



# NON-FINANCIAL REPORT

2020

## 1 INTRODUCTION

As an entity registered in Luxembourg, Aroundtown has prepared this report in accordance with the Law of 23 July 2016 on the Publication of Non-financial Information and Information on Diversity. The Law transposes into Luxembourg legislation EU Directive 2014/95/EU that obliges qualifying companies to provide a non-financial statement containing information relating to material environmental, employee and social, respect for human rights and anti-corruption and bribery matters.

This report is designed to complement our annual **Consolidated Financial Statements** for the year ending December 31 2020, and our detailed **Sustainability Insights** (which provide a full account of our management approach and performance for our main sustainability impacts). The content has been assured according to the International Standard on Assurance Engagements (ISAE) 3000 (Revised), and a statement from the auditors can be found on page 23.

It is intended primarily for legislators and investors to provide a description of how we manage the material environmental, social and governance matters that are necessary for an understanding of our development, performance and position; and secondly an understanding of our impact on these matters.

Our issue-specific reports provide a more detailed account of our management approach and performance in relation to the issues identified in this report, as well as additional issues that are considered important by our stakeholders, and the main investor-orientated benchmarks that we participate in. These are available to download from the sustainability section of our [website](#). The website also includes our EPRA Sustainability Best Practices Recommendations report and GRI content index<sup>1</sup>.

Our summary **Sustainability: In Focus** report provides an overview of our sustainability activities and is intended for use by our wider stakeholders, including our tenants, employees and the communities in which our assets are located.

<sup>1</sup> The EPRA Sustainability Best Practice Recommendations report and the GRI content index are outside the scope of assurance that is described on page 23.

## 2 ABOUT US

We are one of Europe's largest listed real estate companies in terms of total assets, and the largest office landlord in Berlin, Frankfurt and Munich among publicly listed real estate companies. 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 41% stake in Grand City Properties S.A., a specialist in residential real estate based in Germany<sup>2</sup>.

As of 31 December 2020, our Group portfolio (including the 41% stake in GCP) held €24.5 billion of assets comprising offices (51%); residential (14%), hotels (24%), logistics/ other (4%) and retail (7%), distributed across central locations in high ranking cities and regions with the majority located in Berlin, Munich, Frankfurt, London and Amsterdam.

Our tenant base is characterised by more than 4,000 tenants, of which the top 10 represent 18% 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.

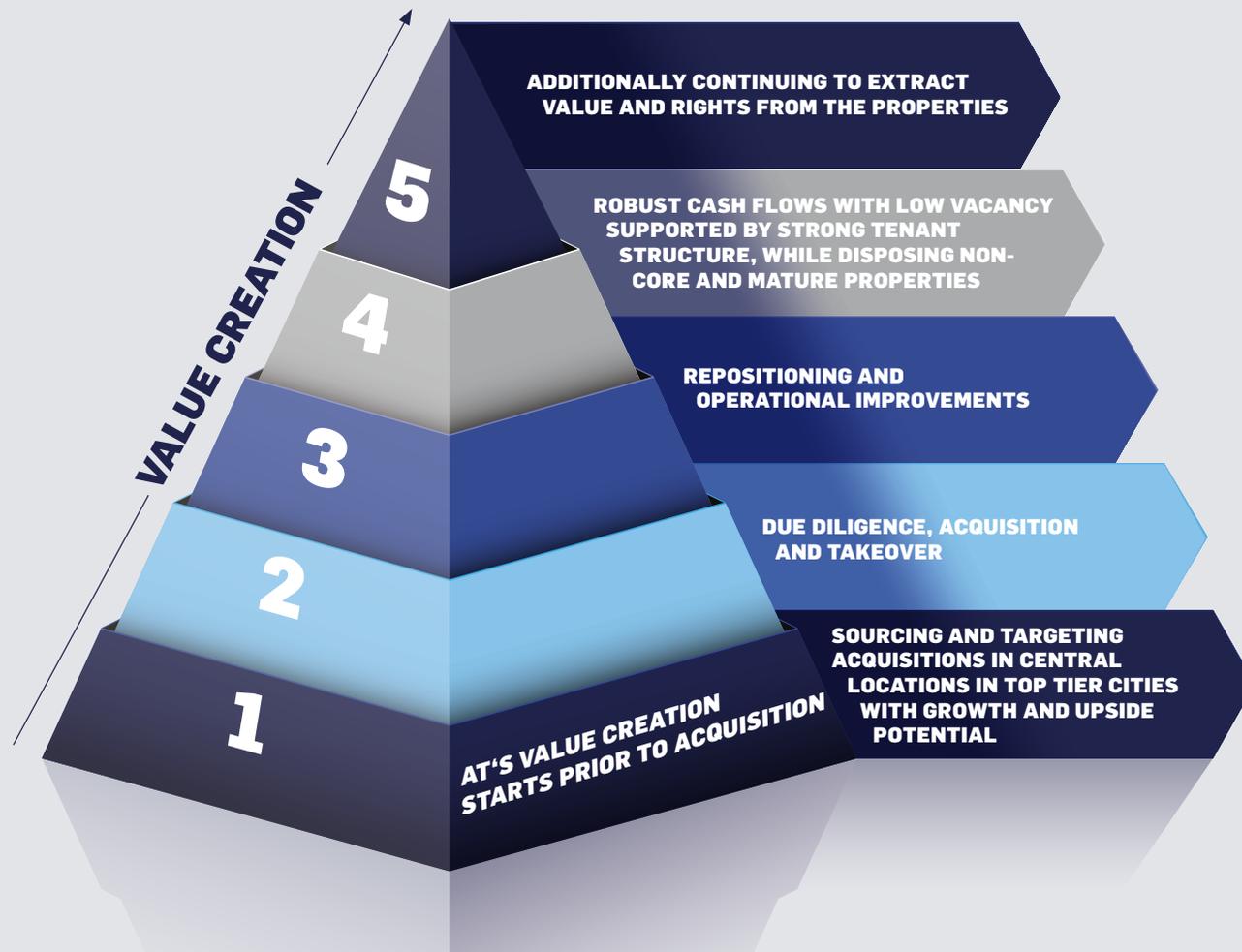
Across all stages of our business, we recognise the importance of the quality and competence of our 711 employees (as of Dec 31, 2020) in determining company performance. We support our staff in developing specialist skills and expertise and we aim to provide a work environment that reinforces high levels 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 engagements with all suppliers to ensure that our expectations are met.

<sup>1</sup> Unless otherwise stated, the activities of Grand City Properties, of Aaroundtown SA are excluded from the scope of this report. You can read about the sustainability performance of Grand City Properties from the sustainability section of the company's [website](#).

## 2.1 OUR BUSINESS MODEL

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.



### 2.1.1 Sourcing and targeting acquisitions in central locations in top tier cities with growth and upside potential

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 accretive returns.

### 2.1.2 Due diligence, acquisition and 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.

### 2.1.3 Repositioning and 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. A primary goal is to optimise our cost structures through refurbishments and upgrades that reduce the assets' environmental impact and contribute positively towards the development of a low-carbon and circular economy, such as the installation of renewable energy 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 to deliver a stable long-term financial return.

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 and engage in open dialogues 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.

### 2.1.4 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. 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.

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

As part of the value creation process, Aroundtown identifies and extracts unused or underutilized building rights from existing and new land and buildings, providing additional internal growth. We assess internally the best use for the rights and advance on to maintain the discussion with authorities, engineers and architects in order to realise the plans into permits.

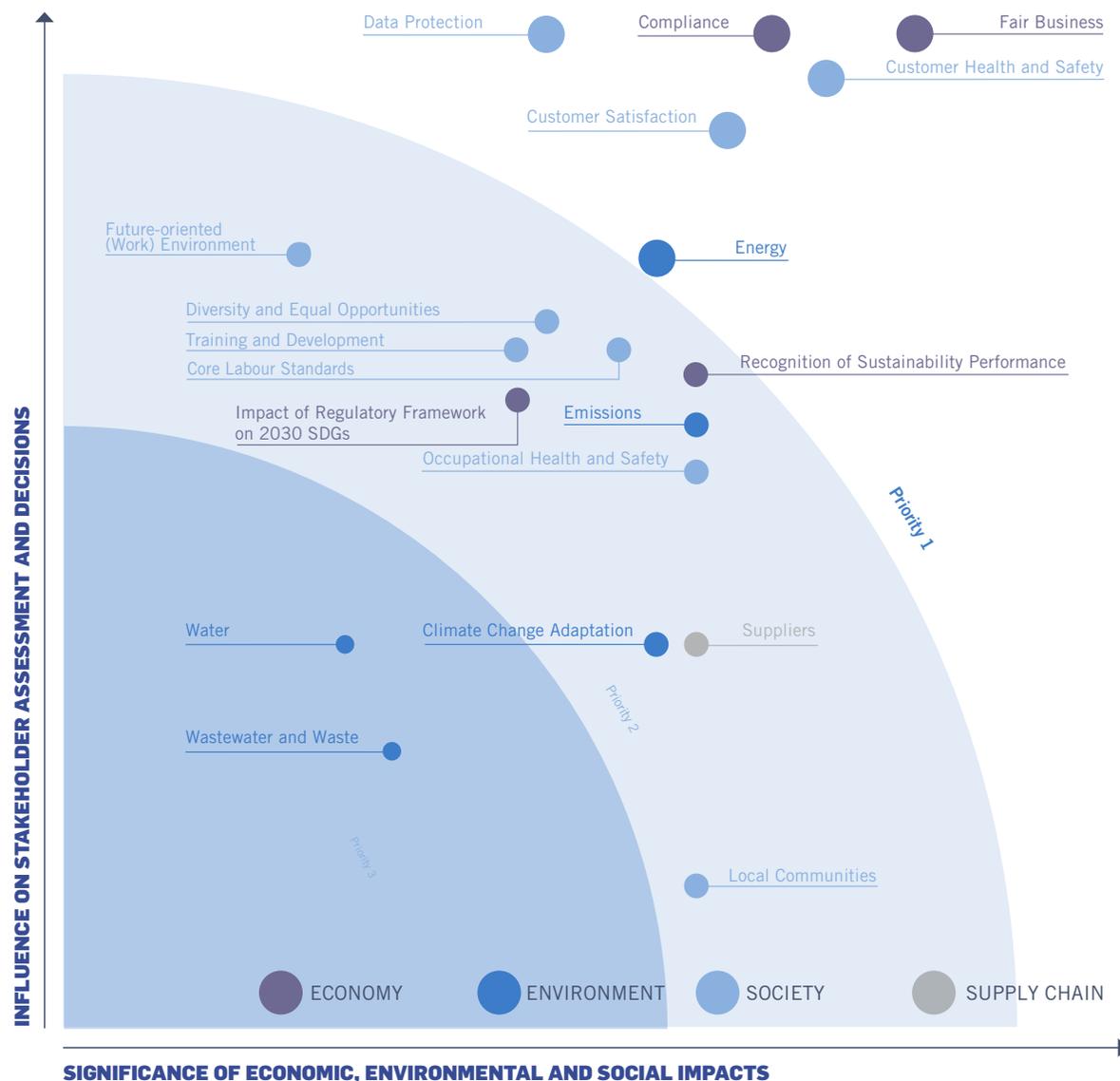
Once the planning and permit phases are completed, we then analyse each project individually to determine how to best realise value into proceeds. This is either thorough materialising these building rights into sellable permits or proceeding to execute development. We do not intend to fully build and develop all of the rights, and estimate that part of the rights will be disposed at high gains. In certain assets, we consider development of the rights where we believe we have low risk and such projects enable us to unlock further potential through pre-let long-term agreements with strong tenants.

### 3 MATERIAL ENVIRONMENTAL, EMPLOYEE SOCIAL AND ANTI-CORRUPTION MATTERS

We apply the principle of materiality to identify significant matters, risks and opportunities within the context of our business model. Our most recent full materiality review – conducted in 2018 – was commissioned by our CR Steering Committee to gain a more detailed picture of how external stakeholders and internal experts assess the various sustainability issues facing our business. Given the dramatic changes that have occurred since, most obviously the impact of the COVID-19 pandemic, but also the emergence of new legislation such as the EU’s Taxonomy regulations which include specific environmental objectives, we will update this review in 2021 as part of a comprehensive sustainability risk assessment under the direction of the CR Department.

The 2018 materiality review involved identifying issues both in terms of their impact on stakeholder decision-making, and their significance in relation to our economic, environmental and social footprint. Stakeholders’ opinions were selected based on their expertise and are representative of Aroundtown’s sphere of activity and influence. The significance of each issue’s economic, environmental and social impact was assessed by Aroundtown’s department managers and executive management in terms of the likelihood and severity of various impacts from the Group’s operations. In this context, “impact” is defined as referring to all positive/negative, intentional/unintentional, actual/potential, direct/indirect and short-/long-term effects.

The outcomes from both assessments were combined to create our materiality matrix right which was subsequently validated by the CR Steering Committee and the Board of Directors. This included a review with respect to the Luxembourg Law of 23 July 2016 to ensure that no topics needed for understanding our impacts, business results, or position had been omitted.



The six topics placed above the highest priority materiality rating dictate the focus of this report. Allocated against the five topics required under the Law of the 23 July 2016, our material risks include:

3.1.1	Environmental	1. Energy
3.1.2	Social issues	2. Customer satisfaction 3. Customer health and safety 4. Data protection
3.1.3	Anti-Corruption	5. Fair business 6. Compliance

These material issues form the basis of our responsible business strategy which groups issues according to five core focus areas: Tenants, Employees, Environment, Society and Governance. We have developed strategies to maintain our performance and/or target improvements in all these areas, split between long-term targets and short-term goals. No material risks were identified with respect to human rights. We nonetheless provide an account of our policies, processes and key performance indicators for the management of each issue below.

ESG risks are also evaluated as part of our regular risk assessments, and risk planning and financial budgets have been adjusted to account for material ESG risks in the form of reserves for potential financial liabilities and the inclusion of ESG expenditures in our budgets. More information on our risk management framework is available in our Consolidated Annual Statements.

A summary of the material issues, principal risks, management approach and key performance indicators is presented below.

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>• Environmental Policy and Energy Performance Strategy</li> <li>• Life-cycle assessment</li> <li>• Asset enhancement to deliver higher environmental performance</li> <li>• Energy cost reduction focus within investment strategy and investment activity</li> <li>• Systematic roll out of advanced heating systems</li> <li>• Regular technical audits for continuous improvement</li> <li>• Switch to power purchase agreements for certified renewable electricity supply and 'green' gas</li> <li>• Ongoing performance data monitoring and benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>Total energy consumption (like-for-like)</li> <li>Building energy intensity</li> <li>Total GHG emissions (like-for-like)</li> <li>GHG emissions intensity from building energy</li> </ul>
<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>• Tenant Satisfaction Policy</li> <li>• Tenant Satisfaction Survey (from 2021)</li> <li>• Customer Relationship Management system</li> <li>• Integrated into due diligence and operation management procedures</li> <li>• Alignment between investment and tenant satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>EPRA vacancy rate</li> <li>Weighted Average Lease Term (WALT)</li> </ul>

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>• Tenant Health &amp; Safety Policy</li> <li>• Initial risk assessments and reducing maintenance backlog following acquisition</li> <li>• Physical presence at properties and close collaboration with construction and facilities management</li> <li>• Ongoing health and safety assessment which feeds into investment planning</li> <li>• External fire safety checks and immediate corrective action</li> </ul>	Incidents of non-compliance concerning the H&S impact of products & services  Number of safety incidents 
<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>• ISO 27001 certified Information Security management system</li> <li>• Corporate policies and training within all departments</li> <li>• Regular review and development of IT systems</li> <li>• Standard Operating Procedures (SOPs) to protect all personal data from manipulation and misuse</li> <li>• 24/7 threat monitoring and identification</li> <li>• Mandatory reporting and incident investigation</li> <li>• Stakeholder communication</li> </ul>	Number of instances of data protection breach
<b>FAIR BUSINESS AND COMPLIANCE</b>	Maintaining ethical behavior practices; labour standards and human rights; fair treatment of staff and suppliers  Compliance with all applicable laws and regulations as a pre-requisite for exceptional performance	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Sanctions and fines</li> <li>• Reputation and trust</li> <li>• Staff attraction and retention</li> <li>• Ability to attract and retain shareholders and bondholders, tenants and customers</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Conduct and mandatory training for employees</li> <li>• Compliance framework covering all aspects of the business</li> <li>• Compensation strategy</li> <li>• Extensive internal audit and reporting procedures</li> <li>• Corporate policies supported by clear communications</li> <li>• Whistle-blowing mechanism</li> <li>• Supplier Code of Conduct</li> <li>• 'Traffic light' system to identify high risk goods and services</li> <li>• On-site inspections and 'spot checks' on suppliers</li> <li>• Human Rights policy</li> </ul>	Number of compliance violations  % of sites inspected for compliance  Human rights violations

### 3.2 GOVERNANCE OF ENVIRONMENTAL, SOCIAL AND EMPLOYEE ISSUES

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 and makes decisions solely to the Group's best advantage and independently of any conflict of interest. It comprises three dependent directors (including one non-executive director) and three independent directors who are elected at the Annual General Meeting.

The Board of Directors and senior management evaluate the effective fulfilment of their remit and compliance with corporate governance rules annually. Six Committees provide comprehensive oversight: The Risk Committee; Audit Committee; Remuneration Committee; Nomination Committee, Information Security Committee and ESG Committee, with additional support from the Advisory Board.

ESG Committee members include the Independent Directors, Mr. Markus Leininger and Mr. Markus Kreuter and is assisted by the Company's Head of Sustainability. Its responsibilities include reviewing and assessing Aroundtown's responsible business strategy, policies and initiatives and practises with respect to ESG. It meets at least once a year with additional meetings organised if required to discuss material ESG-related issues and developments.

Frank Roseen, a member of the Board of Directors, has assumed direct responsibility for CR/ESG topics and chairs the CR Steering Committee, the members of which include all relevant heads of department. The Steering Committee also meets at least once a year and is charged with overseeing strategic guidance for corporate responsibility (CR) topics and providing direction to the 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 analysis and CR reporting and responds to investor enquiries and rating agency requirements on ESG topics.

This structure means that our commitment to sustainability receives due consideration in strategic oversight at the Board level, as well as at the operational management level.



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## 4 MATERIAL NON-FINANCIAL MATTERS - ENVIRONMENTAL

### 4.1 ENERGY

#### **LONG-TERM TARGETS**

- Achieve a 40% reduction in CO<sub>2</sub> emissions by 2030 against a 2018 baseline.
- Optimise the Group's cost structures via installation of sustainable systems and use of renewable energy; implementation of environmentally friendly refurbishment and building upgrades.

#### **2021 MILESTONES**

- Increase the scope of energy data to cover all AT assets.
- Conduct Net Zero Energy Building, Heating System and Lighting System Optimisation pilot studies.

#### 4.1.1 Risk factors, management policies and due diligence processes

One third of all greenhouse gas emissions in developed countries are generated by the real estate sector<sup>3</sup>. The largest proportion of these emissions relate to construction activities and materials. Although our focus lies in acquiring already existing assets, we fully recognise the role we can play in contributing to national and global efforts to limit climate change and promote sustainable development as required by the Paris Agreement and the United Nations Sustainable Development Goals.

Increasingly, legislation is driving change at an industry level, with Germany and The Netherlands setting out stretching climate and energy targets for the built environment. Germany's Climate Action Plan 2050, for example, sets out ambitious carbon reduction targets for all sectors, and this includes 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 built after 2020, aiming towards a carbon-neutral built environment by 2050. On a regional level, the EU's new taxonomy regulations will require companies such as Aroundtown to align our approach with strict criteria covering building energy performance and GHG emissions.

Heightened awareness of climate-change is also leading to demands for greater transparency on the steps that companies are taking to build climate-resilience and mitigation strategies into their business models. We therefore consider the risks related to climate change to be fundamentally relevant to our value creation performance, and we thus

include them in our corporate risk management processes. We likewise recognise the increasing importance placed by tenants on energy use, and see this as an area where we can support their wider objectives. Investing in low-carbon infrastructures and increasing the efficiency of our assets helps us to attract and retain tenants and investors; reduce both landlord and tenants' operating costs and sustain long-term asset values.

#### **Aroundtown Group Energy Strategy**

The Aroundtown Environmental Policy sets out our environmental commitments covering energy use and GHG emissions reductions. It is supported by a Group-wide Energy Performance Strategy and Policy that establishes a management framework encompassing monitoring and review; benchmarking; energy optimisation, auditing and target setting-processes for energy, use of fossil fuels and CO<sub>2</sub> emissions covering the entire Aroundtown S.A. portfolio.

We identify opportunities for greenhouse gas emissions reductions and energy efficiency improvements across all asset types as part of the acquisition process, and on a regular basis thereafter. During the acquisition process, for example, we perform extensive technical audits to critically examine assets' environmental profile and improvement potential. This includes examining buildings' structural fabric, their technical systems and appliances, and current management practices.

We undertake improvements to building fabric and systems within the context of asset repositioning and value enhancement; and seek to further optimise building energy

<sup>3</sup> <https://www.worldgbc.org/news-media/global-status-report-2017>

management to reduce operating costs and maintain or reduce the service charge to tenants. During the operations phase, efforts are made to support ongoing improvements in environmental performance. For example, we are progressively removing inefficient, fossil-fuel based heating systems (more than 20 years old) from our buildings and replacing these with more efficient and, where possible, renewable-based alternatives.

Our Energy Department works alongside property managers on an ongoing basis to assess a building's environmental performance in relation to various parameters and identify improvement measures, particularly in relation to energy efficiency and greenhouse gas emissions reduction. This encompasses the deployment of an environmental management system approach to building operation, providing staff training and engaging with building occupiers.

We have set a target to achieve a 40% reduction in CO<sub>2</sub> emissions by 2030 against our baseline year of 2018. Our energy strategy focuses on the following action areas to achieve this.

- 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, digitalisation and reporting, preventive maintenance and ongoing operational improvement, heating and lighting system optimisation and hydronic balancing.
- Progressively switching all electricity from Guarantee of Origin certificates to PPA certified renewable electricity

generated from wind, hydroelectric and solar PV sources by 2027.

- Collaborating with tenants with whom we seek to implement green elements into lease agreements<sup>4</sup>.
- Sustainable energy program encompassing investment in solar and wind power systems; combined heat and power (CHP) and combined cooling heat and power (CCHP) solutions, electric vehicle (EV) charging stations; smart meters and a total energy management system.

As we work towards our 2030 carbon reduction goal, we have launched an Energy Investment Program to invest up to €210 million (initially by the end of 2022) in efficient and renewable energy generation and storage systems; EV charging stations; smart meters and an advanced energy measurement software. Anticipating the transition to a more decentralised, renewables-based energy market and electrification of road transportation, 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.



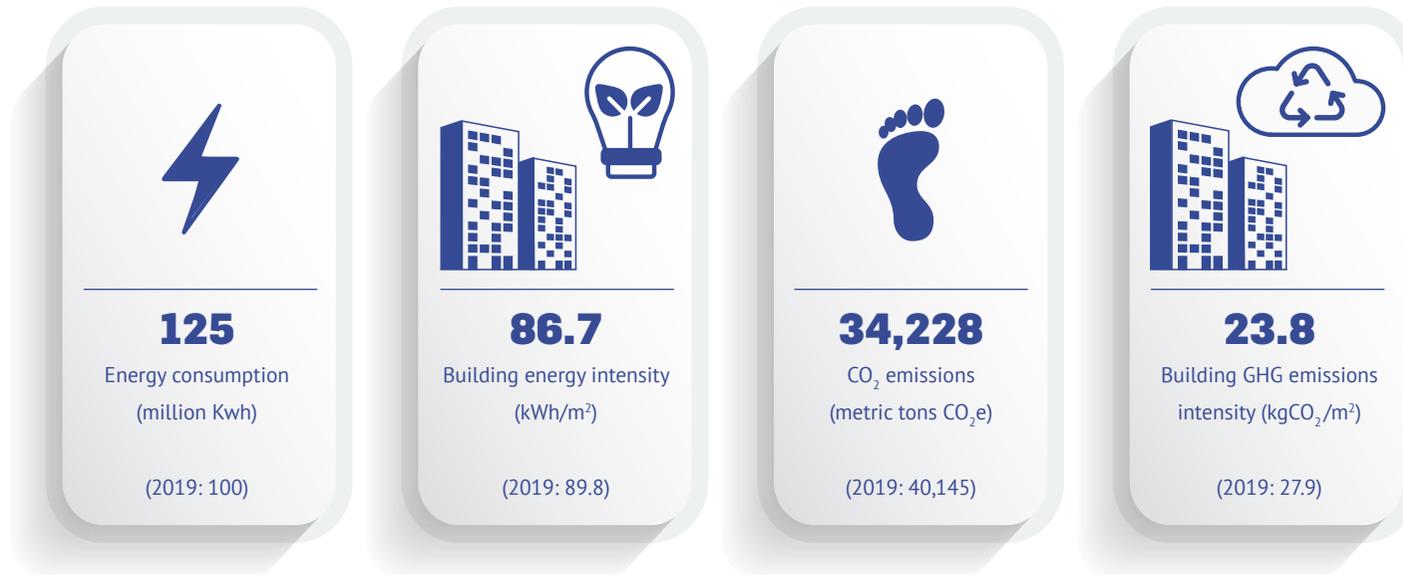
The programme is focused around five core components:

- The installation and operation of solar PV production systems on rooftops and parking areas, up to a potential capacity of 75 MW.
- 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.
- The implementation of electricity storage to support these solar, 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, our tenants and their clients.
- The installation of up to 25,000 EV charging stations. 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.



<sup>4</sup> Green leases commit tenants to sustainable activities such as water and energy conservation through their lease agreement.

#### 4.1.2 Key performance indicators<sup>5</sup>



Asset energy performance and greenhouse gas emissions are monitored and assessed based on total consumption (absolute and like-for-like) and intensity metrics. 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.

In 2020, like-for-like landlord-obtained electricity across our commercial portfolio totalled 27,316,318 kWh (2019: 32,617,814 kWh). Like-for-like landlord-obtained heat totalled 72,258,202 kWh (2019: 70,098.452 kWh), and fuels totalled 25,116,316 kWh (2019: 26,368,737 kWh) respectively. This translated into an average building energy intensity of 86.7 kWh/m<sup>2</sup>/year (2019: 89.8).

Mirroring these trends, like-for-like Scope 1 and 2 greenhouse gas (GHG) emissions associated with building energy use across our portfolio totalled 34,228 metric tons of CO<sub>2</sub>e in 2020 (2019: 40,145 tons), and we achieved a building GHG emissions intensity of 23.8 kg CO<sub>2</sub>e/m<sup>2</sup>/year (2019: 27.9).

For more information on our approach and performance, please see the Energy & Emissions Sustainability Insight that is available to download from the sustainability section of our [website](#).

<sup>5</sup> Environmental data covers 19.8% of our portfolio

2019 data has been restated following the disposal (in 2020) of a number of properties that were included in our original 2019 dataset. We have recalculated our 2019 data by replacing these assets with additional properties that reflect a cross-section of our portfolio. The restated data therefore provides a comparable year-on-year reflection of our performance.

## 5 MATERIAL NON-FINANCIAL MATTERS - EMPLOYEE AND SOCIAL ISSUES

### 5.1 CUSTOMER SATISFACTION

#### **LONG-TERM TARGETS**

- Be recognised as an industry leader in the area of tenant orientated customer service.
- Continually increase tenant satisfaction.

#### **2021 MILESTONES**

- Roll out a customer relationship management (CRM) system to improve the efficiency of our tenant engagement processes including letting, tracking leads, response times, and the status of customer requests.
- Conduct a tenant satisfaction survey.

#### 5.1.1 Risk factors, management policies and due diligence processes

We have a diverse tenant base occupying a wide variety leased space. Our portfolio caters to the needs of organisations ranging from international blue-chip companies, large domestic companies, small and medium enterprises, hotel operators to retailers. Long-term tenant relationships and a high degree of tenant satisfaction are the foundation for generating attractive yields and high occupancy rates. To this end, we have set twin objectives to continually increase tenant satisfaction by anticipating and responding to our tenants' needs, and be recognised as an industry leader in tenant-orientated customer service.

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 prospective 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 which is strengthened by our Tenant Satisfaction Policy. The policy outlines our expectations with regards to lettings, facility, asset and property managers, and confirms our commitment to open and transparent communications, aligning our CAPEX with tenant needs and conducting tenant satisfaction surveys on a regular basis.

At the site level, facilities managers are responsible for attending day-to-day technical support and maintenance issues. Our facilities managers are accessible and approachable to customers, responding to questions and concerns as soon as they arise and being flexible in accommodating tenant needs. If a tenant cannot contact their facility manager, they can also report issues to property managers who then raise the issue with facility managers for action.

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 aspects relating to the asset, tenant satisfaction and lease agreements.

The strength of our tenant engagement approach was tested in 2020 during the coronavirus pandemic and our teams proved that they could cope with what was an unprecedented situation that required working closely with tenants and intense communication. Whether it was restructuring leases or implementing measures to support tenants in keeping their customers safe, we continued to prioritise the satisfaction of our tenants and lay the foundations for cementing long-term partnerships.

Our approach to tenant satisfaction is closely intertwined with our due diligence procedures and asset repositioning strategy. We modernise the properties we invest in to bring them up to high quality standards, leveraging ongoing analysis to align our investments with tenant needs and give considered attention to each tenants' industry segment and individual success factors.

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 wellbeing. 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.

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 and hotel sector, this includes space extensions to facilitate growth and smart space re-design to match with evolving workplace practices. 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.

### 5.1.2 Key performance indicators



**8.9%**

EPRA vacancy

(2019: 7.7%)



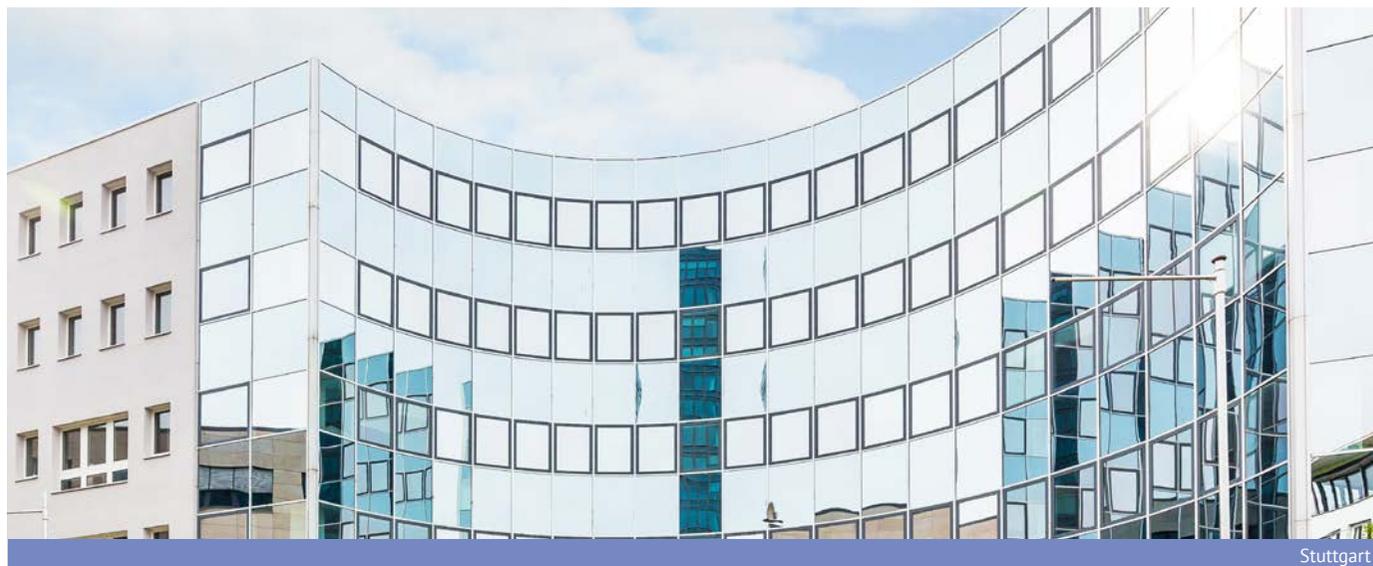
**8.9 years**

Portfolio weighted  
average lease term

(2019: 8.6 years)

Occupancy and retention rates are key indicators for assessing the effectiveness of our tenant satisfaction strategy. We monitor vacancy rates and weighted average lease terms as indicators of satisfaction levels, with unsatisfied tenants evidencing reduced loyalty and a greater likelihood of termination. Despite the EPRA vacancy rate increasing slightly to 8.9% in 2020, the weighted average lease term (WALT) increased to just below 9 years, reflecting that our tenants are staying in our properties for a longer period of time. In 2021 we will conduct a tenant satisfaction survey that will measure additional key performance indicators that we can use to track our performance with regards to satisfaction levels.

For more information on our approach and performance, please see the Tenant Satisfaction Sustainability Insight that is available to download from the sustainability section of our [website](#).



Stuttgart

## 5.2 CUSTOMER HEALTH AND SAFETY

### LONG-TERM TARGETS

- Remain an industry leader in the area of tenant-orientated customer service.

### 2021 MILESTONES

- Implement a new reporting mechanism aligned to our ERP software to track and monitor historic, ongoing and future safety inspections and fire protection activities.

### 5.2.1 Risk factors, management policies and due diligence processes

Guaranteeing high standards of health and safety within our buildings is a prerequisite to tenant satisfaction. Comprehensive compliance with all statutory norms and safety requirements is a self-evident minimum standard for the Group, and any deviation could have serious repercussions in terms of our reputation and result in legal sanctions and fines.

The Aroundtown Tenant Health and Safety Policy outlines our three-tier management approach to tenant health and safety, detailing the roles and responsibilities of our facility, property and asset management teams and tenants. It affirms our commitment to operating in compliance with fire and safety regulations, conducting regular drills, investigating and documenting safety incidents, and providing support and training to our tenants to reduce health and safety risks of their employees.

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, and reflect the specific characteristics of the different property types in our portfolio.

In 2020, this was particularly important considering COVID-19 where together, with our tenants, we needed to ensure that our assets were compliant with the latest government regulations and customers felt safe and protected. We acted quickly to put the right measures in place, for example by providing appropriate signage on the rules and recommendations of the German government on social distancing and facemasks, hand sanitizer stations, increased cleaning cycles and strict rules on the number of people who can use elevators and common rooms at any one time.

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, investments in infrastructure and facilities are evaluated in view of cost and safety benefits. For most of

our properties, facility managers have an operational duty and responsibility (as set out in our Policy) to provide all the necessary information and work to maintain the assets in an optimal technical condition. This includes documentation of all conducted checks of all technical installations and building structures.

Reports are submitted to Aroundtown and any remedial works identified are included in our annual budget planning for each property, or completed immediately if needed. Our frequent physical presence at our properties and close collaboration with construction and facility management suppliers ensures that we can quickly establish areas where safety improvements need to be made, and take swift action where risks are identified.

From 2021, we will implement a new reporting mechanism to track and monitor historic, ongoing and future safety inspections and fire protection activities. This will include checks of electrical and other equipment, ventilation systems, alarm systems, fire extinguishing systems and conveyor systems.

Fire safety is an area of utmost priority. We commission external specialist service providers to undertake annual 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 our 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.

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, 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 office properties, we ensure that sufficient measures have been taken, and in some cases we assist tenants by contracting a specialised service provider to help provide training and other support such as preparing emergency plans.

### 5.2.2 Key performance indicators



**100%**

Property health & safety inspections

(2019: 100%)



**100%**

Sites inspected for compliance

(2019: 100%)



**3**

Number of Safety Incidents

(2019: 3)

All our properties are subject to an annual health and safety assessment as part of our extensive due diligence activities. We track issues of non-compliance with applicable health and safety standards and legislation, and no such issues were reported in 2020.

For more information on our approach and performance, please see the Tenant Health & Safety Sustainability Insight that is available to download from the sustainability section of our [website](#).



Utrecht

## 5.3 DATA PROTECTION

### **LONG-TERM TARGETS**

- Ensure that all personal data stored and/or processed during the Group's operations is protected from manipulation and misuse.

### **2021 MILESTONES**

- Achieve ISO 27001 certification for our information security management framework.
- Ensure robust data loss prevention, threat reduction and recovery procedures, network access control and mobile application management policies to facilitate the roll out of our ERP software and remote working.
- Conduct technical crisis training and simulations to build our management team's capacity and preparedness.

### 5.3.1 Risk factors, management policies and due diligence processes

The protection of individual privacy through adequate data security provisions is an area of action that is of key importance to our stakeholders. We take our commitments to individual privacy very seriously, as in addition to the potential legal consequences, fines, and harm to our reputation, the topic also relates to the very personal concerns of individual stakeholders.

We have adopted an Information Security and Privacy Strategy to protect the confidentiality, integrity and availability of Arountown data across all business process, information gathering, storing and transmitting facilities and systems. As well as ensuring the continual improvement of controls, the strategy lays out our management framework relating to data safety and privacy commitments, including security threat monitoring, creating a security positive culture, adherence with legal, regulatory and audit requirements.

Throughout 2020, we established an information security management framework, for which we aim to achieve an ISO 27001 certification by the end of 2021. It adopts a risk-based approach to the identification, assessment, management and monitoring of information security risks covering business critical IT systems, employees and partners who have access to Arountown's hardware and IT systems. The framework defines the appropriate IT security tools and processes in the event of a potential system vulnerability based the NIST Risk Management Lifecycle model: risks are identified and categorised according to business impact and

severity, appropriate tools and remedial measures are identified to mitigate the risk, which are then subject to testing prior to rollout. Ongoing monitoring is used to evaluate the residual risk factor. Compliance with the policy and related procedures falls under the responsibility of both the Chief Information Security Officer and the Chief Technology Officer.

Employees follow mandatory annual 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. The Company's 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. E-learning is supplemented by regular campaigns and communications that emphasise the need to remain resilient and alert to potential phishing and malware attacks, and we offer a reward program for employees who identify and alert us to the most potential threats.

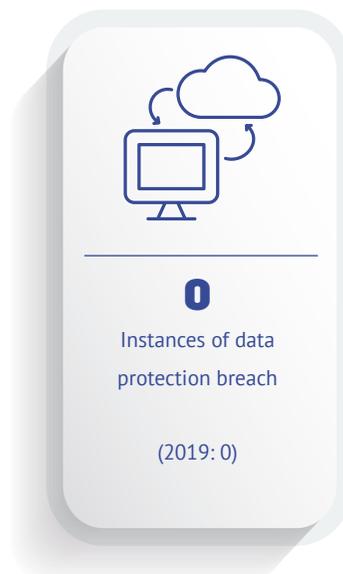
As COVID-19 forced us to adopt an extensive working-from-home policy, we found our Information Security systems sufficiently prepared to handle the challenge. We had invested significantly in our network capability and VPN connectivity following a risk planning and preparedness assessment in 2018 which modelled various scenarios if access to our headquarters was restricted. Thanks to this exercise, we were able to ensure that employees who needed to work from home could do so safely without having to introduce significant changes to our operating procedures.

As part of our planning, we had already introduced measures including URL filtering, secure browsing and end point protection for employees working remotely. Similar measures were put in place for our suppliers and business partners; we introduced security gates and checked minimum requirements such as passwords and up-to-date antivirus software as a prerequisite to connect to our applications.

We also took the opportunity to re-issue the Group's acceptable use policy and 'bring your own device' procedures. The former governs our procedures and minimum standards for accessing and handling data, particularly information that is confidential and/or restricted. Our 'bring your own device' procedures govern the segregation of Aaroundtown's data and applications on personal devices such as laptops and phones, enabling employees without company hardware to work effectively and securely.

We treat stakeholders' high expectations in this area with due consideration. We ensure that our Data Privacy Policy is available to tenants and business partners, along with information about our data processing systems; the purpose for which their data is used, and their related rights in compliance with the EU General Data Protection Regulation (GDPR). This includes 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. Where appropriate, onsite notifications have been installed, for instance where video security systems are in use. The Data Privacy Policy also forms a component of all offers to prospective tenants.

### 5.3.2 Key performance indicators



We monitor potential security incidents and data protection breaches as an indicator of the effectiveness of our operational procedures. In 2020, no such confirmed breaches or incidents were reported. In the event of any confirmed incident, a committee is formed to immediately investigate the matter and recommend remedial actions to prevent a similar occurrence.

For more information on our approach and performance, please see the Data Protection Sustainability Insight that is available to download from the sustainability section of our [website](#).



## 6 MATERIAL NON-FINANCIAL MATTERS – ANTI-CORRUPTION

### 6.1 FAIR BUSINESS AND COMPLIANCE

#### LONG-TERM TARGETS

- Reduce liability and improve transparency.
- Maintain zero tolerance towards compliance violations.

#### 2021 MILESTONES

- Strengthen awareness of compliance across the business with the introduction of awareness days and compliance ambassadors.

#### 6.1.1 Risk factors, management policies and due diligence processes

Compliance with all applicable laws and regulations is a prerequisite for maintaining our ability to attract shareholders and bondholders; secure and retain tenants and safeguard our reputation for transparency and trust with the marketplace and society at large.

We pride ourselves on working within the highest standards of ethical business, and 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).

On a day-to-day basis, we promote ethical conduct among staff at all levels to ensure that our standards are diligently maintained. Employees are strengthened in their ability to

take decisions through clear guidelines and internal regulations, and our development programmes for managers emphasise the tenets of professional leadership.

An annual refresher training module, required to be completed by all staff, ensures that employees regularly reaffirm their familiarity with our policies and make a personal pledge to abide by them. Employees' participation in this training module is tracked, and managers are informed if it is not completed. The Compliance Management Team is charged with ensuring that all current legal and market requirements are reflected in Arountown's policies and structures.

A whistle-blowing service, operated via an external provider, is in place to enable both external and internal stakeholders to report any suspected or verified instance of non-compliance should it occur. Our Whistle-blowing Policy is designed to ensure that employees feel empowered to register their concerns, free from fear of repercussions. Whilst we encourage employees to address any concerns they might have about violations of the law, the Code of Conduct, or internal policies in person, they may also do so anonymously through a web-based reporting application.

In the event an incident is reported, the Chief Compliance Officer is tasked with initiating an appropriate investigation of the circumstances, conducting discussions with the parties affected, and documenting a formal report. The informant and witnesses are updated by the Compliance Department as needed. Disciplinary sanctions are taken should the preconditions for such measures be met.

## 6.1.2 Key performance indicators



We monitor the effectiveness of our compliance framework by tracking the number of compliance violations. In 2020 we did not identify, or were made aware of, any confirmed incidents of non-compliance. Our goal 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.

For more information on our approach and performance, please see the Fair Business & Compliance Sustainability Insight that is available to download from the sustainability section of our [website](#).

## 7 OTHER NON-FINANCIAL RISKS

### 7.1 RESPECT FOR HUMAN RIGHTS

#### LONG-TERM TARGETS

- All construction project processes to be monitored according to an internal “traffic light” system.
- Increase the number of supplier audits and maintain zero human rights violations in the supply chain.

#### 7.1.1 Risk factors, management policies and due diligence processes

We view upholding recognised 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.

Nethertheless, we strengthened the management of human rights within our operations, and throughout our supply chain, with the creation of our Human Rights Policy in 2020.

The policy details Aroundtown’s commitment to fully respect and uphold human rights in accordance with the UN Guiding Principles on Business and Human Rights and international standards, covering topics such as equality, freedom of association, a safe work environment, education and development. In addition, it lays out the expectations of suppliers, the monitoring and control of violations and infringements, and reporting requirements.

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. All new business partners, who are primarily local medium-sized enterprises, have been required to sign Aroundtown’s Code of Conduct for Business Partners since it was published. The Code, which details a firm commitment to human rights, is contractually binding, and we may terminate the relationship with immediate effect should any violations be identified. We also reserve the right to subsequently exclude the contractor concerned from the awarding of future contracts.

Since 2020 we have operated a ‘traffic light’ system that seeks to identify high risk goods and suppliers delete based. The review alerts our procurement managers to potential risks at an early stage and gives those responsible for the



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project an opportunity to initiate countermeasures in good time. Our oversight has also been strengthened as we have begun to centralise some of our procurement activities for common facilities management services, which has also enabled us to focus more on responsible procurement standards.

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 our direct oversight. There is also a risk of human rights violations occurring in relation to the migrant workers employed by large construction firms.

In the case of construction activities, each undertaking is managed by a dedicated Aroundtown project manager, who deals directly with the on-site contractors. Regular project manager visits at all sites - during acceptance of partial deliveries of services or within the scope of inspections - evaluate contractors' compliance with the Code. We also conduct spot checks of supplier compliance through our relevant operational departments.

### 7.1.2 Key performance indicators



Our project managers carry out 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 2020, 100% of our sites were inspected for compliance, and we did not identify, or were made aware of, any human rights violations.

For more information on our approach and performance, please see the Supply Chain & Human Rights Sustainability Insight that is available to download from the sustainability section of our [website](#).

## 8 GLOSSARY OF TERMS

<b>CAPEX</b>	Capital expenditure	<b>EV</b>	Electric vehicle
<b>CCHP</b>	Cooling heat and power solutions	<b>GDPR</b>	EU General Data Protection Regulation
<b>CHP</b>	Combined heat and power	<b>GHG</b>	Greenhouse gas
<b>CO<sub>2</sub></b>	Carbon dioxide	<b>GRI</b>	Global Reporting Initiative
<b>CO<sub>2</sub>e</b>	equivalent, used to standardise the climate effects of various greenhouse gases	<b>kWh</b>	Kilowatt hour, a unit of energy
<b>CR</b>	Corporate responsibility	<b>NIST</b>	National Institute of Standards and Technology
<b>DNGB</b>	Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council)	<b>PPA</b>	Power purchase agreement
<b>EPRA</b>	European Public Real Estate Association	<b>PV</b>	Photovoltaic
<b>ERP Software</b>	Enterprise resource planning software	<b>SOPs</b>	Standard operating procedures
<b>ESG</b>	Environment, social and governance	<b>S-ROI</b>	Sustainable return on investment
		<b>WALT</b>	Weighted average lease term

## **Independent Auditor's Report on a Limited Assurance Engagement on Sustainability Information**

To Aroundtown SA, Luxembourg

We have performed a limited assurance engagement on the disclosures in the non-financial declaration of Aroundtown SA, Luxembourg, (hereinafter "the Company") for the period from 1 January through 31 December 2020 (hereinafter "the Report", attached hereto as an appendix).

### **Responsibilities of the Executive directors**

The executive directors of the Company are responsible for the preparation of the Report in consideration of the principles stated in accordance with the principles of Luxembourg Law of 23 July 2016 on the Publication of Non-financial Information and Information on Diversity.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of the Report free from material misstatement.

### **Independence and Quality of the audit firm**

We are independent in accordance with the provisions under German commercial law and professional requirements. We have fulfilled our other ethical responsibilities in accordance with the relevant provisions within these requirements.

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft applies the German legal requirements and professional standards, in particular the professional code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the Standard on Quality Control 1: Requirements for Quality Control in Audit Firms (IDW QS 1) issued by the Institute of public auditors in Germany [Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)], that are consistent with the International Standard on Quality Control 1 issued by the International Auditing and Assurance Standards Board (IAASB).

### **Auditor's Responsibility**

Our responsibility is to express a limited assurance conclusion, based on the assurance engagement we have performed. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance

Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that no matters have come to our attention that cause us to believe that the information for the period from 1 January through 31 December 2020 has not been prepared, in all material aspects, in accordance with Luxembourg Law of 23 July 2016.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement and, therefore, a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our limited assurance engagement, we performed amongst others, the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement of the Company
- Inquiries of personnel involved in the preparation of the non-financial declaration regarding the preparation process and the internal control system relating to this process
- Analytical evaluation of selected disclosures in the non-financial declaration
- Sample based assurance procedures on internal documentation and proof documents

### **Assurance Conclusion**

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures in the Company's Report for the period from 1 January through 31 December 2020 have not been prepared, in all material aspects, in accordance with the legal requirements of Luxembourg Law of 23 July 2016.

### **Limitation of Liability**

We issue this auditor's report on the basis of the contract concluded with the Company. The limited assurance engagement was carried out for the purposes of the Company and is only intended to inform the Company as to the results of the limited assurance engagement.

This report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely towards the Company. We do not assume any responsibility towards third parties.

Berlin, 30 April 2021

Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Stephan Kleinmann  
Wirtschaftsprüfer

Corinna Kaufhold  
Wirtschaftsprüferin