH The Hague in 2030, while the expiry date for Premier Suites Hourglass in Amsterdam is 2040.

Allocation by risk

In terms of risk diversification, at least 90% of the investments must be low or medium risk. The actual risk allocation as at year-end 2020 is shown in the figure below. All properties are assessed separately on an annual basis. At year-end 2020, the Fund was classified as 100% low risk and as such was consistent with the framework of the Fund conditions.

Investments related to Hotel Postillion WTC Rotterdam will maintain the Fund’s low-risk profile.

Allocation of investment property by risk category based on market value



Performance on sustainability

Highlights performance on sustainability 2020

- Improved GRESB score by nine points to a total of 92; achieved GRESB 5-star rating and ranked GRESB Global Sector Leader for second consecutive year
- 100% of investments are BREEAM-certified assets; all with a minimum GOOD rating
- 100% green label portfolio; average energy index of 0.9; 50.9% A label
- Installed a total of approx. 175 kWp in solar panels
- Three rental contracts with a sustainability clause, which is 42.8% of all contracts
- 100% of construction sites registered under the Considerate Constructors Scheme ('Bewuste Bouwer')
- Coverage of 100% AEDs within six minutes walking distance
- Signed Dutch Green Building Council's Paris Proof commitment to become net-zero carbon at the end of 2045. In 2020, the Fund started drawing up up a roadmap to become Paris Proof in 2045.

Focus on sustainability

The built environment consumes around 40% of the world’s energy and accounts for up to 30% of the world’s annual GHG emissions. Additionally, the building industry is a large user of raw materials. As a global real estate investor, 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 and resilient portfolio by 2045 (approx. 100 kWh/m^2 GLA per year). In addition to energy and CO_2 reductions, our ambition also includes an analysis of climate-related risks at asset level, including a plan on how to mitigate these risks to make the portfolio resilient. We have set out clear targets for the reduction of our environmental footprint and improving our positive social impact.

To make a start, we have formulated the following Paris Proof objectives for the mid-term:

- 2021-2030: a 5% year-on-year reduction in GHG emissions for the total portfolio (general and tenant consumption)
- 2030: Our portfolio has an average energy label A (energy index <1.0)

Furthermore, we pay devote 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.

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

Sustainable development goals

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

Highly sustainable Fund

Our goal for 2020 was to continue to improve our GRESB score and achieve a 5-star rating. Last year, we improved our overall GRESB benchmark score by nine points, taking it to 92 from 83 points. As a result, the Fund now has a GRESB 5-star rating. This is the highest rating and puts the Fund in the worldwide top 20%. The Fund was ranked sector leader Europe and Global (unlisted) for the second consecutive year. Our target for 2021 is to once again improve our score and retain our 5-star rating.

In 2020, we devoted particular attention to the quality of our tenants' ESG policies and to increasing the sustainability of our procurement activities. We are currently in talks with all our tenants on closing green leases. These leases incorporate the Fund's and the tenant's sustainability targets. The Fund closed a number of green leases in 2020 and will continue with the roll-out of these leases in 2021.

GRESB score 2020

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

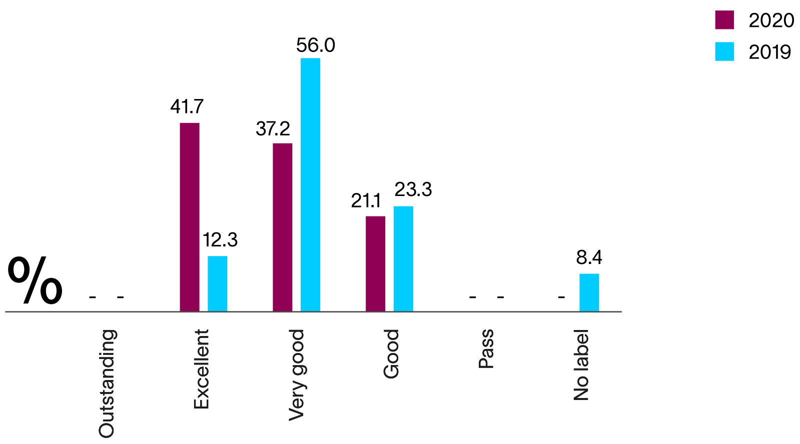
Investing in sustainable real estate

Sustainable buildings and investments

In 2020, we carried out a number of targeted actions to improve certification on Asset Performance and Building Management for the assets in our portfolio. We also initiated a BREEAM portfolio strategy. We will be carrying out targeted actions to gain a

BREEAM-NL In-Use minimum VERY GOOD certification on Asset Performance and Building Management for every asset in the portfolio.

BREEAM-NL certifications



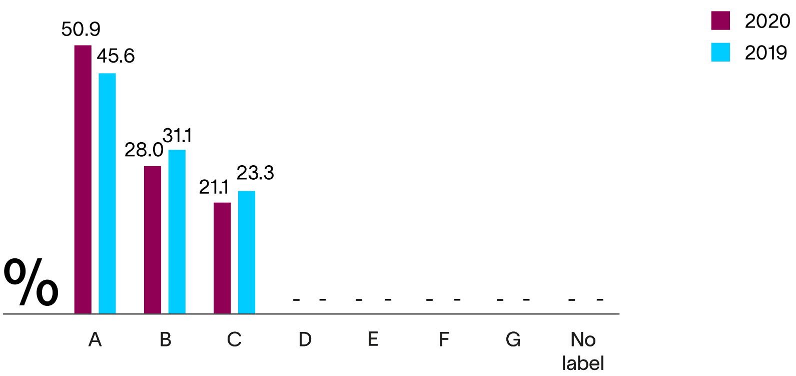
We aim for continuous improvement, which is why the Fund redefined these targets in the Fund Plan 2021-2023 in such a way that we are now aiming for 100% BREEAM-NL-In-Use VERY GOOD labels at asset performance and building management level by the end of 2021. Up to this point, we have focused on certification at asset level.

Green portfolio

The Fund is constantly looking for the best ways to reduce our environmental impact or to have a positive commercial or social impact both effectively and cost-efficiently. For instance, the target for our portfolio is to have a weighted average energy label A by 2030. Two of our hotels in Amsterdam (Casa and Aitana) have a great deal of glass frontage, which results in a lot of heat loss in colder weather, and therefore have B and C energy labels. We are still looking at a number of options to improve these energy labels without changing the frontage of the buildings.

Another target related to sustainability at asset level is to achieve a 100% green portfolio (EPC label A, B or C) in 2021. All our assets have been awarded a green energy label. The distribution of energy labels in the portfolio is shown below. The delivery of Premier Suites in 2020 improved the weighted average energy index. Investment properties under construction in 2020, in this case Postillion WTC Rotterdam, are excluded from this overview. The Fund expects to receive an energy label A for the Postillion hotel upon delivery.

Distribution of energy label by floor space (m²) in %



The Fund redefined these targets in the Fund Plan 2021-2023 in such a way that we are now aiming to receive energy label A for at least 65% of the portfolio (energy-index <0.9) in 2021. With 50.9% A-labelled and an average energy index of 0.9, we are well on track for 2021.

Environmental impact

Bouwinvest committed itself to the Paris Proof ambitions of the Dutch Green Building Council (DGBC). The Fund has drawn up a roadmap for the realisation of its goal to be net-zero carbon (Paris Proof) before 2045. In 2021, the Fund will implement the technologies, measures and costs related to the implementation in our strategic maintenance plan for the coming years.

Energy consumption and GHG emissions

In 2020, the Fund saw a decrease in energy consumption of 29% on a like-for-like basis, while GHG emissions decreased by 22.7%. In early 2021, we increased our target for the reduction of energy consumption and GHG emissions to 5% per year from the previous 2%, bringing this target into line with (international) climate goals (reduction of 95% in CO_2 emissions in 2050 compared with 1990).

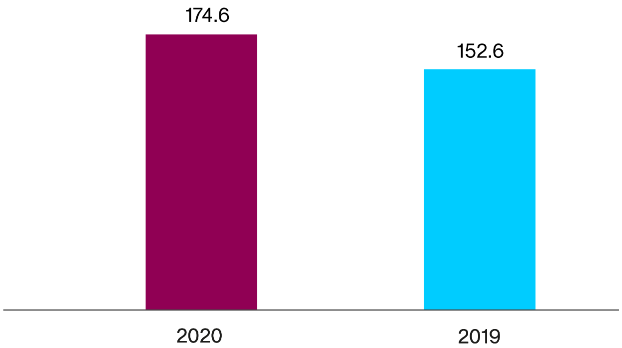
Renewable energy production

In 2020, our target for renewable energy generated on-site via solar panels was 300 kWp by the end of 2021. In 2020, we installed solar panels on Boat&Co and Hourglass (Premier Suites). These solar panels generate 175 kWp of energy.

In 2020, the Fund raised its targets for the reduction of its environmental impact in the period 2021-2023:

- Renewable energy: increase percentage of renewable energy
- Energy consumption: average annual reduction of 5% from 2021
- GHG emissions: average annual reduction of 5% as from 2021
- Water use: average annual reduction of 2%
- Waste: Increase recycling percentage

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 (DGBC).

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 markets. 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. The survey revealed that we are on the right track on the ESG front, but also that we could improve how and how much we communicate with our investors on the progress we are making towards achieving our ESG ambitions. These and other actions will help us to improve our client services and communications. 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 in late 2021 and the results will be available in early 2022.

Tenant engagement

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

In December 2020, we conducted a tenant survey and the results came in at an overall score of 7.3 in 2020 (7.9 in 2019) with a 100% response rate. The appreciation for Bouwinvest and the leased property is comparable to 2019, but appreciation for our property managers declined slightly compared with the previous year. In consultation with our property managers and our tenants, we will take measures to improve this in 2021.

Green rental contracts
As mentioned above, we devote specific attention to the quality of our tenants' ESG policies and making our procurement more sustainable. We started implementing green leases with our tenants in 2019 and continued with the implementation in 2020. These leases incorporate the Fund’s and a tenant’s sustainability targets. At the end of 2020, 43% of our tenants had a green lease contract.

Sustainable business partners

Corporate Social Responsibility (CSR) and energy efficiency are playing an increasingly important role in the hotel market. CASA, NH The Hague, Room Mate Aitana and the Meininger hotel all use thermal storage systems to supply heating, cooling and hot tap water. Hotel Boat&Co and Premier Suites use solar panels to generate (part of their) energy. NH The Hague has been awarded Golden Green Key status. The Green Key is an international eco label for businesses in the tourism and recreation industry and for meeting and conference venues with a major focus on sustainability, with gold being the highest award possible.

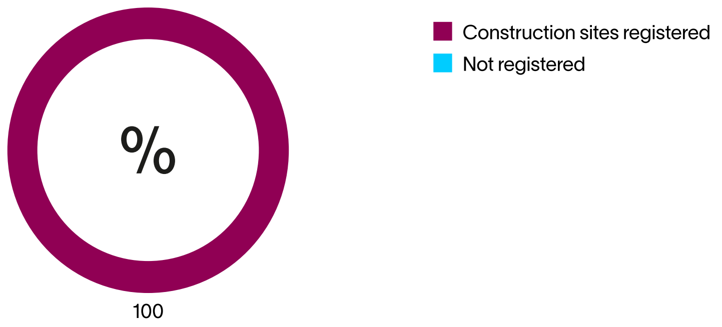
Sustainable stewardship

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, DGBC, INREV and ULI.

All the construction sites related to assets in the Hotel Fund are registered under the Dutch Considerate Constructors Scheme (‘Bewuste Bouwer’). This ensures the contractor deals with the concerns of local residents and addresses safety and environmental issues during the construction phase.

The target is to have more than 75% of the construction sites registered under the Considerate Constructors Scheme by the end of 2021. At the end of 2020, we easily met this target, as 100% of the construction sites were registered under the Scheme.

% of construction sites registered under Considerate Constructors Scheme



AED
Bouwinvest was one of the first real estate companies in the Dutch real estate investment sector to contribute to the establishment of a national AED (automatic external defibrillator) network, which it is estimated could save up to 2,500 lives every year in the Netherlands. The use of an AED offers the highest probability of survival within the first six minutes after a heart attack.

In 2020, we continued focusing on the installation of AEDs. We set the target that, at the end of 2021, our tenants and communities have an AED available within six minutes walking distance. At the end of 2020, 100% of our tenants and communities have an AED available within six minutes walking 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, which allow us to monitor our progress.

Financial performance

Return of the Fund

The Fund realised a total return of -4.3% in 2020, consisting of 2.6% income return and -6.8% capital growth. Net rental income, administrative and finance expenses are the main drivers for the income return. Capital growth was mainly driven by challenging market conditions, which led to lower valuations. The results for 2020 are below plan. The income return was lower due to higher than planned operational expenses. Valuations were impacted by the Covid-19 pandemic.

Fund performance	2020 Actual	Plan	2019 Actual
Income return	2.6%	4.3%	4.2%
Capital growth	(6.8)%	1.0%	17.6%
Fund performance	(4.3)%	5.3%	22.3%

Income return
Net rental income of € 11.4 million was € 4.5 million lower than the plan of € 15.9 million (2019: € 13.1 million). The most significant driver of the deviation from plan was an addition to the provision for doubtful debtors (€ 4.2 million). The addition to the provision was primarily set aside for expected rental discounts on outstanding rent receivables that were deferred during the year. Rental income of € 17.1 million was € 0.5 million lower than plan (€ 17.6 million) due to the later than planned delivery of the Postillion hotel in WTC in Rotterdam, partly offset by lower costs for land leases (€ 0.3 million).

Administrative expenses were on plan but finance expenses came in at a total of € 0.6 million, exceeding the plan of € 0.1 million. The difference of € 0.5 million in finance expenses was due to higher negative interest charges (€ 0.1 million) and land lease costs (€ 0.4 million). The difference in land lease costs, also visible in the net rental income, was due to the reallocation of these costs according to IFRS 16.

The income return declined to 2.6%, compared with the plan of 4.3%, due to lower net rental income and higher finance expenses.

Capital growth

The Fund realised capital growth of -6.8%, compared with a plan of 1.0% (2019: 17.6%). Valuations in the hotel market were under pressure as a result of the market conditions following the outbreak of Covid-19, which resulted in yield decompression. Aitana and Meininger in Amsterdam saw the most significant depreciations.

Property performance

The Fund's property return came in at -3.7%, compared with 23.8% in 2019. The sharp decline was a direct result of the Covid-19 pandemic. Valuations in the hotel market were under pressure, which resulted in negative capital growth. At the same time, the Fund supported tenants with tailor-made payment arrangements, including rent deferrals. The Fund set aside a provision for a significant part of the rent deferrals, due to the uncertainty regarding future developments, which in turn resulted in a lower income return.

Property performance	**2020 Actual**	2019 Actual
Income return	3.30%	4.9%
Capital growth	(6.8)%	18.1%
Property performance	(3.7)%	23.8%

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.

BOAT&CO

Extended stay

Amsterdam
The Netherlands

Shareholder information

Introduction

In this section, we summarise the Fund's financial management policies, activities and performance 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	17,790	14,927	2,863	19%
Operating expenses	(6,368)	(1,788)	(4,580)	256%
Net rental income	**11,422**	**13,139**	**(1,717)**	**-13%**
Net valuation gain / (loss)	(23,600)	48,915	(72,515)	-148%
Result on disposal	0	0	0	0%
Administrative expenses	(1,850)	(1,448)	(402)	28%
Finance expenses	(628)	(330)	(298)	90%
Income taxes	(93)	(20)	(73)	365%
Result for the year	**(14,749)**	**60,256**	**(75,005)**	**-124%**
Financial occupancy	100.0%	100.0%		
REER	1.65%	0.40%		
TGER	0.57%	0.54%		

The full-year 2020 came in at minus € 14.7 million, down from € 60.3 million in 2019 (-124%). The decline of € 75.0 million was mainly driven by lower valuations for the investment properties as a result of continued uncertainty as a result of the Covid-19 pandemic.

Revenues of € 17.8 million were € 2.9 million higher than 2019 (€ 14.9 million), driven by higher rental income, mainly due to the delivery of Hourglass in Amsterdam in 2020. As in 2019, the Fund realised the maximum occupancy rate of 100.0%.

Operational expenses of € 6.4 million were € 4.6 million higher than 2019 (€ 1.8 million). This increase was mainly driven by the addition of € 4.2 million to the provision for doubtful debtors. The addition to the provision was primarily for expected rental discounts on outstanding rent receivables that were deferred during the year. As a result of the increase in operational expenses, the REER increased to 1.65%, from 0.40% in 2019.

Administrative expenses, primarily consisting of the management fee, increased to € 1.9 million (2019: € 1.4 million). The increase of € 0.4 million was primarily due to a higher management fee (€ 0.3 million) as a direct result of the higher average NAV. The finance expenses increased by € 0.3 million to € 0.6 million following the delivery of Hourglass in Amsterdam (land lease costs were capitalised during the construction phase). Income taxes were higher in 2020, due to the taxable development activities in the subsidiary company of the WTC hotel in Rotterdam. Higher administrative and finance expenses, combined with the higher GAV, pushed the TGER up to 0.57% 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 the shareholders through four quarterly interim dividend payments and one final dividend payment.

The Executive Board of Directors proposes to pay a dividend of € 9.1 million for 2020 (2019: € 11.5 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 € 5.9 million or 65% 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 year-end 2020, the Fund did not have an unsecured pipeline.

In 2020, the Fund received no additional commitments from its investor. Last year, the Fund made three capital calls for a total of € 35.0 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 shareholders' dividend pay-out, ensure other obligations can be met and to manage the Fund's cash position.

At year-end 2020, the Fund had € 13.6 million freely available in cash. In 2020, the Fund's cash position increased by € 2.1 million compared with year-end 2019 (€ 11.5 million).

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 and 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 all FII requirements.

Fund governance

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

The Fund is governed in a robust framework with systems and processes to manage risks appropriately. Safeguarding the interests of its investors, integrity and transparency, the Fund fosters the following governance principles:

- The compliance function is independent;
- Conflicts of interests are avoided and managed through compliance with Bouwinvest's conflicts of interest policy;
- Robust checks and balances through established framework with lines of defence;
- Focus on process management: ISAE 3402 type II certified.

Rules and principles governing day-to-day business:

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

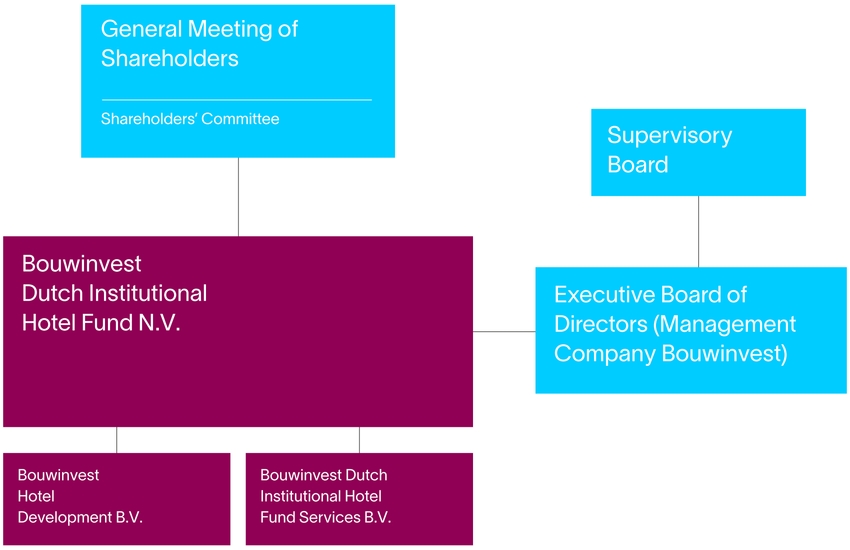
Structure of the Fund

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

Subsidiaries

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

Fund governance bodies



General Meeting of Shareholders

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

Manager of the Fund

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

Executive Board of Directors

Bouwinvest's Executive Board of Directors consists of the Chief Executive Officer, also Statutory Director, the Chief Financial & Risk Officer, also Statutory Director, the Chief 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

CASA Hotel
& student housing

Amsterdam
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, and 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 hotel operators and locations. Investment restrictions do not yet apply, and due to the importance of Amsterdam in the NL hotel market and limited size of the portfolio concentrations exists.
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.	Only long-term master lease contracts (with 100% occupancy).
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. As the Fund increases in size, anticipated acquisitions are becoming smaller relative to the Fund, reducing this risk further.
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).	Active payment collection strategy with dedicated department, supported by Covid-19 Taskforce to deal with impact of Covid-19.
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 (eg 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 hotel 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.

Market concentration risk

The Fund is still small (€ 344 million) compared with its future target size (>€ 750 million), which gives rise to certain market concentrations. Currently, 100% of the total portfolio value is invested in seven properties in the G10 and 90.1% is invested in Amsterdam, with the largest asset (Aitana Hotel) over 20% of the Fund's NAV. The acquisition of the hotel section of WTC Rotterdam will reduce this percentage in 2021, in line with the Fund's aim to improve regional diversification by adding 30% of the portfolio in the G10 hotel cities outside Amsterdam and The Hague.

Occupancy rate risk

The Fund's hotels are all fully let with long-term (expiry dates beyond 2029), fixed-rent leases and all have a customer rating of 8.2 points or higher on Booking.com. Our tenants in financial difficulties survived primarily thanks to support from the government and their banks, combined with our tailor-made payment arrangements (see Credit risk).

Valuation risk

Our qualified registered appraisers made their valuations with the greatest possible care. However, the Covid-19 crisis, that started at end-Q1 2020, has created a great deal of uncertainty worldwide. This led to re-appraisals that resulted in average capital growth of -6.8% in 2020, but this could also have an impact on the future valuations of hotel real estate. Due to fewer transactions in the market, our appraisers added a disclaimer in 2020: 'External valuations provide less certainty than they would in normal circumstances'. This situation may continue in 2021 and appraisers might take into account that yields and discount rates are likely to increase due to higher levels of uncertainty. The actual circumstances and forecasts may also force a reassessment of current market and passing rent levels, adding to the uncertainty with regards to net asset values.

Credit risk

Our leasing process focuses on strong, reputable tenants and includes risk and financial assessment of potential tenants, plus guarantees. The Covid-19 crisis has had a severe impact on the hotel market, decimating our tenants' room occupancy and room rates. As a result, most hotel operators have requested rent discounts and the postponement of rental payments, although some extended-stay hotels (including student accommodation) remain up to date on their rental payments. Although our hotel assets are all well positioned for the long term, the Fund has had to make financial concessions to support the continuity of our tenants' businesses. The Fund set aside a provision for doubtful debtors (booked as operational expenses) of € 4.2 million in 2020, despite the fact that most arrangements thus far involve the deferral of payments.

Liquidity risk

In 2020, the Covid-19 crisis led to an increase in outstanding rent, including deferred payments. Despite the sharp reduction in incoming rental payments, the Fund's liquidity position is still good. The Fund has sufficient available cash for projected dividend payments and operational expenditures well into 2021, while we can cover projected investments through capital calls on available funding.

Funding risk

In 2020, the Fund had sufficient available funding from our sole investor for the unfunded future commitments at the time of actual investments.

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 abolition 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 investigating 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 regime prevents double taxation for investors.

Another significant risk has required additional attention and this risk 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 the related risks. In line with the recommendations of 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, related to the need to adapt our real estate to future climate changes (an environment where 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. Within Bouwinvest, the Sustainability & Innovation department is dedicated to advising the Board on how to prepare 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 we will adapt our risk taxonomy 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 the 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.

Hand in hand through the crisis

Real Value for Life

It was a difficult start, says PREM COO Bouke Koppert, referring to the opening of the first extended stay hotel in the Zuidas business district. 'Obviously, nobody could have predicted this situation. Right from the start, we were in intensive consultations with Bouwinvest, the owner of the Hourglass building. The communications were transparent during the development of our hotel concept for this building, and they stayed that way. It was a process with short lines of communication and clear parameters, creating the perfect conditions for us to realise our brand standards in this building. And right from the outset it was also clear that we would both benefit from having a good hotel in this spot. Both of us are in this for the long-term'.

'Whether it's about minor snagging items or new investments in the building, Bouwinvest is always willing to talk about it'. **Bouke Koppert,** PREM Group

Based on that trust, PREM Group and Bouwinvest got together to discuss the best possible response to the new reality. 'For instance, the original plan was to open a restaurant on the 15th and 16th floors of the building. In open and frank consultations, it was decided to add 10 extra hotels rooms instead and realise catering facilities on the ground floor. We drew up the plans together and now we're waiting on permission from the Amsterdam city council'.

Looking to the future, Koppert is optimistic. He sees light at the end of the tunnel: 'Over the past six months, we have recorded three times the average revenue in the hotel market. We did see fewer expats, but more regular hotel guests. And we are getting excellent feedback from our guests. The concept appeals to people, especially our exceptional service – we really go the extra mile on that front, too. Of course it helps that we have been able to reach agreement with Bouwinvest on rental discounts and rental deferrals. That's another clear sign that this is a real partnership'.

The timing could not have been worse: the Premier Suites Plus entered the Amsterdam hotel market in mid-2020, right in the middle of the Covid-19 crisis. Located in the striking Hourglass building in the Zuidas business district, this Aparthotel targets people who want to stay in the capital for short or extended periods. The Covid-19-related lockdowns made it very difficult to realise those ambitions. However, thanks to open and constructive talks between PREM Group and Bouwinvest, the hotel operator managed to limit the damage.

PREM opens in Amsterdam

The Premier Suites Plus in Amsterdam consists of 115 apartments and lofts. Thanks to their varied sizes, they can be used by a wide variety of target groups. The Aparthotel is a wonderful addition to the Zuidas business district. This hotel takes the Zuidas one step closer to being a complete city district.

Outlook

Hotel occupier market

In the current lockdown, Dutch hotels are allowed to offer rooms, but are prohibited from opening their restaurants, bars and other amenities. In combination with international travel restrictions, which is limiting demand, many hotels are dealing with low occupancy rates and some have closed temporarily. While the Dutch government has extended the set of emergency measures to mitigate part of the financial burden, this does not come close to covering total costs for hotel operators. So there is still a significant probability that some hotel operators will be forced into bankruptcy, especially those that rely heavily on business or international travellers. On a positive note, hotels located in domestic, nature-oriented areas performed relatively well for most of 2020, as they were able to attract domestic and short-distance tourists.

Overall, we expect tourism to recover swiftly once Covid-19 restrictions are fully lifted. In a positive scenario, hoteliers and sector experts expect bookings to be back to 2019 levels by 2022 or 2023, although the recovery in room rates is likely to lag somewhat. Hotels aimed at (international) business and intercontinental tourism are likely to take longer to recover.

Hotel investor market

Hotel investment volumes have been very limited since the Covid-19 outbreak. Investors are expected to price in some discount in 2021 compared with pre-Covid values, although this has not happened so far. This may offer opportunities to investors with a long-term focus, as well as consolidation opportunities for financially strong hotel chains.

Hotel Fund plan

The Hotel Fund has a moderate growth strategy and is now targeting invested capital of € 455 million at year-end 2023, down from the previous target of € 538 million at year-end 2022 set in the previous fund plan. This implies NAV growth of € 114 million in the period 2021 to 2023. 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 which may arise form distressed sales and a potential recovery of the hotel market based on strong fundamentals, we expect to meet our growth target for the coming plan period (2021-2023).

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

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 city of the future and we aim to create real value for life by investing for the long term in a responsible manner. The Hotel Fund is working with hotel operators to create the most sustainable portfolio of hotels in the Netherlands, with a range of hotel concepts to meet the evolving needs of a wide range of guests. In addition, 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 accelerated during the crisis. At the same time, we are convinced that once Covid-19 measures are lifted, people will want to travel and meet each other again. With its long-term investment scope, the Fund focuses on adding value for our investors, tenants and stakeholders by continuing to invest in attractive living, leisure and working 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 Investments

Financial
statements

Consolidated statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note	2020	2020	2019	2019
Gross rental income	5	17,112		14,330	
Service charge income	5	618		550	
Other income		60		47	
Revenues			**17,790**		**14,927**
Service charge expenses		(618)		(550)	
Property operating expenses	6	(5,750)		(1,238)	
			(6,368)		**(1,788)**
Net rental income			**11,422**		**13,139**
Result on disposal of investment property			-		-
Positive fair value adjustment investment property	11	456		39,596	
Negative fair value adjustment investment property	11	(23,829)		-	
Net valuation gain (loss) on investment property under construction	12	(227)		9,319	
Net valuation gain (loss)			**(23,600)**		**48,915**
Administrative expenses	7		(1,850)		(1,448)
Result before finance result			**(14,028)**		**60,606**
Finance expenses	8	(628)		(330)	
Net finance result			**(628)**		**(330)**
Result before tax			(14,656)		60,276
Income taxes	9		(93)		(20)
Result for the year			**(14,749)**		**60,256**
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			**(14,749)**		**60,256**
Net result attributable to shareholders			(14,749)		60,256
Total comprehensive income (loss) attributable to shareholders			**(14,749)**		**60,256**
Distributable result	19		9,124		11,536
Pay-out ratio	19		100%		100%
Earnings per share (€)					
From continuing operations					
Basic			(410)		1,869
Diluted			(410)		1,869

Consolidated 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	328,236	305,878
Investment property under construction	12	20,152	34,386
Total non-current assets		**348,388**	**340,264**
Current assets			
Trade and other current receivables	13	4,261	1,433
Cash and cash equivalents	14	13,633	11,533
Total current assets		**17,894**	**12,966**
Total assets		**366,282**	**353,230**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		37,116	33,534
Share premium		223,535	192,117
Revaluation reserve		81,244	104,141
Retained earnings		17,174	(56,856)
Net result for the year		(14,749)	60,256
Total equity	15	**344,320**	**333,192**
Liabilities			
Non-current lease liabilities	16	18,686	18,418
Current trade and other payables	17	3,276	1,620
Total liabilities		**21,962**	**20,038**
Total equity and liabilities		**366,282**	**353,230**

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

* See explanation dividend restrictions Note 15.

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	**30,641**	**170,010**	**55,438**	**(35,329)**	**38,351**	**259,111**
Comprehensive income						
Net result	-	-	-	-	60,256	60,256
Total comprehensive income	**-**	**-**	**-**	**-**	**60,256**	**60,256**
Other movements						
Issued shares	2,893	22,107	-	-	-	25,000
Appropriation of result	-	-	-	38,351	(38,351)	-
Dividends paid	-	-	-	(11,175)	-	(11,175)
Movement revaluation reserve	-	-	48,703	(48,703)	-	-
Total other movements	**2,893**	**22,107**	**48,703**	**(21,527)**	**(38,351)**	**13,825**
Balance at 31 December 2019	**33,534**	**192,117**	**104,141**	**(56,856)**	**60,256**	**333,192**

* See explanation dividend restrictions Note 15.

Consolidated statement of cash flows

All amounts in € thousands

	Note	2020	2019
Operating activities			
Net result		(14,749)	60,256
Adjustments for:			
Valuation movements		23,600	(48,915)
Result on disposal of investment property		-	-
Net finance result		628	330
Movements in working capital		(1,173)	(1,565)
Cash flow generated from operating activities		**8,306**	**10,106**
Interest paid		(454)	(158)
Cash flow from operating activities		**7,852**	**9,948**
Investment activities			
Proceeds from sale of investment property		-	-
Payments of investment property		(428)	41
Payments of investment property under construction		(31,201)	(15,822)
Cash flows from investment activities		**(31,629)**	**(15,781)**
Finance activities			
Proceeds from issue of share capital		35,000	25,000
Dividends paid		(9,123)	(11,175)
Cash flows from finance activities		**25,877**	**13,825**
Net increase/(decrease) in cash and cash equivalents		2,100	7,992
Cash and cash equivalents at beginning of year		11,533	3,541
Cash and cash equivalents at end of year	14	**13,633**	**11,533**

Notes to the consolidated financial statements

All amounts in € thousands, unless otherwise stated

1 General information

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

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

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

Bouwinvest is the manager and Statutory Director of the Hotel Fund. The Statutory Director will present the annual report to the Annual General Meeting of Shareholders on 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
The consolidated financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

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

In 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 Basis of consolidation

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

The following entities are included in the consolidated financial statements:

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

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

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

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

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

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

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

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

2.3 Investment property

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

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

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

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

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

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

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

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

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

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

2.4 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

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

2.5 Leases

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

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

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

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

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

2.6 Financial instruments

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

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

Financial assets

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

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

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

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

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

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

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

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

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

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

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

2.7 Prepayments

Prepayments are stated at cost less any accumulated impairment losses.

2.8 Cash and cash equivalents

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

2.9 Issued capital

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

2.10 Non-current lease liabilities

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

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

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

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

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

2.11 Current trade and other payables

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

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

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

2.12 Dividend distribution

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

2.13 Rental income

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

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

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

2.14 Service charges, property operating expenses and administrative expenses

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

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

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

2.15 Other income

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

2.16 Finance income and expenses

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

2.17 Cash flow statement

Cash flows are stated according to the indirect method.

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

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

2.18 Earnings per share

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

2.19 Income taxes

Based on its status as an FII, the Fund is subject to Dutch corporate income tax at a rate of 0%. See Note 10. The subsidiaries of the fund are subject to Dutch corporate income tax at a rate of 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 € 4.3 million in 2020 (2019: € 1.4 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.

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

5 Gross rental income and service charge income

	2020	2019
Theoretical rent	17,167	14,370
Incentives	(55)	(40)
Vacancies	-	-
Total gross rental income	**17,112**	**14,330**

Service charge income represents € 0.6 million (2019: € 0.6 million) income receivable from tenants for the services of utilities, caretakers, etc. when the Fund acts as principal.

The future contractual rent from leases in existence on 31 December 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	18,183	15,784
Second year	18,241	15,784
Third year	18,264	15,784
Fourth year	18,264	15,784
Fifth year	18,264	15,784
More than five years	243,943	224,749

6 Property operating expenses

	2020	2019
Taxes	484	277
Insurance	66	40
Maintenance	683	559
Valuation fees	43	84
Property management fees	168	155
Addition to provision for doubtful debtors	4,201	-
Other operating expenses	105	123
Total property operating expenses	**5,750**	**1,238**

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

7 Administrative expenses

	2020	2019
Management fee Bouwinvest	1,712	1,384
Audit fees	51	19
Other administrative expenses	30	5
Other Fund expenses	57	40
Total administrative expenses	**1,850**	**1,448**

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

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

8 Finance expenses

	2020	2019
Finance expenses on bank balances	123	59
Interest on leaseliabilities	505	271
Total finance expenses	**628**	**330**

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

9 Employee benefits expense

The Hotel Fund has no employees.

10 Income taxes

FII Status

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

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

Distribution obligation

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

Activity rules

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

Real estate development is not regarded as a ‘passive’ investment activity. However, development activities for the FII’s own portfolio are specifically permitted. These activities should be carried out by a subsidiary which is subject to tax at the common corporate tax rate (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		**305,073**		**230,290**
First time adoption IFRS16		**-**		**7,446**
Investments		**(15)**		**-**
Transfers to investment property under construction	-		-	
Transfer from investment property under construction	45,208		27,707	
Total transfer to/from investment property under construction		**45,208**		**27,707**
Disposals		**-**		**-**
Net gain (loss) from fair value adjustments on investment properties (like for like)	(21,743)		4,119	
Net gain (loss) from fair value adjustments on investment properties	(1,630)		35,477	
In profit or loss		**(23,373)**		**39,596**
In other comprehensive income		**-**		**-**
Transfers out of level 3		**-**		**-**
Movement of right of use ground leases		**95**		**34**
Total investment property (level 3)		**326,988**		**305,073**
Lease incentives		**1,248**		**805**
At the end of the year		**328,236**		**305,878**

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

On 31 December 2020, these properties were revalued by independent professionally qualified valuation experts who hold a recognised relevant professional qualification and had recent experience in the locations and categories of the investment properties valued. The carrying values of investment property as at 31 December 2020, and 1 January 2020, are in line with the valuations reported by the external valuation experts.

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

The lease incentives granted are included in the total fair value of investment properties. For the year 2020 the amount of lease incentives is € 1.2 million (2019: € 0.8 million).

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

	2020	2019
Investment Property	328,236	305,878
Less: lease liabilities	(18,686)	(10,798)
Valuation as per valuation report	**309,550**	**295,080**

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

Investments	2020	2019
Amsterdam	(15)	-
The Hague	-	-
Total investments	**(15)**	**-**

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

	2020	2019
Current average rent (€/per room)	12,019	11,339
Market rent (€/per room)	11,570	11,919
Gross initial yield	5.9%	5.0%
Net initial yield	3.7%	4.9%
Current vacancy rate	0.0%	0.0%
Long-term growth rental rate	0.0%	1.3%
Risk free (NRVT)	0.1%	0.4%

The net valuation gain (loss) for the year included a positive fair value adjustment of € 0.5 million (2019: € 39.6 million) relating to investment properties that are measured at fair value at the end of the reporting period.

Investment property includes no buildings held under leases. The carrying amount is nil (2019: nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 3.7% (2019: 4.9%). If the yields used for the appraisals of investment properties on 31 December 2020 had been 100 basis points higher than was the case at that time, the value of the investments would have been 21.3% lower. In this situation, the Fund's shareholders' equity would have been € 66 million lower.

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

	2020		2019	
Change rental rates	-10%	10%	-10%	10%
Value of the investment property change	(30,955)	30,955	(29,508)	29,508

	2020		2019	
Change net initial yield	– 50 bps	+ 50 bps	– 50 bps	+ 50 bps
Value of the investment property change	48,398	(36,869)	37,069	(29,626)

12 Investment property under construction

	2020		2019	
At the beginning of the year		**34,386**		**26,186**
First time adoption IFRS16		**-**		**10,713**
Investments		**31,201**		**15,822**
Transfer to investment property	(45,208)		(27,707)	
Transfer from investment property	-		-	
Total transfer to/from investment property		**(45,208)**		**(27,707)**
Net gain (loss) from fair value adjustments on investment property under construction	(227)		9,319	
In profit or loss		**(227)**		**9,319**
In other comprehensive income		**-**		**-**
Transfers out of level 3		**-**		**-**
Movement of right of use ground leases		**-**		**53**
At the end of the year		**20,152**		**34,386**

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

	2020	2019
Investment Property	20,152	34,386
Less: lease liabilities	-	(7,620)
Valuation as per internal valuation	**20,152**	**26,766**

The net valuation gain (loss) for the year included a negative fair value adjustment of € 0.2 million (2019: € 9.2 million positive) relating to investment property under construction that are measured at fair value at the end of the reporting period.

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

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

Investments	2020	2019
Amsterdam	10,614	15,822
Rotterdam	20,587	-
Total investments	**31,201**	**15,822**

The investments in the investment property under construction in 2020 relate to acquisitions of Hourglass in Amsterdam and Hotel WTC in Rotterdam.

13 Trade and other current receivables

	2020	2019
Trade receivables	4,209	141
VAT Receivables	-	192
Other receivables	52	1,100
Balance as at 31 December	**4,261**	**1,433**

	2020	2019
Trade receivables	**8,410**	**141**
Provision for doubtful debtors	(4,201)	-
Balance as at 31 December	**4,209**	**141**

Age of trade receivables (days past due)	2020	2019
1 - 30	3,476	141
31 - 60	697	-
61 - 90	16	-
> 90	20	-
Carrying amount	**4,209**	**141**

Movement in provision for doubtful debtors

The provision for doubtful debtors is based on expected credit losses.

	2020	2019
At the beginning of the year	**-**	**-**
Additions to the provision	(4,201)	-
Receivables written off during the financial year	-	-
At the end of the year	**(4,201)**	**-**

The addition to the provision for doubtful debtors mainly relates to expected rent discounts to support our tenants in managing the impact of Covid-19.

14 Cash and cash equivalents

	2020	2019
Bank balances	13,633	11,533
Balance as at 31 December	**13,633**	**11,533**

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

* See explanation dividend restrictions in this Note.

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	**30,641**	**170,010**	**55,438**	**(35,329)**	**38,351**	**259,111**
Comprehensive income						
Net result	-	-	-	-	60,256	60,256
Total comprehensive income	**-**	**-**	**-**	**-**	**60,256**	**60,256**
Other movements						
Issued shares	2,893	22,107	-	-	-	25,000
Appropriation of result	-	-	-	38,351	(38,351)	-
Dividends paid	-	-	-	(11,175)	-	(11,175)
Movement revaluation reserve	-	-	48,703	(48,703)	-	-
Total other movements	**2,893**	**22,107**	**48,703**	**(21,527)**	**(38,351)**	**13,825**
Balance at 31 December 2019	**33,534**	**192,117**	**104,141**	**(56,856)**	**60,256**	**333,192**

* See explanation dividend restrictions in this Note.

Dividend restrictions

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

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

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

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

	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	**30,641**	**30,641**	**170,010**	**200,651**
Issued shares	2,893	2,893	22,107	25,000
Dividends paid	-	-	-	-
Balance at 31 December 2019	**33,534**	**33,534**	**192,117**	**225,651**

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 37,116 shares had been issued and fully paid up.

Share premium

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

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2020 was determined at the individual property level.

16 Non-current lease liabilities

	2020	2019
Opening balance at 1 January 2020	**18,418**	**-**
First time adoption IFRS16	-	18,159
Interest	173	172
Other movements	95	87
Balance at 31 December 2020	**18,686**	**18,418**

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

Land lease obligations	**2020**	2019
Year 1	375	375
Year 2	375	375
Year 3-5	1,126	1,126
Year > 5	30,883	30,883
Total land lease obligations	**32,759**	**32,759**

17 Current trade and other payables

	2020	2019
Trade payables	710	(266)
Rent invoiced in advance	665	555
Group company Bouwinvest	-	699
VAT Payable	368	-
Other payables	1,533	632
Balance as at 31 December	**3,276**	**1,620**

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 result attributable to shareholders	(14,749)	60,256
Weighted average number of ordinary shares	35,968	32,245
Basic earnings per share (€ per share)	(410.05)	1,868.71

19 Dividends per share

In 2020, the Fund paid out a dividend of € 253.63 per share (2019: € 346.55) which amounts to a total of € 9.1 million (2019: € 11.2 million). A total dividend of € 9.1 million (2019: € 11.5 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

The Fund's total future investment commitments as at 31 December 2020 amounted to € 2 million (2019: € 34 million). The commitments relate to the acquisition of WTC Hotel in Rotterdam.

Investment commitments In € million	2021	2022	> 2023
WTC Hotel, Rotterdam	2	-	-
	2	-	-

As at 31 December 2020, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 45 thousand (2019: € nil).

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

21 Related parties

The Fund's subsidiaries and members of the Supervisory Board and Executive Board of Directors (Bouwinvest) and the other entities under management by Bouwinvest, qualify as related parties of the Fund. A fee of € 1.7 million (2019: € 1.4 million) was paid to Bouwinvest in 2019.

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 € 1.7 million (2019: € 1.4 million).

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

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 Hotel Fund.

	2020	2019
Audit of the financial statements	37	19
Other audit engagements	4	-
Tax advisory services	-	-
Other non-audit services	10	-
Total fees	**51**	**19**

24 Subsequent events

No subsequent events occurred which could have a significant impact on the annual report.

Company balance sheet

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2020	2019
Assets			
Non-current assets			
Investment property		328,236	305,878
Investment property under construction		20,152	34,386
Financial assets	3	440	6
Total non-current assets		**348,828**	**340,270**
Current assets			
Trade and other current receivables		4,261	1,728
Cash and cash equivalents		13,588	11,464
Total current assets		**17,849**	**13,192**
Total assets		**366,677**	**353,462**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		37,116	33,534
Share premium		223,535	192,117
Revaluation reserve		81,244	104,141
Retained earnings		17,174	(56,856)
Net result for the year		(14,749)	60,256
Total equity	4	**344,320**	**333,192**
Liabilities			
Non-current lease liabilities		18,686	18,418
Current trade and other payables		3,671	1,852
Total liabilities		**22,357**	**20,270**
Total equity and liabilities		**366,677**	**353,462**

Company
profit and loss account

All amounts in € thousands	2020	2019
Result of participation interests after taxes	434	-
Other income and expenses after taxes	(15,182)	60,256
Result for the year	**(14,749)**	**60,256**

Notes to the company financial statements

All amounts in € thousands, unless otherwise stated

1 Summary of significant accounting policies

1.1 General

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

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

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

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

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

1.2 Financial assets

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

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

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

2 Financial risk management

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

3 Financial assets

	2020	2019
As per 1 January	**6**	**1**
Acquisitions and capital contributions	-	5
Net result for the year	434	-
As per 31 December	**440**	**6**

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

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

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

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

For 2020, before appropriation of result

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

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

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	**30,641**	**170,010**	**55,438**	**(35,329)**	**38,351**	**259,111**
Comprehensive income						
Net result	-	-	-	-	60,256	60,256
Total comprehensive income	**-**	**-**	**-**	**-**	**60,256**	**60,256**
Other movements						
Issued shares	2,893	22,107	-	-	-	25,000
Appropriation of result	-	-	-	38,351	(38,351)	-
Dividends paid	-	-	-	(11,175)	-	(11,175)
Movement revaluation reserve	-	-	48,703	(48,703)	-	-
Total other movements	**2,893**	**22,107**	**48,703**	**(21,527)**	**(38,351)**	**13,825**
Balance at 31 December 2019	**33,534**	**192,117**	**104,141**	**(56,856)**	**60,256**	**333,192**

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

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2020, in total 37,116 shares had been issued and fully paid up.

Share premium

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

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 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 Hotel Fund. A dividend of € 11.5 million (in cash) has been paid. Of the profit for 2019 amounting to € 60.3 million, € 60.3 million was 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 € 9.1 million (in cash) be paid. Of the negative result for 2020 amounting to € -14.7 million, € -14.7 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Hotel Fund has no employees.

6 Remuneration

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

Signing of the Financial Statements

Amsterdam, 22 March 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 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 Hotel Fund N.V.

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

Our opinion

We have audited the accompanying financial statements 2020 of Bouwinvest Dutch Institutional Hotel Fund N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Hotel Fund N.V. as at 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 accompanying company financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Hotel Fund N.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2020.
2. The following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2020.
2. The company profit and loss account for 2020.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Bouwinvest Dutch Institutional Hotel Fund N.V. in accordance with the 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 € 3.4 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	€ 3.4 million
Basis for materiality level	1% of total investment property
Threshold for reporting misstatements	€ 170 thousand

We agreed with the Executive Board of Directors that misstatements in excess of € 170 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Our group audit mainly focused on significant group entities.

We have performed all audit procedures ourselves for all group entities.

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

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 consolidated financial statements. As at December 31, 2020 the Company held a portfolio of investment property with a fair value of € 328 million (December 31, 2019: € 305 million) and investment property under construction of € 20 million (December 31, 2019: € 34 million). The portfolio consist of € 348 million hotel properties. At the end of each reporting period, the Executive Board of Directors determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property. As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalisation rate and market rent levels. The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Company's properties. As referred to in note 4.1, the external appraiser has highlighted in its assessment of the fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations. Accordingly, the external appraiser and management have stated that it has been necessary to make more judgements than are usually required and the Company's has reported the valuation of the property portfolio at 31 December 2020 on the basis of a 'material valuation uncertainty'. Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.	Our audit procedures included, among others, the following: We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the property portfolio. We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise. We have further evaluated and challenged the assumptions made in respect to the creditworthiness of significant tenants, lease incentives and vacancy periods in the valuation calculations. In relation to the significant assumptions used in the valuation of investment property we have: - determined that the valuation methods as applied by the Executive Board of Directors, as included in the valuation reports, are appropriate; - evaluated and challenged the significant assumptions used (such as capitalisation rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments; - assessed and challenged the judgements made by the external appraiser in light of the valuation uncertainties they highlight in their report in respect of the limited transactional evidence that can be used to form their opinion of fair value in certain classes of assets; - assessed the sensitivity analysis on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators; - assessed the appropriateness of the disclosures relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements. **Observation** We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range.

Report on the other information included in the annual report

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

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

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

We communicate with management 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 the Executive of 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 Hotel Fund N.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2020 of Bouwinvest Dutch Institutional Hotel 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 25-31 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 Hotel Fund N.V.in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Reporting criteria

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

Stayokay Hostel

Amsterdam
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 Hotel Investments

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

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

Responsible investment performance indicators

Continued improvement of the Fund's sustainability performance

Impact area	Indicator	Measure	Units of measure	2020	2019	Change	Plan 2020-2022
Fund sustainability benchmark	GRESB	Star rating	# stars	5	4	+1	Improve score and obtain GRESB 4 star rating
	GRESB	Overall score (GRI-CRESS: CRE8)	# [1-100]	92	83	+9	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	BREEAM	Green Building Certificates floor space (BREEAM or GPR) (GRI-CRESS: CRE8)	%	100.0%	91.7%	8.3%	All standing investments minimum BREEAM-NL in-use GOOD or better by the end of 2021
		Certificate BREEAM-NL in-use PASS	%	0.0%	0.0%	0.0%	
		Certificate BREEAM-NL in-use GOOD	%	21.1%	23.3%	-2.3%	
		Certificate BREEAM-NL in-use VERY GOOD	%	37.2%	56.0%	-18.8%	
		Certificate BREEAM-NL in-use EXCELLENT	%	41.7%	12.3%	29.4%	
		Certificate BREEAM-NL in-use OUTSTANDING	%	0.0%	0.0%	0.0%	
	BREEAM (new acquisitions)	Labelled floor space (GRI-CRESS: CRE8)	%	100.0%	100.0%	0.0%	Acquisitions and major renovations/ redevelopments minimum BREEAM-NL VERY GOOD
		Average score (GRI-CRESS: CRE8)	%	73.8%	77.0%	-3.2%	

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%	100% green portfolio (A, B, C energy labels)
		Green labelled floor space (A, B or C label)	%	100.0%	100.0%	0.0%	
		A labelled floor space	%	50.9%	45.6%	11.6%	By end of 2021, 65% of the portfolio has an energy label A or better (energy index <1.2).
		Average energy index	#	0.91	1.00	-9.4%	
Renewable energy	Solar panels	Installed kWp of solar panels	kWp	174.6	152.6	14.4%	Add renewable energy on location, installing 300kWp of solar panels before end of 2021

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	4,278	6,413	-36.2%	Annual reduction of environmental impact to increase:
	Gas	Total gas consumption (GRI: 302-1)		3,313	4,110	-19.4%	
	District heating and cooling	Total district heating and cooling (GRI: 302-2)		3,499	4,616	-27.7%	
	Total	Total energy consumption from all sources (GRI: 302-2)		11,091	15,139	-29.0%	from -2% in 2019 to -5% in 2021
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1)	kWh/m²/year	179	244	-29.0%	
		Energy and associated GHG disclosure coverage		6 of 7	6 of 6		
GHG emissions	Direct	Scope 1 (GRI: 305-1)	tonnes CO_2e	639	793	-19.4%	
	Indirect	Scope 2 (GRI: 305-2)		2,832	4,163	-35.1%	
	Total	Total GHG emissions (GRI: 305-2) Scope 1 and 2		3,471	4,956	-32.5%	from -2% in 2019 to -5% in 2021
		Total GHG emissions after compensation		1,092	1,390	-22.7%	
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)	kg CO_2e/m²/year	56	80	-32.5%	
Water	Total	Total water consumption (GRI:303-1)	m³	56,749	116,714	-55.6%	from -2% in 2019 to -5% in 2021
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m³/m²/year	0.81	1.88	-55.6%	
Waste	Total	Total waste collected (GRI: 306-1)	tonnes	287	545	-54.8%	from -2% in 2019 to -5% in 2021
		Recycling rate	%	18%	28%	-36.9%	

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)	%	100%	100%	no change	Tenants give the Fund a score higher than 7
		Average total score (GRI: 102-43)	#	7.3	7.9	-7.6%	
	Client satisfaction	Response rate (GRI: 102-43)	%	n/a		n/a	Clients give the Fund a score higher than 7.5
		Average total score (GRI: 102-43)	#	n/a	7.8	n/a	
Sustainable stewardship	Considerate constructors scheme	Registered construction projects	#	2 of 2	2 of 2	no change	In 2021, 75% of construction sites (€) registered under Considerate Constructors Scheme ('Bewuste Bouwer')
		Participation rate (by acquisition price)	%	100%	100%	no change	
	Board seats and committee memberships industry organisations, related to the Dutch healthcare sector	Number	#	1	1	no change	Gain board seats and committee memberships industry organisations: have at least one active board/committee memberships within industry organisations in the Dutch hotel sector
	Make areas heart safe	Number	%	100%	100%	no change	By the end of 2021, our tenants (and hotel guests) have an AED available within six minutes walking distance

Being a responsible organisation

Impact area	Indicator	Measure	Units of measure	2020	2019	% change	Plan 2020-2022
Sustainable agreements	Leases	Number of new leases	#	1	1	100%	Annual increase in number of green leases
		Number of green leases	#	3 of 7	0 of 6	43%	
Responsible business operation	Digital tenant portal	Usage of tentants	%	0.0%	0.0%	0.0%	In 2021 all our tenants can use our tenant portal incl. sustainability performance

Reporting of performance indicators

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

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

Like-for-like data and changes represents assets which have been fully owned and operational for the full 24 month period in our investment portfolio. 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 is in line with Bouwinvest's commitment to reducing 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). We apply country and energy source-specific emission factors to calculate Greenhouse Gas (GHG) emissions. 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 name/property name	Floor space (in m²)	No. of parking units	Year of construction/ renovation	Land ownership	Core region	Financial occupancy rate (average)
Amsterdam	CASA	19,746	85	2010	Leasehold	Amsterdam	100%
Amsterdam	Aitana	14,827	0	2013	Leasehold	Amsterdam	100%
Amsterdam	Meininger Hotel	6,264	0	2018	Leasehold	Amsterdam	100%
Amsterdam	Premier Suits Hourglass	8,455	0	2020	Leasehold	Amsterdam	100%
Amsterdam	Stayokay	6,464	0	1900	Leasehold	Amsterdam	100%
Amsterdam	BOAT&CO	5,300	44	2019	Leasehold	Amsterdam	100%
The Hague	NH	9,359	0	2004	Leasehold	The Hague	100%
		70,415	**129**				

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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