



# Sustainability Report

2019

## About this Report

This report is Aroundtown SA's third sustainability report. Its purpose is to demonstrate our ongoing commitment to sustainability and provide information on the progress we have made and measures we have implemented over the course of 2019. The report is aimed at our business partners, investors, tenants, employees and other interested stakeholders, and presents our activities and achievements from a sustainability perspective. It complements our Consolidated Financial Statements for the 2019 financial year which provide a full account of business model, financial performance, corporate governance practices and approach to risk management. The report can be found on our website at: <https://www.aroundtown.de/investor-relations>.

## Alignment with GRI Standards and EPRA Guidelines

This report has been compiled using the guidelines developed by the Global Reporting Initiative (GRI) and the European Public Real Estate Association (EPRA). In particular, when developing the report's content and reporting on our performance data, we have oriented ourselves on the GRI Standards and EPRA Sustainability Best Practice Recommendations (sBPR).

Our response to the Performance Measures and Overarching Recommendations in the 3<sup>rd</sup> edition of the EPRA sBPR is available on page 47.

Although this report is not prepared 'In accordance' with the GRI Standards, a cross-reference table with the relevant GRI Standards covered by the contents of this report is available on page 61.

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Shmuel Mayo, CEO

## Letter to the Stakeholders

### Dear Readers,

Events over the past twelve months have reinforced a sense of urgency about the challenges we face in securing a sustainable future. The Covid-19 pandemic has added to heightened warnings from the scientific community about the rate of environmental and social change that is unfolding across the globe. Amid unprecedented levels of social and economic dislocation brought about by action to limit the spread of the coronavirus, we have witnessed the international community, governments, businesses and other organisations maintain their long-term focus to declare a climate and ecological emergency, with pledges to substantively reduce or eliminate their carbon emissions over the next decade and reduce their impacts on the natural environment.

Both the immediate and long-term ramifications of Covid-19 and climate change could exacerbate the social and economic tensions already present in our cities, adding to pressure on social institutions, natural resources and increasing inequality. However, rapid advances in technological innovation; heightened collaboration between civil society, and a concerted shift towards a low-carbon circular economy could bring about changes that improve quality of life, individual health and community well-being whilst maintaining economic stability. In keeping with the vision established by the United Nation's Sustainable Development Goals (UN SDGs), we need to work towards a new, sustainable model of urban living for the benefit of people and the planet.

You might ask what this means for Aroundtown. As the Covid-19 pandemic spread throughout much of Europe during the first quarter of 2020, we unhesitatingly prioritised the safety and well-being of our employees and took precautions to make sure that everyone is safe and secure. Secondly, we commenced our business continuity planning to ensure we can operate as normally as possible, while taking the necessary steps to protect our people and partners once restrictions are lifted.

While some countries begin to ease their lockdowns, the economic consequences are likely to be profound and will have a wider indirect impact on the Group. Events such as Covid-19 reaffirm the importance of our diversification strategy which encompasses a quality portfolio located across the strongest performing markets in Europe, distributed across various asset classes and a large tenant base with no dependency on a single industry. Our strategy is underpinned by a strong financial profile with a substantial cash balance that will support our business during the current disruption.

Over the long term, with a business model that centres on creating value by repositioning assets in both commercial and residential sub-sectors, we believe that we have a unique opportunity to contribute positively to these challenges and support the long-term visions set out in the SDGs. A primary goal of our business strategy is to extract value from existing urban infrastructure by implementing refurbishments and upgrades to what are often neglected assets. Investing in measures to increase the well-being of our tenants and communities; improving energy efficiency; introducing advanced waste management facilities and installing renewable or low-carbon energy systems are an integral part of this process.

Through this approach, we support the transition to a low-carbon and resource-efficient economy, and provide much needed high-quality accommodation for businesses and people in dynamic cities. We revitalize the existing built environment rather than creating new urban surfaces on land that could be restored to natural or agroecological use. We bring benefits to tenants and communities and deliver strong returns to shareholders. Indeed, our sustainability commitment helps us to attract and retain tenants and investors; reduce both landlord and occupiers' operating costs and sustain the long-term value of our assets.

2019 saw our sustainability goals become more formally embedded within our core business approach as part of our integrated sustainable busi-

ness strategy. We continued to work towards our targets – including a 40% reduction in CO<sub>2</sub> emissions by 2030; delivering industry-leading customer service; offering our employees a health and well-being certified office by 2025 and investing €500,000 a year in community-building activities, up to 2030. The launch of our sustainable energy program marked a key milestone for the Group: it entails a partnership with an energy development company to invest up to €210 million in efficient and renewable energy generation and storage systems; EV charging stations; smart meters and advanced energy measurement software. 21 pilot projects have already been identified at our sites, and the first phase of investments is scheduled to be completed by December 2020.

We have also made good progress against our environmental performance indicators. We have reduced portfolio CO<sub>2</sub> emissions by 10% compared to 2018, a result which has been achieved due to the progressive switch to renewable energy and carbon neutral gas suppliers across the portfolio, as well as the continued replacement of inefficient heating systems and other energy-consuming equipment in our properties. We have increased recycling rates by 5.45% through efforts to improve waste management facilities for our tenants and increase on-site segregation. We have also increased the scope and accuracy of our environmental data, enabling us to more effectively monitor the impact of improvement measures and report with greater confidence to our stakeholders. We are proud of the achievements realised by staff in many different areas of the business, from collaborating with one of our key tenants to develop a new green lease concept for hotels, to working towards a BREEAM In-Use 'Outstanding' rating to the benefit of tenants in one of our Netherlands office buildings.

Besides upgrading our physical assets, investing in the neighbourhoods where they are present supports our long-term commercial interests as a property investor whilst creating additional value from a social sustainability perspective. We have selectively invested in projects for wider community benefit in connection with our commercial assets, such as the community-led development of Berlin-Treptow, Elsenstraße and participation in the SINN in Frankfurt initiative for the transformation of the Niederrad office district.

Grand City Properties S.A. (GCP), the residential property company in which Aaroundtown holds a 39% stake, creates shared facilities for its tenants and funds activities that support residents' education; employment prospects and general well-being as a key part of its strategy. By improving the

quality of its housing accommodation and providing these additional services, GCP contributes directly to the quality of life and social opportunities for occupiers. Several of GCP's projects – including those initiated at Grohner Düne in Bremen – also tackle inequalities and support social integration within the wider community.

Fostering strong relationships with our stakeholders is paramount to the successful realisation of our sustainable business strategy. This includes maintaining our outstanding customer service offer; attracting and retaining skilled and dedicated people and forging long-term partnerships with suppliers who share our core values.

Beyond the tangible improvements we make to increase the comfort, cost-efficiency and environmental quality of our buildings, our unrelenting focus on customer care is centred on transparent communication and rapid and flexible response to all concerns and requirements. Over the next 12 months, we aim to further strengthen our approach to tenant engagement which includes exploring the introduction of a client relationship management (CRM) system and communications platform. As part of our pledge to increase the quality of our employees' work life, we will work towards a higher level of workplace wellbeing in line with the WELL Building standard. Finally, we will continue to engage with all our suppliers to promote best practices in line with, or beyond, the standards we have established through our Code of Conduct and Green Procurement Policy.

I am immensely proud of the progress we have made, and the dedication our employees have shown in driving forward Aaroundtown's sustainable business strategy. Our achievements have already earned us recognition, and in March 2020 we were one of 50 companies included in the new DAX 50 ESG Index that recognises companies who are demonstrating leadership on the management of ESG issues. As we work together towards a more sustainable future, we look forward to overseeing the evolution of our business in 2020 and reporting back to you with another update on our performance and accomplishments at the end of the year.

Yours sincerely,



**Shmuel Mayo**  
CEO

## Performance Highlights

### Business Performance

- Net rental income increased 21% to €765.7 million
- Adjusted EBITDA grew to €772.7 million, an increase of 28%
- Strong FFO I growth, increasing by 24% to €503.4 million
- Merger with TLG completed by February 2020

### Society

- Established the Aaroundtown Foundation and invested more than €200,000 in charitable projects

### Employees



- Included in the Bloomberg 2020 Gender-Equality Index

### Environment

- 100% of assets assessed for climate-related risks
- Switched to carbon neutral electricity and gas for 90% of our portfolio
- Developed an energy investment plan and committed to invest up to €210 million in efficient and renewable energy generation and storage systems by 2022

### Awards



Received Gold Awards for our financial and sustainability reporting for the third and second year respectively from the European Public Real Estate Association.



DAX<sup>®</sup> 50 ESG

Improved our ranking from Sustainalytics to Outperformer in 94<sup>th</sup> Percentile (from 93<sup>rd</sup> Percentile in 2018) globally among 339 peers which contributed to our inclusion in the DAX 50 ESG Index.



Cologne

## About us

Aroundtown SA is the largest listed German commercial real estate company as well as the largest listed buyer in German real estate. We invest in quality income generating properties with value-add potential in top tier European cities, primarily in Germany and The Netherlands. We also hold a 39% stake in Grand City Properties S.A., a leading specialist in residential real estate based in Germany.

With an integrated approach to real estate investment and management, our business model centres on creating value by repositioning assets. Through an accomplished and intensive property and asset management regime, we improve the environmental and social performance of our assets to the benefit of investors, tenants and building users, and surrounding communities, whilst delivering strong portfolio returns.

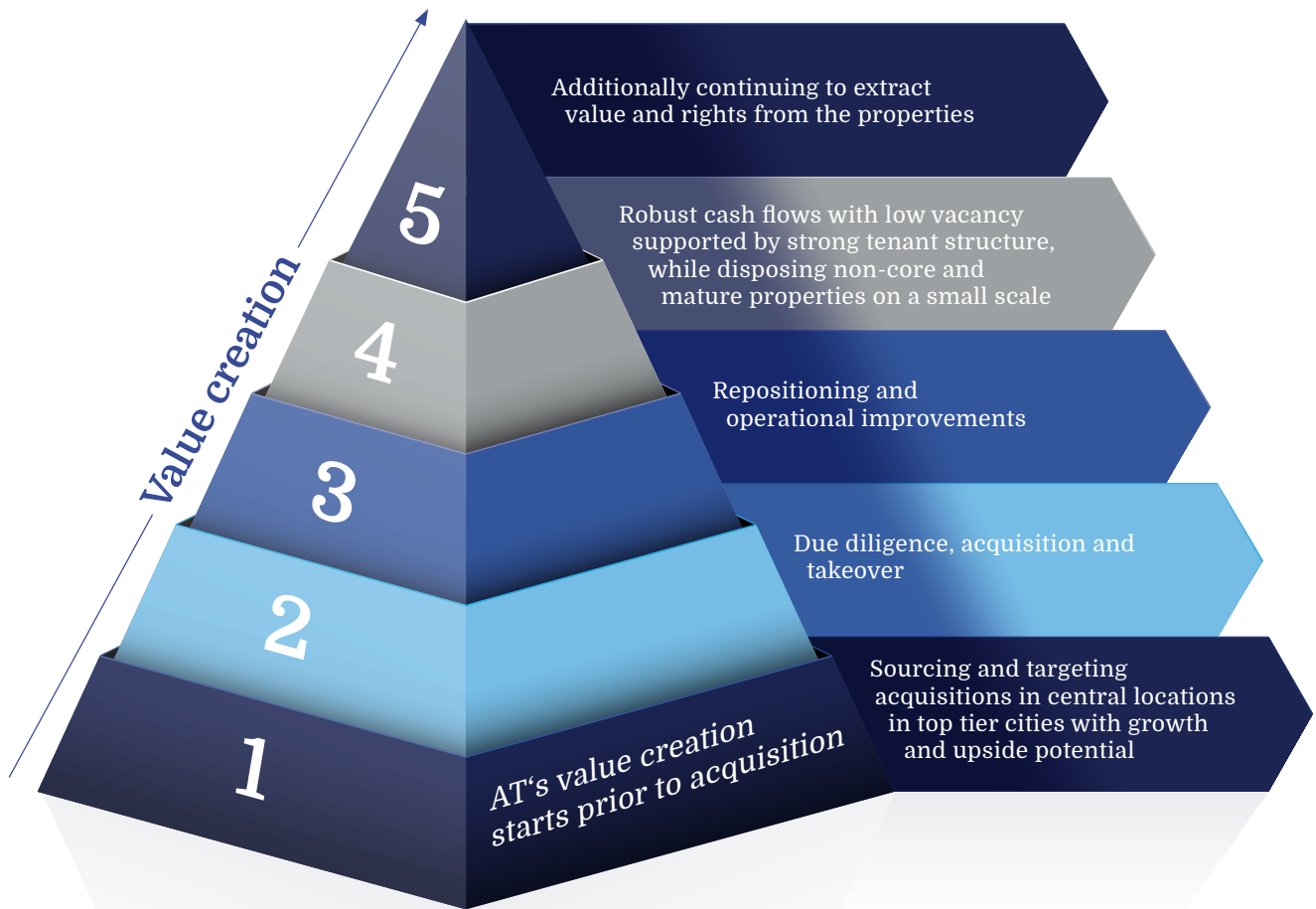
As of 31 December 2019, our commercial portfolio held €26 billion of assets including TLG and our proportion of GCP comprising offices (47%); residential (12%), hotels (24%), logistics/wholesale/other (7%) and retail (10%), distributed across central locations in high ranking cities and regions with the majority located in Berlin, Munich, Frankfurt, London, Hamburg and Amsterdam. Its tenant base is characterised by more than 3,000 individual tenants, of which the top 10 represent 22% of the Group's rental income. Grand City Properties (GCP) owned €8 billion of residential properties as of the same date, spread across North Rhine-Westphalia; Berlin; Dresden, Leipzig and Halle; London and other major urban centres in Germany.

We maintain a conservative capital structure evident in a low LTV of 34%. The internal financial policy is set at maintaining an LTV of below 45%, significantly below the financial covenants. Our capital structure is supported by an average debt maturity of 7.2 years, 97% of which is hedged. We have been rated 'BBB+' by Standard & Poor's rating services in acknowledgement of our strong business profile; the scale and diversification of our portfolio with its balance across multiple asset types and regions; and our large and diverse tenant base with long lease structures. This diversification in terms of cities, asset and tenant types, combined with our relentless focus on tenant satisfaction and the flexibility of our funding model, enables us to spread our risk and capitalise on opportunities for continuous portfolio value growth based on external and internal factors.

## Our business model

Our business model focuses on creating value for our stakeholders through the real estate investment life cycle.

Our sustainable value creation process relies on accretive external growth and a proven business model which extracts robust internal growth, supported by strong operational performance, to generate consistent cash returns. Consequently, we depend upon a number of key inputs across a range of 'capitals' – notably financial, human and intellectual but also manufactured<sup>1</sup>, social and natural – in order to implement our approach and deliver outputs in the form of portfolio returns; upgraded assets; improved know-how and enhanced networks and reputation which enable us to continuously grow our business.



<sup>1</sup> Manufactured capital, in the context of our business, includes existing urban infrastructure and building products and systems procured through the asset refurbishment process.



## 1 Sourcing & targeting acquisitions

We focus on central locations in top tier cities with strong fundamentals, targeting value-add properties characterised by operational upside through lifting rents to market levels, improving the cost or lease structure and increasing occupancy levels.

We pursue an investment philosophy that uses flexibility and innovative solutions – for instance changing a property's use – to provide the strongest value proposition with the lowest possible environmental impact, and greatest social benefit. This enables us to create superior returns.

## 2 Due diligence, acquisition & takeover

After the initial screening phase, we carry out deeper due diligence to analyse the specific features of each investment and ensure that it is aligned to our business strategy.

Environmental aspects such as energy efficiency, water and waste management, climate risk and GHG emissions are substantial factors in the decision-making process, and we perform extensive technical audits to examine the environmental profile and refurbishment potential of prospective acquisitions.

Capex requirements are assessed, and a detailed business plan is created for the property, including identification of potential tenants.

The experience of our teams, as well as input from local authorities and other stakeholders helps to identify investment measures which could enhance the assets' contribution to the economic and social development of the local community.

## 3 Repositioning & operational improvements

Repositioning is set in motion through the execution of the asset business plan. Initiatives are implemented to increase occupancy and thereby rental income, leveraging our network of letting brokers and reputation for high service standards.

A primary goal is to optimise our cost structures through the implementation of refurbishments and upgrades that reduce assets' environmental impact and contribute positively towards the development of a low-carbon and circular economy, such as the installation of renewable energy systems and technologically supported waste handling systems.

With an intensive focus on cost saving opportunities, we carry out technical reviews to identify ways to continually improve environmental efficiency, exploiting the use of modern technologies. Capex improvements are discussed in collaboration with committed tenants, and financial feasibility is balanced

against the lease term, rental income and property acquisition cost in order to deliver stable long-term financial and sustainable return on investment (S-ROI).

Good tenant relationships are paramount to achieving stable occupancy rates, and our customer centric approach including add-on services, personal contact points and rapid response through our local teams enables us to maintain a strong reputation with this important stakeholder group. Regular site visits and tenant discussions are conducted, identifying where enhancements are needed and ensuring that optimal levels of tenant safety, health and comfort are achieved.

We also build partnerships with local stakeholders, engaging in open dialogue to tackle any issues connected with the pre-existing asset legacy. Through the Aroundtown Foundation, we target community investment to areas where we can have greatest impact; primarily in relation to the enhancement of urban infrastructure, health and well-being, and education.

## 4 Robust cash flows with low vacancy supported by strong tenant structure

Secure cash flows are continually strengthened by ongoing cost controls and profitability improvements. By creating a stream of long-term secure cash flows, we perpetuate a cycle of internal growth that enables us to grow organically without relying on further acquisitions.

We primarily execute a buy and hold strategy, focused on extracting the value potential of our portfolio. However, we also pursue an accretive capital recycling of non-core or mature properties on an opportunistic basis. This approach releases capital that can be redeployed in the purchase of further properties with high upside potential on the one hand, and increases the quality of the portfolio on the other.

## 5 Extracting unused or underutilized building rights from existing and new land & buildings

As part of the value creation process, Aroundtown assesses the best uses for unused or underutilised building rights and new land, and engages in discussions with local authorities, engineers and architects in order to secure licences for our plans.

We then analyse each project individually to determine how to best realise value; whether by selling the building rights and permits secured or proceeding to deliver actual development. Where new constructions are undertaken, we pursue certification in accordance with the DNGB standards, in keeping with our commitment to the German Sustainable Building Council.

Across all stages of our sustainable business strategy, we recognise the importance of the quality and competence of our 402 employees in determining company performance. We support staff to develop specialist skills and expertise and aim to provide a work environment that reinforces high levels of motivation, fosters diversity and promotes health and wellbeing.

We also enforce high performance standards for our suppliers through the implementation of our Supplier Code of Conduct and Green Procurement Policy. Contractual commitments to ethical business practices and low environmental impact are the foundation with all our business relationships and we carry out engagement with all suppliers to ensure that our expectations are met.



Hamburg

## Trends effecting the real estate industry

The effective deployment of our business model and strategy is contingent on many different factors. We trust in the diligence and capability of our internal teams, partners and suppliers to uphold our reputation and deliver our services to the highest standards with the best-fitting technological support. We rely upon the prosperity of our tenants' businesses and livelihoods to create and sustain long-term successful assets. A favourable macroeconomic context and stable social and in-

stitutional conditions in the cities where we invest, underpinned by stable climatic conditions, support our long-term business interests.

In the current context, we have identified five major interconnected trends which impact on the long-term evolution of our business, and which help to inform the strategic focus areas of our sustainable business strategy.



### Climate & ecological emergency

There is scientific consensus that our climate is changing considerably, and that global biodiversity and natural resources are being rapidly depleted. Together, these events pose an existential threat that calls for effective widescale mobilisation to counteract. The Intergovernmental Panel on Climate Change (IPCC) has made clear that we must limit global warming to 1.5°C, but based on current levels of commitment, we are on course to reach 3°C of warming.

We have assessed our assets' direct exposure to climate-related risk and found that none of the locations where we are present pose risks in relation to climatic changes, including flooding and extreme weather events. Nonetheless, rising sea levels, higher temperatures, altered levels of precipitation and more frequent storms and droughts could have indirect impacts on our business if and when they become severe enough to precipitate mass migrations; food and water shortages; economic losses and rapid movements of investment capital, all of which would have repercussions for our investors, tenants and other stakeholders. Our focus on stable, mature markets within Europe and our diversity both in terms of city-level market exposure and capital funding put us in a strong position to withstand such scenarios.

Many local and national governments, businesses and other organisations have declared a climate and ecological emer-

gency, making commitments to reduce or eliminate their carbon emissions by 2030 or 2050. Within the real estate sector, there is growing pressure from investors, governments (through more stringent regulation) and society to act promptly to reduce the impact of the built environment and actively manage climate change risk. Germany's Climate Action Plan 2050 sets out long-term strategies for upgrading the building stock and the gradual phasing out of fossil-fuel heating systems, and a zero-energy standard for new buildings from 2021, aiming towards a carbon-neutral built environment by 2050. Stringent standards for GHG emissions reduction in buildings have been introduced in The Netherlands. For example, all offices must have a minimum energy label of 'C' by 2023, and 'A' by 2030, and it is mandatory for property owners to implement energy efficiency measures that have a payback period of less than five years. The Dutch government has also introduced subsidies to support sustainability interventions on both new and existing properties, including solar panels, heat pumps and biomass plants.

As a company which invests in the existing building stock and modernises it to achieve higher levels of efficiency, there is an opportunity for us to position ourselves as a positive contributor to the low-carbon economy, working towards low or zero carbon status for our assets. This would help us to attract and retain investors and tenants and secure easier buy-in for structural projects from local authorities.

## Global economy

At a global level, economic activity slowed during 2019. Trade and geopolitical tensions have cast a shadow on international cooperation, and this has been amplified by the Covid-19 pandemic that was confirmed by the WHO in March 2020. It is likely these factors will continue to have an impact on the global economy, and by extension real estate markets across Western Europe for the foreseeable future.

While the Covid-19 pandemic does not have a direct impact on our internal operations, it may impact our employees and tenants. Arountown's daily operations are not materially dependent on a supply chain or production chain that may be disrupted due to the virus. The pandemic is likely to have an impact on tenants' businesses which may slow down their revenue streams and render them unable to fulfil their obligations. It may particularly have an impact on the tourism sector which could result on lower revenues for hotel operators. Since the Group's hotel portfolio is predominantly leased to third-party hotel operators with long-term and fixed leases, Arountown will not be impacted by the pandemic directly but may be impacted on indirectly if tenants are unable to pay their rents. Our portfolio is diversified through various asset types and locations, with a large and granular tenant base which should mitigate the impact through its low dependency on single markets, asset types or tenants.

Continued uncertainty may also weigh on financial markets further, leading to a limited credit and liquidity supply, and increasing the cost of equity and debt. Our high level of cash and liquid assets in the amount of over €3 billion as of December 2019 mitigates this risk significantly. Moreover, the low leverage of the Group, in combination with the clear debt maturity schedule, provide significant financial comfort.

The longer-term outlook for the domestic economy in Arountown's major markets in Germany and The Netherlands remains strong, and Arountown has benefitted from a portfolio spread across cities with strong fundamentals, where any deceleration in overall economic output is likely to be tempered by local economic dynamism. For example, Berlin, Frankfurt, Munich, Hamburg and the North Rhine-Westphalia region are international business hubs with diverse economies which are sustaining high demand for commercial real estate. The Amsterdam Metropolitan Area is currently rated as one of Europe's three fastest growing regions with its emphasis on technology and commercial service sectors, as well as a strong tourism industry and attractiveness as a base for international firms.

As such, we are optimistic that asset values will continue to follow in an upward trajectory, with the long-term rental market demand remaining strong within the cities and urban regions where we selectively invest. What is more, with interest rates predicted to remain low, it is anticipated that German real estate will become even more attractive as an investment option for domestic and international institutional investors as well as government capital over the next decade.

## Demographic change & urbanization

The EU population is aging as life expectancy increases and fertility rates decline. However, the region continues to attract inward migration from other continents, spurred by the inter-related impacts of climate change, conflict and poverty. Population shifts are also taking place internally within the region, with prosperous cities attracting the greatest share of financial, intellectual and human capital, whilst many former industrial cities and less accessible rural areas experience economic stagnation and outward migration.

The cities where we invest offer positive demographic indicators for property investment. Berlin has the second highest population density in Germany and a positive net migration balance. Munich is an attractive city for young talent and its resident population is expected to exceed 1.7 million by 2030, and the populations of Frankfurt, Cologne and Hamburg are also forecast to increase over the coming decade. Outside of Germany, Amsterdam and London have shown a population growth rate well in excess of their respective countries as a whole, and the latter has a population density nearly 48 times as great as the EU average. Population growth drives demand in the residential and retail sectors, and, combined with the favourable economic outlook offered by these cities, supports the growth of other commercial sectors including offices, logistics and hotels.

If current trends unfold as predicted, these cities will continue to command high asset and rental values, spelling a positive outlook for our long-term investment portfolio. At the same time, sustained infrastructural and social investment will be needed to cater to increased demand for services and resources, highlighting the validity of our community investment strategy. There will be opportunities for real estate players to extract value from re-urbanisation; transforming existing assets to meet modern lifestyle requirements. This includes creating flexible and communal working, living and 'third' spaces that integrate advanced digital and physical technology to provide greater ease and comfort and enable greater connectivity between people, information and resources. In line with our asset repositioning strategy we closely monitor such developments, and we take them into account through the integration of flexible floor layouts and efficient, modern technical fitouts which provide a high-quality occupier experience.

Furthermore, as urban populations continue to become more ethnically diverse, real estate developers and managers will be encouraged to adopt design and management approaches and workplace practices that foster social cohesion and inclusiveness, an approach which we are already taking in the context of both our community relations management and workforce diversity policy.

## Affordable housing & social inequality

Lack of affordable and social housing poses a challenge across all major European cities. Limited building opportunities due to scarcity of land and concern that increasing densities will

impact on quality of life mean that there is not enough housing supply to meet demand, keeping prices high. A shortage of skilled workers in the construction sector has exacerbated the problem.

On the one hand, growing inequalities make access to housing even more difficult for individuals and households with lower incomes. On the other, poor quality, overcrowded and temporary accommodation increases inequalities in education and health outcomes and opportunities, perpetuating a vicious circle and increasing the risk of social unrest and political instability.

Nonetheless, the shortage of housing can also present opportunities in new sectors, such as investment in micro-apartments and co-living, as well as the conversion of former retail or industrial assets to residential use. Community well-being can be enhanced by a place-making approach that is informed by consultation on local needs; and integrates public spaces and amenities that encourage healthy lifestyles and are inclusive of people of diverse ages, occupations, ethnicities and levels of income.

The tenant base of Grand City Properties (GCP), the residential property company in which we hold a 39% stake, includes some households with lower than average incomes. This puts GCP in a unique position to contribute directly to the quality of life and social opportunities of its tenants, principally by offering high quality housing and outstanding customer care at affordable rates. Besides sponsoring activities to support tenants' education and employment prospects, GCP creates shared facilities for tenants and funds an ongoing programme of events to encourage neighbours to spend time together. These initiatives contribute to longer lease terms, better relationships and lower rates of crime. Investments in environmental efficiency measures and engagement with residents to promote energy and water saving and waste reduction contribute to reducing tenants' costs, as do additional customer services such as retail discounts and a tenant loyalty program which GCP will introduce in 2020.

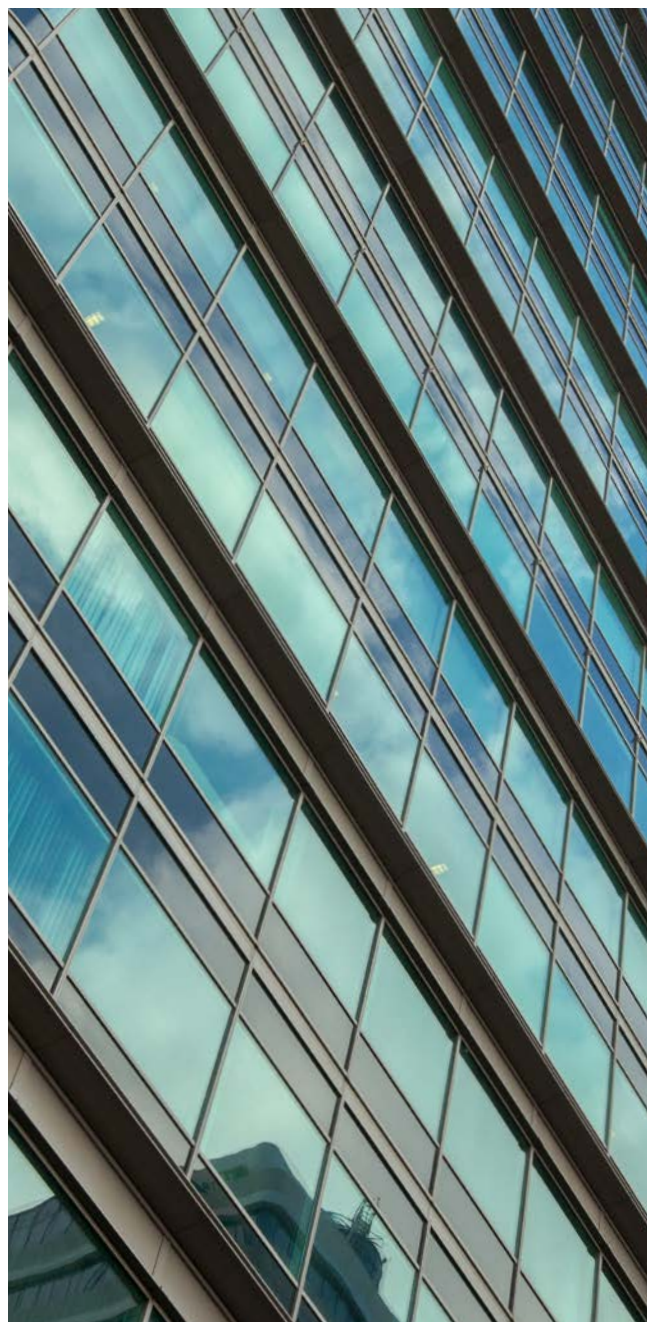
## Technological innovation

Rapid advances in technology are transforming all aspects of day-to-day life, including the ways in which people work, study, travel, shop, communicate and socialise. Technological innovation will support the transition to a low-carbon economy as electric vehicles become mainstream and clean tech – including renewable energy systems and storage devices – becomes more cost effective and advanced. Data-driven technologies will make buildings, utilities and transportation networks more efficient and interconnected.

In the property sector, technological innovation is already changing the ways in which buildings are constructed or re-developed, leased, sold and managed. For example, virtual reality devices are changing the way that prospective investors and tenants experience spaces and buildings, and within operational buildings, data platforms and equipment which ad-

just and optimise indoor environmental quality and resource use now enable occupants to receive a more interactive, comfortable and personalised experience of a building and reduce their ecological footprint.

As part of the asset repositioning process, we seek to upgrade building infrastructure and equipment, which includes identifying opportunities to install more efficient and/or renewables-based energy systems. We are already rolling out smart meters to more effectively measure energy and water consumption and have piloted a digitally-enabled pay-by-weight waste scheme for tenants. At a corporate level, we take advantage of developments in digital technology to enhance customer communication.



Amsterdam

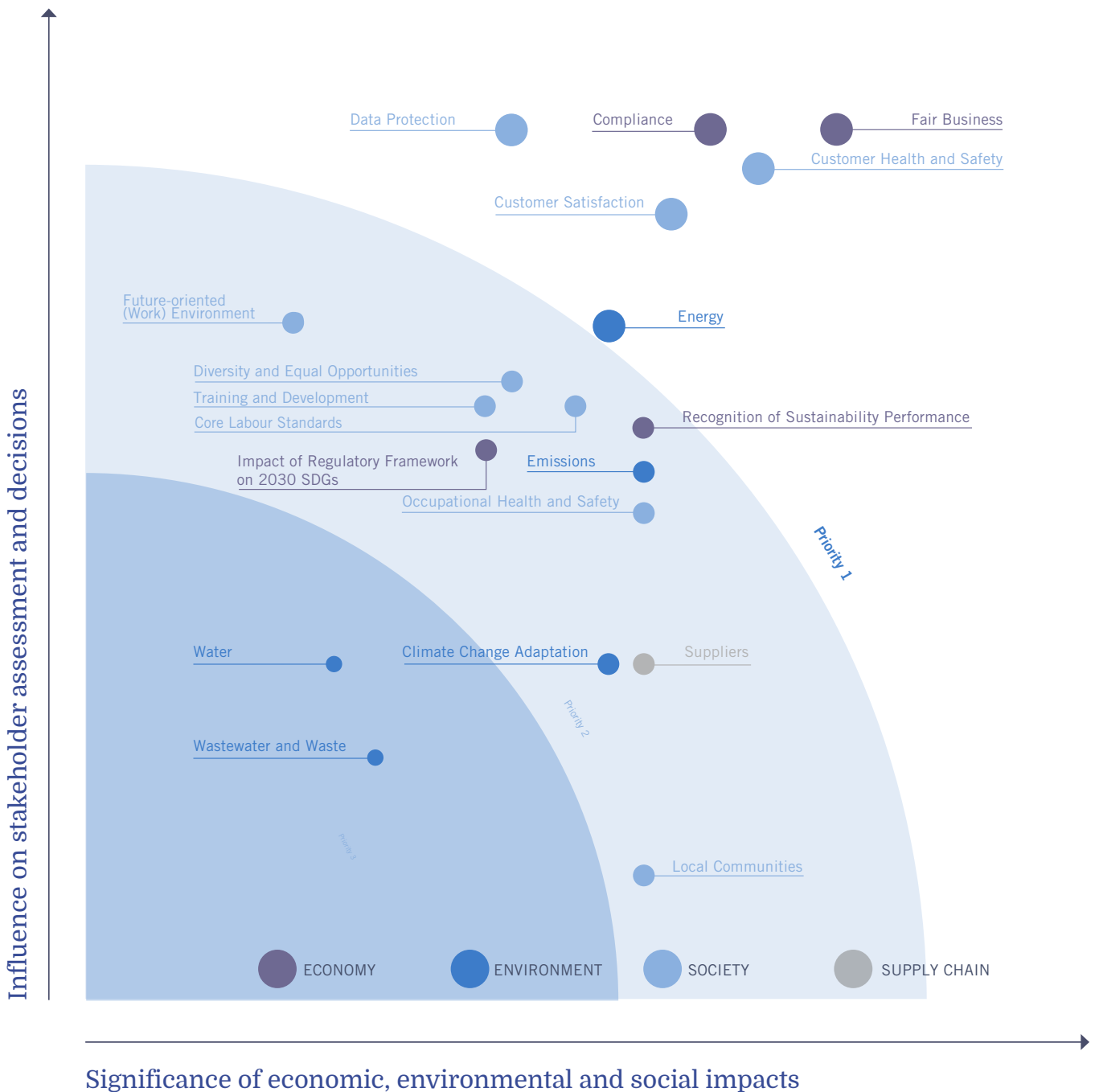
### Sustainable business strategy: focus areas and material issues

Our integrated sustainable business strategy helps us to create additional and enduring value through our business model. We apply the principle of materiality to identify significant issues, risks and opportunities within the context of our sustainable business strategy.

Our most recent full materiality review – conducted in 2018 – was commissioned by our CR Steering Committee in order to gain a more detailed picture of how stakeholders and internal experts assess various sustainability issues facing our busi-

ness. This involved assessing issues both in terms of their impact on stakeholder decision-making, and their significance in relation to the economy, environment and society.

The outcomes from both assessments were combined to create our materiality matrix (below) which was subsequently validated by the CR Steering Committee and the Board of Directors. A review was also conducted with respect to the Luxembourg law implementing the EU’s Directive on Non-Financial Reporting to ensure that no topics needed for understanding our course of business, business results, or position had been omitted.



The findings form the basis of our strategy which groups issues according to five core focus areas: Tenants, Employees, Environment, Society and Governance. The material issues highlighted in bold in the diagram below correspond to the Priority 1 issues identified during the review.

In addition, we conduct an annual review of our material issues during a workshop attended by senior internal stakeholders including departmental heads. The workshop is an opportunity to review the list of material issues, identify additional topics based on market trends and operational devel-

opments, and prioritise our response accordingly. Additional issues identified during the most recent workshop are also included in the table.

We have developed strategies to maintain excellent performance and/or target improvements in all these areas, split between long-term targets and short-term goals. We have aligned our goals with the United Nation's Sustainable Development Goals (UN SDGs), in particular Goals 3, 4, 5, 7, 9, 10, 11, 13, 16 and 17.



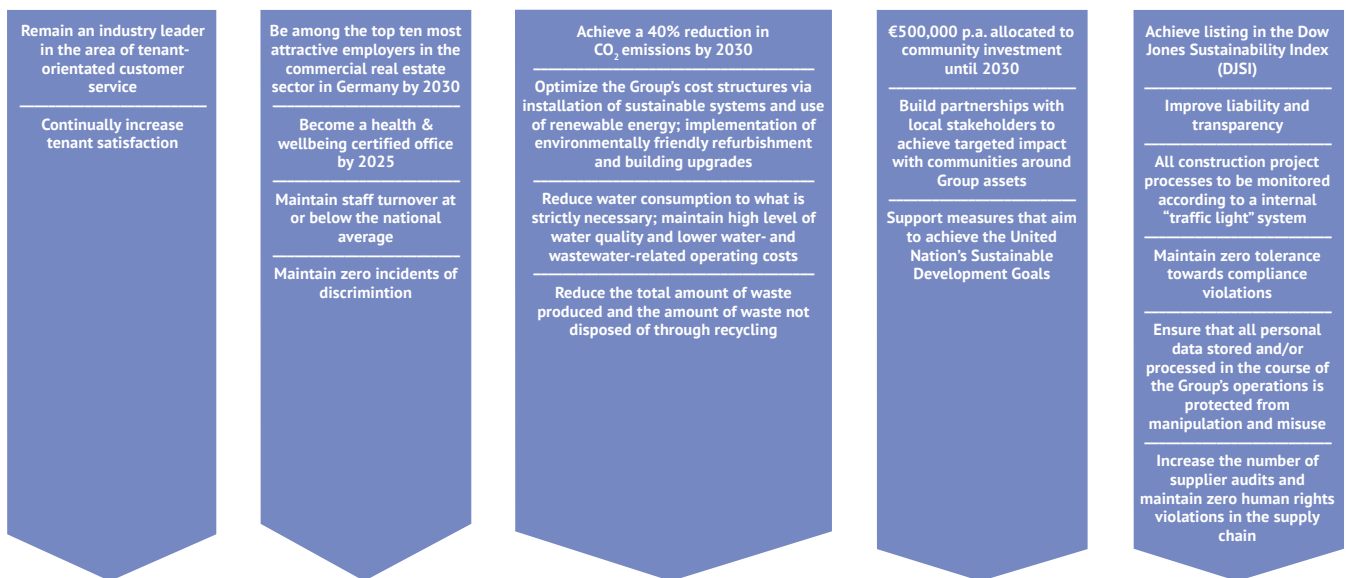
FOCUS AREAS



ISSUES



TARGETS



SUB-GOALS / MILESTONES 2020



SUSTAINABLE DEVELOPMENT GOALS





The risks and opportunities associated with our high priority (Priority 1) material issues, and a summary of our management approach, is presented in the table below. For more information about our materiality approach and methodology, please see our [Corporate Responsibility Report 2018](#).

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
<b>Compliance</b>	Compliance with all applicable laws & regulations as a prerequisite for exceptional performance	<ul style="list-style-type: none"> <li>• Reputation &amp; trust</li> <li>• Ability to attract &amp; retain shareholders &amp; bondholders, tenants &amp; customers</li> <li>• Sanctions &amp; fines</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance framework covering all aspects of the business</li> <li>• Extensive internal audit &amp; reporting procedures</li> <li>• Corporate policies supported by clear communications</li> <li>• Whistle-blowing mechanism</li> </ul>	Number of compliance violations

See Governance – Fair business and compliance on page 46 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
<b>Data protection</b>	Protection of individual privacy through adequate data security provisions	<ul style="list-style-type: none"> <li>• Compliance with GDPR</li> <li>• Reputation &amp; trust</li> <li>• Sanctions &amp; fines</li> <li>• Stakeholders' personal concerns &amp; expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Protect all personal data from manipulation &amp; misuse</li> <li>• Regular review &amp; development of IT systems</li> <li>• Corporate policies &amp; training within all departments</li> <li>• Standard Operating Procedures (SOPs)</li> <li>• Mandatory reporting &amp; incident investigation</li> <li>• Stakeholder communication</li> </ul>	Number of instances of data protection breach

See Governance –Data protection on page 46 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
<b>Fair business</b>	Maintaining ethical behaviour practices; labour standards & human rights; fair treatment of staff & suppliers	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Sanctions &amp; fines</li> <li>• Reputation &amp; trust</li> <li>• Staff attraction &amp; retention</li> </ul>	<ul style="list-style-type: none"> <li>• Code of conduct &amp; mandatory training</li> <li>• Supplier code of conduct &amp; annual supplier review</li> <li>• Engagement with contractors &amp; construction site inspections</li> <li>• Compensation strategy</li> </ul>	% of sites inspected for compliance  Number of human rights violations

See Governance –Data protection on page 46 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
<b>Customer health &amp; safety</b>	Provision of infrastructural H&S and management of day-to-day H&S risks	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Sanctions &amp; fines</li> <li>• Reputation &amp; trust</li> <li>• Tenant satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Physical presence at properties &amp; close collaboration with construction &amp; facilities management</li> <li>• Ongoing H&amp;S assessment which feeds into investment planning</li> <li>• External fire safety checks &amp; immediate corrective action</li> <li>• Investigation of all incidents</li> </ul>	<p>Incidents of non-compliance concerning the H&amp;S impact of products &amp; services</p> <p>Number of safety incidents</p>

See Tenants – Tenant health and safety on page 21 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
<b>Customer satisfaction</b>	Maintaining high levels of tenant satisfaction by ensuring anticipation of and response to latest interests & needs	<ul style="list-style-type: none"> <li>• Tenant attraction &amp; retention</li> <li>• Long-term income generation &amp; attractive yields</li> <li>• Occupancy rates</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated into due diligence and operational management procedures</li> <li>• Alignment between investment with tenant satisfaction</li> </ul>	<p>EPRA vacancy rate</p> <p>Weighted Average Lease Term (WALT)</p>

See Tenants – Tenant satisfaction on page 20 for further information

MATERIAL ISSUE	WHAT IT MEANS	RISKS & OPPORTUNITIES	MANAGEMENT APPROACH	PERFORMANCE INDICATORS
<b>Energy</b>	Enhancing energy efficiency & investing in renewable energy systems & procuring renewable energy through the grid	<ul style="list-style-type: none"> <li>• Energy costs</li> <li>• GHG emissions</li> <li>• Long-term asset values</li> <li>• Tenant attraction &amp; retention through lower service costs &amp; carbon impact</li> </ul>	<ul style="list-style-type: none"> <li>• Asset enhancement to deliver higher portfolio environmental performance</li> <li>• Energy cost reduction focus within investment strategy &amp; refurbishment activity</li> <li>• Systematic roll out of advanced heating systems</li> <li>• Regular technical audits for continuous improvement</li> <li>• Switch to gas providers who offset their CO<sub>2</sub> and electricity providers with 100% renewable sources</li> <li>• Ongoing performance data monitoring &amp; benchmarking</li> </ul>	<p>Total energy consumption (like- for-like)</p> <p>Building energy intensity Total GHG emissions (like-for-like)</p> <p>GHG emissions intensity from building energy</p>

See Environment – Energy and emissions on pages 33 to 34 for further information

# Tenants

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## Tenants

The diversity of our portfolio is reflected in our tenant base. With leases ranging from some 15 to 50,000 square metres, we cater to the needs of organizations ranging from hotel operators to retailers; small enterprises to international blue-chip companies. For us, long-term tenant relationships are the foundation for generating attractive yields, and occupancy and retention rates are key indicators for assessing the effectiveness of the Group's customer service philosophy and asset repositioning strategy. Our business has been built on a premise of exceptional customer service, emphasising responsiveness, diligence and reliability. We are committed to continually expanding and enhancing our service offer, aspiring to remain an industry leader in the area of tenant-oriented customer service.

### Targets

- **Remain an industry leader in the area of tenant-oriented customer service**
- **Continually increase tenant satisfaction**



Our endeavours to ensure the highest levels of tenant satisfaction by building resilient infrastructure and focusing on inclusiveness, innovation, sustainability and safety support the United Nations Sustainable Development Goals (UN SDGs) for Industry, Innovation and Infrastructure (#9) and Sustainable Cities and Communities (#11).

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**11** SUSTAINABLE CITIES AND COMMUNITIES



## Key figures <sup>2</sup>



**€96m**

Investment in building modernization (2018: €59m)



**7.7%**

EPRA vacancy (2018: 8.8%)



**8.6 years**

Portfolio weighted average lease term (2018: 8.2 years)



**100%**

Property health & safety inspections (2018: 100%)

<sup>2</sup> As at 31 December 2019



## Communication & transparency

Our tenants expect effective operational support covering a broad range of informational, advisory and assistance aspects. Relationships are initiated with prospective tenants on their first site visit, whereupon we provide support in defining unique tenancy needs together with the prospective tenants and offer all respective fit-out services. Our leasing and asset managers are tenants' first point of contact through this process, with property managers taking over customer care when occupation begins.

Tenants are supported through a three-tier management approach. At the site level, facilities managers are responsible for attending to day-to-day technical support and maintenance issues. Property managers, who make regular site visits, are a central point of contact for tenants and service providers. They prepare budgets; plan technical improvements and maintenance works and maintain ongoing contact with tenants to ensure that refurbishment and management activities are aligned to their needs. Asset managers, usually operating at a regional level, have a strategic focus to enhance asset values through targeted re-positioning and customer service excellence and engage with tenants on longer-term, strategic aspects relating to building and service quality and lease agreements.

At all levels, tenant relationships are based on open communication and high levels of transparency between personal contact points. Our staff and outsourced facilities managers are expected to be accessible and approachable to customers, responding to questions and concerns as soon as they arise and being flexible in accommodating tenant needs.

As a residential property manager, GCP has developed a quality-certified Service Centre which offers its tenants support in a variety of languages, 24 hours a day, seven days a week, every day of the year, with a commitment to a 24-hour response time. In 2018, GCP's customer service by telephone received the best rating out of 11 major property companies tested by the German Institute for Quality Service (DISQ). In 2019, GCP set targets for minimum waiting times. The goal is to answer 95% of calls in under 20 seconds. More information about GCP's approach to customer communication can be found in GCP's [2019 Sustainability Report](#).

Going forwards, we are planning to invest in a new corporate-level, professional CRM system and communication system for tenants, reflecting our ambition to develop a more formal tenant engagement policy.

## Tenant satisfaction

Tenants need superior space to run their businesses effectively. In the office sector, the quality of the indoor environment impacts upon staff attraction, retention and productivity; within hospitality, it contributes to guest satisfaction and loyalty; whilst in retail, it affects customer dwell times and spend. Hence our approach to tenant satisfaction is intertwined with our asset repositioning strategy. We modernise the properties we invest in to bring them up to high quality standards, lever-

aging ongoing analysis to align our investments with tenant needs and give considered attention to each tenants' industry segment and individual success factors.

For example, the repositioning of Wenckebachweg 123 in Amsterdam (purchased by Arountown in 2018) has refreshed and expanded the asset's common areas to create a vibrant atmosphere of co-working areas, a restaurant and coffee corner. As well as updates to the building's electrical and cooling equipment, we added 240 m<sup>2</sup> of floor area, 31 new parking spaces, removed outdated fittings and installed a fitness area and flexible meeting rooms. As a result, occupancy levels have increased to 100% (from 38%) and the estimated rental value (ERV) is 13.5% higher than the underwriting assumption at the time of acquisition.

Investments in environmental efficiency measures are an integral part of this strategy. Larger corporate tenants often have sustainability policies in place which give preference to buildings with higher environmental standards, which can also offer additional benefits in relation to employee health and well-being. Moreover, all tenants are keen to benefit from measures which reduce service charge costs, such as efficiency gains in energy and water consumption and waste reduction. Priorities on this front include the ongoing replacement of heating systems with modern efficient alternatives and a project to investigate the viability of installing on-site renewable energy and CHP systems, described in more detail on page 34.

When assets have been brought up to the desired standard, tenant care is focused on delivering ongoing improvements in operational management and the provision of additional facilities and services. In the office sector, this includes space extensions to facilitate growth and smart space re-design to match with evolving workplace practices. Specific initiatives across our retail portfolio include increasing the attractiveness of our shopping malls to ensure a great experience for our tenants' customers and working with our tenants to expand existing properties to accommodate modern store concepts. At Amsterdam's Magna Plaza, for example, our repositioning efforts have restored the building's historic facade and created a new high-quality food court and a more diverse retail mix to extend dwell times, as well as a recently renovated top floor which has been leased as flexible office space. In the residential sphere, GCP focuses on providing communities with shared facilities, supporting social and educational projects and hosting events to promote good relations between neighbours.

## Tenant health & safety

Guaranteeing the highest standards of health and safety within our buildings is a prerequisite to tenant satisfaction. As safety regulations continue to evolve, we maintain a comprehensive day-to-day focus on this topic. Beyond compliance with all statutory requirements, additional health and safety management procedures are integrated into our due diligence, construction and property management activities.

We carry out technical reviews of all properties in the portfolio on an ongoing basis in order to ensure alignment with

regulations and to guide future investment planning. Among other things, infrastructural measures related to facades, roofing, building exteriors, elevators, and stair access points are evaluated in view of cost and safety benefit. Our frequent physical presence at our properties and close collaboration with construction and facility management suppliers ensures that we are able to quickly establish areas where safety improvements need to be made, and take swift action where risks are identified.

Fire safety is an area of utmost priority to the Group. We commission external specialist service providers to undertake fire safety assessments through on-site visits to all properties. Any shortcomings identified are immediately reported to the Head of Asset Management, who is tasked with ensuring that they are swiftly actioned. A comprehensive management process is in place to make sure the risks identified are properly recorded and eliminated through effective interventions. Where necessary, additional site visits are performed at multiyear intervals.

As part of routine property management activity, local technical teams follow a health and safety checklist. They also carry out regular tests of fire safety systems, and make sure any safety incidents which do occur on our sites are thoroughly documented and investigated.

During 2019, health and safety assessments were conducted across 100% of Aroundtown assets as part of our extensive due diligence activities. No incidents of non-compliance with applicable health and safety standards and legislation were identified as a result of these reviews in 2019.

Within the retail portfolio, tenants are required to complete health and safety training and participate in annual fire drills with support from local police and emergency services. Across all publicly accessible buildings, such as in shopping malls, regular security training is completed by both technical teams and security personnel, including anti-terror training from specialist providers.

Where tenants are responsible for their own safety preparedness, such as single let offices and retail properties, we ensure that sufficient measures have been taken, and in some cases we assist tenants by contracting a specialized service provider to help provide training and other support such as preparing emergency plans.



Berlin

# Employees





## Employees

As a leading company in the German real estate sector, we aim to attract top professionals. Investing in our people’s knowledge, skills and well-being supports their personal growth whilst contributing positively to our productivity and operational performance and giving the firm a competitive advantage.

### Targets

- **Be among the top ten most attractive employers in the commercial real estate sector in Germany by 2030**
- **Become a health and well-being certified office by 2025**
- **Maintain staff turnover at or below the national average<sup>3</sup>**
- **Maintain zero incidents of discrimination**



By placing employee health and well-being, education and training, and diversity, inclusion and anti-discrimination at our core, we support the United Nations Sustainable Development Goals (UN SDGs) for Good Health and Well-Being (#3), Quality Education (#4), Gender Equality (#5), and Reduced Inequalities (#10).

**3** GOOD HEALTH AND WELL-BEING



**4** QUALITY EDUCATION



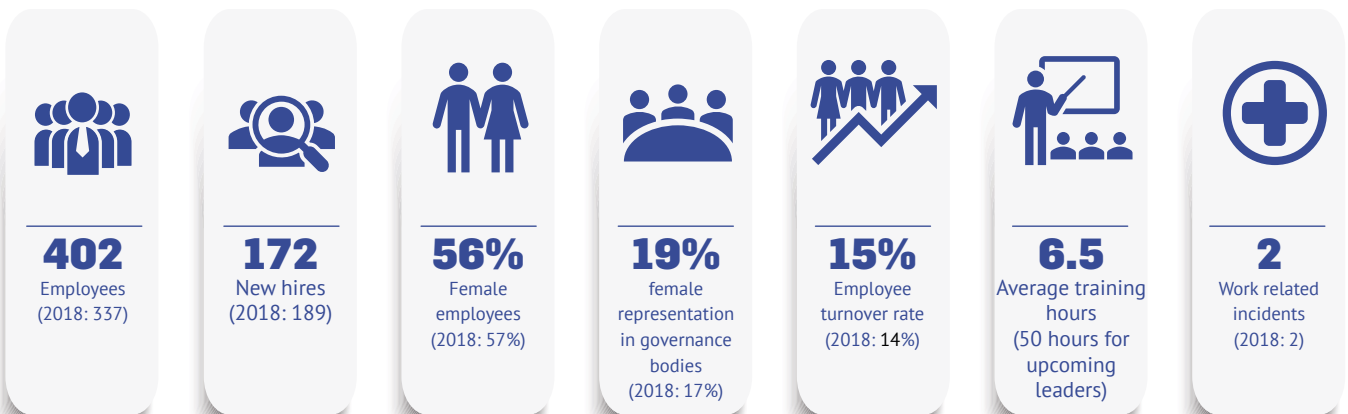
**5** GENDER EQUALITY



**10** REDUCED INEQUALITIES



## Key figures <sup>4</sup>



<sup>3</sup> Average turnover rate in Germany is 15%, calculated as fluctuation rate = disposals/ (headcount at beginning of period + additions) \*100

<sup>4</sup> As at 31 December 2019

## Company culture

We reinforce high levels of staff motivation by nurturing a strong values-based culture, providing compelling opportunities for professional development and implementing measures that support staff health, well-being and satisfaction.

Outstanding leadership is pivotal for our commercial success and maintaining high levels of staff performance and well-being, and our managers are expected to visibly demonstrate our core tenets of mutual respect and clear communication. We maintain a horizontal organisational structure, with a widespread culture of transparent and regular feedback between employees and managers. Furthermore, our Employee Code of Conduct establishes expectations for all staff to abide by the values of openness, trust, teamwork, and acceptance of diversity in all their dealings with one another and with our tenants and other stakeholders. Adherence to the Code is a mandatory requirement of all employee contracts.

Our new hire rate of 44% in 2019 (building on 56% in 2018) reflects our strong growth in recent years, and was only partially offset by a turnover rate of 15%. Our goal is to maintain staff turnover at or below the national average (15%), and the Group has implemented a retention program designed to boost loyalty and reduce fluctuation.

In line with our target to be rated as a top employer and long-term ambition to attract and retain the best talent, we are intensifying our focus both on staff retention and adapting to the needs of future employees. Offering attractive remuneration and benefits packages and individual professional development plans; valuing diversity within the workforce and creating an attractive physical workplace environment are strategies which will help the Group to achieve these goals.

## Payment and social benefit

We offer competitive remuneration and benefits to leverage employees' performance potential. Compensation is structured according to competencies and responsibilities, and is supplemented by target-linked performance incentives. Our wider benefits package – beyond compulsory pension plans – includes extended annual leave entitlements in line with length of service; birthday and anniversary gifts for all staff; retail discounts for all employees and free gym access for Berlin-based staff.

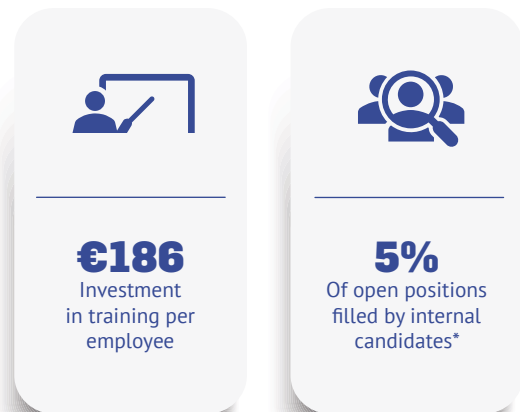
In keeping with statutory requirements, we monitor our gender pay gap. Breakdown of pay by gender was 0.77 to 1 (women to men) in 2019, (0.71 to 1 in 2018) for all employees, and 0.81 to 1 for management level (0.45 to 1 in 2018). Compared to national averages, this level of performance is slightly below the average for Germany (0.79:1).

## Education and training

We are currently in the midst of a significant expansion phase. This means that the fluid and dynamic nature of the organiza-

tion is creating openings for people to move swiftly between departments or into management level roles aligned to their specific areas of interest and/or potential leadership abilities. Our professional development philosophy reflects our preference for internal promotion and the cultivation of talent potential based on ability and potential rather than prior experience and qualifications. We pride ourselves on offering substantive opportunities for people of all backgrounds to advance their career, providing flexible models that enable employees to pursue continued professional development and higher education courses alongside work and a training programme tailored to meet individual needs. We see our comprehensive approach to staff training and development as a differentiator which helps to attract and retain gifted and dedicated people.

In today's dynamic and fast-changing business environment, ensuring staff are equipped with the right knowledge and skills is critical to corporate success. As such, we seek to invest in employees in a way that brings mutual benefit to both the Group and each individual. We do this by offering a training and development program that focuses on enabling staff to tackle new challenges linked to current and future trends. We emphasise the fine-tuning of communication and creative skills which we see as critical for success in a highly competitive and continually evolving market. All together, we believe this approach supports long-term value creation within the Group whilst enhancing personal motivation.



\* Relates to ATCP employees only who represent 75% of Aroundtown's direct employees

Our experience has taught us that a wide-reaching training programme tailored to individual needs is more effective than a blanket approach. Training content is developed by drawing on input from external specialist trainers to develop specific areas, such as various soft skills, as well as in-house expertise. At the same time, we implement standardized eLearning modules on topics which are a pre-requisite for all staff, including occupational health and safety; fire protection; IT security and data protection, risk management and anti-corruption. Through these programmes we delivered on average 6.5 hours of training per employee in 2019, and 50 hours for upcoming leaders.

Our CSR training module, which was assigned to all staff when first launched in 2018, is mandatory for all new employees who join the Group. It provides in-depth information about the Group’s sustainable business strategy; focus areas and management of material risks and opportunities.

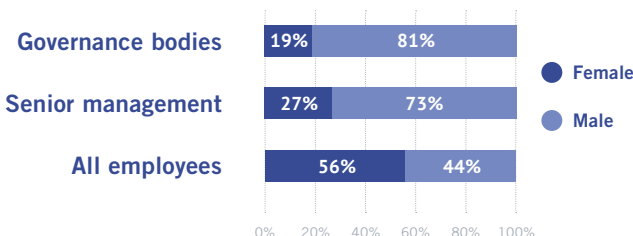
The Group’s Software-based Learning Management System (LMS) helps to monitor training coverage and effectiveness and ensures that the entire workforce receives critical instruction on the Code of Conduct, informational security, the handling of personal data, and safety-related guidelines. Professional development is also supported through our yearly individual performance review process, which offers a format for employees to reflect on and plan for their professional development goals and express any ambitions and/or concerns to managers.

### Diversity and anti-discrimination

We view diversity as an operational advantage which brings both flexibility of perspective and willingness to innovate. We believe that diversity of mind-set can stem from differences in ethnicity, race, culture, age, gender, religion, ideology, sexual identity and physical ability. Furthermore, an employee base that reflects diversity across this range of characteristics enables us to better align to the geographical and cultural diversification present within our market and tenant base, helping us to maintain our first-rate customer service and harness diversity as a competitive advantage. Our approach and success have been recognised, in particular our efforts to advance women within the Group, with our inclusion in the 2020 Bloomberg Gender-Equality Index.

Consequently, we actively work to reinforce diversity across the business and reflect in our workforce more than 40 nationalities. A Diversity Committee is in place to help promote a diversity culture throughout the Group, and all employees take part in diversity training. We are also a signatory of the Charta der Vielfalt (German Diversity Charter), a corporate initiative to promote diversity in companies and institutions.

### Employee gender diversity



By the end of 2019, women occupied 27% of senior management positions (excluding the Board). The decrease compared with 2018 (35%) follows a period which saw our employee headcount increase by 19%, with more management positions filled by male candidates. Considering all employees across

the company, the proportion of positions occupied by women slightly decreased to 56% (from 57% in 2018).

As can be expected within an organization which values diversity, discrimination and harassment are strictly not tolerated in any form. Respect for individual personal differences applies to all stakeholders – whether employees, tenants, business partners, suppliers, or shareholders – and is a non-negotiable expectation of all those who act in Aroundtown’s name. Discrimination on the basis of any of the diversity characteristics named above constitutes an infringement of basic human rights and is explicitly prohibited, and the Group’s Anti-Discrimination Policy sets out clear definitions and standards of conduct to this effect. A process of incident reporting is in place and employees receive instruction on how to report incidents of discrimination or harassment via the whistle-blowing service. In 2019, 0 incidents were reported (2018: 0).

Appointments are made exclusively on the basis of individual potential and qualifications, even though at times this may have the effect of decreasing actual diversity of the workforce. The tenets of inclusivity and equal treatment naturally also apply to professional advancement, the arrangement of working conditions, and access to training.

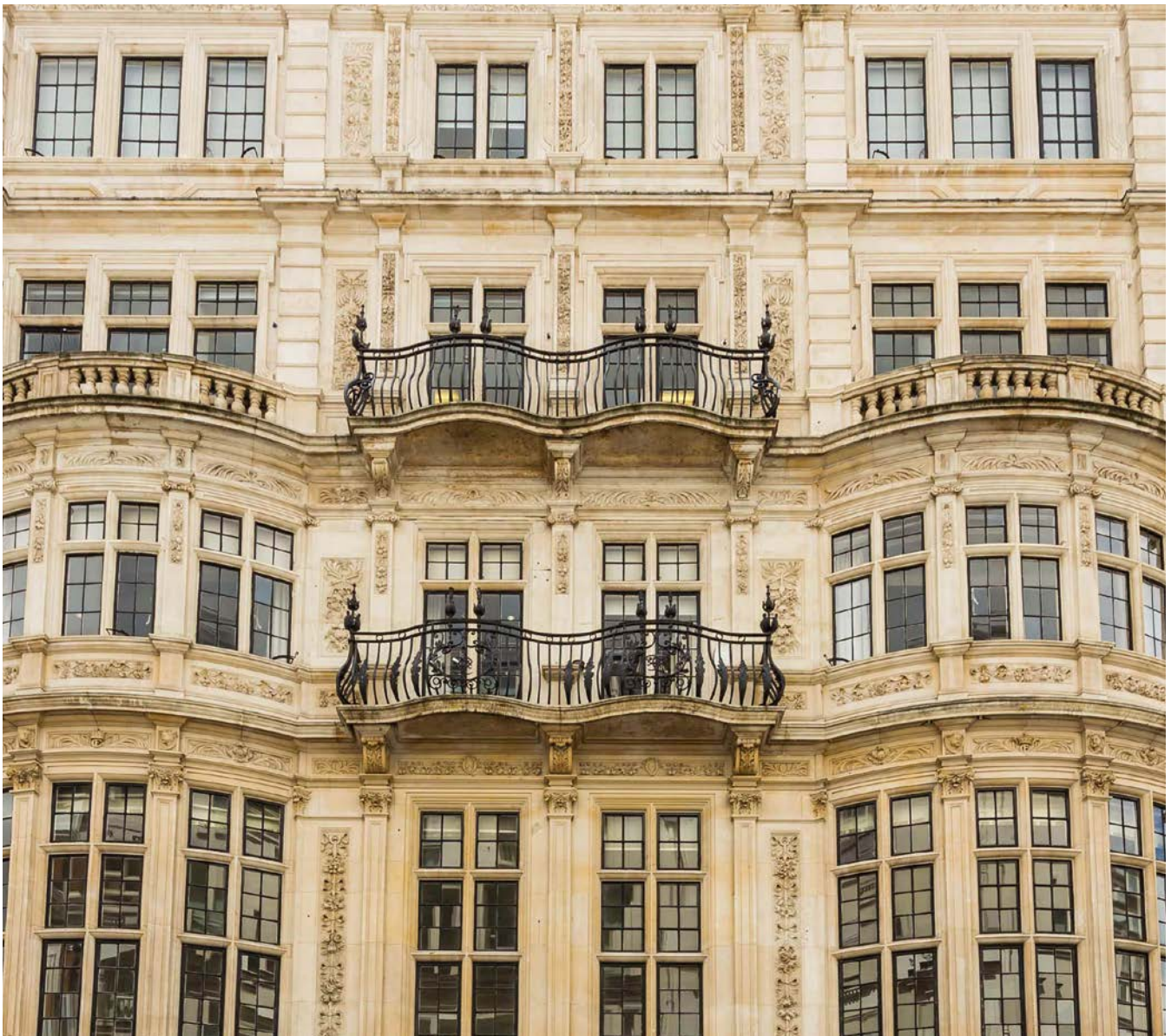
### Occupational health and safety

We have a duty to ensure that the work environment is safe and that tasks do not pose undue health risks. In the first instance, we ensure strict compliance with all EU and national-level regulations concerning workplace health and safety (H&S). This includes a trained first-aider in each department. A corporate H&S Policy is in place, supported by comprehensive procedures, including incident reporting, requirements for suppliers and sub-contractors and mandatory staff training to ensure their effective implementation. In 2019, the injury rate among employees declined to 0.006 (2018: 0.84) following the increase in employee numbers. Likewise, the lost day rate decreased to 0.0% (2018: 0.004%) and the absentee rate also decreased to 4.9% (2018: 6.1%). There were no workplace fatalities.

Beyond compliance, we have set our own more ambitious standards, based on the premise that safety and health is a shared responsibility and that a comfortable workplace for all supports strong staff performance, satisfaction and well-being. We impart training on a variety of safety measures and preventive behaviours; carry out periodic workstation ergonomic assessments and invite employees to participate in activities to improve their health. This includes making use of a fitness centre, available free of charge to employees at the Berlin headquarters, which offers a variety of classes as well as targeted coaching for specific topics. Team-building activities include running and other sports events, helping to promote physical activity for staff whose work is predominantly desk-based. Employees also have access to a company physician via the Group’s subsidiary Grand City Properties S.A.. In 2019 we

introduced water dispensers in all Arountown offices, encouraging staff to stay hydrated and eliminate the need for plastic water bottles. We also renegotiated the catering contract for our staff canteen, meaning that we are now able to offer a wider range of healthy food choices including vegetarian and vegan diet options.

There is a growing body of evidence to demonstrate how the quality of the physical workplace and promotion of healthy lifestyles through exercise and good nutrition significantly impacts on the health, well-being and productivity of staff. With this in mind, and taking account of the expectations of the future workforce, we have set ourselves a goal to have a health and well-being certified office by 2025. At present we are undertaking a gap analysis against the WELL certification standard and intend to create a project plan to achieve this. Overall, we aim to bring about palpable changes that will make a big difference to the quality of employees' work life.



# Environment

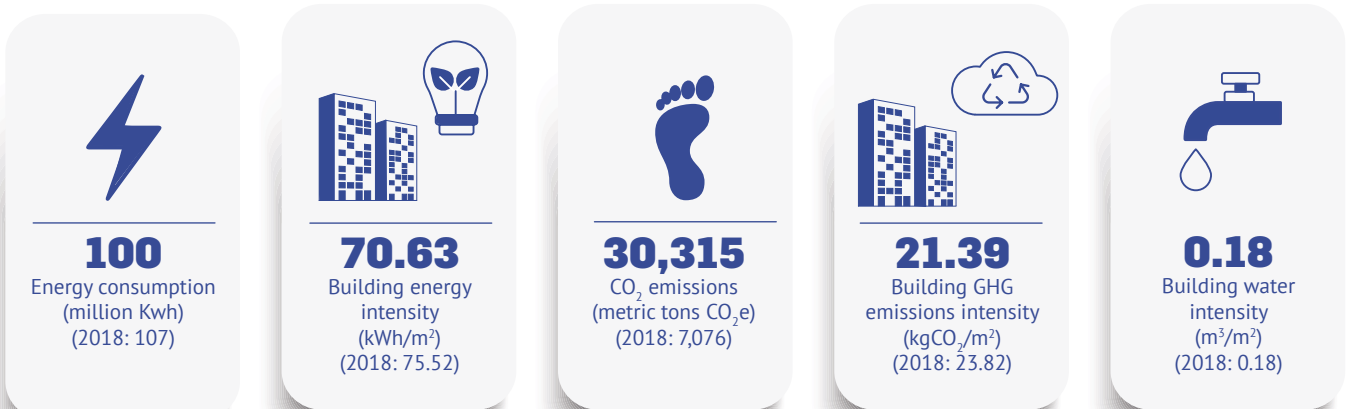


## Environment

Investing in low-carbon infrastructure and increasing the efficiency of our assets helps us to attract and retain tenants and investors; reduce both landlord and occupiers' operating costs and sustain long-term asset values. We aim to deliver continuously strong commercial performance whilst minimising the adverse ecological impacts of our activities and developing an exemplar approach to environmental management with a particular focus on sustainable energy. Our strategy is multi-faceted, and includes the following key action areas:

- **Comprehensive environmental due diligence at the property acquisition stage, enabling us to develop asset improvement and refurbishment plans geared towards higher building environmental quality and operational performance**
- **Implementation of robust environmental management policies and procedures, including data collection and reporting, preventive maintenance and ongoing operational improvement**
- **Progressively switching all energy supply contracts to renewable electricity and green gas**
- **Collaborating with occupiers, such as hotel operators, with whom we seek to implement green leases**
- **Sustainable energy program encompassing investment in solar and wind power systems; combined heat and power (CHP) and combined cooling heat and power (CCHP) solutions (all backed up by electric storage); electric vehicle (EV) charging stations; smart meters and a total energy management system.**

## Key figures <sup>5</sup>



Our efforts to reduce carbon emissions and generate clean energy support the United Nations Sustainable Development Goals (UN SDGs) for Affordable and Clean Energy (#7) and Climate Action (#13).



## Targets

- **Achieve a 40% reduction in CO<sub>2</sub> emissions by 2030**
- **Optimize the Group's cost structures via installation of sustainable systems and use of renewable energy; implementation of environmentally friendly refurbishment and building upgrades**
- **Reduce water consumption to what is strictly necessary; maintain high level of water quality and lower water- and wastewater-related operating costs**
- **Reduce the total amount of waste produced and the amount of waste not disposed of through recycling**

<sup>5</sup> As at 31 December 2019

## Environmental management

Environmental aspects are integrated into all phases of the property investment lifecycle, starting with asset selection and acquisition. We perform extensive technical audits of potential assets to critically examine their environmental profile and improvement potential. This includes examining buildings' structural fabric; their technical systems and appliances; energy, water and waste profile and current management practices, among other things. Whilst our corporate policy gives preference to investment in buildings with 'green' credentials, poor environmental performance does not deter us from proceeding with a purchase that aligns with our commercial criteria, as the guiding principle of our strategy is to raise asset environmental performance to the desired standard, even where this involves more significant structural interventions. Fundamentally, the findings of the environmental assessments undertaken as part of our due diligence enable us to develop comprehensive asset environmental improvement plans, including a defined catalogue of measures which are factored into the budget for asset repositioning.

Across all asset types, we invest in measures that will deliver a higher quality accommodation offer to current and future tenants, thereby maximising occupancy rates and contributing towards strong rental returns and increased asset values. Large corporate tenants and hotel brands usually have their own environmental policies, and seek to occupy properties which have been developed or refurbished to higher environmental performance standards.

All tenants, regardless of size, aim to reduce or contain their overall costs of occupancy and wish to benefit from reductions in service charge costs that can be realised through investments in more efficient building infrastructure. Our strategy of progressively replacing heating, ventilation, lighting and other electrical and mechanical systems and equipment with the most efficient and sustainable products available is thus aligned to our tenant satisfaction goals. Investment costs borne by the asset owner can be recuperated in the medium-term through incremental increases in rent, or, in the case of the hotels sector, agreements to share the cost-benefit of savings incurred to the operator through a proportionate additional rental charge.

With a strategy that is firmly based on investment in existing buildings, we only rarely undertake new construction projects and do not engage in greenfield development. In instances where new construction has been carried out – such as in the development of two warehouses in 2018 – we aim to align our activity with sustainable building certification standards such as the German Sustainable Building Council's DGNB. This approach also applies to exceptional projects where we are undertaking more significant redevelopment works, such as the Hafenstrasse building in Frankfurt. In The Netherlands, where it is common practice to apply the 'BREEAM In Use' standard for the operational management of buildings, we are excited to be working towards a goal of achieving one of the few BREEAM In Use 'Outstanding' ratings for a Dutch office asset (see case study below).



## Newton House targets BREEAM In-Use ‘Outstanding’

Newton House, acquired by Aaroundtown in 2018, is a 35,740.3m<sup>2</sup> office property located in Utrecht. Completed in 2008, the property was designed to a high sustainability standard and is one of approximately 700 commercial buildings in The Netherlands to have obtained a BREEAM In-Use certification, mostly in the office sector.

Newton House’s “Very Good” rating for both asset and property management recognises both its base-level performance and property management practices across a range of sustainability aspects covering energy, transport, water, materials, waste, pollution, land use and ecology and health and well-being.

In 2019, we commenced plans to refurbish the property and are aiming to upgrade the asset in order to achieve an “Excellent” or even “Outstanding” rating. This would enable us to reap the reputational and marketing benefits of owning and managing one of the first “Outstanding” rated office buildings in The Netherlands, attracting greater interest from tenants and investors at a local and international level respectively.

A number of measures have already been introduced to support this goal. These include installing water saving features such as low-flow taps and toilets in the bathrooms coupled with leak detection and digital water monitoring. The building’s technical installations have been examined according to the NEN 2767 standard, and improved waste separation facilities have been installed in the common and technical areas. In addition, we have performed an ecological and environmental study to understand how we can reduce the wider footprint of the building, for example by reducing rainwater run-off.

A number of additional measures scheduled for implementation in the first half of 2020 are also key to this project. These range from enhanced features to protect biodiversity such as a green roof and habitats for animals and insects, to further improvements within the building itself, such as retrofitting LED lighting in common areas and the provision of sustainable transport solutions such as bike sharing, car-pooling and electric car charging facilities. The installation of rooftop solar panels is also planned once subsidy funding has been secured.

PwC, one of our key tenants in the building, is wholly supportive of the project and we hope that its successful delivery will enable us to deepen our relationship with PwC as an important customer which shares our commitment to sustainable business.



Utrecht



During the operations phase, efforts are made to support ongoing improvements in environmental performance. This encompasses the deployment of an environmental management system approach to building operation; delivering training to staff and engaging with building occupiers and, in the hotels sector, the implementation of our green leases concept.

Our technical teams work alongside property managers on an ongoing basis to assess building environmental performance in relation to various parameters and identify improvement measures, particularly in relation to greenhouse gas emissions reduction. Across our German commercial portfolios, single-tenanted properties in The Netherlands and GCP residential portfolio, tenants establish their own contracts for electricity (and water in The Netherlands), hence our focus is limited to electricity and water supply within landlord-controlled areas, and building-wide heating systems. We aim to complete the roll out of renewable electricity and green gas supplier contracts; reduce natural resource consumption within landlord-controlled areas; increase waste recycling rates and pursue opportunities to implement renewable energy and CHP/ CCHP systems in accordance with our energy investment program (see page 34 below).

We encourage our suppliers to present new and improved systems, technology and management processes that support the achievement of our environmental targets, and we engage in continual dialogue with our suppliers to this effect. Within the limitations of our procurement budget, preference is given to suppliers with certified environmental management systems, and in 2019, the majority of our contracted suppliers had ISO 14001 certification.

Robust data gathering and reporting processes are fundamental in enabling us to evaluate our baseline impact, set meaningful performance targets and monitor progress. Increasing the scope and quality of our environmental data collection was a key achievement in 2019. We are now able to report accurate data from a larger number of buildings, and we are close to finding a software solution that will enable us to access real-time data based on automated meter readings for utilities consumption. Once this system is fully in place, our technicians will be able to more rapidly identify inefficiencies at individual building management level and implement corrective measures with immediate effect to reduce unnecessary resource consumption.

## Offices

Within the office sector, tenants are placing a greater emphasis on the environmental performance of the properties that they occupy. The majority of large international and national companies have set energy and carbon reduction targets in line with their own sustainability strategies, and an increasing number of smaller regional and local tenants are following suite. As a predominantly office investor, we recognise the increasing importance placed by tenants on energy use, and see this as an area where we can support their wider objectives by increasing the energy efficiency of our properties. Across our portfolio we operate an ongoing upgrade programme to progressively

target energy savings with a focus on consumption that falls under our direct control, such as common areas and parking spaces. Where appropriate, we also work with new tenants to ensure efficiency is prioritised during the fit-out stage such as retrofitting LED lighting in their leased space.

Increasingly, legislation is driving change at an industry level, with Germany and The Netherlands setting out stretching climate and energy targets for the build environment (see page 9). Approximately 51% of our properties in The Netherlands already have an energy performance certificate A rating which will be the required minimum for all office buildings by 2030, and we are integrating plans to bring energy ratings up to an A for all remaining properties as part of our regular asset-level budgeting and forecasting.

Furthermore, many of our multi-tenant office buildings are supplied by green electricity and we are expanding this across our office portfolio. Where electricity use is contracted by our tenants themselves (usually in single-tenanted offices) we encourage them to procure green electricity from renewable sources during our tenant meetings. These efforts complement our broader energy investment program that aims to significantly expand efficient and renewable energy generation and storage systems; EV charging stations; smart meters and advanced energy measurement software across our portfolio (see page 34).

Beyond investing in energy efficiency and greening our energy supply, we also identify additional measures that can encourage more sustainable practices and support tenants. We actively monitor demand for EV charging stations and either support tenants who want to install their own charging stations or invest in charging stations ourselves at multi-tenanted offices. Other environmental topics that are regularly discussed with our tenants include waste separation. Here we seek to encourage greater waste separation to ensure more waste is recycled, and waste separation is a standard requirement in our tendering process with waste contractors and processors.

## Hotels

Sustainability is already an important factor for many hotel customers, and we believe that in the near future it will become an increasingly compelling differentiator in the hospitality market. This poses risks and opportunities for hotel owners and operators alike and puts emphasis on the need for sound management systems and a focus on demonstrating visible implementation of ecologically-sensitive building infrastructure and fit out. It also gives rise to the prospect of additional value creation from assets located in secondary locations, where a greater number of customers could be attracted by an offer that aligns with their corporate or individual values and policies, potentially over-riding other attributes.

The hotels segment of our business follows a specific acquisition checklist which includes assessing the potential for sustainability improvements such as replacement of heating systems with more efficient combined heat and power (CHP) or combined cooling, heat and power (CCHP) and renewable-en-

ergy based alternatives; solar PV installations, lighting retrofits and use of sustainable materials in structural improvements such as window replacements and insulation. Because of the unique type of lease arrangement within this asset class, which involves the transfer of greater responsibilities for building maintenance to the hotel operator as the lessee, the contractual agreement itself becomes the core point of focus for us to promote environmental improvements in our properties.

We work with a range of hotel operators, many of which are franchise brands who follow their own high environmental standards and policies. Our goal is always to reach an agreement with the lessee whereby we are assured that there is a responsible and sustainable building management strategy in place. As such, we are working towards the development of an effective and practical green lease model whereby operators agree to take responsibility for the retrofit of lighting and heating systems to increase resource efficiency and/or integrate renewable energy use, and execute resource-efficient operational management of hotel assets that exceeds legal requirements.

In 2019 we began to engage with an operator which successfully completed the ISO 14001 certification of its environmental management system, and we anticipate that through the certification process they will work with us to refine our green lease concept with reference to this best practice standard. Essentially, we are looking to establish and replicate a win-win model whereby there is a cost benefit for both Arountown and hotel operator to invest in environmental improvements.

Our hotels business is very dynamic and the portfolio continues to grow. Unlike other asset classes, where we work towards portfolio-wide environmental improvements against key performance indicators (KPIs), we can have a much greater impact by stipulating green policies at the contractual level. What is more, green leases are becoming more widely accepted within the sector as we see increasing demand from customers, especially corporate customers, for travel and hospitality providers with tangible sustainability policies in place.

### Logistics, wholesale & other

The nature of our logistics, wholesale and other portfolio means that we must work closely with tenants to identify opportunities to influence its environmental impact. All new developments are constructed according to the DGNB Gold standard, and we identify energy savings during refurbishment works. The majority of our properties are let to a single tenant, and contain few common areas or shared services that fall under our responsibility as a landlord. In these instances, we engage with our tenants to invest in energy efficiency improvements and equipment upgrades, and are in discussions with one tenant to launch two pilot projects to install PV panels, combined heat and power plants and electric-vehicle charging stations at their properties.

### Retail

Within the retail portfolio, we are prioritising the roll out of LED lighting systems, evaluating the feasibility of rooftop photovoltaic (PV) systems, preparing for the installation of EV charging points and replacing older inefficient boilers with combined heat and power (CHP) and combined cooling, heating and power (CCHP) plants. We have a mixed portfolio that includes shopping malls, hybrid malls and single-tenant retail assets, all of which present opportunities to implement environmental improvements. Some of these involve no or low-cost management and maintenance measures, such as a more rational approach to lighting use and the changing of set points on cooling systems; others involve investments which are prioritised on a cost-benefit basis. Retail tenants can be significant consumers of utilities and producers of waste, and it can be challenging to influence individual practices. However, we are seeing increased interest in environmental sustainability from retailers and consumers, and our local technical teams are very willing to cooperate with tenants who seek our advice on these aspects.

### Residential – Grand City Properties S.A.

GCP considers the environmental and climate risk profile of all potential acquisitions and uses asset life-cycle assessments as a key tool for decision-making. This involves comparative analysis of a building's energy profile and economic profile, with the former taking account of heat and electricity consumption and CO<sub>2</sub> emissions alongside factors such as location and size of the property or type and size of heating units. From a technical perspective, the building fabric, materials used, and other considerations related to environmental performance are reviewed. Information provided for the property's energy performance certification complements this review, which is used to provide information about the potential repositioning opportunities presented by the asset.

GCP's asset repositioning strategy prioritises significant investment in technical improvements, particularly energy efficiency upgrades. Deeper technical due diligence studies inform which measures should be pursued on the basis of economic business case; tenant satisfaction and environmental benefit. The integration of green spaces and careful maintenance of existing green spaces is also considered, balancing tenants' needs for infrastructure with the health and well-being benefits of direct access to natural surroundings.

Tenant involvement and awareness are key to reducing the operational impact of GCP's assets, as tenant utilities' consumption and waste production account for the most significant environmental impacts across the scope of its activities. GCP publishes leaflets for tenants that educate them on environmentally friendly heating behaviour and coordinates closely with other stakeholders to increase tenants' sense of responsibility and understanding of the benefits of lowering their environmental impact.

## Energy and emissions

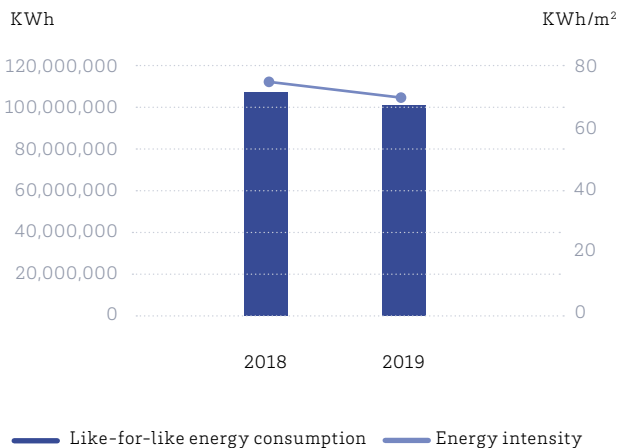
We see the reduction of greenhouse gas emissions and investment in an efficient and renewable-energy based power supply as a key part of the essential transition towards a more sustainable future. We are undertaking significant efforts to position our business as a leader on this front, on the premise that energy efficiency and a low-carbon footprint brings commercial benefits in the form of reduced costs, more attractive assets and an enhanced reputation. As a responsible business with long-term interests in the cities where we invest, contributing towards global goals to limit the potentially catastrophic impacts of climate change is a natural course of action.

In keeping with our environmental strategy, we identify opportunities for greenhouse gas emissions reduction and energy efficiency improvements across all asset types as part of the acquisition process and on a regular basis thereafter. We undertake improvements to building fabric and systems within the context of asset repositioning and value enhancement; and seek to further optimise building energy management in order to reduce operating costs and maintain or reduce the service charge to tenants.

Over the past three years we have pursued a policy of systematically switching energy contracts to renewable-based electricity and carbon neutral gas supplies each time an agreement is subject to renewal. We are also progressively removing all inefficient, fossil-fuel based heating systems from our buildings and replacing these with the most efficient and, where possible, renewable-based alternatives.

Asset energy performance and greenhouse gas emissions are monitored and assessed based on total consumption (absolute and like-for-like) and intensity metrics and benchmarked against average data for buildings of similar type and occupancy level. Aggregated portfolio data is reviewed and reported in line with regulatory standards and the EPRA Sustainability Best Practice Recommendations (EPRA sBPR), and is used to assess baseline performance at a Group level and evaluate progress against our carbon reduction target.

### Energy consumption

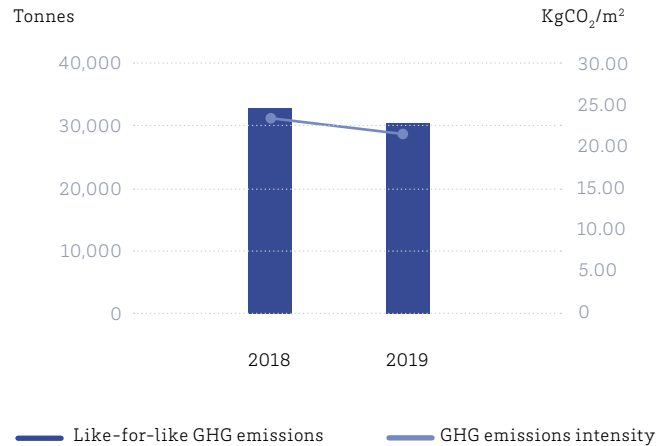


In 2019, landlord-obtained electricity across our commercial portfolio totalled 32,142,703 kWh (2018: 35,122,576 kWh). Landlord-obtained heat and fuels totalled 49,019,686 kWh (2018: 52,295,756 kWh) and 18,928,593 kWh (2018: 19,604,558 kWh) respectively. This translated into an average building energy intensity of 70.63 kWh/m²/year (2018: 75.52). We reduced energy consumption across all asset types with significant reductions achieved in retail, office and industry electricity consumption (-7%, -9% and -11% respectively), and retail and industry district heating consumption (both -9%).

Mirroring these trends, Scope 1 and 2 greenhouse gas (GHG) emissions associated with building energy use across our commercial portfolio totalled 30,315 metric tons of CO<sub>2</sub>e in 2019 (2018: 33,756 tons), and we achieved a building GHG emissions intensity of 21.39 kg CO<sub>2</sub>e/m²/year (2018: 23.82).

Scope 1 emissions decreased by 33.6% influenced by the reduction in fuels consumption and an increase in the proportion of fuels from renewable sources. Similarly, Scope 2 emissions (location-based) from electricity and district heating and cooling decreased by 7.6% which was also influenced by the decrease in consumption.

### GHG emissions (Scopes 1 & 2)



Energy efficiency interventions deployed in 2019 across our retail assets included undertaking more frequent control of cooling and lighting systems to maximize efficient use; changing escalator operating hours; and switching to LED lamps in car parks and mall service areas.

In the hotels sector, we had programmes taking place on many levels, including LED lighting retrofits, upgrades to heating systems and engagement with operators. Across the portfolio as a whole, it continues to be a priority for us to identify and replace old, inefficient heating systems. More specifically, we are seeking to maximise opportunities to deliver energy efficiency improvements as part of major refurbishment projects taking place at two of our flagship hotels in Frankfurt and Berlin.

Across all asset types, we continued to increase the number of buildings serviced by renewable electricity and carbon neutral gas tariffs, signing new agreements over the past 12 months. In the context of our own back office operations, in 2019 we acquired electric vehicles for our pooled car fleet, and by the end of 2020, the majority of the fleet will be comprised of these lower impact vehicles. In addition to the fleet at our Berlin headquarters, two electric vehicles are to be acquired for each of the larger offices in Germany. As in Berlin, the offices are starting to be equipped with EV charging stations and this will continue during 2020.

### Energy Investment Program

Most significantly, 2019 saw the launch of our Energy Investment Program, which involves a partnership with an energy development company to invest up to €210 million in efficient and renewable energy generation and storage systems; EV charging stations; smart meters and advanced energy measurement software. Anticipating the transition to a more decentralised, renewables-based energy market and electrification of road transport, the purpose of the program is to improve the competitive position of our properties and unlock opportunities associated with digital technology advancements in the energy, building and transport sectors. At the same time, it will help us to realise further progress towards our 2030 carbon reduction goal.

The Program is focused around five core components, and the first phase of implementation will run until December 2020:

- The installation and operation of solar and wind power production systems on rooftops and parking areas, up to a potential capacity of 75 MW within an investment budget of approximately €90 million. In the first phase, we plan to install 20 MW of capacity.
- The installation of highly efficient energy generating systems based on combined heat and power production (CHP) or combined cooling heat and power (CCHP), up to a potential capacity of 60 MW within an investment budget of some €80 million. 10 MW of capacity is due to be installed by December 2020.
- The implementation of electricity storage to support these solar, wind, CHP and CCHP systems. This will enable optimal management of energy consumption and production and provide the necessary infrastructure for fast and ultrafast electric vehicle charging stations to serve Aroundtown Group; our tenants and their clients.
- The installation of up to 25,000 EV charging stations within an investment budget of €40 million, with 1,000 installed in the first phase. This will allow for the conversion of the Group's fleet to electric vehicles (EV) resulting in lower fleet cost and more reliable mobility as well as lower emissions.
- The implementation of smart meters combined with a total energy management system (demand/response) to optimise efficiencies in terms of resource use and cost.

During 2019 we evaluated 21 potential projects which would involve replacing heating systems with rooftop solar photovoltaic (PV) systems and installing EV charging stations. Six

of the highest energy consuming sites have been prioritised as pilots, and a dedicated in-house team is working on their implementation. Going forwards, during 2020 we will install PV systems on at least nine assets in Germany with a further ten in planning. This is in addition to the continued rollout of LED lighting systems in assets where this has not yet been done, and further detailed analysis and fine-tuning of technical plant and mechanical systems to enable continued reductions in electricity and water consumption.

In The Netherlands, we recently began the installation of six PV rooftop systems with an installed capacity of approximately 1.1MW, and filed a subsidy request for the installation of solar panels further 39 properties (see case study on page 30). Our objective is likewise to generate energy on-site and replace electricity procured from the grid to supply our tenants, and also provide the option of selling surplus energy to the grid if energy production surpasses tenant demand. If we are successful in securing the subsidy from the Dutch government, we will proceed with detailed technical feasibility studies and install the solar panels.

### Water management

We aim to limit water consumption to only that which is necessary and eliminate wasteful usage as far as possible, thereby reducing water and wastewater-related costs. We comply with the high standards for water quality and wastewater disposal set at EU and national level, and additionally we adhere to our own standards set out within our Environmental Policy.

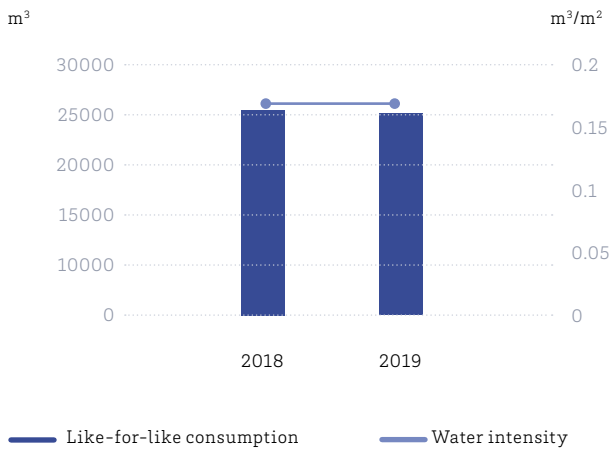
Our own operations do not entail significant water consumption; the most substantial impact in terms of water withdrawal occurs at the point where tenants enter the value chain. Our ability to influence tenant water consumption is limited but can be aided by using advanced measurement and pragmatic engagement techniques. We are prioritising investment in water meters that facilitate the measurement and assessment of water consumption at all assets in our portfolios. This helps us to promote water saving practices among tenants by providing them with accurate and up to date information about their water usage. Beyond this, we also implement technical improvements to reduce water consumption in our properties where this is economically viable and feasible on a structural and contractual basis.

Within the residential portfolio, GCP carries out random checks of general and user-specific water consumption data via the meter readings it receives as part of the billing process. Data is evaluated to identify inefficiencies and potential interventions from both a structural and management perspective. As such, water efficiency improvements include both technical measures, such as the replacement of water consuming systems and fittings as well as building management and tenant awareness-related measures.

In 2019, total water consumption from landlord-shared services across our commercial portfolio was 250,488 m<sup>3</sup> (2018: 258,121 m<sup>3</sup>), equivalent to a building water intensity of 0.182 m<sup>3</sup>/m<sup>2</sup>/

year (2018: 0.182). The reduction in total portfolio water consumption was driven by a 1% reduction in our office portfolio and a 17% reduction in our industry portfolio.

### Water consumption



### Waste management

Our goal is to reduce the total amount of waste produced in our assets and the amount of waste that is disposed of by means other than recycling and reuse. We are focusing our efforts on increasing recycling rates by providing facilities to support waste separation on our sites and engaging with tenants to promote better waste management practices. Ongoing reductions in waste output and waste disposal in landfill translate into a direct reduction on operating costs and enable us to reduce adverse environmental impacts.

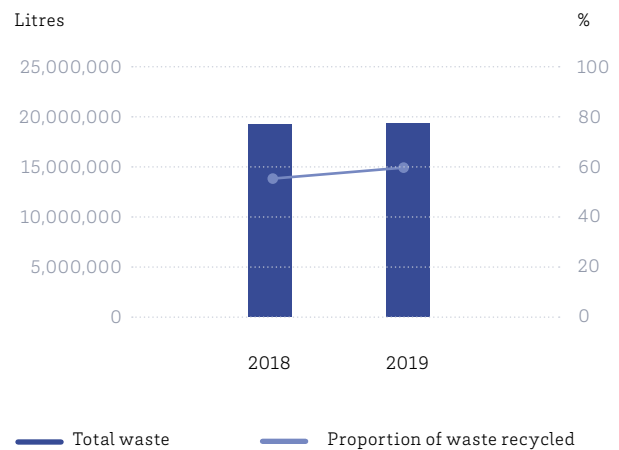
We have greater ability to control and influence waste production and disposal from refurbishments. On larger projects, reviews of the type and quantity are carried out with attention to ensuring that non-recyclable and hazardous waste streams are properly managed by specialist external service providers where relevant. As far as possible, construction waste is recycled in accordance with the applicable national standards. Our refurbishment activities bear greater environmental risk due to the potential presence of contaminated or hazardous waste, hence we maintain strict compliance with all applicable legal requirements and oblige third parties to provide evidence of appropriate certification so that risks associated with incorrect disposal are minimised.

Across our operational portfolio, we carry out regular audits of waste facilities and management procedures, particularly where we are working with external waste management service providers. Waste production and recycling rates and associated costs are monitored and benchmarked and in instances where costs are higher than expected, we make additional checks to ascertain whether waste is being properly segregated and recycled. Where possible, we leverage our ability to influence tenant behaviour through awareness-raising activities and by investing in pay-by-volume waste systems at select locations,

which involve tenants using an electronic chip which monitors the volume of waste they dispose of and bills them accordingly. This system is most effective in highlighting the mutual benefit of waste reduction from a cost saving perspective.

We continue to increase the scope and quality of portfolio waste data. In 2019, the volume of total waste produced from commercial assets was 19,431,483 litres (2018: 19,219,233), of which 58% was recycled.

### Landlord-handled waste

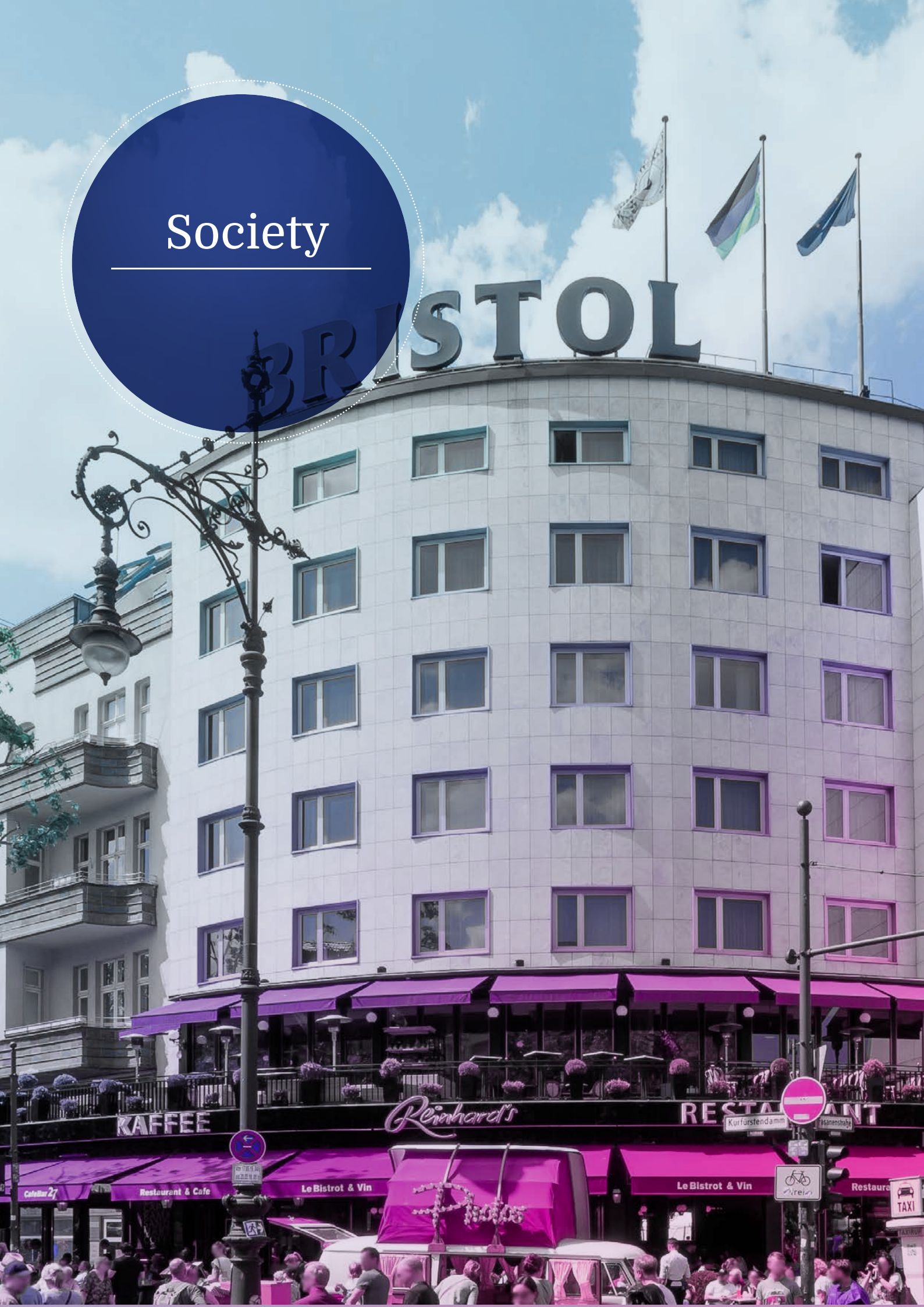


In the retail portfolio – where we achieved a 16% reduction in waste volumes – we continued to ensure accurate measurement of each individual tenants’ waste and carried out improvements to some assets’ waste disposal areas to facilitate more efficient segregation. The recycling rate increased to 57% (2018: 47%).

GCP recorded an estimated recycling rate of approximately 40%. Having found that opportunities for more effective recycling were being lost due to inefficient on-site segregation by tenants, GCP began working with external providers to optimise the waste segregation and recycling progress. Sites with these new contracts in place have already seen improvements in recycling rates and reductions in waste management costs, hence GCP plans to increase their coverage to encompass a larger number of assets in 2020.

# Society

# BRISTOL



## Society

We seek to align our commercial interests with the creation of long-term socio-economic benefit in the communities where we operate. Assets located within prosperous communities are likely to deliver superior performance to the advantage of Aroundtown and our tenants, thereby completing a virtuous circle. Our approach to community involvement and development is structured around our engagement with tenants and local authorities and is delivered as an integral part of our construction, property development and refurbishment activities. At all stages of this process, we seek to build productive partnerships with local stakeholders in order to ensure that the repositioning strategy for individual assets is aligned to tenant and community needs.

### Targets

- €500,000 p.a. allocated to community investment
- Build partnerships with local stakeholders to achieve targeted impact with communities around group assets
- Support measures that aim to achieve the United Nation’s Sustainable Development Goals



Our efforts to address local challenges in the communities where we operate and create long-term socio-economic benefits supports the United Nations Sustainable Development Goals (UN SDGs) for Good Health and Wellbeing (#3), Quality Education (#4), Reduced Inequalities (#10), Sustainable Cities and Communities (#11) and Partnerships for the Goals (#17).



## Key figures <sup>6</sup>



**60**

Community events held in retail assets



**€210k**

Investment through the Community Foundation



**112**

Hours worked during corporate volunteering

<sup>6</sup> As at 31 December 2019

## Community involvement and development

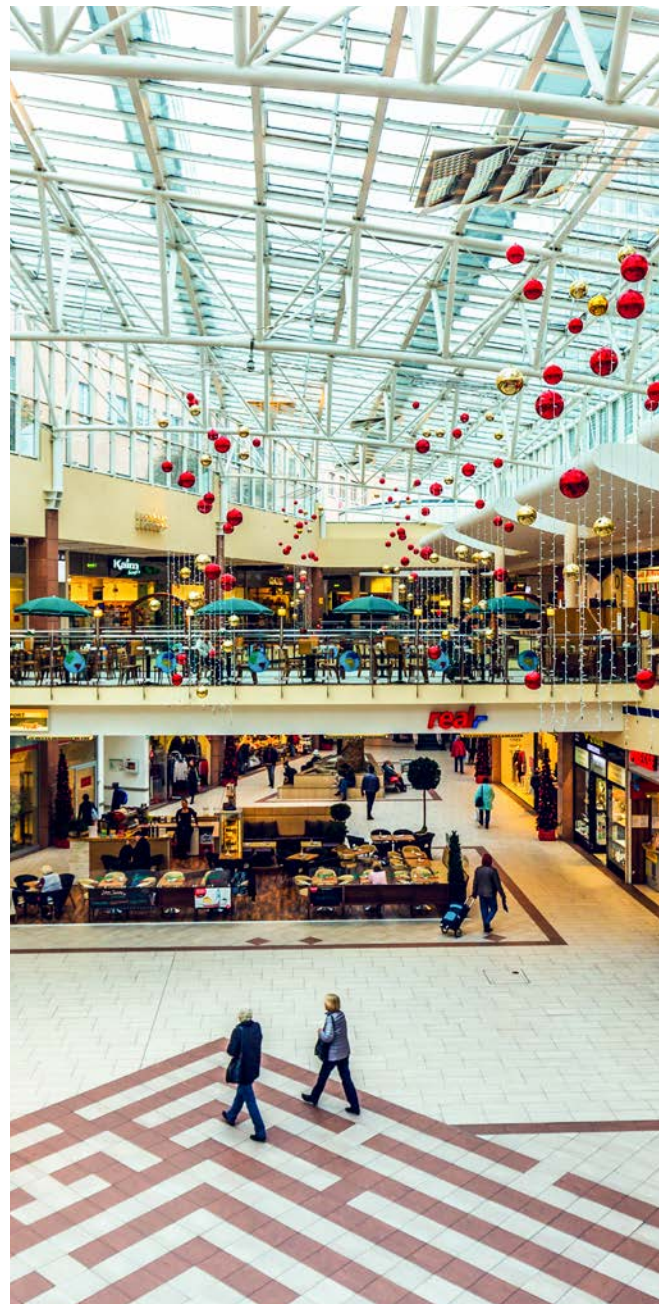
At the individual asset level, community involvement begins during the property acquisition phase with acquisition teams preparing a checklist-based community due diligence assessment prior to asset takeover. Once an asset has been acquired, we establish dialogue with existing tenants and residents and enter into contact with local authorities in order to understand community needs and concerns and determine how these can be integrated into our refurbishment and upgrade plans and reflected within the long-term asset strategy. Indeed, community consultation, usually in the form of meetings and workshops, is a pre-requisite to securing licencing to proceed with building improvement works. With an over-arching aim of combining economic growth with positive social impact, we rely on input from stakeholders to help identify the potential contribution an asset can make to the community in question. Stakeholder engagement is always based on open, transparent communication to build relationships based on cooperation and trust.

The impact that we can have naturally varies according to the type of asset, its location and unique characteristics. Hence a customised rather than standard approach is pursued, with the effect that the community development outcomes generated by the Group differ greatly on a project-by-project basis. As we often invest in previously neglected properties, there can be substantive opportunities to turnaround pre-existing negative perceptions of the asset and enhance quality of life for building occupants and nearby residents through investment in building systems and infrastructure; shared services and facilities; the aesthetics of the external façade and maintenance of surrounding areas.

We are particularly proud of a small number of projects in Germany where our presence has the potential to deliver more significant community benefit. One is the community-led development plan which is being prepared for Berlin-Treptow, Elsenstraße, where we are assessing options for new facilities proposed during public consultation, including artists' studios, a kindergarten and a library. We are also partaking in the SINN in Frankfurt initiative, a collective of companies and institutions that aims to support the transformation of the Niederrad office district from a mono-structural commercial area into a mixed residential and business quarter. The project is designed to align to the needs of the people who live and work in the city and will also support our long-term commercial interests as a property investor in the district by making the area more attractive to future occupiers.

Within our operational portfolio, community involvement and development activity is essentially aligned to the process of ongoing asset value creation. This involves a collaborative effort across all our teams, bringing together property managers, asset managers, facilities managers and technicians to review rents; structural condition; tenant mix and other key operational performance indicators to identify improvement measures at management level and for the annual investment budget. This process encompasses engagement with tenants and other stakeholders to identify areas of concern and respond accordingly.

As emphasised with reference to the asset repositioning phase, our ability to generate positive impact through property management is heavily contingent on the type of asset, its tenant base, location and other unique characteristics. However, retail properties on the whole offer important opportunities for community engagement through their role as a meeting place, service provider and leisure destination for people within their catchment area. In keeping with the latest consumer behaviour trends, we are seeking to enhance the ambiance of our retail space and increase the scope and variety of the gastronomic offer within our shopping centres in order to boost dwell times and tenant revenues. This approach enables us to highlight the positive contribution that our retail assets can make as places where people can socialise, learn, play and relax as well as shop.



Berlin



## Public art for Marktcenter Potsdam

During 2019 we undertook an extensive refurbishment and repositioning of Markt Center in Potsdam. Acquired by Aroundtown in 2015, the 9,500m<sup>2</sup> GLA (Gross Leasable Area) shopping centre serves a catchment area of 75,000 people and houses a range of retail units, a fitness centre and pharmacy.

The centre had not undergone a significant refurbishment since it was inaugurated in 1997 and we used the opportunity to boost footfall by improving its appearance through a new façade, signage and an updated logo.

As part of the repositioning works, we collaborated with the Universität Potsdam which helped us to find local artists who could bring to life our vision for the shopping centre façades. We chose to focus on the history, heritage and natural environment around Potsdam, taking inspiration from the architecture and landscaping of the Sanssouci Palace and gardens and the herons which inhabit the lake located opposite our asset.

Through the course of its realisation, the project generated a lot of positive interest from tenants, customers and local residents and it has had a favourable impact on the way that Markt Center Potsdam is perceived within the local community. Direct feedback received from tenants revealed it has contributed to higher levels of tenant and customer satisfaction, and it has also put a stop to the defacement of the building with illegal graffiti which was a regular occurrence.



Potsdam



Potsdam



Berlin

Shopping centres across our portfolio hold regular community events, host liaison activities with schools and provide support to local charities, for example by offering them spaces free of charge to promote and raise funds for their cause. Regular meetings are held with local authorities to discuss events and developments taking place within surrounding neighbourhoods and identify opportunities for the shopping centre to make a positive contribution to these endeavours and increase Aroundtown's involvement with the community.

Examples of the sixty activities taking place in 2019 included Hansa Centrum providing free mall space for the humanitarian organisation Caritas, and ParkCenter Treptow hosting a Day of Reading to encourage reading and literacy among younger visitors. At Der Clou in Berlin, we were proud that this asset was chosen to host the District and Landscape of the Future of Tegel competition, which was organized by the Berlin Senate Department for Urban Development and Housing in relation to the Tegel district where the asset is located.

As an investor in residential property, our subsidiary Grand City Properties S.A. (GCP) takes a proactive approach to social engagement that includes building social cohesiveness within and around its assets and investing in infrastructure improvements; communal facilities and additional support services that enhance people's quality of home life, education and socio-economic opportunities. Examples include investments in library rooms, playgrounds and sports pitches and the funding of services such as educational support programmes, sports clubs and social network groups. Further information and case studies can be found in [GCP's 2019 Sustainability Report](#).

To complement and strengthen our engagement at the asset level, in 2018 we established the Aroundtown Foundation. With official recognition as a charitable entity, the Foundation is now set up to function as a central entity that will secure, manage and allocate funds to support the Group's charitable and community development aims. It will be responsible for channelling a budget of €500,000 p.a. into infrastructure programmes and initiatives that enhance health, well-being and education within the communities where the Group operates, working in collaboration with local partners to amplify its impact. As such, it will also support measures that will contribute towards the United Nation's Sustainable Development Goals (SDGs), particularly those relating to Good Health and Well-being (#3); Quality Education (#4); Reduced Inequalities (#10), Sustainable Cities and Communities (#11) and Partnership for the Goals (#17).

At a corporate level, we also encourage employees to participate in volunteering and charity fundraising activities. An annual "Social Day" is organized in partnership with Lebenshilfe Deutschland, a charity set up to support individuals and the families of individuals living with mental disabilities. In 2019, 14 employees volunteered their time to help maintain the outdoor play area of a kindergarten, support with gardening work at Lebenshilfe's residential areas, accompany individuals on excursions and organise the annual summer party. In addition, 52 employees participated in the corporate B2Run helping to stay fit and build team spirit.



# Governance

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## Governance

Our long-term value creation strategy is underpinned by our commitment to ethical business conduct; robust corporate governance and high levels of transparency. Our pursuit of strong, secure cash flows and exceptional shareholder value is systematically supported by a risk mitigation philosophy that reduces and hedges risk exposure through a values-based approach. Our guiding principles of integrity, respect, performance, accountability and sustainability are the foundation of all stakeholder relationships and corporate governance structures.

### Targets

- **Achieve a listing in the Dow Jones Sustainability Index (DJSI)**
- **Improve liability and transparency**
- **Maintain zero tolerance towards compliance violations**
- **Ensure that all personal data stored and/or processed in the course of the Group's operations is protected from manipulation and misuse**
- **Increase the number of supplier audits and maintain zero human rights violations in the supply chain**



By promoting robust corporate governance and upholding high standards of business ethics in our operations and supply chain we support the United Nations Sustainable Development Goals (UN SDGs) for Peace, Justice and Strong Institutions (#16) and Partnership for the Goals (#17).



## Key figures <sup>7</sup>



**0**

Compliance violations  
(2018: 0)



**0**

Instances of  
data protection breach  
(2018: 0)



**100%**

Sites inspected  
for compliance  
(2018: 100%)



**0**

Human rights violations  
(AT operation &  
supply chain)  
(2018: 0)

<sup>7</sup> As at 31 December 2019

## Management and operations

Our operations are overseen by the Board of Directors and appointed management teams. The Board of Directors represents the interests of the Group's shareholder base as a whole and makes decisions solely to the Group's best advantage and independently of any conflict of interest. It comprises three dependent directors, three independent directors, and one non-executive director 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 and senior management regularly evaluate the effective fulfilment of their remit and compliance with strong corporate governance rules. Five Committees provide comprehensive oversight: The Risk Committee; Audit Committee; Remuneration Committee; Nomination Committee and CR Committee, with additional support from the Advisory Board. Our directors and senior executives are specialists in their field with vast and diverse experience and skills that aid us in maintaining the high level of trust we have received from our shareholders, bondholders, tenants, and other stakeholders. For further information about our Board of Directors and Governance Committees, please see our Consolidated Financial Statements for the year ended December 31, 2019, pages 50 to 53.

To ensure optimal coherence between the Group's values-oriented philosophy and operational approach, we have established a CR Steering Committee charged with developing and supervising the Group's CR activities within the context of our sustainable business strategy. CEO Mr. Shmuel Mayo has assumed direct responsibility for CR/ESG topics and chairs the CR Steering Committee, the members of which include all relevant heads of department and the Head of ESG. The Committee is responsible for overseeing the strategic guidance of CR topics and provides direction to our CR Department. The CR Department acts as a cross-departmental interface, working with all relevant departments across the Group to implement and monitor CR programs and initiatives at an operational level. It is also charged with preparing the Group's materiality analyses and CR reporting and responds to investor enquiries and rating agency requirements on ESG topics.

This streamlined structure ensures that our CR commitment receives due consideration in strategic oversight as well as operational management at the highest level.

## Risk management

Our ability to identify attractive assets and create long-term value growth is dependent on recognising and mitigating risk. Our risk reduction strategy is to pursue a philosophy of comprehensive compliance. With oversight from the Group Risk Committee, we monitor our risk position closely and manage all internal and external risk areas with a view to minimising potential for negative impact to our operations and financial position. The Risk Committee employs a variety of mechanisms to identify and manage the various risks faced by the Group

across the broad spectrum of our activities. It stipulates risk management structures; evaluates the internal control system; coordinates risk training for staff and issues reports to the Board of Directors on a regular basis.

Internal risks include risks resulting from human negligence, unethical behaviour, or inadequate structural frameworks. They are managed through a set of internal control points that cover ongoing risk assessment; control discipline through our organisational structure and staff commitments; compliance checks and verification and monitoring. This encompasses, for example, stringent procedures concerning the approval of payments and costs.

External risks relate to interest rate volatility, liquidity, the ability to attract credit, regulatory and legal factors, cyber criminality, market behaviour, and collection and tenant deficiencies. We set direct and specific guidelines and boundaries to address each type of risk, hedging and reducing to a minimum the occurrence of revenue loss or potential default.

We pursue a conservative financial policy aligned to our long-term goal of achieving an A global credit rating (currently BBB+). We maintain a robust liquidity position through a mix of operational cash generation and balance of cash and liquid assets which as of 31 December 2019 amounted to €3 billions. The high ratio of unencumbered assets – 81% as of December 2019 – provides for additional financial flexibility and furnishes the Group a strong platform from which to finance our future growth.

The possible effect of market risks is mitigated by the split of the portfolio across different asset types and geographies and our offer of high-quality real estate products and services to a diverse tenant base located predominantly in central locations in top tier European cities. Through 2019, we continued our strategy of building a portfolio which benefits from strong market dynamics and high upside potential, with a focus on high-quality assets within high performing sub-sectors. This approach, combined with our exhaustive focus on asset improvement and tenant service excellence, mitigates risks related to rent collection and tenant deficiencies and supports the generation of sustained robust cash flows.

We recognise that suboptimal performance in a variety of ESG-related areas could potentially have negative impact on our operations and our ability to demonstrate attractive performance. Hence we have identified material ESG risks and embedded them throughout our risk management structures. A summary of our materiality analysis process and material ESG risks is provided on pages 12 to 16 above. ESG risks are further evaluated as part of regular risk assessments and accounted for in our 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 our budgets.

## Fair business and compliance

As Germany's largest listed commercial real estate company, we seek to lead by example in upholding the highest standards of responsible business practice. Compliance with all applicable laws and regulations is fundamental to this endeavour and a prerequisite for maintaining our ability to attract shareholders and bondholders; secure and retain tenants and safeguard our reputation for transparency and trust within the marketplace and society at large. As such, we have developed a comprehensive compliance framework which enables us to navigate increasingly complex legal frameworks; safeguard our business against unethical behaviour and its associated risks and uphold our reputation vis-à-vis our stakeholders.

Our compliance framework covers all stages of the property investment process, from acquisition through to asset and property management, as well as all administrative and operative functions. It is designed to prioritise the prevention of compliance violations and misconduct outright through the implementation of corporate level policies and standards which are monitored through extensive internal audit procedures, and by promoting timely, complete, and fault-free disclosures of conflicts of interest and other sources of controversies.

Our Code of Conduct forms the backbone of our commitment to ethical behaviour. It is a mandatory component of all employment contracts which applies equally to staff in all levels of the organisation. It establishes behavioural standards in relation to various ethical risks including bribery and corruption and discrimination and is additionally supplemented by specific policies on key issues (Anti-corruption Policy; Anti-discrimination Policy; Whistle-blowing Policy; Data Protection Declaration, and a User Policy for dealing with digital content and devices). These policies provide all staff with extensive guidance on our standards of behaviour. An annual refresher training module, required to be completed by all staff, ensures that employees regularly reaffirm their familiarity with these policies and make a personal pledge to abide by them. The Compliance Management Team is charged with ensuring that all current legal and market requirements are reflected in Aroundtown's policies and structures.

The standard internal reporting procedure via department and division heads 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. In 2020 these routes will be expanded with an anonymous web-based whistle-blower reporting application. Employees may also discuss compliance concerns in confidence with the Chief Compliance Officer at any time.

The effectiveness of our compliance framework is clearly borne out by our operational results. To date, we have registered zero compliance violations. We have additionally performed an extensive review of compliance structures as a result of changes introduced by the European Union's Non-Financial Reporting Directive and its transposition into Luxembourg law. Our goal for the future is to maintain our notable track record through

careful analysis of the evolving market and regulatory environment in conjunction with further appropriate development of internal structures.

## Data protection

The protection of individual privacy through adequate data security provisions is an area of key importance to our stakeholders. We aim to ensure that all personal data stored and/or processed in the course of our operations is protected from manipulation and misuse. As such, we progressively advance our data protection policies and procedures in line with the evolution of digital technology and work processes. Data protection standards and processes are fully embedded throughout our operations, and all departments receive guidance on the specific data protection risks and management measures that must be taken in relation to their day-to-day work.

The ratification of the EU General Data Protection Regulation (GDPR) in May 2018 prompted us to review and fine-tune the processes we had in place and provide stakeholders with detailed information about how we ensure the best possible protection of personal data. This included a focus on the transparent handling of personal data; offering individuals choice in how their data is processed and assessing the effectiveness of different IT-based data protection methods.

Our advanced approach to data protection management combines the use of high standard IT systems with staff training and awareness. We have adopted an Information Security and Privacy Strategy to protect the confidentiality, integrity and availability of Aroundtown's data across all business process, information processing, storing and transmitting facilities and systems. As well as ensuring the continual improvement of controls, the strategy lays out our data safety and privacy commitments including those relating to security threat monitoring, creating a security positive culture, adherence with legal, regulatory and audit requirements, and assuming a risk-based approach.

In 2019, we strengthened our approach further with the introduction of a Patch Management Policy to define the requirements for maintaining up-to-date operating system security patches on all owned and managed workstations and servers to reduce potential IT vulnerabilities. This includes systems that contain company or customer data regardless of location. Compliance with the policy and related procedures falls under the responsibility of both the Chief Information Security Officer and the Chief Technology Officer.

All staff follow video-based training units, and staff in management positions receive further input through seminars with legal experts. Though not stipulated by law, we require all personnel to sign a company statement of their explicit commitment to data protection. All staff received training on information security (2018) and the GDPR (2019). Our Standard Operating Procedures (SOPs) make expected courses of action in day-to-day activities clear to all parties, from saving and storing data to handling requests for information. We treat cus-

tomers' high expectations in this area with due consideration, ensuring that our Data Privacy Policy is available to tenants, along with information about our data processing systems; the purposes for which their data is used, and of their related rights.

In the event of any possible data protection breach, a committee is formed to immediately investigate the matter. In 2019, no such breaches were reported.

## Suppliers

To maintain our high standards of ethical behaviour, fair business practices and transparency, we ensure that our partners in the supply chain fulfil these same expectations. We carefully select business partners taking account of their corporate philosophy and values and ESG commitments, giving preference to long-term relationships with trusted business partners who have a proven track record of operating to the same high ethical standards as ours.

All suppliers are required to sign the Supplier Code of Conduct as a prerequisite for doing business with us. Indeed, the Code forms a binding contractual commitment and is updated regularly by the Legal Department. Furthermore, we operate a Green Procurement Policy which sets out standards and criteria in relation to a broader spectrum of ESG issues which suppliers must fulfil in order to enter a business partnership with the Group. When relationships are initiated with new suppliers, we perform a careful evaluation of the supplier's ESG performance. The findings from this assessment are then used to identify areas where the supplier and Aroundtown can work together to achieve improvements. Besides upholding compliance with the Group's standards in relation to corporate governance, decent work and human rights issues as detailed within the Code of Conduct, we expect suppliers to mitigate the negative environmental impact of their activities wherever possible and manage their operations in alignment with the environmental norm ISO 14001.

We closely monitor suppliers' compliance with the law and our more stringent corporate standards and policies. Group project managers liaise closely with contractors, and internal and external experts perform on-site visits to ensure standards are being upheld, and an annual review process is completed for all suppliers. Our whistle-blowing system, described on page 44 above, provides a conduit for all stakeholders to report any instances of policy breach or questionable behaviour by any company carrying out operations in the Group's name. 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, and we reserve the right to exclude specific suppliers from bidding on new projects if they have committed past breaches of policy.

Going forward, we intend to increase our supplier audits using our internal "traffic light" system which monitors construction project processes, helping to identify at risk companies who may be in breach of contract or non-compliant with laws.

## Human rights

We view upholding recognized standards of decent work and respect for human rights to be non-negotiable components of our business premise. As we operate mainly within central Europe, our operations are governed by the strict regulations and legal framework of the European Union. These laws provide extensive human rights protection at local levels, meaning concrete human rights violations are not a substantial risk in our operations.

A key element of our asset repositioning strategy involves creating long-term value through the refurbishment of formerly mismanaged properties. The building work required by these activities is carried out by construction companies and their subcontractors. The main area for possible human rights violations lies with subcontractors, as these are not under direct oversight by us. There is also a risk of human rights violations occurring in relation to the migrant workers employed by large construction firms. As of the date of this report, no human rights violations had been identified in Aroundtown's direct operations or in the supply chain.

We undertake to avoid all possibility of human rights violations in the supply chain. Human rights violations of any kind are not tolerated, and all suppliers must commit to providing decent standards of work. Child labour and forced labour are explicitly renounced. We equally expect all suppliers to foster workplaces free of discrimination and harassment. Effective controls of business partner selection have been implemented. Our Supplier Code of Conduct, which stipulates contractually binding standards of decent work and human rights protection, was implemented in 2015 as a mandatory component of all supplier contracts and was signed retrospectively by all existing suppliers as well. Project managers carry out periodic on-site visits to verify that suppliers are complying with these standards, both when accepting partial deliveries of work completed and in a supervisory control function. In 2019, 100% of our sites were inspected for compliance and zero instances of human rights violations were identified or reported.

# Reporting Pack

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# Key Figures

## PORTFOLIO ENVIRONMENT PERFORMANCE MEASURES (ABSOLUTE AND LIKE-FOR-LIKE)

KEY FIGURES	SCOPE	UNIT	EPRA PER- FOR- MANCE MEAS- URE CODE	TOTAL PORTFOLIO			RETAIL			OFFICE			INDUSTRY		
				2019	2018	% CHANGE	2019	2018	% CHANGE	2019	2018	% CHANGE	2019	2018	% CHANGE
<b>ENERGY</b>															
Electricity	For landlord shared services		Elec-LfL, Elec-Abs	32,142,703.31	35,122,576.20	-8%	7,915,410.67	8,521,314.20	-7%	22,312,658.78	24,447,020.00	-9%	1,914,633.86	2,154,242.00	-11%
	Total Land-lord-obtained electricity		Elec-LfL, Elec-Abs	32,142,703.31	35,122,576.20	-8%	7,915,410.67	8,521,314.20	-7%	22,312,658.78	24,447,020.00	-9%	1,914,633.86	2,154,242.00	-11%
	% from renewable sources			74%	58%	24%	95%	80%	15%	69%	53%	16%	46%	26%	20%
District heating & cooling	For land-lord shared services		DH&C-LfL, DH&C-Abs	49,019,686.22	52,295,755.98	-6%	7,365,972.00	8,081,297.00	-9%	33,822,624.22	35,619,551.98	-5%	7,831,090.00	8,594,907.00	-9%
	Total Land-lord-obtained Heat	kWh	DH&C-LfL, DH&C-Abs	49,019,686.22	52,295,755.98	-6%	7,365,972.00	8,081,297.00	-9%	33,822,624.22	35,619,551.98	-5%	7,831,090.00	8,594,907.00	-9%
	% from renewable sources			14.5%	13.9%	4%	14.5%	13.9%	4%	14.5%	13.9%	4%	14.5%	13.9%	4%
Fuels	For land-lord shared services		Fuels-LfL, Fuels-Abs	18,928,593	19,604,557.60	-3%	5,159,506	5,029,724.00	3%	6,661,581	7,061,995.60	-6%	7,107,506	7,512,838.00	-5%
	Total Land-lord-obtained fuels		Fuels-LfL, Fuels-Abs	18,928,593	19,604,557.60	-3%	5,159,506	5,029,724.00	3%	6,661,581	7,512,838.00	-11%	7,107,506	7,512,838.00	-5%
	% from renewable sources			65%	59%	11%	83%	70%	18%	63%	67%	-6%	43%	40%	-5%
Energy intensity	Building energy intensity	kWh/m <sup>2</sup>		70.63	75.52	-6.47%	108.62	114.96	-5.51%	94.13	100.62	-6.45%	30	32.50	-7.69%
<b>GHG GAS EMISSIONS</b>															
Green-house gas emissions	Scope 1		GHG-Dir-Abs	2,230.23	3,359.23	-33%	569.50	1,180.24	-52%	317.45	783.61	-59%	1,343.28	1,395.38	-4%
	Scope 2 (location-based)	tonnes CO <sub>2</sub> e	GHG-Indir-Abs	28,085.16	30,397.13	-8%	5833.93	6,316.35	-8%	19,448.72	20,978.29	-7%	2,802.50	3,203.50	-12%
	Scope 2 (market-based)			15,696.90	19,785.84	21%	1,908.05	2,750.03	-31%	11,450.52	14,201.82	-19%	2,338.32	2,810.56	-17%
	Total			30,315.39	33,756.36	-21%	6,405.43	7,495.59	-15%	19,766.17	21,761.90	-9%	4,145.78	4,498.87	-8%
GHG gas emissions intensity	Scope 1 and 2 intensity from building energy	kg CO <sub>2</sub> e/m <sup>2</sup>	GHG-Int	21.39	23.81	-10.16%	34.05	39.83	-14.58%	29.63	32.61	-9.14%	7.37	8.01	-7.99%
<b>WATER</b>															
Water	Total Land-lord-obtained water	m <sup>3</sup>	Water-LfL, Water-Abs	250487.61	258121.233	-3%	73646.01	73062.801	1%	144257.93	145914.432	-1%	32583.67	39144	-17%
Water intensity	Building water intensity	m <sup>3</sup> /m <sup>2</sup>	Water-Int	0.182	0.182	0%	0.391	0.388	0.77%	0.216	0.219	-1.37%	0.06	0.070	-14%

# Key Figures

## PORTFOLIO ENVIRONMENT PERFORMANCE MEASURES (ABSOLUTE AND LIKE-FOR-LIKE)

KEY FIGURES	SCOPE	UNIT	EPRA PER- FOR- MANCE MEAS- SURE CODE	TOTAL PORTFOLIO			RETAIL			OFFICE			INDUSTRY		
				2019	2018	% CHANGE	2019	2018	% CHANGE	2019	2018	% CHANGE	2019	2018	% CHANGE
<b>WASTE</b>															
Waste (Landlord- handled)	Total waste	Litres	Waste- LFL, Waste- Abs	250487.61	258121.233	-3%	73646.01	73062.801	1%	144257.93	145914.432	-1%	32585.67	39144	-17%
	% recycled			58%	55%	5,45%	57%	47%	21,28%	59%	60%	-1,67%	21%	21%	0%
<b>BUILDING CERTIFICATIONS</b>															
Certified as- sets	Mandatory (EPC) energy certificates	% of portfolio certified by building	Cert-Tot	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Green Building Certifications	Total number		3	2	-	0	0	-	1	-	-	2	2	-

## ENVIRONMENT

### OWN OFFICE ENVIRONMENTAL PERFORMANCE MEASURES (ABSOLUTE AND LIKE-FOR-LIKE)

KEY FIGURES	SCOPE	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	% CHANGE
<b>Energy<sup>8</sup></b>						
Electricity (indirect)	Aroundtown obtained consumption	kWh	Elec-Abs, Elec-LfL	137,773.65	156,377.56	-11.9%
Fuels (direct)	Aroundtown obtained consumer		Fuels-Abs, Fuels-LfL	392,344.84	393,599.30	-0.32%
Energy Intensity	Building energy intensity	kWh / m <sup>2</sup> / year	Energy-Int	103.12	106.99	-3.61%
<b>GHG emissions</b>						
Greenhouse gas emissions	Scope 1	tonnes CO <sub>2</sub> e	GHG-Dir-Abs, GHG-Dir-LfL	1.80	76.58	-97.64%
	Scope 2 (location-based)		GHG-Indir-Abs, GHG-Indir-LfL	73.98	83.51	-11.40%
	Scope 2 (market-based)			68.14	64.30	5.98%
Greenhouse gas emissions intensity	Scope 1 and 2 intensity from building energy	kg CO <sub>2</sub> e/m <sup>2</sup>	GHG-Int	14.74	31.14	-52.66%
<b>Water</b>						
Water	Aroundtown obtained	Cubic meters (m <sup>3</sup> )	Water-Abs, Water-LfL	3,217.31	2,992.32	7.52%
Water intensity	Building water intensity	m <sup>3</sup> /m <sup>2</sup> /year	Water-Int	0.63	0.58	7.52%
<b>Waste</b>						
Waste (Landlord-handled)	Total waste	litres	Waste-Abs, Waste LfL	145,852.66	124,169.71	17.46%
	% Recycled			39.80	39.80	0%
<b>Green building certifications</b>						
Certified assets	Mandatory (EPC) energy certificates	% of portfolio certified by building	Cert-Tot <sup>9</sup>	100%	100%	0 %

<sup>8</sup> DH&C is not applicable as there is no consumption of district heating

<sup>9</sup> The proportion of certificates achieved by type is not applicable as different values are awarded depending on whether the energy performance certificate is based on actual energy performance or potential performance (due to building design and fabric).

## TENANTS

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
<b>Health &amp; safety</b>					
Proportion of assets undergoing health and safety assessments	%	H&S-Asset	100	100	100
Total number of incidents of non-compliance from health & safety assessments		H&S-Comp	0	0	0
Number of safety incidents recorded			3	n/a	n/a
<b>Tenant retention and attraction</b>					
EPRA Vacancy Rate	%		7.7	8.8	8.9
Portfolio weighted average leave term	years		8.6	8.2	7.2
<b>Asset modernisation</b>					
Investment in building modernisation	€m		95.53	59.2	n/a

## EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
<b>Number of employees</b>					
Total number of employees (permanent and temporary)			402	337	270
Female			235	182	141
Male			167	155	129
Total number of permanent employees			290	205	154
Female			167	106	81
Male			123	99	73
Total number of temporary employees			112	132	116
Female			68	76	60
Male			44	56	56
Total number of full-time employees			350	300	239
Female			174	152	118
Male			176	148	121
Total number of part-time employees			52	37	31
Female			46	30	23
Male			6	7	8
<b>New employee hires and employee turnover (excluding internal promotions)</b>					
Total number of new employee hires		Emp-Turnover	172	189	126
Female		Emp-Turnover	111	105	69
Male		Emp-Turnover	61	84	57
Age group <30			60	68	46
Age group 30-50			84	99	62
Age group >50			28	22	18
<b>Rate of new employee hires</b>					
Female	%	Emp-Turnover	64	56	55
Male	%	Emp-Turnover	36	44	45
All employees	%	Emp-Turnover	44	56	47

## EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
<b>Employee turnover</b>					
Total number of employee turnover		Emp-Turnover	68	46	53
Female		Emp-Turnover	46	29	31
Male		Emp-Turnover	22	17	22
Age group <30			8	17	22
Age group 30-50			36	26	21
Age group >50			7	3	10
<b>Rate of employee turnover</b>					
Female	%	Emp-Turnover	60	63	58
Male	%	Emp-Turnover	40	37	42
All employees	%	Emp-Turnover	15	14	20
<b>Parental leave</b>					
Employees that were entitled to parental leave			402	337	270
Female			235	182	141
Male			167	155	129
Employees that took parental leave			4	10	7
Female			3	9	6
Male			1	1	1
Employees that returned to work in the reporting period after parental leave ended			4	6	4
Female			3	5	3
Male			1	1	1
Return to work rate of employees that took parental leave	%		100	60	57
Female	%		100	67	50
Male	%		100	100	100
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work			4	2	2
Female			3	1	1
Male			1	1	1

## EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
<b>Health and safety</b>					
Injury Rate		H&S-Emp	0.006	0.84	0.47
Lost day rate		H&S-Emp	0	0.004	0.001
Absentee rate		H&S-Emp	4.9	6.1	4
Fatalities (total number)		H&S-Emp	0	0	0
<b>Average hours of training per year per employee</b>					
			36	26	21
Female	hours/year	Emp-Training	11.7	n/a	n/a
Male	hours/year	Emp-Training	16.5	n/a	n/a
Employees	hours/year	Emp-Training	6.5	0.8	n/a
Upcoming leaders	hours/year		50	n/a	n/a
<b>Percentage of employees receiving regular performance and career development reviews</b>					
			55% <sup>10</sup>	17%	n/a
<b>Diversity of governance bodies</b>					
Female	%	Diversity-Emp	19	17	14
Male	%	Diversity-Emp	81	83	86
<b>Diversity of management</b>					
Female	%	Diversity-Emp	27	35	44
Age group <30	%		7	25	8
Age group 30-50	%		51	50	58
Age group >50	%		42	25	33
Male	%	Diversity-Emp	73	65	56
Age group <30	%		0	0	13
Age group 30-50	%		54	60	60
Age group >50	%		46	40	27
<b>Diversity of employees</b>					
Female	%	Diversity-Emp	56	57	54
Age group <30	%		20	25	32
Age group 30-50	%		62	59	53
Age group >50	%		18	16	25
Male	%	Diversity-Emp	44	43	46
Age group <30	%		17	19	20
Age group 30-50	%		57	57	50
Age group >50	%		26	24	30

<sup>10</sup> Relates to ATCP employees only who represent 75% of Aroundtown's direct employees

## EMPLOYEES

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
<b>Ratio of basic salary and remuneration of women to men</b>					
Employees	Ratio women to men	Diversity-Pay	0.77:1	0.71:1	0.78:1
Management	Ratio women to men	Diversity-Pay	1:99	0.45:1	0.89:1
Board	Ratio women to men	Diversity-Pay		0.67:1	0.47:1

## SOCIETY

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
<b>Operations with local community engagement, impact assessments, and development programs</b>					
Neighbourhood activities <sup>11</sup>	€	Comty-Eng	60	n/a	n/a
<b>Community investment</b>					
Investments through the Aroundtown Community Foundation			210,000	n/a	n/a

<sup>11</sup> Relates to the number of community events held in our retail assets which represent 6% of our commercial floor area by value



## GOVERNANCE

KEY FIGURES	UNIT	EPRA PERFORMANCE MEASURE CODE	2019	2018	2017
Governance	Total number of Executive members	Gov-Board	3	3	3
	Total number of Independent members	Gov-Board	3	3	3
	Average tenure	Gov-Board	3.2	2.2	1.1
	Total number with competencies relating to environmental and social topics	Gov-Board	6	6	6
	Nominating and selecting the highest governance body	Gov-Select	Please see the Corporate Governance section of our website: <a href="https://www.aroundtown.de/investor-relations/corporate-governance/">https://www.aroundtown.de/investor-relations/corporate-governance/</a>		
	Process for managing conflicts of interest	Gov-Col	Please see the Board of Directors' Report (page 50) of our Consolidated Financial Statements for the year ended December 31, 2019		

## Methodological notes

Our environmental and social indicators are reported according to the methodology set out in the 3rd edition of the EPRA Sustainability Best Practice Recommendations (sBPR):

For data that falls outside the scope of EPRA, we use the Global Reporting Initiative's GRI Standards (2016) edition as the basis for collecting and reporting data. A cross-reference table with the relevant GRI Standards is provided on page 61 below.

### Organisational boundaries and scope of data (reporting on landlord and tenant consumption)

The information and data in this report covers Aroundtown SA operations spanning our direct employees and commercial portfolio. As of 31 December 2019, this comprised €18.1 billion of commercial assets including offices (48%); hotels (33%), retail (6%) and logistics/wholesale/other (7%).

Information on our residential portfolio, which is owned by Grand City Properties S.A. in which we hold a 39% stake, is included where it is necessary to provide context and explain the scope and breadth of our activities for the sake of completeness. Unless otherwise stated, it is excluded from the scope of our data. Grand City Properties' performance is reported separately, and this information is published in Grand City Properties' 2019 Sustainability Report which can be downloaded at [www.grandcityproperties.com/sustainability](http://www.grandcityproperties.com/sustainability).

Environmental performance data is only reported on commercial assets for which we have operational control and for which we can collect utilities data. In 2019, this included 60 assets covering a net lettable area of 1,417,513 m<sup>2</sup> out of a total portfolio covering a net lettable area of 6,966,000 m<sup>2</sup>.

Unless otherwise stated, all utilities consumption relates to consumption that we purchase and/or control as the landlord, and relates to energy and water consumption used in common areas and shared services. Tenant obtained data (i.e. from bills which the tenant receives directly) is excluded.

Data relating to our employees covers all direct employees employed by Aroundtown in Germany (who represent 82% of our European workforce), including part time and temporary workers. It excludes employees of Mindspace, contractors and those not directly employed by us.

### Coverage

Absolute and like-for-like portfolio data relates to the 60 assets covering a net lettable area of 1,417,513 m<sup>2</sup> outlined in our Organisational Boundaries. Coverage per asset type is as follows:

Absolute and like-for-like portfolio data relates to the 60 assets covering a net lettable area of 1,417,513 m<sup>2</sup> out of a total portfolio net rental area of 6,966,000m<sup>2</sup>.

Coverage for all applicable performance measures is 100% of these floor areas.

Coverage for our own office utilities consumption is based on the proportion of the total rental floor area occupied by Aroundtown as we do not occupy the whole building.

### Reporting period

All data relates to our financial year which coincides with the calendar year, and consequently runs from January 1 to December 31 of the year under review.

Following substantial growth in number properties included in our environmental reporting (from 17 properties covering a net lettable area of 485,772 m<sup>2</sup> in 2017 to 60 properties covering a net lettable area of 1,417,513 m<sup>2</sup> in 2019) we have decided to report absolute and like-for-like utilities consumption for two reporting periods to allow meaningful comparison. Social indicators relating to tenants, employees and communities covers three reporting periods.

### Estimation of landlord-obtained utility consumption

All data for 100% of the assets which we report on is 100% based on bills received.

Our own office utilities consumption is estimated based on the proportion of the total rental floor area occupied by Aroundtown as we do not occupy the whole building and no sub-meters exist.

Waste data is estimated as it is not possible to report the total amount of waste produced at our assets, or the total proportion of waste recycled. Waste generated by our tenants is generally out of operational control, and only a proportion of the waste generated is handled by Aroundtown.

The total waste reported represents the minimum volume of non-recycled waste collected by local authorities in line with legal requirements. This minimum value varies between municipalities, and tenants regularly contract private waste companies to manage their waste once the minimum threshold has been reached as this is more cost effective. For these reasons, it is not possible to report the total volume of waste generated across our portfolio.

### Units of measurement

Utilities data are reported based on absolute consumption measured in kWh (energy), tCO<sub>2</sub>e (GHG emissions), m<sup>3</sup> (water) and litres (waste).

GHG emissions are reported using location-based conversion factors published by the German Environmental Protection Association. Market-based emissions are calculated using emissions factors published by our energy suppliers.

Where consumption is normalised, we calculate intensity indicators using floor area (m<sup>2</sup>) for whole buildings, including tenant areas. We are aware there is a mismatch between the nominator and denominator in our methodology for calculating intensities, as we receive utility bills for electricity consumed only in common areas, but we receive utility bills for district heating and cooling and fuel consumed both in the common and tenant areas (it is not possible to separate these consumptions).

Employee coverage rates are expressed as a percentage of Aroundtown's total direct employees at year end.

Health and safety performance measures are calculated using the following formulae:

- Injury rate = Number of reportable injuries/Number of Full Time Employees (FTEs)
- Lost Day Rate = Number of days lost due to workplace injuries/Number of working hours
- Absentee rate = Number of days absent due to illness/Total number of working days

### Analysis – segmental analysis (by property type, geography)

Segmental analysis by geography is not relevant for our portfolio. Our assets are located within Germany and the Netherlands, and therefore in the same climatic zone. Segmental analysis is instead provided by asset type and is consistent with our financial reporting.

### Narrative on performance

Explanation and analysis of our performance in relation to each sBPR is available in the relevant sections of this report. Please see our Consolidated Financial Statements for the Year Ended December 31, 2019 for further information on our Board composition and selection process.

## Assurance

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.



### **Certificate over an independent third party validation of the environmental data by Aroundtown SA including its investees ('Aroundtown')**

In accordance with our mandate, the GUTcert GmbH (GUTcert) accomplished an independent third party validation to obtain a limited assurance (within the meaning of Assurance Standard AA1000) of the measurement methods used for consumption data and environmental indicators regarding the sustainability report 2019 of Aroundtown SA for the financial years of 01.01.2018 to 31.12.2019.

#### **Organisational boundaries – Coverage**

As of 31 December 2019 the Aroundtown's portfolio covers a commercial portfolio diversified over several different asset types including office, hotel, logistics wholesale, retail and other covering a total of 6,966,000 square meters. The Group's residential portfolio is held through a 39% stake in Grand City Properties ('GCP').

For the Sustainability Report 60 properties with 1,397,254 square meters, therefore 20% percent of Aroundtown's portfolio data are considered. Within these boundaries and for the rented areas the following environmental indicators of the GRI Sustainability Standard are reported.

#### **Environmental indicators – GRI**

**302-1** Electricity, Heating & Cooling, Fuel Consumption (landlord shared services, total landlord-obtained)

**305-1** Direct GHG emissions (Scope 1)

**305-2** Indirect GHG emissions (Scope 2)

**303-1** Water Consumption (landlord shared services, total landlord-obtained)

**306-2** Waste by disposal route

#### **Methodology**

The validation by GUTcert was carried out in the following steps:

- 1) Inspection and explanation of the procedure to collect and process the data
- 2) Providing a review in a random sample survey of individual statements and inspections:
  - ▶ In bills, as well as analysis of data sets, generated by internal and external data systems
  - ▶ The summary table including all the relevant consumption data regarding the properties
  - ▶ A final table of all the collected consumption data (indicator sets)
- 3) Analysis of outcomes with Aroundtown's responsible persons, to close open questions and to propose recommendations.

#### **Responsibility of auditors**

Our task is, based on the activities carried out, to make a statement if circumstances accrued, leading to the assumption that the environmental indicators described in the sustainability report, regarding the financial years 2018 and 2019, do not correspond in material respects with the sustainability reporting standard GRI SRS.



### **Verdict**

GUTcert verified consumption data of Arountown for performed environmental indicators and methodology of data collection and their treatment. The data set were ordered in a coherent and comprehensive way, contractors' bills are complete (as far as possible) and traceable. If bills are not available, the figures are based on an extrapolation of actual data from the previous period. As a result of our validation process, about the figures from a random sample survey, we confirm the correctness of the calculated values. The examination and comparison of data do not put in evidence of any incorrect situation or any non-conformity.

On the basis of our assessment to obtain a limited level of security, we have not been aware of any issues that may lead us to believe that the sustainability report of Arountown is not materially in accordance with GRI standards.

### **Supplementary information – Recommendations**

Without limiting the results mentioned above, we would like to make the following recommendations for the further development of data management and reporting:

- ▶ The data collection should be based on a software tool, adding the consumption data by hand is error-prone.
- ▶ The lived procedure for data collection and analysis should be completely written and implemented as a controlled process.

### **Independence of Assurance**

GUTcert is a certification body and has a number of accreditations through DAkkS e.g. ISO 9001, ISO 14001, BS OHSAS 18001, ISO 50001, ISO 14064 and is an approved body for validation of emission reports in the European Emissions Trading as well.

Berlin, 08th April 2020

GUT Zertifizierungsgesellschaft für  
Managementsysteme mbH  
Umweltgutachter

A handwritten signature in black ink, appearing to read "Y. Felker".

Yulia Felker

A handwritten signature in black ink, appearing to read "i.A. E. Gebhard".

Elisabeth Gebhard

## Memberships

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Aroundtown is an active member of ZIA, sitting on its CSR, Diversity and Hotels Committees. 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.

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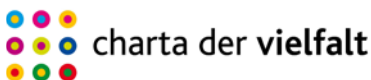
Aroundtown is an active member of EPRA. EPRA's mission is to promote, develop, and represent the European public real estate sector. EPRA achieves this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the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

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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.

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Aroundtown is a signatory of 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, or identity.

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