

# CORPORATE RESPONSIBILITY REPORT 2017



## About this Report

[GRI 102-48, 102-49, 102-50, 102-51, 102-52, 102-56]

In line with the Luxembourg “Loi du 23 juillet 2016 concernant la publication d’informations non financières et d’informations relatives à la diversité par certaines grandes entreprises...” Aroundtown SA and its investees (the “Company” or “Aroundtown” or “AT”), including associates and in particular Grand City Properties S.A. (“GCP”) (“the Group”), have produced a separate, consolidated non-financial report for the financial year 2017 (January 1, 2017 to December 31, 2017). The report has been made publicly available from April 30, 2018 under the following web address in the form of a PDF document: [www.aroundtown.de/sustainability](http://www.aroundtown.de/sustainability). The report will be updated and the new version published on a yearly basis. Each version of the report will remain publicly available for ten years. The non-financial report has not been externally audited, but has been scrutinized by the Company’s Board of Directors (the “Board”). A third-party assurance of the environmental data has been carried out by GUT Zertifizierungsgesellschaft für Managementsysteme mbH according to Assurance Standard AA1000, limited assurance.

This is Aroundtown’s first Sustainability Report, its purpose being to demonstrate the commitment to sustainability, which goes beyond the new legal requirements set by the aforementioned law. The Company’s activities and achievements are presented from a sustainability perspective and the report is aimed at the Group’s investors, tenants, employees, business partners, and other interested stakeholders.

## Content and Structure of the Report

[GRI 102-46]

This report lays the basis for Aroundtown’s Corporate Responsibility Strategy and provides the structure, processes, and principles for future sustainability reports.

Thematically, the report focuses on the following topics: corporate governance, tenants, employees, environment and society.

In addition to the online version of the Sustainability Report, printed copies will be distributed among key stakeholders.

## Alignment with New GRI Standards and EPRA Guidelines [GRI 102-54]

This report has been written using the guidelines developed by the Global Reporting Initiative (GRI) on GRI Standards as a reference. In particular, when developing the concepts and compiling KPIs, the GRI Standards have been considered. In addition to this cross-sector initiative, AT has also followed the EPRA (European Public Real Estate Association) Best Practice Recommendations on Sustainability Reporting.

Key figures have been collected by various departments and have been collated centrally by Aroundtown’s dedicated CR Team.

## Stakeholder Focus and Materiality

[GRI 102-43, 102-21]

In view of providing internal and external stakeholders with transparency, a materiality analysis has been performed to identify the Group’s material topics. This process included a peer group analysis and the cross-sectional mapping of stakeholder relevance (Sustainability Strategy and Stakeholders). Going forward, future materiality analyses are foreseen to include a quantitative survey of internal and external stakeholders in order to incorporate all stakeholder concerns in a comprehensive manner. The key topics will routinely be reviewed with the help of input from internal and external stakeholders.

## Editorial Notes

With the aim of creating a user-friendly document we have included indexes listing the references to GRI and EPRA in the Facts and Figures section of this report. In addition, references to specific GRI standards and EPRA recommendations are included at the beginning of each subchapter as and where applicable.

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Left to right: Markus Leininger (Independent Director), Sylvie Lagies (Head of ESG), Dr. Axel Froese (Independent Director)

## Letter from the ESG Committee

[GRI 102-14]

### Dear readers,

Worldwide, society is facing rapid and remarkable change. Ongoing trends like urbanization, climate change, and demographic change are affecting society on a global as well as local scale. Though we as a society are now beginning to grapple with these challenges, the processes that these trends represent have only just begun and their implications will impact our daily lives for years to come. As the literal foundations for people's homes and businesses, the real estate industry has a central role to play in shaping how society takes on these issues.

Aroundtown SA is the largest listed German commercial real estate company as well as the largest listed buyer in German real estate and thus has a clear responsibility to help address these challenges and foster sustainable property development. With our focus on investing in and developing mid-life-cycle assets in predominantly German as well as other major European cities, the Aroundtown business philosophy is based on diversification, which is a unique selling proposition and generates long-term growth. We have made a conscious commitment to providing sustainable value creation for tenants and shareholders alike. This is the foundation of our performance.

Across the board, sustainability issues are becoming increasingly important to all stakeholders, be it for tenants, shareholders, or employees. Stakeholders of all kinds expect critical assessment of impact and assurance that today's business success will not be achieved at an untenably high social and/or environmental cost. Aroundtown aspires to leverage these trends to turn challenges into new forms of success and benefits for all stakeholders. Depending on the type of asset – from retail and logistics to hotels and offices – sustainability requirements and core issues can vary substantially. The Group's primary task as asset manager is to support its tenants in achieving their sustainability goals by providing them with environmentally sound objects. Our asset development and refurbishment activities strategically incorporate technological advancements, energy efficiency concerns, and a wide array of other environmental issues to achieve long-term sustainability improvements.

In order to structure our commitment to sustainability and the environment for maximum efficiency, Aroundtown has incorporated ESG criteria throughout management functions and processes. The Group continually strives to provide transparent and comprehensive information on its operations and management as well as on its successes and challenges in regular reporting for shareholders and stakeholders.

We use optimized cost structures and minimized environmental impact to consistently generate attractive returns. Among other things, asset development prioritizes measures that will reduce service costs, such as for energy or waste removal. Wherever economically feasible, we invest in the more environmentally sound alternative. Aroundtown also extends this dedication to ethical business and low environmental impact to its suppliers and their value chain through contractual commitments and clearly defined expectations. In addition to

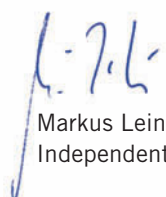
our investment in our portfolio's substance, we consistently align both our internal operations and our service offering with the needs of our human assets. We take our pledge to provide our tenants with outstanding services very seriously and have embedded this expectation at a structural and cultural level within our company. Our tenants' safety and well-being is our highest concern.

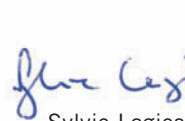
Our employees as well are indispensable capital paramount to our Company's success. It is their talent and expertise that allow us to deliver on our value creation promise. We view their diverse perspectives and backgrounds as an asset that will enable our company to continually produce innovative performance. Aroundtown has placed diversity and a culture of openness at the heart of its corporate environment and expects its staff to live this philosophy in all their dealings with one another, with tenants, or with other business partners.

Evidencing the success of our commitment, Aroundtown's corporate responsibility activities were recently formally recognized. AT received a pleasingly high score from the Sustainalytics 2017 review and was ranked under the top 15% of real estate companies globally assessed. In the peer group comparison (of over 280 real estate peers), the Company was accredited the status of an "Outperformer" across all the three main categories of Environmental, Social, and Governance criteria, clearly highlighting its corporate commitment to achieving tangible stakeholder benefits.

With this first corporate responsibility report, we wish to provide stakeholders with more detailed information on our projects, our approaches to the challenges we face, our results to date, and our vision for the future. As our projects and activities grow, so too will our reporting. We hope that you will find this report informative and will use it to engage with us on how we can shape this ongoing journey.

Yours sincerely,

  
Markus Leininger  
Independent Director

  
Sylvie Lagies  
Head of ESG

  
Dr. Axel Froese  
Independent Director

## Group Profile

### Value Creation through Strategic Property Investment

[GRI 102-1, 102-2, 102-3, 102-4, 102-6, 102-8]

Aroundtown SA is a real estate company with a focus on income-generating quality properties with value-add potential in central locations in top tier cities primarily in Germany and the Netherlands. Founded in 2004 and headquartered in Luxembourg, its consistently attractive performance has developed a portfolio with limited downside risk. Aroundtown now has a workforce of over 270 employees. Throughout its operations, its value-oriented business premise has led to ongoing high levels of portfolio growth. The Group's portfolio comprises both commercial and residential properties and is focused on top-tier cities in Germany, the Netherlands, and other major European cities. Overall, the portfolio has a distinct commercial weighting and carries approximately 80% commercial and 20% residential assets. As of end 2017, the Aroundtown commercial portfolio was distributed over 61% offices, 19% hotels, 9% retail, and 11% logistics/wholesale (calculated by asset value). The residential properties in its portfolio are held via a substantial stake (38.1%) in Grand City Properties S.A.

Aroundtown has based its performance strategy on building a defensive portfolio with long-term tenant relationships and limited dependence on single tenants. No single tenant accounts for more than 5–6% of the total rental income. The company prefers leases with a long-term horizon and as of December 2017 had a WALT (weighted average lease term) of seven years. The large and varied tenant base of over 2,800 tenants provides additional security and scope for flexibility. A clear regional focus on central locations in top tier cities and strong investment orientation heighten the portfolio's attractiveness further.

### Conclusive Business Performance

[GRI 102-5, 102-7, 102-10]

Aroundtown's aim as investment and asset manager is to enhance value in existing assets through targeted repositioning and best-in-class tenant services. Acquisitions are carefully selected for income-generating potential by the Group's team of experienced specialists. Their keen vision of performance allows the Group to consistently select objects with strong upside potential in rent and/or occupancy increases. Following acquisition, Aroundtown pursues intensive property management in terms of both operational tenant management and long-term repositioning. This unique business model and exceptional team of experts have allowed the company to pursue a mission of continual enhancement of shareholder value for over 14 years.

In recognition of its strong internal growth potential, Aroundtown SA has been listed since June 2015. The Group has successfully achieved rapid portfolio growth and expanded its investment properties from € 2.4 billion in December 2015 to € 9.8 billion as of December 2017. This substantial increase has been successfully supported by strong capital market activities, and Aroundtown SA's shares were uplisted to the Prime Standard of the Frankfurt Stock Exchange in June 2017. Further, in October 2017, the company was added to the STOXX Europe 600 index. In March 2018 the Company was added to Deutsche Börse's MDAX<sup>1)</sup> index, which comprises some of the largest and most liquid companies of the Prime Standard. With a share price performance of +100% since initial listing, the stock markets have clearly recognized Aroundtown SA's successful value creation. The Company's healthy capital structure and conservative financial policy have safeguarded liquidity and enhanced tradability, making the share a highly attractive listing.

<sup>1)</sup> The MDAX includes the 50 Prime Standard shares from sectors, excluding technology, that rank immediately below the companies included in the DAX index.

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**For more details on our company profile as well as our past and current economic performance, please see our latest company presentation and the financial statement from 2017 on our website: <http://www.aroundtown.de>.**

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## Transparent Responsibility

[GRI 102-12]

Robust corporate governance and high transparency guide the company in its value creation. For its excellence in the category of financial reporting, the company was awarded the 'Gold Standard' by the EPRA BPR committee in September

2017. Aroundtown has continually based its performance on a philosophy of generating strong, secure cash flows and a commitment to ethical business.



Frankfurt

**01**

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**CORPORATE  
GOVERNANCE**







Frankfurt

## Management and Operations

### Performance Founded on Governance

[GRI 102-18, 102-19, 102-22, 102-24 / EPRA Gov-Board, EPRA Gov-Selec]

Aroundtown pursues an ambitious vision of long-term value creation and attractive returns. With this ambition informing its philosophy, the Group's mission is to balance interests through orientation toward the core values of integrity, respect, performance, accountability, and sustainability. The Group's dedication to exceptional shareholder value is thus systematically aligned with a risk reduction philosophy that mitigates and hedges exposure through value-oriented compliance.

Highest structural and governance transparency allow the Group to focus its operations on maintaining the trust its shareholders have invested and delivering on its value creation promise. Operational oversight is administered by the Board of Directors and appointed management teams. The Board of Directors comprises four dependent and three independent directors, who are elected at the Annual General Meeting. The number of directors, their term and their remuneration are determined by the general meeting of shareholders and the maximum term of directors' appointment per election is six years according to Luxembourg law.

The Board of Directors is supported in its stewardship of the Group's operational activities by work from the Risk Committee, the Audit Committee, the Nomination Committee, and the Remuneration Committee, with the Advisory Board providing additional oversight. In order to embed the Group's commitment to sustainability issues within its governance structures, the Board of Directors has also established an ESG/CSR Committee.

### CR Structures for Effective Engagement

[GRI 102-20, 102-23, 102-26, 102-27, 102-32]

On an operational level Aroundtown has established a CR Steering Committee which is charged with development and strategic orientation for the Group's CR activities. It is overseen directly by the CEO Mr. Shmuel Mayo, who is the Head of the CR Steering Committee. The Head of ESG and heads of all relevant departments also sit on the committee. The committee meets at regular intervals and is the first point of contact for sustainability-related topics. The CR Department actively assists relevant departments with operational implementation of CR measures. These streamlined structures ensure that sustainability and environmental concerns receive due consideration in strategic oversight as well as operational management at the highest level.

The CR Department's primary task is that of creating a cross-departmental interface from which developments and measures can be supervised with an interdisciplinary perspective. The CR Department thus liaises with all affected departments throughout the Group to coordinate efforts related to both internal and external CR topics. It is also responsible for preparing the Group's reporting on ongoing and future CR activities in line with EU requirements. Materiality analyses provide the basis for the Group's CR strategy as well as for determining reporting content. As a further component of its activities, the ESG department fields inquiries from investors and other stakeholders to ESG topics and coordinates with Investor Relations to ensure rating agencies have all ESG-related information needed for preparing accurate assessments.

### Cultivating Compliance in Operations

Stringent corporate governance and strong internal controls are a core pillar in maintaining shareholders', bondholders', and other stakeholders' trust. Aroundtown has thus implemented a comprehensive compliance framework within which all employees and executives are expected to structure their actions. The Code of Conduct outlines the Company's standards of behavior and is a mandatory component of all employment contracts. It is supplemented by a number of topical policies on, for instance, anti-corruption measures, avoiding conflicts of interest, preventing bribery, and anti-discrimination practices. These policies provide all staff with extensive guidance on standards of rightful behavior. Moreover, Aroundtown has also implemented a whistle-blowing system to further strengthen its commitment to ensuring ethical behavior by all those who carry out operations in the Group's name.

### Risk Management for Long-term Growth

[GRI 102-29]

Comprehensive compliance is a core tenet in the Aroundtown risk reduction philosophy. The Company monitors its risk position closely and manages all internal and external risk areas with a view to minimizing potential for negative impact to the Group's operations and financial position. In respect of internal risks, the Group is subject to risks resulting from human negligence, unethical behavior, or inadequate structural frameworks. External risks relate to interest rate volatility, liquidity, the ability to attract credit, regulatory and legal factors, cyber criminality, market behavior, and collection and tenant deficiencies. Company risk management is overseen by the Risk Committee,

which stipulates risk management structures, evaluates the internal control system, and coordinates risk training for staff. The Risk Committee provides reports to the full Board of Directors on a regular basis.

The Risk Committee uses a number of mechanisms to identify and control risks. Regular risk assessments provide the basis for the committee to analyze the Group's organization and evaluate it for potential weaknesses. Procedural structures are amplified by the employees' and executives' explicit commitment to highest standards of ethical business. The discipline guiding their behavior is rooted in the company's strong value system. This philosophical foundation is furthermore underpinned by a system of extensive controls, such as physical controls, compliance checks, and cross-departmental verifications. These controls place a strong emphasis on a separation of duties, whereby all key actions, such as approval of payments, follow a double-verification principle and must be signed off by two different parties. Payments are additionally cross-checked for plausibility against budgets and contracts. For payments exceeding a certain threshold, approval by the respective head of the department is required. Spot checks are performed and all unusual entries are validated through detailed monthly analysis of actual versus budget cost comparisons. This extensive framework of controls and monitoring processes enable Aroundtown to substantially reduce the risk of errors through human negligence or damages as a result of misconduct.

A negative impact on Aroundtown's operations and its ability to achieve attractive performance could result from various ESG-related areas. Hence, the Company has embedded ESG topics throughout its risk management structures. ESG risks are evaluated as part of regular risk assessments and accounted for in the Group's risk position via commensurate reserves. Risk planning and financial budgets have been adjusted to account for these ESG factors in the form of reserves for potential financial liabilities and the inclusion of ESG expenditures in the Group budgets. Closely coordinated risk assessment and conscientious long-term financial planning provide the Group with an ongoing sound basis for future performance.

## ESG topics

embedded throughout AT's risk management structures

## Sustainability Strategy and Stakeholders

### Seeking Dialogue with Stakeholders

Aroundtown's mission to offer attractive, value-based performance is predicated on maintaining long-term support from investors and other stakeholders. Transparency and openness are key components in cultivating this relationship. The Group sets great store by engaging in continuous dialogue with a wide range of stakeholders to be able to enhance and expand its activities and communications for maximum effectiveness. An ongoing, productive exchange with stakeholders is central to identifying the best path forward and fully tapping the potential the market has to offer.

### Tailored and Effective Communication

[GRI 102-40, 102-44]

Aroundtown operates within a sector with relevance for a broad section of society, and its various stakeholder groups have correspondingly varied expectations of the Group. Its main stakeholder groups are tenants, employees, investors and analysts, local communities and residents, suppliers and business partners, as well as policy-makers and associations. Aroundtown strives to tailor its communication activities and informational content such that it provides effective means for hearing and addressing stakeholders' concerns. When it comes to the communities of which the Group's properties are a part, the Service Center is a key point of first contact for residents (both existing and prospective) and other local bodies. Aroundtown has long dedicated itself to a high standard of service and has set itself the expectation that all Service Center inquiries receive a response within 24 hours (see Chapter 02 Tenants). For other stakeholders in Aroundtown's wider framework, the respective department heads maintain engaged relationships with key contact persons and business partners.

### Materiality Provides Basis for Engagement

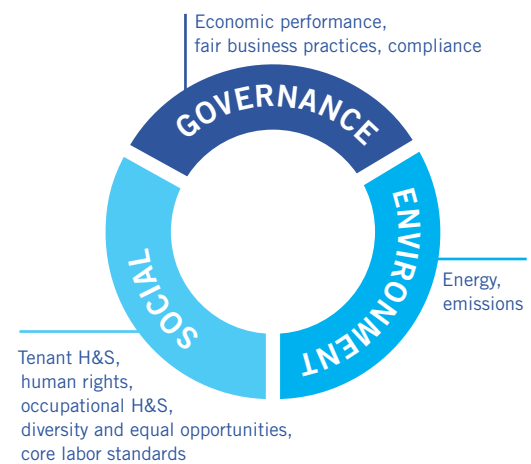
[GRI 102-41, 102-47]

As part of its CR coordination activities, the CR Steering Committee also manages and targets stakeholder communication. A key tool the committee uses for ensuring effective stakeholder communication is the materiality analysis. Possible topics are identified and assessed internally for their relevance and their impact. The topics with highest relevance and impact form the focus of communication. The materiality analysis was also used to determine appropriate content for this report. It guided prioritization of topics as well as the structuring of chapters.

The steps of a materiality analysis are as follows:

1. Prepare a comprehensive list of topics, using external reporting guidelines (GRI, EPRA, DNK) as a basis
2. Incorporate all legal requirements, in particular any applicable EU Directives
3. Conduct a peer group analysis to validate and align topic selection
4. Aggregate topics into thematic clusters
5. Select material topics based on cross-sectional mapping of stakeholder relevance and ESG impact
6. Identify topics with high and very high materiality

According to the materiality analysis, the topics with highest priority for Aroundtown are economic performance, tenant health and safety, fair business practices, compliance, energy, emissions, occupational health and safety, diversity and equal opportunities, human rights and core labor standards. In addition, Aroundtown also reports on such topics as local communities, training and development, tenant satisfaction, suppliers, water consumption, and generation of waste and wastewater. The CR Steering Committee makes its recommendations for Group CR communication and CR strategy on the basis of these focus areas and the related indicators.



### Aligned with Internal and External Relevance

For this report, mapping of topic relevance and the assessment of materiality were carried out internally by the CR Department, aided extensively by the operational departments concerned. The ESG/CSR Committee subsequently validated the results of the analysis and structured reporting and activities accordingly.



Baden-Baden

## Compliance

### Ambition Rooted in Strong Corporate Controls

[GRI 102-25 / EPRA Gov-Col]

As the largest listed German commercial real estate company, strong governance is central to Aroundtown's value creation promise. Aroundtown is committed to being a responsible actor in its segment. Compliance with all applicable laws and regulations is a self-evident prerequisite for exceptional performance. The Company's ability to attract shareholders and bondholders, and maintain attractive occupancy rates, is founded on its reputation for transparency as well as professional property development and management. Tenants, investors, suppliers, and customers trust in Aroundtown's responsible operations and base their decisions on this promise being upheld. Safe-

guarding the Company from reputational damage due to error or misconduct is thus central to being able to deliver on Aroundtown's ambition. Stringent compliance structures are the central management tool for ensuring responsible behavior guided by integrity throughout the Company's dealings.

Even as Aroundtown made its first acquisitions and began its repositioning projects, it was committed to creating a comprehensive compliance framework for its operations. Carrying these structures forward and adapting them to effectively navigate new challenges has never been more important than in today's environment. In view of increasingly complex legal frameworks and rising public expectations of ethical business, strong operational control and management oversight are critical to value-driven performance.



Leipzig

## Dedicated Compliance Shapes Operations

Compliance issues have relevant impact for all aspects of the Group's operations, and impact can occur at all levels, be it employees and management or customers and stakeholders. Aroundtown's compliance and risk management systems are structured accordingly and supplemented by extensive internal audit procedures. The Company's compliance framework covers all steps of the property management process, from acquisition to asset management through to administrative and operative functions.

Compliance management is structured with a view to preventing compliance violations and misconduct outright as well as minimizing risk for the company. Aroundtown's processes promote timely, complete, and fault-free disclosures of conflicts of interest and other sources of controversies. Ensuring ethical conduct by staff is crucial.

The Company translates its structural-level controls into operational practice through a wide range of corporate policies. Clear communication of corporate standards and expectations provides Aroundtown's employees and executives with targeted guidance on accepted behavior in day-to-day dealings.

## Safeguards for Ethical Business

[GRI 102-16]

The backbone of the Company's explicit commitment to ethical behavior in operations is its Code of Conduct, implemented in 2009. The Code of Conduct is a mandatory component of all staff employment contracts and applies equally to staff in all levels of the organization. The standards of behavior laid out in the Code are additionally supplemented by topically oriented policies on key issues. These policies include: Anti-corruption Policy, Anti-discrimination Policy (see also pp. 26–30), Whistle-blowing Policy (see also p. 13), Data Protection Declaration, and a User Policy for dealing with digital content and devices. It is the company's duty to protect its employees' rights and data privacy as well as to safeguard its legitimate interests as a going concern.

In 2017, Aroundtown implemented a mandatory yearly training module and sign-off procedure on the Code of Conduct for all employees to strengthen awareness of the standards defined therein. The Company also carried out a comprehensive update of governance policies to align them with the results of the 2017 analysis of the compliance management system. The Company's anti-corruption policies have currently been communicated to all employees as well as to all members of the Group's governing bodies.

## Embedding Commitment in the Supply Chain

[GRI 102-9, 308-1, 414-1]

Relationships with business partners are governed by comparable commitments to ethical conduct, as stipulated by the Group's Supplier Code of Conduct. The Supplier Code of Conduct was likewise updated in 2017 and distributed to all existing suppliers. The Code forms a binding contractual commitment and is updated regularly by the Legal Department. Aroundtown closely monitors compliance with the law and company policies via on-site visits and an annual review of all suppliers. Supplier selection is governed by the Green Procurement Policy. For more information on supplier management, please see pp. 14–15.

## Effective Management and Ongoing Development

Compliance issues for the Group are managed and evaluated by the Compliance Management Team, which falls under the aegis of the Legal Department. The Compliance Management Team comprises of one Chief Compliance Officer and two Compliance Analysts; the Chief Compliance Officer reports directly to the CEO. The Compliance Management Team is charged with implementing measures to foster rightful conduct and reviewing existing processes in coordination with Risk Management to identify areas for improvement. The Compliance Management Team bears responsibility for ensuring that all current legal and market requirements are reflected in Aroundtown's policies and structures.

The Group's processes and communication of policy expectations have proven highly effective, and the Group has registered zero compliance violations to date and maintains a commitment to zero tolerance for compliance violations. In 2017, the Company additionally undertook an extensive review of its compliance structures as a result of changes to the EU regulations for sustainability reporting. Aroundtown's goal for the future is to maintain its notable track record through careful analysis of the evolving market and regulatory environment in conjunction with further appropriate development of internal structures.

## Reporting Mechanisms Foster Responsible Conduct [GRI 102-17]

Aroundtown supplements its internal compliance management structures with a whistle-blowing service operated by an external service provider. Independence of this service provides an added level of assurance against conflicts of interest. The service is primarily aimed at enabling external persons or bodies to report possible violations or questionable conduct, but naturally may be used by Aroundtown's employees as well.

Aroundtown prefers that employees discuss concerns related to the Code of Conduct or other corporate guidelines in person. Anonymous reports may also be made, however. The decision for or against anonymity lies solely with the informer. The standard internal reporting procedure via department head and division head to the Chief Compliance Officer is outlined in the Whistle-blowing Policy, including alternative routes should the concern relate to an individual involved in the normal reporting chain. Employees may discuss compliance concerns in confidence with the Chief Compliance Officer at any time.

The reporting mechanisms are designed to empower both external actors and employees to report any and all violations or misconduct of which they become aware. Violations relate to violations of the law, company policies, or contracts of all kinds. Material misconduct is defined as being any behavior which could result in material (significant) damages to the Company or its employees. In all cases, investigation and reporting of violations are the responsibility of the Chief Compliance Officer. The Chief Compliance Officer is also charged with discussing events with all witnesses and involved parties as well as providing updates on the proceedings. Disciplinary sanctions are implemented should the preconditions for such measures be fulfilled. Aroundtown's whistle-blowing procedures explicitly communicate that informers shall not be subject to sanctions as a result of their reporting of another's misconduct.

## Risk Analysis Informs Compliance Structures

Aroundtown's management is highly cognizant of the challenges the Company must tackle in order to perform successfully and deliver on its vision of long-term value creation. Processes and operations are bounded by structures that allow for agile reactions to changing market conditions and an evolving risk environment. Compliance risks can relate to environmental issues, workplace health and safety topics, or potential for corruption in the form of bribery or fraud. Aroundtown's control systems must effectively hedge against and mitigate these risks. They must also evolve as the Group grows and keep pace with Aroundtown's dynamic development.

The Compliance Department in cooperation with the Risk Committee and other departments undertakes an analysis of the Group's risk position on a yearly basis, broken down by department, and coordinates its results with Compliance and the Board of Directors. In 2017, the Group carried out an extensive risk assessment as part of evaluating structures and requirements for fulfilling its EU-mandated sustainability reporting obligations. The compliance system was adjusted and expanded as a result of these findings.

Risk management measures are in place for all aspects of due diligence as well as technical, environmental, legal, and community-related issues.



Munich

## Suppliers

### Value-oriented Supplier Relationships

[GRI 412-3]

Aroundtown views its procurement activities as a key component in assuming its responsibility to sustainability as an ethically oriented actor in the supply chain. This pertains equally to which suppliers and other business partners Aroundtown chooses to do business with as well as to the standards of care to which it holds its various partners in the supply chain. The core of Aroundtown's value-oriented cooperation philosophy is a shared commitment to maintaining high standards of ethical, environmental, legal, and professional business. All business partners of Aroundtown should expressly distance themselves from corrupt behavior and unethical practices.

All Company suppliers are required to sign the Supplier Code of Conduct as a prerequisite for doing business with Aroundtown. In the Code of Conduct, suppliers formally commit to upholding standards of decent work (see also p. 15). Human rights violations of any kind are not tolerated,

and child labor and forced labor are explicitly renounced. Suppliers are obliged to provide workplaces that are free of discrimination and harassment (see also p. 15). Aroundtown further expects suppliers to mitigate negative environmental impact wherever possible (see also pp. 34–35) and orient their operations toward the environmental norm ISO 14001.

### Assessing Supply Chain Sustainability

[GRI 308-1, 413-1]

As close cooperation with suppliers allows for greater scope to enhance sustainability performance, the Group strives to build long-term supplier relationships based on trust. Suppliers are selected on the basis of the corporate Green Procurement Policy. This policy defines the standards by which suppliers are assessed and the criteria they must fulfill in order to enter into dealings with Aroundtown. The policy is communicated to all employees with purchasing responsibility. Where specific risks are identified, such as hazardous materials handling, suppliers are required to provide evidence that they possess the requisite certifications and permissions. The Group's standards and expectations of sustainability-oriented contract work are communicated in all requests for bids.

At the beginning of a new supplier relationship, Aroundtown carries out an assessment of the supplier's sustainability performance. The findings from this assessment are then used to identify areas where the supplier and Aroundtown can work together to achieve improvements. The assessments cover both environmental impact as well as social and compliance issues.

### Contractually Binding Commitments

Aroundtown has also incorporated supplier management into its compliance structures. Group project managers liaise closely with contractors, and internal and external experts perform on-site visits to ensure standards are being upheld. Internal Compliance Management undertakes a yearly review of all supplier relationships. As the Supplier Code of Conduct is a mandatory component for all supplier contracts, failure to comply with the commitments of the Code can be grounds for termination of the business relationship. The Company further reserves the right to exclude specific suppliers from bidding on new projects if they have committed past breaches of policy.

# 97%

of contracted suppliers were environmentally certified to ISO 14001 as of the third quarter of 2017



## Human Rights

### Unequivocal Pledge to Protect Decent Work

Aroundtown's vision of value-based performance is predicated on highest standards of ethical business. The Company considers generally accepted standards of decent work and respect for human rights to be non-negotiable components of its commitment to all stakeholders. Since the Group's asset development operations are carried out exclusively in the EU, comprehensive human rights laws of the European Union, supplemented by national-level regulations, govern its activities. Within this extensive legal framework, concrete human rights violations are not a substantial risk as statutory human rights protection is ensured at all localities in which Aroundtown operates.

Due to the focus of its operations on the repositioning of commercial properties with strong growth prospects, the majority of construction work related to Aroundtown's business is refurbishment projects rather than new developments. The Company engages contractors and construction companies to carry out these projects, closely coordinated by in-house project managers. According to the Company's risk assessments, the main area with potential for human rights violations lies with subcontractors hired by these firms.

Such subcontractors would not fall under direct oversight from Aroundtown. There is also a risk related to the treatment of migrant workers at large construction firms.

### Binding Standards for Suppliers

[GRI 412-3, 414-1]

Aroundtown applies its own standards of operations and expectation of human rights protection to the work carried out by contractors and works to minimize the risk of violations in the Company's supply chain. For its construction projects, the Group gives preference to local medium-sized enterprises. Further, all business partners are required to sign Aroundtown's Supplier Code of Conduct, which stipulates contractually binding standards of decent work and human rights protection. The Code was implemented in 2015 as a mandatory component of all supplier contracts and has been signed retrospectively in all existing supplier relationships as well. Project managers carry out periodic on-site visits to verify that suppliers are complying with these standards. Aroundtown aims to maintain its pleasing level of zero human rights violations in the supply chain and has duly incorporated these issues into its risk assessment processes.



Dortmund

02

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TENANTS



## Communication and Transparency

### Building Added Value for Tenants and Shareholders

Aroundtown measures the results of its operations both in terms of value for tenants and for shareholders. As an asset owner and property manager with a vision of sustainable value creation, the two are directly linked. Long-term tenant relationships are the foundation for generating attractive yields and the primary measure of the Group's success. To cultivate good tenant relations, the Group abides by applying exacting standards of customer service and considers its promise of outstanding, reliable service a key responsibility. Aroundtown is committed to not only delivering on this promise, but to also continually expanding and enhancing its service offering.

Sound customer services provide value to tenants through productive dialogue. Moreover, productive tenant relations add company value through positive reputational effects. Exceptional customer service is thus a driver of income generation for shareholders and is instrumental in achieving Aroundtown's business aims. The Group aspires to remain an industry leader in the area of tenant-oriented customer service.

### Bilateral Dialogue Effects Real Benefit

[GRI 203-1, 416-1]

Open communication and high levels of transparency are key tools that shape the relationship between tenants and their respective asset managers. Aroundtown's tenants look to the Group to provide them with effective support in the form of information, advice, and assistance. In turn, the Group must fully understand tenants' needs in order to ensure its development and management activities are effectual and beneficial. Established in 2011, the Group's Service Center is clear proof of its interest in and dedication to its tenants' well-being. Ongoing dialogue with tenants through direct interaction with the Service Center team allows the Group to quickly identify areas of dissatisfaction and implement appropriate corrective measures that will enhance tenant well-being.

### Friendly and Accessible Tenant Services

[GRI 203-1, 404-2, 416-1]

A dedicated service team in the Service Center is available in addition to a tenant's designated asset manager to deal with all tenant requests. This team is committed to fielding tenant inquiries with consistently high professionalism and approachability and in a variety of languages. To guarantee accessibility, the Service Center operates around the clock daily, 365 days a year. The Service Center has received dual TÜV certifications (Service Quality and DIN EN 15838 Customer Contact Centres), evidencing the high quality standards to which it performs.

In addition to its 24/7 accessibility promise, the Service Center also commits to responding to all issues within 24 hours. Maintaining this response time is the clearest proof the Group can give its tenants of its commitment to their care. Aroundtown's consistent adherence to its service quality promise is crucial in building and retaining tenants' trust and long-term loyalty.

The Group makes its expectation of high standards of service clear to all staff members during recruitment and their subsequent onboarding. This commitment is expanded and enhanced for all Service Center staff, who receive in-depth skills training as well as product- and safety-related training. As service quality and tenant satisfaction are factors of particular priority for the Group's top management, service-oriented thinking is a key skill covered by the Group's Leadership Program for upcoming managers (see Chapter 03 Employees, pp. 26–29). The Group takes great care to sensitize staff at all levels to issues of tenant care and ensure these values are lived throughout daily operations.

### Technological Support for Tenant Concerns

[GRI 203-1]

In addition to informational functions and open lines of communication, the Group's tenant services aim to systematically identify areas of dissatisfaction. Where issues become apparent, these shall be eliminated as swiftly and effectively as possible. Aroundtown has installed a number of procedural and technical structures that facilitate optimal effectiveness in dealing with tenants' concerns. For instance, the Group has invested in the technical capabilities of the Service Center, allowing it to be contacted not only via phone (toll-free) and email, but also via the recently launched mobile app and chat.



Our Service Center has been TÜV-certified since 2016

The second arm of the Group's strategic satisfaction management system is issue tracking. When tenants log a concern, their issue is automatically entered into a ticketing system. This applies to both complaints as well as common areas of improvement. The primary function of the ticketing system is to ensure that the 24-hour response time promise is maintained and that all issues receive a satisfactory solution. Ticket tracking ensures that the Group's issue response standards are met, including scheduling of repairs, visiting assets, and follow-up for tenant satisfaction feedback. Tickets are given specific processing status designations and are not closed until all stages have been completed. Issue tracking and data collection help Aroundtown to continuously improve its tenant care performance.

### Closely Monitored Feedback Data

[GRI 416-1, 416-2 / EPRA H&S-Asset, H&S-Comp]

The service process is overseen by the Service Center management team and is led by the Director of Customer Care Quality & Service, who reports directly to the CEO and top management. The Service Center team is also responsible for overseeing collaboration with service partners. The Service Center creates reports on new issues and issues still in process and reports daily to the management. Daily oversight is further supplemented by monthly quantitative reports based on data from the service request tracking system. The monthly reports include such indicators as total number of issues created in a given month, issue numbers by category, rate of issue reopening, and processing time.

The fundamental goal of all tenant care activities is to enhance tenant well-being and satisfaction. Aroundtown's due diligence process thus includes a systematic analysis of all tenant complaints, claims, and grievances. The overall pleasing developments in satisfaction are largely a result of the Group's concerted effort to reduce service times and enhance the quality of work conducted. The Group has also successfully implemented and maintained its promise of a 24-hour response time for all issues raised. Service Center friendliness and reachability are the highest scoring items in terms of satisfaction. Going forward, it will be examined how the items time until resolution and quality of the work conducted can be enhanced further still.

Amsterdam

### Relationship Based on Trust and Reliability

The quality of Aroundtown's communication is closely linked to developments in satisfaction levels. Low tenant satisfaction levels are associated with depressed occupancy levels and thus a risk of burdens for asset yields. The Group's tenant communication activities are designed to ensure that tenants can trust their voice will be heard and that they view their relationship with the asset manager as one based on open communication and reliability.





Berlin

## Tenant Satisfaction

### Investing in Tenant Satisfaction

[GRI 416-1 / EPRA H&S-Asset]

At its core, Aroundtown's ability to generate attractive yields in the long term and deliver on its promise to shareholders is dependent on the company attracting and retaining tenants. Tenant satisfaction is thus an essential metric in assessing and guiding the Group's performance. It governs not only the Aroundtown service philosophy lived throughout daily operations, but also strategic development choices.

Aroundtown is committed to achieving high levels of tenant satisfaction by means of ongoing analysis and correspondingly targeted investment. The Group conducts regular surveys of tenant satisfaction. Results of the surveys are combined with data from the Service Center to obtain as complete a picture of tenant issues as possible. This allows the Group to develop appropriate and effective measures in infrastructure, processes, and operations. Aroundtown structures its investments with a view to creating sustainable value and social benefit.

## Personal and Technical Support Infrastructures

The central entity that allows precise assessment of tenant satisfaction is the Service Center. It is the point where staff and tenants interact most directly, providing a first level of person-to-person feedback on the Group's performance. Personal interaction is supplemented by the in-house developed service request system, which provides the technical basis for collecting the raw data used for monitoring tenant care performance and the corresponding impact on tenant satisfaction. For more information on the Service Center, please see also pp. 18–19 and p. 43.

Thanks to the technical capabilities of the service request system, each concern raised is documented in detail and categorized by issue subject. Attribution is further specified via subcategories, thereby giving the Group a highly specific picture of the issues concerning tenants. The service request system and subsequent follow-up calls enable satisfaction monitoring at individual tenant level. This data provides a valuable basis for success and effectiveness assessment.

## Data-driven Feedback Assessment

Aroundtown actively monitors all feedback received through the Service Center and responds promptly and efficiently. In addition, tenant surveys are conducted after a service request is closed. They are analysed on a semiannual basis to assess Aroundtown's performance in the areas of Service Center friendliness, business partner friendliness, reachability, quality of work conducted, and time to resolution. Aroundtown methodically tracks and analyzes the combined satisfaction data from this variety of sources and incorporates it into strategic decision-making as well as daily operations. The operational goal is always to aspire to higher levels of satisfaction and thereby retain loyal tenants. Low tenant turnover rates translate to more stable yields and attractive properties.

Responsibility for tenant satisfaction monitoring lies with the Service Center management. They report on their results at regular intervals to the CEO and other top management. Satisfaction monitoring takes all tenant complaints, claims, and grievances into account. The Service Center carries out methodical data collection and evaluation with the aim of identifying areas for improve-

ment and implementing appropriate measures. The Group's overall aspiration is to continually enhance satisfaction levels across the board.

## Surveys Precisely Evaluate Satisfaction

Systematic analysis of all service feedback and satisfaction data gives the Group a well-founded overall view of its performance and areas for improvement. The categories assessed in the satisfaction surveys are: friendliness of Service Center, friendliness of service partners, reachability of Service Center, quality of work conducted, and amount of time until resolution. For the years 2014 to 2016, satisfaction was rated on a three-point scale of positive, negative, and neutral. In 2017, the Group updated and revised its survey methodology and implemented a five-point assessment system. This change in methodology limits comparability of the 2017 data, however, it will allow for more precise assessments of changes in satisfaction for future years.

When satisfaction survey data was first gathered, the categories of time until resolution and quality of work conducted had the largest amount of negative responses (26% and 18% respectively). Improving satisfaction levels in these two categories formed the main focus of subsequent tenant care activities and clearly positive results were achieved. By the end of 2015, these categories had improved substantially, achieving values of 16% and 7% respectively. In the first half of 2016, a slight dip in satisfaction levels was registered despite the overall positive trend. This was due to having only recently assumed management of a number of objects in the portfolio. As the new building management became more established, numbers rebounded.

**Over 88%**

satisfaction rating given by tenants in each category of AT's customer satisfaction survey

# 100%

of our properties are reviewed annually  
in terms of safety issues

On the new five-point scale, Aroundtown achieves values of over 88% in all cases. The categories of Service Center friendliness and Service Center reachability received the highest ratings, providing further evidence of both the effectiveness of Aroundtown's service philosophy as well as its long-term orientation. Average satisfaction rates per category will be the main indicator Aroundtown uses to evaluate its achievements in this area, supplemented by tenant turnover data.

## Mitigating Occupancy Risk

Tenant satisfaction levels are closely tied to tenant turnover rates, with unsatisfied tenants having lower loyalty and a higher likelihood of termination. Tenant satisfaction is thus a crucial factor in maintaining occupancy rates. Low satisfaction levels carry a risk of vacancies, which can be augmented by reputational factors if the media were to publish negative reports on tenant issues. Tenant satisfaction activities are thus firmly integrated in Aroundtown's due diligence structures and operational management. Aspiring to continually increasing tenant satisfaction lays the strategic foundation for long-term income generation and attractive yields.



Rotterdam



## Tenant Health and Safety

### Sound Fundamentals

[GRI 416-1 / EPRA H&S-Asset]

Utmost assurance of infrastructural health and safety compatibility is a prerequisite to tenant satisfaction. Aroundtown considers comprehensive compliance with all statutory norms and safety requirements applicable in Germany to be self-evident. As such, the buildings Aroundtown owns comply with the highest general safety and fire safety standards. The Group's frequent physical presence at its properties and close collaboration with building management further ensure that factors with a health and safety impact are given the highest priority.

In addition to statutory compliance, the Group regularly monitors and assesses safety-related issues as part of its extensive due diligence activities. The Group carries out an annual technical review of all properties in its portfolio to guide future investment planning. Among other things, infrastructural measures related to facades, roofing, building exteriors, and stair access points are covered with a special focus on fire safety regulations and other tenant safety issues. The reviews evaluate safety benefits and cost effectiveness of the outcomes.

### Expert On-site Assessments

[GRI 416-1, 416-2 / EPRA H&S-Asset, H&S-Comp]

Aroundtown carries out regular site visits for the purposes of budget planning. On-site building management provides valuable input for identifying areas in need of enhancement, ensuring any issues are dealt with promptly. Necessary repairs are commissioned immediately and any dangers associated with the issue eliminated. All safety-related incidents are thoroughly investigated. Site management also assists in carrying out regular tests of fire safety systems.

The topic of fire safety carries particular importance. Aroundtown uses external service providers for fire safety assessments. The external assessors prepare expert opinions on various fire safety issues through on-site visits at all properties. Where defects are identified, Aroundtown relays the issue to the regional director responsible. Regional directors are tasked with ensuring the



Schwielowsee Berlin-Potsdam

defect is eliminated swiftly. Comprehensive documentation of the process, from identification to elimination and follow-up ensure that transparency of all measures and work conducted is maintained. Where necessary, additional site visits are performed at multiyear intervals.

03

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EMPLOYEES



## Company Culture

### Human Capital Shapes Success

[GRI 102-8]

As a growing company and a leading player in the German real estate segment, Aroundtown depends on its employees' dedication and expertise for its long-term success. With over 270 employees as of December 31, 2017, the performance of the company is shaped by the quality and competence of its workforce. Aroundtown aspires to provide its staff with a corporate culture and working environment that cultivates success and fosters a diverse array of talents. The company views the synergies created by actively supporting and promoting diversity to be a key element of its competitive advantage on the market.

<b>EMPLOYEES – OVERVIEW</b>	<b>2017</b>	<b>2016</b>
<b>total number of employees</b>	<b>270</b>	<b>157</b>
female	141	82
male	129	75
<b>total number of permanent employees</b>	<b>154</b>	<b>101</b>
female	81	50
male	73	51
<b>total number of temporary employees</b>	<b>116</b>	<b>56</b>
female	60	32
male	56	24
<b>total number of full-time employees</b>	<b>239</b>	<b>134</b>
female	118	66
male	121	68
<b>total number of part-time employees</b>	<b>31</b>	<b>23</b>
female	23	15
male	8	8

Aroundtown is committed to recruiting top-tier talent and guiding its human capital to a maximum of growth and performance. Healthy and satisfied employees are the foundation for the Group's ability to compete and serve its tenants. Aroundtown reinforces high levels of motivation throughout its staff by communicating a strong commitment to a value-based corporate culture, offering flexible working hours, promoting ongoing professional development, reinforcing open communication, and expanding connections through networks, mentoring, and support groups.

<b>NEW EMPLOYEES</b>	<b>2017</b>	<b>2016</b>
<b>total number of new employee hires</b>	<b>126</b>	<b>95</b>
female	69	56
male	57	39

### A Workplace Governed by Openness and Respect

Aroundtown explicitly affirms its responsibility for the work environment in which its staff carry out their operations. This duty of care relates to the health and human safety aspects of their work as well as the values and behaviors that define their daily working environment. Through its Employee Code of Conduct, the Group has aligned itself with certain fundamental standards of decency founded on the central value of mutual respect. The company expects all staff to abide by the values of openness, trust, teamwork, and acceptance of diversity in all their dealings with one another and with its tenants and other stakeholders. The Code of Conduct forms a compulsory part of all employee contracts.

Aroundtown actively promotes diversity in the workplace with the view that workforce diversity is a key operational advantage in terms of flexibility and innovation. Further, the staff's diversity brings benefits of shared perspective in that it reflects the diversity of the Group's tenants. Discrimination or harassment in any form are not tolerated. Respect for individual personal differences applies to all stakeholders – be they employees, tenants, business partners, suppliers, shareholders – and is a non-negotiable expectation of all those who act in Aroundtown's name. The Group is firmly committed to offering impartial treatment and equal opportunities to all. The Group Code of Conduct is supplemented by the Diversity Policy and the Anti-discrimination Policy to further reinforce Aroundtown's standards of decent work.

### Developing Intrinsic Potential

[GRI 404-2]

Aroundtown sets its employees up for success by investing in its human capital and developing its potential. Learning should be an ongoing pursuit and the company has tailored its development program to allow staff to tackle new challenges, both those brought by career advancement and those resulting from market or global megatrends. Since 2014, the Group's Training ACADEMY and Leadership Program have been tailored to train skills and proficiencies as the company's operations require. As a rule, the Group prefers to promote from within and cultivates talent wherever it sees potential.



Hamburg

## Payment and Social Benefit

### Compensating Performance

[GRI 102-35]

Performance is the result of the skilled application of expertise and commitment. For an employer wishing to leverage this performance, providing adequate compensation to its employees is a self-evident responsibility. Aroundtown provides its workforce with attractive, appropriate remuneration for their contributions in line with their respective competencies and range of duties.

In addition to affecting current employees' motivation, commensurate pay is a key factor in Aroundtown's attractiveness as an employer. The company's payment strategy thus heavily impacts its ability to draw and retain qualified personnel. Compensation is structured according to level of expertise and responsibility and is supplemented by target-linked performance incentives. The Group's ability to deliver on its value creation promise is predicated on the company employees being equipped to innovatively and flexibly find solutions to the market's challenges.

### Fair Payment across Genders

[GRI 405-2 / EPRA Diversity-Pay]

When viewed according to gender, Aroundtown's payment structures show a gender pay gap of 0.78 to 1 (2016: 0.70 to 1) on average over all employees for 2017. When narrowed to higher management, this figure was 0.89 to 1 (2016: 0.68 to 1). National statistics for Germany show an average gender pay gap of 0.78 to 1 in 2014 for employees of all categories. For employees in management positions the figure was 0.76 to 1. Though there is still work to be done, Aroundtown is well in line with national averages, and in terms of management roles the Group even posts significantly higher figures. Aroundtown is pleased to report this positive trend over multiple years and will work to continue this development. Overall the company was made up of 53% female (2016: 52%) and 47% male (2016: 48%) employees in 2017.

# 55%

of new hires in 2017 were female

## Education and Training

### Preparing Staff for Success

Highly qualified employees who are trained specialists in their field are the true source of Aroundtown's business excellence. The merit of the Group's human capital will have significant impact on all aspects of its sustainability performance as it is the people in each case who are charged with actively implementing the measures of the Group's sustainability strategy. The Group is also dependent on its staff to continually identify attractive opportunities and find ways to outperform targets.

In today's world, supporting staff with effective training and development measures is a crucial responsibility of the employer to ensure the workforce has the tools needed for tackling new and ever more complex challenges, such as those associated with global megatrends like digitalization. Opportunities for ongoing professional development enhance performance motivation for staff and are compelling draws for attracting new employees. As Aroundtown prefers to promote from within the company wherever possible, effective training measures additionally secure the internal pipeline for talent advancement.

# 100%

of employees have access to AT's internal LMS

### Skills Training to Leverage Potential

[GRI 404-2 / EPRA Emp-Dev]

Corporate development offerings directly impact all staff involved in Aroundtown's operational activities. The Group has implemented a wide variety of training measures, covering all levels of the organization and all departments. Overall, Aroundtown has found individualized training to be substantially more effective than generalized training for all employees. The limited effect achieved through generalized training of this kind does not yield the appropriate operational benefits. Where required, the company also employs external specialist trainers to develop specific areas, such as various soft skills and other competences.

Professional advancement at Aroundtown is solely oriented on ability and potential. The company consciously prioritizes skill sets, both professional and personal, over specific certifications and invests where it sees particular talent. Aroundtown does not view a specific university degree or industry background as prerequisites for performing well in a given role so long as the individual has the right aptitude. Specialized training is offered where needs and potential are identified.

Aroundtown participates in the German dual-education system via the Chamber of Commerce, qualifying recent high school graduates through hands-on training in the company coupled with traditional classroom instruction. These programs are administered and supervised by the German public authorities.

### Broad In-house Training Offering

[GRI 404-1, 404-2 / EPRA Emp-Training]

The Group has formally codified its philosophy of professional development in its statement "Commitment to Human Capital Development". Since 2014, management of training and development throughout the Group has been bundled in the Training and Development Department. This department oversees the Training ACADEMY and the company Leadership Program as well as monitoring other measures and indicators. Managerial responsibility for training and development lies with the Head of HR.

Established in 2014, the Training ACADEMY is the central in-house entity offering seminars and other training units for all staff. The ACADEMY offers high-grade professional and soft skills training for all levels of employment. It is supplemented by the Leadership Program, which provides management training for upcoming talent. The Leadership Program is designed to foster the skills in lower management necessary for taking on the complex challenges of more senior management roles.

These two central functional arms of training and development are backed by an array of policies, guidelines, and monitoring systems that ensure the Group's training delivers on its responsible approach philosophy. Training and development is included in the Group's due diligence process, allocated to overall HR management and monitoring. The Group has implemented a software-based Learning Management System (LMS) that aids in tracking measures and enhancing effec-

tiveness. A key goal of training management will be to further raise participation levels throughout the company. The system also ensures that the entire workforce receives instruction on the Code of Conduct, informational security, the handling of personal data, and safety-related guidelines.

### Targeted Training Investment

The Group carefully tailors its investment in professional development to achieving continued improvement of its business results. Operational benefit is thus reviewed at department level to ensure effectiveness. Its commitment to training is also a key factor in achieving preferred employer status. An attractive development offering improves employee motivation and lowers staff fluctuation. Going forward, the Group intends to increase its training participation rate.

### Securing Talented Professionals

[GRI 404-3, 205-2 / EPRA Emp-Dev]

High efficiency and stamina of Aroundtown's human capital are crucial to ensuring ongoing strong business results. Long-term development of that capital is thus key to consistently enhancing the Group's performance. A failure to provide appropriate instructions carries the risk that staff members have insufficient knowledge of the business and their duties or how to ensure compliance with legal requirements. Inadequate employee training is also linked to staffing risks as a result of poor employee retention and low attractiveness to job seekers. Superior professional development will fortify the Group's image as an employer of choice and safeguard Aroundtown's long-term value creation.

## Diversity and Anti-discrimination

### Protecting Diversity of Perspective

[GRI 405-1 / EPRA Diversity-Emp]

The diversity of Aroundtown's workforce is a vital tool that drives the Group's power to innovate, find flexible solutions, and maintain ongoing impressive business success. Diversity of perspective can stem from differences in nationality, ethnicity, race, culture, age, gender, religion, ideology, sexual identity, or physical ability. In all cases, the Group views these differences as strengths that give the company a competitive edge on the market and aid it in providing top-tier service for its tenants. Aroundtown actively works to strengthen diversity and reflect in its workforce a wide breadth of cultural strengths.

Aroundtown is committed to protecting diversity in all its forms. Discrimination on the basis of any of these characteristics constitutes an infringement of basic human rights and is explicitly prohibited. Moreover, discrimination in the work environment demotivates employees and puts the company's success at risk. The Group's zero-tolerance policy for discrimination and harassment applies equally to all departments and all interactions with colleagues, management, tenants, and other stakeholders.

### Attractive Employer for Diverse Talent

Aroundtown aspires to be an employer of choice for a broad range of highly qualified international professionals. Its multinational activities go hand in hand with a clear dedication to openness and inclusivity in the workplace. The Group has pledged itself to providing equal opportunities to all in line with their professional qualifications. No individual shall be given preferential or disadvantaged treatment on the basis of race, gender, ethnicity, religion, sexual identity, or other characteristics. As the Group hires exclusively based on individual potential and qualifications, however, this may at times have the effect of decreasing actual diversity of the workforce. Further, Aroundtown expressly values the benefit of life experience and know-how that workers over the age of 50 can contribute. The tenets of inclusivity and equal treatment also apply to professional advancement, the arrangement of working conditions, and access to occupational training.

## A Culture of Respect

[GRI 412-2, 412-3]

Dignified and respectful treatment of all is a core value of the Aroundtown corporate culture. Aroundtown expects its executive staff to take the concerns of employees seriously in their decision-making. At the same time, the creation of a productive working environment is a shared task and staff are called on to make constructive contributions as well.

Aroundtown is a signatory of the German Diversity Charter, a corporate initiative that promotes diversity in companies and institutions. The Group expects both staff and management to act according to this philosophy in all their activities and applies especially high standards to its executives in this regard, as they serve as role models for others. This commitment is laid out in the company's mission statement and further defined in the Employee Code of Conduct. It sets out clear guidelines for acceptable behavior. The Code of Conduct is supplemented by the topical guidelines, the Diversity Policy and the Anti-discrimination Policy.

The Group's policy framework lays out clear definitions and standards of conduct. Discrimination can take either direct or indirect form and is defined as any instance in which a person receives less favorable treatment than another in a comparable situation based on one of the factors named above. The Group also considers harassment a form of discrimination and defines it as any practice capable of violating a person's dignity on the basis of one of the above-named.

Discrimination and harassment are highly detrimental to performance and the working environment. Aroundtown firmly rejects any and all actions that would create a workplace characterized by intimidation, hostility, humiliation, or systematic insult, either through personal contact or through other means (e.g. electronic communication).

## Strategic Orientation Cultivates Diversity

[GRI 412-2]

Diversity topics and discrimination-prevention issues are overseen by the HR Department. The Head of HR bears supervisory responsibility for the department's activities and reports directly to the CEO. Aroundtown has also established a Diversity Committee to more firmly embed diversity issues in both operational and strategic

alignment. The Diversity Committee is made up of employees from all organizational levels of the company and guides the Group's engagement in this area. The committee is charged with ensuring implementation of the Diversity Policy and with realizing measures to cultivate and grow open-minded thinking.

In addition to signing the Code of Conduct, all employees receive diversity training that includes modules designed to develop diversity management capabilities. Staff members are also instructed on how to report incidents of discrimination or harassment via the whistle-blowing service (see also p. 13). As the commitment to eschewing discrimination forms a component of all employment contracts, compliance is compulsory.

DIVERSITY		2017	2016
<b>Diversity of governance bodies</b>			
female	%	44.44	28.57
male	%	55.56	71.43
<b>Diversity of employees</b>			
female	%	54.04	54.42
male	%	45.96	45.58

## Inclusive Environment Strengthens Business Position

[GRI 401-1, 406-1 / EPRA Emp-Turnover]

Aroundtown augments its diversity management with special software-based HR tools that are used to gather and analyze relevant data. A process for recording incidents of discrimination has also been implemented. In 2017, Aroundtown registered zero incidents of discrimination. The Group aspires to maintain this record going forward. For 2018, Aroundtown has set itself an additional goal of reducing staff turnover to 8% (currently 10%). The company has implemented a retention program designed to boost loyalty and reduce fluctuation.

Concrete violations of anti-discrimination policies carry a legal risk for the company in terms of compliance as well as possible financial impact due to legal action or sanctions. Moreover, a too-homogenous workforce can limit flexibility of perspective and thereby impair innovation and recognition of opportunities. Lack of diversity or a company culture that stifles inclusivity thus pose a risk to long-term growth in performance.



## Occupational Health and Safety

### Working Together Safely

[GRI 403-3]

Aroundtown has a duty to its workforce to ensure that the environment in which they carry out their tasks is safe and poses no undue burden to their health. The Group adheres to a company vision of high standards of health and safety in the workplace and actively works to promote these. Healthy employees who feel safe in their surroundings contribute higher value to the company's performance. The company views the commitment to occupational health and safety as a joint responsibility to create a pleasant, safe environment for all and expects its staff to support its ambitious approach.

All positions and tasks are to be structured in such a way that no employee is faced with significant threats to their health or with life-threatening situations in order to perform their duties. In general, there are no positions within the company that entail occupational activities associated with a high incidence of or risk for specific diseases. As Aroundtown also collaborates with suppliers and subcontractors in the construction sector, occupational safety issues in the supply chain cannot be fully ruled out. For more information on supplier due diligence, please see Chapter 01 Corporate Governance.

### Promoting Safety-conscious Behavior

Strict compliance with all health and safety EU and national-level regulations applicable to its operations form the backbone of the Group's orientation. In accordance with EU provisions the company has two designated Safety Officers. Every department has a designated person instructed in first aid measures. There are currently a total of 71 registered first aid helpers. Managerial responsibility for health and safety concerns rests with the Head of HR. As of November 2017, the HR Department has formalized corporate health and safety guidelines into a stand-alone policy.

Part of achieving Aroundtown's ambitious standards of health and safety in the workplace is the recognition that it is a shared concern. The Group communicates and trains its staff on a wide variety of safety measures and precautions. Yearly safety training via an online tool is mandatory for all staff. Staff also receive instruction on evacuation procedure and proper reporting of work accidents. Employees are requested to identify and report any and all instances of unsafe working

conditions they may encounter or violations of safety requirements. HR additionally tracks and analyzes all work accident reporting via defined processes and corresponding software.

In general, employees are expected to maintain standards of behavior that avoid risk for themselves and others as far as possible. As such, staff are for example expected to accept responsibility for all objects they justifiably bring to the premises. To further boost staff health, Aroundtown has made a fitness center available free of charge to employees at its Berlin headquarters. The center offers a variety of classes as well as targeted coaching for specific topics, such as lower back pain.

### Maintaining a Healthy, Committed Workforce

[GRI 403-2, 403-3 / EPRA H&S]

As a sector, real estate management does not carry a high risk of special health and safety risks other than the standard health impact of office work. Aroundtown only had one incident of work accidents<sup>1)</sup> in 2017 and will further work on improving its measures to ensure zero work-related accidents. Aroundtown has additionally set itself the goal of reducing the overall number of sick days and increasing employee retention. The Group bases its notable performance on the dedication of a healthy, satisfied workforce.

<sup>1)</sup> AT defines work-related incidents as incidents which occur in direct relation to their employees' activities at the workplace.

Schwielowsee Berlin-Potsdam



**04**

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**ENVIRONMENT**



## Environmental Management

### Strategic Environmental Orientation

[GRI 102-11]

Aroundtown has firmly embedded a clear commitment to environmental responsibility in its business plan. The Group pursues a development strategy that pairs minimized environmental impact with attractive asset yields and strong performance. ESG criteria guide investments, and the Group regularly monitors its consumption and output for a variety of indicators. A primary goal of the strategy is to optimize the Group's cost structures through implementation of environmentally friendly refurbishments and advancements, installation of sustainable systems, and the use of renewable energy sources.

In expanding its portfolio, environmental factors are taken into account as early as the acquisition stage. The Group performs extensive technical audits of potential assets to critically examine their environmental profile and refurbishment potential. The results of these audits form the basis for all investment decisions. Following acquisition, a clear catalogue of measures shape the strategic implementation in the Group's asset repositioning activities and due diligence processes.

### Achieving Continual Improvement

The Group's environmental management strategy is underpinned by extensive technical expertise in the related departments, operational procedures that gather environmental data, and thorough instruction in environmental awareness for staff. Staff at all levels are trained to assess and document environmental performance in their area of responsibility. The technical departments scrutinize the environmental impact of both operations and the Group's assets. Technical reviews identify ways to continually improve environmental performance on the basis of modern technology and in line with statutory regulations. Additionally, refining the data collection process will allow reporting on environmental data separately for Aroundtown's headquarters as of 2018.

The Group has installed operational procedures that aid in monitoring indicators related to environmental performance. These systems are continually developed further so that the Group has at its disposal a wide array of real-time data on relevant parameters. Areas of particular focus include monitoring and minimizing GHG emissions and increasing the use of renewable energy.

When undertaking asset refurbishment projects, improvements in these areas translate to savings for the Group in the form of energy, materials, and operating costs, in addition to their positive environmental effect. Energetic improvements are thus incorporated wherever feasible.

### Clearly Defined Commitments

Aroundtown has made specific commitments to using renewable sources of energy, reducing the emissions generated by its operations, lowering its wastewater and waste output, and monitoring its environmental performance. These commitments are installed firstly in the Group's Environmental Policy, which extensively defines all aspects of the company's energy management actions and its environmental responsibility. Aspects of this policy include, for instance, working only with providers that monitor their energy consumption and fully offset their respective CO<sub>2</sub> emissions.

The Environmental Policy is further supplemented by the Green Procurement Policy, which lays out a variety of specific corporate guidelines related to improving environmental aspects of operations and stipulates that preference be given to suppliers that fulfill certain environmental performance standards. Aroundtown further maintains ongoing dialogue with its shareholders and other stakeholders with regard to environmental issues and includes its performance in these areas in its corporate reporting.

Aroundtown invests heavily in extending a property's residual life. To continually optimize its business plan and asset management, Aroundtown conducts regular risk assessments. The Group includes environmental risks in its risk management strategy and performs environmental due diligence reviews of its assets. These assessments take account of all aspects of environmental management, such as energy efficiency, water and waste management, climate risk, and GHG emissions. The portfolio is monitored with regard to compliance as well as potential for improving its environmental footprint.

### Contractual Environmental Commitments

[GRI 308-1]

The Aroundtown Green Procurement Policy is the central guideline governing the Group's selection of and collaboration with suppliers. This policy clearly stipulates that suppliers that work to high

# 10%

CO<sub>2</sub> savings planned in the next two years

standards of environmental performance be given preference in the awarding of contracts. All Group suppliers are furthermore required to exhibit full compliance with all relevant legal standards. Suppliers must also provide evidence of external certifications in certain key areas of environmental management, as these certifications provide means by which to evaluate the impact of a supplier's activities and products delivered. As of the end of 2017, 97% of the Group's contracted suppliers were certified in accordance with the environmental norm ISO 14001.

The Group works with its suppliers on an ongoing basis to systematically reduce the burden of their operations for the environment. Aroundtown encourages its suppliers to continually present new and improved systems, technology, and methods,

and via innovation to achieve environmental targets. Moreover, the Group strives to sharpen suppliers' awareness of their own procurement and selection activities and to thereby boost environmental performance throughout the entire supply chain.

### Responsible Procurement Strengthens Value Chain

Where its own selection is concerned, it is corporate policy to choose the option with the lowest environmental burden wherever economically feasible. The Group is actively working to increase the share of energy for its operations and its assets procured from renewable energy sources or from climate-neutral natural gas and electricity.

Munich



## Energy and Emissions

### Responsibility for Efficient Foundations

In developed countries, the real estate sector accounts for a third of all greenhouse gas emissions. Aroundtown is fully cognizant of the role it plays in effectuating sustainable development. As a property owner and asset manager it has a clear responsibility to provide an infrastructural foundation that will allow ongoing increases in energy efficiency and continual reductions of emissions. As Aroundtown's business operations are mainly investment-oriented, it is not directly involved in the industrial production processes

of the real estate sector and does not yet pursue greenfield development. In terms of the property life cycle, the energy consumed during a building's operation phase accounts for the lion's share of emissions related to the Group's business.

The Aroundtown portfolio comprises 80% commercial usage and 20% residential usage (as of December 2017). Where banks, retailers, or hotels are the tenants, the nature of their operations has a significant impact on consumption profiles. As these businesses are often in constant operation, the Group's properties continually consume

energy and have corresponding CO<sub>2</sub> emissions production. Aroundtown has only limited influence on tenants' consumption behavior, but utilizes a variety of development strategies to enhance energy efficiency in its buildings and help tenants reduce their carbon footprint.

### Optimizing Returns by Developing Potential

The Group is firmly committed to creating value through asset enhancement rather than new construction. The majority of Aroundtown's portfolio consists of mid-life-cycle properties. The Group's primary focus is on developing assets to enhance value and long-term returns. Nearly all properties in the portfolio were existing buildings at the time of purchase and thus only qualify to a limited extent for green building certification. Nevertheless, the company's development decisions can leverage significant potential for optimizing assets with respect to energy efficiency and tenants' consumption. Aroundtown's strategic focus is to extend the life span of existing structures by enhancing their sustainability and create an attractive portfolio offering eco-friendly performance data.

Aroundtown bases its investment strategy and refurbishment activities on a philosophy of reducing operating costs wherever possible. Lower service costs are beneficial for tenants and provide an attractive operational basis for the Group's value creation promise. Enhanced energetic building profiles and efficient heating systems translate to lower environmental burden as well as lower operating costs. Aroundtown thus firmly aligns its strategic property development decisions with the aim of heightening energy efficiency throughout its portfolio.

On top of eliminating maintenance backlog on newly acquired properties, the Group invests in a variety of energetic enhancements. Insulation and facade improvements are supplemented by installation of energy-efficient heating systems. The Group has already switched over part of its portfolio and will be systematically removing inefficient fossil-fuelled heating systems step by step. Use of more advanced heating systems will reduce not only overall consumption, but also decrease emissions and other pollution. The Group further performs technical audits of its assets on a regular basis to continually identify potential for improvement. Due to the substantial improvements to environmental performance the Group has made throughout its portfolio, in 2017 Aroundtown became a member of the German Sustainable Building Council (DGNB).

# 100%

of our greenhouse gas emissions are offset

### Sustainable Life Cycle Informs Acquisitions

During the acquisition process, life cycle assessments and extensive technical due diligence are crucial for choosing attractive development properties. Experienced specialists assess buildings' energetic profiles, environmental impact, and the related cost of investment for the refurbishment process. Resource consumption and waste creation over a property's entire useful life are evaluated. In cases where properties do not already meet the Group's standards for sustainability and environmental impact, necessary refurbishment and repositioning investment is included in the budgeting process. Should it be necessary to tear down a building, environmental impact of the removal process and waste is also considered. The weighing of commercial and energy balance assessments are a key component of the underwriting process. Aroundtown pursues an investment philosophy that uses flexibility and innovative solutions – for instance changing a property's use – to achieve optimal returns with the lowest possible environmental impact.

Although the Group is not involved in the construction of certified green buildings, it is company policy to prefer investment in green buildings, insofar as the due diligence returns a positive assessment. The Group pursues green building optimization in its properties where such investment would yield an overall life cycle benefit. Energetic enhancements include improving thermal insulation and installing more efficient heating systems. In the case of mid-life-cycle assets, Aroundtown is considering pursuing Blue Building certification where appropriate. Blue Building certification recognizes green building optimization as applied to structures already in the mid-point of their operational phase. The blue building approach moves away from a purely energy efficiency perspective towards a holistic sustainability analysis of the life cycle of a building. The Group is currently assessing suitable buildings and reviewing the relevant certification methodology.

### Robust Management Supervision

[GRI 307-1, 308-1]

Responsibility for energy management lies with the heads of the Energy Department and the ESG Department. The heads of these departments report directly to the CEO. Moreover, the Group considers the risks related to climate change to be fundamentally relevant to its value creation performance and thus includes them in its corporate risk management processes. Environmen-

tal policy and energy performance are thus embedded at highest corporate level and subject to direct strategic oversight.

In addition to investing in structural upgrades, Aroundtown takes a holistic view of environmental impact. Awareness campaigns among staff and informational drives for tenants target improvements in consumption behavior, while technical upgrades such as metering technology and indicator monitoring provide the data for quantitative target setting. Full compliance with all legal statutes on the part of Aroundtown is further extended to the entire value chain thanks to the Group's Environmental Policy. This policy clearly defines energetic compliance obligations for all the Group business partners. The Group expects all providers to monitor energy consumption and environmental performance. Group energy providers must possess gas or electricity certifications. Within contractual limits set by existing contracts Aroundtown is switching its entire portfolio to gas providers who fully offset their CO<sub>2</sub> emissions and to electricity providers with 100% renewable sources.

### Data Monitoring Provides Insight

[GRI 302-1, 305-1, 305-2 / EPRA Elec-Abs, GHG-Dir-Abs, GHG-Indir-Abs]

The Group's ability to identify opportunities and risks and continually enhance its energetic performance is aided by quantitative data gathering. The Group measures data related to key indicators and uses this information to set targets, monitor performance, and provide its stakeholders with transparent reporting in line with industry standards. This data is also required for the fulfillment of various certifications. Energy consumption and GHG intensity data are controlled at regular intervals and benchmarked against average data for buildings of a similar type and occupancy level. Aroundtown additionally assesses the effectiveness of measures it has implemented through comparison of calculated expected benefit and actual benefit as determined in technical energy audits.

In the area of electricity, heat, and fuel, in 2017 the Group's landlord-obtained electricity was 6,905,479 kWh (2016: 7,681,380 kWh), total landlord-obtained heat was 11,965,509 kWh (2016: 13,558,730 kWh) and total landlord-obtained fuels were 14,120,371 kWh (2016: 13,848,511 kWh). This translates to a building energy intensity of 66.21 kWh/m<sup>2</sup>/year (2016: 70.42 kWh/m<sup>2</sup>/year). The indicator building energy intensity varies strongly by type of building and management of operating costs.

### ENERGY CONSUMPTION (like-for-like)<sup>1)</sup>

	UNIT	2017	2016	% CHANGE
Landlord-obtained electricity	kWh	6,905,479	7,681,380	-11
Landlord-obtained heat	kWh	11,965,509	13,558,730	-13
Landlord-obtained fuels	kWh	14,120,371	13,848,511	2
Building energy intensity	kWh/m <sup>2</sup> /year	66.21	70.42	-6

The Group recorded CO<sub>2</sub> emissions (tCO<sub>2</sub>e) in 2017 of 3,454 tons (2016: 3,766 tons). These emissions relate solely to Scope 1 and Scope 2 emissions as the Group does not report on Scope 3 emissions. Scope 1 emissions are those emissions that are directly attributable to the Group's own or controlled sources; Scope 2 emissions are indirect emissions generated from purchased energy. The Group's total 2017 emissions breakdown as 1,949 tons (2016: 2,474 tons) in Scope 1 and 1,505 tons (2016: 1,292 tons) in Scope 2.

### GREENHOUSE GAS EMISSIONS (like-for-like)<sup>1)</sup>

	UNIT	2017	2016	% CHANGE
Emissions (Scope 1 + Scope 2)	tons CO <sub>2</sub> e	3,454	3,766	-9
Direct emissions (Scope 1)	tons CO <sub>2</sub> e	1,949	2,474	-27
Indirect emissions (Scope 2)	tons CO <sub>2</sub> e	1,505	1,292	14
GHG Scope 1 and 2 intensity from building energy	kg CO <sub>2</sub> e/m <sup>2</sup> /year	6.93	7.56	-9

### Regular Review of Risk Position

Over the course of 2017 Aroundtown expanded its technical monitoring capabilities. At the time of writing, these systems were not fully implemented but will continue to be successively rolled out over 2018. Going forward, the Group will be able to report more comprehensively on its specific performance. Regular technical and energy audits provide the basis for adjusting measures as needed to developments in technological advancement, changing risk profiles, and actual energy performance. Concrete risks from the effects of climate change do not currently have high relevance for the Group's operations in Germany. Where non-physical risks are concerned, the Group has extensive measures in place in the form of explicit corporate policies that eliminate as far as possible risks related to suppliers or other business partners.

<sup>1)</sup> For details on data compilation, please see Chapter 06 Facts and Figures.

## Water

### Metering Reinforces Responsible Consumption

Worldwide, the availability and quality of water is of ever-increasing importance. As asset manager, Aroundtown ensures for its tenants provision of sufficient water in a quality that will meet their requirements. The Group's overall goals with respect to water management are to reduce water consumption to only that which is strictly necessary, to maintain a high level of water quality provided, and to reduce water- and wastewater-related operating costs. In its role as service provider, Aroundtown is not directly responsible for the majority of water consumption related to its operations. It can, however, influence tenant consumption indirectly via technical and information means.

#### WATER CONSUMPTION (like-for-like)<sup>1)</sup>

	UNIT	2017	2016	% CHANGE
Water for landlord-shared services	m <sup>3</sup>	76,343	72,786	5
Building water intensity	m <sup>3</sup> /m <sup>2</sup>	0.153	0.146	5

<sup>1)</sup> For details on data compilation, please see Chapter 06 Facts and Figures.

Where possible, Aroundtown chooses to install technical improvements that will result in lower water consumption. A key factor in consumption behavior is the ability to monitor and record consumption. The Group is thus prioritizing installment of water meters in all assets in its portfolio. In addition to technical capacities, the Group undertakes to raise consumption awareness among its tenants through a variety of information measures.

### Benchmarked Data Provides Guidance

[GRI 303-1 / EPRA Water-Abs]

Responsibility for water management activities lies with the Head of the Environmental Department, who reports directly to the CEO. Aroundtown continually monitors water consumption at its properties. The Group assesses its performance via benchmarking of actual consumption data against expected average consumption for a given building type and occupancy level. Regular benchmarking is also used to assess the effectiveness of any measures implemented by comparing expected and actual efficiency results. For 2017, operations resulted in water consumption from landlord-shared services of 76,343 m<sup>3</sup> (2016: 72,786 m<sup>3</sup>). As the Group has no other consumption sources, this represents total consumption and a building water intensity of 0.153 m<sup>3</sup>/m<sup>2</sup>/year (2016: 0.146 m<sup>3</sup>/m<sup>2</sup>/year).

## Waste

### Creating Attractive Assets

Aroundtown structures its operations on the clear premise that lowering service costs brings benefits for tenants, savings for the company, and thus enhances attractiveness of the Group's assets for all stakeholders. The Group invests effort and capital in particular areas where environmentally friendly behavior carries operational benefits in addition to a positive environmental impact. Ongoing reductions in waste output translate to a clear reduction in environmental burden as well as lower service costs.

Aroundtown has set itself the goal of consistently lowering both the total amount of waste output and the amount of residual waste not disposed of via recycling programs. The Group is structuring its waste-related development strategy on boosting recycling quotas by investing in infrastructural measures to either provide recycling facilities or enhance existing recycling motivation. Guided by a commitment to responsible business, Aroundtown aligns a responsibility for the environment with sustainable tenant relations and attractive portfolio returns.



## Less Waste Equals Lower Cost Burden

[GRI 306-2 / EPRA Waste-Abs]

With the overall goal of reducing total waste output, Aroundtown is currently in the process of auditing waste facilities and waste handling procedures throughout its portfolio. Waste consumption is monitored and benchmarked against expected average rates. Outliers are used to identify areas for potential improvement and development-related measures. Where external service providers are engaged for waste handling needs, all assets are subjected to regular controls. In particular in instances where waste handling costs are higher than expected, the Group inspects operations to ascertain whether proper waste recycling is being carried out. The Group and all external service providers are contractually committed to full legal compliance through the Group's service agreements and Environmental Policy.

Due to the nature of Aroundtown's role as asset manager, much of the Group's potential for action is limited to indirect influence. The Group provides informational materials in a number of languages aimed at raising awareness among tenants and reducing consumption. The various publications, handouts, and videos emphasize the dual benefit of waste-conscious behavior and encourages them to act with environmental responsibility in mind while also lowering their own cost burden.

Where possible Aroundtown strives to leverage its ability to influence tenant behavior through environmentally aligned investment and refurbishment. For instance, the company has implemented a technologically supported waste handling system at select locations. At these locations, an electronic chip records waste disposal and tenants receive a clearly presented statement of their waste charges, allowing them to see in monetary terms the specific effects of economizing residual waste. This heightened transparency and billing by actual usage has yielded substantial reductions in residual waste both by weight and by volume and higher recycling quotas. In 2017, operations and properties produced 3,800,660 liters (2016: 3,772,380 liters) of waste.

## Waste Reporting Enhances Control

Responsibility for household waste lies with the Asset Management Department. Asset Management further provides the Energy Department with regular reporting on household waste. Waste with registered contamination is the responsibility

of the Construction Department with direct reporting to the CEO. Where larger refurbishment projects are to be undertaken, assets are assessed for problematic or contaminated waste in order that proper waste removal and handling can be accounted for in investment planning. As far as possible, construction waste is recycled, in accordance with the applicable standards in Germany and the Netherlands.

Waste reduction impacts the attractiveness of Aroundtown's assets. The Group mitigates the associated risk to its ability to generate long-term returns by enhancing awareness of waste minimization among all stakeholders, suppliers, and other business partners. Concrete corporate policies ensure the Group's strategy is underpinned with strict contractual obligations. The Group's refurbishment activities bear the risk of higher environmental burden due to contaminated or hazardous waste. In such instances, Aroundtown engages specialist external service providers to ensure proper handling and removal. The Group maintains strict compliance with all applicable legal statutes and requires that third parties provide evidence of appropriate certification, thus minimizing risk as far as possible.

### WASTE DISPOSAL (like-for-like)<sup>1)</sup>

	UNIT	2017	2016	% CHANGE
Waste by disposal route	liters	3,800,660	3,772,380	1

<sup>1)</sup> For details on data compilation, please see Chapter 06 Facts and Figures.

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SOCIETY





Hamburg

## Community Involvement and Development

### Developing Community Value

[GRI 413-1]

In addition to enhancing an asset's value at structural level, Aroundtown strives to develop its portfolio such that the communities of which its buildings are a part also derive concrete long-term value added. Aroundtown considers itself an active participant in its communities and

aligns its activities accordingly during the turn-around process as well as throughout the further management of the assets. Stable, strong communities are beneficial to both the Group's business ambition and its tenants' future prospects. Aroundtown leverages its portfolio's potential as well as long-term relationships with local stakeholders to create significant social benefit for its communities.

## Strategically Aligned Commitment

The Group orients its community involvement around four strategic pillars:

1. Social engagement with tenants
2. Active involvement of local authorities and media
3. Construction, development, and refurbishment projects
4. Complaints management

In all four areas, open exchange and finding common ground via shared interests is the Group's main priority. Relationships built around trust and credibility are a prerequisite for the long-term development horizon that generates greatest value added for all parties.

Continuous dialogue is thus the Group's key tool for achieving mutually beneficial development. Aroundtown actively seeks to build partnerships with local stakeholders in order that their concerns and input can be integrated to achieve targeted impact within the assets' communities. The Group successfully tailors its investments and engagement to regional needs via intensive exchange and transparency. Its ongoing cooperation and dialogue with a wide variety of partners and affiliates allow the Group to focus its activities on measures that generate direct, tangible benefit for the well-being, health, safety, and economic development of tenants and other stakeholders.

## Enhancing Assets to Enhance Communities

The Group aspires to align its investment activities with creating positive social impact and concurrent regional economic growth. An asset's potential contribution to the economic and social development of a community is thus a top concern when planning the turnaround process. Input from local authorities and other stakeholders is key in determining appropriate investment measures. Dialogue also ensures higher levels of transparency, allowing the Group to actively manage and address concerns about possible negative outcomes.

During the takeover and repositioning process, Aroundtown actively approaches local authorities and media for regular consultations. Due to the Group's focus on creating value added

through enhancement of at times previously neglected properties, the assets concerned often have a preexisting negative reputation and image within the community. Open dialogue is crucial for managing any issues with conflict potential or reputational risk components, while effectively turning the asset into a community benefit. These efforts are closely dovetailed with the Group's concrete refurbishment plans. Input is consistently sought and incorporated early on. Key stakeholders are integrated at different stages throughout development to ensure the greatest possible success.

## Joint Interests Create Mutual Benefit

During the operational phase, asset stabilization is a key concern. Aroundtown views strong communities as crucial to maintaining robust tenant relationships. To foster tenants' ability to be productive members of their community, Aroundtown provides a range of support for individual challenges through its Tenant Relations Manager Program. This program is strategically designed to lay the foundations for sustainable communities throughout an asset's life. Where required, the Group works as a mediator between its tenants and local authorities with the aim of finding mutually beneficial solutions to all challenges.

Throughout development and management, Aroundtown strives to make sure all stakeholders feel their concerns will be heard and their issues taken seriously. The Group's complaint management system is designed to ensure complaints from an asset's community are leveraged in such a way that positive impact can be achieved through an aspiration to ongoing improvement. All complaints are directed to the respective Asset Manager, Regional Director and the Service Center, and documented via a service ticket. The clearly structured service ticket process with defined responsibilities ensures that complaints receive a timely response and are pursued through to resolution. In cases of more serious complaints, these are reported to the PR Department and the relevant Asset Manager or Regional Director, as well as further responsible personnel.



Hotel Resort Maritim  
Rheinsberg

### Regional Responsibility with Perspective

To ensure efficient implementation, Aaroundtown has bundled its social engagement under the Community Involvement and Development Program. This program has grown out of the Group's many years of community dialogue and provides the structure at the core of Aaroundtown's social commitment. The program's concrete measures are guided by an array of internal policies and guidelines that define expectations of positive impact and ethical standards. The policies also stipulate that activities and stakeholder engagement be reviewed at regular intervals to assess impact achieved and its efficiency.

Community relations are managed at operational level by the relevant Asset Manager or Regional Director. Asset Managers and Regional Directors report to the CEO monthly on relevant community developments. They orient their work toward a checklist-based community due diligence assessment prepared before asset takeover. This assess-

ment is used to design targeted engagement plans as the property moves through takeover, repositioning, and its operational phase. The Group takes care to align its assessment checklists with the results of formal stakeholder identification processes. This ensures that property management is carried out with appropriate consideration for the needs of the respective community.

Moreover, community development investment is included in the annual operational budgeting. When planning capital expenditure, health and safety investments are given the highest priority. Development plans are reviewed and amended at 12-month intervals and require direct approval from the CEO before implementation. In particularly urgent cases, the investment requirement can be presented for approval immediately at occurrence. Following asset takeover, the Group generally aims to have completed the turnaround process within three years. The Group sets yearly location-specific targets for community impact and development as part of this process.

**06**

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**FACTS AND FIGURES**

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Fuels-Abs	Total fuel consumption	kWh/year	52
Fuels-LfL	Like-for-like total fuel consumption	kWh/year	52
Energy-Int	Building energy intensity	kWh/ m <sup>2</sup>	52
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	t CO <sub>2</sub> e	37, 52
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	t CO <sub>2</sub> e	37, 52
GHG-Int	Greenhouse gas (GHG) emissions intensity from building	t CO <sub>2</sub> e/m <sup>2</sup>	52
Water-Abs	Total water consumption	m <sup>3</sup>	38, 52
Water-LfL	Like-for-like total water consumption	m <sup>3</sup>	52
Water-Int	Building water intensity	m <sup>3</sup> /m <sup>2</sup>	39, 52
Waste-Abs	Total weight of waste by disposal route		52
Waste-LfL	Like-for-like total weight of waste by disposal route		52
Cert-Tot	Type and number of sustainably certified assets	Total	52
<b>Social Performance Measures</b>			
Diversity-Emp	Employee gender diversity	%	29, 52
Diversity-Pay	Gender pay ratio	Ratio	27, 52
Emp-Training	Employee training and development	Ø hours	28, 52
Emp-Dev	Employee performance appraisals	%	28, 29, 52
Emp-Turnover	New hires and turnover	Total	30, 52
H&S-Emp	Employee health and safety	Rate	31, 52
H&S-Asset	Asset health and safety assessments	%	19, 20, 23, 52
H&S-Comp	Asset health and safety compliance	Total	19, 23, 52
<b>Governance Performance Measures</b>			
Gov-Board	Composition of the highest governance body	Total	8, 52
Gov-Selec	Process for nominating and selecting the highest governance body	Narrative on process	52
Gov-Col	Process of managing conflicts of interest	Narrative on process	11, 52

## EMPLOYEES

KEY FIGURES	UNIT	2017	2016	GRI	EPRA
<b>Number of employees</b>					
total number of employees (permanent and temporary)		270	157	GRI 102-8	
female		141	82	GRI 102-8	
male		129	75	GRI 102-8	
total number of permanent employees		154	101	GRI 102-8	
female		81	50	GRI 102-8	
male		73	51	GRI 102-8	
total number of temporary employees		116	56	GRI 102-8	
female		60	32	GRI 102-8	
male		56	24	GRI 102-8	
total number of full-time employees		239	134	GRI 102-8	
female		118	66	GRI 102-8	
male		121	68	GRI 102-8	
total number of part-time employees		31	23	GRI 102-8	
female		23	15	GRI 102-8	
male		8	8	GRI 102-8	
<b>New employee hires and employee turnover</b>					
total number of new employee hires		126	95	GRI 401-1	
female		69	56	GRI 401-1	
male		57	39	GRI 401-1	
<b>Rate of new employee hires</b>					
female	%	55	59	GRI 401-1	
male	%	45	41	GRI 401-1	
age group <30		46	28	GRI 401-1	
age group 30–50		62	46	GRI 401-1	
age group >50		18	21	GRI 401-1	
<b>Employee turnover</b>					
total number of employee turnover		53	9	GRI 401-1	Emp-Turnover
female		31	5	GRI 401-1	Emp-Turnover
male		22	4	GRI 401-1	Emp-Turnover
<b>Rate of employee turnover</b>					
female	%	58	56	GRI 401-1	Emp-Turnover
male	%	42	44	GRI 401-1	Emp-Turnover
age group <30		22	3	GRI 401-1	Emp-Turnover
age group 30–50		21	5	GRI 401-1	Emp-Turnover
age group >50		10	1	GRI 401-1	Emp-Turnover

## EMPLOYEES

KEY FIGURES	UNIT	2017	2016	GRI	EPRA
<b>Parental leave</b>					
Employees that were entitled to parental leave		7	5	GRI 401-3	
female		6	4	GRI 401-3	
male		1	1	GRI 401-3	
Employees that took parental leave		7	5	GRI 401-3	
female		6	4	GRI 401-3	
male		1	1	GRI 401-3	
Employees that returned to work in the reporting period after parental leave ended		4	2	GRI 401-3	
female		3	1	GRI 401-3	
male		1	1	GRI 401-3	
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work		4	2	GRI 401-3	
female		3	1	GRI 401-3	
male		1	1	GRI 401-3	
<b>Diversity of governance bodies</b>					
female	%	44.44	28.57	GRI 405-1	
age group <30	%	8.33	16.66	GRI 405-1	
age group 30–50	%	58.33	33.34	GRI 405-1	
age group >50	%	33.33	50	GRI 405-1	
male	%	55.56	71.43	GRI 405-1	
age group <30	%	13.33	0	GRI 405-1	
age group 30–50	%	60	60	GRI 405-1	
age group >50	%	26.66	40	GRI 405-1	
<b>Diversity of employees</b>					
female	%	54.04	54.42	GRI 405-1	Diversity-Emp
age group <30	%	31.78	26.25	GRI 405-1	Diversity-Emp
age group 30–50	%	53.27	57.5	GRI 405-1	Diversity-Emp
age group >50	%	14.95	16.25	GRI 405-1	Diversity-Emp
male	%	45.96	45.58	GRI 405-1	Diversity-Emp
age group <30	%	19.78	13.43	GRI 405-1	Diversity-Emp
age group 30–50	%	50.55	56.72	GRI 405-1	Diversity-Emp
age group >50	%	29.67	29.85	GRI 405-1	Diversity-Emp
<b>Ratio of basic salary and remuneration of women to men</b>					
employees	ratio	0.78:1	0.70:1	GRI 405-2	Diversity-Pay
management	ratio	0.89:1	0.68:1	GRI 405-2	Diversity-Pay

## ENVIRONMENT

### PORTFOLIO

The values for Arountown's environmental performance measures are based on a sample that consists of 18 buildings with 865 offices covering a total of 498,271 m<sup>2</sup>. The sample accounts for 24.1% (2016: 23.7%) of the total net lettable area under direct administration of Arountown at the end of 2017.

KEY FIGURES	UNIT	LIKE-FOR-LIKE			GRI	EPRA	CRESB
		2017	2016	% CHANGE			
<b>Energy</b>							
Electricity for landlord-shared services	kWh	6,905,479	7,681,380	-11	GRI 302-1	Elec-Abs, Elec-Lfl	
Total landlord-obtained electricity	kWh	6,905,479	7,681,380	-11	GRI 302-1	Elec-Abs, Elec-Lfl	
Heat for landlord-shared services	kWh	11,965,509	13,558,730	-13	GRI 302-1	DH & C-Abs, DH & C-Lfl	
Total landlord-obtained heat	kWh	11,965,509	13,558,730	-13	GRI 302-1	DH & C-Abs, DH & C-Lfl	
Fuels for landlord-shared services	kWh	14,120,371	13,848,511	2	GRI 302-1	Fuels-Abs, Fuels-Lfl	
Total landlord-obtained fuels	kWh	14,120,371	13,848,511	2	GRI 302-1	Fuels-Abs, Fuels-Lfl	
Building energy intensity	kWh/m <sup>2</sup> /year	66.21	70.42	-6	GRI 302-3	Energy-Int	CRE1
<b>Greenhouse gas emissions (GHG)</b>							
Total emissions	tons CO <sub>2</sub> e	3,454	3,766	-9	GRI 305-5		
Direct emissions (Scope 1)	tons CO <sub>2</sub> e	1,949	2,474	-27	GRI 305-1	GHG-Dir-Abs, GHG-Dir-Lfl	
Indirect emissions (Scope 2)	tons CO <sub>2</sub> e	1,505	1,292	14	GRI 305-2	GHG-Indir-Abs, GHG-Indir-Lfl	
GHG Scope 1 and 2 intensity from building energy	kg CO <sub>2</sub> e/m <sup>2</sup> /year	6.93	7.56	-9	GRI 305-4	GHG-Int	CRE3
<b>Water</b>							
Water for landlord-shared services	m <sup>3</sup>	76,343	72,786	5	GRI 303-1	Water-Abs, Water-Lfl	
Building water intensity	m <sup>3</sup> /m <sup>2</sup>	0.153	0.146	5	GRI 303-1	Water-Int	CRE2
<b>Waste (landlord-handled)</b>							
Waste by disposal route	liters	3,800,660	3,772,380	1	GRI 306-2	Waste-Abs, Waste-Lfl	
Recycled waste							
<b>Certified assets</b>							
Mandatory (EPC): energy certificates <sup>1)</sup>	%	95	95	0		Cert-Tot	CRE8

<sup>1)</sup> 95% of the certifications are available. The remaining 5% relate to certifications of newly acquired buildings or buildings under historical protection.



## Memberships and Awards

### Memberships

[GRI 102-13]



Aroundtown is an active member of ZIA. The German Property Federation (ZIA) pursues the objective of representing the general, economic, and ideological interests of the entire property sector and of promoting collaboration among its members. It supports and accompanies measures suitable for sustaining and improving the economic, legal, political, and fiscal framework conditions of the property sector.



Aroundtown is an active member of EPRA. EPRA's mission is to promote, develop, and represent the European public real estate sector. EPRA achieves this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry.



Aroundtown is an active member of DGNB. The German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB e.V.) sees itself as a non-profit association with a goal of supporting sustainable construction and sustainable operation of the buildings around us. The DGNB is not driven primarily by economic goals, instead its aims are of a social nature. The organization is funded and supported by its members and it interprets sustainability as an extension of their definition of democracy and part of an obligation to future generations.



AT has signed the diversity charter. The diversity charter aims to promote the recognition, appreciation and integration of diversity into Germany's business culture. Organizations are to create a working environment free of prejudice. All employees should be valued – regardless of gender, nationality, ethnic origin, religion or worldview, disability, age, sexual orientation and identity.



## Awards

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**88th percentile,**  
ranked as “Outperformer”,  
as of August 2017

In August 2017 Aroundtown’s ESG measures were assessed by Sustainalytics, a leading sustainability rating agency, who ranked Aroundtown in the 88th percentile among 280 international real estate peers worldwide, noting Aroundtown as an “Outperformer” in all categories: Environmental, Social, and Governance.

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At the EPRA Conference in September 2017, Aroundtown’s accomplishments were recognized and rewarded with the EPRA BPR GOLD award, the highest standard for financial reporting.

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[GRI 102-53]

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