

Sustainability: In Focus

2023





Berlin

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Introduction

In 2023, we saw the introduction of a new piece of EU sustainability reporting legislation, and some changes to current regulations which relate to the real estate sector and therefore impact our ESG Strategy. These changes and the new legislation are reflected in our consolidated annual report, and throughout our In Focus report. We also continue to implement and integrate our ESG Strategy into our day-to-day business operations and for the first time produced a consolidated report which shows our financial reporting and progress alongside our ESG reporting and progress.

The Corporate Sustainability Reporting Directive (CSRD) is a piece of EU legislation developed by the European Commission aiming to enhance transparency, accountability and standardization in sustainability reporting. 2023 marked a transitional year for our reporting as we work towards our first year of compliance with this directive with our 2024 reporting. We prepared the sustainability report within our [Annual Consolidated Report](#) in line with the recommendations of the European Sustainability Reporting Standards (ESRS) where possible, which detail the reporting requirements of the CSRD. Our sustainability report also includes EU Taxonomy disclosures published in compliance with the EU Taxonomy, Regulation (EU) 2020/852 of the European Parliament.

In addition to the newly introduced reporting legislation, the Energy Performance of Buildings Directive (EPBD) is a key element in the European Union's pursuit of its energy and climate goals. Key revisions to the EPBD include accelerating building renovations, especially those with poor energy performance, promoting better air quality and digitalization, and facilitating sustainable mobility infrastructure. It also supports targeted financing for building investments, addresses energy poverty, and aligns with the EU's ambitious climate goals, aiming for substantial emission reductions by 2030 and climate neutrality by 2050. Aroundtown has placed emphasis on adhering to the EU's climate commitments outlined in the revised EPBD, and our ESG Strategy will support us in this process.

We have made great progress during 2023 across the key focus areas within our ESG Strategy including the integration of our energy and carbon reduction strategies into our business model, collecting and analyzing employee commuting data to help us understand the carbon footprint associated with our employees, and continuing to conduct our Activate the Base employee engagement program, to name a few. As part

of our energy and carbon strategy integration, we have placed focus on retrofitting existing buildings to help minimize our environmental impact. We have also made plans for 2024 to conduct asset-level physical climate risk assessments so we can implement tailored solutions over time. Our priorities in 2023 remained aligned with the key focus areas of our ESG Strategy, including tenant satisfaction, health and safety, and active engagement in local communities. We see investing in the professional development of our employees as essential to achieving the goal of becoming one of the most attractive employers in the industry by 2030, and we have a dedicated Diversity Committee which oversees our commitment to diversity, equity and inclusion. Throughout this In Focus report we offer deeper insights into these focus areas, spotlighting specific projects and case studies.



Climate Change Mitigation and Environmental Protection

Our carbon reduction strategy encompasses a blend of efficiency improvement initiatives, investments in renewable energy, stakeholder engagement facilitated by green leases, and rigorous governance and reporting mechanisms. These efforts aim at monitoring progress and upholding accountability. Aroundtown's Environmental Policy sets out our management framework to produce continued improvement across the Group's main environmental impacts, including water use and waste management. In the area of energy, key objectives include renewable energy procurement and progressive upgrading of energy systems during maintenance works. The policy establishes a consistent framework of action across the portfolio, with the necessary flexibility for the particular characteristics and tenant arrangements of our properties.

ENERGY AND CARBON EMISSIONS

Our practical approach to energy and carbon reduction is integrated into our business model and strategy and focuses on refurbishing existing building stock to minimize environmental impact. Key aspects include:

- 1. Refurbishment First Approach:** Prioritizing renovating existing buildings over new construction to minimize energy consumption, construction waste, and environmental impact.
- 2. Long-Term Targets and Goals:** Targeting a 40% reduction in CO₂ intensity and a 20% reduction in energy intensity by 2030, along with transitioning to certified renewable electricity through PPAs by 2027.
- 3. Carbon Reduction Strategy:** Developing a comprehensive environmental and energy policy to guide efficiency and renewable energy projects, including a CO₂ pathway to monitor progress and identify improvement measures.
- 4. Investments in Renewable Energy Infrastructure:** Focusing investments on solar PV systems, efficient energy generating systems like CHP, electricity storage, EV charging stations, and smart meters to optimize energy consumption.
- 5. Renewable Power Purchasing Agreements:** Aiming to switch all electricity to renewable sources by 2027, reducing carbon emissions from purchased electricity.
- 6. Green Leases and Internal Carbon Pricing:** Incorporating green lease clauses to promote energy conservation and utilizing an internal carbon pricing mechanism to assess the benefits of emissions reduction actions.
- 7. Governance and Reporting:** Overseeing climate-related risks through the interplay between risk committee, management, energy, sustainability and operations departments and regularly reviewing and updating environmental and energy policies, with reporting on energy consumption, emissions, and progress towards reduction targets.
- 8. Utilities Data Reporting and Monitoring:** Reporting utilities data based on absolute and like-for-like consumption. GHG emissions are documented utilizing market-based conversion factors provided by utility providers and location-based conversion factors provided by respective authorities for our countries of operation.

Our energy and carbon reduction strategy revolves around our Carbon Reduction Pathway, aimed at decreasing the carbon intensity of our portfolio. This pathway factors in potential carbon

taxes and energy efficiency measures to pinpoint inefficient assets for action, helping us reduce the stranding risk of the portfolio. The Group has initiated the application of the Carbon Risk Real Estate Monitor (CRREM) methodology within our Dutch portfolio to evaluate the medium- to long-term alignment of our assets with decarbonization expectations. The Group then continued with a broader CRREM analysis on a selection of assets within the German portfolio, the results of which have influenced the overarching strategy of the Group. However, methodological issues with CRREM such as overly general asset-type pathways and requiring tenant electricity data, for which there are data protection limitations in the EU have limited CRREM's practical usability for the Group. In light of this, the Group has transitioned to prioritizing stranding definitions based on Energy Performance Certificates (EPCs) and the European Union's climate commitments enshrined in the Energy Performance of Buildings Directive (EPBD) recast. Despite remaining uncertainty as national-level implementation of the EPBD commences, this approach offers a clearer framework for prioritizing less efficient assets for enhancement, as well as a stronger asset-level renovation planning process.

To diminish reliance on fossil fuels, we aim to procure 100% of landlord-obtained electricity through PPAs and install more onsite renewable energy systems. Investments in energy efficiency also reduce energy costs, mitigating price variations. In 2023, we saw a 5% decrease in like-for-like landlord-obtained electricity consumption compared to 2022. The Energy and Operations Departments continue to monitor available technologies to prioritize investments in proven and cost-effective solutions, aligning with our new Environmental Policy. We also acknowledge the relevance of engaging with tenants, which is why we have implemented green lease agreements and awareness campaigns, and are strengthening collaboration for energy-efficient renovations. We were also happy to transfer most of our communication with tenants to the German postal service's, Deutsche Post GoGreen Plus, which has reduced CO₂ emissions through various inseting measures, such as electric vehicle usage for postal delivery and installation of heat pumps at the postal service's own buildings. The Group was able to save 5.4 tons of CO₂ emissions in 2023, so 95% less than without the inseting measures offered by GoGreen Plus.

In 2023, a series of workshops were held with relevant teams to promote the implementation of sustainability measures throughout the portfolio. One segment of workshops involved property managers to discuss the current and emerging regulatory framework surrounding environmental reporting and energy efficiency both at the European and national level. Key concepts were introduced and discussed such as emissions accounting of both operational building emissions as well as "grey" emissions from building construction and maintenance, carbon taxes, and projected increases in fossil fuel prices over the coming decades. Best practices were discussed covering how EPCs have emerged as the primary assessment tool for a building's environmental performance in the EU providing a useful guide for energy audits and renovation planning, the CRREM methodology and its usefulness for assessing alignment with Paris Agreement targets, renovation measure development, and technology selection focusing on energy and carbon efficiency improvements. Sessions culminated in a case study where participants considered the current environmental performance of an asset, which measures are available on the moment and how to evaluate them in terms of their costs and benefits both in terms of economic and environmental efficiency for the company and tenants alike.

Refurbishment-First Approach: CO₂ Emissions Savings of our “THE ADAM” in Frankfurt

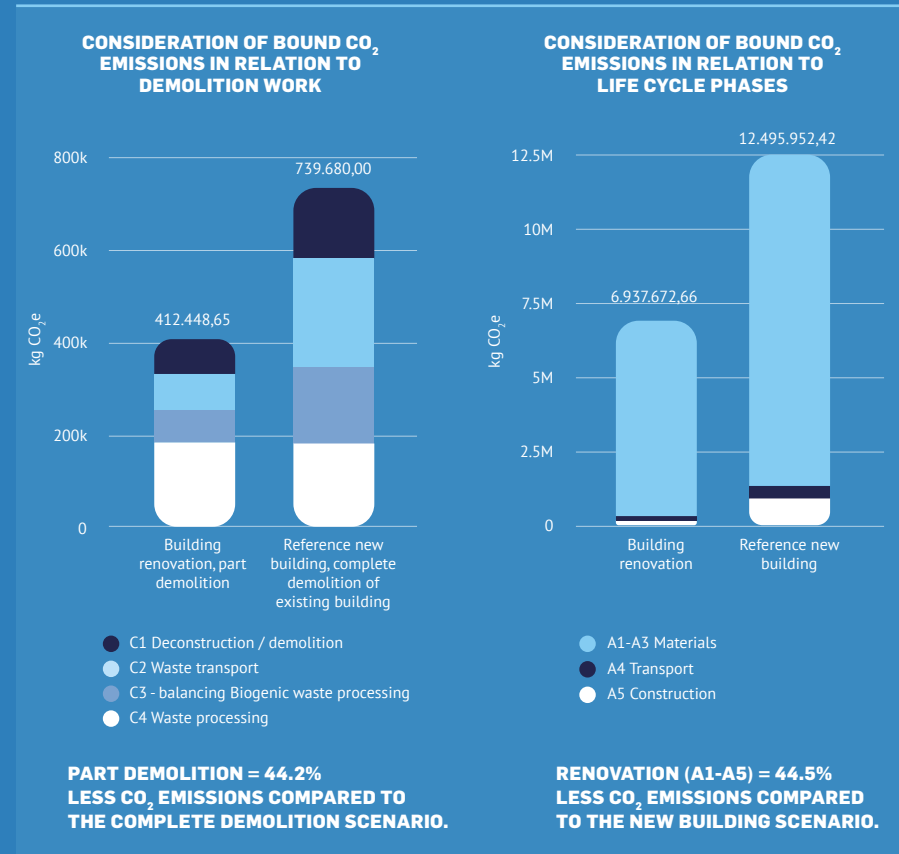
Aroundtown’s “THE ADAM” project involves the complete renovation of a former post office at Hafenstr asse in Frankfurt, covering approximately 20,834 m² and 22 stories. The office building is currently being developed, retaining the two basement levels of the existing structure and will receive a new facade as part of the project. Two stories that were previously used for technical equipment only, will be converted to additional lettable space during the revitalization. The project aims for Gold certification under both DGNB and LEED certification standards. In order to gain clarity of the CO₂ emissions savings linked to the renovation project as opposed to demolition and new development, we conducted a Life Cycle Analysis (LCA) measured as Global Warming Potential (GWP) in CO₂ equivalents, by comparing the renovation project with a theoretical new construction scenario which considered complete demolition and rebuild.

Methodology and Assumptions – The LCA was performed utilizing an advanced LCA software, which incorporates a database of Environmental Product Declarations (EPDs¹). Material types and quantities, both existing and proposed, were matched with corresponding EPDs from the database. This allowed for an estimation of carbon emissions of the materials used during the renovation and the new construction scenario. Calculations were conducted according to the EN 15978 standard².

For the renovation project, the LCA calculations were primarily based on material quantities and qualities, and relevant EPDs were selected from the software database. Various components relevant to the renovation works were considered, including exterior walls, roofs, floors, foundations, and building systems. For the new construction scenario, a hypothetical reference building was designed with a similar net floor area, building envelope and usage analogous to the real renovation building. The CO₂ emissions for the hypothetical complete demolition of the existing building were considered through a standard demolition scenario.

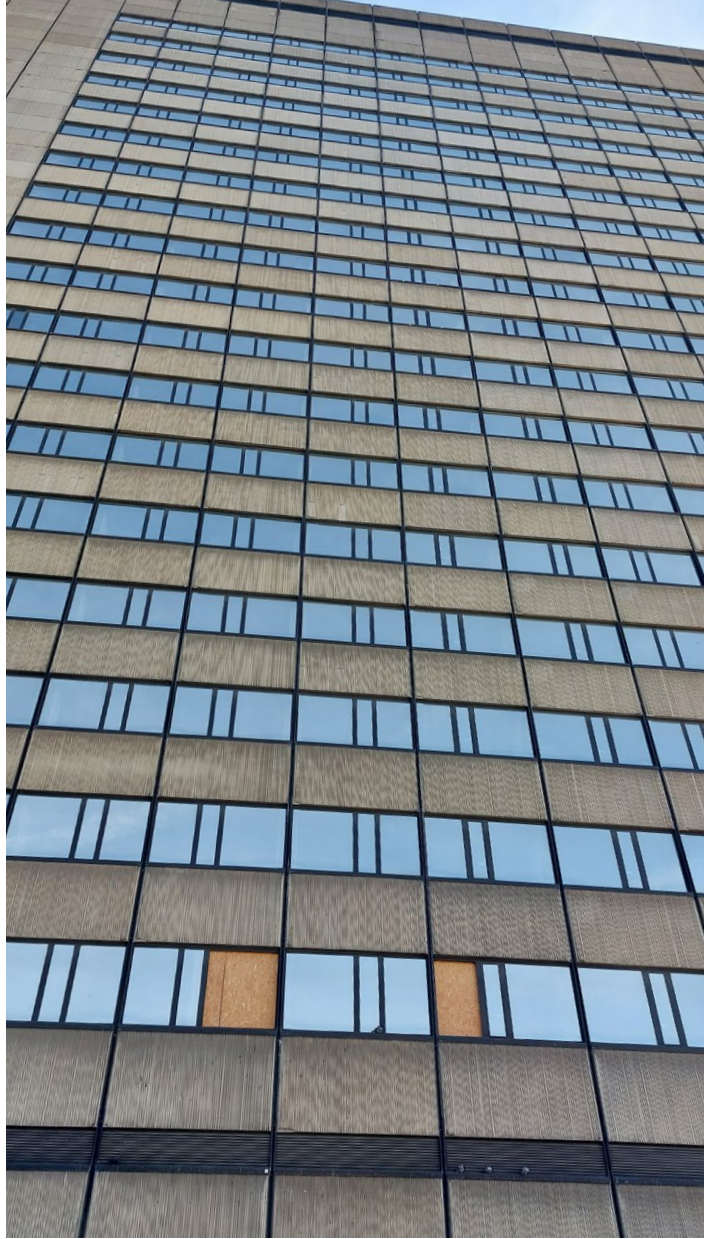
The comparison of the renovation project with the hypothetical new construction of “THE ADAM” reveals significant emissions savings in favor of the renovation, demonstrating its environmental benefits and the advantages of sustainable building practices. In the ongoing renovation of the office building, Aroundtown intends to reduce CO₂ emissions even further by selecting low-carbon materials, developing maintenance strategies to extend product lifespan, and prioritizing energy-efficient solutions during building operation.

1. Environmental Product Declaration (EPD) represents a transparent, verified information about the environmental impacts of a product throughout its lifecycle.
2. EN 15978 standard provides methodological framework for assessing the environmental performance of buildings throughout their lifecycle.



Demolition vs. Construction - Comparing the two scenarios, the renovation’s gutting phase produces 44.2% less emissions than a complete demolition. Despite the availability of more specific data for the renovation project than the demolition scenario, efforts were made to ensure comparability with standard demolition assumptions.

Renovation vs. New Construction - During the construction phase, material choice and quantities significantly influence emissions. Renovation consistently outperforms new construction, with a 44.5% reduction in emissions, largely due to reduced concrete usage but also in general to the extraction, production and transportation of all materials needed demanded for a new construction project.



Old Office Building in Hafenstr. Frankfurt



"THE ADAM" exterior



"THE ADAM" interior

Aroundtown employee commuting

In response to changing work patterns and a societal shift towards hybrid working between the office and home, we have taken steps to calculate our Scope 3 corporate emissions relating to employee commuting and teleworking. We have approached these calculations following the technical guidance of the GHG Protocol for Category 7 emissions: Employee commuting. Our employee commuting calculation was done on the basis of the average-data method, with consideration given to the proportion of office working over the reporting period. The time spent as a proportion of office working was a product of known employee requests for home working over the year. This proportion was used to reflect reduced journeys for office commuting. Data for German transport trends³ was used to create the average-data calculations. Our teleworking calculations were performed on the basis of average domestic German energy use and home office appliances, extrapolated using the home office hours worked over the reporting period. Therefore, only our German workforce was considered in our calculations. The addition of home office working was accounted for by applying an intensity factor, using the estimated floor area of a home working space with the entirety of the home. As can be seen in the table below, our Scope 3 emissions related to employee commute increased by around 3% in comparison with 2022. These higher emissions are due to a slight increase in number of employees in 2023.

| Employee Commute Aroundtown Group | 2023 | 2022 |
|---|------|------------------|
| GHG emissions reported in tons CO₂e (t CO₂e) | | |
| On foot | 0 | 0 |
| Bicycle | 0 | 0 |
| Private motorized transport | 466 | 430 |
| Public transport | 125 | 112 |
| Total employee commuting | 591 | 542 |
| Teleworking emissions | 967 | 942 ⁴ |

3. Studie "Mobilität in Deutschland" (2017) – Bundesministerium für Digitales und Verkehr

4. Emission factors have been updated to align with those of the portfolio emissions report.

CIRCULAR ECONOMY

The European Union recognizes that construction and demolition waste accounts for more than one third of all waste generated in the EU. Arountown also acknowledges that it can make a major contribution to the environment by minimizing waste generation and contributing to a circular economy in general. Our focus is on implementing sustainable resource management practices to minimize waste generation and conserve water resources.

To set quantitative targets for waste reduction and improved recycling rates, we are first gathering an accurate baseline of data across our assets. We have initiated an agreement for waste disposal with an established provider to streamline reporting capabilities and enhance control over the process. Waste at Arountown originates mainly from construction and renovation projects, but also from the operation of assets and tenant wastes. While we have yet to formalize a specific circular economy policy, our overarching goal is to reduce overall waste production at our properties and increase the proportion of recycled or reused materials within the circular economy framework.

Metrics: Circular Economy

For information regarding data preparation, the overall approach for waste data was the same as that outlined in the Arountown [Consolidated Annual Report](#) for the year ending December 31, 2023, found on pages 116 through 118. Regarding particularities for waste data, it is important to note that in Germany, where the majority of the Group's portfolio is located, much of the waste collection services are provided by local municipalities which report waste collection in various formats. The data reported here is from those service providers whose invoices allow for direct calculation of waste collected in volume (m³), although invoices do not contain information on disposal method for non-recycled waste. To align with best practices in non-financial reporting, conversion factors are applied to convert volume data (m³) into mass data (tons). This, however, causes deviation in the relative share of recycled versus non-recycled waste in the two sets of figures due to conversion factors being specific to each type of waste bin, for example glass is a denser material compared to the materials typically found in general non-recycled waste bins. In terms of performance, like-for-like waste generation in m³ decreased 16% in 2023 compared to 2022.



Bonn



| Absolute waste generation for managed assets | | | | | | | | | | | |
|--|---|-----------|-----------|-----------|-----------|---------|---------|-----------------------|---------|---------|-----------|
| Waste reported in tons and m ³ | | TOTAL | | OFFICE | | RETAIL | | OTHER INCL. LOGISTICS | | GCP | |
| EPRA Code | Metric | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Tons | | | | | | | | | | | |
| Waste-Abs Waste-LfL | Landlord-managed waste recycled (including tenant waste) | 3,792 | 4,344 | 2,441 | 723 | 284 | 44 | 67 | 375 | 1,000 | 3,191 |
| | Total landlord-managed waste non-recycled (including tenant waste) | 44,713 | 10,039 | 31,229 | 3,532 | 585 | 112 | 325 | 1,004 | 12,574 | 5,384 |
| | Total landlord-managed waste generated (including tenant waste) | 48,505 | 14,384 | 33,670 | 4,255 | 868 | 156 | 392 | 1,379 | 13,574 | 8,575 |
| m³ | | | | | | | | | | | |
| Waste-Abs Waste-LfL | Landlord-managed waste recycled (including tenant waste) | 61,738 | 48,303 | 39,068 | 12,484 | 5,152 | 583 | 771 | 7,448 | 16,746 | 27,613 |
| | Total landlord-managed waste non-recycled (including tenant waste) | 327,894 | 87,977 | 229,015 | 25,902 | 4,287 | 820 | 2,381 | 7,362 | 92,211 | 53,837 |
| | Total landlord-managed waste generated (including tenant waste) | 389,632 | 136,280 | 268,083 | 38,386 | 9,440 | 1,403 | 3,152 | 14,809 | 108,957 | 81,450 |
| Additional information | | | | | | | | | | | |
| Waste-Abs Waste-LfL | Proportion of landlord-managed waste generation data that is estimated (including tenant waste) | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Total waste generation data coverage, by area (m ²) | 2,936,845 | 2,394,036 | 2,069,044 | 1,050,032 | 178,639 | 110,471 | 260,803 | 101,788 | 428,359 | 1,099,517 |
| Like-for-like waste generation for managed assets | | | | | | | | | | | |
| Waste reported in tons and m ³ | | TOTAL | | OFFICE | | RETAIL | | OTHER INCL. LOGISTICS | | GCP | |
| EPRA Code | Metric | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Tons | | | | | | | | | | | |
| Waste-Abs Waste-LfL | Landlord-managed waste recycled (including tenant waste) | 1,956 | 2,490 | 630 | 930 | 262 | 283 | 64 | 39 | 1,000 | 1,545 |
| | Total landlord-managed waste non-recycled (including tenant waste) | 15,256 | 16,539 | 1,849 | 2,765 | 528 | 465 | 313 | 398 | 12,566 | 12,606 |
| | Total landlord-managed waste generated (including tenant waste) | 17,212 | 19,030 | 2,479 | 3,695 | 790 | 748 | 377 | 436 | 13,566 | 14,151 |
| m³ | | | | | | | | | | | |
| Waste-Abs Waste-LfL | Landlord-managed waste recycled (including tenant waste) | 27,932 | 44,433 | 5,704 | 10,810 | 4,763 | 6,789 | 719 | 624 | 16,746 | 26,210 |
| | Total landlord-managed waste non-recycled (including tenant waste) | 111,876 | 121,289 | 13,558 | 22,518 | 3,872 | 3,408 | 2,297 | 2,917 | 92,148 | 92,446 |
| | Total landlord-managed waste generated (including tenant waste) | 139,807 | 165,722 | 19,262 | 33,329 | 8,635 | 10,197 | 3,016 | 3,541 | 108,894 | 118,656 |
| Additional information | | | | | | | | | | | |
| Waste-Abs Waste-LfL | Proportion of landlord-managed waste generation data that is estimated (including tenant waste) | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Total waste generation data coverage, by area (m ²) | 2,384,103 | 2,384,103 | 1,602,035 | 1,602,035 | 171,595 | 171,595 | 183,961 | 183,961 | 426,513 | 426,513 |

Climate Change Adaptation and Resilience

To adequately address increasing risk associated with climate change, AT is primarily focused in 2024 on completing an asset-level physical risk assessment of its portfolio. This analysis will be the basis for the implementation of asset-tailored adaptation solutions over the coming years, taking into account innovative climate change adaptation technologies.

Our **Building Resilience Taskforce**, an inter-departmental platform for the discussion and collaboration on climate risks, commenced a physical climate risk assessment program in 2022, which continued through 2023. The city-level physical risk assessment across our strategic locations covered eight physical risks and four warming scenarios, as defined by the Intergovernmental Panel for Climate Change (IPCC). While this was an informative and important first step, we aspire to extend this assessment to the asset level in 2024 for a more detailed understanding of risks and the development of customized adaptation solutions tailored to our individual buildings. In order to accomplish this goal, we have selected a leading international service provider. This will enable the development of tailored adaptation solutions for individual assets, enriching our overall resilience strategy.

The Building Resilience Taskforce developed adaptation solutions, prioritizing them based on their significance and feasibility. Four key adaptation programs emerged: a tree planting initiative, flood analysis and planning, a tenant guidebook for extreme conditions, and refurbishments. These solutions aim to bolster asset resilience and our goal is to implement them over the next four years. In 2023, we implemented a guidebook for our residential tenants, as well as conducted an analysis of flood risks across most of our portfolio in Germany and the Netherlands. As Aroundtown's climate risk assessment evolves to become more asset-specific, adaptation solutions will be adjusted and tailored to the needs of our buildings. Our risk management efforts prioritize the implementation of adaptation solutions, overseen by the **Risk and ESG Committees**, implemented by the **Operations Department**, and reported to Management.

To empower Building Resilience Task Force members to improve climate adaptation planning moving forward, a focused workshop was held with key members to inform them of how the physical risks of climate change can impact the real estate sector, providing an overview of regulatory and reporting trends while diving into the adaptation planning process at the asset level. Specifically, reporting frameworks on physical climate-related risks were covered, discussing how the leading TCFD framework has been integrated into other reporting standards. Systematic physical risk assessment procedures were outlined from initial exposure screening through asset-level vulnerability assessments to produce overall risk analyses, followed by adaptation planning at the fund and asset levels. The workshop concluded with case studies of portfolio assets, going through the information needed to conduct the assessments and the relative costs and benefits of different adaptation measures. This was intended to enhance the Group's starting position as our physical risk assessment approach transitions to an asset-level data provider.

Tenant Wellbeing and Community Engagement

We aim to continually increase tenant satisfaction levels, as well as health and safety standards. We take our role and responsibility in local communities seriously, partnering with local stakeholders to foster neighborliness and connection while meeting the needs of our communities. Our Community Involvement and Development Policy details our commitment to positively impacting local communities and improving tenant and stakeholder wellbeing. This policy outlines reporting, responsibility, and planning requirements for active community relationship management, emphasizing activities to address local needs.

STAKEHOLDER ENGAGEMENT

Stakeholder Engagement involves interactions with various groups that have a stake or interest in Aroundtown's activities, including employees, tenants, business partners, investors and suppliers. A key way in which we engage with our stakeholders is through our company policies, such as our Human Rights Policy and Employee and Business Partner Codes of Conduct, which lay out AT's values and standards, as well as subsequent expectations of stakeholders' behavior. Our internal policies are complemented by company training sessions covering topics such as human rights and compliance. Furthermore, our whistle-blowing system allows internal as well as external stakeholders to raise matters of concern with AT, such as potential human rights or general compliance violations.

Our main method of interaction with our tenants, however, is through Service Centers for both residential and commercial tenants. This aims to provide efficient and effective services to our tenants' concerns relating directly to our assets. The Service Center have been certified with TÜV and ISO 9001:2015 and the residential service center was awarded "Fairest Customer Service Hotline" by Focus Money. The certifications and the award demonstrate our emphasis on high-quality services and our commitment to maintenance and continual improvement. Additionally, surveys issued to tenants reflect our dedication to monitoring and improving stakeholder satisfaction across various aspects of service delivery- we use this feedback to inform improvement measures.

COMMUNITY ENGAGEMENT

Community Engagement focuses on interactions with the broader community in

which we operate, including tenants, local governments, and community organizations. Aroundtown's Community Involvement and Development Policy guides efforts towards tenant engagement, with initiatives such as seasonal festivals and digital campaigns, and our GCP Tenant App for residential tenants which all encourage engagement and participation. We demonstrate our commitment to community wellbeing through activities like urban gardening projects and events based on seasonal occasions, as well as facilities such as playgrounds, fitness trails and BBQ areas. Our three-tier assistance from Asset Managers at a regional level, Property Managers for ongoing customer care and Facility Managers for day-to-day technical support and maintenance delivers excellent customer service and contributes to our active engagement with our tenants and the community.

The Aroundtown Foundation donates funds to community projects, including those supporting youth, the elderly, education, poverty relief, and national and vocational training. In autumn 2023, its focus expanded to include disaster relief and assistance for individuals facing discrimination. The Foundation is run by a Committee of Aroundtown managers and overseen by the Foundation Board, and all employees are encouraged to propose projects for consideration. Each department and all employees are empowered to propose projects in their region, and the Committee ensures that funding focuses on the projects which will deliver the highest positive impact for our local communities and their residents. In 2023, the Aroundtown and Grand City Properties Foundation supported 93 projects, donating approximately €1 million to charitable organizations. This included support for SOS-Kinderdorf e.V.'s 'Education for All in Germany' program, ShelterBox e.V.'s disaster relief efforts, and apropolis e.V.'s summer camp for young people.

Tenant satisfaction survey

In 2023, Aroundtown conducted a tenant satisfaction survey among its Dutch tenants, covering various aspects such as service desk performance, building condition, sustainability practices, and overall satisfaction. Across all measured areas, scores exceeded those of 2022, aligning with our goal of achieving a 3% annual performance improvement. Overall service satisfaction, including financial and technical support, increased by 7.1%. Sustainability satisfaction notably improved by 9.5% compared to 2022, with increased tenant engagement observed in sustainability discussions during tenant meetings, further motivating us to continue our sustainability efforts. The survey identified solar panels, electric vehicle car and bike chargers, as well as green building certificates as the most desirable sustainability features, while the top three sustainability issues identified were reducing electricity consumption, implementing sustainable waste management, and using green electricity.

In Germany, Aroundtown conducted its last tenant satisfaction survey in late 2022, therefore determining our actions for 2023. The survey asked tenants' for feedback on their satisfaction across several areas such as rental property features, including parking and safety, sustainability-related features including such as green space and energy efficiency cost, property management, and onsite service. It showed a 52% participation rate and a satisfaction rate of 64% (partially to fully satisfied). Satisfaction was particularly high among larger tenants and those with long-term leases, highlighting aspects from the service quality like friendliness, competence and responsiveness. We target a minimum annual performance improvement of 3%, for which different tenant satisfaction KPI's have been adjusted with a continuous focus on enhancing tenant satisfaction across all service areas.

Feedback from the survey prompted the development of action plans aimed at improving property management practices. This led to the implementation of initiatives such as a 24/7 hotline, an online service portal, and a Tenant Retention program aimed at enhancing facilities and services, detailed further below.

Service Center and Tenant Service Portal

Aroundtown now offers a 24/7 hotline for our commercial tenants through the Service Center, ensuring a point of contact beyond regular service hours. Our central team

is available round the clock, including weekends and public holidays. Additionally, we have initiated the development of an online service portal. Tenants will soon be able to submit requests directly into our central ticket system (CRM), enabling access to real-time processing status and expediting service. A trained service team will handle requests or forward them to the appropriate department (Administration, Accounting, etc.). Implementation of this system, alongside a dedicated tenant services website with relevant information and features, is scheduled for 2024.

Tenant Retention program

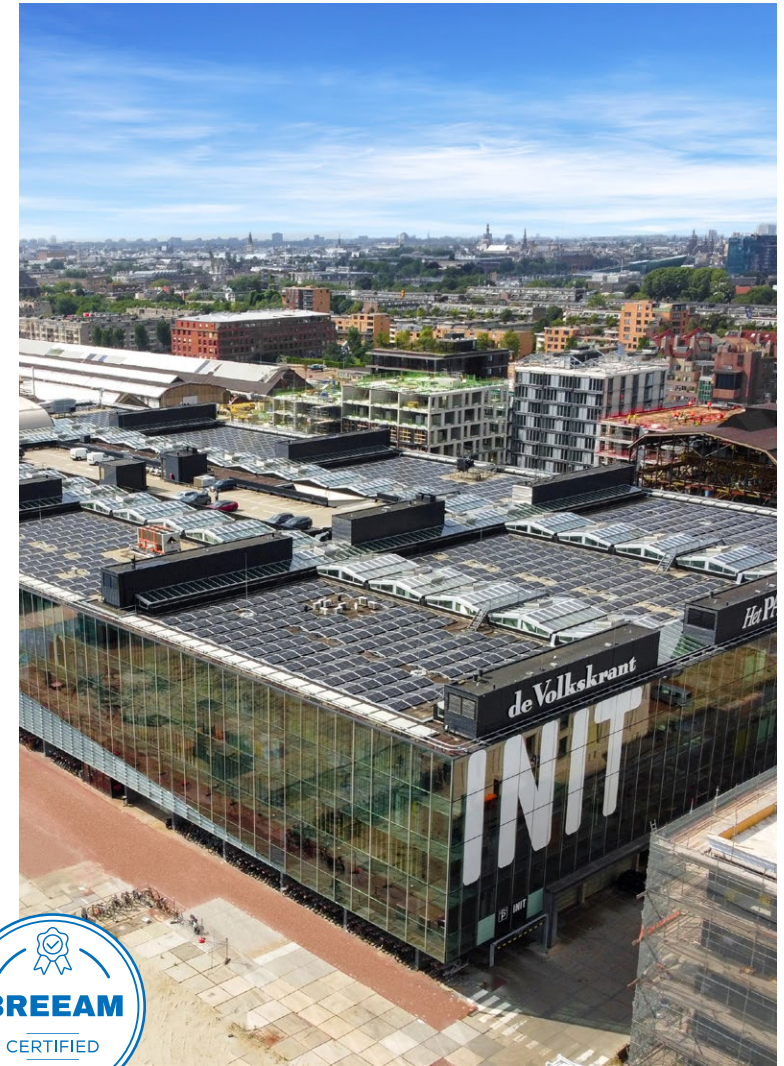
In 2023, we initiated a tenant retention program aimed at cultivating a dynamic and collaborative community. Our efforts align with our dedication to providing a more dynamic, tenant-centric experience, which we hope will be reflected in the results of future surveys. We are committed to further developing this initiative to enhance the vibrancy of our properties. The project will encompass a modular set of measures designed to expand service offerings in line with the strategic framework outlined by our operational team. This includes the addition of amenities such as coworking spaces, conference areas, vending machines for snacks and drinks, gym facilities, and more, to create a comprehensive and engaging workspace environment.

The survey also confirmed the interest of tenants in sustainability-related projects such as energy efficiency retrofit plans, the installation of renewable energy systems, and the expansion of electric vehicle (EV) charging facilities, the offer of green electricity generated on-site to tenants, and the roll-out of BREEAM and DGNB certification. We will continue to carry out these initiatives in 2024.

BREEAM for Sustainability and Tenant Health & Wellbeing

In 2023, we attained a number of BREEAM green building certifications⁵ across our office portfolio, highlighting our ongoing commitment to environmental responsibility. Notably, our pilot project in the Dutch office portfolio in 2021 served as a cornerstone for knowledge transfer across our German portfolio, ultimately leading to the certification of our first German offices in 2023. This milestone marked a substantial increase in the proportion of BREEAM-certified buildings within our office portfolio, rising from 15% in 2022 to 36% in 2023 while certifying 100% of our Dutch office portfolio. We aim to gradually increase the percentage of certifications in our office portfolio and are currently exploring. Certification options in our hotel portfolio, ensuring that sustainability remains at the forefront of our strategic endeavors.

Alongside the environmental criteria assessed in BREEAM In-Use certifications, the process assesses several factors related to the health and wellbeing of tenants. Asset-specific information is gathered and assessed regarding indoor environmental quality, encompassing elements such as natural daylight, thermal comfort, and indoor air quality. BREEAM's criteria also cover other aspects including energy efficiency, water conservation, accessibility, pollution prevention, and ecological preservation. BREEAM-certified buildings signal an environment that not only fosters productivity but also enhances tenant satisfaction, health and wellbeing. By meeting these standards, BREEAM-certified buildings attract environmentally conscious tenants and investors while also ensuring long-term operational efficiency and cost savings, and providing a secure and healthy space for tenants to thrive. The certifications provide a clear public signal of our commitment to providing quality assets and clear guidelines on potential future improvements in each BREEAM criteria.



Amsterdam

5. Detailed information on BREEAM assessment criteria and technical manuals can be found on BREEAM's web page, <https://breeam.com/standards/in-use>

Employment and Skills

We are continuously working towards fulfilling our long-term strategic goal of being one of the most attractive employers in the commercial real estate sector by 2030. One important aspect of meeting our employees' and new talents' expectations as an employer is by investing into their professional development.

Training and development opportunities have become an important aspect of attracting new talent and retaining existing employees. In a continuously evolving work environment with fast-moving industry trends and growing regulatory frameworks, it is also in Aaroundtown's interest to invest in the continued development of our employees' expertise, skills and growth. We therefore prioritize comprehensive training and development programs to equip employees with the necessary skills for career advancement. Training is tailored to individual needs and delivered through various methods, including in-person sessions, online webinars, and the **Contemporary Real Estate Academy (CREA)** portal. CREA enables a unified presentation of our mandatory training content and voluntary learning and development material, which is accessible to all staff across our business. In 2023, enhancements were made to improve communication on training opportunities and track progress effectively. Performance reviews are partly conducted digitally through our HR software, in order to allow for timely feedback to employees. Staff career paths with specific KPIs aim to provide transparency and structure regarding career opportunities, which will be effective from spring 2024. Plans are underway to relaunch the digital performance review tool in 2024, aiming for 60% adoption across the company's departments in Germany. This streamlined process ensures that our employees receive regular and personalized feedback, facilitating their professional growth and goal achievement.

Monitoring and measuring various workforce metrics ensure progress in areas such as employee satisfaction, health, safety, and equal opportunities. Long-term targets include being among the top ten most attractive employers by 2030, with 2024 goals focusing on volunteering programs and career development initiatives. We believe that

a positive work environment is fundamental, therefore we emphasize factors like career development, education, and diversity and inclusion.

Employee engagement is facilitated through annual surveys and HR roundtables, supported by our HR software for communication and feedback. The results guide strategies to enhance workplace satisfaction, with a notable 63% response rate from employee surveys in 2023. We are proud that the Aaroundtown Group was recognized as **'Top Company 2024'** by *Kununu*⁶ and our subsidiary GCP as **'Most Wanted Start 2024'** by *Kununu* and the German newspaper, *Die Zeit*, which represents an acknowledgement of our commitment to a positive work environment and employee development. Collaboration with a work-life platform offers comprehensive employee support, including childcare and mental health programs, aligning with the company's dedication to fostering a supportive work culture.

6. *Kununu* is an online interactive platform designed to provide insights into workplace culture and conditions.

EMPLOYEE HEALTH & WELLBEING

We ensure strict compliance with all workplace health and safety regulations at national and EU level. To effectively respond to health emergencies at our offices, we offer first aid training to our employees internally, across our Berlin and regional offices. Currently, 169 employees are certified first-aiders, representing about 10% of our employees, which exceeds the 8% targeted for 2023. We will continue to provide this training for more employees in coming years. To support the wellbeing of our employees, we offer a flexible package of benefits and working provisions, including eye examinations for employees who spend much of their time at the PC, with 4 examination days in 2023. Our target is to maintain the number of examination days in 2024. We also have a cooperation agreement with an optical retailer offering subsidized glasses to employees which has been in place since 2022.

Our company physician conducts site inspections to check occupational health and safety provisions, as well as periodic workstation ergonomics assessments. Health checks are also provided by the physician, with 4 examination days in 2023. Mental health appointments are available for all Aroundtown employees with a mental wellbeing coach at our headquarters. We also ran 2 flu vaccination days in our offices during 2023 and intend to do so in 2024. Employees at our Berlin headquarters have access to our company gym with personalized training and nutrition programs offered by the trainers.



Aroundtown: "Diversity is our Strength"

Activate the Base event

In late 2022, Arountown launched "Activate the Base", an employee engagement program empowering employees to come up with ideas relevant for the company's ESG goals and oversee the projects' implementation whilst developing their skills and networks across the company. Organized as a digital learning journey with 12 weekly sessions from February to July 2023, the participants were guided by an external coaching company during half of the sessions. The coaches facilitated the participants' personal development through self-reflection and development of a joint vision for the team, whilst reflecting on the alignment with Arountown's ESG mission.

The program focused on fostering corporate values, promoting self-efficacy, and empowering employees to take responsibility for their initiatives in a chosen field of interest relating to ESG. By comparing their own personal values with those of the company's ESG vision, the program was able to cultivate a shared vision and motivation to become active "from the base" with the willingness to make a difference for themselves, the company and society.

The program concluded with an Action Vernissage event at our Berlin office in July 2023, with around 50 participants from across several offices, representing various Activate the Base groups. Each group presented their ideas and action plans for implementation within our organization. The fields of action included:



Activate the Base event: Action Vernissage

FIELDS OF ACTION:

ENVIRONMENT



Resource Reduction (Energy Reduction, Meat consumption Reduction, Water Consumption)



Biodiversity / Gardening



Re-using, Recycling, Materials

SOCIAL



Communication (Feedback Culture, Respect and Diversity, Appreciation and Value Culture)



Talent Development



Active engagement with neighborhood quarters



Set-up an internal structure/process for active engagement with our tenants



Community Engagement (i.e., participating in a volunteer day / social day).

The Activate the Base program saw the successful implementation of a number of group initiatives, one of which is mentioned in the DEI section below – the establishment of the Diversity Committee. We intend to run this program again in 2024.



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Employee survey

We interact with our employees through various channels, including our annual employee engagement survey to gather direct feedback from all staff members. Oversight of this survey falls under the responsibility of our Group Head of HR, with results informing decisions and actions to address current and potential issues.

In 2023, our employee survey showed high engagement levels, with a 63% response rate across the Group. The results were benchmarked against other companies using the same survey, noting improvements in nearly all questionnaire topics since the 2022 survey. “Relationship with Colleagues” was identified as a consistent strength, while “Learning and Development” emerged as a priority area for enhancement. Other topics assessed are “Meaningfulness & Participation”, as well as “Workload.”

Based on this feedback, we identified key areas for improvement in our HR policies and developed a strategic action plan for 2023 and 2024. This plan includes additional employee surveys to facilitate ongoing feedback and communication such as specific employee surveys and a 180-degree feedback. In the area of “Strategy, Vision and Culture”, Aroundtown intends to provide enhanced information regarding career advancement opportunities and increase communication regarding the Group’s overall strategy and vision, as well as promotion pathways available within our organization. As for “Learning and Development”, plans are to implement a second round of the “Activate the Base” program, as well as expand further education and training opportunities.

Diversity, Equity and Inclusion (DEI)

As of 2023, a Diversity Committee comprising employee representatives from different organizational levels oversees our commitments to diversity, inclusion and anti-discrimination.

Aroundtown is an inherently diverse organization; our employees represent more than 65 nationalities and women represent half of all our staff, and 38% of senior management positions. We see this as a source of competitive advantage and purposefully seek to employ people from a variety of ethnicities, cultures and backgrounds. The presence of diverse experiences, viewpoints and mindsets in our teams is vital to our success in delivering effective and innovative solutions to our business challenges. We are therefore committed to fostering diversity, equity, and inclusion (DEI) within our workforce through various policies and initiatives. The Anti-Discrimination Policy encourages equal treatment and opportunities for all our employees, regardless of their race, gender, religion, disability, age, and sexual identity. Diversity initiatives include talent development, recognition of life experience, and cultural support.

We are proud that 2023 saw the establishment of a Diversity Committee, comprising representatives from different levels to oversee DEI commitments. A Chief Diversity Officer role was also created to reinforce this commitment and is currently held by our Group Head of HR. Facilities in certain offices are equipped for accessibility, although improvements for other disabilities are planned.

Besides our policies, our Employee Code of Conduct highlights ethical behavior, including prohibitions on discrimination, bribery, conflict of interest, corruption, and others. We reinforce these principles through targeted training programmes. These include in-person training sessions such as on intercultural communication and our diversity as part of our welcome day onboarding training during onboarding and a compulsory compliance module on equal treatment laws and sexual harassment prevention at the workplace. Our participation in the German Diversity Charter further underlines our commitment. A horizontal organisational structure and transparent feedback culture further also support these values. In 2023, Aroundtown was accepted

into the Bloomberg Gender Equality Index for the third time as a result of its transparent reporting of gender-related data and commitment to advancing gender equality and promoting diversity and inclusion within the workplace.

Moreover, diversity metrics are monitored, showing representation across different gender and management levels. We also measure the gender pay gap. Our employees have the opportunity to report (anonymously) any discrimination through our whistleblower system. Every reported issue is taken seriously and investigated, followed by potential disciplinary action. Issues related to human rights, discrimination, and compliance are tracked.



Diversity Committee

Our Activate the Base program in 2023 concluded with an Action Vernissage that saw the presentation of the groups' great project ideas to facilitate the company's ESG goals. One such initiative was "the Diversity Committee". The Activate the Base group shared its joint vision of increasing employees' tolerance of differences and promoting inclusive behavior. Embracing diversity, rather than uniformity, and seeing this as humanity's greatest strength, the group's objective was to raise awareness of diversity by fostering a sense of belonging among employees, establishing a framework to promote cultural safety and engaging and connecting individuals.

The initial action agreed upon by the group was the establishment of the Diversity Committee, consisting of 10-15 employees from all regions to ensure coverage across our locations and representatives willing to be proactive in implementing processes to sustain diversity awareness continuously. Through the work of the Diversity Committee, we have been able to launch our Diversity intranet page in May 2023, attracting a significant number of visitors, where various articles and materials on diversity were published. We have increased investment in diversity awareness – also through the distribution of giveaways such as our "Diversity is our Strength" magnets to employees – inclusion trainings, and surveys within the organization. We are very proud of the group's achievements.

Sustainability Governance

The Group prioritizes corporate governance, overseen by the Board of Directors and management teams, leading to strong investor confidence and substantial fund placement by major global investment banks.

Aroundtown's governance structure emphasizes responsibility for climate-related risks, integrating carbon emissions reduction targets into executive remuneration and therefore, integrates sustainability considerations at both board and management levels. The operational ESG strategy has been established and is managed by the Board of Directors, which has ultimate oversight of overall ESG performance. With its independent Board of Directors, decisions are made impartially, free from conflict of interest to safeguard the company's best interests. The Board of Directors holds authority over all matters not explicitly reserved by the **Luxembourg Companies Act** or the company's articles of association for decision by the general meeting of shareholders. Their performance and adherence to corporate governance procedures undergo regular evaluations. With seven members, including independent and non-executive directors, decisions are made by a simple majority.

The Board of Directors established an ESG Committee to supervise the company's ESG processes and to review and assess the Group's contribution to sustainable development. The Sustainability Department, led by the Head of Sustainability, serves as a cross-departmental interface responsible for implementing and monitoring sustainability programs and initiatives. Reporting directly to the CEO and the Board of Directors, the department supports materiality

analysis, ESG reporting, and responds to investor and rating agency inquiries on ESG topics. It closely collaborates with the Energy Department to implement the technical aspects of the sustainability strategy. Constant information exchange among departments concerning ESG aspects ensures holistic implementation of sustainability measures.

Aroundtown's dedication to robust ethical corporate governance is underpinned by it joining other German companies across various sectors in founding the official **United Nations Global Compact Network Germany**, which has been running for years already. The adherence to the UN Global Compact's Ten Principles, as well as the Group's contribution to the achievement of the United Nations **Sustainable Development Goals (SDGs)** are important frameworks and guidelines in our sustainability strategy. A detailed overview of how Aroundtown contributes to around twelve out of the seventeen SDGs is outlined in our separate SDG Index available on our website.

In 2023, we underwent a transition in our reporting processes in preparation for compliance with the **Corporate Sustainability Reporting Directive (CSRD)**, which applies to our sustainability reporting as of 2024. To ensure the best possible alignment with the new requirements, Aroundtown decided to start the transition process for the Group a year in advance. We view the CSRD as a gamechanger in the sustainability reporting landscape, and look forward to the changes and benefits that will derive from this directive as data will not only be standardized but also be more available within the entire value chain. As a first step of our CSRD alignment process, we undertook a transitional **Double Materiality Assessment** in 2023 which identified the material sustainability topics we report on in our [Consolidated Annual Report](#).

This year we continued to report in alignment with **EPRA's sustainability Best Practice Recommendations (sBPR)** to ensure consistency of our reporting year on year. Furthermore, Aroundtown is reporting its business activities under the **EU Taxonomy Regulation** which mandates large, listed companies to meet strict environmental criteria. We conducted assessments to determine our eligibility for

EU Taxonomy alignment, focusing on activities related to climate change mitigation and adaptation. Our efforts included reviewing our activities, assessing turnover, capital expenditure (CapEx), and operating expenses (OpEx), and enhancing our data collection processes. We conducted training sessions to ensure our staff's understanding and compliance, and we revised our standard contracts to include EU Taxonomy requirements for our contractors. Our ongoing efforts involve optimizing data collection through our Enterprise Resource Planning (ERP) system and providing continuous training for our departments and international offices. Our strategies for improvement involve considering EU Taxonomy criteria in our decision-making for renovations and new projects, prioritizing alignment for larger CapEx projects, and improving data collection through collaboration with our suppliers.



Community Engagement - Graffiti - Shopping center

HUMAN RIGHTS AND ETHICS

Our commitment to **Human Rights and Ethics** is fundamental to our operations, as we strive to integrate these principles into our culture, policies, and operations to create a sustainable and responsible business environment. The Group has established a robust set of corporate policies, including the **Human Rights Policy, Business Partner Code of Conduct, Employee Code of Conduct, and Anti-Corruption Policy**, to ensure alignment with international standards and frameworks. Additionally, our governance practices emphasize transparency and compliance with legal requirements, with voluntary adherence to initiatives such as the **UN Global Compact**. At the core of our strategy lies fair business practices and compliance, supported by internal policies, standards, and comprehensive compliance frameworks. Our **Employee Code of Conduct** explicitly prohibits violations such as corruption and discrimination, while we actively promote diversity and inclusion through training and communication initiatives. We continuously strive to integrate these principles into our corporate culture and practices, fostering a business environment built on integrity, fairness, and accountability. It is our long-term target to maintain this high standard within the company, as well as in our relations with business partners. In 2023, this was reflected again by zero reportable incidents of discrimination or human rights violations.

Our employee compliance training programs cover various topics, including corruption and fair business practices, to ensure all employees are well-informed and equipped to uphold ethical standards. We regularly assess our alignment with national and international standards, particularly on human rights in the supply chain, which have been upping demands on due diligence processes. Aroundtown has been implementing a six-steps Human Rights Due Diligence process (compliance with the minimum social safeguards of the EU Taxonomy), including embedding human rights considerations into our policies, conducting thorough assessments, taking proactive actions to address any adverse impacts, tracking implementation progress, communicating our approach publicly, and providing remediation where necessary. An important aspect of this process is the assessment of human rights risks in the supply chain. We categorize suppliers based on risk levels, taking into account their sector, region of business operation and contract volume, and conduct appropriate due diligence processes, ensuring compliance with our standards. Our whistle-blowing system allows for the reporting of any human rights violations, which are promptly investigated by our compliance department. Depending on the severity of the violation, actions may include warnings, fines, or the termination of business relationships, with authorities consulted if required.

ESG RISK MANAGEMENT

The **ESG, Audit, Risk, Remuneration, and Nomination** Committees support the Board, along with an Advisory Board. The Committees receive regular training on legal updates, regulatory, sector-specific knowledge, capital markets, and ESG matters. This proactive approach not only ensures sound knowledge of corporate governance among our Board members, but also serves to advance sustainability goals outlined by the United Nations, particularly through ESG initiatives and the UN Global Compact.

The **Risk Committee** oversees physical and transitional climate risk assessments, aiming for a granular asset-level analysis in the long term. To enhance stakeholder engagement, the Group plans to develop a methodology in 2024 involving department heads and team leaders. This proactive approach demonstrates our commitment to addressing ESG risks and fostering cooperation across stakeholders to promote sustainability.

While the Group does not directly engage in lobbying activities or make donations to political parties, we recognize the pivotal role of trade associations in shaping policies and influencing societal actions and finds these to be appropriate forums for engaging with emerging climate policy in the EU. In selecting and renewing our memberships, we consider the extent to which an organizations' values and commitments resonate with our own sustainability ambitions. We are members of the German Property Federation, [Zentraler Immobilien Ausschuss \(ZIA\)](#), the [European Public Real Estate Association \(EPRA\)](#), and the German Sustainable Building Council, [Gesellschaft für Nachhaltiges Bauen \(DGNB\)](#). As of the time of this publication, our internal review of the climate positions of these associations has found a high degree of alignment with our own policy positions. However, if misalignments are identified in the future the Group would first engage the relevant organization to address the misalignment, and in the case of irreconcilable differences, terminate its membership.

ZIA champions standards for energy efficiency and sustainability within the real estate sector that balance ambition with pragmatism when dealing with older building stocks such as those found in Germany, supporting the German Energy Saving Ordinance and the EU EPBD, advocating for the Climate Action Plan 2050, and promotes Germany's Energy transition to integrate renewable energy in buildings. ZIA also endorses smart technologies to optimize energy usage as well as supports fair carbon pricing to develop effective climate policies aimed at reducing emissions.

Similarly, EPRA supports the European Green Deal's aim for climate neutrality by 2050 by promoting building energy efficiency and integration of renewable energy to lower

carbon emissions throughout a building's lifecycle. It advocates for the use of sustainable technologies like smart building solutions and supports standardized reporting of carbon footprints and energy usage to ensure transparency and environmentally sound investments.

Meanwhile, the DGNB develops internationally-recognized certification systems for sustainable buildings. Key focus areas for the DGNB are stressing decarbonization throughout the building's lifecycle, promoting the use of renewable energies and sustainable materials ,and retrofitting existing buildings to improve energy efficiency. DGNB certifications require comprehensive lifecycle assessments that evaluate environmental impacts from construction to demolition, aiming to minimize resource use and enhance occupants' quality of life.

| Name | Unit | 2023 | 2022 | 2021 |
|--|------|--------|--------|--------|
| Monetary contribution on lobbying and interest representation | € | 0 | 0 | 0 |
| Monetary contributions to local, regional or national political campaigns/ organizations/ candidates | € | 0 | 0 | 0 |
| Monetary contributions to trade associations | € | 42,630 | 69,027 | 41,750 |
| Total political contributions and spending on public policy | € | 0 | 0 | 0 |



Leipzig

Board Members' Skills Matrix

The Board competencies matrix, developed through a self-assessment questionnaire, enabled board members to evaluate their expertise across key competencies relevant for their roles and responsibilities, supporting effective governance and strategic decision-making. The outstanding areas of expertise of our Board members include 'Real Estate', 'Finance, Banking or Auditing', 'Business Management and Strategic Planning', and 'International Experience and Cultural Awareness'.

Detailed academic and work-related backgrounds of the Board members are available in the Management section of our [website](#).

AT Board of Directors' Competencies

| | Real Estate | Finance, Banking or Auditing | Business Management & Strategic Planning | Crisis & Risk Management | IT, Information & Cyber Security | Environment & Sustainability | International Experience and Cultural Awareness | Merger & Acquisition Experience |
|-----------------------|-------------|------------------------------|--|--------------------------|----------------------------------|------------------------------|---|---------------------------------|
| Frank Roseen | ● ● ● | ● ● ● | ● ● ● | ● ● | ● | ● ● | ● ● ● | ● ● ● |
| Markus Kreuter | ● ● ● | ● ● ● | ● ● ● | ● ● ● | ● ● ● | ● ● | ● ● | ● ● ● |
| Markus Leininger | ● ● ● | ● ● ● | ● ● | ● ● | ● | ● ● | ● ● ● | ● |
| Ran Laufer | ● ● ● | ● | ● ● ● | ● ● | ● | ● ● | ● ● ● | ● |
| Jelena Afxentiou | ● ● ● | ● ● ● | ● ● | ● ● | ● | ● | ● ● ● | ● |
| Simone Runge Brandner | ● ● ● | ● ● ● | ● ● ● | ● ● | ● | ● ● | ● ● ● | ● ● |
| Daniel Malkin | ● ● ● | ● ● ● | ● ● ● | ● ● | ● ● | ● ● | ● ● ● | ● ● |

● ● ● Expert ● ● Proficient ● Basic

Approach to taxation statement

The Group has a tax policy which includes a set of principles it adheres to in relation to tax management. The key principles of the Group tax policy are listed below:

- Commitment to adherence to all relevant tax laws, regulations, and reporting requirements in each jurisdiction where we operate. External advice is sought where appropriate.
- The governance structure includes a professional in-house tax department led by the Group Tax Director who is responsible, among others, for recommending the tax policy and once approved executing the overall tax policy. Material issues, if they exist, are reported to the group CFO.
- Maintaining a healthy cooperation and communication with tax authorities.
- Ensuring legal compliance with all tax affairs and regulations on a subsidiary and group level.
- Transfer pricing for transactions between group entities located in different tax jurisdictions are to be determined using the arm's length principle.
- Tax structures, if exists, will have commercial and economic substance.
- The group tax policy is approved by the Board of Directors.



apropolis SommerCamp

Approach to risk management statement

The company's risk management (RM) follows the COSO Enterprise Risk Management (ERM) framework, identifying, evaluating, and monitoring risks based on their impact and probability.

Roles and Responsibilities

- **Board of Directors:** Leads the RM strategy, ensures its own independence, delegates responsibilities, aligns with the Company's risk appetite, and communicates through policies and documentation.
- **Risk Committee:** Reviews RM system effectiveness and coordinates with other committees, particularly on ESG and non-financial risks.
- **Chief Risk Officer (CRO):** Supports senior management in risk identification, assessment, mitigation, and action plans, reporting to the Risk Committee and Board.
- **Employees:** Assigned risk owners act as "first line of defense" by monitoring risks.

| | Board | Risk Committee | Other Committees | Senior Management | CRO | Employees |
|----------------------------|-------|----------------|------------------|-------------------|-----|-----------|
| Identification of risks | | x | x | x | x | x |
| Tolerance level definition | x | | | | | |
| Risk evaluation | | | | x | x | |
| Risk mitigation | | | | x | | x |
| Supervision | x | x | x | | x | |
| Reporting | | | | x | x | x |

Risk Management Process

The company:

- Understands strategic objectives.
- Assesses the business environment.
- Identifies and evaluates risks in terms of their likelihood and magnitude.
- Monitors controls and mitigating activities.
- Reviews processes and establishes risk appetite.
- Assesses risks via key risk indicators (KRIs) and takes corrective actions.

Reviews occur regularly, at least annually, with immediate action on ad-hoc issues. Risks are displayed on a Risk Heat Map. The company maintains zero tolerance for legal breaches, fraud, and corruption.

Emerging Risks

The company identifies new risks from changes in objectives, regulations, and unknown factors, reporting unexpected risks directly to the Risk Committee and Senior Management.

Selected Risk Disclosures

Macroeconomic Developments

Volatility, uncertainty, inflation, and higher interest rates, among others, negatively impact funding costs, liquidity, and property values impacting cashflows and equity position and an increase in leverage. The company mitigates the negative impacts through a conservative financial policy, maintaining low leverage, sufficient liquidity, and strategic measures like asset disposals and reducing debt.

Liquidity Risk

Mismatch in asset and liability maturity can force adverse actions like discounted asset sales, expensive new debt, issuing equity instruments that are dilutive to the Company's shareholders. The company mitigates this by limiting leverage, using equity instruments, maintaining a staggered debt maturity profile, proactively managing refinancing, and adhering to debt covenants. The company further mitigates these risks by maintaining a high headroom. As a result of these measures, the liquidity risk is manageable.