Annual Report 2020

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Contents

Key figures 2020

In € million, unless stated otherwise	Residential 2020	Retail 2020
Portfolio (year-end)		
Operational portfolio	1,507	603
Secured pipeline	455	-
Equity (IFRS)	1,913	600
Same per share (in €)	2.001	0.952
Number of property investments in operation	98	42
Number of residential units and lease contracts	4,743	567
Average rent per m² (in €)	N/A	198
Number of years of remaining rental income	N/A	3.8
Gross theoretical annual rent	60	44
Gross initial yield	4.0%	7.3%
Net/gross rental income in financial year	78%	80%
Occupancy rate at year-end	99%	94%
Average occupancy rate	99%	93%

	Residential		Retail	
	2020	2016-2020	2020	2016-2020
Returns				
Income return	2.7%	3.3%	5.6%	6.0%
Capital growth	6.2%	10.4%	-9.6%	-2.4%
Total property return	9.1%	14.1%	-4.5%	3.4%
Management and fund costs	-0.4%	-0.4%	-0.4%	-0.4%
Impact of cash and leverage	-0.1%	-0.3%	0.0%	0.0%
Other effects	0.0%	0.0%	-0.5%	0.0%
Fund return (IFRS)	8.6%	13.4%	-5.4%	3.0%
Fund return (INREV)	8.5%	N/A	-5.5%	N/A
Dividend return	2.3%	2.7%	5.5%	5.4%

5-years total for Altera In € million, unless stated otherwise	2020	2019	2018	2017	2016
Invested capital	2,474	2,461	2,206	2,049	1,765
Theoretical rent	104	113	116	118	112
Number of properties	140	155	160	157	152
Management and fund costs in basis points					
Management costs	29.2	34.5	31.1	32.3	32.2
Fund costs	6.0	5.3	5.4	5.8	5.3
Total costs	35.2	39.7	36.5	38.1	37.5

Timeline Altera organisation

03/03/2020
Altera Retail was honoured with the GRESB/BREEAM Global Award

17/03/2020
Altera informs her stakeholders on COVID-19 impact

10/06/2020
Altera joins UN Global Compact (UN GC)

24/06/2020
Ms Roelie van Wijk-Russchen succeeds Mr Johan van der Ende as member of the Supervisory Board of Altera

18/08/2020
Altera awarded highest score of Double A+ rating from the UNPRI

17/09/2020
Approval of shareholders on Information Memorandum and Articles of Association

20/10/2020
97% compliant with the INREV Guidelines Assessment Results

23/11/2020
Employment satisfaction score of 8.0 and NPS of 50%

24/11/2020
High rankings in GRESB: 5 stars for Residential (Global Sector Leader) and 5 stars for Retail (2nd in the Netherlands)

31/12/2020

€2.6 billion
Total assets under management

56
investors

+4 -4
During 2020 four new employees were appointed and four have left the company

€103.0 million
Issue of new shares in Altera Residential, which brings the total amount of issue to €103.0 million in this sector.

€38.3 million
Inflow of new international investors in Altera Retail; total inflow in this sector in 2020 of €38.3 million (and €47.0 million liquidity facilitated)

Highlights of **2020**

Performance of the sectoral funds

- In Residential the total fund return amounted to 8.6% (2019: 12.4%), after five years in succession with returns above 10%
- In Retail there was a total fund return of -5.4% (2019: 5.0%) predominantly due to downgrades in the comparison segment (COVID-19)
- With the sale of the last property the winding down of Altera Industrial was successfully completed
- No impact of COVID-19 on the returns, cash flow and occupancy in Residential, but a large impact for Retail, especially the capital values in non-food rental segments such as fashion
- The average occupancy rate in Residential remained high (99%) and in Retail stable on 93%
- In the Residential sector 799 leases were signed, including 198 for new completed construction; tenant movements amounted to 13%
- In the Retail sector 161 leases were signed with an annual rent of €10.5 million, mostly related to COVID-19 amendments (rent reduction in combination with extensions)

Sustainability/ESG

- Altera Residential awarded by GRESB with Residential Global Sector Leader status
- Altera Retail received 5-stars by GRESB
- In the UNPRI survey Altera received ‘A+’ marks for both ‘Strategy and Governance’ and ‘Direct Property’
- Audit opinion given on ESG key performance indicators
- Altera is compliant to SFDR regulation as per 10 March 2021

Changes in the portfolio

In € million	Residential	Retail	Industrial	Total
Added to secured pipeline	139.5	-	-	139.5
Added to operational portfolio	55.6	4.0	-	59.6
Divestments	-66.2	-57.3	-59.5	-183.0

Share transactions

New entries amounted to €141.3 million in 2020, with exits amounting to €116.8 million.

In € million	Residential	Retail	Industrial	Total
Shareholder entries	103.0	38.3	-	141.3
Shareholder exits	-	-47.0	-69.8	-116.8
Net entries	103.0	-8.7	-69.8	24.5
Number of shareholders	37	29	-	56

Organisation

- During most part of 2020 the Altera staff worked from home and due to optimal IT infrastructure the efficiency remained high
- The workforce increased from 35 to 37 FTE as a result of the higher volume of the assets of management and the required management intensity
- Altera has drafted a Digital Strategy for the coming three years with a digital manager recruited in September 2020

Governance

- Altera presented on 17 September 2020 new Information Memorandums for Residential and Retail as successor of the Company Profile to become more compliant to market practices
- Ms Roelie van Wijk-Russchen has been appointed on 24 June 2020 as member of the Supervisory Board as successor of Mr Johan van der Ende
- The type 2 ISAE 3402 report for the year 2020 is presented on 22 February 2021
- Ms Rina Smaal is appointed as Compliance Officer next to her responsibilities as Company secretary

Altera: Dutch property for institutional investors

Proposition

Altera offers investment products in Dutch Residential and Dutch Retail property which are tailored to the needs and requirements of institutional investors through a structure of integrated management with letter shares in these sectors. This means, among other things:

- a structure with the advantages of unlisted indirect property and the risk/return characteristics of direct property;
- targeted participation in the Residential and Retail sectors (freedom of allocation);
- flexibility of entries and exits;
- no structural financing with loan capital;
- active asset management;
- no in-company project development activities;
- a multi-criterio investment objective;
- transparency in policy, processes and accountability;
- application of best practices and a high level of compliance;
- cost-efficiency resulting in low management and fund costs;
- investment based on a research-driven strategy;
- optimal implementation of measures to promote sustainability;
- no conflicts of interest and a strong emphasis on compliance;
- client-oriented servicing.

We aim for growth in assets under management for the benefit of existing and prospective shareholders; this also helps to improve the risk/return characteristics.

Supervisory Board

Heino Vink (member)

Roelie van Wijk-Russchen (member)

Guus Hoefsloot (president)

Management Board

Jaap van der Bijl (CEO)

Erwin Wessels (CIO)

Cyril van den Hoogen (CFO)

Investment objective

The objective of Altera Residential and Altera Retail is to offer institutional investors a fund return in line with core investments in Dutch property. We evaluate the degree to which this objective is achieved against the following criteria:

- the relative portfolio return per sector in relation to the five-year total return on all investments of the MSCI Netherlands Property Index;
- the relative fund return per sector, based on a peer group analysis and the relevant INREV fund return;
- the amount of management and fund costs for the sectoral funds combined and the INREV TER (with the aim of making these costs among the lowest in the sector);
- progress in terms of sustainability.

Altera strives for a high level of transparency to the investors and conducts its business with integrity.

Investment policy

We aim to achieve our investment objective by investing in selected segments of the Dutch residential and retail property market with a long-term investment horizon.

We implement the investment policy in a transparent manner and with research-based analyses. We limit the risk by not applying structural leverage and refraining from project development activities. With this policy we aim to retain the pure characteristics of direct property as far as possible. A secondary purpose is to remain fully invested.

For these sectors we have formulated a medium-term (three-year) investment framework which has been submitted to the General Meeting of Shareholders of the relevant sector for approval. Within these frameworks, we draw up annual sector investment plans which require the approval of the Supervisory Board.

Sustainable Finance Disclosure Regulation

On 10 March 2021, Altera Vastgoed has completed the level 1 requirements of the Sustainable Finance Disclosure Regulation (SFDR).

The SFDR establishes rules on transparency, in order to ensure the integration of sustainability risks into investment processes investment processes and the harmonisation of ESG disclosure standards for different types of products and end investors.

Altera has set up a multidisciplinary working group to prepare for the implementation of the SFDR. It included the integration of sustainability risks in the investment process and remuneration policy and the determination of the sustainability ambition per sector fund (promote environmental and social characteristics). For each element an extensive disclosure has been drawn up.

This new regulation of the European Commission will have a phased introduction and the more stringent level 2 requirements will be implemented per 1 January 2022.

Supervision

Altera Vastgoed N.V. holds a licence issued under the AIFMD (number 15001214) and is regulated by the Netherlands Authority for the Financial Markets (AFM).

Information Memorandum

On 17 September 2020 the shareholders approved the Information Memorandums for Altera Residential and for Altera Retail superseding the Company Profile. The Information Memorandum contains the Principal Terms in (chapter 5) and subsequent changes in these terms require approval of the shareholders. Although governance aspects and other characteristics have not been materially changed compared to the Company Profile, the Information Memorandum has a more comprehensive approach which brings it in line with current market practice and specific AIFMD legislation. Prospective shareholders are to be provided with a copy of the Information Memorandum.

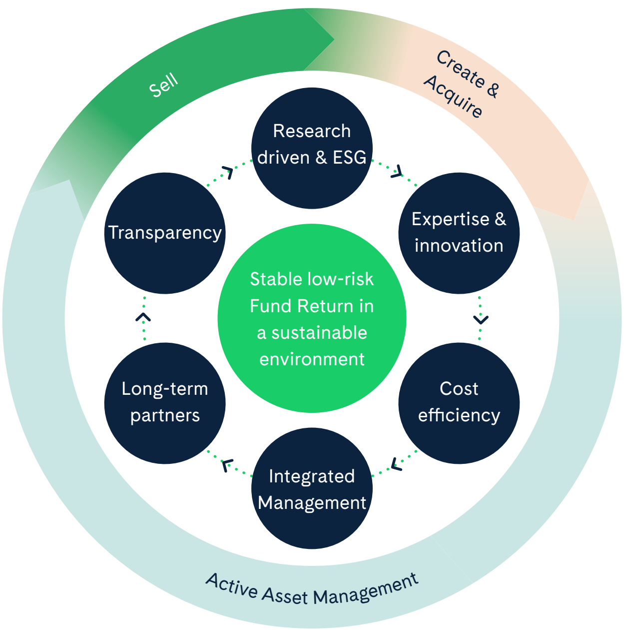
Value creation model

The value creation model is part of our ambition to present our created values in a fully integrated annual report. The model provides insight into Altera's operational context with specific attention to the different forms of capital Altera employs to create value for all our stakeholders. The model shows our business model, how we create long-term sustainable value and what our social impact is.

Our five capitals

Our five capitals	Residential	Retail
1. Our investors		
Number of investors	37	29
Equity in € mln	1,913	600
2. Our tenants		
Number of tenants	4,743	567
Annual rental income in € mln	60	44
3. Our buildings		
Number of properties	98	42
Portfolio in operation in € mln	1,507	603
4. Our people		
Headcount Altera	40	
5. Our environment		
Environmental Management System	ISO 14001	

Our business model



Our created value

Our created value	Residential	Retail
1. Fund return		
Fund return (IFRS)	8.6%	-5.4%
2. Tenant satisfaction		
Score based on tenant satisfaction survey	7.0	6.7
3. Quality score		
Portfolio Score based on Altera's Quality Assessment Model	78	76
4. Employment satisfaction		
Score based on employment satisfaction survey	8.0	
5. Sustainable environment		
GPR score	6.6	-
BREEAM score (percentage good or higher for convenience assets)	-	48%
GRESB score	96	88
UNPRI score for 'Strategy and Governance' and 'Direct Property'	A+ and A+	

Our impact (UN SDG's)

Residential   Retail

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Our five capitals

1. Our investors

Altera offers (open-ended) investment funds with allocation to Dutch property in the Residential and Retail sectors. These funds are tailored to the needs and requirements of institutional investors, who provide us with the financial input for our business.

2. Our tenants

We actively engage with our retail and residential tenants and monitor the quality of the property management services. The relationship we have with our tenants results in high levels of tenant satisfaction and occupancy rates. Altera frequently conducts tenant satisfaction surveys to analyse and improve tenant satisfaction scores.

3. Our buildings

The quality of our properties is essential to portfolio performance, tenant satisfaction and the impact on the environment. This is why we have created the Quality Assessment Model (QAM) to assess potential acquisitions and for continuous quality improvement of our existing portfolio holdings.

4. Our people

Our employees' contributions and capabilities are greatly valued, which is why the development of skills of our people is key, as well as their health & well-being. Meetings are held on a quarterly basis to keep all employees informed and engaged with the company's mission and values. Employee satisfaction is surveyed within the company on an annual basis.

5. Our environment

Altera's impact on the environment is monitored through our Environmental Management System which is set up in conformity with the internationally recognised ISO 14001 standard.

Our business model

The business model transforms the input from our five capitals to created value. The business model shows the conviction of Altera, how the processes are connected to this and which final result is achieved.

Why?

Altera's goal is to generate a fund return equal or better than the relevant market return and based on low risk characteristics in a sustainable environment.

How?

This ultimate goal can be achieved by an investment strategy based on the following six elements: Research driven & ESG, Expertise & innovation, Cost efficiency, Integrated Management, Long-term partners and Transparency.

What?

In Altera's investment process there are three phases in the life cycle of the property. After the acquisition of a property the active asset management phase of the property starts. A yearly hold/sell analysis is performed which can lead to either continuing the active asset management or the disposal of an asset.

Our created value

1. Fund Return

Total Fund Return per sector, based on the direct and indirect return, which is delivered to the investors.

2. Tenant satisfaction

A good relationship can only be maintained with tenants if they are satisfied. Altera therefore believes it is very important to measure tenant satisfaction. For this model the weighted average (sqm) based on this tenant satisfaction survey per sector is used. Targets are also set to optimise tenant satisfaction.

3. Quality score

We use an objective quality assessment model (QAM) to gain insight into the quality score of our buildings. The result of the QAM is expressed as a total score. For this model the weighted average (value) Portfolio Score per sector is used.

4. Employment satisfaction

We invest in our people and their satisfaction. An Employee Satisfaction Survey (ESS) to measure this satisfaction is periodically conducted, on which an average score can be calculated. This average score contains the following four elements: Enthusiasm, Involvement, Employment practices and Efficiency.

5. Sustainable environment

For a long-term sustainable environment we believe it is important to always optimise our scores in certificates from GPR (Residential) or BREEAM (Retail), GRESB for each sector and UNPRI for the organisation.

Our impact

We have aligned our corporate targets with the United Nations Sustainable Development Goals (SDG's). The created value has a direct relationship with these SDG's. A further explanation of Altera's SDG's, including the creation of the selection of SDG's and the underlying specific sub-targets, can be found in the integrated ESG report.

Message from the Supervisory Board

We hereby present you with the annual report and the 2020 financial statements prepared by the Management Board.

Deloitte Accountants B.V. has audited the financial statements and has issued an unqualified audit opinion. We propose that you adopt the financial statements accordingly.

The dividend for the fourth quarter of 2020 was paid out on 15 January 2021 including the final dividend. We endorse the proposal of the Management Board for a zero final dividend.

Dividend (amounts in €)	Distributed in 2020 in respect of 2020	2020 Q4 15 January 2021	Final 16 April 2021	Total for 2020
Residential	30,123,797	11,496,251	-	41,620,048
Retail	25,847,504	8,835,338	-	34,682,842
Industrial	1,264,559	-	-	1,264,559
Total	57,235,860	20,331,589	-	77,567,449

Altera hereby meets the regulation attached to a fiscal investment institution with a distribution requirement.

Mission statement

In accordance with the law and the articles of association, the Supervisory Board has the duty to supervise the policy of the Management Board, as well as the general course of affairs within the company and its affiliates. The Supervisory Board supports the Management Board with advice. In performing their duties, the members of the Supervisory Board take into account the interests of the company and all those involved in it.

The duties of the Supervisory Board include:

- Reviews, assessments:
  - Supervising and controlling the Management Board regarding the realization of the company's objectives, the strategy and the risks associated with the operations of the company, the design and operation of the internal risk management and control systems, the financial reporting process and compliance with laws and regulations.
  - Adhering to and enforcing the corporate governance structure of the company.
  - Reviewing the general remuneration policy.
  - Evaluating and assessing the performance of the Supervisory Board and the Management Board, as well as their individual members.
  - Checking whether a shareholder nominated by the Management Board, other than a pension fund or an insurer, meets the criteria attached to this group.
  - Handling and deciding on reported (potential) conflicts of interest and reports of incidents relating to members of the Management Board and furthermore, in conjunction with the Management Board, deciding on the nature of the sanction to be applied in the event of employees violating the Code of Conduct (in accordance with the Code of Conduct, Incidents Scheme and Whistle-blowers' Scheme).
- Approvals, proposals to the General Meeting of Shareholders:
  - Providing pre-advice with the financial statements.
  - Approval of the annual Investment Plans, the Business Plan and the annual budgets included in these plans.
  - Approving investments and disinvestments in excess of €25 million.
  - Proposals for adoption of the remuneration policy and contractual terms of employment of the members of the Management Board.
- Appointments:
  - Selecting and nominating for appointment members of the Supervisory Board and the Management Board.
  - Selecting and nominating the external auditor of the company.

Composition of the Supervisory Board

The composition, organization and working method of the Supervisory Board are in line with the applicable Corporate Governance Code (Van Manen Committee, December 2016). The Supervisory Directors are independent within the meaning of the best practice provisions 2.1.7 to 2.1.9 of this code. In view of the size of the Supervisory Board, no committees have been set up.

Ms Roelie van Wijk-Russchen has been appointed on 24 June 2020 as member of the Supervisory Board as successor of Mr Johan van der Ende after his announcement in January 2020 not to apply for a third term.

Given the size and structure of the company, the secretary of the Management Board also acts as the secretary of the Supervisory Board. Moreover, the double position creates added value thanks to the secretary's knowledge of the issues at play in both bodies, of the procedures to be followed and the planning of the decision-making.

Working method of the Supervisory Board

Practically all subjects in the meetings of the Supervisory Board were prepared in the form of memoranda, reports and investment plans of the Management Board. Due to COVID-19 most meetings were held digitally (MS Teams), but this had no impact on the coverage and depth. The number of meetings was much higher than in previous years, as there were more topics to discuss due to COVID-19, the new fund documentation and the progress in divestments.

In 2020, as in previous years, the Supervisory Board concluded that these documents in general provide a sound basis for the Supervisory Board to perform its duties. In areas where the Supervisory Board was of the opinion that more information should be provided, this was addressed by the Management Board. During the year the Supervisory Board received updates from the Management Board on a frequent base in order to be optimally informed.

The meetings with the Management Board are thorough and open. In the evaluation of its performance, the Supervisory Board found that it maintains sufficient mental independence from the Management Board to supervise the latter in a positive, yet critical manner.

The results are, of course, the subject of discussion in each meeting.

Attendance

The Supervisory Board was in full session at all of the six ordinary meetings in 2020, thereby scoring an attendance record of 100% (2019: 89%). Furthermore, eleven additional meetings were held with the Management Board (2019: seven) with an attendance score of 97%. As a consequence of COVID-19 most meetings were held digitally.

Key topics for 2020

During the year under review, the Supervisory Board met a total of six times with the Management Board, in line with the pre-arranged schedule. In 2020, a lot of attention was paid to:

- Progress in attracting non-domestic shareholders to the Retail sector.
- The sale of the remaining Industrial property.
- Approval of several proposals for divestments in the Residential and Retail sector.
- Approval of several investment proposals in the Residential sector.
- Relationship with the shareholders and the provision of information.
- Market developments and related risk profiles.
- Risk management and IT.
- Digital strategy including the planning of the implementation in the coming years.
- Filling of the vacancy following after the announcement of Mr. Johan van der Ende not to apply for a third term.

In the eleven additional meetings with the Management Board the following topics were discussed:

- Main items to be analysed in the Investment Policy Plans and the Business Plan.
- Impact of COVID-19 on the result of the sector portfolios and the internal organization.
- Acquisition of several Residential projects.
- The Information Memorandum per sector as replacement of the Company Profile and the necessary changes in the articles of association.
- Progress in the divestments in the retail sector and discussions on differences between the external valuations and market prices.
- Extension of the credit facility of €60 million.
- Benchmark results of the remuneration of the Management Board including the variable component in order to stay in line with market practice.
- The topics covered by the Management Board in the Informal Shareholders Meetings.

With the Control department, the digital manager and the compliance officer a meeting was held covering topics such as risk management process, cyber risk, ISAE 3402 controls and the audit plan of the external auditor.

The Supervisory Board also met without the presence of the Management Board. During these meetings, the Supervisory Board discussed the assessment of the Management Board and the evaluation of the Supervisory Board's performance. Discussions were held with the management team and individual board members.

On the basis of a number of aspects, the Supervisory Board evaluated its own performance and that of its individual members in a plenary meeting. The management board's opinion on these points was also included therein. It was concluded that the performance of the Supervisory Board is satisfactory. No problems have been reported.

The main topics of the ordinary meetings are briefly outlined hereafter.

Investment Plans and Business Plan

The Supervisory Board discussed from an early stage on the elements of the Investment Plans and the Business Plan, including the operating budgets and the budget for the management and fund costs. These plans were explained to the shareholders at the General Meeting of Shareholders of 9 December 2020. The Market & Trend Monitors were discussed earlier by the Management Board in the Informal Shareholders Meeting of 28 October 2020. The updated Investment Framework, as part of the Investment Plan has been approved by the shareholders for the Retail sector on 9 December 2020 and for the Residential sector an adjusted Investment Framework has been approved on 24 February 2021.

Quarterly reports and result development

The Supervisory Board discussed the quarterly reports drawn up by the Management Board with the Board, including the variance analyses between budget, realization and forecast for the sector portfolios, as well as the management and fund costs.

Based on the quarterly reports, the following topics among others were discussed: the impact of COVID-19 on the returns and on the actual payments of tenants, the progress of the intended acquisitions and disposals in the Retail sector, acquisition of projects in the Residential sector, the downgrades in the external valuations in the Retail sector, the impact of the increase of the real estate transfer tax as per 1 January 2021.

The relative performance of the Altera sectors Residential and Retail compared to competitors was analysed on the basis of the scorecard prepared by the Management Board.

The return in 2020 for Residential was considerably above budget, thanks to the high revaluation. On the subject of Retail, the performance in 2020 was below budget due to high downgrades in the comparison segment which was accelerated by COVID-19. The performance of the convenience segment was much better. The liquidity of the Retail fund has been enhanced with the entry of foreign investors.

The favourable scores for sustainability in the GRESB measurements and UNPRI show that Altera has been committed to this for many years.

Management and fund costs, excluding the effect of charging some costs to the operational costs and to the investments, have increased slightly in absolute terms due to a larger workforce on account of scale growth and further professionalization, additional measures to further control and limit IT risks, higher advisory costs (due to legal costs for the new Information Memorandum and advisory for formulating the digital strategy), and higher costs for non-recoverable value added tax. In relative terms (compared to assets under management) the management and fund costs decreased in 2020.

Relationship with shareholders

The open discussions with our shareholders in the meetings are of great help to improve the organization and the fund documents. The Informal Shareholders Meetings, which is not usually attended by the Supervisory Board, offers the possibility of an informal dialogue without the burden of formal decision-making. The Supervisory Board discusses the Informal Shareholders Meetings report with the Management Board and takes note of the meeting documents.

The Investments Plans were discussed with the shareholders in December 2020. For the Residential sector fund an additional meeting is held in February 2021.

In February 2021 the results were presented of the client survey among the shareholders. The outcome underlines the confidence of the shareholders in Altera. Actions will be taken by both the Management Board and the Supervisory Board to follow up on suggestions made.

Portfolio changes

The Supervisory Board is informed about the progress in acquisition of residential units and the progress in the divestments in the Residential fund and Retail fund. The growth of the residential portfolio has been furthered by additional acquisitions and the development of the pipeline in 2020. The investment proposals for four properties were approved by the Supervisory Board: Amsterdam (NDSM: 181 apartments), Zaandam (Vrodest: 356 apartments), Leiden (Robijnhof: 120 apartments and 40 geriatric units) and Almere (Oosterwold: 174 single-family houses). Also some proposals for tenders were approved but pricing appeared to be too low. This includes a tender for a substantial portfolio of existing residential assets, which resulted in a discussion whether Altera should join these tenders in the future when the success rate is limited.

Governance, risk management, compliance and integrity

The Supervisory Board has taken note of the measures taken to comply with privacy legislation (GDPR) and the Money Laundering and Terrorist Financing (Prevention) Act (Wwft).

The Supervisory Board also reviewed the manner in which the Management Board controls the risks this year. In addition to the auditor's report, the second ISAE 3402 type 2 was published in March 2020 on the operation of the control measures during the year under review and the third report in February 2021. These reports provide additional comfort to the Supervisory Board that the processes are robust.

On 11 March 2021, the full Supervisory Board discussed the risk management and the findings of the external auditor with the financial director, the risk manager, the compliance officer and the external auditor. Attention was also paid to the valuation of property, the activities of the auditor regarding property valuations and the measures taken in 2019 and 2020 for IT management in order to further limit cyber risks.

As in previous years, attention was paid to integrity, the measures taken to limit the risk of fraud, and any actions taken if deviations were detected. The Management Board did not detect any deviations during the year under review.

The Supervisory Board is grateful to the shareholders for their continued confidence in the company, as was also shown in the client survey. Looking back on 2020, the Supervisory Board has been able to establish that the Management Board has achieved the targets set for 2020 in the Investment and Business Plans and the performance criteria for the Management Board (as described in the Remuneration Report). This demanded a lot of effort, especially in COVID-19 times.

The Supervisory Board would like to express its appreciation to the Management Board and the employees for their efforts in achieving the company's objectives in this – due to COVID-19 – challenging period.

Amstelveen, 16 March 2021

Supervisory Board

Supervisory Board Members

Members and rotation schedule

Name	Date of appointment	Nominated by/on behalf of	Position	Date of retirement
Guus Hoefsloot	17 April 2014; reappointed on 18 April 2018	Independent with no economic ties to shareholders	Chairman of the Supervisory Board	Annual meeting in 2022
Heino Vink	18 April 2018	Independent with no economic ties to shareholders	Supervisory Board member	Annual meeting in 2022
Roelie van Wijk-Russchen	24 June 2020	Independent with no economic ties to shareholders	Supervisory Board member	Annual meeting in 2024
Johan van der Ende (up to 24 June 2020)	7 December 2011; reappointed on 14 April 2016	Independent with no economic ties to shareholders	Supervisory Board member	24 June 2020

CVs of the Supervisory Board members

Guus Hoefsloot
(b. 1950)
Chairman of the Supervisory Board
Joined at 17 April 2014; reappointed on 18 April 2018

Guus Hoefsloot served as chairman of the Executive Board of Heijmans NV from 2003 to 2008. He was previously employed by Hollandse Beton Groep NV (HBG) from 1984 to 2002, including, from 2000 to 2002, as a member of the Executive Board. From 1978 to 1984 he held various positions at Amro Bank NV and Barclays Bank. He acted as member of the Supervisory Board of Brabantse Ontwikkelings Maatschappij Holding BV from 2013 to 2018. He is chairman of the Supervisory Board of Tilburg Bastianen Groep BV.

Roelie van Wijk-Russchen
(b. 1964)
Supervisory Board member
Joined at 24 June 2020

Ms Van Wijk has more than 30 years' management experience in the financial sector. From January 2018 until March 2020 she was Global Head of Responsible Business & Public Affairs at Aegon AM. Prior to that, she was CEO of TKP Investments BV for more than eleven years, during the first five of which she also served as a member of the board of TKP Pensioen BV. Before joining TKP (part of Aegon), she held numerous senior investment and management positions, including at SNS AM, Philips Pensioenfonds and PGGM and amongst other a non-executive board position at Spoorwegpensioenfonds. From 2014 to 2020 she has also served as a board member of Dufas, of which she was chair in the last two years. Her portfolio currently consists of advisory and supervisory roles at non-profit organizations such as a museum, a pension fund and a company improving public housing.

Heino Vink
(b. 1974)
Supervisory Board member
Joined at 18 April 2018

Heino Vink was employed by Multi Vastgoed, Multi Development and Multi Corporation from 2006 to 2017, from 2011 to 2013 as CEO and from 2013 to 2017 as COO. From 1999 to 2006 he held various positions at NBM Amstelland and AM. From 2017 to 2018 he was co-owner of Bohemen BV. In 2018 he founded Everglow Real Estate Management BV and Glow Real Estate BV, both specialists in real estate asset management and development. Since 2019, he has been a shareholder of SB Real Estate BV, a specialist in transforming shopping centres by means of residential development.

Johan van der Ende
(b. 1959)
Supervisory Board member
Retired at 24 June 2020

Johan van der Ende was employed by PGGM from 2005 to 2010, where he was Chief Investment Officer as of 2008. From 1986 to 2004 he held various positions at ING Group. Since 2011 he has served as an independent member of the investment committee of CBRE Global Investment Partners. He is also a member of the Advisory Board of Amundi NL and up to October 2019 he was Chairman of the Supervisory Board of the Amsterdam School of Real Estate. From 2007 to 2009 he served as Chairman of INREV.

Supervisory Board Remuneration Report

Remuneration

Under article 18 of the company's articles of association, the remuneration of the Management Board is determined by the General Meeting of Shareholders. The remuneration of each member of the Management Board is determined by the Supervisory Board with due observance of the remuneration policy. Shares or share subscription rights shall not be granted. The remuneration is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the company.

On 11 December 2019 the remuneration for the Management Board was changed for the coming years. The basic principle is a remuneration between 80-100% of the median-level of the remuneration of a group consisting of five peers. The remuneration will include a maximum of 20% variable payment if all criteria have been met at above-target level. For 2020 the maximum is set at 12.5%. For the CEO and CIO the targets are for 50% based on financial criteria and 50% on non-financial criteria. The financial criteria include targets related to 5 years outperformance relative to MSCI, new equity and management costs. The non-financial criteria include targets related to the segmentation in the retail sector, GRESB ratings, employee satisfaction and business cases including innovation. For the CFO the targets are for 30% based on financial criteria and 70% on non-financial criteria. The financial criteria include targets related to new equity and management costs. The non-financial criteria include targets related to audit and risk findings, GRESB ratings, employee satisfaction and business cases including innovation.

The employment contracts of the Management Board members have been entered into for an indefinite period and are therefore not limited to four years. According to the Dutch Corporate Governance Code, an appointment for four years is primarily intended for exchange-listed companies.

The pension scheme has been changed as of 1 January 2020 for the Altera staff, including the Management Board. The CDC scheme has been discontinued in favour of a new defined contribution (DC) scheme for pensionable salary up to €110,111 (limit for 2020). For the salary above this limit, an amount of 27% is paid as gross remuneration, as in previous years.

Supervisory Board

Under article 26 of the company's articles of association, the remuneration of each supervisory director is determined by the General Meeting of Shareholders. The remuneration of the Supervisory Board was most recently approved by the General Meeting of Shareholders on 18 April 2018. The annual remuneration of the Chairman of the Supervisory Board amounts to €27,500 and for other members €22,500.

Management Board Report

Achievements in 2020

Altera has concluded a year which contained several important achievements.

- **Retail:** we were able to realise divestments of several comparison centres at year-end in the retail sector in a market with limited liquidity. The portfolio of Altera Retail now consists of over 74%-share of convenience assets, such as supermarkets and local convenience centres. We strive to bring the share up to 100% in the upcoming two years.
- **Residential:** we added 431 apartments to the secured pipeline of the Residential sector and another 589 to the unsecured pipeline.
- **Industrial:** with the sale in May 2020 of the remaining Industrial property, we successfully finalised the wind down of this sector fund.

Although the impact of COVID-19 was severe for the comparison segment in the Retail sector with significant downgrades, the impact on the other Retail segments – specifically supermarkets and fresh food stores – and on the Residential sector was limited in 2020. And the Altera organisation displayed its professionalism, flexibility and stamina to perform all tasks required.

Altera has a firm focus on sustainability & ESG for many years. This year Altera received an excellent score in the GRESB benchmark: Altera Residential has become GRESB Real Estate Global Sector Leader 2020 and again achieving a 5-star rating. Altera Retail also was awarded this 5-star rating confirming our efforts in the field of sustainability & ESG. Next to GRESB and UNPRI we also joined UN Global Compact to include their principles.

The fund documentation was improved and aligned with market practice with the Information Memorandum replacing the Company Profile. We have defined the digital strategy giving insight in the next steps to become more data driven and preserve and enhance digital agility.

Strengthening shareholder base

One of the objectives was to raise new capital for the open ended funds. For the Residential sector we were able to attract new commitments in the amount of €208.6 million in 2020 (2019: €175.7 million) and for Retail €38.3 million (2019: €246.2 million). We are pleased to welcome our first non-domestic commitment for Altera Residential, next to non-domestic institutional investors in our Retail fund. The entire shareholder base for Altera Retail consists of 49% non-domestic, representing 19 investors. We offered liquidity for current shareholders in Altera Retail by redeeming €47.0 million at year-end (2019: €197.4 million). With this shareholder base we are confident in realizing new growth paths for the coming years for both Residential as Retail.

Divestments in Retail sector

We divested €57.3 million in the Retail sector in order to bring the portfolio in line with the convenience strategy. These properties include comparison assets Rotterdam Korte Lijnbaan, Oosterhout Arendshof, Alphen aan den Rijn Rijnplein, Emmeloord, two single shops in Deventer and a convenience centre in Leeuwarden. The share of the convenience segment increased from 63% to just above 74% in 2020, improving the risk return profile significantly.

New investments in Residential sector

In the Residential sector 198 units on three different locations were added to the portfolio in operation, of which 114 in Amersfoort (“Cadenza”) and 72 in Brielle (“Prinsenhof”). A total of 431 apartments were added to the secured pipeline of assets under construction which amounts to €455.2 million with 1,403 units on 13 locations at year-end 2020, of which €273.2 million had been paid. In addition, the unsecured pipeline increased by 589 units. In the upcoming years this pipeline will be completed and will be added to the portfolio in operation.

On the other hand, we divested 277 units in non-strategic assets for an amount of €66.2 million, among which the remaining 112 units in the province of Limburg, improving the risk-return characteristics of the fund.

Sale of the remaining Industrial property

With the sale on 6 May 2020 of the property leased to Hema in Utrecht for a net amount of €59.5 million, we successfully finalized the wind-up of the former Industrial portfolio. The remaining shares were redeemed on 1 June 2020 and shares formally withdrawn on 17 December 2020. A last payment to the former shareholders will follow at the end of 2021.

Excellent results in ESG benchmarks

Since many years Altera embraces continuous improvements in the field of ESG and many activities were planned resulting in strong ESG benchmark results. Altera Residential has become GRESB Real Estate Global Sector Leader 2020 and has once again achieved the 5-star rating. Altera Retail also was awarded this 5-star rating. The UNPRI survey resulted in double ‘A+’ rating for both ‘Strategy and Governance’ and ‘Direct Property’.

Returns in 2020

The 2020 returns were not as high as those of 2019, as shown in the enclosed table. Nevertheless for Residential a capital growth of 6.2% was more than forecasted at the beginning of 2020, and this was the main driver for the fund return of 8.6%. Within Retail the comparison segment was impacted most from COVID-19 with a downgrade of -27.1%; convenience retail is more stable and performed better with -0.9%; for the Retail portfolio as a whole the downgrade was -9.6%.

Key figures Residential and Retail in 2020 and 2019	Residential		Retail	
	2020	2019	2020	2019
Income return	2.7%	3.0%	5.6%	5.8%
Capital growth	6.2%	9.8%	-9.6%	-0.4%
Total property return	9.1%	13.0%	-4.5%	5.4%
Fund return (IFRS)	8.6%	12.4%	-5.4%	5.0%
Fund return (INREV)	8.5%	12.2%	-5.5%	5.8%
Dividend return	2.3%	2.6%	5.5%	5.4%
Gross initial yield (theoretical rent/book value)	4.0%	4.1%	7.3%	7.1%
Occupancy rate (average)	99%	99%	93%	93%
New leases (number of units or annual rent)	799	1,044	€10.5 mln	€4.8 mln

Economy of 2020

	Year-end 2020	Year-end 2019	Effect on property
Annual growth of Gross Domestic Product	-3.8%	+1.7%	-
Inflation	1.3%	2.6%	+
10-year spot interest on Dutch government bonds	-0.55%	-0.14%	+
Consumer confidence	-20	-2	-
Employment growth in number of jobs x 1,000	-133	+179	-

The GDP-figure above shows the impact of COVID-19 on the economy with a historic -3.8%. This also negatively impacted the employment growth. Inflation is lower than in 2019 as in this figure the impact of the increase of VAT-rate on 1 January 2019 from 6% to 9% is visible. Although government debt increased rapidly – as in other countries –, the 10-year spot interest on Dutch government decreased further to -0.55%. As a result of which the spread between real estate and fixed-income securities increased further.

Residential property market

In 2020, as in previous years, the residential sector as an investment market developed positively. Purchase prices and rental prices increased further by 11.6% and 10.2% respectively. The prices of new homes have also risen considerably, next to levels of scarcity, also driven by the rise in building costs (material costs, wages) and applications of sustainability induced solutions.

Due to substantial shortages, the occupancy rate of rented housing is unprecedentedly high and limited to a low level of frictional vacancy pivoting around 1% in the Randstad conurbation.

The mismatch between supply and demand has further increased in 2020 due to the number of households outgrowing the number of new homes delivered.

Economic figures of the NL residential property market	2020	2019	Effect
Population figure (31/12)	17,475,000	17,409,000	+0.3%
Number of households (31/12, 2020P)	8,007,000	7,892,000	+1.5%
Number of completed homes	69,322	71,000	-2.4%
Growth in housing stock (Statistics Netherlands)	74,565	76,000	-1.9%
Annual rise of average sale price per home (Statistics Netherlands)	8.3%	6.9%	
Mortgage interest rate (interest on new contracts November, DNB)	1.85%	2.42%	
Income growth (CLA wages incl. special remuneration elements December, Statistics Netherlands)	+2.8%	+2.8%	
Average purchase price Q4 per m² (NVM)	€3,010	€2,662	+13.1%
Average transaction rent per m² (non-regulated, Pararius/NVM)	€13.0	€11.8	+10.2%

The residential property market has become an even more pressing item on the political agenda in 2020, both nationally and at municipal level.

Various political parties express the wish for social housing corporations to realize affordable mid-range rent homes. In addition, these corporations are under pressure to make unprofitable investments, on top of the investment effort of renewal and sustainability of their current stock. Various large cities and adjacent municipalities develop a policy with various forms of regulation, such as capping of the rent and maximum rent levels. The figures from institutional investors (IVBN) show that institutional investors have been pursuing a moderate rental policy for many years, with an average increase in the private sector of inflation plus 1.1% during the 2014-2020 period.

Altera shares the IVBN-view that regulation of the mid-range rental segment can lead to an opposite effect, namely a slowdorn in the production of new homes in this part of the market. As a result, the shortage of affordable mid-range rent homes within the €753-1,200 per month rental segment is likely to continue.

The rental policy of Altera fits in this view. In addition to moderate indexation of rents, the policy also focuses on proper housing for the various target groups with annual household incomes of €37,000 to €72,000. Nibud standards are applied in the rental process, to ensure that our rental properties are affordable. The average rent within the portfolio end 2020 was €1,027 per month.

The increase of the real estate transfer tax from 2% to 8% on 1 January 2021 for rented houses will not impact the residential market in a positive way, although scarcity will compensate this.

Retail property market

Although there were many government support measures, the COVID-19 impact on especially the branches fashion and restaurants is severe. The number of bankruptcies is still relatively low, but it is expected to grow rapidly in 2021 due to the lockdowns and easing of support measures. Occupancy rates remained quite stable so far, but are expected to decrease in 2021 in the comparison segment. On the other hand the turnover in the food segment (supermarkets and fresh food stores) was at a record high. Altera's strategy to enhance the portion of convenience in the portfolio proved to be right.

Because of COVID-19, consumers shopping behaviour has changed. Consumers now visit the shopping centre in a targeted way. Fashion shopping has shifted even more to online during COVID-19. As a result, the web-shops showed strong growth compared to the previous year. Online food sales also showed a stronger increase as a result of COVID-19. The share of online supermarket sales compared to total supermarket sales increased less rapidly, because the physical supermarkets also showed a strong increase in sales. In 2020 the share of online supermarkets increased from 3.0% to 5.0% (source: Supermarkt & Ruimte, November 2020).

Economic figures of the NL retail property market	2020	2019	Effect
Retail floor area	30,925,000	31,123,000	-0.6%
Sales outlets	218,000	219,000	-0.5%
Occupancy rate	92.5%	92.7%	-0.2%
Largest retail chains (top 5 in total number of outlets)	1. Kruidvat 2. Albert Heijn 3. Jumbo 4. Gall & Gall 5. HEMA	1. Kruidvat 2. Albert Heijn 3. Jumbo 4. Gall & Gall 5. Etos	No changes in top 4
Number of liquidations (CBS)	308	371	-63
Retail spending (in €x billion)	122.0	114.5	+6.6%
Food	56.1	52.3	+7.3%
Non-Food	50.0	49.7	+0.6%
Online	15.9	12.5	+27.2%

Investor relations

The yearly Investment Plans and Market & Trend Monitors were improved by introducing new elements, content wise as well as well as interactive.

Altera initiated an externally performed investor satisfaction survey to receive feedback and better understand our clients. Preliminary results point to above average scores compared to the financial services benchmark.

In the capital raising for international investors (including passporting for EU countries) it was clear that several documents had to be added to the regular Altera offering documentation in order to have a complete AIFMD documentation. On 17 September 2020 the shareholders approved the Information Memorandums for Altera Residential and for Altera Retail superseding the Company Profile. The Information Memorandum contains the Principal Terms (chapter 5) and subsequent changes in these terms require approval of the shareholders. Although governance aspects and other characteristics have not been materially changed compared to the Company Profile, the Information Memorandum has a more comprehensive approach which brings it in line with current market practice and specific AIFMD legislation.

The composition of the shareholders' base is as follows:

Ranking	Residential	Retail	Total (NV)
Top 1	17.7%	20.0%	16.3%
Top 5	56.6%	55.0%	48.2%
Top 10	74.0%	74.3%	62.8%

The shareholders' base is well spread in terms of relative volume of the individual shareholders.

Sustainability & ESG

As we have been focusing and progressing on sustainability & ESG for years, in our view it is very clear the importance of sustainability & ESG is only increasing further.

In 2020 we again focused on better results in GRESB, especially in the aspect of Performance. This resulted in the Residential fund being appointed GRESB Real Estate Global Sector Leader 2020 and achieving the "5-star" GRESB rating once again. With this status in the category of unlisted real estate funds, the Residential fund has, besides the first place in the world, also achieved first place in the Netherlands and Europe. Altera Retail fund was again rewarded with the 5-star rating and reached the second place in the Netherlands. In addition, Altera received the highest ranks possible in the survey of the United Nations on the Principles for Responsible Investment (UNPRI) for both 'Strategy and Governance' and 'Property'.

Since 2018 we implemented an ISO 14001-certified Environmental Management System (EMS). The certification of this system takes place annually.

As of 2020, a SDG Impact Assessment has been conducted, where Altera's contribution to the SDG targets, using the by the UN established SDG-indicators, elaborated in an overview with potential contribution, KPI setting, current KPI status and mid-term targets.

In 2020, a start was made on identifying the effects of climate change (at asset level). In 2021, an integrated policy will be drawn up in which the inventory of climate risks is enriched with policy objectives that contribute to reducing these climate risks. Altera will be supported in this by a specialized third party.

Internal organisation: IT and focus on innovation

The aim to be a class leading real estate manager also results in several improvements of the internal organisation, including the design and implementation of a digital strategy, new IT tools, training of personnel, transaction monitoring tools.

Altera strives at the implementation of innovations in order to become more data driven, next to research driven. We recruited and appointed a Digital Manager in September 2020 and a Data Specialist will be recruited in 2021. A new data warehouse will be established, enabling us to bring together data from many internal and external sources. Additional tools such as systems for building passports, will be implemented in 2021.

The IT infrastructure migrated at the end of 2019 to a private cloud supported by third party. This fitted perfectly in the COVID-19 situation of working from home. This migration also resulted in optimal IT security and specific tools are in place for constantly checking the access of the IT systems. Obligatory periodic awareness training session are part of Altera's control framework. Professional videoconferencing tools were installed in the board room.

Internal organisation: high score in employee satisfaction

Altera strives at continuous improvement in employee satisfaction. Although the 2019 overall score of 7.8 was very positive, actions were taken to improve specific topics such as accessibility of internal information via online tools. The composition of the management team has been expanded, more meetings were held and an intranet was implemented. Altera is proud that the employee satisfaction survey at the end of 2020 resulted in a score of 8.0 and a net promotor score (NPS) of 50%. These scores are well above the average score of financial institutions.

One of the negative consequences of COVID-19 was that sadly a lot of activities relating to Altera's 20 year anniversary had to be cancelled, both externally as internally. A little compensation was offered with a summer beach activity.

In 2020 four persons joined Altera, of which three were newly added to the formation (digital manager, HR manager and a controller) and one replacement (asset manager Residential). And four employees left Altera in 2020, of which two will not be replaced (asset manager Industrial and an Acquisition Manager), one is already replaced (asset manager Residential) and one position is still vacant.

At the end of 2020 the headcount was 39 (36 FTE) and one vacant position.

Risk and compliance

Updates of official guidelines (and interpretations) in relation to anti-money laundering (AML) legislation are published frequently and after changes made in 2020 Altera updated the internal screening policy. A lot of effort is done in these screenings and personnel is trained during the year in order to enhance the awareness. Several industry-wide questionnaires of the Authority of Financial Markets (AFM) on topics such as outsourcing and AML were completed.

New rules relating to ESG, the first parts of Sustainable Finance Disclosure Regulation (SFDR), will become effective on 10 March 2021 and the preparation to comply to this new regulation is in full progress.

As of the beginning of 2020 an internal compliance officer is appointed.

A dedicated risk assessment tool has been introduced and implemented in 2020, which enables us to increase efficiency and improve the process.

Research

In 2020, the Research department further optimized the quality of the inhouse developed Quality Assessment Model (QAM). Additional external data were added in order for variables to be validated more frequently and objectively. The model has developed into an integral part of our investments processes, including acquisitions and valuations. In this way, returns are set off against quality scores, making it possible to substantiate assumptions more fully and gain insight.

An annual attribution analysis of financial performance is conducted in which the MSCI results of the peers are compared with Altera's performance. In 2020, the first steps were taken to highlight multiple facets in this performance analysis. The performance analysis will be expanded further in 2021, in order to gain even better insight into and control over the indicators.

The Research department has been closely involved in estimating and analysing the effects of the COVID-19 measures on the residential portfolio, but especially on the retail portfolio. Sensitivity analyses specified per branch are part of the basis for this.

Because of COVID-19 limitations the Research department provided an internal seminar for colleagues instead of external activities. The topic was real estate calculation by means of the IRR method.

The Research department plays an important part in preparing the annual Market & Trend monitor and Investment Plan. This process has been optimised by better alignment of both documents, a similar approach (DESTEP analysis) and a similar structure. As a result, policy objectives are better substantiated.

The Research department is closely involved in the digital strategy, in particular the construction of the data warehouse. This will enable the Research department to include both internal and external data in the research analysis.

Commitment

Finally, we want to thank our employees for their unabated commitment and efforts during the past year. The employees showed a maximum of flexibility, professionalism and a sense of responsibility in a challenging COVID-19 year. Most of the year they worked from home, performing their business responsibilities and taking care of the family. We were able to close 2020 as a year in which almost all of the targets were realised and a sound foundation has been laid for 2021 with our recent acquisitions and new pipeline projects.

We would also like to express our appreciation and gratitude to our shareholders and Supervisory Board for their support and involvement in the past year.

CVs of the Management Board

Jaap van der Bijl (b. 1959), CEO

Nationality Dutch
Joined 1 November 2016
Appointed 1 November 2016
Previous positions
- Managing Director Investor Relations, Syntrus Achmea Real Estate & Finance (2013-2016)
- Senior Head of Sales & Client Services North West Europe AXA Real Estate (2008-2013)
- Investor Relations Director, Achmea Vastgoed (2002-2008)
- Senior Manager Product Management, Achmea Pensioenen (2000-2002)
- Pension Fund Manager, PVF Achmea (1998-2000)
- Director of Shipping & Printing Industry Secretariat (1996-1998)
- Various positions at GAK/UWV (1980-1995)

Education Various courses
Additional positions
- Member of INREV Fund Manager Advisory Council (2019-)

Cyril van den Hoogen (b. 1963), CFO

Nationality Dutch
Joined 1 February 2001
Appointed 4 July 2006
Previous positions
- KPMG Accountants NV (1987-2001)
  - From 1995: Senior Manager Real Estate Sector Group
  - From 1987: Auditor

Education Master's degree in Business Economics, Postdoctoral degree in Accountancy; Postdoctoral degree in Real Estate Studies
Additional position
- Board member of Stichting Redex (2016-)

Erwin Wessels (b. 1963), CIO

Nationality Dutch
Joined 1 January 2014
Appointed 1 May 2014 (resolution adopted by GMS 11 December 2013)
Previous positions
- NSI (2009-2013)
  - Asset Management Director, Offices and Industrial (2013)
  - Director of Construction and Development (2009-2012)
- Dura Vermeer Vastgoed (1998-2009)
  - Project Manager (1998-2003), Deputy Director (2004-2006) and Management Board member (2007-2009)
  - Business Manager, Van der Velde Bouw (1989-1995) and Vermeer Bouw (1995-1997)

Education Bachelor's degree in Building Engineering, Postdoctoral degree in Real Estate Studies

Implementation of best practices

Various organisations issue guidelines and make recommendations that contribute to the professionalisation of the institutional property sector. This leads to a further improvement in transparency in the sector. The organisations of importance to Altera in this context are INREV, IVBN, StiVAD, MSCI, IVS and RICS. For sustainability & ESG they are UNPRI, DGBC and GRESB (see ESG report). These organisations usually also supply benchmarks and best practices that are relevant to Altera. We also play an active part in various working groups in these organisations. Best practices are also realised by the implementation of asset management and valuation management systems, ISAE 3402 reporting and ESG certifications.

INREV

INREV (European Association for Investors in Non-listed Real Estate Vehicles) was founded in 2002 and Altera has been a member since its foundation. Since then INREV has published a range of guidelines and recommendations which have subsequently been incorporated into the periodically updated 'INREV Guidelines'. INREV has also developed a set of corporate governance standards with the possibility of self-assessments (see the Corporate Governance section elsewhere in the annual report). Altera achieved a score of 97%.

Altera's self-assessment for 2020 is shown below:

Topics	2020	2019	Difference
Corporate Governance	95	89	5
Fee & Expense	94	85	5
Liquidity	97	97	-
INREV NAV	100	95	5
Reporting	96	91	5
Sustainability	100	95	5
Valuation	100	100	-
Total Average	97	93	4

These guidelines and recommendations can be downloaded from the INREV website (www.inrev.org). Where applicable, having regard to the structure of the sectoral funds and the management organisation, we fulfil these guidelines to a large extent.

INREV has made recommendations for amended net asset value calculations, with allowance being made for various adjustments compared to regular IFRS reporting. These adjustments are only applicable to Altera to a limited extent. The most relevant adjustment for Altera is the one for transfer tax. Since 30 September 2019 Altera has adopted the INREV NAV as the trading net asset value. See the INREV tables with accompanying audit report on pages 149-157.

The definition of management and fund costs employed by Altera coincides with INREV's definition. We relate the management and fund costs to the average assets under management (property investments plus liquid assets available for reinvestment).

INREV distinguishes two criteria for these costs: the TER, which is the total expense ratio (management and fund costs of the fund divided by either the average net asset value or the gross asset value), and the REER, the real estate expense ratio, which also takes other types of cost into account.

Altera's total expense ratio for 2020 (all sectors combined) is shown below:

	versus gross asset value (INREV policies)		versus net asset value (INREV policies)		versus assets under management (Altera policies)	
	2020	2019	2020	2019	2020	2019
Management and fund costs (in € thousands)	8,918	9,313	8,918	9,313	8,918	9,313
Total expense ratio (in basis points)	34.7	38.6	36.1	39.4	35.2	39.7

The total expense ratio (TER) and the real estate expense ratio (REER) in basis points versus the gross asset value (GAV) by sector is as follows:

(in % of gross asset value)	INREV TER Average 2016-2020	INREV TER 2020	2019	INREV REER 2020	2019
Residential	0.365%	0.346%	0.386%	0.89%	0.98%
Retail	0.364%	0.349%	0.381%	1.35%	1.20%
Industrial	0.366%	0.327%	0.404%	0.46%	1.34%
Total for all sectors	0.365%	0.347%	0.386%	1.01%	1.06%

The differences in the total expense ratio by sector arise mainly from valuation costs and non-deductible value-added tax.

According to the most recent market survey by INREV (dating from November 2020), the average management expenses of core property funds are 92 basis points (after the performance fee, which Altera does not use) of the gross asset value and 128 basis points of the net asset value. Altera is far below this level, at 34.7 basis points in the case of gross asset value in 2020 and 36.1 in the case of net asset value. We have made the completed INREV due diligence questionnaires available to prospective shareholders. These questionnaires are updated annually.

INREV has drawn up a ‘Standard Data Delivery Sheet’ (SDDS) so that the affiliated investment funds can report to their shareholders every quarter in the prescribed way. Altera issues the INREV SDDS to shareholders every quarter.

MSCI Netherlands Property Index

Since 1995, MSCI has provided a property benchmark for the performance of investments in Dutch property, subdivided into sectors. For residential properties the MSCI Netherlands Property Index consists of 29 portfolios with a market value of €36.9 billion, for retail properties 29 portfolios with a value of €8.4 billion. The participants provide their valuation, transaction and operational information, and the returns are calculated on this basis (time-weighted and in accordance with the GIPS standards). The valuations take place in accordance with the applicable valuation standards of the International Valuation Standards Council (IVS) and the Regulations for Business Property (plus Addendum for Corporate Property) of the Netherlands Register of Real Estate Valuers (*Nederlands Register Vastgoed Taxateurs* - NRVT). We monitor compliance with these standards in our external valuations. We reconcile the data supplied to MSCI with the figures in the financial statements.

IVBN

The Netherlands Association of Institutional Investors in Property (*Vereniging van Institutionele Beleggers in Vastgoed, Nederland* - IVBN) is an interest group whose members together represent some 90% of the institutional property assets in the Netherlands.

The members must comply with a Code of Ethics and a model internal code of conduct has also been drawn up. A specific code has been drawn up for the sale of residential rental properties which takes the interests of the tenants into account. We comply with these codes, and the code of conduct for our employees is partly based on them. We also maintain a transaction register for property transactions. On the Integrity platform, the members exchange experiences on the practical aspects of integrity risk.

"The real asset investment industry plays a critical role in creating a sustainable world"

Investors use the ESG data and GRESB's analytical tools to monitor their investments, engage with their managers, and make decisions that lead to a more sustainable and resilient real asset industry. Roxana Isaiu, Chief Sustainability Officer (CSO) at GRESB, sat down with Jaap van der Bijl, CEO of Altera, one of the first members of GRESB.

The transition to sustainable real assets is one of the most fundamental challenges of mankind. According to GRESB, it can only be met with reliable ESG information, standardized global benchmarks and collective action from all our stakeholders as we work towards a more sustainable future.

Jaap: "Altera was one of the first to join GRESB since its inception and it has been one of the pillars of our investment philosophy ever since, because we are convinced that this is the way forward, not only for the world at large, but also for tenants and for investors. To us, sustainability is also risk management to an extent, because of the cascading new regulations coming into effect. Therefore you'd better act proactively rather than being late. That's why we were very pleased with the outcome of the GRESB rating last year and it continues to motivate us to maintain that number one position." (see box on the next page)

Roxana: **"Do you consider climate risk as part of your ESG strategy or do you consider it as add-on?"**

Jaap: "No longer as add-on; it is integrated. As for ESG it is always key to ask what the separate letters E,S and G, stand for? We sometimes display it like a fan diagram, in which the governance part is increasing and overlapping the E and S side increasingly more, with regulation cascading into those areas. To us it makes perfect sense to integrate ESG in our investment philosophy and therefore climate as a new challenge or objective within our ESG philosophy. The thing is to make it tangible, what are you going to improve in a specific building or location when it comes to climate risk and climate risk adaptation. These could be big or small measures, such as planting trees in the parking area or adding sunshades."

Roxana: **"Do you use any tools to assess physical risks?"**

Jaap: "Certainly, last year we used Blue Building and this year we apply Dutch Stichting CASS (Climate Adaptation Services) and we are exploring the use of CRREM (Carbon Risk Real Estate Monitor), Energy Index, Bin, APC all of this together, and distill out of these metrics what would have an impact, whether it be climate, greenhouse gas emission, water usage or waste. These are ongoing efforts."

Roxana: "Our purpose as GRESB is to standardize all those metrics and provide a common level of understanding of what ESG performance means altogether. That's why initiatives like ours, or CRREM (see box on the next page) are important. It's because they provide a comparable baseline for comparison. This is what we have been trying to do over the past twelve years and I think we've been making good progress in encouraging data collection and ESG transparency, but we are only at the start of measuring real ESG performance. That said, real estate is in a much better position than other asset classes when it comes to ESG standardization.

Data coverage is a metric that is a prerequisite for performance measurement, it is not measuring performance in itself but the fact is that data availability is still lacking and still limited. One could look at data availability as a performance indicator for good ESG management."

Jaap: "The next level will be using tenants' data although GDPR will not be helpful in this. There's also some possible distrust among tenants who think: 'What are you going to do with my data? Will Altera increase my rent?' Of course there's no need for distrust and here the importance of communications comes in. Of course, we ask for their consent when we ask them to use their data.

Worth mentioning here is that Altera's use of data is one of the reasons we scored high as the Global Sector Leader 2020, because as soon as the COVID-19 crisis hit the retail industry we visited our retailers and asked them among others to show us their energy data. As a rule, we add real estate data and retail data from external sources to our own database and then distill what's happening to the location, both for residential and retail, on all sorts of aspects, including ESG. We like data!"

Roxana: "This seems similar to our approach. Assessment participants receive comparative business intelligence on where they stand against their peers, with insights into the actions they can take to improve their ESG performance and a communication platform to engage with investors."

Roxana: **"Has COVID-19 changed the way Altera communicates with tenants?"**

Jaap: "We intensified our relationship with tenants, also because they came to us to ask for a decrease in rent or negotiate their rental contracts. We replied by asking them to provide information regarding their turnover and invited them to extend the lease term and also if relevant add a green lease type of article to the contract."

Jaap: **"Do you see any new ESG topics emerging on the GRESB agenda?"**

Roxana: "We see a transition towards the net zero economy and the measurement of sustainability performance in general. So the focus will be on performance-based assessments and in the end this adds to decarbonising portfolios and compliance with the CRREM pathways (see box hereafter). Of course the SFDR (Sustainable Finance Disclosure Regulation) will be high on the agenda as it imposes mandatory ESG disclosure obligations for asset managers, private banks and other financial markets participants – with substantive action needed to comply with SFDR. So there's work to be done and at GRESB we continue to work to improve sustainability best practices in the sector and provide the solutions needed to comply with these new requirements!"

GRESB's mission

GRESB Assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments, and are aligned with international reporting frameworks, such as GRI, PRI, SASB, DJSI, TCFD recommendations, the Paris Climate Agreement, UN SDGs, region and country specific disclosure guidelines and regulations.

Website: www.gresb.com

CRREM: a transparent, decarbonization science-based pathway

The Carbon Risk Real Estate Monitor (CRREM) provides the real estate industry with transparent, science-based decarbonisation pathways aligned with the Paris Climate Goals of limiting global temperature rise to 2°C, with ambition towards 1.5°C. These pathways enable industry stakeholders to estimate carbon and stranding risks associated with premature obsolescence and write-downs due to changing market expectations and legal regulations, encompassed within what is categorised as 'transition risks'.

Altera Global Sector Leader 2020

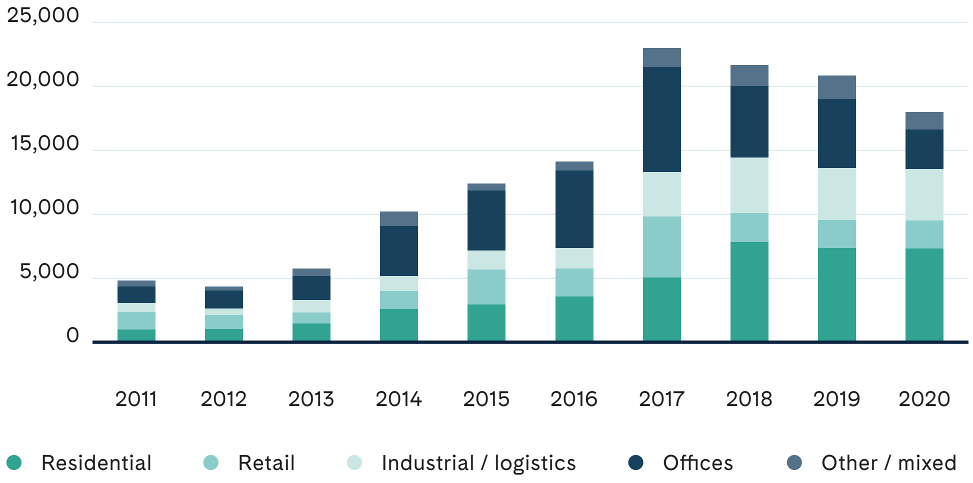
Real estate investor Altera Vastgoed has become GRESB Real Estate Global Sector Leader 2020 with its residential fund and has once again achieved the 5-star GRESB rating. With this status in the category of unlisted real estate funds, Altera Residential has also achieved first place in the Netherlands and Europe. Altera Retail again achieved a 5-star rating and came second in the Netherlands.

Trends and developments in the property market

Dutch economy has been seriously affected by the COVID-19 pandemic. GDP dropped in 2020 with -3.8%. The effects are still barely visible in unemployment figures, which rose slightly from 3.2% in December 2019 to 3.9% in December 2020. Mainly due to governmental financial support the number of bankruptcies even declined in 2020 compared to 2019. Especially the ZZP-group (self-employed without employees) have to deal with the negative consequences of the lockdown measures.

The Dutch real estate market is relatively well insulated by the COVID-19 pandemic. The investment activity in Dutch real estate was at a slightly lower level than in the previous three years, but in a long term perspective still high. Investments in offices were obvious lower than a year before, but in the other segments the investment volume stayed almost equal. One of the reasons why investment volumes in the Netherlands remained relatively stable is the increased interest of foreign investors in recent years. In 2020, the share of foreign capital in the Netherlands rose to 65%, compared to 50% in the preceding two years. Due to the considerable trust of foreign investors in the stable situation in the Dutch occupier markets in combination with the stable position of the Netherlands within the Eurozone, these investors have been attracted to invest in Dutch real estate in recent years (source: Savills).

Development of investment volumes per sector in € x million 2011-2020
(source: PropertyNL; various real estate agents)

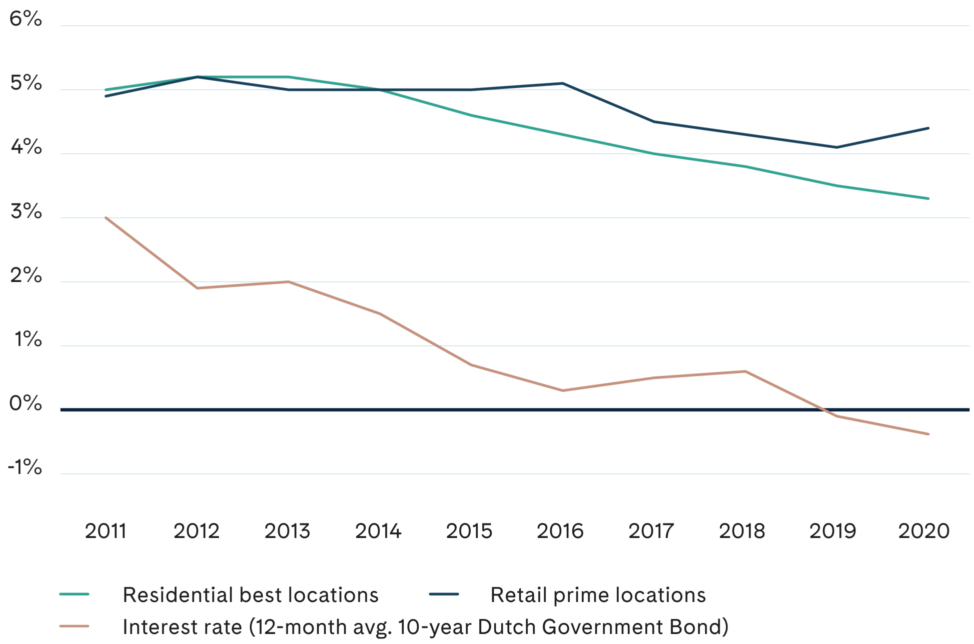


The COVID-19 pandemic had a different influence on the occupier markets, which is one of the main drivers of initial yield development. Residential markets were barely hit, comparison retail on contrary suffered a lot from the lockdowns which occurred during large parts of 2020. On the other hand, food retailers like supermarkets and food specialists, performed quite well in 2020.

Prime yields for residential showed therefore in 2020 again a small decline, while the gap between interest rate and yield has slightly widened. In the comparison segment of the retail sector prime yield rose on the contrary, as shopping areas were severely affected by the lockdown.

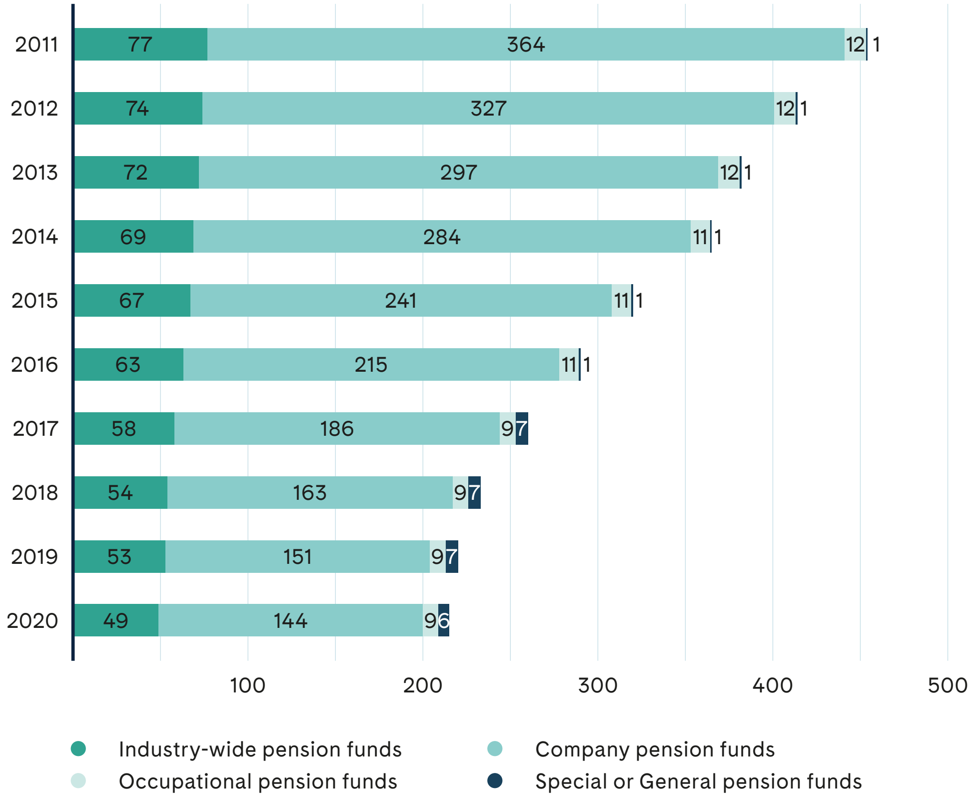
Gross initial yield at top locations and the 10-year interest rate

(sources: various estate agents, PropertyNL, Vastgoedmarkt, StiVAD, processing Altera, ECB for bonds)



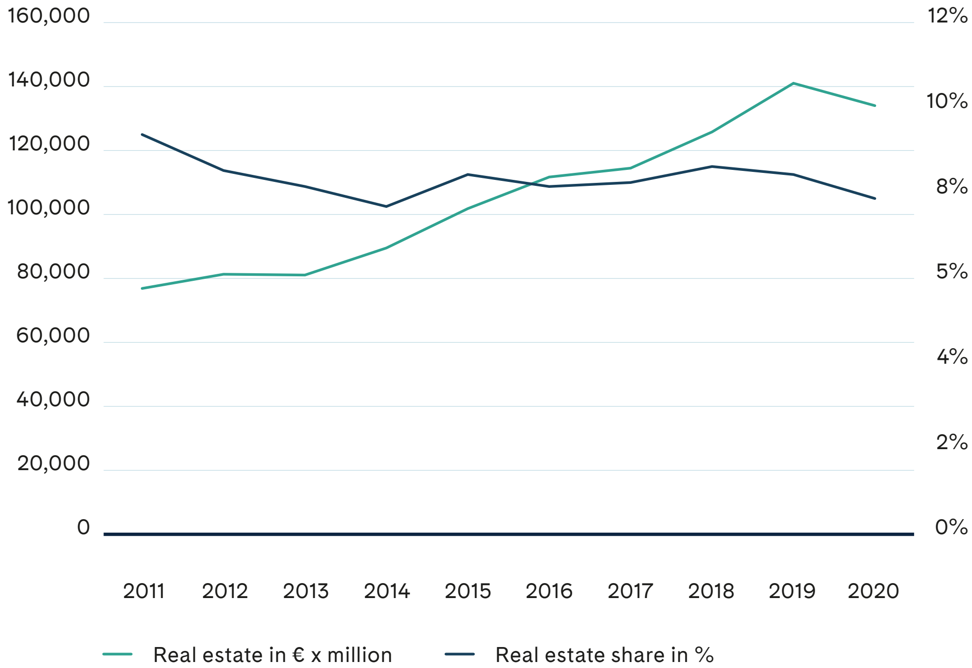
Development number of pension funds in the Netherlands

(source: DNB Statistics)



Following the long term trend, the number of pension funds decreased in 2020 again, from 220 to 208 (-5%).

Development real estate investments Dutch pension funds
(source: Q3 2020, DNB)



Dutch pension funds' total investments in real estate grew from €126 billion to €141 billion, while the share of real estate investments remained stable at around 9%.

Outlook

Residential

There are a few market uncertainties which make a forecast of market developments difficult. Both the impact of COVID-19 and Brexit on Dutch economy are quite uncertain, and this affect the possible income development of Dutch households. And with the election in March 2021 the call for regulating the rent in the currently unregulated segment (monthly rent of €752) has increased. Capital growth will be limited due to the enlargement of transfer tax (from 2% to 8% on 1 January 2021) for investors in residential. So both income and capital growth can become under pressure. On the other hand, driven by demographic developments, housing shortage will continue, which keeps rental prices at a good level, maintain vacancy low and makes a positive house price development in the owner occupier market possible. Therefore a positive total return for residential in 2021 can still be expected.

Retail: comparison and convenience

Just as the advent of COVID-19 marked the global economy of 2020, so the virus' retreat will determine the recovery of 2021. COVID-19 will reduce wage growth and thus decrease purchasing power, which will have a negative impact on consumer spending in the non-food retail segment. Spending in food will continue to develop steadily to positive. This segment has already shown that it is not sensitive to economic downturns.

As a consequence, both income and capital growth are expected to decrease for comparison shopping areas (with a large share of non-food). Vacancy rates will increase further due to expected bankruptcies within the non-food segment. For the convenience shopping centres (with a large share of food) it is expected that income and capital growth will slightly increase. A further market split between comparison and convenience can be seen as an ongoing trend in 2021.

ESG report

In this ESG report, Altera accounts for its sustainability policy and the results achieved. Results that contribute to a more sustainable and liveable society, whilst maintaining 'future-proof' portfolios and assets. As a management company, Altera invests in real estate in the Netherlands in a responsible, transparent and ethical way. To this end, a Strategy Framework ESG & Sustainability has been drawn up that forms an integral part of our policy on the acquisition and operation of real estate. This includes our ESG Framework, which consists of three pillars which describe the way in which Altera does business, our position in society and the way in which we engage with our stakeholders in our business chain.

Rationale for ESG

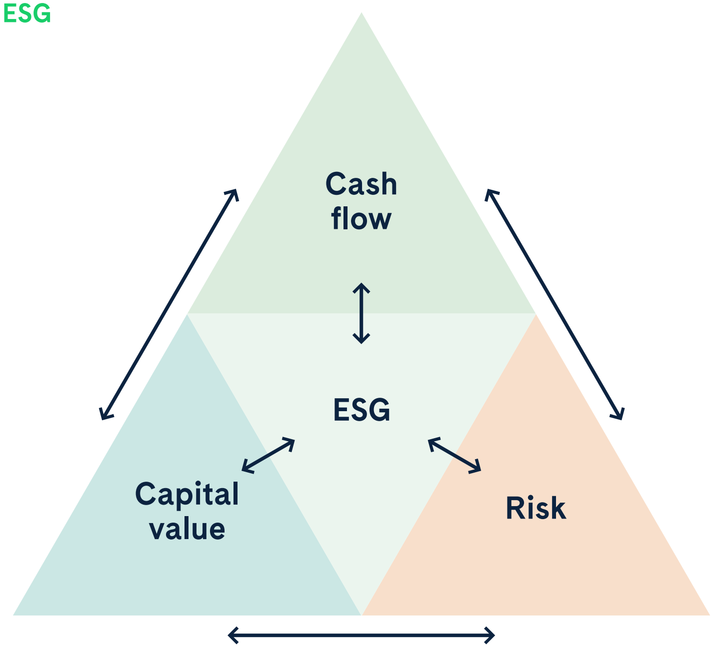
The aim of the ESG policy is to increase the 'future-proofness' of our portfolios and assets:

- Balancing the interests of main stakeholders: Investors – Tenants – Society
- Anticipating upcoming legal requirements & alignment with governmental institutions and supervisory authorities
- Creating 'dual' returns: good financial and ESG returns, due to improvement of risk/reward + predictable and lower capital and operational expenditures

It ensures that our ESG strategy creates value by:

- Improved risk management, including incorporation of climate related risks (transition and physical risks)
- Increased direct return (cash flow) and indirect return (capital value), due to better and more resilient assets
- Alignment with stakeholder interests and standards, which results in increased confidence in the manager
- Future-proof portfolios and assets

Impact of ESG



ESG Framework

1. Our Sustainable Real Estate

Portfolios and assets

What?

2. Alignment of interests of our Stakeholders

Investors, Tenants & Society

For Whom?

3. Our Responsible Management Platform

Organisation, Employees, Suppliers

How?

The ESG Framework consists of three pillars, which aim to contribute to a more sustainable and liveable society. These ESG pillars are described in more detail below. The sector reports further display the associated KPI's.

1. Our Sustainable Real Estate

Climate change mitigation and reduction of water consumption and waste production

Altera has a good and solid track record in the field of environmental sustainability. A major contribution in achieving this was made by the sustainability measures that were put in place (including monitoring of these measures). In order to maintain this leading position (in the peer group) Altera will continue to optimise, with a focus on "saving - generating - greening". For every asset an Annual Asset Plan has been developed with asset-specific ESG targets and measures.

To ensure that Altera is on the right pathway to meet (inter)national standards, guidelines and requirements, such as the Paris Climate Agreement and the Dutch Climate Law, we have communicated the following commitment:

Paris Proof Commitment

Ambition: The Residential fund and the Retail fund will be Paris Proof before the year 2050.

Realisation: We will draw up a roadmap for each portfolio to Paris Proof and implement the measures to achieve the objective. In addition, we show an annual reduction in intensity (kWh/m^2 and CO_2/m^2).

Monitor: We will externally verify our goals and the progress achieved by an independent auditor. We include all assets that are in our possession in the calculation.

Transparency: From 2020 onwards, we will publish the average consumption figures in kWh/m^2 and CO_2-emissions at portfolio level every year. These consumptions are disclosed in the annual ESG policy plan.

Promote: We show leadership towards our stakeholders. We focus specifically on the shareholders, tenants and suppliers. In addition, we also work with local stakeholders and the real estate sector to make an impact on a larger scale.

Saving
For its real estate portfolio, Altera focuses on reducing energy and water consumption and waste generation by investing in conservation measures and encouraging tenants. The energy index and energy labels provide insight into energy consumption. Altera expects to reduce the energy index and increase the share of green energy labels (A-C) through 'green' measures such as the installation of LED lighting (common areas), HR++ high-efficiency boilers (residential) and triple glazing (residential). For water saving, Altera is investing in conservation measures and providing encouragement for measures to save water in the kitchen utilities, shower, mixer taps and toilets. In the common areas, such as toilet facilities in retail centres, Altera reduces the water consumption by installing water-saving taps and toilets. For reducing waste generation, Altera is investing in conservation measures, such as waste separation, and providing encouragement for tenants.

Generating
Sustainable energy has been generated from solar panels for some years in the residential portfolio. The inclusion of solar panels is a standard requirement (in the SoR) for newbuild properties. For the retail portfolio, surveys have been carried out to determine which properties can be fitted with solar panels. In 2019 a subsidy was obtained to install solar panels for these properties. The solar panels will be installed in 2020 and 2021.

Greening
For the greening of our portfolio, Altera has been investing in the purchase of green electricity (in cases where we enter into contracts ourselves) for a number of years, resulting in a large proportion of our portfolios already being supplied with green electricity. All portfolios (except for properties with homeowners' associations) will have fully switched to green energy for their common areas by the end of 2023.

Free of natural gas
In accordance with the targets set by the Paris Agreement and the Dutch government's climate agreement, the Netherlands must have totally replaced natural gas by 2050. As of 2018, Altera has included a provision in the Schedule of Requirements (SoR) stating that newbuild homes must no longer be fuelled by natural gas. Natural gas will be phased out in the existing portfolios, depending partly on the age of installations present and municipalities' plans for heating networks. Currently, 25% of our residential properties are free of natural gas.

Acquisition of sustainable assets
The key principle in acquiring new properties is that, in addition to improving returns/risks, they increase the sustainability of the real estate portfolio. The contribution made by an acquired property to the overall sustainability of the real estate portfolio is determined on the basis of the associated building certification score (GPR/BREEAM). The certification score of the acquisition must have a positive effect on the portfolio average.

Climate change adaptation
Altera aims to monitor and increase the adaptive capacity of its assets to adequately adjust to climate change in order to moderate potential damage. A first step is to conduct a risk assessment to determine which assets are most susceptible to the most likely effects of climate change, such as flooding, extreme weather events, drought and urban heat islands. In 2019, a thorough analysis has been conducted to determine which assets are most susceptible to the most likely effects of climate change, such as extreme weather events, drought and urban heath islands. This provided us with a first analysis of the adaptive capacity of our portfolios. We will conduct a more extensive asset level risk assessment, which includes asset specific characteristics. This will determine the climate risk level of the assets (flooding, extreme weather events, heat stress and drought), focusing on both current and expected future risks.

See page 40 (Climate-Related Risks and Opportunities) for more information on how we deal with climate-related financial disclosure.

Improvement of the quality of the data and 100% asset level certification
Measurable and tangible results are increasingly playing an essential role in strategic and operational decision-making in real estate. For some time now, Altera has been systematically gathering property-level data, such as energy performance, greenhouse gas emissions, water consumption and waste generation, which provides a good understanding of the sustainability of the property portfolio, including optimisations and benchmarking. Certification by BREEAM and GPR also provides detailed insight into sustainability performance of our assets.

GPR
For an objective assessment of the sustainability of the residential portfolio, 100% of the properties were GPR-certified in 2019. This was maintained during 2020. The weighted average GPR score (based on usable area) is 6.6.

BREEAM
In 2018, the BREEAM-NL-In-Use certification method was used to objectively map sustainability for the entire retail portfolio. The properties were BREEAM-certified in 2019. This was maintained during 2020. Altera has developed roadmaps per asset (green multi-annual maintenance budget) to optimise the sustainability potential of the assets. This is beneficial for different ESG-elements. The percentage of core assets with a BREEAM-level Good or higher was 48%.

2. Alignment of interests of our Stakeholders

Investors

Compliance with laws and regulations

Being compliant to current and anticipated future legislation and regulations provides us with a licence to operate from our stakeholders. It provides our investors with confidence that we are not faced with unexpected capital or operational expenditures. With regards to ESG the most important laws and regulations are:

- Paris Climate Accord, Dutch Climate Accord and Dutch Climate Law
- European Green Deal
  - Sustainable Finance Disclosure Regulation (SFDR) and delegated changes in the AIFMD-regulation
  - EU Taxonomy for sustainable activities
- Energy Efficiency Directive/Wet Milieubeheer
- New Energy Label

Excellent ESG track record

GRESB

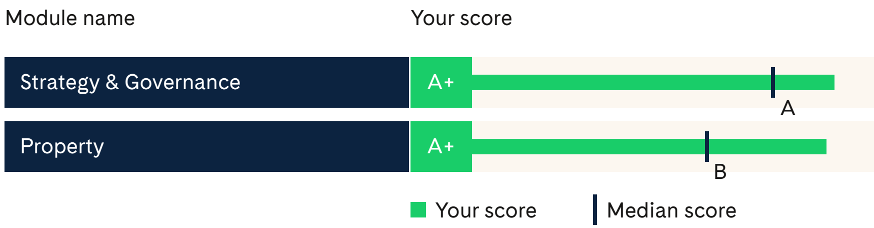
Altera takes part in GRESB's annual survey. GRESB is an independent benchmark that assesses sustainability policies and their implementation by property funds and portfolios worldwide. The residential portfolio received 5 stars and obtained the highest total score in 2020 (for activities in 2019) compared to the peer group in the Netherlands and became Residential Global Sector Leader. The retail portfolio received 5 stars and obtained the second position in the Dutch peer group. Altera has been awarded a Green Star rating by GRESB since 2012. Even though Altera already has a top position, it hopes to increase the overall score with the measures implemented in 2020.

UNPRI

Altera signed the United Nations Principles for Responsible Investment (UNPRI) in 2017. By applying these principles, Altera contributes to the development of a more sustainable system and more sustainable implementation of the strategy. Altera reports annually on progress made in implementing the principles. Starting in 2018, these reports can be found on the UNPRI website, under Altera Vastgoed NV. Altera received an A+-rating for Strategy & Governance and an A+-rating for Property. The score of A+ is the highest achievable score.

Residential

Retail



PRI Principles for Responsible Investment

AlterA
Get into real good

Tenants & society

High tenant satisfaction

Altera's mission is that real estate, in addition to its financial performance, also makes an important contribution to society. This includes a high level of tenant satisfaction. A good relationship can only be maintained with tenants if they are satisfied. Tenant satisfaction in the two sectors is therefore periodically assessed by means of a tenant satisfaction survey (TSS), and the results are incorporated as recommendations in the corresponding asset plans. This guarantees that the research results will lead to improvements. Targets are also set to optimise tenant satisfaction.

Increased focus on tenant engagement

Furthermore, we engage actively with our tenants on the topic of sustainability. In 2020 for the second year, a questionnaire is sent to all (residential & retail) tenants requesting information with regard to the consumption of electricity, natural gas, water and production of waste. The Residential tenants received both a digital and a mail-sent questionnaire, to increase the response rate.

Altera and the selected property managers are in close contact with our residential and retail tenants. With respect to COVID-19, Altera is taking a merciful stance towards tenants who face liquidity problems, including suspension of rent and no costs for collection procedures. For retail, we also participate in two initiatives to support our tenants (see text box).

Brochure 'Tips & Tricks': For both our Residential and our Retail tenants we have developed a Tips & Tricks brochure to assist them in making more sustainable choices. It provides practical guidance to reduce energy and water consumption and waste production. We have distributed this brochure to all tenants and will include it with new leases.

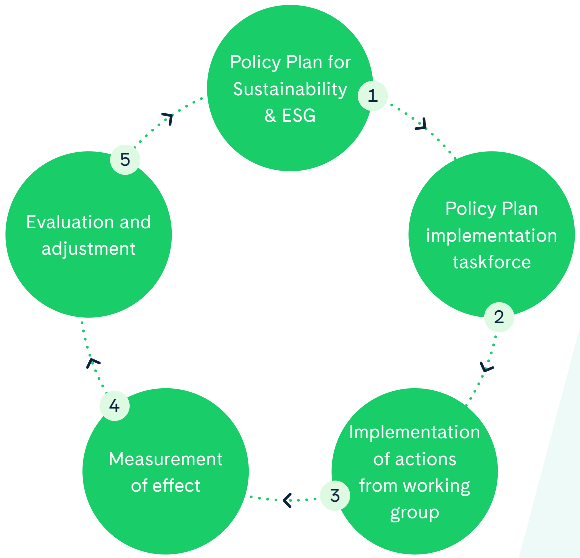
Project: 'Help de Winkelier' and 'Starting Point Money Matters'

- To support our retail tenants during the COVID-19-crisis, Altera has become a partner of the initiative 'helpdewinkelier.nl'. Via this online platform, consumers can easily buy a gift card for their favourite (local) shop, which directly stimulates the turnover of the entrepreneur. For consumers, the gift card is valid indefinitely.
- Altera has joined Starting Point Money Matters (StartpuntGeldzaken), where tenants can, if they wish, draw up a money plan themselves. This allows them to keep or get their own finances in balance.

3. Our Responsible Management Platform

ESG embedded in solid management systems and processes

To ensure proper implementation of the sustainability policy, Altera focuses on securing commitment from its employees for internal implementation, and on integrating the sustainability policy into the existing processes. An ESG Research Manager was appointed in 2018 to manage this implementation process efficiently. An organisational cycle is used to implement the policy plan in the organisation.



ESG is embedded in the following key business processes of Altera

1. **Acquisitions:** For acquisitions strict sustainability-specific requirements are included in the Schedule of Requirements, which is being updated annually. Examples are the aim of Altera to take different technical measures such as the instalment of water saving toilets and water taps and energy efficient lighting, elevators and escalators. In principle, all investment proposals include ESG-information, the expected energy index and the availability of technical measures, such as solar panels.
2. **Leasing:** In the leasing agreements a green lease section is included, in which the landlord and tenant agree upon taking appropriate sustainability measures where possible and the sharing of information.
3. **Research:** The research department has developed in-house a quality assessment model, where ESG is one of the elements that determines the quality of the (potential) asset of the portfolio.
4. **Asset Management:** In the asset plans (and in the asset book) that are drawn up for each asset, budgets are reserved for sustainable investments, such as solar panels.
5. **Hold/Sell Analysis:** As ESG is included in the quality assessment model, ESG is an important part of the hold/sell analysis.
6. **Property Management including Maintenance:** In Altera's property management agreements ESG-elements are included to ensure that the property managers take sustainability criteria into account during the asset and property management including maintenance.
7. **Corporate Management:** In Altera's corporate management ESG-elements are included in human resources (engagement, commitment, employership and efficiency as measured in employment satisfaction surveys), ISO 14001 certification and UNPRI and GRESB assessments.

Environmental Management System (EMS)

Altera also uses an ISO 14001 certified Environmental Management System for internal implementation. This system defines how process-based environmental risks are controlled and prevented where necessary. ISO 14001 is the standard for environmental management and is known internationally as the standard for the EMS. In the beginning of 2020, the ISO 14001 certification of the Environmental Management System (EMS) was extended with a year. An ISO 14001 certification is valid for three years but must be reviewed annually to maintain a valid certificate. With the EMS, Altera shows that it is compliant with (environmental) legislation and regulations and environmental risks, and that it aims for permanent improvement of the organization's environmental performance.

Suppliers

External implementation focuses on aligning the principles that Altera sets with regard to sustainability and the activities by third parties. Altera aims to maintain long-term relationships with partners who have at least equivalent sustainability ambitions. Collaboration with partners that do not operate only for profit but also wish to contribute to a more sustainable living, shopping and working environment ensures that the sustainability ambition is reflected in the management, maintenance, development and redevelopment of property. In addition to the sustainability screening of the parties cooperating with Altera, ESG-specific requirements have also been laid down in all relevant agreements.

Strategic Workforce Development

At Altera we value our human capital highly and we therefore invest in developing and improving the knowledge and skills of our employees, as well as their well-being and satisfaction. Developing knowledge of sustainability is a company-wide process. Furthermore, all employees create their own personal development programme (PDP) setting out ambitions and objectives. This not only has a positive effect on quality but also motivates personnel to continue working on improvements. To shed light on well-being and satisfaction, a Preventive Medical Examination (PMO) and an Employee Satisfaction Survey (ESS) are conducted periodically. Employees can take part in these voluntarily, and privacy is always guaranteed. Survey results are discussed with a working group, after which joint activities that can contribute to the health of employees are discussed and developed. In 2020, 94% of the employees participated in the Employee Satisfaction Survey, with an average score of 8.0, which is more than the benchmark of 7.5 (financial industry) and an increase as opposed to 7.8 last year.

Externally verified ESG KPI's

We have requested an audit opinion from our auditor on some of the most material ESG KPI's to increase the reliability of the disclosed ESG data. The table shows the KPI's that were externally verified by Deloitte.

	2020		2019	
Altera	Residential	Retail	Residential	Retail
1. Energy-Index	1.11	0.74	1.13	0.81
2. % A-C labels	99%	94%	99%	89%
3. Average tenant satisfaction	7.0	6.7	7.0	6.5
4. GRESB Score	96	88	93	91
5. GPR	6.6	-	6.4	-
6. BREEAM: Percentage Convenience assets with BREEAM level Good or Higher	-	48%	-	32%*
7. UNPRI "Strategy & Governance" and "Property"	A+ and A+		A+ and A	
8. Average employee satisfaction	8.0		7.8*	
9. ISO 14001	01/04/2020		18/04/2019	

Residential Retail

*Changed compared to 2019 as result of changed reporting principles.

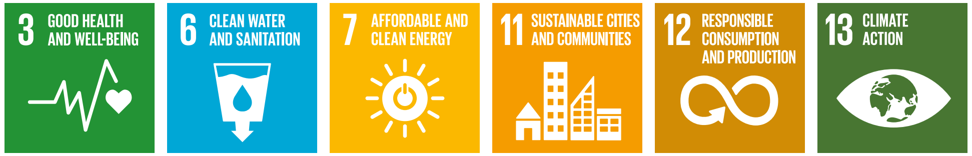
Reporting principles

1. **Residential:** Weighted average based on floor area for all standing investments.
   Retail: Weighted average based on floor area for all standing investments.
2. **Residential:** Weighted average based on floor area for all standing investments.
   Retail: Weighted average based on floor area for all standing investments.
3. **Residential:** Average score given by a select sample for tenant satisfaction.
   Retail: Weighted average based on floor area for all comparison and convenience shopping centres with the exception of properties with of approved divestment proposal (2020: 1 property, 2019: 3 properties). Average based on a three yearly measurement cycle.
4. Total score per fund reported in the yearly GRESB Benchmark Report.
5. Weighted average based on floor area for all standing investments.
6. Weighted average based on floor area for all convenience assets (convenience shopping centres and supermarkets which are in scope of the strategic portfolio).
7. Total score reported in the yearly PRI Assessment Report.
8. Average score in the yearly Employee Satisfaction Survey.
9. Date of issue of the most recent ISO 14001 certificate.

Sustainable Development Goals Impact Assessment

We have aligned our corporate targets with the United Nations Sustainable Development Goals (SDG's). The United Nations 2030 Agenda for Sustainable Development is a plan of action for people, planet and prosperity. Central to this Agenda are the 17 Sustainable Development Goals (SDG's), which are an urgent call for action by all countries, developed and developing, in a global partnership.

We have carried out an in-depth analysis of all the sub-goals of the 17 Sustainable Development Goals. To align the SDG's with Altera's objectives, strategy and impact areas, we have rated the 169 SDG targets based on the direct or indirect contribution our activities can have on the SDG targets and the level of impact and contribution we potentially have for the achievement of the SDG targets. This analysis identified the top six SDG's to which Altera can make a contribution and on which we can have the largest impact through our activities and properties. This SDG impact is also shown by the value creation model on page 8.



Research is being conducted on what the potential impact of adding four other SDG's is:

We have identified the underlying specific, time-related and measurable goals and have formulated company-specific KPI's for these goals based on 8 sub-targets. We will provide a progress report annually. As of 2020 a SDG Impact Assessment has been conducted, where Altera's contribution to the SDG targets, using the by the UN established SDG-indicators and displaying our potential contributions. Finally, the current status of the established KPI's and the mid-term target is put forward.

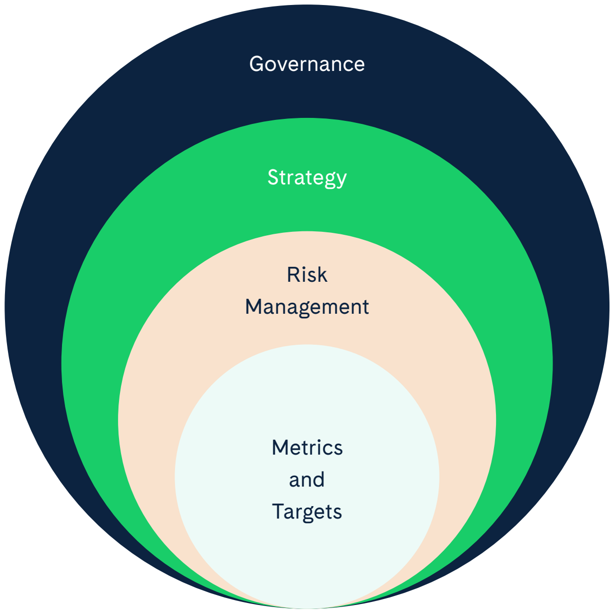
Sustainable Development Goal	3 Good health and well-being		6 Clean water and sanitation		7 Affordable and clean energy		11 Sustainable cities and communities		12 Responsible consumption and production		13 Climate action	
SDG target(s)	3.4 Reduce mortality from non-communicable diseases and promote mental health		6.4: Increase water-use efficiency and ensure freshwater supplies		7.2: By 2030, increase substantially the share of renewable energy in the global energy mix	7.3: By 2030, double the global rate of improvement in energy efficiency	11.6: Reduce the environmental impact of cities		12.5: Substantially reduce waste generation	12.6: Encourage companies to adopt sustainable practices and sustainability reporting	13.2: Integrate climate change measures into policy and planning	
Relevant SDG indicators	3.4.1: Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease		6.4.1 Change in water-use efficiency over time 6.4.2: Level of water stress		7.2.1: Renewable energy share in the total final energy consumption	7.3.1: Energy intensity measured in terms of primary energy and GDP	11.6.1: Proportion of municipal solid waste collected and managed in controlled facilities out of total municipal waste generated, by cities		12.5.1: National recycling rate, tons of material recycle	12.6.1: Number of companies publishing sustainability reports	13.2.2: Total greenhouse gas emissions per year	
Potential contribution	Placement of AEDs at our assets		Low-flow toilets, taps showers, rain barrels, tenant engagement to reduce water		Install solar panels, improve energy index and energy labels		Recycling waste bins, tenant engagement to reduce waste		Recycling waste bins, tenant engagement to reduce waste Publish sustainable report		Reduce energy usage buildings (common areas and tenant spaces)/ increase resilience buildings	
Establish KPI's for our contributions	% assets covered by AED		Volume of water used		Energy index, % A-label, Number of solar panels		Volume of waste produced, percentage waste recycled				GHG emissions (Scope 1, 2 & 3: kg/m²); Energy usage (kWh/m2)	
	Residential	*Retail*	*Residential*	*Retail*	*Residential*	*Retail*	*Residential*	*Retail*	*Residential*	*Retail*	*Residential*	*Retail*
Current status	69%	67%	787 litres (per m²)	-	EI: 1.11 A-label: 55% Number of solar panels: 14,000	EI: 0.74 A-label: 87% Number of solar panels: 0	13.1 kg (per m²)	-	13.1 kg (per m²) Sustainability report published	- Sustainability report: published	GHG: 40.8 kg/m² kWh: 143 kWh/m²	GHG: 29.8 kg/m² kWh: 106 kWh/m²
MT Target	100%	100%	<775 litres (per m²)	*	EI: 1.00 A-label: 65% Number of solar panels: >14,000	EI: 0.65 A-label: 90% Number of solar panels: 3,000	<13 kg (per m²)	*	<13 kg (per m²)	*	GHG: <35 kg/m² kWh: <125 kWh/m²	GHG: <25 kg/m² kWh: <100 kWh/m²

*Our aim is to increase the data coverage and set ambitious targets.

Climate-Related Risks and Opportunities

The Financial Stability Board (FSB) has launched the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations on climate-related financial disclosures. The Task Force has indicated the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries. Altera supports the recommendations of the TCFD and, in line with its recommendations, Altera reports on the four thematic areas. There may be duplications with the three pillars described earlier, but in order to report clearly and according to TCFD recommendations, the structure of this section is maintained.

TCFD Framework



1. Governance

The Management Board of Altera oversees all material financial risks and manages these risks in our portfolios, including climate-related risks that could exert a significant influence on parts of the portfolio. A multi-department working group, including portfolio management, investor relations and research & strategy, has been established to implement the climate resilience strategy. This working group reports directly to the Management Board of Altera. Each month the heads of the asset management teams discuss the progress of the sustainability goals with the Chief Investment Officer. Any climate-related risks, when applicable, are discussed in these meetings. The Technical Managers of our Residential and Retail portfolios, the ESG Research Manager and the asset managers are responsible for assessing and managing any sustainability risks in the portfolio. Specifically, the climate-related risks are assessed.

The quarterly reports to the shareholders include both a general sustainability section and a fund-specific section, which describes the major sustainability trends and the progress on sustainability-related key performance indicators. Towards stakeholders we will report annually on the progress of this strategy in the TCFD-section in the Annual Report.

2. Strategy

Altera has developed a Strategy Framework ESG & Sustainability, in which it focuses on different sustainability topics (E, S and G). Paris proof commitment. Part of the Strategy Framework is our commitment towards Paris Proof portfolios:

- **Ambition:** The Residential and Retail Fund will be Paris Proof before the year 2050.
- **Realisation:** We will draw up a roadmap for each portfolio to Paris Proof and implement the measures to achieve the objective. In addition, we show an annual reduction in intensity (kWh/m^2 and CO_2/m^2).
- **Monitor:** We will externally verify of our goals and the progress achieved by an independent auditor. We include all assets that are in our possession in the calculation.
- **Transparency:** From 2020 onwards, we will publish the average consumption figures in kWh/m^2 and CO_2-emissions at portfolio level every year. These consumptions are disclosed in the annual ESG policy plan.
- **Promote:** We show leadership towards our stakeholders. We focus specifically on the shareholders, tenants and suppliers. In addition, we also work with local stakeholders and the real estate sector to make an impact on a larger scale.

With regard to climate change, the plan indicates that Altera takes mitigating actions to reduce its impact by:

- **Saving:** Focuses on the reducing energy demand of the buildings by implementing energy efficient measures.
- **Generating:** Focuses on the production of renewable energy, currently mainly by means of solar panels.
- **Greening:** Is the purchase of (the remaining required green electricity and gas (or available substitutes).

The climate-adaptive measures are described:

Altera aims to increase the adaptive capacity of its assets to adequately adapt to climate change in order to moderate potential damage. Altera conducts risk assessments on the most high-risk effects, such as flooding, extreme weather events and drought. When the assets are at risk, we take measures to mitigate these risks as much as possible. For both funds KPI's have been established to reduce the climate impact and to increase the adaptive capacity, such as lowering the average energy index, increasing the number of solar panels, increasing the percentage of green electricity and increasing the percentage of A-C labels for Rain, Urban Heat and Drought. This ESG policy plan is included in the Residential and Retail Investment Plans and different elements are reflected in the hold/sell analysis, the asset book and the Quality Assessment Model.

3. Risk Management

The first step is to assess or identify the climate-related risks. Subsequently, we disclose our risk by communicating the identified risks. Finally, we respond by minimising, mitigating or resolving the risks.

Transition risks

- Altera aims to reduce its transition risks by ensuring that the assets in portfolio comply with all applicable laws and regulations, both present and future. An example is that we already included natural gas-free houses in our schedule of requirements before this was included in Dutch law.
- Furthermore, our efforts to take mitigating actions to reduce the climate impact are made to ensure that we align our assets with the Paris Climate Agreement and the Dutch Climate Accord. This provides assurance to our shareholders that we are in control of our assets.

Physical risks

- In 2019, a thorough analysis has been conducted to determine which assets are most susceptible to the most likely effects of climate change, such as extreme weather events, drought and urban heath islands. This provided us with a first analysis of the adaptive capacity of our portfolios.
- We plan to conduct a more extensive asset level risk assessment in 2021, which includes asset specific characteristics. This will determine the climate risk level of the assets (flooding, extreme weather events, heat stress and drought), focusing on both current and expected future risks.
- Furthermore, we plan to identify the potential impacts of the risks on 1) the asset value, 2) the expected capital and operational expenditures and 3) tenant satisfaction.
- We currently assess different consultants and tools to ensure that Altera maintains control and moves forward on this topic.

4. Metrics and Targets

The greenhouse gas emissions of the portfolios are calculated on the basis of the energy data. Reduction targets are set up to ensure that Altera is on the correct pathway to meet international guidelines and standards, such as the Paris Climate Agreement and the Dutch Climate Accord.

	2020	2019	**MT target (EOY 2023)**
Greenhouse gas emissions			
Residential			
CO_2 emissions in tonnes (total portfolio)	19,918	17,236	-
CO_2 emissions in kilogram (per m^2)	40.8	37.3	<35.0
Retail			
CO_2 emissions in tonnes (total portfolio)	8,393	6,791	-
CO_2 emissions in kilogram (per m^2)	29.8	30.5	<25.0
Energy Labels + Energy Indices			
Residential			
Average energy index	1.11	1.13	<1.00
Green energy labels (A-C), % of all assets	99%	99%	100%
Green energy label A, % of all assets	55%	52%	>65%
Retail			
Average energy index	0.74	0.81	<0.65
Green energy labels (A-C), % of all assets	94%	89%	100%
Green energy label A, % of all assets	87%	82%	>90%

Climate adaptation metrics

- We plan to conduct various interventions, such as working together with other real estate investors, municipalities and regional water authorities to increase the resilience of the neighbourhoods where the assets are located.
- For the assets with a moderate/high risk level, we will include mitigating measures in the multiannual maintenance budget. Some examples of interventions within the scope of Altera, are placement of: green/blue roofs, sun blinds, rain barrels, and increase of green or water in gardens.
- Finally, we plan to include the climate risk assessment in the hold/sell analysis and in the asset due diligence during the acquisition phase.

	Period	Residential	Retail
Asset-level risk assessment including financial and social impact assessment	EOY 2023	100%	100%
Inclusion of climate related risk in processes	EOY 2023	Fully integrated in: maintenance plans, hold/sell-analysis, due diligence	
Mitigating actions to reduce climate risks	EOY 2023	25%	25%

Communication on Progress UN Global Compact

CEO statement of continued support for the UN Global Compact and its ten principles

To our stakeholders

I am pleased to confirm that Altera Vastgoed reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In our first annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Mr. J.E.W. van der Bijl
CEO Altera Vastgoed

Description of actions or relevant policies related to Human Rights, Labour, Environment and Anti-Corruption and Measurement of outcomes

As of May 2020, Altera Vastgoed has joined the UN Global Compact as first Dutch institutional real estate investor. This is in line with the company's commitment to socially responsible investment. The company regards sustainable and socially responsible policy by also giving due consideration to issues like human rights, labour, the environment and anti-corruption. In this first Communication on Progress, the company states which steps it took to implement the ten principles into the company policies and measures its outcomes.

We have divided our Communication on Progress along the lines of our most important stakeholders: investors, tenants, business partners, management organisation (our staff) and planet.

Investors

- We are compliant with current laws and regulations, including the EU and UN sanction lists. Here we focus on Ultimate Beneficial Owners (UBO) when we implement of Know Your Customer (KYC) and Anti-Money Laundering-screens (AML).
- Furthermore, we mitigate country risks by following the JLL Transparency Index. We do not collaborate with investors that are listed in the bottom half of this list. When we engage in capital raising, we look for investors that are likeminded with the existing investor group.
- Being a sustainable real estate investor is a central part of our business proposition. Investors choose for Altera, because they know we incorporate Environmental, Social and Governance (ESG) criteria into all our business processes. This includes the company code of conduct, CDD/KYC/AML policy, incidents regulations, integrity policy, privacy policy and the screening and whistle blower regulations. Our sustainability efforts are well recognised by international benchmarks, such as GRESB and UNPRI, which provides external assurance on our sustainability claims. We strive to maintain high ranks in these benchmarks; we are global sector leader on residential in GRESB 2020 and received double A+ rating in UNPRI 2020).
- We align ourselves with the ambitions of our investors. Several of our investors exclude companies in which they invest, based on the UN Global Compact. A yearly screen by a service party shows that we do not deal with companies based on these kinds of exclusion lists. We actively participate in questionnaires and due diligences conducted by current investors and prospects with respect to sustainability and good business practices.

Tenants

- Besides our regular Dutch Anti-Money Laundering and Anti-Terrorist Financing Act screens, we do not further screen our residential tenants. However, we closely collaborate with government authorities in case of criminal misconduct, for example in the case of hemp cultivation.
- With respect to our retail tenants, we only exclude doing business with them when the law prohibits it. This is because we are not in the same industry/process chain. When doing business with a company imposes a potential reputational risk for Altera Vastgoed, we deal with this on a case-by-case basis.
- Since the majority of the GHG emissions are Scope 3 emissions, we engage with our tenants on their energy and water consumption and their waste production. Yearly, we enquire their performance data and work together with them to reduce their emissions. Examples of activities are: inclusion of a green lease section in the leasing agreement, development and distribution of a ‘tips & tricks’-brochure to seduce them to act more sustainably and renovation works to make the buildings more sustainable and resilient.

Business partners

- Our most important business partners are property managers, valuators, real estate agents, developers and other types of service providers. When above a certain threshold, they are being screened according to the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act. Furthermore, we adhere to the IVBN (Association of Institutional Property Investors in the Netherlands) Integrity code.
- We are investigating the option to include a sustainability clause or annex in the agreements with our business partners. Here our business partners can state that they work in line with the ten principles of UN Global Compact, work to achieve the UN SDG’s and/or other sustainability principles. Furthermore, they will be expected to explain what activities they undertake to act in line with our sustainability principles.

Management Organisation

- First and foremost, we have joined forces with the UN Global Compact to have a principles-based approach towards sustainability and align ourselves further to the UN SDG’s. We have communicated this internally and externally to create the possibility for our stakeholders to join us in this initiative.
- Besides making our assets more sustainable, we also behave as a responsible corporate citizen:
  - We have developed a value creation model in which we explain our business model, identify our most important stakeholders, and calculate how we have created value for them. This we link to the UN SDG’s. The Value Creation Model is published on page 8.
  - For our management organisation we have implemented an ISO 14001-certified Environmental Management System (EMS), which we update annually.
  - We prohibit discrimination and we aim to have a pluriform workforce. This has been included in our HR policy. We furthermore screen our employees prior and during employment, amongst others on anti-corruption.

By doing so we step by step narrow the gap and become an increasingly responsible and impactful responsible corporate citizen.

Sustainable Development Goals (SDG’s)

Altera is a strong proponent of the UN Sustainable Development Goals and has published about the company’s impact on the goals for three years. This year, we have conducted a UN Sustainable Development Goals (UN SDG) Impact Assessment Section I, which can be found on page 38 in this Annual Report.

Assurance report of the independent auditor

To the shareholders and the Supervisory Board of Altera Vastgoed N.V.

Our conclusion

We have reviewed the 2020 sustainability information in the accompanying annual report (hereafter: the Report) for the year 2020 of Altera Vastgoed N.V. (hereafter: 'Altera') at Amstelveen. 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 sustainability; and
- the thereto related events and achievements for the year 2020 in accordance with the reporting criteria as included in the section 'reporting principles'.

The sustainability information consists of sustainability data as included in section 'Externally verified ESG KPI's' in the chapter 'ESG report' on page 38 of the 2020 Annual Report.

Basis for our conclusion

We performed our review on the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot contole of beoordeling financiële informatie' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements) This assurance 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 Altera 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 regulations in The Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. 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. Altera 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 on page 38.

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 Management Board and the Supervisory Board for the sustainability information

The Management Board 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, management 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 evidence to provide a basis 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 other relevant legal and regulatory requirements.

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

Our examination included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the management board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our examination;
- 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;
  - Examining, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical examination 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 Supervisory Board regarding, among other matters, the planned scope, timing and outcome of the review.

Amsterdam, 16 March 2021

Deloitte Accountants B.V.

M. Heerschop

Corporate governance

Company law, tax and supervision framework

Altera Vastgoed is a public limited liability company under Dutch law (naamloze vennootschap) with its registered office in Amstelveen, the Netherlands. The company is registered in the Commercial Register of the Chamber of Commerce under the number 27184452.

Altera Vastgoed fulfils the legal requirements (Section 28 of the Corporation Tax Act 1969) for fiscal investment institutions with an obligation to distribute profits and is therefore not liable to pay corporation tax.

Under section 2:67 of the Financial Supervision Act the Netherlands Authority for the Financial Markets (AFM) granted Altera Vastgoed NV a permit on 12 May 2014 to act as a manager of investment institutions within the meaning of section 1:1 of the Financial Supervision Act. With this permit (number 15001214) the company can act as a manager for investment institutions in real estate, offering units to professional investors.

Other code numbers

- LEI code of Altera Vastgoed NV
  724500 U1 GLBNBLC85D73
- ISIN code of Altera Residential
  NL0013267883
- ISIN code of Altera Retail
  NL0013267875

Outlines of governance structure

The outlines of the company's governance structure are shown below.

	Initiative/nomination	Approval
Appointment and dismissal		
Management Board	S.B.	GMS
Supervisory Board	S.B.	GMS
Supervisory Board		
Medium-term (3-year) sectoral investment frameworks	M.B./S.B.	GMS per sector
Investment plans within the scope of investment frameworks	M.B.	S.B.
Business Plan	M.B.	S.B.
Information Memorandum chapter 5 Principal Terms	M.B./S.B.	GMS
Share transactions		
Entry of new shareholders within the scope of GMS frameworks	M.B.	S.B.
Issue of shares within the scope of GMS frameworks	M.B.	S.B.
Repurchase of own shares	M.B./S.B.	GMS
Portfolio transactions		
Investments/divestments between 10% and 20% of the net asset value of the relevant sector, or >€25 million	M.B.	S.B.
Investments/divestments >20% of the net asset value of the relevant sector	M.B./S.B.	GMS per sector
Other		
Amendments to articles of association	M.B./S.B./GMS	GMS
Adoption and approval of financial statements	S.B. (preliminary advice)	GMS
Adoption of budget (operating expenses and management and fund costs)	M.B.	S.B.

M.B. = Management Board
S.B. = Supervisory Board

For resolutions on matters that are not sector-specific, control is exercised at company level; for sector-specific resolutions it is exercised at sector level.

For sector-specific matters such as portfolio transactions and the establishment of medium-term sectoral policy frameworks, a voting right applies in proportion to a shareholder's interest in the relevant sector. For other matters, a voting right applies in proportion to a shareholder's interest in the company. In principle, a majority of over 50% is sufficient. For the decision to list the company on the stock market, a majority of 95% of the issued capital is required.

For a number of non-sector-specific and sector-specific resolutions (including approval of chapter 5 Principal Terms in the Information Memorandum, amendments to the articles of association, investment frameworks and investments equivalent to more than 20%), in which at least 75% of the issued capital of the company or of the sectoral shares must be represented, the following rules apply to the decision-making process:

- majority of ≥75%: resolution carried
- majority of >50% and <75%: resolution also carried if no more than two shareholders vote against
- minority of ≤50%: resolution not carried

Altera's standards frameworks

We apply various standards frameworks in establishing our corporate governance, some of which result from legislation. As a public limited company with registered shares, Altera is subject to various corporate governance requirements that are prescribed by law in the Dutch Civil Code. As a manager for investment institutions investing in real estate, Altera is subject to obligations under the Financial Supervision Act.

In addition, to the extent applicable, we assess ourselves against non-mandatory standards frameworks such as the principles and best practice provisions of the Dutch Corporate Governance Code (Van Manen Committee, December 2016) and the INREV Corporate Governance Guidelines.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code is intended for listed companies. It nevertheless has various principles and best practice provisions of relevance to Altera, and we have therefore chosen to assess our corporate governance against it.

We provide the following explanatory notes for the fulfilment of various best practice provisions:

- The members of the Management Board have not been appointed for fixed terms. Indefinite-term employment contracts have been entered into. For that reason no succession plan has been drawn up.
- The severance pay of one of the members of the Management Board is not limited to one year in his employment contract.
- No internal audit function has been appointed. The structure and operation of the risk control and management systems is assessed by the risk manager and the Chief Financial Officer. An independent service auditor issues a type 2 ISAE 3402 assurance report each year concerning the structure, existence and operation of a series of control measures.
- The Supervisory Board has not established any committees due to the size of the board, which consists of three members.
- The breakdown of the Management Board remuneration complies with section 2:383b of the Dutch Civil Code.
- Since the company is unlisted, a policy on bilateral contacts with shareholders and presentations to individual (prospective) investors is not relevant.

INREV Corporate Governance Guidelines

INREV has drawn up guidelines and best practices covering various aspects of property investment institutions, against which we periodically assess ourselves. We share the results of this assessment with the shareholders. Altera reached a score of 97%. INREV has subdivided the corporate governance aspect into the following seven subjects:

- Compliance with the law
- Compliance with constitutional terms
- Skill, care diligence and integrity
- Accountability
- Transparency
- Acting in investors' interests
- Confidentiality

Compliance Officer

As of 1 January 2020 Altera has nominated an Internal Compliance Officer; before that date the Chief Financial Officer was directly responsible for compliance.

Employees, Management Board members and Supervisory Board members are bound by a code of conduct. This code of conduct meets the requirements of the sector and has been drawn up in accordance with the guidelines of the Netherlands Association of Institutional Investors in Property (Vereniging van Institutionele beleggers in Vastgoed, Nederland – IVBN). The Compliance Officer ensures that all employees have confirmed their compliance with the code of conduct in writing each year.

Incident and whistleblower policies are also in place. These are detailed on our website.

Conflict of interest

Altera aims to avoid any form of conflict of interest. We therefore conduct no asset management for third parties (non-shareholders) and there are no 'separate accounts' pursuing the same strategy as our sectoral funds. A principle of our policy is that we will not participate or otherwise acquire interests in parties with which we maintain a commercial relationship.

IT management

Altera has outsourced its IT management to an external party since 2017. Recently, Altera has migrated its IT configuration to a private cloud solution using the latest Microsoft technology. The back-up of data takes place in external datacentres at two different locations. Altera uses multi-factor authentication. Penetration tests in order to check the vulnerability of the IT systems are performed daily by a specific tool.

Regulation under AIFMD

Since obtaining its permit on 12 May 2014, Altera Vastgoed NV, as the manager of the sector portfolios, has been regulated by the Netherlands Authority for the Financial Markets (AFM) under the Alternative Investment Fund Managers Directive (AIFMD). The main areas covered by the regulations (and, by implication, the supervision) are:

- Risk management
- Liquidity management
- Conflict of interest
- Outsourcing
- Valuation
- Capital requirements
- Remuneration policy
- Transparency requirements

The business operations were modified in some areas with a view to obtaining the licence, including the remuneration policy and the recording of additional specific AIFMD checks in the administrative organisation. The members of the Management Board and the Supervisory Board have been screened by the AFM.

Depositary

The depositary plays a crucial role in supervision under the AIFMD regulations. Since 2014 we have engaged Intertrust Depositary Services BV for this purpose. The depositary main duties include:

- managing assets, which for property means that the depositary's must verify his/her own ownership rights;
- checking cash flows;
- checking changes in the share capital (including valuation) and portfolio transactions (including policy tests).

The agreement signed with the depositary specifies the duties in more detail, including the information to be supplied by Altera and the corresponding deadlines.

Supervisory Board

In accordance with the law and the company's articles of association, the Supervisory Board is tasked with supervising the policy of the Management Board, as well as the day-to-day operations of the company and its business. The Supervisory Board approves the investment plans for each sector, along with the business plan. In fulfilling their duties, the Supervisory Board members are guided by the interests of the company and its business and all stakeholders. The Supervisory Board also advises the Management Board.

The Supervisory Board works as a team, within which each member can act independently, impartially and equally, enjoying the confidence of their fellow Supervisory Board members, the Management Board members and the shareholders.

When filling a vacancy, the Supervisory Board must ascertain – taking account of the relevant provisions of the articles of association – that the required skills and knowledge are sufficiently represented within the Board.

The Supervisory Board comprises the following members:

- Guus Hoefsloot (b. 1950), Chairman of the Supervisory Board
- Heino Vink (b. 1974), Supervisory Board member
- Roelie van Wijk-Russchen (b. 1964), Supervisory Board member (as from 24 June 2020)
- Johan van der Ende (b. 1959), Supervisory Board member (up to 24 June 2020)

The CVs and rotation schedules of the members of the Supervisory Board are included in the Supervisory Board Report on page 16.

Management Board

The Management Board is responsible for directing the company, under the supervision of the Supervisory Board. The Management Board's duties include developing, implementing and realising the strategy and the business and portfolio policies. The Management Board always acts within the parameters of the Information Memorandums, the investment frameworks and the articles of association. The duties and responsibilities of the Management Board are laid down in a set of regulations specially designed for this purpose.

The Management Board comprises the following members:

- Jaap van der Bijl (b. 1959), Chief Executive Officer
- Cyril van den Hoogen (b. 1963), Chief Financial Officer
- Erwin Wessels (b. 1963), Chief Investment Officer

Details of balanced male-female ratio

When nominating members for appointment to the Management Board or the Supervisory Board, an assessment is made of the extent to which the candidates fulfil the profile requirements. One of the main criteria is experience in the industry. A balanced ratio in the future will benefit from the promotion of larger numbers of women within the sector. The male-female ratio will be specified during the recruitment process.

The ratio in our total workforce at the end of 2020 was 68% male and 32% female (2019: 70% and 30% respectively).

Risk management

Altera strives for a low risk profile. We achieve this, among other ways, by:

- basing the selection of the property on explicit portfolio structures
- not applying leverage (or doing so at most temporarily, up to a maximum of 10%)
- not bearing any project development risk

An inventory is drawn up of relevant risks to business operations, and these are divided into strategic, operational, reporting and compliance categories. We have made an estimate of the influence of each defined risk on the key business objectives and the likelihood that the risk will arise. The risks were measured again for all processes in 2020 and since then the same has been done for individual subject areas.

Altera has identified policy lines for the significant business risks that are appropriate to the choice of a low risk profile. The policy lines determine, among other things, the degree to which we accept these risks and how we should control them.

Whether and to what extent we consider these risks acceptable depends on a number of considerations, such as the risk premium, external demands and possible threats to continuity, as well as the costs associated with control. We draw a distinction between risks to business operations and risks to the portfolio.

The risks are controlled through a combination of company-wide measures (see the general control framework) and process-specific internal control measures.

A set of control measures is assessed by an external service auditor, who reports on his findings in an ISAE 3402 report.

The risk management provides for continuous monitoring of the way in which the control is set up and functions in practice, including the direction by the management. In this way the description of the processes and control measures is also kept up to date. Risk is also controlled through process-specific measures, which we explain in more detail below.

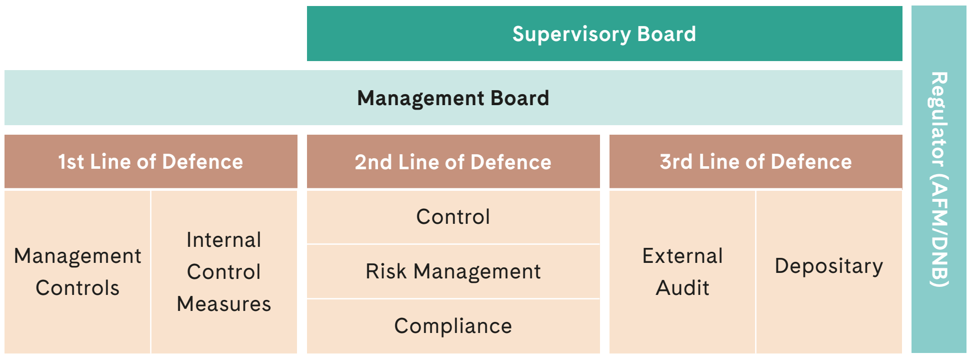
Main risks for Altera

Risk	Potential effect
Failure to achieve the investment objectives for several years	Reduced funding from shareholders
Insufficient diversification of each portfolio	Increased property-specific risk
Submission of relatively large numbers of redemption requests by shareholders	Slowdown in portfolio growth
Valuation risk	Incorrect net asset value and performance
Risk of fraud	Damage to reputation and loss of income
Loss of status as a fiscal investment institution	Levy of taxes on future profits
Compliance risk	Damage to reputation

We have formulated a general framework for adequate risk management that limits the risks to a major extent.

Three lines of Defence

Risk management and compliance can be translated to a model of three lines of defence. The three lines of defence model for Altera is showed below.



The third line of the model consists of the depositary and the external auditor (as Altera has no dedicated internal auditor) who both have a direct reporting line to the Management Board and the Supervisory Board.

The three lines of defence model for Altera is elaborated in more detail below. For each line of defence the documentation, the responsibility and the reporting line is shown.

Line of defence	Documentation	Responsibility	Reporting line
1. Business Operations	Information Memorandums, Investment plans and process description	Individual employees in their daily processes	When a finding occurs, quarterly reports, investment plan, evaluation of control processes with Board of Directors
2. Control, Risk Management & Compliance	Information Memorandums, Investment plans, legislation, process description	Head of Control & Risk Management and Compliance officer	Periodic risk management reporting (including incidents) and findings by compliance officer to Board of Directors and Supervisory Board (if applicable)
3. Supervision	Information Memorandums, Investment plans, regulations and internal reportings	Depositary and external auditor (as specified in legislation)	Board of Directors, Supervisory Board and/or AFM (if applicable)

General control framework

The key items of the general control framework are:

- Organisation of sufficient size with professionals
- 'Tone at the top', focused on the interests of the shareholders and on acting with integrity
- Separation of duties and two-signature system for contracts and payments
- Information Memorandum
- Establishment of risk management with interim testing of its operation
- Definition of strategy, operationalised in Investment Plans
- Decision-making processes based on written proposals and carried out in a multiform management team
- Accessibility of information across departments
- Transparency in reporting
- Supervision by Supervisory Board and AFM and auditing by external auditor and depositary
- Transactions only conducted with reputable parties
- Customer due diligence
- Pre/during employment screening
- Code of Conduct (IVBN and Altera's internal code), incident and whistleblower policies

Below is an explanation of the risk management, subdivided into the following risk categories:

- Strategic risks
  - Product risk
  - Investment risk
- Operational risks
  - Investment risk
  - Risk of fraud
  - Valuation risk
  - Continuity risk
  - Emergency risk
  - Fiscal risk
  - Environmental risk
  - Climate risk
  - Pandemic risk
- Reporting risks
- Compliance risks

Strategic risks

Product risk

Product risk is defined as the risk that the product characteristics no longer meet the requirements of the shareholders, so that in the long term the funding could become insufficient.

The product characteristics are set out in the Information Memorandum. We submit changes in the Principals Terms (chapter 5 of the Information Memorandum) to shareholders for their approval. This ensures that the investment products (sectoral funds) are clearly described and the characteristics are approved by the shareholders. We also compare the characteristics to the INREV best practices on the basis of a self-assessment, the results of which are shared with the shareholders.

Investment risk

Investment risk on the strategic level is defined as the risk that we are unable to achieve our investment objectives in the long term as a result of strategic policy decisions.

Based on research, we have described in the investment plans how the investment objectives can be achieved. In the sectoral policy frameworks, strategic principles are formulated and subsequently translated into target values for relevant aspects of policy (e.g. diversification based on the age of portfolio, locations) for the medium and long term on the basis of the vision defined for the sector concerned. This serves as a guideline for operating within the required risk profile.

Operational risks

Investment risk

Investment risk on the operational level is defined as the risk that the investment objectives cannot be achieved as a result of the operational implementation of strategic policy decisions. This could potentially affect current and prospective shareholders' assessment of Altera.

The investment plans for each sector are the starting point on the operational level. We control the investment risk as follows:

- Optimisation of the portfolio through, among other things, diversification based on various relevant segments and characteristics (rental maturity schedule, property size, etc.).
- Rejuvenation of the portfolio in order to counteract economic and technical obsolescence.
- Improving the sustainability of the existing properties.
- Detailed evaluation of all properties based on financial and non-financial aspects through annual hold-sell analyses (including SWOT analyses) and Quality Assessment Model.
- Assessing potential investment opportunities against strategic principles and financial acquisition criteria determined in a consistent manner.
- Control of the risk of not being fully invested, on the one hand by adhering to the 10% limit for cash at banks and on the other through a roll-forward mechanism for acquisition (acquisitions running ahead of new entries and/or divestments).

The interest risk is limited because no leverage is pursued. The influence of interest rate fluctuations on property valuation is a market risk that Altera consciously incurs. We do not use financial derivatives.

Risk of fraud

The risk of fraud is defined as the risk that Altera will suffer financial and/or reputational damage as a result of fraudulent conduct.

Property investments are capital-intensive, and individual properties are not listed on the market. Furthermore, there are few barriers to entry in the sector. Hence there is an additional risk of fraud due to collusion among employees, suppliers and purchasers. Key control measures, in addition to the above-mentioned general framework, for the processes of acquisition, divestment and operation are described below.

In order to meet the requirements of the Anti-Money Laundering and Anti-Terrorist Financing Act a policy has been formulated and the screening activities are outsourced. For customer due diligence we also use data from LexisNexis.

Acquisition

- On the basis of policy it is determined which investments are desirable for Altera and which are not (the assessment framework is predefined and recorded).
- Financial acquisition criteria in accordance with a fixed methodology. Internal valuation model underpinned by fixed formulas and principles matching the acquisition criteria.
- Assessment of the score of the acquisition according to Altera's Quality Assessment Model.
- Division of roles between a) deal sourcing/negotiation, b) testing market conformity of rents and returns, c) assessment of portfolio management concerning the desirability of the property and the forecast cash flows, d) contractual formalisation, e) financial documentation, f) investment decision, g) retrospective costing.
- Professional organisation with expertise in property and the related market conformity and standards. Assessment of market conformity partly on the basis of the independent judgement of the Research department.
- Phased decision-making process (initial registration, initial investment check, investment proposal).
- Recording of the entire transaction and the property details in an investment proposal that requires the approval of the management team (and if greater than 10% of the sector portfolio or greater than €25 million also the approval of the Supervisory Board; if greater than 20%, also the approval of the General Meeting of each sector).
- If an investment proposal diverges from the parameters, the proposal is submitted to the Supervisory Board.
- Newbuild and existing properties are assessed against Schedules of Requirements, which are frequently updated to incorporate new insights.
- Contractual formalisation by the company lawyer.
- Transaction register compiled in line with requirements of Neprom and IVBN.
- Structural completion is assessed by external building consultants.
- External valuation of the acquired property in the quarter in which the property is acquired.
- Annual retrospective costing in the first three years following completion.

Divestment

- Process of annual hold-sell analyses in which properties under consideration for divestment are indicated.
- If we expect a reasonable number of bidders, sale by tender is the appropriate way to find the ‘more than willing buyer’ and thereby maximise the return from the sale. If a limited number of bidders is expected, a private transaction may be the most appropriate way.
- We test the sale price against the most recent external valuation.
- A divestment proposal is drawn up by the Portfolio Management department, including underlying calculations and consideration of why the property is no longer satisfactory. The sale strategy is also addressed.
- Approval of the divestment proposal is in accordance with the investment proposal. In this phase, the process is the same as that for acquisitions.

Operation

- Long-term estimates for maintenance with reference to technical baseline measurements.
- Detailed operational budget for each property.
- Expenditure is only permitted on the basis of approved budgets or agreed deviations, and with the use of a tendering process.
- Retrospective costing is performed for each property.
- Leases are recorded both within the company and by external property managers.
- External property managers are visited to test the operation of procedures and check underlying documentation. We receive ISAE 3402 reports from the external property managers.

Valuation risk

Valuation risk is the risk that the external appraisers issue an incorrect valuation of the properties. This can lead to an inaccurate representation of the net asset value and the performance. Sale decisions may then be based on an incorrect value.

We have divided the valuation of the properties in each sector portfolio between at least three external valuation agencies. We change the valuation agencies for the individual properties every three years. We carry out comprehensive checks of the property and rental data used by the appraiser. We also analyse the valuation outcomes in detail by carrying out comparisons of appraisers and different periods and conducting internal valuations.

For external valuations we use the standards frameworks of IFRS, IVS, RICS, MSCI and NRVT.

Continuity risk

Continuity risk is defined as the risk that Altera suffers financial damage as a result of discontinuity through employee exits, the loss of important suppliers and failure of computer systems.

The effects of employee exits remain limited through maximum mutual interchangeability of activities. This is based on a clear set of processes and systems, ensuring that employees can temporarily take over each other’s work.

We work with a number of external property managers in each sector, thereby limiting any dependency.

In the field of IT, the risk of discontinuity is limited by extensive backup procedures for all data files. Altera has migrated its IT configuration to a private cloud solution using the latest Microsoft technology. The back-up of data takes place in external datacentres on two different locations. Altera uses multi-factor authentication. Penetration tests in order to check the vulnerability of the IT systems are performed daily by a specific tool.

Emergency risk

Emergency risk is defined as the risk that properties will be destroyed or persons will suffer injury due to emergencies (such as fire) for which Altera may be held liable and would suffer financial loss equivalent to the reconstruction value of the property plus consequential damage.

All properties are insured against fire and other risks on the basis of the reconstruction value. The reconstruction values follow from valuations in accordance with the standards stated in section 7:960 of the Dutch Civil Code, so there is no risk of shortfall in coverage. For terrorism, the standard coverage as provided by the Dutch Terrorism Risk Reinsurance Company (*Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden* - NHT) applies. The company has also taken out business liability insurance.

Emergencies in the company’s own office are covered under Continuity risks above.

Fiscal risk

Altera fulfils the legal requirements (section 28 of the Corporation Tax Act 1969) for fiscal investment institutions with an obligation to distribute profits. This means that it fulfils various shareholder quality requirements and the obligation to distribute profits (full distribution of taxable results within eight months of the end of the financial year). Where project development risk is incurred in developments for the company's own portfolio, according to the rules of the tax authority, this must take place in a subsidiary that is liable to pay corporation tax. Our policy is to transfer project development risk to specialised project developers. We continually monitor compliance with the requirements imposed on fiscal investment institutions.

There is also a political risk that the legal provisions relating to fiscal investment institutions may be liable to change. If the regime facility for fiscal investment institutions were to be discontinued, restructuring and adoption of a fiscally transparent structure of mutual funds would be a possible solution.

Environmental risk

Property must comply with stringent environmental legislation. For this reason, all properties are subjected to an environmental baseline measurement, and all necessary work is subsequently carried out. Properties to be acquired undergo an extensive due diligence procedure. This is in line with the requirements that are derived from the SFDR and the recommendations of the Task Force on Climate-related Financial Disclosures.

Climate risk

Climate changes may negatively impact the investments made by the Fund. Global warming may lead to; inter alia, an increase of heat, drought and rainfall, which may have a direct impact on the Properties that are not resilient to such consequences sufficiently. Additionally, a serious natural disaster, such as a hurricane or tsunami, could severely disrupt the global, national and/or regional economies.

Pandemic risk

The outbreak of COVID-19 – which began in December 2019 and has intensified in the first few months of 2020 – poses a new downside risk to the Dutch and global economy. It is to be expected that the COVID-19 pandemic will impact the GDP growth, as full year GDP forecasts will probably be adjusted down. The extent to which the outbreak of COVID-19 will impact the global economy

will depend on when the situation is brought under control and if it further escalates. Furthermore, it is expected that the tourism, and food and beverage sectors will be most seriously affected. It cannot be ruled out that other sectors, including the real estate sector will be affected by COVID-19 and possible new pandemics.

It is expected that the coronavirus outbreak may result for the comparison segment in lower market values, lower market rents and a loss of income due to bad debt provision and write-offs. In the convenience segment the impact is expected to be far less. Although a pandemic such as COVID-19 and the related measures taken by governments may be regarded as unique, it cannot be ruled out that at some point in the future a new pandemic may occur which could negatively affect the ability of Altera to generate returns.

Reporting risks

Reporting risks are concerned with not reporting by the due dates, or the reporting of inaccurate information, as a result of which incorrect decisions could be taken by the company itself or by the shareholders.

We have an extensive system of procedures and internal control measures to limit these risks. We periodically check whether the reports meet the information needs of the shareholders. Every quarter we have the properties valued externally, so that the net asset value attributed to shareholders is based on recent market data.

Compliance risks

The regulations concerning property are extensive and complex, and increase every year. Compliance is recognised as a specific risk area. We are familiar with the current regulations and keep abreast of new regulations. We fulfil the regulations associated with the AIFMD licence.

When acquiring property, we take account of financial effects and other factors if properties do not yet comply with these regulations. In the case of new regulations, we assess the extent to which the existing portfolio complies with these regulations and take measures where necessary.

We monitor integrity by actively and continually working on the integrity awareness of the employees in the organisation, the code of conduct, direct control and pre/during employment screening. In order to meet the requirements of the Anti-Money Laundering and Anti-Terrorist Financing Act a policy is drawn up and the screening activities are outsourced. We also use the LexisNexis databases for customer due diligence.

Sensitivity analysis

Best practice provision 1.4.2 iv of the Corporate Governance Code stipulates that the Management Board must report on sensitivity to material changes in external conditions. The effect of the changes below on the annual result and equity is shown for each sector:

			Residential		Retail
	Change	Effect in € x mln	Effect in % of equity	Effect in € x mln	Effect in % of equity
Direct investment income					
Gross rental income	10%	4.7	0.2%	3.7	0.6%
Occupancy rate	10%	6.0	0.3%	4.4	0.7%
Operating expenses	10%	1.3	0.1%	0.8	0.1%
Indirect investment income					
Theoretical rent and market rent	1%	15.1	0.8%	6.0	1.0%
Gross initial yield	0.1% pt	19.8	1.0%	8.1	1.4%

The effect of lease expiries, based on the portfolios at year-end 2020, is shown in the sector reports included elsewhere in the annual report, which contain the charts for secured rent over the period 2021-2030.

The diversification of the gross initial yield across the various properties is shown in a chart in the sector reports.

In-Control Statement

Altera Vastgoed has based the wording of the 'In-Control Statement' below on the Dutch Corporate Governance Code 2016, best practice provision 1.4.3.

The Management Board certifies that:

i. the report provides sufficient information on any deficiencies in the operation of the internal risk management and monitoring systems;
ii. the aforementioned systems provide reasonable assurance that the financial reports are free of material misstatement;
iii. preparation of the financial reporting on a going-concern basis is justified having regard to the current state of affairs; and
iv. the report sets out the material risks and uncertainties that are relevant with regard to the expected continuity of the company for a period of 12 months after the preparation of the report.

We have identified the risks of relevance to Altera by means of the Coso system. The resulting control measures were inspected internally during the reporting year in terms of their structure, existence and operation. No relevant deficiencies were observed during this inspection.

Amstelveen, 16 March 2021

Management Board of Altera Vastgoed NV

Residential

Timeline Altera Residential 2020

01/04/2020
COVID-19; Altera supports its residential tenants

07/05/2020
Start construction of 148 apartments in Leidsche Rijn, Utrecht

28/05/2020
Altera launches Smart Water-Saving Hydraloop pilot programme for her residential portfolio

02/06/2020
Start construction of 39 apartments in Statenkwartier, The Hague

05/06/2020
Start construction of Robijnhof in Leiden, 119 apartments and 40 units in an intramural care complex

18/06/2020
Altera launches iwell collaboration with two Cube battery systems

25/06/2020
114 apartments in Amersfoort Cadenza project taken into operation

21/07/2020
Acquisition of 125 apartments at De Zaanse Helden in Zaandam

28/08/2020
Residential healthcare project Het Prinsenkwartier in Brielle taken into operation

02/10/2020
Disposal of 112 non-strategic homes in the South of the Netherlands

16/10/2020
Acquisition of 30 multi-family homes in the center of Uithoorn

23/10/2020
Acquisition of 54 multi-family homes in Den Bosch, Paleiskwartier

04/11/2020
Start re-development of The Mayor (former KPMG headquarters) in Amstelveen into residential

05/11/2020
Acquisition of 157 mid-rent housing and 24 high-end housing in Amsterdam

24/11/2020
Global Sector Leader and a 5-star rating for the Residential fund in the annual GRESB benchmarking

27/11/2020 (and 15/12/2020)
Disposal of 164 non-strategic homes in the West and Mid of the Netherlands

08/12/2020
Acquisition of 174 single-family houses in Oosterwold in Almere

Strategy

Market structure

- Dominance of regulated housing and the owner-occupied sector; relatively small deregulated rental sector
- Strong demographic foundation
- Geographic differentiation in demographic developments

Market trends

- Limited influence of COVID-19 on residential market
- Continuing rise of housing shortage
- Focus on affordability: range €750 - €1,200
- More regulation in regulated segment: limited rent growth
- Smaller floor areas to maintain affordability, space requirement might be influenced by COVID-19
- Drift to major cities, but geographical surroundings of big cities become greater
- Changing parking rules and requirements
- Sustainability is essential

Strategy

	2020	Policy objective (3 years)
Core Randstad and adjacent areas	77% and 22%	>75% and 20 - 25%
Share apartments vs. single family houses	76% and 24%	75 - 80% and 20 - 25%
Rejuvenation; share of constructed after 2010	61% after 2010	>70% after 2010
Quality score	78%	≥80%
Rent levels (in # units)		
• €753 - 1,200	79%	70 - 75%
• €753 - 1,600	94%	90 - 95%
• > €1,600	3%	5 - 7%

Specific target group policy aimed at ...

housing needs (housing characteristics and living environments) appropriate for intended households (composition of households including age)

Sustainable, social and transparent with focus on ...

reduction in energy index, sustainable generation, increased tenant satisfaction, moderate rent policy

Continuous rejuvenation of the portfolio ...

to stay future proof in line with our policy objectives

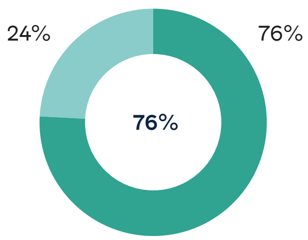
Portfolio characteristics

	Year-end 2020	Year-end 2019
Portfolio characteristics		
Operational portfolio	€1,507 mln	€1,434 mln
Secured pipeline (excluding revaluation)	€455 mln	€370 mln
Average year of construction	2007	2007
Theoretical annual rent	€60.4 mln	€59.2 mln
Theoretical annual rent/value of portfolio	4.0%	4.1%
Average monthly rent	€1,027	€989
Number of complexes	98	105
Number of lettable units	4,743	4,822
Occupancy rate	99%	99%

	Year-end 2020	Year-end 2019
Segmentation of operational portfolio		
Apartments		
Value of portfolio	€1,152 mln	€1,085 mln
Theoretical annual rent/value of portfolio	3.9%	4.0%
Occupancy rate	98%	98%
Average year of construction	2012	2011
Single-family homes		
Value of portfolio	€355 mln	€349 mln
Theoretical annual rent/value of portfolio	4.4%	4.5%
Occupancy rate	99%	99%
Average year of construction	1993	1994

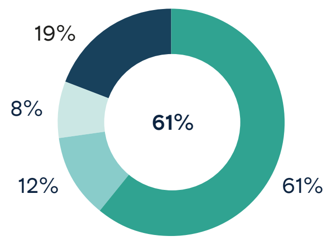
Portfolio structure

Property type



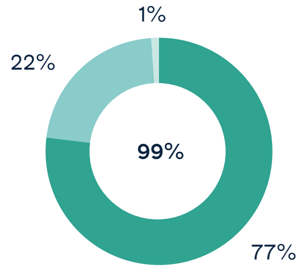
The apartment segment is dominant at 76%
- Apartments
- Single-family homes

Year of construction



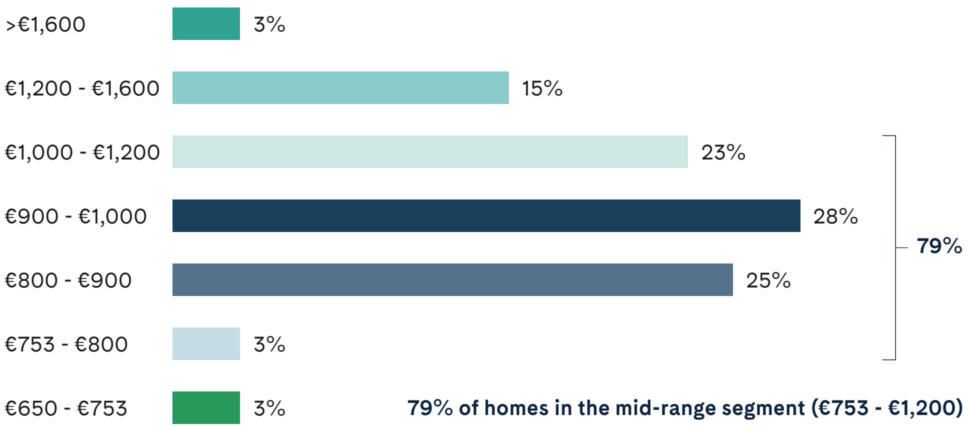
61% of the portfolio is from ≥2010
- >2010
- 2000 - 2009
- 1990 - 1999
- 1980 - 1989

Geographic

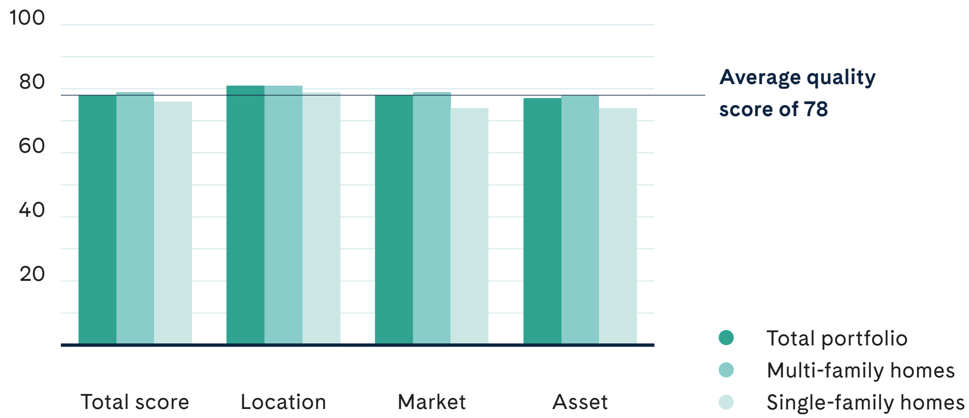


The vast majority of it is in the Randstad region
- Randstad
- Adjacent areas
- Other

Rent levels



Quality score of portfolio



Key figures

	2020	2019	2018	2017	2016	3-year 2018-2020	5-year 2016-2020	10-year 2011-2020
Income return	2.7%	3.0%	3.3%	3.6%	4.0%	3.0%	3.3%	3.8%
Capital growth	6.2%	9.8%	11.9%	13.5%	10.9%	9.3%	10.4%	4.7%
Total property return	9.1%	13.0%	15.6%	17.6%	15.3%	12.5%	14.1%	8.7%
Management and fund costs	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%
Impact of cash and leverage	-0.1%	-0.2%	-0.1%	-0.4%	-0.5%	-0.2%	-0.3%	-0.2%
Other effects	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Fund return (IFRS)	8.6%	12.4%	15.1%	16.9%	14.4%	12.0%	13.4%	8.2%
Fund return (INREV)	8.5%	12.2%	N/A	N/A	N/A	N/A	N/A	N/A
Dividend return	2.3%	2.6%	2.7%	3.1%	2.6%	2.5%	2.7%	3.2%

	2020	2019	2018	2017	2016
Other					
Average occupancy rate	99%	99%	99%	98%	98%
Occupancy rate at year-end	99%	99%	99%	98%	98%
Tenant movements	13%	14%	15%	15%	13%
Net/gross rental income	78%	78%	79%	78%	77%
Gross initial yield at year-end	4.0%	4.1%	4.4%	4.8%	5.4%
Vacant value ratio	91%	92%	92%	91%	88%
Average number of outstanding shares (x mln)	921.4	862.4	797.2	723.5	649.2
Number of outstanding shares at year-end (x mln)	955.7	903.6	851.5	770.9	717.9
Total investment income per share (€)	0.159	0.210	0.229	0.225	0.172
Net asset value per share IFRS (€)	2.001	1.886	1.722	1.536	1.355
Net asset value per share INREV (€)	2.009	1.895	1.732	N/A	N/A

“This place is simply marvellous!”

In the 1990s, work began on the Drielanden neighbourhood of Harderwijk. Today, the work continues: Drielanden is the largest neighbourhood in the city, boasting a shopping centre and many amenities. On one street, Bachdreef, live Mr. and Mrs. de Rooij – and they love living there.

Can you tell us about where you live?

“We’re situated in a calm part of town and because of that we very much enjoy living here. Our home is a semi-detached bungalow, with a bedroom on the first and second floors respectively. It was completed in 1995 and that’s when we moved in.”

What made you want to live here?

“What drew us to this neighbourhood was that all types of people lived here – young, middle-aged, old – we’re in our 80s ourselves now. There was also a good mix between rental homes and those for sale. Before we moved, we got a tip that a house was coming available and we thought it the perfect moment to move in together – we were living separately at the time and here we have absolutely found our place!”

Your home has been made sustainable. Can you give some details on why this process was undertaken and what specifically was changed?

“We’ve had the bathroom completely renovated. That was our most pressing need and we informed REBO, the property manager on behalf of Altera, of our wishes. The biggest reason behind this was that my wife is not as mobile as she used to be. And REBO delivered: they took out the bathtub and put in a new shower along with a sink and shelves. Now, we can easily get into the bathroom and shower with a walker or wheelchair. They made it significantly more accessible for us.”

What have sustainability measures meant in terms of energy bills, or the comfort of your home?

“The solar panels were recently installed – just two weeks ago – thus we have yet to see a change on our energy bill.

All 15 or so houses on the street have solar panels because the owner, Altera, wants to reduce energy usage. These days, everyone is focused on making things more sustainable, so it makes sense to reduce the CO_2 emissions as much as possible.”

How important is sustainability for you and your wife?

“We both find it important. We did our part in making our home sustainable by installing a removable porch in the back. We put an exercise bike there so we can get some movement during the winter, and the space also serves as storage for our garden furniture.”

How was the process of renovating your bathroom and installing the solar panels?

“Both of those went well, especially the communication with REBO.”

Do you have an anecdote you’d like to share?

“In these corona times, every day is the same and as people in our 80s, we rarely leave our home. But that does not matter: this place is simply marvellous!”

Residential market trends

COVID-19

In 2020 almost everything was affected by the consequences of the COVID-19 pandemic and the measurements of governments all over the world. The Dutch residential market however, seems barely touched by the crisis. Most 2020 data still show a very positive image of the market. So far, housing shortage was a stronger force than the negative consequences of COVID-19.

Rent continues to rise

The regular rent increase in the Netherlands, dominated by housing corporations, was in 2020 with 2.9% on a higher level than the years before (source: CBS). For institutional investors in the deregulated rental segment the increase was 2.3%, which was a little lower than a year earlier (source: IVBN deregulated). Rents rose more in the case of re-letting: transaction rents were 10% higher than the rents in 2019 (source: NVM-VGM). Private owners on the other hand, with a large share of furnished housing, asked a 3.2% lower rent (source: Pararius). This small submarket seems to be the only one affected by COVID-19 due to the sudden absence of expats.

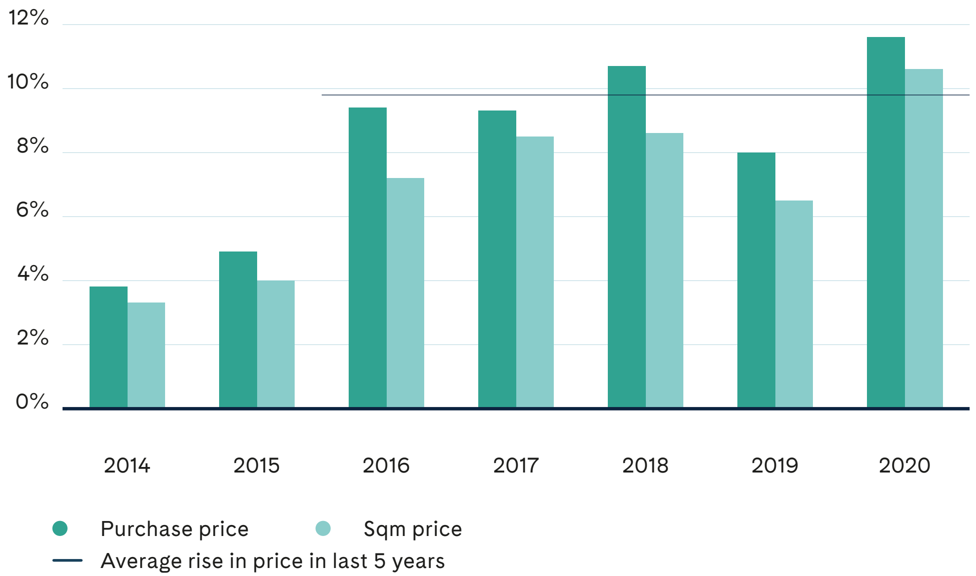
The following chart shows changes in rents in the various market segments dating back to 2007.

Rents in the Netherlands (index 2007 = 100)

Source	Segment	Measure
Pararius	Private investors	Offer prices
IVBN	Institutional investors	Regular Rent increase residential, deregulated segment
CBS	Housing corporations and investors	Rent increase, all homes

Rise in purchase price 2014-2020

(source: NVM)



Almost everywhere in the Netherlands the purchase price is higher than the asking price. On average the difference is 2.5% (source: NVM). Regional differences are shrinking. Prices outside Randstad are rising most, while Amsterdam is the region with the lowest growth.

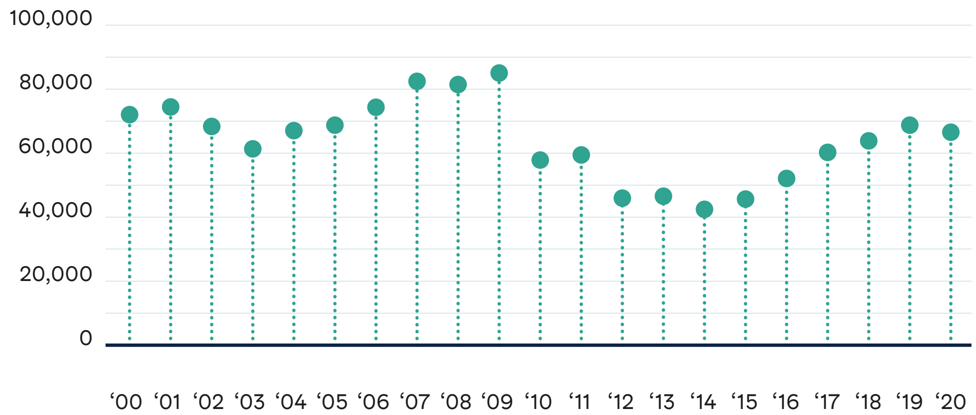
New Builds

The number of new homes in 2020 was just below 70,000, in line with the two years before but less than necessary to start resolving the housing shortage (source: CBS).

NVM reports that prices of new homes rose by 9.2% compared to 2019.

Delivery of new homes 2000-2020

(source: CBS)



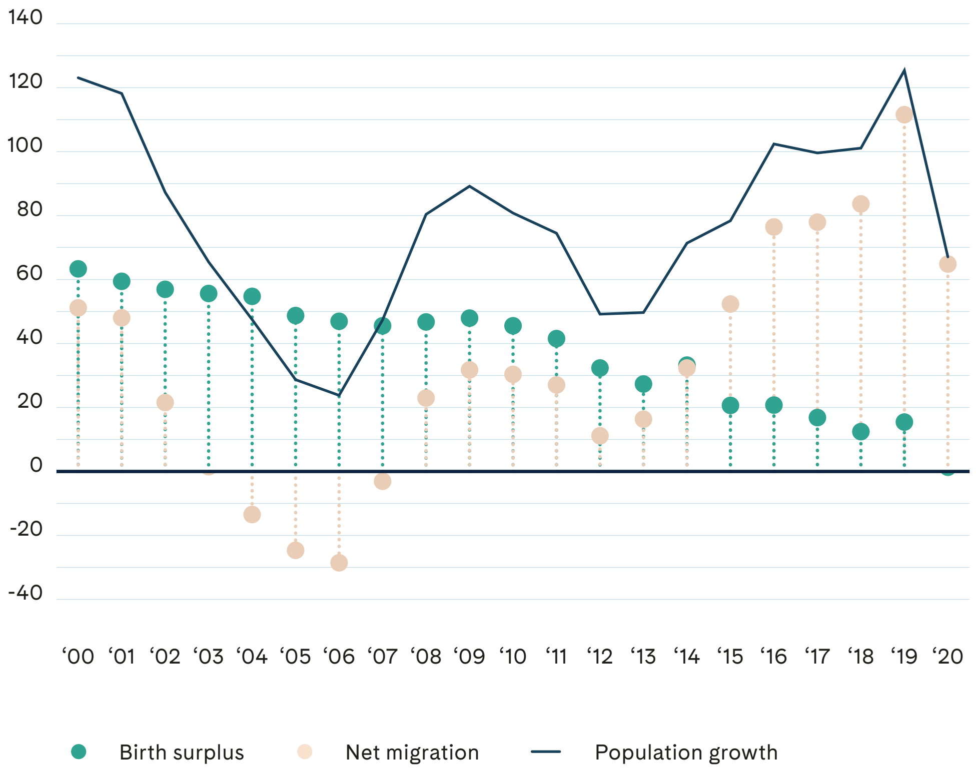
The permits for new houses were lower in 2019 en 2020 than the two years before, which will have a negative impact on the delivery of new houses in the next year. Therefore it can be expected that the pressure on the housing market will continue the next years. EIB expects lower construction levels for 2021 and 2022.

Population growth

COVID-19 have had a substantial influence on the population development in 2020. Birth surplus is declined to almost zero, while net migration was lower than the last 5 years.

Population growth per year in # x 1,000

(source: CBS)



CBS expects that the relative slow growth in 2020 will be temporary. Mainly the net migration will grow, although higher unemployment rates will limit immigration in 2021. Afterwards immigration will restore to the usual proportions.

Regulation

The most important development in 2020 from the governmental side was the announced Transfer Tax Differentiation Act. The main points from this law are:

- Increase of the transfer tax for non-residential and residential properties that are not or temporarily acquired as main residence, from 2% to 8%.
- The current low rate (2%) for houses only applies after 1 January 2021 to acquirers who will actually live in the home.
- On 6 November 2020, Minister of the Interior and Kingdom Relations Ms. Ollongren indicated in a letter to the House of Representatives that a home value limit will be introduced for the one-off exemption from the transfer tax. Only starters (buyers under the age of 35) who buy a house as owner-occupier below €400,000 receive this exemption. This limit applies from 4 January 2021 and is put into effect by means of an amendment.

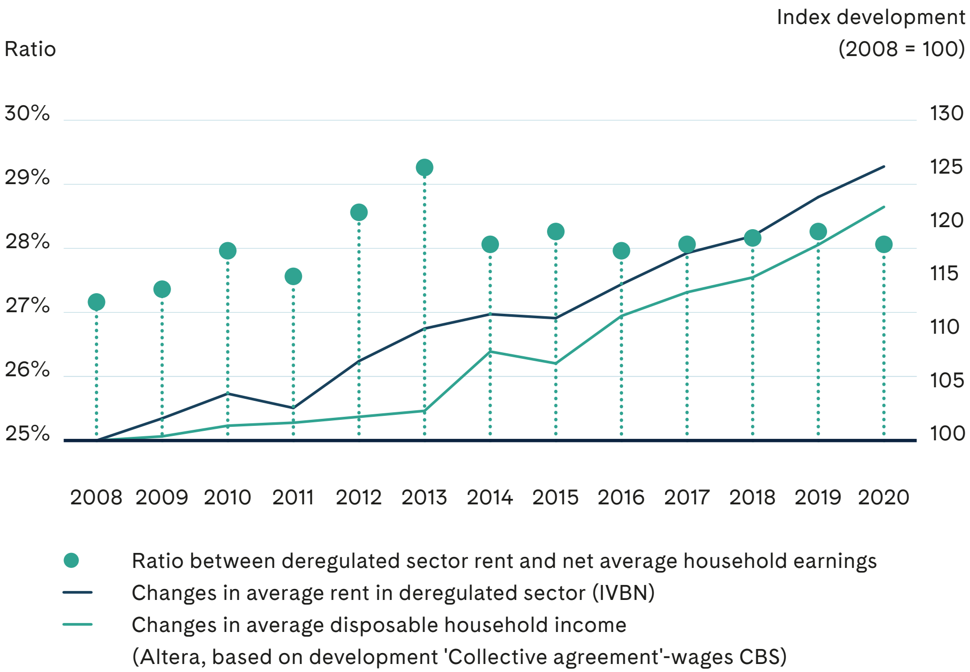
High investor demand

With €7.3 billion investment the amount of investment in Dutch residential in 2020 the investors' appetite was as high as 2019. Almost 50% was invested in new buildings. With 32% the share of foreign investors was lower than before (46% in 2019; source: Capital Value), but still substantial. Also for the coming 3 years a substantial amount of money is reserved for Dutch residential investments.

Affordability

Both transaction rents and purchase prices are rising faster than household income. The average rent ratio (rent relative to disposable income) is fairly steady at around 30%. Nevertheless, households with an income just above the income threshold to be eligible for regulated rental housing (€39,055) are finding it increasingly difficult to find a suitable (rental) home.

Trends in rent relative to household income



Payment problems for tenants caused by drop in income due to COVID-19 were very limited. The estimated share of affected tenants is around 2%. In most cases a payment agreement between landlord and tenant is sufficient.

Outlook

There are a few market uncertainties which make a forecast of market developments difficult. Both the impact of COVID-19 and Brexit on Dutch economy are quite uncertain, and this affect the possible income development of Dutch households. And with the election in March 2021 the call for regulating the rent in the currently unregulated segment (monthly rent of €752) has increased. Capital growth is expected to limit due to the enlargement of transfer tax (from 2% to 8% on 1 January 2021) for investors in residential. So both income and capital growth can become under pressure. On the other hand, driven by demographic developments, housing shortage will continue, which keeps rental prices at a good level, maintain vacancy low and makes a positive house price development in the owner occupier market possible. Therefore a positive total return for residential in 2021 can still be expected.

Residential Sector **balance sheet**

(amounts x €1,000)	Notes to the financial statements	31 Dec 2020	31 Dec 2019
Assets			
Investments			
Property in operation	1	1,502,115	1,433,539
Property pipeline	1	333,623	220,764
Participating interest	2	4,442	4,053
Other investments	3	30,234	17,114
		1,870,414	1,675,470
Other fixed assets			
Tangible fixed assets		1,724	1,873
Current assets			
Accounts receivable		465	483
Other receivables		2,960	2,692
Liquidities		64,280	52,350
		67,705	55,525
Total assets		1,939,843	1,732,868

(amounts x €1,000)	Notes to the financial statements	31 Dec 2020	31 Dec 2019
Equity plus liabilities			
Equity			
Issued share capital	9	477,852	451,777
Paid-in surplus	10	759,762	682,814
Revaluation reserve	11	584,959	499,864
General reserve	12	90,187	69,592
	13	1,912,760	1,704,047
Non-current liabilities			
Lease liabilities	15	3,781	3,833
Current liabilities			
Lease liabilities	15	11,076	11,039
Creditors and other liabilities		12,226	13,949
		23,302	24,988
Total equity plus liabilities		1,939,843	1,732,868

“Building bridges from movement, not from standstill”

New building locations in Zuid-Holland must be built as climate adaptively as possible to be able to withstand weather extremes as a result of climate change. This is the joint ambition of 35 parties in the province of Zuid-Holland Climate Adaptive Building Covenant. The covenant brings together stakeholders to create a framework that includes climate adaptation requirements in procurement procedures. We talked about this sustainability initiative with Anne Koning, Regional Minister of Zuid-Holland, and Jaap van der Bijl, CEO of Altera and an early covenant member, in The Green Village, the Delft-based Living Lab for Sustainable Innovation.

Zuid-Holland is facing a major building challenge: 200,000 new homes will have to be built in the province by 2025. Climate adaptive building must therefore become the new norm as soon as possible. The Zuid-Holland coalition is taking the lead in accelerating the process together, developing new design principles and standards, stimulating innovations and facilitating more trial locations.

Anne: “Within this context, one of our initiatives is the Housing agenda that aims to: build fast, smart and future-oriented, including climate adaptive building and building for everyone. Against this background, this Living Lab is a unique place to try out new innovations that can later be applied in housing, retail and offices. Climate adaptation is an important aspect, but there’s also sustainability, energy transition, living enjoyment, mobility, etc. All these innovations can be tried out here before being applied in real life, by property investors, for example.”

Long-term perspective

Jaap: “To us as real estate investors, this Living Lab is also a place of inspiration: how can we apply innovations to build faster, better and smarter? Because if your starting-point is a standard environment, you’ll end up with a standard solution, but if you seek inspiration and are prepared to explore and experiment, you’re much more likely to come up with innovations. Our starting point is to make our buildings available to satisfied tenants for many years to come, which is why we always take future wishes and requirements into account, from the environment, from tenants and other stakeholders.”

Anne: “This is a unique aspect. One can comply with the rules and start investing once regulation urges you to, but this leads to inconvenience and increased costs. Altera does things differently and has long-term perspective.”

Jaap: “We take into account the concepts of return and risk and it would be foolish not to, from a risk management or regulatory perspective, but we also take into account new requirements, new regulations and wishes from all stakeholders, including institutional investors, tenants, the environment, neighbours and government. This means that you sometimes try unproven technology, but you do that to keep up with the learning curve. You have to keep moving forward. We have the conviction and the assignment to demonstrate this to our institutional investors by seeking both financial and social return. As I tend to say, building bridges is easier when moving rather than from standstill.”

Why is this Climate Adaptive Building Covenant so important?

Anne: “In Zuid-Holland, we saw the benefits of bringing people and parties together to find out what climate adaptation is about and how you can incorporate this into projects. So instead of ticking the box we present solutions and shape them in a joint effort. I expect more regulatory in the future for the sake of climate adaptive building, but the discussions we have with the covenant members are just as important. Other provinces and bodies have already shown an interest now that they’ve the first results of this cooperation. It was also good to see that Altera was the first real estate investor to sign up to this covenant.”

Jaap: “We have joined this covenant because it would be foolish not to take other stakeholders into account. This covenant brings us closer together by getting things done, by having a better understanding of the differences that need to be bridged which ultimately leads to more power of execution. As a result, as a real estate investor we will be able to realise construction projects faster, better and smarter. That is our task; we are in this together, as a part of the whole.”

Which solutions do we need to realize climate-adaptive construction?

Anne: "I think everyone is aware of the social urgency of acting and building climate adaptively. Climate-adaptive construction should lead to less flooding, less heat stress, fewer adverse effects of prolonged drought and subsidence, more biodiversity. From our perspective as a province, we also find the question important: what does this mean for one's action perspective and how does one deal with it? As a province, we want everyone to strive for the same goal on a level playing field and we want climate adaptive and sustainable building to become so normal that it's no longer the question whether climate-adaptive solutions are too expensive. I think that's also part of our assignment, because it's not just about technological solutions but about getting things done. The idea of the covenant is to work together and cooperation is the starting point."

What is your view on the role and importance of real estate investors?

Anne: "Real estate investors can play a huge role in providing this much needed long-term perspective, because that's what climate adaptation is all about. There is a great sense of urgency, which means that we have to think about tomorrow, the day after and 100 years from now."

Jaap: "We keep looking for the connection between bricks and social capital as provided by institutional investors, which by nature is long term, and typically we invest this with a low-risk, long-term core philosophy."

What is your key message to governments and market players?

Anne: "The covenant shows that cooperation pays off. If you tap into that shared energy, you will achieve results together."

Jaap: "Of course there may be headwinds sometimes. Do not expect instant results, but look at small successes, such as the green shoots that pop up in spring. Also keep looking for inspiration in these small successes. Pay it forward, and one day you will see results."

Read more

Climate-adaptive construction: www.bouwadaptief.nl
Province Zuid-Holland: www.zuidholland.nl/onderwerpen/klimaat/klimaatadaptief
The Green Village, Delft: www.thegreenvillage.org

Residential Sector **profit and loss account**

(amounts x €1,000)	Notes to the financial statements	2020	2019
Theoretical gross rental income	18	60,542	56,486
Vacancy	18	-680	-669
Other	18	943	1,151
Revenue from service charges	19	1,424	1,597
Service charges	19	-1,471	-1,640
Operating expenses	20	-13,372	-12,577
Net rental income		47,386	44,348
Investment revaluation result	21, 22	107,730	142,214
Result on disposals	23	-3,208	-592
		104,522	141,622
Result from participating interest		489	247
Management and fund costs		-6,359	-6,122
Other income		766	1,052
		-5,104	-4,823
Net operating result		146,804	181,147
Interest income/expenses		-360	-319
Net result		146,444	180,828
Direct investment income		41,620	38,851
Indirect investment income		104,824	141,977
Total investment income		146,444	180,828

Notes to 2020 results

Highlights of 2020

- Total fund return of 8.6%, after five years in succession with returns above 10%
- No corona impact on returns and cash flow
- Stable high occupancy rate of 99%
- MSCI benchmark outperformed over 2020
- 198 residential units added to operational portfolio and 277 units sold
- Secured pipeline of €455 million and unsecured pipeline of €280 million (total €735 million of which €303 million already paid)
- Shares issued for a total amount of €103 million

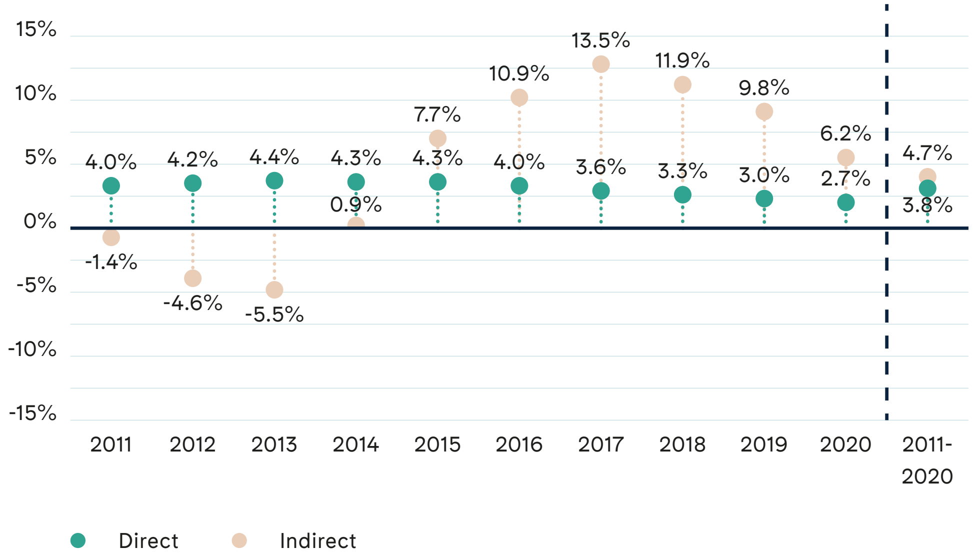
Returns

This year the fund achieved a total fund return of 8.6%, which is lower than the above 10% returns in the preceding five years and more in line with the 10-years average of 8.2%.

The property return amounted to 9.1% (2019: 13.0%): 2.7% income return and 6.2% capital growth. The income return of 2.7% decreased by -0.3%-pt due to to the denominator effect. The capital growth of 6.2% (2019: 9.8%) can be attributed for 7.5% to the rise of the vacant value, -2.4% to the increase of the yields and a positive impact of 1.1% of acquisitions and dispositions.

The contribution to the fund return from increases in the value of paid instalments for projects yet to be completed (+1.1%-pt) outweighs the impact on the income return (-0.4%-pt) since no rental income is yet being generated.

10-year property return



In 2020 Altera Residential achieved an outperformance for all investments of 0.8%-pt in the MSCI benchmark. On a 5-years average the performance is lower than the benchmark due to a relatively lower capital growth in 2018.

Residential: all investments	Direct	Indirect	**Altera** Total	Direct	Indirect	**MSCI Netherlands Property Index** Total
2020	2.7%	6.2%	9.1%	2.9%	5.3%	8.3%
2019	3.0%	9.8%	13.0%	3.2%	10.1%	13.6%
2018	3.3%	11.9%	15.6%	3.4%	14.7%	18.6%
2017	3.6%	13.5%	17.6%	3.8%	12.6%	16.9%
2016	4.0%	10.9%	15.3%	4.2%	10.6%	15.3%
3-year	3.0%	9.3%	12.5%	3.2%	10.0%	13.4%
5-year	3.3%	10.4%	14.1%	3.5%	10.6%	14.5%
10-year	3.8%	4.7%	8.7%	3.9%	4.8%	8.9%

For standing investments, total returns for 2020 are -0.6%-pt lower (2019: -0.9%-pt), due to the positive impact of the revaluation of the pipeline portfolio.

The dividend return decreased from 2.6% in 2019 to 2.3% in 2020 due to the revaluations in 2019 and 2020.

Direct investment income

We ended 2020 with a total investment income of €146.4 million. The direct investment income increased by 7.1% to €41.6 million as a result of new properties taken into operation. The indirect investment income decreased by -26.2% to €104.8 million.

The net rental income includes a 4.25% revenue (€1.0 million) on the instalment payments for a project in Amstelveen. The other income of €0.8 million includes revenue on an investment for a project in Zaandam.

Direct investment income in 2020 can be compared as follows to the previous year.

Changes in direct investment income	In € mln	Effect
Direct investment income 2019	38.9	
Completions and acquisitions in 2020	1.0	2.6%
Completions and acquisitions in 2019	2.1	5.4%
Divestments	-0.8	-2.2%
Rental increase	0.9	2.2%
Higher share of management costs	0.3	0.7%
Other net effects	-0.8	-1.8%
Direct investment income 2020	41.6	7.0%

The rise in direct investment income flows particularly from the completions of projects in 2020 as well as the effect of the properties that were completed in 2019 and operated for a full year in 2020. The impact of the dispositions is limited as they took place in the last months of 2020.
A major shortage remains in the mid-range segment of the rental market. This enabled us to maintain the occupancy rate at a very high level of 99%. And vacant units (13% tenant movements) were almost immediately rented out.

The gross-net ratio (net rental income divided by gross rental income) remained stable on 78%.

Indirect investment income

In 2020 the portfolio value increased by 6.2%. The vacant values of residential units increased by 7.5% (national figure supplied by Statistics Netherlands/Dutch Land Register: +8.3%). The appraisal value divided by the vacant property value (vacant value ratio) decreased slightly from 92% at the end of 2019 to 91% end of 2020.

Gross initial yields (with costs payable by the purchaser) decreased slightly in 2020 due to high demand of investors: from 4.1% at year-end 2019 to 4.0% at year-end 2020.

The table below shows the spread of the changes in value of the properties that were in operation at the beginning and end of the year.

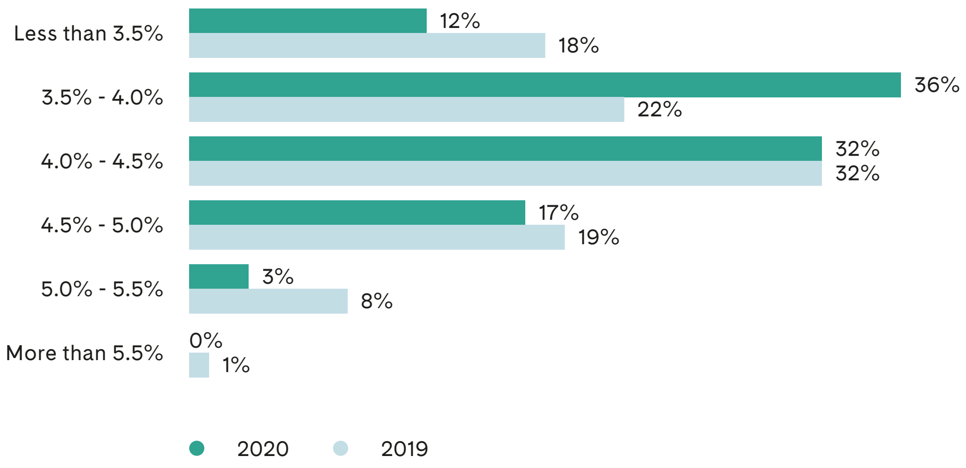
Changes in value of investments in operation for full year	Change in value in % vs year-end 2019	Number of properties	Change in value in 2020 in € mln	Change in value in 2019 in € mln
Between -5% and 0%	-1.9%	3	-2.4	-0.2
Between 0% and 5%	2.9%	37	14.4	4.4
Between 5% and 10%	7.2%	48	46.6	46.6
>10%	11.1%	8	9.5	53.1
Total	5.0%	96	68.1	103.9

Almost all properties (93 out of the 96) that operated for the full year were upgraded in 2020 (2019: 98 out of 99). A total of 8 properties were upgraded by more than 10% in 2020, with a total effect of €9.5 million (2019: 33 with an effect of €53.1 million). The revaluation of the standing investments in 2020 amounted to 4.9% for the apartments and 6.6% for single-family homes (2019: 8.8% and 7.8% respectively).

We change the external appraisers for each property every three years: 30 properties in 2020. Overall, the change was associated with a 0.8% upgrade in the respective quarter (2019: 34 properties increased in value by 0.4%). The upgrade is lower than the portfolio average rise in value.

The spread of the valuation of the properties in operation at year-end 2020 and year-end 2019 in terms of the gross initial yield (with costs payable by the purchaser) is as follows:

Spread of gross initial yield (average: 4.0%)



In 2020 the value of pipeline projects increased by €34.7 million (2019: €29.8 million) based on external valuations.

Trends in rents and operating expenses

First rentals of new properties are progressing well. In 2020 we signed 799 leases (2019: 1,044). Of these, a total of 198 were for the first rental of newly completed properties (2019: 317).

With effect from 1 July 2020 we increased rents by an average of 2.9% with a relatively high inflation for 2019 at 2.6% due to the increase of the VAT rate from 6% to 9%. In the previous financial year rents were raised on 1 July 2019 by 2.6% with inflation at 1.6%. The deregulation rental limit increased from €737 per month as at 1 January 2020 to €752 as from 1 January 2021. At year-end 2020, Altera had a total of 143 homes remaining in this segment (year-end 2019: 156).

Total operating expenses (including service charges for vacant properties) relative to the theoretical rental income remained stable.

Operating expenses	2020	2019
Maintenance expenses	9%	9%
Fixed expenses	4%	4%
Management expenses	2%	2%
Other	7%	7%
Total	22%	22%

Rental arrears of more than 90 days at year-end 2020 amounted to 0.9% of annual rent, higher than the level of year-end 2019 (0.7%).

Customer satisfaction

Subject	Altera	Benchmark	Altera's position
Satisfaction with the property	7.6	7.4	1
Satisfaction with environment	7.6	7.5	1
Satisfaction with investor	7.0	7.0	3
Satisfaction with property manager	6.4	6.6	5

Each year we measure the customer satisfaction of our tenants with regard to various subjects. For that purpose we take part in a wide tenant satisfaction survey conducted by an external provider with the participation of several IVBN-affiliated residential investors. The combined results constitute the benchmark. On the subject of 'the property (Home)' and 'Environment', Altera ranked first. In terms of 'Satisfaction with the investor' the score was in line with the benchmark. We will work on improvements in the year ahead in terms of satisfaction with the property manager (complaints handling, repair requests, service charges).

Portfolio transactions

Three newly completed complexes were added to the portfolio:

Investments taken into operation in 2020	Number of homes	Housing type	Start of operation	Annual rent (in € mln)	Year of construction
Amersfoort De Bosuil	114	Apartments	June	1.6	2020
Brielle M.H. Trompstraat	72	Apartments	August	0.8	2020
Uithoorn Patrijs, Knobbelzwaan (partly completed)	12	Single-family homes	March (4) and December (8)	0.2	2020
Total	198			2.6	

The rental of the newly completed properties went well, also due to the use of online rental resources; all units have been let.

At the end of 2020 the following properties which no longer fit in Altera's strategy, were divested (and in addition one single unit):

Properties divested in 2020	Number of homes	Housing type	Annual rent (in € mln)	Month of sale
Alphen a/d Rijn Sint Jorisstraat, et al.	40	Apartments	0.5	December
Culemborg Voermansgilde	15	Apartments	0.1	December
The Hague Kalhuisplaats	63	Apartments	0.7	December
Maastricht Remalunet	59	Apartments	0.7	December
Schiedam Selma Lagerlofborg, et al.	24	Apartments	0.3	December
Horst Convent	18	Single-family homes	0.2	December
Maasbracht Boegstraat, et al.	18	Single-family homes	0.2	December
Maastricht Bolderikweerd, et al.	17	Single-family homes	0.2	December
Zoetermeer Stellendamstraat	22	Single-family homes	0.3	December
Total	276		3.1	

Following transactions in the operational portfolio, the portfolio decreased from 4,822 to 4,733 residential units. Taking into account the pipeline, the portfolio will increase in 2021 to 5,000+ units and a further increase to 7,000 units is expected for the end of 2023.

A total of five projects were added to the secured pipeline in 2020, consisting of 431 apartments.

Projects added to secured pipeline in 2020	Number of homes	Housing type	Annual rent (in € mln)	Year of construction
The Hague Eisenhowerlaan	39	Apartments	0.8	2021
Utrecht Leidsche Rijn	148	Apartments	2.0	2022
Uithoorn De Rede	30	Apartments	0.5	2022
Den Bosch Terrazzo	54	Apartments	0.6	2022
Leiden Robijnhof	160	Apartments	1.9	2023
Total	431		5.8	

With the inclusion of the ten projects (972 homes) added in previous years, we have a secured pipeline of €455.2 million (1,403 units), of which €273.2 million has already been paid.

We also have an unsecured pipeline of €279.6 million, of which €30.3 million has already been paid. The start of construction of these projects had not yet been confirmed on the balance sheet date.

Taking these new additions into account (in various phases) a portfolio size of €2.0 billion, including paid instalments on pipeline projects, is expected for the end of 2021.

Other notes

At the end of 2020 the number of shareholders was 37. This number excludes seven new shareholders who have signed the entry agreement and will enter as soon as the committed sums are required for the acquisitions. Among these, we welcomed the first non-domestic investor in Altera Residential.

In 2020 entries amounted to €103.0 million and there were no redemptions (2019: €117.2 million of entries and €20.3 million of exits).

“The area represents Dutch charm at its finest!”

Voorhout sits in the province of South Holland and is home to far-reaching flower fields, dunes, and the beach. We spoke to Petra, close to one of these colourful flower fields. She has lived in Voorhout for 11 years and is fully in her element. We inquired about her experience living there and the sustainability renovations to her home. “That’s how I do my part in the fight against climate change,” she says, “I think that’s important and I think it’s also essential that rental homes have been made more sustainable.”

What type of neighbourhood do you live in and what’s been your experience living there?

“Voorhout falls under the municipality of Teylingen, which is in the province of South Holland. What drew me to this town was that it’s a nice, well-maintained, beautiful and child-friendly place. My house also has a backyard that gets lots of sun – that brings warmth in the house – and I really value that in a place to live. There’s also 30-year-old trees in front of my house and a small canal and a bike path. It’s like a village here – very quiet.

The neighbourhood itself is a mix of single people, young families, a few very young people, first-time home buyers, and a person who’s lived here for 30 years.”

And what about its surroundings?

“The area around where I live is full of typical Dutch charm. For example, De Keukenhof, which is one of the largest flower gardens in the world, is right around the corner! I live close to one of the many flower fields in the area and right by the dunes and the beach – all of that is within reach. The area has that very special village feel to it – I love that.”

Can you give some details on how your home was made sustainable?

“The bathroom, toilet, and kitchen had already been renovated three years ago. That went very well and the entire renovation was completed in a week – everything without a hitch.

After those improvements we also got double glazing on our windows. That makes a big difference in terms of heat loss and I can see the difference in my energy bill. In January, solar panels were installed on the whole block of houses we live in, that was something I put on the questionnaire we receive from MVGM, the property manager, every year.”

You recently received solar panels. What effect has that had on your living situation, for example, regarding the energy bill and comfort?

“Now that I’m partially self-sufficient when it comes to energy due to the solar panels, I expect the monthly energy bills will go down – that gives me a sense of satisfaction, and next to that, I’m also doing my part fighting climate change, which is also important to me. What I think is special about the place where I live is that rental homes and apartments are also being made sustainable.”

How has the communication with the property manager and Altera been?

“It’s been very good. No matter what’s at hand, there has always been excellent communication via email – I’m very satisfied with that.”

ESG

With a view to its sustainability strategy, Altera works on the basis of three pillars that have been named in the ESG report previous in this annual report. The KPI's per pillar achieved in 2020 are set out hereafter.

ESG Pillars

1. Our Sustainable Real Estate

Saving

Various improvements were implemented in 2020 and some sustainable assets have been added to the portfolio. Since 2015, the portfolio has been almost completely green (99% label A, B or C). Currently, 55% of our residential units have A labels and the objective is to increase this percentage to more than 65% at the end of 2023.

Generating

In recent years solar panels have been introduced for the generation of renewable energy. Every year more and more apartment buildings are fitted with collective systems, which means that living costs for tenants are substantially reduced. Single-family dwellings will be provided with individual systems. In 2020, there were more than 14,000 solar panels in our residential portfolio. All single-family homes were equipped with solar panels and the multi-family where possible. The number of solar panels is expected to expand over the coming years due to acquisitions.

Greening

Altera works with its property managers and sustainability advisers to create transparency in the purchase of green electricity for the common areas. In this way Altera actively promotes the purchase of green electricity. In 2020, 65% of the electricity consumed in common areas was accounted for by green electricity. Altera is trying to exert as much influence as possible to increase the share of green electricity to 100% by the end of 2022. In addition, Altera aims to ensure that the purchase of electricity by the owners' associations (VvE's) involved is completely "green".

Since 2018, gas-free building has been a requirement for Altera in the Schedule of Requirements for new homes. However, shortly after this decision several newly-built properties with gas were added to the residential portfolio on account of previous environmental permits. Nevertheless, at the end of 2020, 25% of residential properties were free from natural gas and connected to a TES system. From now on this percentage is expected to increase fast and the aim is to have more than 35% of the portfolio gas-free at the end of 2023.

Free of natural gas	**Strategy (EOY 2023)**
Central (municipal heat networks)	14%
Decentral (WKO)	11%
Total	25%

	2020	2019	2018	**Strategy (EOY 2023)**
KPI				
% of Green energy labels (A-C)	99%	99%	100%	100%
% of A labels	55%	52%	44%	>65%
Average Energy Index	1.11	1.13	1.13	<1.00
% free of natural gas	25%	18%	16%	>35%
Number of solar panels	14,000	5,520	4,296	>14,000

Acquisition of sustainable properties

In 2020, three properties with a high sustainability quality were added to the residential portfolio, resulting in an improvement in the sustainability performance. The average GPR score of the new properties is 7.5. The addition of the new properties contributed positively to the average GPR score of the residential portfolio.

Data coverage

From 2018 onwards, Altera took measures to increase the structural collection of consumption data at property level. This provides insight into the sustainability of the property portfolio including optimisations, and enables benchmarking. In the coming policy period 2021-2023, particular attention will be paid to the collection of consumption data pertaining to water and waste. The above is subject to restrictions that have been imposed within the framework of the General Data Protection Regulation.

Data coverage	2020	2019	2018	Strategy (EOY 2023)
Energy	99%	100%	100%	100%
Greenhouse gas	99%	100%	100%	100%
Water	97%	91%	33%	100%
Waste	96%	91%	1%	100%

Metrics	Dutch average (per houshold)	Altera average (per houshold)	Percentage reduction
Electricity	2,990 kWh	2,103 kWh	-30%
Natural gas (where available)	1,470 m^3	711 m^3	-52%
Distict heating (where available)	42 GJ	23 GJ	-54%
Water	93 m^3	84 m^3	-10%
Non-recyclable	3.1 m^3	5.9 m^3	+90%

GPR

The entire residential portfolio is GPR-certified. The average GPR score (weighted on the basis of floor space) is 6.6. The GPR score provides Altera with a clear picture of the sustainability performances of each property, making it possible to focus on measures aimed at improvement.

2. Alignment of interests of our Stakeholders

GRESB

Altera participates in the annual GRESB survey. In 2020 (results for 2019) the residential portfolio achieved a total score of 96 points, which equals to a score of 5 stars. With this score the Altera residential portfolio claimed the lead position in the category of unlisted Dutch real estate funds. The benchmark is being tightened annually, however, and Altera strives for continuous improvement of the total score and preservation of the leading position. From the analysis, we can conclude that the “bricks” are green. Altera is well organised in terms of reporting but data coverage and data quality can still be improved. Initiatives to improve in these fields have started in 2019 in order to continue outstanding GRESB results.

GRESB	2020	2019	2018	Strategy (EOY 2023)
Total score	96	93	79	-
Number of stars	5	5	5	5

Tenant satisfaction and engagement

Each year, we measure customer satisfaction levels among our tenants with regard to various subjects. That is why we take part in a wide tenant satisfaction survey conducted by an external provider with the contribution of several IVBN-affiliated residential investors. The combined results constitute the benchmark. Altera will work on improvements in the year ahead in terms of satisfaction with the property manager (complaints handling, repair requests, service charges). The average residential NPS score is 7.0 for 2020. This score is calculated as the average score given by a select sample for satisfaction with the owner of the rented property.

Green lease section: We have developed a new sustainability covenant, which serves as a green lease section in our leasing agreements. Included are the measures to be taken by both the tenant and Altera to increase the sustainability of the rented property.

Affordable housing: Altera plays a role in the housing chain by having a substantial number of properties in the mid-range rent segment. By continuing to dominate the mid-range rent segment and by conducting a moderate rental policy (the guideline here is the government policy in the social sector), affordability within the different income groups is guaranteed. In 2020, the share of residential units in the mid-price segment €753 to €1,200 per month rental category is 79%. The aim is to keep this figure between 75 and 83%.

Examples

Iwell

We have started a pilot with iwell: a system which stores solar energy in a battery. When there is a lack of sufficient renewable energy, the system intervenes to provide stored renewable energy. This ensures the continuous availability of renewable energy. At the same time, the peak pressure on the electricity grid and any associated costs are reduced. The iwell-system will be implemented at four different pilot asset locations. The first has already been placed in Amersfoort. A second place for the PropTech ScaleUp Europe Awards 2020 was achieved by iwell.

Hydraloop

Altera has partnered up with Hydraloop. This is a system which drains, filters and cleans tap water (bath & shower) and reuses the recycled water for toilet and even washing. This saves tap water, reduces sewage emissions and saves energy. The system will be installed in several assets as a pilot project. Hydraloop won the CES 2020 Innovation Award.

Climate awareness box

More than 750 tenants have received a climate awareness box which included: Information brochure on 'the Waterproof garden'; a box with 6 plants and leaflet on maintenance, flowering period and biodiversity impact of 26 plants species; and an option to obtain a rain barrel barrels (free of charge), which will be installed by TonTon, a company which works with people (re) integrating into the labour market.

“It's always about teamwork and trusted partnership”

How do you realise a climate-adaptive real estate project in the inner city of Rotterdam that requires more than 12,000 truck movements without causing too much inconvenience? Robert Steenbrugge, managing partner of Stebru, is the appropriate person to answer this question. Stebru realised De Groene Kaap in Rotterdam Katendrecht, an extraordinary ensemble of residential towers, stacked town houses, inner gardens, and roof gardens. We met on site with Robert Steenbrugge and Erwin Wessels, CIO Altera Vastgoed, to discuss huge ambitions, climate-adaptive construction, and long-term relationships.

The province of Zuid-Holland has a building ambition of 100,000 new homes by 2025. This huge ambition also presents the opportunity to develop these homes in a climate-proof manner. A wonderful example is De Groene Kaap. Between the residential towers, you will find stacked town houses with two or three floors. In the middle, an intimate courtyard is created, adorned with lush vegetation, play elements and atmospheric lighting in the evening. The highest point in this project was reached in May 2020 and the first residents moved in in February 2021. Of the 450 homes, 356 are owned by Altera.

Huge ambitions

Stebru had huge ambitions for De Groene Kaap project and was supported from the start by real estate investor Altera.

Robert: “Our shared ambitions were to make something possible that was actually not feasible at all. For example, we were able to ensure that rainwater was slowed down before running off into the sewers. It's a combination of sometimes small aspects, but all those aspects together created a genuinely sustainable project of which we can say: this is climate-adaptive construction.”

What makes De Groene Kaap project so special?

Robert: “You will find mixed housing here, combining both owner-occupied and rental homes, ranging from modest ones with a limited surface area of about 50 m² to larger homes triple this size. In addition, there are a number of complementary commercial functions, targeted towards providing the best quality of life in the entire building. Sustainable constructions not only refer to climate and circularity, but also towards the micro society in this residential complex, surrounded by an oasis of roof gardens that are publicly accessible during the day.”

Erwin: “In all our construction projects, we also aim for maximum social cohesion. Within our ESG (Environmental, Social, Governance) objectives, the S always ranks high on the Altera list, similar to Stebru’s objectives. That's where we find each other.”

What are the challenges in such a construction project?

Robert: “One of the challenges in a project of this size is convincing the local municipality of one’s ambitions. Our ambitions tend to be high and all of the stakeholders must be involved in the process, but practice shows that it can be done. Now that De Groene Kaap project is in its final stage, we will be doing a similar housing project in Zaandam, consisting of 170 homes, again with Altera as our trusted partner.”

How did Stebru experience working with Altera?

Robert: “We have a good working relationship with Altera. Cooperation also means 'working together', not just the formal part, but also all kinds of informal contacts on and off the construction site. This is how bonds are created – and the basis for solving problems and challenges that arise in every huge and ambitious project.”

For Stebru, the partnership with Altera is characterised by three notions: decisiveness, flexibility and ‘long-term’.

Robert: “Of course you have to be firm from time to time, but in each discussion, it was 100% clear from the start that Altera wanted to reach an agreement with us as project developers; we’re in this together and Altera's commitment is evident. The Altera people visited us very often, not because they had to, but because they wanted to.”

Erwin: “Our interest in the project is genuine. It was also very important to us that there were only very few complaints or issues at the time of delivery.”

Preparations are key

Robert: “We only had a few minor issues on delivery. The thing is to prepare the entire project well in advance and work with a team that wants to do things properly, in time and ‘first time right’. For our team, this is the standard way of working.”

Erwin: “De Groene Kaap has become an important milestone for Rotterdam, for Stebru and for Altera Vastgoed. With the completion of the first building at De Groene Kaap and the arrival of the first new residents, Rotterdam Katendrecht is becoming an appealing new living environment. We're happy to have been contributing to this amazing sustainable construction project, in close cooperation with Stebru.”

De Groene Kaap: climate-adaptive construction at its best

De Groene Kaap offers large-scale city apartments with two, three or four bedrooms, smaller one-bedroom apartments and family homes measuring 160 m^2. This variety makes the complex suitable for various target groups with a wide range of lifestyles at different stages in life while contributing to inclusivity in the city. In De Groene Kaap design, nature and present-day and future weather conditions have been taken into account. The courtyards and roof gardens form a continuous path for walks through the complex. A water buffering system has been installed on the roof, allowing trees and plants to grow. Bird houses encased in the walls and lush vegetation are living proof of the attention to biodiversity.

About Stebru

What began in 2005 as a two-man business in the garage of father (Joop) and son (Robert) Steenbrugge, has become a household name in the construction and property world. With some 120 specialists, Stebru is a medium-sized family-owned project developer and construction company that develops, sells, realises and manages construction projects. By offering all these services under one roof, Stebru creates synergy in every stage of the process.

Website: www.stebru.nl and www.steenbruggefoundation.nl

Read more

De Groene Kaap:	www.degroenekaap.nl
Altera De Groene Kaap:	www.alteravastgoed.nl/nieuws/de-groene-kaap-in-rotterdam-verwelkomt-haar-eerste-bewoners/

Residential portfolio **year-end 2020**

* *Including some retail or office space*
** *50% interest*
*** *Leasehold (not perpetual)*

City	Address	Year of construction	Rentable units	Theoretical rental level in € mln	Occupancy rate
Apartments					
Alkmaar ***	Paternosterstraat	1985	72	0.6	100%
Almere	Kapitein de Langestraat	1995	87	0.9	100%
Amersfoort	De Bosuil	2020	114	1.6	100%
Amstelveen	Nicolaas Tulplaan	2014	113	1.8	98%
Amstelveen	Maimonideslaan	2017	84	1.2	100%
Amstelveen *	Laan van de Helende Meesters	2014	48	1.0	98%
Amstelveen	Chr. Huygenshof	2018	103	1.5	100%
Amsterdam	Blankenstraat	2011	68	1.4	97%
Amsterdam * ***	Faas Wilkesstraat (Zeeburgereiland)	2019	86	1.4	99%
Amsterdam ***	Oostelijke Handelskade #2	2013	108	2.2	97%
Amsterdam ***	Oostelijke Handelskade #1	2013	61	0.9	95%
Amsterdam ***	Oostelijke Handelskade #3	2016	66	1.2	97%
Amsterdam * ***	Tollensstraat, Dichtershofje	2015	69	1.4	100%
Amsterdam ***	Tollensstraat	2017	52	0.9	99%
Apeldoorn	Molenstraat	2005	44	0.5	100%
Baarn	Stationsweg, et al.	1985	22	0.2	100%
Brielle	M.H. Trompstraat	2020	72	0.8	100%
Den Bosch	Kanseliersplein	2019	91	1.3	95%
The Hague	Dr Lelykade	2016	47	0.7	100%
The Hague	Loevesteinlaan	2009	61	0.7	100%
The Hague	Laan van Wateringse Veld	2009	64	0.8	98%
Dordrecht	Van Eesterenplein	1994	96	1.0	98%
Dordrecht	Overkamppark	2012	33	0.4	100%
Gouda	Plateelstraat	2015	40	0.5	100%
Gouda	Winterdijk	2012	36	0.4	99%
Gouda	Vest, Verloren Kost	2018	30	0.4	100%
Haarlem	Disselkade	2015	25	0.4	100%
Harderwijk	Bachdreef	1994	41	0.5	100%
Heemskerk	N. Hennemanpad, Raadhuisstraat	2019	60	0.7	100%
Heemskerk	Ganzenveer	2006	27	0.3	100%
Heerhugowaard	Jade	2005	56	0.7	100%
Hendrik Ido Ambacht *	Ring, Avelingen	1997	32	0.4	100%
Hilversum	Van Linschotenlaan	2018	55	0.7	100%

City	Address	Year of construction	Rentable units	Theoretical rental level in € mln	Occupancy rate
Hoofddorp	Markenburg	1992	54	0.5	100%
Hoofddorp	Ter Veenlaan	2008	69	0.8	100%
Hoofddorp	Burg. Van Stamplein	2017	63	0.8	100%
Maarssen	Waterstede	2005	60	0.8	100%
Maarssen	Bisonspoor	2017	60	0.7	100%
Nijmegen	Irene Vorrinkstraat	2011	53	0.7	100%
Nijmegen	Irene Vorrinkstraat	2015	28	0.3	100%
Nijmegen	Irene Vorrinkstraat	2017	27	0.3	100%
Oegstgeest	Rozenlaan	2006	44	0.6	100%
Ridderkerk	Drierivierenlaan	2018	66	0.8	100%
Rotterdam	Hesseplaats	2011	58	0.7	98%
Rotterdam	Mauritsweg	2013	75	1.1	98%
Schiedam ***	Olof Palmeborg, et al.	2005	66	0.7	100%
Son en Breugel	Molenstraat	2018	48	0.6	98%
Utrecht	Diamantweg	2012	28	0.4	100%
Utrecht	Huis te Zuylenlaan	2006	39	0.5	100%
Utrecht	Operettelaan	2008	22	0.3	100%
Utrecht	Burchtplein, Zuiderburcht	2011	38	0.5	100%
Utrecht *	Vlechtdraadhof	2017	66	0.8	99%
Waalwijk	Engelsestraat	2018	60	0.7	94%
Wormerveer	Houtkade, Krommenieerweg	1997	36	0.3	100%
Zeist	Antonlaan, Geiserlaan	2019	40	0.6	100%
Zoetermeer **	Noordwaarts, et al.	1989	48	0.4	100%
Zoetermeer	Haussmannruimte	2004	44	0.6	100%
Zwolle	Van der Capellenstraat	1986/2009	104	1.0	98%
			3,359	45.0	98%

City	Address	Year of construction	Rentable units	Theoretical rental level in € mln	Occupancy rate
Single-family homes					
Almere	Eeuwenweg	1997	35	0.4	100%
Amersfoort	Glorie van Hollandgaarde, et al.	1995	29	0.3	97%
Assen	Papayapad, Perzikstraat	2005	33	0.4	100%
Bemmel	Gersthof	1987	21	0.2	100%
Best	Plataan, Salderes	1985	36	0.4	97%
Blaricum	Gooischedreef, et al.	2016	31	0.4	100%
Breda	Kerkuil, Blauwvoet, Havik	1988	39	0.4	95%
Breda	Deinzestraat, Bornemstraat	1989	36	0.4	100%
Deurne	Veenmossingel, Wollegras	1985	32	0.3	100%
Deventer	Esdoornlaan, Espad	1986	40	0.4	100%
Doorn *	Simon Vestdijkhof et al.	1986	36	0.4	100%
Eerbeek	Odinkerf, Papiermakerserf, et al.	1986	26	0.3	100%
Groesbeek	Mansberg	1986	38	0.4	97%
Haarlem	Chris Soumokilstraat, et al.	1988	93	1.1	100%
Haarlem	Vrijheidsweg, Sutan Sjahrirstraat	1988	30	0.3	100%
Harderwijk	Bachdreef	1994	15	0.2	100%
Hoevelaken	Beekhof, Schalenhoek	2017	28	0.4	100%
Hoofddorp	Achtermeerstraat	2018	35	0.5	100%
Maassluis	Stellingmolen, Walmolen, Bergmolen	1988	23	0.3	100%
Malden	Dravik, De Bies, Zwenkgras	1985	55	0.6	100%
Nieuw-Vennep	Koperslager, Grutter, Tolgaarder, Baker	1987	46	0.5	100%
Oosterhout	Admiraalsdam, Herendam, Drostendam	1988	51	0.5	100%
Oosterhout	Max Havelaardreef, et al.	1996	38	0.4	100%
Rosmalen	Alverborch, Zalmborch, et al.	1985	40	0.4	100%
Sassenheim	Evert van Dijkpad, Parmentierpad	1986	31	0.4	100%
Soesterberg	Gemini, Mercury	1986	60	0.7	100%
Tilburg	Abdij van Bernestraat, et al.	1988	32	0.3	100%
Tilburg	Harmelenstraat, et al.	1991	24	0.3	100%
Tilburg	Kerkdrielstraat	1990	24	0.3	100%
Uden	Abdijlaan, Klemvogel	1988	42	0.4	100%
Udenhout	Helmkruid, Anemoon	1986	22	0.2	100%
Udenhout	Anemoon, Kamille, Sint Janskruid	1988	14	0.2	100%
Uithoorn	Patrijs, Knobbelzwaan	2019	26	0.4	100%
Utrecht	Sáo Vicentedreef, Londrinadreef, et al.	2018	30	0.4	100%
Valkenswaard	De Meule, De Maalsteen, De Meelkuip	1985	35	0.4	97%
Valkenswaard	De Meule	1987	14	0.2	100%
Voorhout	Kruidenschans, Lavendelweg, et al.	1987	47	0.5	100%

City	Address	Year of construction	Rentable units	Theoretical rental level in € mln	Occupancy rate
Waalwijk	C. Koemanstraat, G. Frisiusstraat	2019	26	0.3	100%
Waalwijk	Rembrandtpark	1986	31	0.3	97%
Zevenaar	Monnetstraat, Spaakstraat	1985	40	0.4	100%
			1,384	15.6	100%
Total			4,743	60.6	99%
Minus: 50% interest in Zoetermeer			-	-0.2	
Total of all segments			**4,743**	**60.4**	**99%**

Secured pipeline

Secured pipeline (€455 mln of which €273 mln already paid); all projects in construction phase

City	Location	Year of completion	Rentable units	Theoretical rental level in € mln
Amstelveen	Burg. Rijnderslaan	2023	124	2.2
Amsterdam	Gare du Nord (CZAN)	2021	184	2.8
Den Bosch	Terrazzo	2022	54	0.8
Leiden	Robijnhof	2023	160	1.9
Rotterdam	Maashaven Noordzijde (Katendrecht)	2021	356	5.1
Rotterdam	Siciliëboulevard (Nesselande)	2021	49	0.7
The Hague	Wijndaelerweg (Kijkduin)	2021	23	0.4
The Hague	Leeghwaterplein, Leemansplein	2021	155	1.7
The Hague	Waldorpstraat (Kop van Laak)	2021	77	0.8
The Hague	Eisenhowerlaan	2021	39	0.8
Uithoorn	Legmeer West	2021	4	0.1
Uithoorn	De Rede	2022	30	0.5
Utrecht, Leidsche Rijn	Blamanstraat, Hermansstraat, Picassostraat	2022	148	2.0
			1,403	19.6

“Cadenza is situated in a nice part of town and surrounded by nature”

Along the Valley Canal in Amersfoort’s leafy Hogekwartier neighbourhood sits Cadenza, a prominent building with 114 free-sector rental apartments owned by Altera. What makes the Hogekwartier neighbourhood unique is that both nature and Amersfoort’s centre are within reach. We had a chat with Lisette Sprakel, one of Cadenza’s residents, to talk about what makes her living experience there special.

What made you want to live at Cadenza?

“That was actually quite a coincidence. Before I moved to Cadenza, I lived in Enschede. While I lived there, I got a new job in Hoofddorp. Because my partner worked near Apeldoorn, we went looking for a place to rent in Amersfoort. From what was available in the rental market at the end of June ’20, Cadenza seemed to be well located and very modern, sustainability wise. We needed something rapidly, so I registered immediately at the end of June and two weeks later we received the keys to the place.”

How’s the living experience?

“I really like living here. Cadenza is situated in a nice part of town and it’s surrounded by nature. When I lace up my running shoes, I’m in nature in no-time, either in Stoutenburg or trotting through the fields to the Den Treek nature area. Cadenza is also near the highway, which doesn’t hurt.

As for the building itself, we are very pleased with our spacious and modern apartment, whose floor cooling came in handy last summer. The parking garage is also a plus, because in the winter we don’t have to scrape off the windows before we go out. Parking for visitors can be a bit challenging, though. The mechanical ventilation on the lower floors is ideal as it keeps out the street noise. However from my neighbours I hear that there’s noise from the ventilation system on the higher floors.

New buildings always have their issues but REBO, the property manager on behalf of Altera, has taken care of most of them by now, after a challenging start. For example, window cleaning has not been possible until present, but we’ve had positive contact with REBO – so soon, we’ll hopefully be able to continue to have a clear view of the beautiful city of Amersfoort.

Our neighbours are also very friendly, and we’ve had some pleasant chats with them. We’re on the Area of People app (www.areaofpeople.com) and that’s been a help because if you need some cooking ingredients, like sugar or baking paper, there’s someone on there that probably does. I’m quite pleased to be a member of the resident’s committee as well – it’s nice to be able to do things for the people who live here.”

How has the rental process been for you, from finding the apartment to signing the rental contract?

“It actually went quite smoothly, although I do think we were lucky, because I know many people have spent a long time on the waitlist for the building. Due to COVID, there was more caution around things such as the key hand-over, but all of the information and contract signing was digital – everything went rapidly and smoothly.”

How was the communication process with REBO, the property manager?

“After a bit of a hectic start, the experience is becoming more and more positive. Currently, I’m also in contact with REBO through the residents’ committee, and that’s going smoothly.”

To round up, is there a nice anecdote about something you’ve experienced while living at Cadenza?

“I like to be outside and it’s cool that you can see the building from a distance. If you’re 3 km from the building on a nature walk and want to take a picture, you’ll get a nice, scenic picture, with a really small tower in the background – and that’s where we live! Hopefully, next summer we’ll be able to get out and explore Amersfoort’s centre more.”

About Cadenza

“The Cadenza project is gas-free and is equipped with a thermal storage system along with solar panels. This contributes to Cadenza’s sustainability goals. The complete plan for the project consists of two towers with 184 apartments in total built over a parking garage with 184 parking spots. A roof garden will be realized between the two buildings, which will be connected to the Valley Canal’s green zone.”

Retail

Timeline Altera Retail 2020

03/03/2020
Altera wins the GRESB-BREEAM Global Award for most responsible investor with her Retail strategy

06/03/2020
Altera leases 318 m² in convenience center De Bieshof in Dordrecht

31/03/2020
Acquisition of a supermarket in Zwijndrecht for an amount of €4.0 million

01/04/2020
COVID-19; Altera supports its retail tenants

13/05/2020
Altera leases 3,258 m² in specialty center Kaap de Goede Hooplaan in Utrecht

28/05/2020
Altera partners up with helpdewinkelier.nl to support her retail tenants in the difficult COVID-19 situation

02/10/2020
Altera leases 480 m² in comparison center at Lijnbaan in Rotterdam

06/10/2020
Altera webinar on Food and Convenience Retail

09/10/2020
Disposal of 2 comparison assets in city center of Deventer

24/11/2020
A 5-star rating for the Retail fund in the annual GRESB benchmarking

31/12/2020
In the fourth quarter non-strategic comparison assets were sold in Rotterdam, Alphen aan den Rijn, Emmeloord and Oosterhout

Strategy

Market structure

- Attractive investment products due to favourable risk/return ratio
- Retail is late cyclical
- Convenience retail is need driven, providing the basic needs of customers
- Convenience retail is less cyclically sensitive because of its need-driven character
- Positive trend in fundamentals for Convenience even during COVID-19

Market trends

- COVID-19 is causing a further market split between comparison and convenience retail
- Food retail is the winner of the COVID-19 crisis due to the forced closure of restaurants and bars
- Comparison retail (in particular restaurants, fashion and shoes) has seen its revenues fall sharply
- Consumers are shopping less frequently as a result of COVID-19 and online shopping (both food and non-food) is gaining ground

Strategy

Strategy	2020	Policy objective (3 years)
Focus on convenience shopping	74%	≈100%
Phasing out comparison and specialty shopping	26%	0%

Convenience driven strategy ...

for continued stable return with low risk

Always strong spending potential ...

as this is aligned with revenue potential

As convenient as possible ...

because the success of a convenience shopping centre or stand-alone supermarket strongly depends on the ease for the consumer to visit it

Increasing quality requirements for larger convenience centres ...

in order to retain a portfolio of the highest quality with high occupancy rates

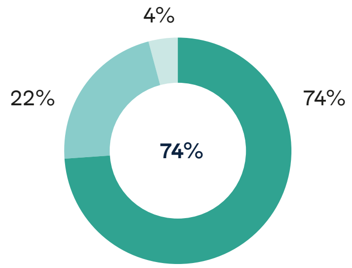
Portfolio characteristics

	Year-end 2020	Year-end 2019
Portfolio characteristics		
Operational portfolio	€603 mln	€729 mln
Theoretical annual rent	€44.1 mln	€51.5 mln
Theoretical annual rent/value of portfolio	7.3%	7.1%
Number of properties	42	49
Number of leases	567	657
Contract rent versus market rent	+4%	+2%
Residual term of current leases	3.8 year	4.1 years
Average rent per m^2	€208	€198
Occupancy rate	94%	93%

	Year-end 2020	Year-end 2019
Segmentation of operational portfolio		
Convenience shopping		
Value of portfolio	€447 mln	€460 mln
Theoretical annual rent/value of portfolio	7.1%	7.0%
Occupancy rate	95%	96%
Comparison shopping		
Value of portfolio	€130 mln	€243 mln
Theoretical annual rent/value of portfolio	8.2%	7.3%
Occupancy rate	89%	87%
Specialty shopping		
Value of portfolio	€26 mln	€26 mln
Theoretical annual rent/value of portfolio	6.5%	6.4%
Occupancy rate	100%	100%

Portfolio structure

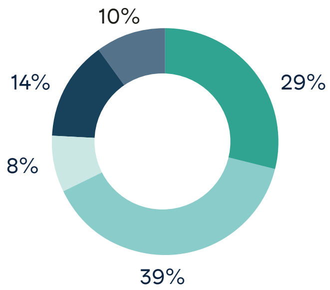
Property type



Portfolio consists mainly of convenience properties (74%)

- Convenience shopping
- Comparison shopping
- Specialty shopping

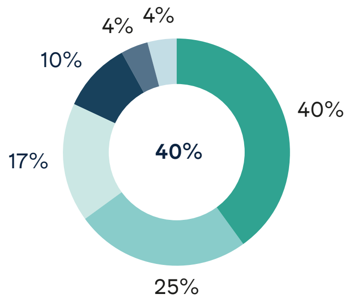
Size per property



Spread over larger and smaller properties

- >€50 mln (3)
- €25 mln - €50 mln (7)
- €15 mln - €25 mln (3)
- €5 mln - €15 mln (11)
- <€5 mln (18)

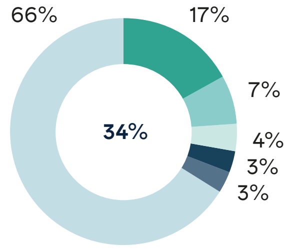
Tenant sectors



Food is the largest sector

- Food
- Fashion
- Other non-food
- Services and catering
- Non-retail (parking, residential)
- Home furnishing

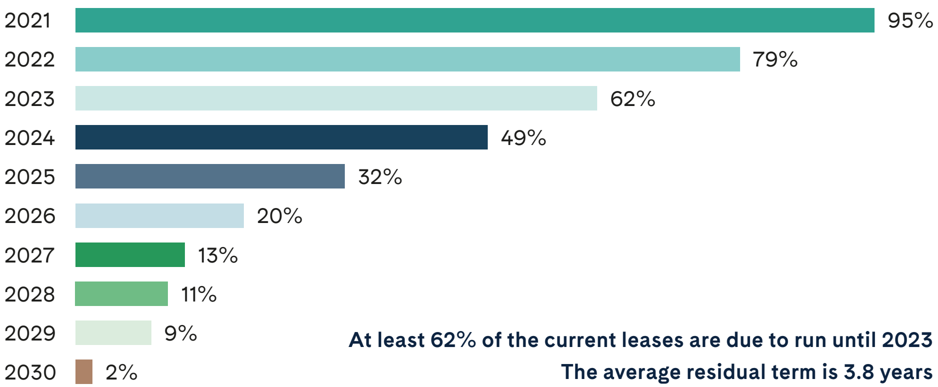
Top 5 tenants



Top 5 tenants together: 34%

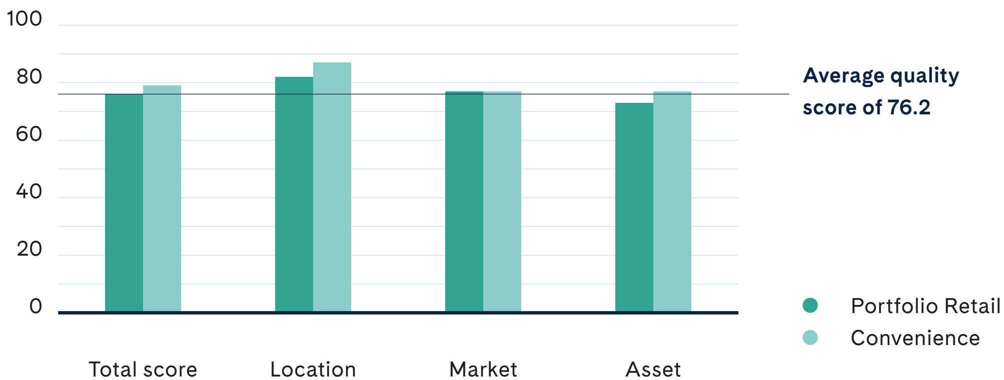
- Ahold-Delhaize
- Jumbo
- A.S. Watson
- Lidl
- Plus
- Others

Remaining rental income



At least 62% of the current leases are due to run until 2023
The average residual term is 3.8 years

Quality score of portfolio



Key figures

	2020	2019	2018	2017	2016	3-year 2018-2020	5-year 2016-2020	10-year 2011-2020
Income return	5.6%	5.8%	6.0%	6.2%	6.2%	5.8%	6.0%	6.2%
Capital growth	-9.6%	-0.4%	0.7%	0.4%	-2.6%	-3.2%	-2.4%	-2.5%
Total property return	-4.5%	5.4%	6.7%	6.6%	3.4%	2.4%	3.4%	3.5%
Management and fund costs	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%
Impact of cash and leverage	0.0%	-0.1%	-0.2%	0.0%	0.0%	-0.1%	0.0%	-0.1%
Other effects	-0.5%	0.1%	0.3%	0.1%	0.1%	0.0%	0.0%	0.0%
Fund return (IFRS)	-5.4%	5.0%	6.4%	6.3%	3.1%	1.9%	3.0%	3.1%
Fund return (INREV)	-5.5%	5.8%	N/A	N/A	N/A	N/A	N/A	N/A
Dividend return	5.5%	5.4%	5.9%	5.9%	4.5%	5.6%	5.4%	5.7%

	2020	2019	2018	2017	2016
Other					
Average occupancy rate	93%	93%	93%	93%	92%
Occupancy rate at year-end	94%	93%	93%	93%	93%
Net/gross rental income	80%	84%	85%	85%	84%
Gross initial yield at year-end	7.3%	7.1%	7.2%	7.5%	7.7%
Average number of outstanding shares (x mln)	638.9	602.2	641.5	680.0	698.9
Number of outstanding shares at year-end (x mln)	629.8	638.9	593.2	680.0	680.0
Total investment income per share (€)	-0.055	0.051	0.067	0.064	0.032
Net asset value per share IFRS (€)	0.952	1.063	1.068	1.063	1.060
Net asset value per share INREV (€)	0.961	1.073	1.069	N/A	N/A

Retail market trends

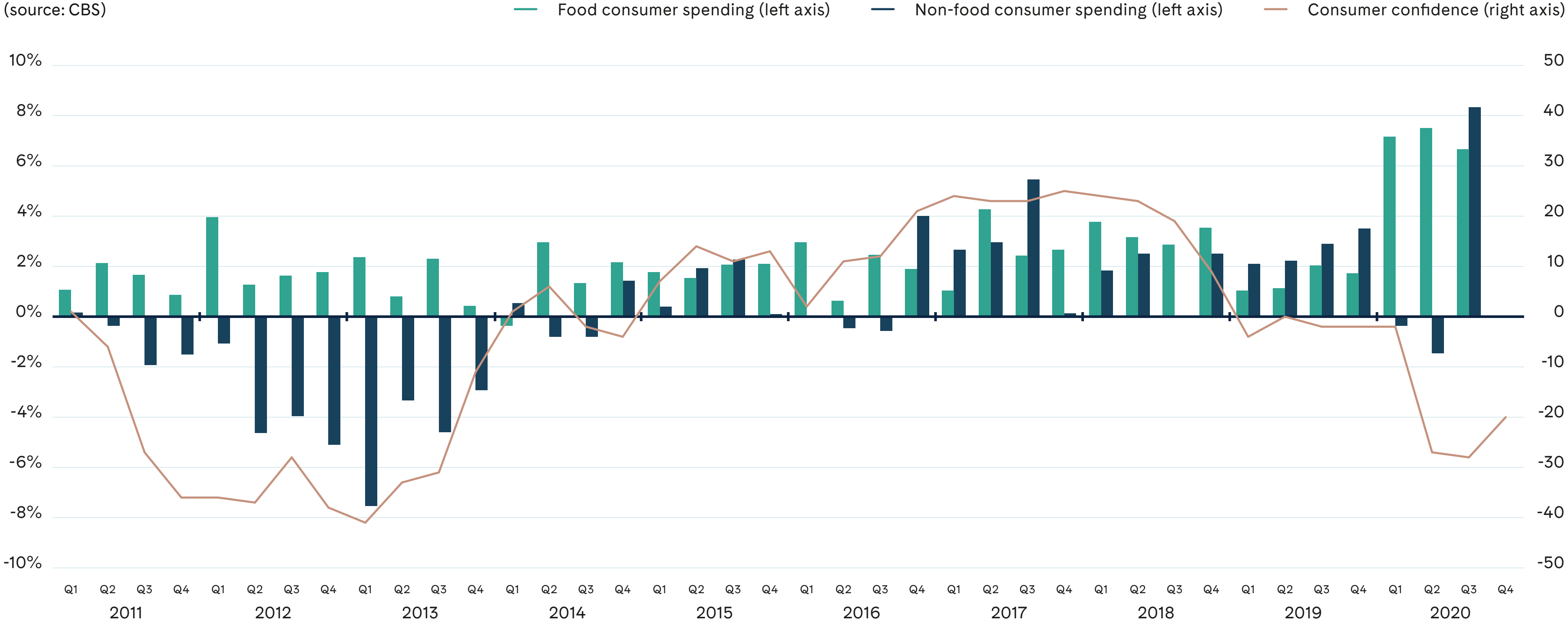
Contraction of economy because of COVID-19

The Dutch economy contracted by more than 4% (GDP) compared to last year as a result of the COVID-19 pandemic, particularly in the second quarter of 2020. The uncertainty surrounding the recovery is having a detrimental effect on consumption and investment market. Despite this, the economy showed great resilience after the first COVID-19 wave, as a sharp rise in gross domestic product followed in the third quarter.

Extensive measures to support entrepreneurs and businesses taken by the government and the recovery in the third quarter limited the rise in unemployment. In December, unemployment fell to a level of 3.9% after a peak of 4.6% in August 2020 (CBS, 2020). The measures and the recession lead to a large budget deficit but public finances still remain robust.

Changes in consumer confidence and retail spending

(source: CBS)



Consumer confidence drops but still growing retail sales

As a result of COVID-19, consumer confidence declined dramatically in April 2020. Consumer confidence dropped from -2 in March to -22 in April. Although this was the biggest drop ever, it was not the lowest level ever recorded. Consumer confidence has been rising again since October, but is still well below zero.

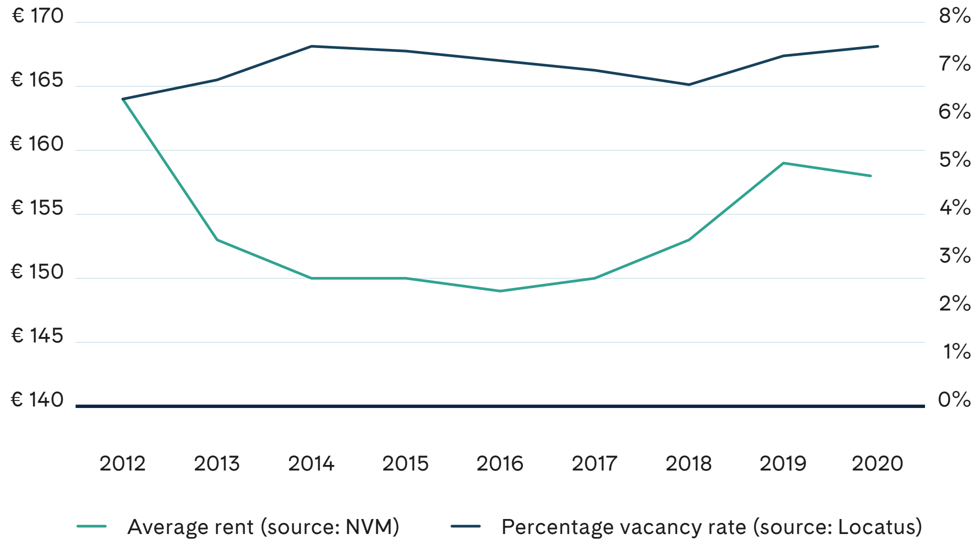
Nevertheless, the retail sector shows large increases in turnover. Within non-food, the higher sales are mainly realised by DIY (Do-It-Yourself) stores and stores for kitchens and home furnishings. Because of COVID-19 less can be spent on travel and eating out in restaurants, leaving the consumer with money in its pocket. Spending on durable home and garden benefits from this. On the other hand, shops in shoes and fashion have to contend with sharp decreases in turnover. Restaurants and bars are also one of the segments most affected by the corona crisis, due to limitations and forced closures. Within food, both supermarkets and fresh food retailers have substantially increased their turnover.

Because of COVID-19, consumers shopping behaviour has changed a lot. Consumers only visit the shopping centre in a targeted way. Fashion shopping has shifted even more to online during COVID-19. As a result, the web-shops showed a remarkably strong growth compared to the previous year. Online food sales also showed a stronger increase as a result of COVID-19. The share of online supermarket sales compared to total supermarket sales increased less rapidly, because the physical supermarkets also showed a strong increase in sales. In 2020 the share of online supermarkets increased from 3.0% to 5.0% (source: Supermarkt & Ruimte, November 2020).

Stable rental prices for Convenience

The difference in turnover development between food and non-food also has an impact on market rents. As a result, market rents in shopping areas with a large share of food, especially the convenience shopping centres, remained stable or increased slightly. Market rents in shopping areas with a large share of non-food, especially comparison shopping areas, showed decreasing market rents. Overall, the average market rents have remained more or less stable in 2020 for convenience.

Changes in rents sqm and vacancy Dutch retail

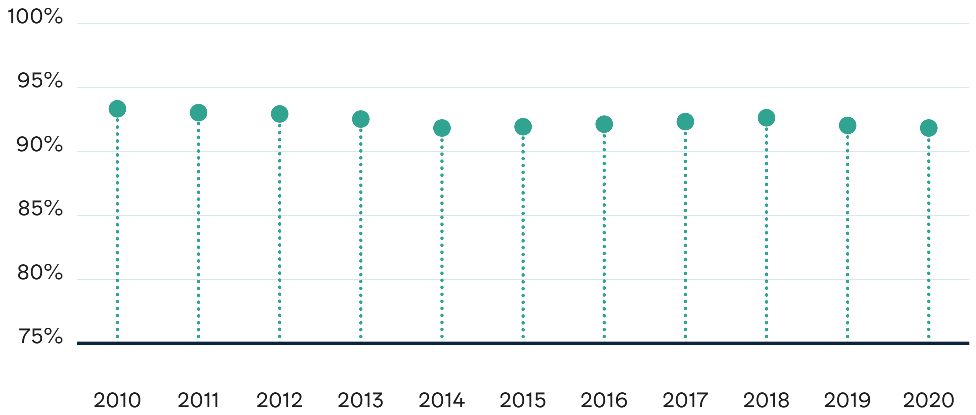


Vacancy is gradually increasing

The number of bankruptcies has remained limited because many retailers have seen their turnover increase in 2020 despite COVID-19 and many entrepreneurs who were facing decreasing turnovers have been able to make use of (government) support measures. The total number of bankruptcies is even slightly lower compared to 2019. Although an increase in vacancies was expected as a result of COVID-19, the increase is limited, as is the case with the number of bankruptcies. The average vacancy rate remained stable around 92-93% in 2020 (source: Locatus). The occupancy rate is significantly higher in convenience shopping centres (+3,2%) compared to the comparison shopping centres.

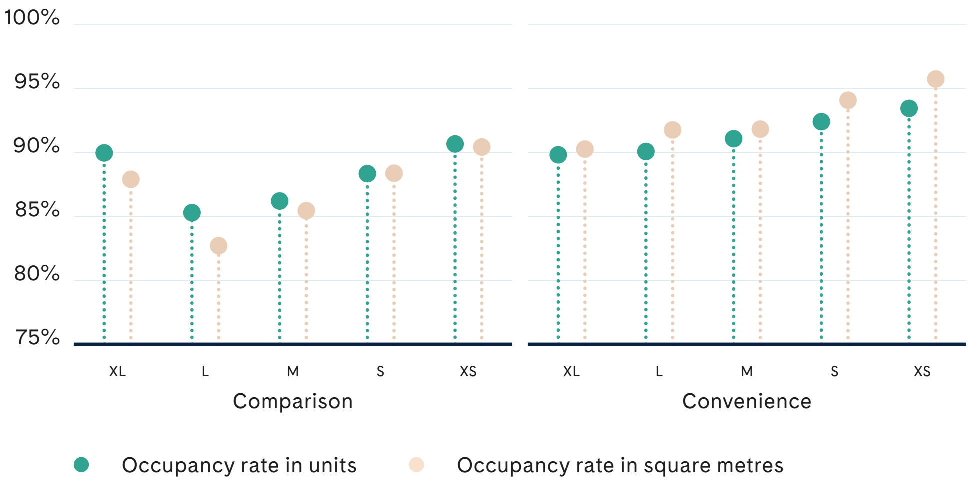
Occupancy rate as a percentage of retail units

(source: Locatus)



Occupancy rate per type of shopping centre

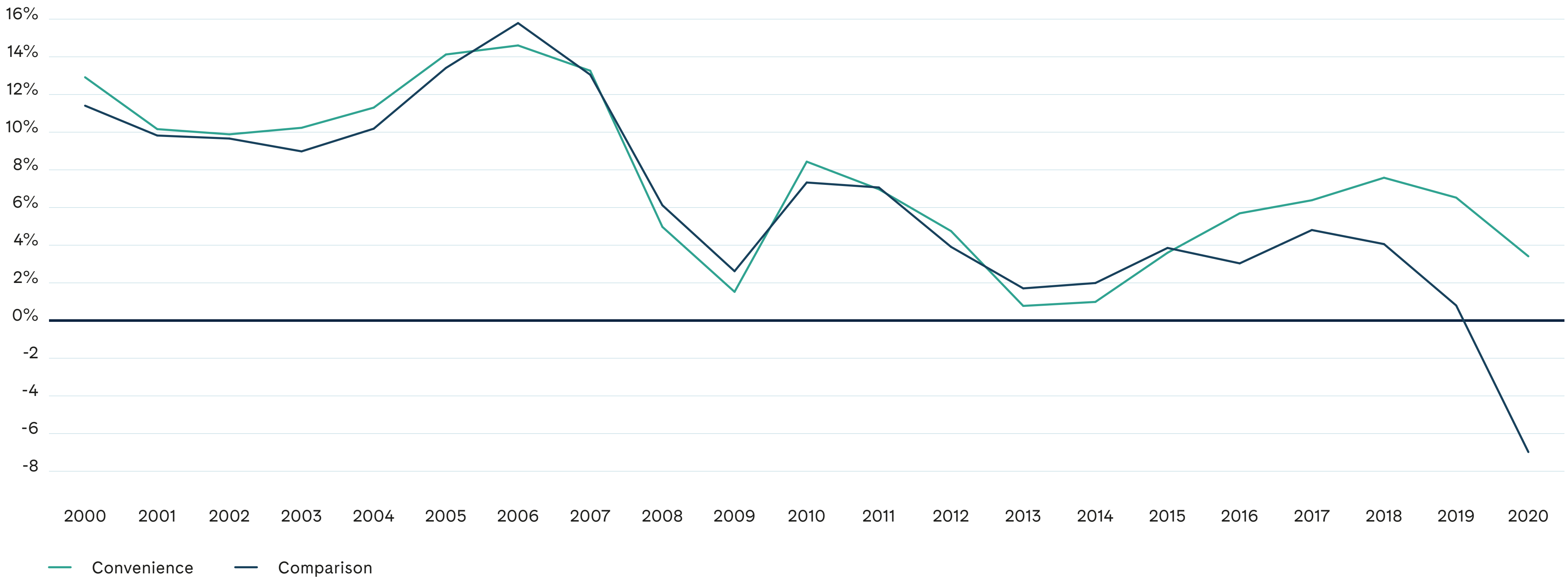
(source: Locatus)



Investment market

The retail investment volume in 2020 is lower than a year earlier. This is mainly due to the limited possibilities for external financing and the deteriorating market conditions as a result of COVID-19. Most transactions took place in the last quarter, because investors tried to complete acquisitions as much as possible in 2020 due to the 2% increase in RETT (Real Estate Transfer Tax) in 2021. Because of the stable income also during the COVID-19 period, the majority of investments in Dutch retail in 2020 have been convenience shopping centres, supermarkets (also convenience) and specialty shopping centres. That is why there was yield compression for convenience and specialty retail throughout the year. On the other hand the yields of comparison retail have increased.

Evolution of total property return Retail
(source: MSCI, 2021)



Outlook

Just as the advent of COVID-19 marked the global economy of 2020, so the virus' retreat will determine the recovery of 2021. As soon as the restrictions can be gradually lifted, the economic climate will improve in the course of 2021. It is expected that by the end of 2021 pre-corona output levels will be reached. Thereafter, a period of above-trend growth will begin, during which, thanks to stimulus from governments and a broad monetary policy, economies will begin the long climb towards their potential level.

In 2021, COVID-19 related restrictions are expected to reduce wage growth and thus decrease purchasing power, which will have a negative impact on consumer spending in the non-food retail segment. Spending in food will continue their positive trajectory. This segment has already shown that it is rather insensitive to economic downturns.

As a consequence, rents are expected to decrease in comparison shopping areas (with a large share of non-food) while the vacancy rate will increase further due to expected bankruptcies within non-food. The rents are expected to stay stable of slightly increase in convenience shopping centres (with a large share of food). Because of the increasing differentiation in performance between comparison versus convenience retail, we see the market split as an ongoing trend in 2021.

Retail Sector **balance sheet**

(amounts x €1,000)	Notes to the financial statements	31 Dec 2020	31 Dec 2019
Assets			
Investments			
Property in operation	1	566,300	689,955
Participating interest	2	37,204	38,826
		603,504	728,781
Other fixed assets			
Tangible fixed assets		551	804
Capitalised lease incentives	1	519	631
		1,070	1,435
Current assets			
Accounts receivable		501	1,045
Other receivables		39,853	1,994
Liquidities		22,436	20,296
		62,790	23,335
Total assets		667,364	753,551

(amounts x €1,000)	Notes to the financial statements	31 Dec 2020	31 Dec 2019
Equity plus liabilities			
Equity			
Issued share capital	9	314,922	319,447
Paid-in surplus	10	388,766	392,937
Revaluation reserve	11	66,042	69,720
General reserve	12	-169,806	-103,058
	13	599,924	679,046
Provisions			
Other provisions	14	9,659	13,659
Non-current liabilities			
Lease liabilities	15	1,554	1,665
Current liabilities			
Lease liabilities	15	112	134
Liabilities to banks	16	-	50,000
Creditors and other liabilities		56,115	9,047
		56,227	59,181
Total equity plus liabilities		667,364	753,551

Retail Sector profit and loss account

(amounts x €1,000)	Notes to the financial statements	2020	2019
Theoretical gross rental income	18	49,387	45,001
Vacancy	18	-3,309	-2,943
Other	18	-737	-342
Revenue from service charges	19	2,728	2,766
Service charges	19	-3,077	-3,060
Operating expenses	20	-8,599	-5,911
Net rental income		36,393	35,511
Investment revaluation result	21, 22	-63,249	-1,726
Result on disposals	23	-4,918	-240
		-68,167	-1,966
Result from participating interest	2	-142	1,295
Management and fund costs	24	-2,471	-2,594
		-2,613	-1,299
Net operating result		-34,387	32,246
Other expenses	26	-105	-967
Interest income/expenses		-683	-306
Net result		-35,175	30,973
Direct investment income		34,683	34,316
Indirect investment income		-69,858	-3,343
Total investment income		-35,175	30,973

Notes to 2020 results

Highlights results 2020

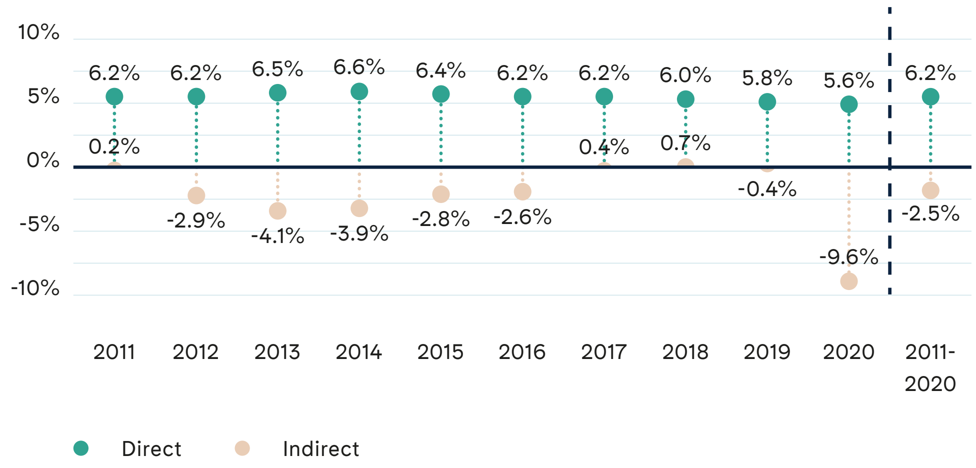
- The non-food part of the retail sector was severely hit by COVID-19 due to lockdowns
- Fund return decreased to -5.4% due to a downgrade of -9.6%: -0.9% convenience and -27.1% in comparison segment
- Income return remained relatively stable on 5.6%
- MSCI benchmark outperformed over 3 and 5 years
- Portfolio consists predominantly of convenience segment (74%)
- Eight properties were divested for a total net amount of €57 million
- A supermarket in Zwijndrecht added to the portfolio
- Average occupancy rate on 93% (year-end: 94%)
- Leases signed worth annual rent of €10.5 million
- Bank loan of €50 million repaid
- Total of €38 million worth of entries in share capital and redemptions of €47 million

Returns

Due to COVID-19 lockdowns returns in especially the comparison segment were severely hit. The fund return decreased to -5.4% (2019: 5.0%) due to downgrade by -9.6%. The property return decreased from 5.4% in 2019 to -4.5% in 2020. The downgrade in the comparison segment amounted to -27.1% (2019: -3.9%). Valuation in the convenience segment proved far less vulnerable for COVID-19: -0.9% (2019: 2.5%).

The income return decreased from 5.8% in 2019 to 5.6% in 2020, due to COVID-19 related additional provision for bad debts and rent reductions with a total impact of -0.3%.

10-year property return



We outperformed the MSCI ‘all investments’ benchmark over three and five years in 2020 due to higher direct property return. The large downgrade in the comparison segment resulted in a modest underperformance of -0.2% for the year 2020, but the dispositions in 2020 will result in a better risk return profile.

Retail:			Altera		MSCI Netherlands Property Index	
all investments	Direct	Indirect	Total	Direct	Indirect	Total
2020	5.6%	-9.6%	-4.5%	4.7%	-8.7%	-4.3%
2019	5.8%	-0.4%	5.4%	4.8%	-2.8%	1.9%
2018	6.0%	0.7%	6.7%	4.9%	0.0%	4.9%
2017	6.2%	0.4%	6.6%	5.3%	0.4%	5.7%
2016	6.2%	-2.6%	3.4%	5.3%	-1.5%	3.8%
3-year	5.8%	-3.2%	2.4%	4.8%	-3.9%	0.8%
5-year	6.0%	-2.4%	3.4%	5.0%	-2.6%	2.3%
10-year	6.2%	-2.5%	3.5%	5.5%	-2.4%	3.0%

The return on standing investments of -3.8% (2019: 5.3%) is slightly higher than the portfolio as a whole of -4.5% (2019: 5.4%), due to the impact of the dispositions.

The dividend return of 5.5% increased slightly compared to 2019 (5.4%).

Direct investment income

The average occupancy rate remained stable on 93%. Of the rent in the COVID-19 period 97% was actually paid by the tenants, as a result of the favourable tenant mix of Altera. Due to higher COVID-19 related costs for bad debt provision of €1.6 million the net/gross ratio decreased from 84% to 80%. Compared to 2020 the theoretical gross rental income increased from €45.0 million to €49.4 million due to the acquisition of neighbourhood shopping centres in Amstelveen and Uithoorn in December 2019, and operated for a full year in 2020. The divestments in 2020 took place at the end of the year and the impact on the 2020 direct investment income was therefore limited.

The changes in direct investment income were as follows:

Changes in direct investment income	In € mln	Effect
Direct investment income 2019	34.3	
Acquisitions in 2019	4.2	12.2%
Divestments	-1.1	-3.2%
Rent reductions	-0.5	-1.4%
Higher provision for bad debts	-1.2	-3.4%
Other net effects	-1.0	-3.0%
Direct investment income 2020	34.7	1.2%

The average contract rent is above the market rent; rents have gradually declined to some extent in the case of reviews or reletting. The difference between market rent and contract rent broadened to 3.4% in 2020 (2019: 1.8%).

The interest expense relating to the bank loan amounted to €0.9 million. The loan is fully repaid by the proceeds of the divestments.

Indirect investment income

The portfolio decreased in value in 2020 by -9.6% due to a lower rental value (effect of -3.6%), a higher initial yield (effect of -2.9%) and the effect of dispositions (effect of -3.1%). The gross initial yield (theoretical rent divided by the appraisal value) of 7.3% at the end of 2020 was 0.2% higher than at year-end 2019 (7.1%).

The attribution of the revaluation in 2020 and 2019 is as follows per segment:

		2020		2019
Attribution revaluation	in €	in % of segment	in €	in % of segment
Convenience	-4.3	-0.9%	5.0	1.1%
Comparison	-65.7	-27.1%	-10.1	-3.9%
Specialty	0.1	0.3%	2.6	11.1%
Total	-69.9	-9.6%	-2.5	-0.4%

Based on the attribution of the returns, the strategy of Altera to invest predominantly in the convenience segment proves to be right.

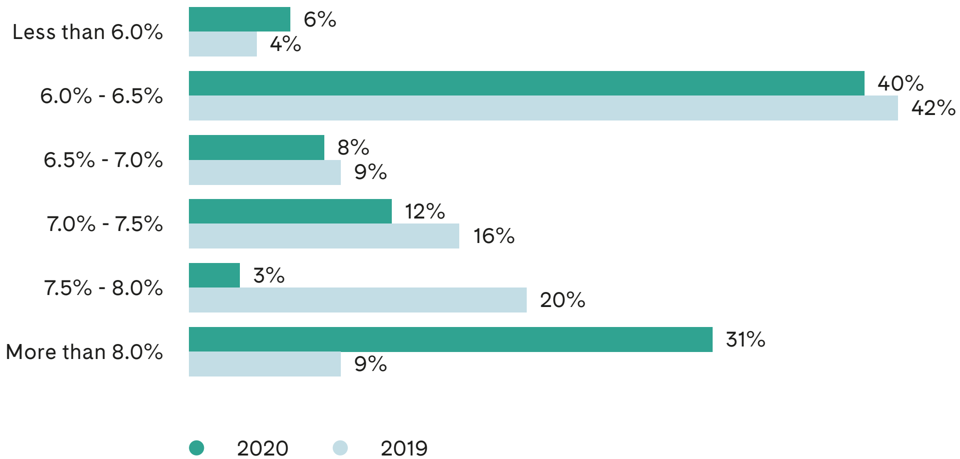
The spread of changes in value over the properties that were in operation throughout the year is detailed in the table on the next page. In 21 of the 40 properties the value increased in 2020; in 2019 that was the case in 28 of the 43 properties. The effect of downgrades of more than -5% increased: in 2020 there were ten properties with an effect of €47.2 million; in 2019 there were nine properties with an effect of €18.2 million.

Changes in value of investments in operation for full year	Change in value in % vs year-end 2019	Number of properties	Change in value 2020 in € mln	Change in value 2019 in € mln
<-10%	-35.7%	6	-36.5	-9.8
Between -10% and -5%	-7.8%	4	-10.7	-8.4
Between -5% and 0%	-2.1%	9	-4.0	-1.3
Between 0% and 5%	1.3%	12	2.4	2.1
Between 5% and 10%	6.3%	7	5.8	5.7
>10%	18.2%	2	1.1	8.6
Total	-6.8%	40	-41.9	-3.1

In 2020 as a whole 13 investments changed appraiser, with a downgrade of -4.4%. In 2019 there were 16 with a -1.8% downgrade.

The spread of the valuation at year-end 2020 and the valuation at year-end 2019 in terms of the gross initial yield (with costs payable by the purchaser) is shown below:

Spread of gross initial yield (average: 7.3%)



Trends in rents and operating expenses

Movements in theoretical rental income in 2020 are described below:

Developments in theoretical rent	2020	2019
Indexation	1.9%	2.3%
Rent adjustment (excluding indexation)	-2.0%	-2.6%
Portfolio transactions	-14.3%	13.2%
Change over the year	-14.4%	12.9%

Leases were signed with a total of 161 tenants in 2020, with annual rent amounting to €10.5 million. In 2019 we recorded €4.8 million with 69 tenants. As part of COVID-19 arrangements, 151 addenda were negotiated (of which up to year-end 2020 136 have been signed) by tenants for payment reliefs. Rent reductions were combined with an extension of the expiry date.

Rental transactions are summarized as follows:

Rental transactions	2020	2019
Number of leases and renewals signed	161	69
Number of m²	44,641	23,854
New annual rent	€10.5 mln	€4.8 mln
Of which from previously vacant properties	€0.6 mln	€1.9 mln
Future cash flow of leases signed	€23.6 mln	€27.8 mln
New rent versus market rent used by appraisers	0.8%	-5.9%

The average residual lease term at the end of 2020 was 3.8 years (year-end 2019: 4.1 years).

Rent arrears exceeding 90 days of 3.1% were significantly higher than in 2019 (0.7%) due to COVID-19.

Total operating expenses (including service charges for vacant properties) increased relative to the theoretical rental income from 14% to 15% due to the provision of bad debts.

Operating expenses	2020	2019
Maintenance expenses	4%	3%
Fixed expenses	3%	4%
Property management expenses	2%	2%
Other	6%	5%
Total	15%	14%

Portfolio transactions and upgrades

In 2020 we acquired a supermarket in Zwijndrecht.

Eight properties were divested for a total net amount of €57.3 million:

Divestments in 2020	Number of tenants	Net lettable space (in m²)	Rental type	Annual rent (in € mln)	Month of sale
Rotterdam Korte Lijnbaan	13	5,250	Comparison	1.7	December
Alphen a/d Rijn Rijnplein	17	13,321	Comparison	2.3	December
Leeuwarden Lieuwenburg	18	5,651	Convenience	1.0	September
Emmeloord Beursstraat 1	3	1,710	Comparison	0.4	December
Deventer Lange Bisschopstraat 64 and 73	2	385	Comparison	0.1	October
Oosterhout Arendshof (including parking)	17	8,875	Comparison	2.0	December
Total	70	35,192		7.5	

The share of the convenience segment increased from 63% at the end of 2019 to 74% at the end of 2020 resulting in a significant improvement of the return risk profile. According to Altera's strategy, the remaining properties in the non-convenience segments will be divested in the coming years.

Other notes

In recent years, the shareholder base of Altera Retail has become more diversified with 19 non-domestic investors, representing 49% of the equity. In 2020 entries amounted to €38.3 million and redemptions in an amount of €47.0 million (2019: €246.2 million of entries and €197.4 million of redemptions). At the end of 2020 the number of shareholders was 29 (2019: 26).

ESG

With a view to its sustainability strategy, Altera works on the basis of three pillars that have been named in the ESG report previous in this annual report. The KPI's per pillar achieved in 2020 are set out hereafter.

ESG Pillars

1. Our Sustainable Real Estate

Saving
Various improvements were implemented in 2020 and some sustainable assets have been added to the portfolio, as a result of which the Energy Index has been reduced. A total of 94% of the portfolio is completely green (label A, B or C) with the aim to increase this share to 100% by the end of 2023. Currently, the share of retail properties with an A label is 87% and the objective is to increase this percentage to more than 90% by the end of 2023.

Generating
At least three retail assets (full ownership) can be fitted with solar panels. For these assets a Stimulation of Sustainable Energy Production (SDE+-subsidy) has been obtained. Currently, we investigate if another eight assets can be fitted with solar panels. Altera aims to install these solar panels in 2020 and 2021 and feed the solar energy generated into the retail assets, predominantly for the common areas and partly for the tenants.

Greening
Altera works with its property managers and sustainability advisers to create transparency in the purchase of green electricity for common areas, after which the purchase of green electricity can be promoted. In 2020, 69% of the electricity consumed was accounted for by green electricity. In the coming years, alternatives will be selected for the current gas connections in the assets of the retail portfolio.

	2020	2019	2018	Strategy (EOY 2023)
KPI				
% of Green energy labels (A-C)	94%	89%	71%	100%
% of A labels	87%	82%	49%	>90%
Average Energy Index	0.74	0.81	1.03	<0.65

Acquisition of sustainable properties
In 2020, one property with a good sustainability performance was added to the retail portfolio. In 2020 this property was provided with a BREEAM certificate, to gain insight into the degree of sustainability and the measures to be taken that lead to improvements. The obtained score was 56,37%, which corresponds to Very Good.

Data coverage
Altera took measures in 2020 to increase the structural collection of data at property level. This provides insight into the sustainability of the property portfolio including measures for further optimisation, and enables benchmarking.

Data coverage	2020	2019	2018	Strategy (EOY 2023)
Energy	100%	100%	100%	100%
Greenhouse gas	100%	100%	100%	100%
Water	19%	36%	16%	100%
Waste	14%	42%	15%	100%

BREEAM
In 2018, the BREEAM-NL-In-Use certification method was used to objectively map sustainability for the entire retail portfolio. 100% of the properties were BREEAM-certified in 2019. This was maintained during 2020. Altera is developing roadmaps per asset (green multi-annual maintenance budget) to optimise the sustainability potential of the assets. This will beneficial for different ESG-elements. The percentage of core assets with a BREEAM-level Good or higher was 48%.

2. Alignment of interests of our Stakeholders

GRESB/BREEAM 'Responsible Investment' award

In the beginning of 2020, the Altera Retail fund was honoured with the GRESB/BREEAM 'Responsible Investment' Award. This Award is based on several criteria such as percentage of assets with a BREEAM certification, the GRESB Score as a measure of holistic ESG performance, and demonstrated commitment to sustainability by the organisation. On 10 March 2020 Altera was invited to open the Dutch Stock Exchange (Euronext) as a result of winning the GRESB/BREEAM Award. Together with representatives from C&W, Colliers, Beyond Energy, W4Y advisors, as well as GRESB, DGBC (Dutch Green Building Council) and Cognito, the stock exchange was opened by sounding the gong.

GRESB

Altera participates in the annual GRESB survey. In 2020 (results for 2019) the retail portfolio achieved a total score of 88 points, which equates to a score of 5 stars. With this score the Altera retail portfolio claimed the second position in the category of unlisted Dutch real estate funds. However, the benchmark is tightened annually and Altera strives for continuous improvement of the maintenance of a frontrunner position. From the analysis, we can conclude that the "bricks" are green. Altera is also well organised in terms of management (policies and reporting) and received the maximum attainable score. Data coverage and data quality can be improved further. Initiatives to improve in these areas started in 2020 in order to continue receiving outstanding GRESB results.

GRESB	2020	2019	2018	Strategy (EOY 2023)
Total score	88	91	79	-
Number of stars	5	5	4	5

Tenant satisfaction

The research firm Strabo carried out a survey for Altera to investigate satisfaction levels among tenants. The research was conducted in 15 shopping centres, which resulted in a total response rate of 83%. Altera achieved an average NPS score of 6.7 in terms of tenant satisfaction. In addition, 80% of tenants indicated that they would rent again in this portfolio. The NPS score is calculated as the average score for the recommendation of the property by the tenant. The aim is to further improve this score through active asset management and to achieve even higher levels of satisfaction among tenants.

Examples

Lunch meetings for elderly citizens

In the first quarter of 2020, we organised two lunch gatherings for elderly citizens in the shopping centres Rokade (Utrecht) and Gouweplein (Waddinxveen). Community centres play an important social role for this group and that is why we wanted to give these loyal customers an extra treat. A sit-down lunch was provided and several Altera employees volunteered as wait staff for this special group of senior citizens. For this initiative, the NRW (Dutch Council for Shopping Centres) nominated Altera Retail for the Marketing Creativity Award 2020.

Retail portfolio **year-end 2020**

* 50% interest
** Leasehold (not perpetual)

City	Address	Year of construction	Category	Tenant(s) or formulas	Number	Net lettable space in m²	Theoretical rental level in € mln	Occupancy rate
Convenience shopping								
Neighbourhood centres								
Amstelveen	Westwijkplein	1994/2016	Neighbourhood centre	Albert Heijn, Vomar, Kruidvat, et al.	35	8,510	1.9	100%
Culemborg	Koopmansgildeplein 1-16	2004	Neighbourhood centre	Lidl, Plus, Kruidvat, et al.	7	4,184	0.8	100%
Dordrecht	Van Eesterenplein 12-133	1994	Neighbourhood centre	Plus, Albert Heijn, Blokker, Hema, Kruidvat, et al.	33	9,048	1.9	97%
Hoofddorp	Markenburg 1-147A	1992	Neighbourhood centre	Blokker, Albert Heijn, Dirk vd Broek, Kruidvat, et al.	29	8,049	1.7	100%
Houten	Het Rond	1998/2008	Main shopping area	Hema, Albert Heijn, Jumbo, Lidl, et al.	92	28,181	6.1	83%
Leusden	Maximaplein	2012	Neighbourhood centre	Dirk vd Broek, Trekpleister, et al.	5	2,315	0.4	100%
Uithoorn	Zijdelwaardplein	1985/2016	Neighbourhood centre	Albert Heijn, Jumbo, Blokker, et al.	51	13,565	2.7	98%
Utrecht	Doornburglaan	2001	Neighbourhood centre	Albert Heijn, Kruidvat, Blokker, Etos, et al.	17	3,746	0.8	100%
Utrecht De Meern	Mereveldplein	1969/2015	Neighbourhood centre	Jumbo, Albert Heijn, Kruidvat, et al.	16	5,084	1.0	92%
Waddinxveen	Gouweplein	2014	Town centre	Albert Heijn, Jumbo, C&A, Lidl, Hema, et al.	60	18,521	4.0	98%
Wormerveer	Marktplein, Krommenieerweg	1997	Neighbourhood centre	Albert Heijn, Coop, Kruidvat, Blokker, et al.	16	5,701	1.2	100%
Zwolle	Van der Capellenstraat	1986/2009	Neighbourhood centre	Albert Heijn, Lidl, Action, Hema, et al.	57	17,438	3.9	94%
					418	124,342	26.4	94%
Supermarkets								
Alkmaar **	Paardenmarkt 2	1985	Inner city	Jumbo	1	2,027	0.4	100%
Badhoevedorp	Zeemanlaan 2-2a	1972	Town centre	Albert Heijn, Gall & Gall	2	2,150	0.4	100%
Brummen	Ambachtstraat 32-38	1995	Town centre	Jumbo, et al.	3	1,681	0.2	100%
The Hague	Weimarstraat 118	<1970	Shopping street	Albert Heijn	1	1,228	0.2	100%
Epe	Markt 15	1995	Main shopping area	Albert Heijn, Gall & Gall	2	2,079	0.3	100%
Heemstede	Blekersvaartweg 57	1995	Main shopping area	Albert Heijn	1	1,913	0.4	100%
Hilversum	Stephensonlaan 45-49	1956/2004	Neighbourhood centre	Jumbo	1	1,795	0.2	100%
Kapelle	Biezelingsestraat 1	1999	Town centre	Albert Heijn, et al.	2	1,594	0.2	100%
Naarden	Evert de Bruijnstraat 78-82	1996	Neighbourhood centre	Plus	1	1,369	0.2	100%
Oosterhout	Arkendonk 53-55	1979	Neighbourhood centre	Albert Heijn	1	1,860	0.3	100%
Putten	Postweg 4-6	1995	Main shopping area	Jumbo	1	1,707	0.3	100%
Rockanje	Dorpsplein 14, 18, 20, 25	1998	Town centre	Plus, et al.	4	1,601	0.3	100%
Utrecht	Burg. Reigerstraat 55-57	<1970	Shopping street	Albert Heijn, et al.	2	999	0.2	100%
Voorthuizen	Hoofdstraat 155	1994	Town centre	Jumbo, Kruidvat	2	1,928	0.3	90%
Wateringen	Struyck van Bergenstraat 2	1992	Town centre	Albert Heijn	1	1,530	0.3	100%

City	Address	Year of construction	Category	Tenant(s) or formulas	Number	Net lettable space in m²	Theoretical rental level in € mln	Occupancy rate
Zeist	Antonlaan	2019	Neighbourhood centre	Hoogvliet	1	2,114	0.4	100%
Zoetermeer **	Broekwegzijde 148-150	1980	Neighbourhood centre	Albert Heijn	1	1,486	0.3	100%
Zwijndrecht	Hof van Holland 140-144	2020	Main shopping area	Aldi	1	1,319	0.2	100%
					28	30,380	5.3	99%
Total convenience shopping					446	154,722	31.7	95%

Comparison shopping

Centres

City	Address	Year of construction	Category	Tenant(s) or formulas	Number	Net lettable space in m²	Theoretical rental level in € mln	Occupancy rate
Amersfoort	St Jorisplein	2000	Main shopping area	The Sting, H&M, Kruidvat, C&A, et al.	25	16,649	5.3	87%
Uden	Brabantplein	1998	Main shopping area	Van Haren, Jola, De Eetkamer, et al.	15	3,430	0.6	97%
Zoetermeer *	Stadshart Passage	1989	Main shopping area	Douglas, Zeeman, Action, Perry Sport, Casa, et al.	58	23,515	4.8	82%
					98	43,594	10.7	85%
Minus: 50% interest in Zoetermeer							-2.4	
							8.3	86%

Car parks

City	Address	Year of construction	Category	Tenant(s) or formulas	Number	Net lettable space in m²	Theoretical rental level in € mln	Occupancy rate
Amersfoort	St Jorisplein	2000	Main shopping area	Q-Park	1	N/A	1.0	100%
Zoetermeer *	Stadshart Passage	1989	Main shopping area	N/A	N/A	N/A	-	100%
					1	N/A	1.0	100%

Net lettable space = number of m² of lettable space according to NEN 2580 (excluding residential units)
Supermarket: if >75% total rental income is generated from the supermarket
Number of leases: excluding homes above stores, antennae and in-store payment terminals

City	Address	Year of construction	Category	Tenant(s) or formulas	Number	Net lettable space in m²	Theoretical rental level in € mln	Occupancy rate
Single shops								
Apeldoorn	Hoofdstraat 98	<1970	Main shopping area	Pandora	1	227	0.1	100%
Breda	Ginnekenstraat 117	<1970	Inner city	Søstrene Grene	1	562	0.1	100%
Breda	Karrestraat 2-2a	<1970	Inner city	Ziengs Schoenen	1	393	0.2	100%
Den Bosch	Marktstraat 6 and 8, et al.	<1970	Inner city	Bever, Esprit, et al.	2	2,666	0.8	86%
Den Bosch	Markt 105	<1970	Inner city	Paprika, et al.	2	415	0.1	100%
Haarlem	Grote Houtstraat 88	<1970	Inner city	Paprika	1	279	0.1	100%
					8	4,542	1.4	93%
Total comparison shopping					107	48,136	10.7	89%
Specialty shopping								
Furniture malls								
Utrecht	Kaap de Goede Hooplaan 20-100	1988	Theme centre	Swiss Sense, Grando, Goossens, Baby-Dump, et al.	14	15,903	1.7	100%
Total of specialty shopping					14	15,903	1.7	100%
Total of all segments					**567**	**218,761**	**44.1**	**94%**

Industrial

Winding down of Industrial portfolio realised

The (former) shareholders of Altera Industrial decided on 10 April 2019 to wind down the Industrial portfolio. On 22 November 2019 ten properties were sold, and the sale of the remaining property, the Hema distribution centre in Utrecht, was planned for 2020. This sale was executed on 6 May 2020 and the remaining shares were redeemed on 1 June 2020. On 17 December 2020 all shares of Altera Industrial were withdrawn. In 2021 the remaining liquidities will be paid to the former shareholders after finalizing the latest payments for the properties sold in 2019 and 2020.

Notes to the results

The sale of the remaining property resulted in a gain of €3.3 million compared to the valuation at year-end 2019. The gross rental income up to the sale amounted to €1.6 million.

The balance sheet shows the amount which will be paid out to the former shareholders if no subsequent payments will occur (€9.8 million).

Industrial Sector **balance sheet**

(amounts x €1,000)	Notes to the financial statements	31 Dec 2020	31 Dec 2019
Assets			
Investments			
Property in operation	1	-	56,200
Other fixed assets			
Tangible fixed assets		-	69
Current assets			
Accounts receivable		97	27
Other receivables		290	330
Liquidities		9,494	12,581
		9,881	12,938
Total assets		9,881	69,207

(amounts x €1,000)	Notes to the financial statements	31 Dec 2020	31 Dec 2019
Equity plus liabilities			
Equity			
Issued share capital	9	-	30,011
Paid-in surplus	10	-	34,551
Revaluation reserve	11	-	20,374
General reserve	12	-	-16,897
	13	-	68,039
Non-current liabilities			
Lease liabilities	15	-	40
Current liabilities			
Lease liabilities	15	-	12
Creditors and other liabilities		9,881	1,116
		9,881	1,128
Total equity plus liabilities		9,881	69,207

Industrial Sector **profit and loss account**

(amounts x €1,000)	Notes to the financial statements	2020	2019
Theoretical gross rental income	18	1,563	11,862
Vacancy	18	-	-216
Other	18	-	-363
Revenue from service charges	19	-28	835
Service charges	19	-5	-880
Operating expenses	20	-94	-1,863
Net rental income		1,436	9,375
Investment revaluation result	21, 22	700	10,314
Result on disposals	23	2,620	24,599
		3,320	34,913
Management and fund costs		-88	-598
Net operating result			
		4,668	43,690
Interest income/expenses		-83	-54
Net result		4,585	43,636
Direct investment income		1,265	8,723
Indirect investment income		3,320	34,913
Total investment income		4,585	43,636

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Balance sheet

(amounts x €1,000)	Notes	31 Dec 2020	31 Dec 2019
Assets			
Investments			
Property	1	2,402,038	2,400,458
Participating interest	2	41,646	42,879
Other investments	3	30,234	17,114
		2,473,918	2,460,451
Other fixed assets			
Tangible fixed assets	4	2,275	2,746
Capitalised lease incentives	5	519	631
		2,794	3,377
Total fixed assets		2,476,712	2,463,828
Current assets			
Accounts receivable	6	1,063	1,555
Other receivables	7	43,103	5,015
Liquidities	8	96,210	85,227
		140,376	91,797
Total assets		2,617,088	2,555,625

(amounts x €1,000)	Notes	31 Dec 2020	31 Dec 2019
Equity plus liabilities			
Equity			
Issued share capital	9	792,774	801,236
Paid-in surplus	10	1,148,528	1,110,302
Revaluation reserve	11	651,001	589,957
General reserve	12	-79,619	-50,362
	13	2,512,684	2,451,133
Provisions			
Other provisions	14	9,659	13,659
		9,659	13,659
Non-current liabilities			
Lease liabilities	15	5,335	5,538
		5,335	5,538
Current liabilities			
Lease liabilities	15	11,188	11,184
Liabilities to banks	16	-	50,000
Creditors and other liabilities	17	78,222	24,111
		89,410	85,295
Total equity plus liabilities		2,617,088	2,555,625

Profit and loss account

(amounts x €1,000)	Notes	2020	2019
Gross rental income	18	107,709	109,967
Revenue from service charges	19	4,124	5,198
Service charges	19	-4,553	-5,580
Operating expenses	20	-22,065	-20,351
Net rental income		85,215	89,234
Positive investment revaluation result	21	121,034	174,376
Negative investment revaluation result	22	-75,853	-23,575
Result on disposals	23	-5,506	23,768
		39,675	174,569
Result from participating interest	2	347	1,541
Management and fund costs	24	-8,918	-9,314
Other income	25	766	1,052
Net operating result		117,085	257,082
Other expenses	26	-105	-967
Interest expenses	27	-1,126	-679
Net result		115,854	255,436
Direct investment income	28	77,568	81,889
Indirect investment income	29	38,286	173,547
Total investment income		115,854	255,436

Statement of comprehensive income

(amounts x €1,000)	2020	2019
Realised result	115,854	255,436
Other comprehensive income	-	-
	115,854	255,436

Statement of changes in equity

(amounts x €1,000)	Issued share capital	Paid-in surplus	Revaluation reserve	General reserve	Total
2020					
Balance as at 1 January 2020	801,236	1,110,302	589,957	-50,362	2,451,133
Direct investment income	-	-	-	77,567	77,567
Indirect investment income	-	-	38,390	-104	38,286
Total comprehensive income	-	-	38,390	77,463	115,853
Issued shares	46,003	95,323	-	-	141,326
Repurchased shares	-54,465	-57,097	-	-5,259	-116,821
Distributed interim dividend	-	-	-	-57,236	-57,236
Dividend distributed in respect of previous financial year	-	-	-	-21,571	-21,571
Total capital transactions with shareholders	-8,462	38,226	-	-84,066	-54,302
Negative revaluations from general reserve	-	-	1,647	-1,647	-
Realised revaluations to general reserve	-	-	21,007	-21,007	-
Total other changes in equity	-	-	22,654	-22,654	-
Balance as at 31 December 2020	792,774	1,148,528	651,001	-79,619	2,512,684

(amounts x €1,000)	Issued share capital	Paid-in surplus	Revaluation reserve	General reserve	Total
2019					
Balance as at 1 January 2019	804,458	1,078,948	442,341	-74,221	2,251,526
Direct investment income	-	-	-	81,889	81,889
Indirect investment income	-	-	174,331	-784	173,547
Total comprehensive income	-	-	174,331	81,105	255,436
Issued shares	147,180	216,207	-	-	363,387
Repurchased shares	-150,402	-184,853	-	-	-335,255
Distributed interim dividend	-	-	-	-23,642	-23,642
Dividend distributed in respect of previous financial year	-	-	-	-60,319	-60,319
Total capital transactions with shareholders	-3,222	31,354	-	-83,961	-55,829
Negative revaluations from general reserve	-	-	-14,370	14,370	-
Realised revaluations to general reserve	-	-	-12,345	12,345	-
Total other changes in equity	-	-	-26,715	26,715	-
Balance as at 31 December 2019	801,236	1,110,302	589,957	-50,362	2,451,133

Cash flow statement

(amounts x €1,000)	2020	2019
Cash flow from operating activities		
Net result	115,854	255,436
Less: indirect investment income	38,286	173,547
Direct investment income	77,568	81,889
Less: interest expenses bank loans	-917	-304
Less: expenses lease liabilities in management costs	-518	-526
	79,003	82,719
Change in retained earnings of participating interest	76	-47
Capitalisation and amortisation of lease incentives	112	303
Depreciation of tangible fixed assets (owned assets)	271	274
Decrease or increase in receivables	-37,596	7,512
Decrease or increase in creditors and other liabilities and provisions	50,111	-35,603
	91,977	55,158
Cash flow from investing activities		
Investments in properties and other investments	-158,094	-220,221
Divestment of properties and other investments	183,017	155,133
Investments in tangible fixed assets	-84	-531
	24,839	-65,619

(amounts x €1,000)	2020	2019
Cash flow from financing activities		
Repayment of bank loans or loans granted	-50,000	50,000
Interest expenses bank loans	-917	-304
Interest expense lease liabilities	-43	-49
Natural payment lease liabilities	-465	-452
Dividend	-78,807	-83,960
Share issues	141,326	363,386
Placement costs	-105	-967
Repurchase of own shares	-116,822	-335,255
Compensation received from new shareholders	-	296
	-105,833	-7,305
Net cash flow	10,983	-17,766
Balance of liquidities as at 1 January	85,227	102,993
Balance of liquidities as at 31 December	96,210	85,227
Increase or decrease in liquidities	10,983	-17,766

Notes to the Financial Statements

General

Altera Vastgoed N.V. was established on 31 December 1999. The articles of association were last amended on 16 December 2020. The company's registered office is in Amstelveen, the Netherlands.

Altera is a sectoral property investment fund that enables shareholders to acquire an interest in the sectors of their choice by purchasing letter shares. For this reason, the balance sheet and profit and loss account have been divided into the following three sectors: Residential, Retail and Industrial.

Basis of presentation

With regard to its accounting policies Altera Vastgoed applies the International Financial Reporting Standards as endorsed by the European Union and effective at the reporting date of 31 December 2020. The financial statements have also been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act. The breakdown of the balance sheet and profit and loss account complies with recommendations made by industry associations as far as possible.

Adoption of new and revised IFRS Standards as effective

In the current year, no new IFRS Standards have become effective. Any revisions in standards have not had a material impact on the financial statements.

New and revised IFRS Standards in issue but not yet effective

A number of new standards, amendments to standards and interpretations had not yet come into force in 2020 and are therefore not yet being applied by the company.

IFRS standard	Content	Date of introduction	Effect on financial statements
IFRS 17	Insurance contracts	2022 financial statements	Not material

IFRS 17 Insurance contracts

The standard will replace IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2022. This new standard introduces new ways of calculating insurance contracts and primarily impacts financial statements of insurance companies. We expect the application of this standard to have no material effect on the financial statements.

Accounting policies for the valuation of assets and liabilities

General

Assets and liabilities are carried at face value, unless stated otherwise in the Notes.

Property

Investments in property are measured at fair value, i.e. the market value less purchasing expenses. On initial measurement purchasing expenses capitalised at the time of purchase are charged against indirect investment income during the quarter in which the acquisition takes place. Property is not depreciated. Every quarter all properties are valued by external appraisers. The market value is defined as the value in an arm's-length transaction in a rented state; for residential properties this concerns the sale of a complex to a third party, if this value is higher than the value in the event of continued operation. Valuations are performed in accordance with the applicable appraisal standards of the International Valuation Standards Council (IVS) and the Regulations for Business Property (plus Addendum for Corporate Property) of the Netherlands Register of Real Estate Valuers (*Nederlands Register Vastgoed Taxateurs* - NRVT). The appraisers employ the discounted cash flow (DCF) methods and the gross or net initial yield. Redevelopments are also recognised at fair value.

Pipeline projects for which the legal ownership is obtained on account of the transfer of the land (or economic ownership on the granting of the ground lease) are also valued by an external appraiser.

Projects for which no land has yet been transferred are valued internally; if the internal valuation of such a project is lower than the expected development costs, a provision is recognised for this expected loss. An expected gain is not recognised.

All non-perpetual leaseholds are considered to be a lease and therefore a right-of-use asset is recognised under the properties. The right-of-use asset for the leasehold is measured at fair value.

Capitalised lease incentives are deducted from the market value and presented as a separate item.

The positive and negative revaluations resulting from the external valuations are recognised as indirect investment income; the same applies to negative revaluations of pipeline projects for which no land has yet been transferred.

In determining the fair value of the investments, the company uses property market observables as much as possible. IFRS 13 recognises three levels for the application of fair value:

- Level 1: valuation based on market prices listed in active markets;
- Level 2: valuation based on (external) observable information;
- Level 3: valuation based fully or partly on information that is non-observable (externally).

The valuation of direct property generally does not qualify for the first two levels, on account of limitations in the homogeneity of the properties coupled with a limited number of investment transactions. The company has qualified the valuation of property investments as level 3.

Participating interest

The participating interest in B.V. Beleggingsmaatschappij Stadscentrum Zoetermeer is accounted for by the equity method. This participating interest consists mainly of property measured at market value.

Other investments

The other investments concern the granting of loans secured on property. If these loans are held until maturity, they are valued at amortised cost. If the loans are not held until maturity, they are valued at market value, calculated using the discounted cash flow method.

Tangible fixed assets

Tangible fixed assets are valued at cost, less depreciation based on useful life. Costs of furnishings and fittings are depreciated over a seven-year period; hardware is depreciated over three years and software over three or five years.

For all leases (excluding leasehold) a right-of-use asset is recognised under the tangible fixed assets. The right-of-use assets are valued at cost, less depreciation based on the lease period of the contract. Lease incentives are recognised as part of the measurement of the right-of-use asset.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers, laptops, small items of furniture and telephones), Altera has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Loans

Loans are held until maturity and are therefore valued at amortised cost.

Capitalised lease incentives

Incentives provided for tenants are capitalised during the period in which the tenant receives the incentive. The capitalised lease incentive is subsequently amortised over the term of the relevant lease and deducted from the fair value determined by the external appraisers.

Accounts receivable and other receivables

These assets are valued at amortised cost, less a bad-debt provision.

Revaluation reserve

If the market value of a property is higher than the historical cost, including investments, a revaluation reserve is recognised.

Other provisions

If the contractually agreed purchase price of turnkey pipeline projects is higher than the fair value at the balance sheet date, a provision is recognised for this difference. If this purchase price is lower than the fair value, the difference is accounted for under the 'Investments' item. This item also includes estimates of possible subsequent payments on purchased property and expected losses on pipeline projects for which no land has yet been transferred.

Lease liabilities

Altera assesses whether a contract is or contains a lease, at inception of the contract. Altera recognises a lease liability in respect of all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as telephones). For these leases, Altera recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Altera uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate.

The lease liability is presented as a separate line in the balance sheet. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Altera remeasures the lease liability whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting.

Accounting policies for determining the result

General

Income is accounted for when the service has been provided. Expenditure is allocated to the year to which it relates.

Gross rental income

Gross rental income concerns the rents charged to the tenants during the reporting year, excluding value-added tax and service charges.

Service charges

Service charges are divided into the service charges levied on tenants and costs charged to the service cost accounts in respect of these tenants. The balance concerns the service charges for vacant properties charged to the owner.

Operating expenses

Operating expenses are expenses which can be attributed directly to the properties. These expenses are subdivided into maintenance, fixed expenses (including property tax, other charges, ground lease and insurance), management expenses and other expenses (including rental charges, additions to and withdrawals from the bad-debt provision).

Investment revaluation result

The investment revaluation result concerns unrealised changes in the value of property and other investments. These revaluation results arise in part from external appraisals (see the accounting policy for property) and are broken down into positive and negative revaluations. Revaluation results are recognised in the profit and loss account.

Result on disposals

The result on disposals concerns the realised changes in value, i.e. the difference between the sales proceeds less selling expenses and the most recent carrying amount (the most recent market value determined by an external appraiser).

Management and fund costs

In the profit and loss account management costs and fund costs are generally allocated to the sector funds based on the average assets under management. Management costs include costs for personnel, office, IT and research. Fund costs include costs for external valuations of the properties, supervisory costs (Supervisory Board, external regulators, audits) and advisory costs.

Other income

Other income is income which does not belong to any other category. This includes, besides the income on other investments, a charge for shareholders contributing cash on entry as compensation for transfer tax payable on the purchase of existing properties.

Tax on profit

Altera complies with the conditions incumbent on fiscal investment institutions with an obligation to distribute profits under section 28 of the Corporation Tax Act 1969. For this reason, no current or future corporation tax is payable.

Accounting policies for the cash flow statement

The indirect method is used for the cash flow statement. The cash flow from operating activities is based on the direct investment income, which is subsequently adjusted for costs that do not qualify as expenditure and revenues that do not qualify as income, as well as changes in current assets and liabilities.

Other notes

Accounting estimates and opinions

Investments are valued by external appraisers; see the accounting policies for property. The value of the investments totalled €2.6 billion at year-end 2020. It is inherent in the valuation process that the values determined in this way may differ from the values to be realised in transactions with willing buyers. This applies in particular to periods of low liquidity in the market. Positive and negative variations may balance each other out at the portfolio level.

The valuation is particularly sensitive to changes in the returns and market rent used.

In the valuation of other balance sheet items the relative importance of estimates is limited. The bad-debt provision for accounts receivable is determined on an item-for-item basis in accordance with the static method.

Financial instruments

The volume of financial instruments in the financial statements is limited and comprises only non-derivative financial assets (other investments, accounts receivable, other receivables and liquidities) and non-derivative financial liabilities (debts to shareholders and creditors and other liabilities) in accordance with IFRS 9 (2014). With the exception of the other investments, all financial instruments are measured at amortised cost. The other investments are measured from initial recognition at fair value through the profit and loss account.

Financial instruments are summarised by category in the table below, with the carrying amounts being stated together with the fair value of the instruments concerned.

	Notes	Fair value level	Carrying amount year-end 2020	Fair value year-end 2020	Carrying amount year-end 2019	Fair value year-end 2019
Financial assets measured at fair value through the profit and loss account						
Other investments	3	3	30,234	30,234	17,114	17,114
Accounts receivable and other receivables						
Accounts receivable	6	2	1,063	1,063	1,555	1,555
Other receivables	7	2	43,103	43,103	5,015	5,015
Liquidities	8	1	96,210	96,210	85,227	85,227
Financial liabilities measured at amortised cost						
Lease liabilities	15	2	16,523	16,523	16,722	16,722
Liabilities to banks	16	2	-	-	50,000	50,000
Creditors and other liabilities	17	2	78,222	78,222	24,111	24,111

Financial risks

Since Altera is only funded with loan capital to a limited extent, and at most temporarily, it is not exposed to interest rate risk or refinancing risk. Credit risk as a result of bad debt is managed by applying strict rules for the monitoring of debtors and the assessment of creditworthiness on the signing of leases and the acquisition of properties. The risk of investor exits is limited to 20% per year per sector portfolio. The pipeline, along with the operational portfolio, is subject to market risks.

External conditions, including market movements and changes in rent, affect the company's results. The effect of the changes below on the annual result and equity is as follows:

	Change	Effect in € x mln	Effect in % of equity
Residential			
Direct investment income			
Gross rental income	10%	4.7	0.2%
Occupancy rate	10%	6.0	0.3%
Operating expenses	10%	1.3	0.1%
Indirect investment income			
Theoretical rent and market rent	1%	15.1	0.8%
Gross initial yield	0.1% pt	36.0	1.9%
Retail			
Direct investment income			
Gross rental income	10%	3.7	0.6%
Occupancy rate	10%	4.4	0.7%
Operating expenses	10%	0.8	0.1%
Indirect investment income			
Theoretical rent and market rent	1%	6.0	1.0%
Theoretical rent and market rent	5%	30.2	5.0%
Gross initial yield	0.1% pt	8.1	1.4%
Gross initial yield	0.5% pt	38.6	6.4%

The effect of lease expiries in Altera Retail, based on the sector portfolio and tenant base at year-end 2020, notwithstanding the risk of bankruptcy, is as follow:

Movements in lease expiries Retail	<1 year 2021	2-5 years 2022-2025	>5 years ≥2026
In € mln	2.0	26.1	16.0
Same in % of contract rent year-end 2020	5%	59%	36%

Based on available references and other sources, the external appraisers use property-specific assumptions for key value-determining factors such as the reletting time, market rent and yields. These assumptions have been assessed by the company for consistency and reasonableness.

The main determining factor for the appraisal value is the yield applied. In determining the yield, the external appraiser uses investment references as a basis. The substantiation of the valuations depends on the availability and quality of these references. Due to the limited number of investment transactions, the number of references is accordingly lower than during periods with a large number of transactions. In this case, it also becomes more difficult to compare the property to be valued with these references in terms of the quality of the location, the property and rental situation. This affects the reliability of the appraisal values. Deviations in the appraisal value versus the price at which a transaction could be conducted are at most 5% in a relatively liquid market.

Below is a representation of the distribution of the gross initial yield (theoretical rental income divided by the appraisal value plus costs) by sector for Altera.

	Residential		Retail	
Distribution of gross initial yield by portfolio value at year-end 2020	Lowest	Highest	Lowest	Highest
Gross initial yield for 10% portfolio value with lowest yield	2.7%	3.4%	4.7%	6.2%
Same for next 15% portfolio value	3.4%	3.6%	6.2%	6.3%
Same for next 25%	3.6%	4.0%	6.3%	6.6%
Same for next 25%	4.0%	4.3%	6.6%	8.3%
Same for next 15%	4.3%	4.8%	8.3%	8.7%
Same for last 10%	4.8%	5.4%	8.7%	10.5%
Average gross initial yield		4.0%		7.3%

COVID-19

Due to the COVID-19 outbreak which started more than a year ago, the level of uncertainty in the external valuations as per December 31st, 2020 increased. This uncertainty especially increased with regard to the retail properties with relatively more tenants in non-food branches, resulting in a higher uncertainty compared to normal market conditions. The external appraisers state in their reports of properties in this segment that potential buyers may negotiate lower prices than the value according to the valuation report. Whilst the valuation reports reflect the external appraisers assessment of the impact of COVID-19 at the valuation date, we consider an increased uncertainty in the key valuation assumptions. The potential fluctuations as a result of this analysis are detailed in the sensitivity tables on page 125.

There has been no change in the valuation methodology used for investment property as a result of COVID-19.

For some outstanding receivables from tenants in the retail sector, additional provisions have been made especially in the non-food branches. COVID-19 may also have a negative impact on the cash flow and the valuation in 2021 for these segments and as a consequence the net asset value. Although the impact of COVID-19 was severe for the comparison segment in the retail sector with significant downgrades, the impact on the other retail segments – specifically food & convenience – and on the residential sector was limited in 2020.

Based on the analyses of management, there is no impact of COVID-19 on the going concern of the company given the equity position, forecasted cash flows and shareholder base. Furthermore Altera has no loan covenants as per December 31, 2020.

Notes to the balance sheet

(amounts x €1,000, unless stated otherwise)

1. Property

Changes	Residential 2020	Residential 2019	Residential Pipeline 2020	Residential Pipeline 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Balance as at 1 January	1,433,539	1,237,722	220,764	173,205	689,955	591,421	56,200	143,194	2,400,458	2,145,542
Acquisitions	-	-	138,600	113,546	4,051	-	-	-	142,651	113,546
Additional investments	4,554	2,502	-	-	-2,229	103,806	-	327	2,325	106,635
Reclassifications	60,448	95,617	-60,448	-95,617	-	-	-	-	-	-
Sales	-66,187	-27,681	-	-	-57,310	-4,474	-59,520	-122,234	-183,017	-154,389
Revaluations	69,724	111,895	34,707	29,630	-68,315	-2,113	3,320	34,722	39,436	174,134
Right-of-use assets leasehold	37	13,484	-	-	36	1,203	-	-	73	14,687
Lease incentives	-	-	-	-	112	112	-	191	112	303
Balance as at 31 December	1,502,115	1,433,539	333,623	220,764	566,300	689,955	-	56,200	2,402,038	2,400,458

The properties were valued by CBRE, Colliers, Cushman & Wakefield, Jones Lang LaSalle and MVGM.

Appraised value	Residential 31 Dec 2020	Residential 31 Dec 2019	Retail 31 Dec 2020	Retail 31 Dec 2019	Industrial 31 Dec 2020	Industrial 31 Dec 2019	Total 31 Dec 2020	Total 31 Dec 2019
Appraised value (excluding pipeline)	1,488,594	1,420,055	565,580	689,383	-	56,200	2,054,174	2,165,638
Capitalised lease incentives	-	-	-519	-631	-	-	-519	-631
Capitalised right-of-use assets leasehold	13,521	13,484	1,239	1,203	-	-	14,760	14,687
	1,502,115	1,433,539	566,300	689,955	-	56,200	2,068,415	2,179,694

Under IFRS 13, the company classifies the valuations of the property investments as level 3: valuation fully or partly based on information that is not (externally) observable.

In addition to input of a factual nature (contract rent, remaining rental period, square footage), external appraisers use estimates which they base on references in the property market. The main market variables, differentiated by rental market and investment market, include:

- Rental market: market rent, estimated vacancy period, and, specific to residential properties, tenant movements.
- Investment market: initial yields for gross initial yield/net initial yield valuations and discount rate and exit yield for DCF valuations.

The average gross initial yield (theoretical rent as a percentage of the appraisal value, plus costs) by sector is shown below:

Gross initial yield	31 Dec 2020	31 Dec 2019
Residential	4.0%	4.1%
Retail	7.3%	7.1%
Industrial	-	7.9%

The spread of gross initial yields at year-end is detailed on page 126 of the Financial Statements.

The contract rent versus the market rent by sector is shown below:

Contract rent versus market rent	31 Dec 2020	31 Dec 2019
Retail	3.5%	1.8
Industrial	-	0.0%

The rental and property data of a factual nature are detailed in the sector reports contained elsewhere in the annual report.

		Residential		Retail		Industrial		Total
Right-of-use assets leasehold	2020	2019	2020	2019	2020	2019	2020	2019
Balance as at 1 January	13,484	-	1,203	-	-	-	14,687	-
New contracts	-	13,404	-	1,168	-	7,276	-	21,848
Renewal or extension options	360	-	-	-	-	-	360	-
Revaluation	91	80	36	35	-	-	127	115
Disposals	-414	-	-	-	-	-7,276	-414	-7,276
Balance as at 31 December	13,521	13,484	1,239	1,203	-	-	14,760	14,687

The right-of-use assets consist of all non-perpetual leaseholds which are part of the investment property. The right-of-use assets leasehold are measured at fair value.

The leasehold can be bought out for seven residential properties in Amsterdam. Altera submitted the buyout request to the municipality of Amsterdam before the end of 2019. The calculated lump-sum payment for the buyout of the leasehold is expected to be €10.7 million. The fair value of the right-of-use assets of this leasehold is deemed to be equal to the buyout amount. Altera intends to buy out the leasehold at this calculated value and expects to pay the amount as soon as the municipality of Amsterdam will have finalised this process.

2. Participating interest

Changes	2020	2019
Balance as at 1 January	42,879	43,068
Result from participating interests	347	1,541
Dividend distributed	-1,580	-1,730
Balance as at 31 December	41,646	42,879

Altera Vastgoed N.V. has a 50% interest in B.V. Beleggingsmaatschappij Stadscentrum Zoetermeer. The figures for this joint venture on a 100% basis are shown below (in € mln).

Joint Ventures (100%)	2020	2019
Investments	86.5	85.1
Other assets	1.3	1.4
	87.8	86.5
Current liabilities	1.3	0.8
Net rental income	3.0	3.6
Indirect investment income	-2.3	-0.5
Total income	0.7	3.1

3. Other investments

The Other investments relate to a contracted leasehold on a location for a residential project in Zaandam and in 2020 an investment relating to a residential location in Almere is added. The divestment in 2019 was related to a property in Julianadorp which position was sold in 2019.

The leasehold regarding the project in Zaandam was contracted in 2018 for an amount of €17.1 million at an interest rate of 4.25% per annum. In the event that the planned development does not take place before May 2023, the position can be sold back to the development company. The investment in Almere relates to a payment for a residential location, in case the building permits will not be granted, this position can be sold back to the development company. Up to the start of the construction an interest rate of 4.25% per annum will be paid.

Changes	2020	2019
Balance as at 1 January	17,114	17,801
Investments	13,120	41
Divestment	-	-744
Revaluation	-	16
Balance as at 31 December	30,234	17,114

4. Tangible fixed assets

The tangible fixed assets are divided into the categories owned assets and right-of-use assets.

The owned assets relate to IT (hardware and software) and furnishings and fittings. These assets are valued at cost, less depreciation based on useful life. Hardware is depreciated over three years and software is depreciated over three or five years. Furnishings and fittings are depreciated over seven years.

The right-of-use assets relate to leased property for own use and leased vehicles. These assets are valued at cost, less depreciation based on the lease period of each individual contract.

	Owned assets				Right-of-use assets					
	IT		Furnishing and fittings		Property in own use		Leased vehicles		Total	
Breakdown of asset categories	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Balance as at 1 January	278	381	459	99	1,589	-	420	-	2,746	480
Investments	75	71	9	460	16	1,880	189	606	289	3,017
Early termination leasing	-	-	-	-	-	-	-12	-	-12	-
Depreciation	-170	-174	-101	-100	-293	-291	-184	-186	-748	-751
Balance as at 31 December	183	278	367	459	1,312	1,589	413	420	2,275	2,746

	Owned assets				Right-of-use assets					
	IT		Furnishing and fittings		Property in own use		Leased vehicles		Total	
Breakdown at year-end	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Accumulated investements	1,793	1,718	1,118	1,109	1,896	1,880	783	606	5,590	5,313
Accumulated depreciation	-1,610	-1,440	-751	-650	-584	-291	-370	-186	-3,315	-2,567
Total	183	278	367	459	1,312	1,589	413	420	2,275	2,746

5. Capitalised lease incentives

The average residual term of the capitalised lease incentives is 5.3 years (year-end 2019: 6.2 years). Of these incentives, €0.4 million has a term of more than one year (year-end 2019: €0.5 million).

6. Accounts receivable

A provision of €2.1 million has been deducted from the rents receivable at year-end 2020 (2019: €0.6 million). The accounts receivable (after deduction of the provision for impairment losses) are as follows:

	31 Dec 2020	31 Dec 2019
Outstanding less than 90 days	1,048	1,411
Outstanding more than 90 days	15	144
	1,063	1,555

7. Other receivables

The Other receivables include a receivable of €35.5 million from three new shareholders in Altera Retail which has been received on 8 January 2021. The other receivables have a term of less than one year.

8. Liquidities

Liquid assets are freely available to the company, with the exception of an amount of €820,000 that is designated as a capital requirement under the AIFMD regulations, bank balances of service charge accounts (year-end 2019: €0.8 million).

9. Authorised and issued share capital

The authorised share capital consists of 4.0 billion shares of a par value of €0.50 each. The distribution of the authorised capital among the letter shares (sectors) is shown below:

Authorised capital	**Residential**	**Retail**	**Offices**	**Industrial**	**Total**
Balance as at 1 January 2019	1,050,000	550,000	200,000	200,000	2,000,000
Changes in 2019	-	-	-	-	-
Balance as at 31 December 2019	1,050,000	550,000	200,000	200,000	2,000,000
Changes in 2020	200,000	-	-200,000	-	-
Balance as at 31 December 2020	1,250,000	550,000	-	200,000	2,000,000

Issued capital	2020	Residential 2019	2020	Retail 2019	2020	Industrial 2019	2020	Total 2019
Balance as at 1 January	451,778	425,726	319,447	296,593	30,011	82,139	801,236	804,458
New entries	26,074	31,691	19,929	115,489	-	-	46,003	147,180
Repurchased	-	-5,639	-24,454	-92,635	-30,011	-52,128	-54,465	-150,402
Balance as at 31 December	477,852	451,778	314,922	319,447	-	30,011	792,774	801,236

Up to 30 September 2019 share transactions were priced at IFRS net asset value plus in case of an issue of new shares a surcharge of 1.5% for Retail and Industrial and 0.5% for Residential as compensation for property transfer tax. In the IFRS accounting policies acquisition costs are immediately written off. The surcharge was presented as indirect investment result. From 30 September 2019 share transactions take place at the INREV net asset value, which in Altera's case means the IFRS net asset value plus an adjustment reflecting the capitalised acquisition costs minus the amortisation (5 years). This adjustment is presented directly in the equity as paid-in surplus.

Share issues	2020	Residential 2019	2020	Retail 2019	2020	Industrial 2019
Nominal share capital	26,074	31,691	19,929	115,489	-	-
Lowest price (in €)	1.942	1.769	0.961	1.053	-	1.128
Highest price (in €)	2.009	1.895	0.961	1.073	-	1.128
Average price (in €)	1.976	1.849	0.961	1.066	-	1.128

Transactions in own shares (nominal value)	2020	Residential 2019	2020	Retail 2019	2020	Industrial 2019	2020	Total 2019
Balance as at 1 January	10,183	4,544	34,027	56,881	80,258	28,130	124,468	89,555
Acquired by company	-	5,639	24,454	92,635	30,011	52,128	54,465	150,402
Reissued	-	-	-	-115,489	-	-	-	-115,489
Withdrawal	-	-	-	-	-110,269	-	-110,269	-
Balance as at 31 December	10,183	10,183	58,481	34,027	-	80,258	68,664	124,468

10. Paid-in surplus

Changes	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Balance as at 1 January	682,813	611,953	392,938	366,972	34,551	100,023	1,110,302	1,078,948
New entries	76,949	85,494	18,374	130,713	-	-	95,323	216,207
Repurchase of own shares	-	-14,634	-22,546	-104,747	-34,551	-65,472	-57,097	-184,853
Balance as at 31 December	759,762	682,813	388,766	392,938	-	34,551	1,148,528	1,110,302

11. Revaluation reserve

Changes	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Balance as at 1 January	499,863	367,486	69,720	52,740	20,374	22,115	589,957	442,341
Negative revaluations from general reserve	-2,661	-6,297	-87,105	-72,188	-96	-25,747	-89,862	-104,232
Balance as at 1 January including negative revaluations	497,202	361,189	-17,385	-19,448	20,278	-3,632	500,095	338,109
Revaluations in financial year	104,824	141,759	-69,753	-2,341	3,320	34,913	38,391	174,331
Result on disposals versus acquisition price	-18,079	-5,746	62,683	4,404	-23,598	-11,003	21,006	-12,345
Balance as at 31 December including negative revaluations	583,947	497,202	-24,455	-17,385	-	20,278	559,492	500,095
Negative revaluations from general reserve	1,012	2,661	90,497	87,105	-	96	91,509	89,862
Balance as at 31 December	584,959	499,863	66,042	69,720	-	20,374	651,001	589,957

12. General reserve

Changes	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Balance as at 1 January	69,593	60,962	-103,059	-82,989	-16,896	-52,194	-50,362	-74,221
Direct investment income	41,620	38,851	34,683	34,315	1,265	8,723	77,568	81,889
Transfer from revaluation reserve	1,649	3,636	-3,392	-14,917	96	25,651	-1,647	14,370
Proceeds of sales	18,079	5,746	-62,684	-4,404	23,598	11,003	-21,007	12,345
Distributed interim dividend	-30,124	-28,220	-25,847	-24,913	-1,265	-7,185	-57,236	-60,318
Dividend distributed in respect of previous financial year	-10,630	-11,598	-9,403	-9,149	-1,538	-2,894	-21,571	-23,641
Shareholder acquisition costs	-	-	-104	-967	-	-	-104	-967
Transferred to paid-in capital	-	-	-	-	-5,260	-	-5,260	-
Interest expenses lease liabilities	-	-80	-	-35	-	-	-	-115
Release of compensation for transfer tax	-	296	-	-	-	-	-	296
Balance as at 31 December	90,187	69,593	-169,806	-103,059	-	-16,896	-79,619	-50,362

Pursuant to Part 9, Book 2 of the Dutch Civil Code, the company is required to create a revaluation reserve for value increases for the separate assets where the netting of increases and decreases in value is not permitted. Decreases in value as a result of a lower market value compared to historical cost must be charged to the general reserve. It is partly for this reason that the general reserve for the Retail and Industrial sectors is negative. For the distribution of dividend, however, only the sum total of the general reserve and the paid-in surplus for the sectors combined is relevant.

Dividend per share (in € x 1)	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019
Interim dividend distributed	0.032	0.032	0.040	0.042	0.021	0.043
Dividend in respect of previous financial year	0.012	0.014	0.015	0.015	0.026	0.018
Dividend distributed in financial year	0.044	0.046	0.055	0.057	0.047	0.061
Still to be distributed at year-end	0.012	0.012	0.014	0.015	0.000	0.026

Composition at year-end	2020	Residential 2019	2020	Retail 2019	2020	Industrial 2019	2020	Total 2019
Realized revaluation	93,771	75,692	-98,176	-35,492	-	-21,106	-4,405	19,094
Distributed from realized revaluation	-20,000	-20,000	-	-	-	-	-20,000	-20,000
Negative revaluation	-1,012	-2,661	-90,498	-87,105	-	-96	-91,510	-89,862
Release of compensation for transfer tax	6,102	6,102	10,944	10,944	-	2,844	17,046	19,890
Dividend to be distributed	11,496	10,630	8,835	9,403	-	1,538	20,331	21,571
Other	-110	-110	320	318	-	-76	210	132
Shareholder acquisition costs	-60	-60	-1,231	-1,127	-	-	-1,291	-1,187
Total	90,187	69,593	-169,806	-103,059	-	-16,896	-79,619	-50,362

13. Equity

Composition at year-end	2020	Residential 2019	2020	Retail 2019	2020	Industrial 2019	2020	Total 2019
Share capital	477,852	451,778	314,922	319,447	-	30,011	792,774	801,236
Paid-in surplus	759,762	682,813	388,766	392,938	-	34,551	1,148,528	1,110,302
Revaluation reserve	584,959	499,863	66,042	69,720	-	20,374	651,001	589,957
General reserve	90,187	69,593	-169,806	-103,059	-	-16,896	-79,619	-50,362
Total	1,912,760	1,704,047	599,924	679,046	-	68,040	2,512,684	2,451,133

14. Other provisions

In previous years a provision of €13.7 million was recognised for possible subsequent payments on acquired investments. In 2020 an amount of €4.0 million has been released. It is uncertain if and when this provision will lead to payments.

15. Lease liabilities

Changes	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Balance as at 1 January	14,871	-	1,799	-	52	-	16,722	-
New contracts and renewals	515	15,099	50	1,896	-	7,339	565	24,334
Payment of lease debt	-619	-308	-219	-132	-52	-7,287	-890	-7,727
Accrued interest	90	80	36	35	-	-	126	115
Balance as at 31 December	14,857	14,871	1,666	1,799	-	52	16,523	16,722

Categories	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Leasehold	13,521	13,484	1,239	1,203	-	-	14,760	14,687
Property in own use	1,017	1,097	325	472	-	41	1,342	1,610
Leased vehicles	319	290	102	124	-	11	421	425
Total	14,857	14,871	1,666	1,799	-	52	16,523	16,722

Maturity	Residential 2020	Residential 2019	Retail 2020	Retail 2019	Industrial 2020	Industrial 2019	Total 2020	Total 2019
Less than 1 year	11,076	11,038	112	134	-	12	11,188	11,184
Between 1 and 5 years	987	978	315	420	-	36	1,302	1,434
Over 5 years	2,794	2,855	1,239	1,245	-	4	4,033	4,104
Total	14,857	14,871	1,666	1,799	-	52	16,523	16,722

16. Liabilities to banks

In July 2017 an overdraft facility of €60.0 million was arranged with ING Bank at an interest rate of 1.0% per year plus 1-month or 3-month Euribor. The facility is extended in June 2020 for another two years. The interest rate increased to 1.4%. As at year-end 2019 an amount of €50.0 million had been drawn which has been repaid in 2020. The commitment fee in respect of the undrawn part of the facility is 0.35%. As collateral the company must hold at least €1.5 billion of equity and net interest-bearing loans and receivables must amount to no more than 25% of total assets.

17. Creditors and other liabilities

	31 Dec 2020	31 Dec 2019
Rent received in advance	4,517	6,457
Payable to three shareholders of Altera Retail	46,760	-
Payable to former shareholders of Altera Industrial	9,798	-
Service charge accounts	321	389
Payable in respect of completed projects	-	545
Maintenance expenses	922	912
Property tax and other charges payable	103	96
Managers' current accounts	681	259
Creditors	6,647	6,518
Security deposits	5,238	5,903
Other liabilities, accruals and deferred income	3,235	3,032
Total	78,222	24,111

The liabilities of €46.8 million to three shareholders of Altera Retail were related to redemptions which were paid on 8 January 2021. The liabilities of €9.8 million to the former shareholders of Altera Industrial, relating to the final steps in the liquidation of Altera Industrial will be paid at the end of 2021.

Notes to the profit and loss account

(amounts x €1,000, unless stated otherwise)

18. Gross rental income

	Residential		Retail		Industrial		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Theoretical rent	**60,542**	56,486	**49,387**	45,001	**1,563**	11,862	**111,492**	113,349
Vacancy	**-680**	-669	**-3,309**	-2,943	**-**	-216	**-3,989**	-3,828
Lease incentives	**-38**	-20	**-945**	-540	**-**	-206	**-983**	-766
Capitalised lease incentives	**-**	-	**-**	-	**-**	-	**-**	-
Amortised lease incentives	**-**	-	**-112**	-112	**-**	-191	**-112**	-303
Other	**981**	1,171	**320**	310	**-**	34	**1,301**	1,515
Total	**60,805**	56,968	**45,341**	41,716	**1,563**	11,283	**107,709**	109,967

The future rent for Altera Retail based on leases at year-end 2020 is as follows (in € million):

	Retail
2021	37.6
2022	31.2
2023	24.7
2024	19.2
2025	12.9
≥2026	23.5
	149.1

For residential properties, tenants commit for a period of one or two years, after which the lease can be cancelled by the tenant on a monthly basis.

19. Service charges

	Residential		Retail		Industrial		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Service charges	**1,471**	1,640	**3,077**	3,060	**5**	880	**4,553**	5,580
Payable by tenants	**-1,424**	-1,597	**-2,728**	-2,766	**28**	-835	**-4,124**	-5,198
Net service charges	**47**	43	**349**	294	**33**	45	**429**	382

20. Operating expenses

	Residential		Retail		Industrial		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Maintenance expenses	**5,412**	5,410	**1,872**	1,338	**125**	917	**7,409**	7,665
Fixed expenses	**2,394**	2,193	**1,944**	1,758	**-12**	509	**4,326**	4,460
Management expenses	**1,242**	1,168	**1,021**	937	**-**	120	**2,263**	2,225
Other	**4,324**	3,806	**3,762**	1,878	**-19**	317	**8,067**	6,001
Total	**13,372**	12,577	**8,599**	5,911	**94**	1,863	**22,065**	20,351

21. Positive investment revaluation result

	Residential		Retail		Industrial		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Change in value due to appraisals	**75,416**	118,550	**9,403**	18,399	**700**	10,944	**85,519**	147,893
Changes in value due to revaluation of pipeline	**35,389**	26,368	**-**	-	**-**	-	**35,389**	26,368
Changes in value due to right-of-use assets leasehold	**90**	80	**36**	35	**-**	-	**126**	115
Total	**110,895**	144,998	**9,439**	18,434	**700**	10,944	**121,034**	174,376

22. Negative investment revaluation result

	Residential		Retail		Industrial		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Change in value due to appraisals	**-2,525**	-190	**-72,800**	-20,272	**-**	-822	**-75,325**	-21,284
Change in value due to revaluation of pipeline	**-640**	-2,594	**-**	-	**-**	-	**-640**	-2,594
Revaluation due to lease incentives	**-**	-	**112**	112	**-**	191	**112**	303
Total	**-3,165**	-2,784	**-72,688**	-20,160	**-**	-631	**-75,853**	-23,575

23. Result on disposals

	Residential		Retail		Industrial		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net sale proceeds	**66,187**	27,681	**57,310**	4,474	**59,760**	122,235	**183,257**	154,390
Most recent appraisal value	**69,395**	28,273	**62,228**	4,714	**57,140**	97,635	**188,763**	130,622
Total	**-3,208**	-592	**-4,918**	-240	**2,620**	24,600	**-5,506**	23,768

24. Management and fund costs

Management costs	**2020**	2019
Personnel expenses	6,222	5,995
Less: personnel expenses charged to operational expenses and pipeline	-793	-
Office including accommodation	1,272	1,258
Research, contributions and promotion	339	483
Other expenses	351	339
Total management costs	7,391	8,075

Fund costs	2020	2019
Supervisory expenses	567	415
Valuation costs	543	592
Advisory fees	417	232
Total fund costs	1,527	1,239
Total management and fund costs	8,918	9,314

Costs in % of average assets under management	2020	2019
Management costs	0.292%	0.344%
Fund costs	0.060%	0.053%
Total	0.352%	0.397%

Total salaries amounted to €4,394,000 (2019: €3,775,000), with social security charges including health insurance premiums amounting to €403,000 (2019: €379,000) and pension charges amounting to €831,000 (2019: €743,000).

In 2020 Altera employed an average of 40 people (38 full-time equivalents) (2019: 37 and 35 respectively); at year-end 2020 the company had a total of 39 employees (36 full-time equivalents) (2019: 39 and 37 respectively). The audit fee for the 2020 audit including verified ESG KPI's, the audit opinions for each sector and the audit opinion on the INREV NAV Adjustments totalled €95,000 (2019: €75,000). No fee was paid to the external auditor in respect of other work in 2020 and 2019. Under the AIFMD directive 2011/61/EU (article 22, paragraphs 2e and 2f), the annual report must contain a summary showing the total amount of the remuneration, subdivided into fixed and variable remuneration paid during the reporting year, as well as a breakdown into management, employees whose actions have a significant impact on the risk profile and other members of staff. As Altera changed the definition of the identified staff, the 2019 figures have been changed on the basis of the new definition.

	Fixed salary		Fixed remuneration		Total		Number of FTEs	
	2020	2019	2020	2019	2020	2019	2020	2019
Management Board	618	650	240	225	858	875	3.0	3.0
Employees with impact on risk profile	1,176	903	94	53	1,270	956	11.1	8.7
Other	1,815	1,782	126	115	1,941	1,897	23.5	23.6
Total	3,609	3,335	460	393	4,069	3,728	37.6	35.3

The Management Board consisted of three members in 2020. The remuneration of the Management Board is as follows (based on amounts paid during the reporting year):

	2020	2019
Salary	618	650
Fixed remuneration	240	225
Pension including additional contribution (after deduction of own contribution)	157	163
Social security charges and other amounts	35	37
Total	1,050	1,075

The remuneration paid to the Supervisory Board totalled €74,000 (2019: €74,000).

25. Other income

		Residential		**Retail**		**Industrial**		**Total**
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Compensation for transfer tax	-	296	-	-	-	-	-	296
Other investments	766	756	-	-	-	-	766	756
Total	766	1,052	-	-	-	-	766	1,052

26. Other expenses

		Residential		**Retail**		**Industrial**		**Total**
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Placement costs	-	-	-105	-967	-	-	-105	-967
Total	-	-	-105	-967	-	-	-105	-967

27. Interest expenses

	Residential		Retail		Industrial		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Interest expense on lease liabilities	-90	-80	-36	-35	-	-	-126	-115
Other interest expenses	-270	-239	-647	-271	-83	-54	-1,000	-564
Total	-360	-319	-683	-306	-83	-54	-1,126	-679

28. Direct investment income

	Residential		Retail		Industrial		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net rental income	47,386	44,348	36,393	35,511	1,437	9,375	85,216	89,234
Result from participating interest	97	108	1,408	1,669	-	-	1,505	1,777
Other investments	766	756	-	-	-	-	766	756
Management and fund costs	-6,359	-6,122	-2,470	-2,594	-89	-598	-8,918	-9,314
Interest income/expenses	-270	-239	-648	-271	-83	-54	-1,001	-564
Total	41,620	38,851	34,683	34,315	1,265	8,723	77,568	81,889

29. Indirect investment income

	Residential		Retail		Industrial		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Positive revaluation result	110,895	144,998	9,439	18,434	700	10,944	121,034	174,376
Negative revaluation result	-3,165	-2,784	-72,688	-20,160	-	-631	-75,853	-23,575
Interest expenses on lease liabilities leasehold	-90	-80	-36	-35	-	-	-126	-115
Result on disposals	-3,209	-592	-4,918	-240	2,620	24,600	-5,507	23,768
Result from participating interest	393	139	-1,550	-375	-	-	-1,157	-236
Shareholder acquisition costs	-	-	-105	-967	-	-	-105	-967
Compensation for transfer tax	-	296	-	-	-	-	-	296
Total	104,824	141,977	-69,858	-3,343	3,320	34,913	38,286	173,547

Related parties

The company's pension scheme is administered by a party which was one of the company's shareholders until 30 September 2019. The scheme was established based on market level terms and conditions.

Off-balance sheet assets and liabilities

Liabilities (in € million)	Residential
Pipeline to be completed in 2021	212
Same for 2022	149
Same for 2023 and subsequent years	94
Total	455
Less: previously financed	-273
Total off-balance sheet items	182

In addition to the secured pipeline, there are five other pipeline projects in the Residential sector with a total size of €280 million, the realisation of which remains uncertain. There is also a contingent liability in respect of a shopping centre completed in 2014. Depending on the leases to be signed, this amounts to a maximum of approximately €7 million, in addition to the amount already provided.

On 31 January 2018 a court issued a judgement concerning a transfer tax liability after a shareholder entered into an Altera investment by contributing property in 2012. Altera lodged an objection to the transfer tax of €3.8 million paid at that time, half of which had been paid by the entering shareholder. The court found in favour of Altera. The Tax and Customs Authority has appealed against the judgment and based on the decision by the court on 26 January 2021, Altera will appeal in cassation.

Altera's shares in the maintenance provision in homeowners' associations in the Residential sector totalled €2.4 million at year-end 2020 (year-end 2019: €2.2 million).

Post balance sheet events

The real estate transfer tax (RETT) increased on 1 January 2021 from 2% to 8% for rented residential properties and from 6% to 8% for retail properties. The valuation of the properties on the balance sheet of 31 December 2020 is based on the prevailing rates on that date, as agreed with the external appraisers and the auditor. It is unclear at the moment of drawing up these annual accounts, how the real estate markets will react to this increase and how any resulting impact on prices will be split between the buyer and the seller in the specific market segments.

Amstelveen, 16 March 2021

Supervisory Board

Guus Hoefsloot, Chairman of the Supervisory Board
Heino Vink, Supervisory Board member
Roelie van Wijk-Russchen, Supervisory Board member

Management Board

Jaap van der Bijl, Chief Executive Officer
Cyril van den Hoogen, Chief Financial Officer
Erwin Wessels, Chief Investment Officer

Other information

Profit appropriation

Profit appropriation is provided for in article 32 of the articles of association. Paragraph 1 provides that the profit is at the disposal of the General Meeting of Shareholders.

The Supervisory Board endorses the dividend for the fourth quarter of 2020 was paid out on 15 January 2021 including the final dividend:

Dividend (amounts in €)	Q4 2020 plus final dividend
Residential	11,496,251
Retail	8,835,338
Total	20,331,589

Independent auditor's report

To the shareholders and the Supervisory Board of Altera Vastgoed 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 Altera Vastgoed N.V., based in Amstelveen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Altera Vastgoed N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2020.
2. The following statements for 2020: the profit and loss account, the statements of comprehensive income, changes in equity and cash flow statement.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Altera Vastgoed 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 €25,100,000. The materiality is based on 1% of total equity. 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.

We agreed with the Supervisory Board that misstatements in excess of €1,255,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

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

Key audit matter	How the key audit matter was addressed in the audit
Valuation of investment property (under construction) Refer to notes 1 of the financial statements. As at 31 December 2020 the Company held a portfolio of investment property (including the participating interest) with a fair value of €2,110 million (31 December 2019: €2,223 million) and investment property under construction of €334 million (31 December 2019: €220 million). The portfolio consist of €1,840 million residential investment property (under construction) and €604 million retail investment property. At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property. As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalisation rate and market rent levels. In addition, and as the external appraiser has highlighted in its assessment of the fair value of the property portfolio, there is considerable uncertainty over the global economy due to COVID-19 and how long it will take before the economy is stabilized. This has introduced a level of uncertainty relating to projected future cash flows which affects the valuation of these assets resulting in special audit considerations.	Our audit procedures included, among others, the following: We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the investment property (under construction). 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 in the valuation of investment property (under construction), we have: • determined that the valuation methods as applied by the Management Board, as included in the valuation reports, are appropriate; • we have challenged the significant assumptions used (such as capitalisation rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments; • we 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; • we have 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 (under construction) 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:

- Management Board's Report
- The sector reports
- Other 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 Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board 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.

Amsterdam, 16 March 2021

Deloitte Accountants B.V.

M. Heerschop

INREV valuation principles and INREV adjustments

INREV valuation principles

In order to give investors information on the transition from the Net Asset Value (NAV) according to IFRS tot he adjusted NAV based on INREV valuation principles, Altera reports the adjustments according to the INREV valuation principles. The fundamental assumption underlying the adjusted INREV NAV of Altera is that it should give a more accurate reflection of the economic value of the portfolios and of participations in the portfolios that would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's-length transaction, a willing buyer/ seller and an adequate time to market.

INREV adjustments

All amounts in € thousands, unless otherwise stated

Share issues	Notes	Residential 31 Dec 2020	Residential 31 Dec 2019	Retail 31 Dec 2020	Retail 31 Dec 2019
NAV in the IFRS financial statements		1,912,760	1,704,047	599,924	679,046
Reclassification of certain IFRS liabilities as components of equity					
Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds that represent shareholder long-term interest in a vehicle)	1	-	-	-	-
Revaluation to fair value of investment properties	2	-	-	-	-
NAV after reclassification of equity-like interest and dividends not yet distributed		1,912,760	1,704,047	599,924	679,046
Fair value of assets and liabilities					
Revaluation to fair value of investment properties	3	-	-	-	-
Revaluation to fair value of self-constructed or developed investment property	4	-	-	-	-
Revaluation to fair value of investment property held for sale	5	-	-	-	-
Revaluation to fair value of property that is leased to tenants under a finance lease	6	-	-	-	-
Revaluation to fair value of real estate held as inventory	7	-	-	-	-
Revaluation to fair value of other investments in real assets	8	-	-	-	-
Revaluation to fair value of indirect investments not consolidated	9	-	-	-	-
Revaluation to fair value of financial assets and financial liabilities	10	-	-	-	-
Revaluation to fair value of construction contracts for third parties	11	-	-	-	-
Set-up costs	12	-	-	-	-
Acquisition expenses	13	7,395	7,778	5,146	6,296
Contractual fees	14	-	-	-	-
Effects of the expected manner of settlement of sales/vehicle unwinding					
Revaluation to fair value of savings of purchaser's costs such as transfer taxes	15	-	-	-	-
Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	16	-	-	-	-
Effect of subsidiaries having a negative equity (non-recourse)	17	-	-	-	-
Other adjustments					
Goodwill	18	-	-	-	-
Non-controlling interest effects of INREV adjustments	19	-	-	-	-
INREV NAV		1,920,155	1,711,825	605,070	685,342

INREV NAV per share

	Residential		Retail	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Number of shares issued at year-end (in 1,000)	955,703	903,554	629,844	638,893
INREV NAV (in €1,000)	1,920,155	1,711,825	605,070	685,342
INREV NAV per share (in €)	2.009	1.895	0.961	1.073

Notes to the INREV adjustments

1. Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long-term interest in a vehicle

Investors' capital can take various forms aside from equity – examples include shareholder loans and hybrid capital instruments such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle. They should be included as a component of equity in the INREV NAV and reclassified as such if they have been classified as liabilities in the financial statements of the vehicle under IFRS. The amount to be reclassified should reflect the corresponding carrying value of the liabilities in the IFRS accounts.

The existence of such instruments as part of the capital structure of a vehicle at its origination, or investor loans that are pari-passu to their equity stake and at off-market loan terms, are indicators, among others, that these items should be reclassified as part of the INREV NAV.

The reclassification should also take account of accrued interest, which is treated in a similar fashion to dividends.

Since investors in Altera only invest via shares, no adjustment is included.

2. Effect of dividends recorded as a liability that have not yet been distributed

Under certain circumstances dividends are recorded as a liability but have not yet been legally distributed. For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As at 31 December 2020, no dividends are recorded as a liability and therefore no adjustment is included.

3. Revaluation to fair value of investment properties

If a real estate vehicle uses the option to account for investment properties under the cost model, this adjustment represents the impact on NAV of the revaluation of the investment property to fair value under the fair value option of IAS 40.

The effect of straight-lining of lease incentives, rent guarantees, insurance claims (for damages, lost rent, etc.) should be taken into account when valuing the property at fair value in accordance with IAS 40 and SIC 15 to ensure that any asset is not double-counted in the NAV.

As at 31 December 2020, there are no adjustments since investment property is valued at fair value under the fair value option of IAS 40 after initial recognition.

4. Revaluation to fair value of self-constructed or developed investment property

If a real estate vehicle uses the option to account for self-constructed or developed investment property under the cost model, the adjustment represents the impact on NAV of the revaluation of the self-constructed or developed investment property to fair value under the fair value option of IAS 40.

As at 31 December 2020, there are no adjustments since development property is investment property under construction and is valued at fair value under the fair value option of IAS 40.

5. Revaluation to fair value of investment property held for sale

Some investment properties may be classified as assets held for sale or as a group of assets held for sale. The carrying value of such investment properties depends on the chosen accounting treatment under IAS 40 (either fair value or cost). The adjustment represents the impact on NAV of the revaluation of the investment property intended for sale, measured at fair value or cost, to the net realisable value (fair value less disposal costs).

As at 31 December 2020, there are no properties presented as held for sale that are not included in the fair value of investment property.

6. Revaluation to fair value of property that is leased to tenants under a finance lease

Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently remeasured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As at 31 December 2020, there are no adjustments since no property is held that is leased to tenants under a finance lease.

7. Revaluation to fair value of real estate held as inventory

Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements. This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the heading ‘revaluation to fair value of real estate held as inventory’.

Where the likely disposal date is more than one year from the date of the NAV computation, disposal costs should not be deducted from fair value in calculating this adjustment.

As at 31 December 2020, there are no adjustments since no property is accounted for under IAS 2 (inventory).

8. Revaluation to fair value of other investments in real estate

Under IAS16 other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As at 31 December 2020, there are no adjustments since Altera has no investments in real assets.

9. Revaluation to fair value of indirect investments not consolidated

Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV. The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As at 31 December 2020, there are no adjustments since all indirect investments in real estate are accounted for at fair value.

10. Revaluation to fair value of financial assets and liabilities (including revaluations to fair value of debt obligations)

Financial assets and liabilities such as hedging instruments or debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS, if not yet accounted for at fair value.

In addition, vehicles may incur costs for redemption of bank debts as a result of sales of properties. As with disposal costs, these costs are generally not accrued in IFRS. Where the disposal of a property is expected within one year, and therefore the redemption of the related bank debt is also expected within one year, any bank debt early redemption costs should be accrued in the NAV.

As at 31 December 2020, there are no adjustments since the financial assets and liabilities accounted for in the balance sheet are not materially different from the fair value of the financial assets and liabilities in accordance with the fair value principles of IFRS 13.

11. Revaluation to fair value of construction contracts for third parties

Under IAS11, construction contracts for third parties are normally accounted for based on the stage of completion. The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As at 31 December 2020, there are no adjustments since Altera has no construction contracts of third parties.

12. Set-up costs

Under IFRS, vehicle set-up costs are charged immediately to income after the inception of a vehicle.

Such costs should be capitalised and amortised over the first five years of the term of the vehicle. The rationale for capitalising and amortising set-up costs is to better reflect the duration of the economic benefits to the vehicle.

When capitalising and amortising set-up costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not expected that the capitalised set-up costs can be recovered through the sale of units of a vehicle. For instance, when a decision is made to liquidate the vehicle or stakeholders no longer expect to recover the economic benefit of such capitalised expenses, they should be written down.

As at 31 December 2020, all the set-up costs of Altera have been amortised, and therefore there are no adjustments.

13. Acquisition expenses

Under the fair value model, acquisition expenses of an investment property are effectively charged to income when fair value is calculated at the first subsequent measurement date after acquisition. This results in the fair value of a property on subsequent fair value measurement being lower than the total purchase price of the property, all other things being equal.

Property acquisition expenses should be capitalised and amortised over the first five years after acquisition of the property. The rationale for capitalising and amortising acquisition expenses is to better reflect the duration of the economic benefits to the vehicle of these costs.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not expected that the capitalised acquisition costs can be recovered through the sale of units of a vehicle. When a property is sold during the amortisation period or is classified as held for sale, the balance of capitalised acquisition expenses of that property should be expensed.

For the Residential portfolio most of the acquisitions are realised as purchase contracts during the development phase. These transactions are therefore exempt from transfer tax. Nonetheless, at the time of the first valuation of these contracts, the impact of transfer tax becomes apparent. This impact is also taken into account as acquisition expense in the calculation of the INREV NAV adjustment.

	Residential	Retail
Capitalised acquisition expenses as at 31 December 2019	7,778	6,296
Acquisition expenses 2020	2,624	259
Amortisation of acquisition expenses in 2020	-3,007	-1,409
Adjustment NAV (excluding tax) as at 31 December 2020	7,395	5,146

As at 31 December 2020, Altera made an adjustment of €7.4 million for the residential portfolio and €5.1 million for the retail portfolio.

14. Contractual fees

A liability represents a present obligation as a result of past events. A fee payable at the end of the life of a vehicle or at any other time during the life of a vehicle may not meet the criteria for recognition as a provision or liability in accordance with IFRS at the reporting date.

Examples of such fees include performance fees, disposal fees or liquidation fees, representing a present obligation from contractual arrangements.

Most of these fees are normally accrued under IFRS accounting rules. The adjustment represents the impact on the NAV of the amount of the estimated contractual fees payable based on the current NAV of the vehicle in the rare circumstances in which these fees are not already recognised in financial statements produced under IFRS and it is probable that they will be incurred. In order to determine the amount of the adjustment, reference should be made to IFRS standards for the measurement (but not necessarily the recognition) of provisions or deferred liabilities.

A description of the calculation methodology and the terms of the underlying agreement should be disclosed (or reference could be made to the related party disclosures in which such agreements and terms are explained).

As at 31 December 2020, all contractual fees and contingent liabilities are recognised in accordance with IFRS. Altera did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as at the balance sheet date.

15. Revaluation to fair value of savings of purchaser’s costs such as transfer taxes

Transfer taxes and purchaser’s costs which would be incurred by the purchaser when acquiring a property are generally deducted when determining the fair value of investment properties under IAS 40.

The effect of an intended sale of shares in a property-owning vehicle, rather than the property itself, should be taken into account when determining the amount of the deduction of transfer taxes and purchaser’s costs, to the extent this saving is expected to accrue to the seller when the property is sold. The adjustment therefore represents the positive impact on the NAV of the possible reduction of the transfer taxes and purchaser’s costs for the benefit of the seller based on the expected sale of shares in the property-owning vehicle.

Disclosure should be made on how the estimate of the amount the manager expects to benefit from intended disposal strategies has been made. Reference should be made to both the current structure and prevailing market conditions.

As at 31 December 2020, there are no adjustments since Altera has no investment property structured in special purpose vehicles.

16. Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments

Under IFRS, deferred tax assets and liabilities are measured at the nominal statutory tax rate. The manner in which the vehicle expects to realise deferred tax (for example, for investment properties through share sales rather than direct property sales) is generally not taken into consideration.

The adjustment represents the impact on the NAV of the difference between the amount determined in accordance with IFRS and the estimate of deferred tax which takes into account the expected manner of settlement (i.e. when tax structures and the intended method of disposals or settlement of assets and liabilities have been applied to reduce the actual tax liability).

Disclosures should include an overview of the tax structure including, for instance, details of the property ownership structure, key assumptions and broad parameters used for estimating deferred taxes for each country, the maximum deferred tax amount estimated assuming only asset sales (i.e. without taking into account the intended method of disposal) and the approximate tax rates used.

It is possible that the estimate of the amount of the adjustment required to bring the deferred tax liability related to property disposals to fair value could have a large impact on the INREV NAV. Since tax structures may differ from vehicle to vehicle, significant judgement is required and the mechanics of the calculation methodology for this adjustment may vary from vehicle to vehicle. Other components of the overall deferred tax adjustment require less judgement and are more mechanical in nature.

This adjustment should include a full assessment of the tax impact on NAV of INREV NAV adjustments. As with IFRS, deferred tax balances are not discounted to take into account time value of money.

As at 31 December 2020, there are no adjustments since Altera has not valued deferred tax assets and liabilities on the balance sheet. Furthermore no adjustments are required because Altera is transparent for tax purposes.

17. Effect of subsidiaries having a negative equity (non-recourse)

The NAV of a consolidated group under IFRS may include the net liability position of subsidiary undertakings. In practice, however, the group may have neither a legal nor a constructive obligation to fund the accumulated losses in situations where the financing of the subsidiaries is non-recourse to the vehicle.

In this scenario it is appropriate to make an adjustment when calculating the INREV NAV in order to recognise the group's interest in such subsidiaries at nil or an adjusted negative amount rather than at a full net liability position, to the extent there is no intention or obligation on the vehicle to make good those losses.

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As at 31 December 2020, there are no adjustments since Altera has no subsidiaries with a negative equity that are valued at zero and are included in the consolidation.

18. Goodwill

On the acquisition of an entity which is determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. Often a major component of such goodwill in property vehicles reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take account of the likely or intended method of subsequent exit) and the economic value attributed to such items in the actual purchase price. Except where such components of goodwill have already been written off in the NAV as determined under IFRS, they should be written off in the INREV NAV.

As at 31 December 2020, there are no adjustments since Altera has no goodwill valued on the balance sheet.

19. Non-controlling interest effects on the above adjustments

This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As at 31 December 2020, there are no adjustments since Altera has no minority interests.

Independent auditor's report

To the shareholders and the Supervisory Board of Altera Vastgoed N.V.

Report on the audit of the INREV adjustments

Our opinion

We have audited the accompanying INREV adjustments 2020 of Altera Vastgoed N.V., based in Amstelveen.

In our opinion the INREV adjustments are prepared, in all material respects in accordance with the accounting policies selected and disclosed by the entity, i.e. INREV valuation principles, as set out in note 1 up until 19 of the INREV adjustments in the 2020 financial statements of Altera Vastgoed N.V.

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 management 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 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.

Description of responsibilities regarding the INREV adjustments

Responsibilities of management for the INREV adjustments

Management is responsible for the preparation of the INREV adjustments in accordance with the accounting policies selected and disclosed by the entity (i.e. INREV valuation principles), as set out in note 1 up until 19 of the INREV adjustments in the 2020 financial statements of Altera Vastgoed N.V.

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

Our responsibilities for the audit of the INREV adjustments

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

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.

Amsterdam, 16 March 2021

Deloitte Accountants B.V.

M. Heerschop

Financial Agenda 2021

Item	Date
Reports	
Annual Report 2020	April 2021
Q1 report to shareholders	23 April 2021
Q2 report to shareholders	23 July 2021
Semi-annual report	August 2021
Q3 report to shareholders	22 October 2021
Investment plans per sector	November 2021
Net asset value	Four working days following the end of the month
Meetings	
General Meeting of Shareholders	7 April 2021
	8 December 2021
Informal Shareholders Meeting	2 June 2021
	27 October 2021
Dividend payments	
Q1	15 April 2021
Q2	15 July 2021
Q3	15 October 2021
Q4	17 January 2022

Glossary

Results

Direct investment income

Gross rental income minus operating expenses plus revenues from other investments less management costs plus/minus interest income/expenses.

Indirect investment income

Comprehensive changes in value in the portfolio, plus the release of compensation for transfer tax and shareholder acquisition costs.

Total investment income

Direct investment income plus indirect investment income.

Net/gross rental income

Net rental income divided by gross rental income.

Theoretical gross rent

Contract rent plus vacancy at market rent (annualised).

Gross rental income

Theoretical gross rental income less vacancy less lease incentives (adjusted for effect of straightlining) plus any other income.

Net rental income

Gross rental income less operating expenses.

Operating expenses

Expenses directly attributable to the properties, including maintenance, fixed expenses and property management expenses (day-to-day management).

Lease incentives

Any expense borne by the owner of the property in order to secure a lease. These costs are capitalised and amortised over the length of the lease period (straightlining).

Management and fund costs

In the profit and loss account management costs and fund costs are generally allocated to the sector portfolios based on the average assets under management. Management costs include costs for personnel, office, IT and research. Fund costs include costs for external valuations of the properties, supervisory costs (Supervisory Board, external regulators, audits) and advisory costs.

Returns

Income return (= Direct property return)

Net rental income over a specific period assessed against the average invested capital of the underlying property holdings during the measurement period; the calculation is based on the time-weighted method used by MSCI.

Capital growth (= Indirect property return)

Changes in the value of the underlying property holdings over a specific period assessed against the average invested capital of the underlying property holdings during the measurement period; the calculation is based on the time-weighted method used by MSCI.

Total property return

Sum of net rental income and value changes over a specific period assessed against the average invested capital of the underlying property holdings during the measurement period; the calculation is based on the time-weighted method used by MSCI.

Fund return

The fund return is calculated in accordance with the ‘modified Dietz’ method, as used by INREV. Fund return can be calculated according to the IFRS net asset value and the INREV net asset value.

Environmental, Social, Governance (ESG)

BREEAM Building Certification

BREEAM (Building Research Establishment Environmental Assessment Method) is an established method of assessing, rating, and certifying the sustainability of buildings.

GPR Building Certification

In GPR software the sustainability of buildings is measured using five themes: energy, environment, health, quality of the building and future value.

GRESB

The GRESB (Global Real Estate Sustainability Benchmark) is an international benchmark that assesses sustainability policies and their implementation by property funds and portfolios worldwide. GRESB assesses and benchmarks the Environmental, Social and Governance (ESG) performance of real assets, providing standardised and validated data to the capital markets.

UNPRI

The United Nations-supported Principles for Responsible Investment is an international network of investors working together to put six principles into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices. The Principles are based on the notion that environmental, social and governance (ESG) issues, such as climate change and human rights, can affect the performance of investment portfolios and should therefore be considered alongside more traditional financial factors.

UN SDG’s

The Sustainable Development Goals (SDG’s) were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The 17 SDG’s recognise that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

DGBC

The Dutch Green Building Council (DGBC) foundation is a national civil society organisation committed to making the built environment future-proof.

Miscellaneous

Assets under management (AuM)

Value of the property portfolio plus the funds available for investment.

Gross asset value (GAV)

Total property portfolio plus the value of any further assets at market value (= balance sheet total).

Net asset value (NAV)

Value of assets less debt and provisions (= equity). Net asset value can be calculated on an IFRS basis and on an INREV basis. In the case of Altera the main difference is the treatment of acquisition costs: in the IFRS calculation these costs are written off at the time of the first valuation, whereas in the INREV calculation these costs are capitalised and amortised over five years.

Compensation for transfer tax

Up to 30 September 2019, shareholders who contributed cash on entry had to pay a surcharge of 1.5% on top of the net asset value on the issue of shares as compensation for transfer tax (in the case of Residential the charge is 0.5%). With effect from 30 September 2019 Altera has adopted the INREV NAV as the trading NAV; this implies that acquisition costs are capitalised and amortised over five years.

Standing portfolio

The properties in operation during the review period of the MSCI Netherlands Property Index and in which no investments were made exceeding 10% of the property value.

All investments (all properties)

The standing portfolio plus the properties acquired and sold during a specific period and properties in which investments were made exceeding 10% of the property value, as well as pipeline projects for which the land has been transferred.

Secured pipeline

Projects for which contracts for development and construction have been signed and all necessary permits have been provided.

Gross initial yield

Theoretical gross rent divided by the market value of the property (less purchasing expenses).

Occupancy rate

Rent passing (including rental guarantees) divided by the theoretical gross rent. This financial occupancy rate may differ from the physical occupancy rate.

Real estate expense ratio (REER)

Property-specific costs over a 12-month period as a proportion of the average gross or net asset value. The definitions for this ratio are set by INREV.

Total expense ratio (TER)

Total management and fund costs as a proportion of the average gross or net asset value. The definitions for this ratio are set by INREV.

ISAE 3402

Standard 3402 of the International Standards on Assurance Engagements of the International Federation of Accountants. It is an attestation procedure for assessing compliance with process controls and IT.

MSCI Netherlands Property Index

This index, provided by MSCI, serves as a benchmark for investment property returns per sector.

INREV

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. It is a platform for sharing knowledge on the non-listed real estate industry. The goal is to improve transparency, professionalism and best practices across the sector, making the asset class more accessible and attractive to investors.

IVBN

Association of Institutional Property Investors in the Netherlands. The mission is to promote the investment climate for real estate in the Netherlands.

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