



BERLIN

# NON-FINANCIAL REPORT 2021

2021

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# 1. INTRODUCTION

Grand City Properties S.A. is an entity incorporated in Luxembourg. We have therefore 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, human rights and anti-corruption and bribery matters.

This report complements our annual Consolidated Financial Statements for the year ending 31 December 2021, our detailed Sustainability Insights and our summary Sustainability: In Focus report.

The contents of this report and selected key performance indicators (marked as “reviewed” on pages 11-13), have been reviewed with a limited assurance according to the International Standard on Assurance Engagements (ISAE) 3000 (Revised) and a statement from the auditors can be found on page 39.

The primary audience for this report is regulatory and investor stakeholders, who require information on how we manage our material environmental, social and governance matters in order to understand our development, performance and position; and our impact on these matters.

A more detailed account of our management approach and performance in relation to the topics covered in this report can be found in our Sustainability Insights, available to download from the sustainability section of our [website](#). These also cover additional aspects that are considered important by our stakeholders and the main investor-orientated benchmarks in which we participate. The website includes our response to the EPRA Sustainability Best Practices Recommendations, SASB mapping and GRI content index<sup>1</sup>.

Our Sustainability: In Focus report summarizes our sustainability activities and is aimed at our wider stakeholders, including our tenants, employees and the communities in which our assets are located.

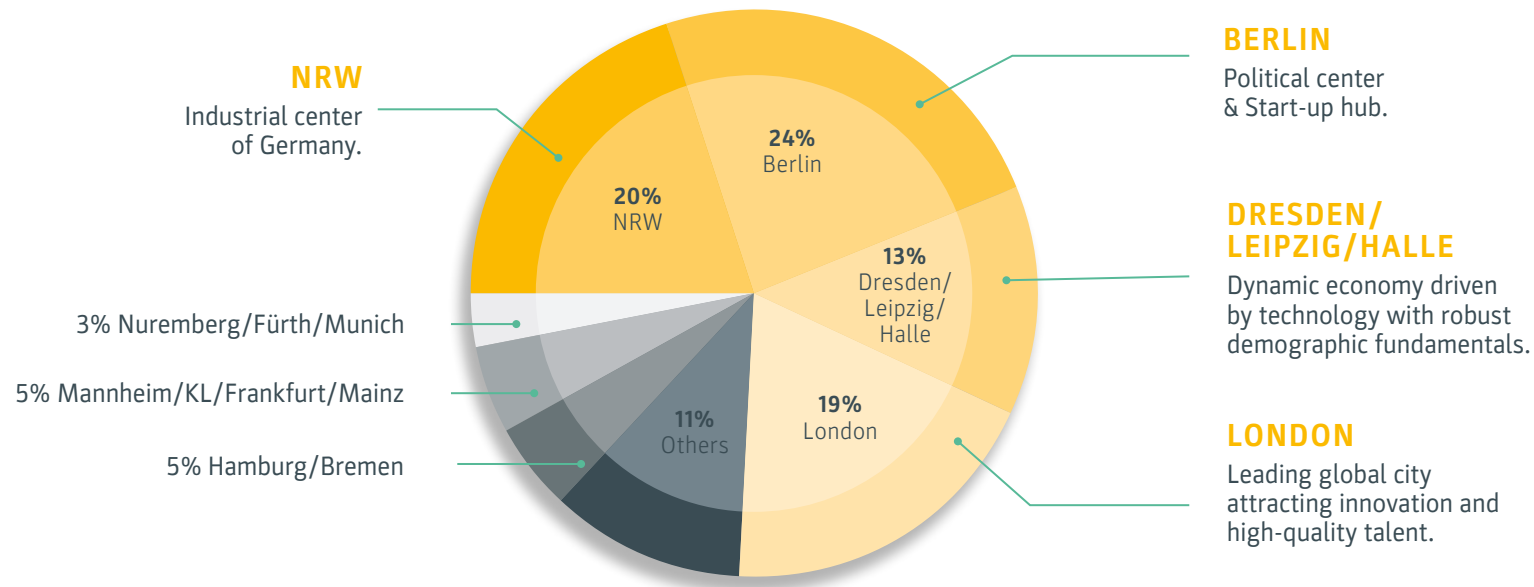
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1. The EPRA Sustainability Best Practice Recommendations report, SASB mapping and the GRI content index are outside the scope of assurance that is described on page 39.

## 2. ABOUT US

Grand City Properties S.A. (the “Company”), together with its investees (“GCP” or the “Group”) is a specialist in residential real estate, investing in value-add opportunities in densely populated areas, predominantly in Germany as well as in London.

Our portfolio is spread over North Rhine-Westphalia (NRW), Germany’s most populous federal state; Berlin, GCP’s single largest city in the portfolio; the fast-growing metropolitan regions of Dresden, Leipzig and Halle; northern Germany’s largest cities, Hamburg and Bremen; and other major urban centers such as Nuremberg, Munich, Mannheim, Frankfurt and London. As of 31 December 2021, the portfolio, excluding assets held-for-sale, comprised €9.3 billion of investment properties, consisting of approximately 64,900 units with a significant part located in NRW (20%) and Berlin (24%).



## 2.1 OUR BUSINESS MODEL

We buy, optimize and reposition previously under-managed and under-rented residential assets in strong locations that will support stable profit and future growth opportunities.

Our aim is to create a long-term increase in the value of our portfolio, whilst maintaining our responsibility to our stakeholders. Sensitive asset management and enhancement of tenant wellbeing underpin GCP's repositioning of assets.

Another decisive factor in our ability to successfully create value through our business model is our commitment to responsible business practices. Our Company vision is founded on the core values of integrity, respect, performance, accountability, and sustainability and these inform the five guiding principles we use to shape our daily operations and strategic decisions.

GCP recognizes the importance of our talented and diverse staff at every level of our business model. We therefore support our staff in developing specialist skills and expertise and try to create a motivational work environment that fosters diversity and promotes good mental and physical health and wellbeing.

Aroundtown S.A. is GCP's single largest shareholder and in July 2021 Aroundtown began the accounting consolidation of GCP following IFRS guidelines, creating a greater integration between the two companies. This has allowed us to streamline best practice policies and procedures, particularly with regards to the management of ESG aspects such as energy efficiency, regulatory compliance, employee satisfaction and wellbeing and community impact.



### KEY PERFORMANCE INDICATORS

	2020	2021
Investment property value (€bn)	8	9
Net rental income (€m)	372	375
Adjusted EBITDA (€m)	300	299
FFO	182	186
EPRA Vacancy (%)	6.2	5.1
Employee retention (%)	76	77
Community investment through GCP Foundation (€000)	128	160
Energy intensity (kWh/m <sup>2</sup> /year)	128.56	152.52
Scope 1 + 2 GHG emissions intensity (kgCO <sub>2</sub> e/m <sup>2</sup> /year)	7.56	9.51
No. of identified compliance breaches	0	0

## 2.1.1 ACQUISITIONS

Our network of specialists, cultivated since 2004, provides excellent opportunities to acquire assets.

GCP's investment focus is on the German and London residential markets that it perceives to benefit from favorable fundamentals, that will support stable profit and growth opportunities for the foreseeable future. The Group's current portfolio is predominantly focused on North Rhine-Westphalia, Berlin, the metropolitan regions of Leipzig, Dresden and Halle and London, as well as other major cities and urban centers in Germany. For its acquisitions, GCP adheres to the following specific criteria:

- Acquisition in densely populated areas and major cities
- High cash flow generating assets
- Vacancy reduction potential
- Rent level per sqm below market level (under-rented), upside potential and low downside risk
- Purchase price below replacement costs and/or below market values
- Potential to reduce the operating cost per sqm

## 2.1.2 PRE-ACQUISITION PROCESS AND DUE DILIGENCE

Through a due diligence process, we identify all relevant risks, opportunities and challenges presented by a property.

We assess properties based on their investment potential; their alignment with our strategy and portfolio; their environmental characteristics; biodiversity profile and a life-cycle analysis of the energy impact of the building in relation to its economic profile. We carry out a community needs' assessment which evaluates the host city's demographic data, as well as the asset's tenant composition and the service experience expected. The findings are subsequently aligned to GCP's investment approach and our

community improvement and tenant satisfaction targets.

Many of our projects relate to previously mismanaged properties where we can significantly improve the residential environment and reduce ecological impact through refurbishment, thereby creating both attractive residences and shareholder value. A customized plan is developed for each asset, with the aim of increasing rent, occupancy and cost efficiency, improving environmental performance and delivering social benefit to tenants.

## 2.1.3 REPOSITIONING AND CAPEX

GCP's strategic repositioning measures successfully turn under-managed and under-rented properties into profitable assets with sustainable shareholder value. Our targeted CapEx approach aims to increase rent and occupancy rates, cut operating and non-recoverable costs and improve tenant satisfaction – this is key to our success.

To improve tenant satisfaction, we invest in targeted measures to enhance their quality of living. Providing shared facilities, supporting local charitable associations and engaging with local authorities to improve existing community infrastructure all help to make the neighborhoods where we invest become more desirable, which often makes tenants choose to stay longer. GCP benefits, in turn, by securing long-term cash flow stability and, as a result, value appreciation.

Continual improvement is fundamental to our asset management strategy and this includes assets' environmental performance. By replacing inefficient heating systems and enhancing biodiversity through investing in green spaces, for instance, we increase the quality and comfort of our assets, with benefits for tenants, local communities, our business and, of course, the wider environment.

At every stage of the planning, acquisition and repositioning process, our SAP-based enterprise resource planning framework – which is being progressively rolled out across the company – enables us to track and respond to market rent trends, manage re-letting risks and respond rapidly to tenant needs on a daily basis.

## 2.1.4 HANDS ON OPERATION WITH A FOCUS ON TENANT SATISFACTION

Our strategic aim is to retain residents by actively fostering tenant loyalty and reducing turnover rates, which, in turn, benefit our properties' communities. We therefore focus our development efforts on creating supportive communities where people enjoy living.

To this end, we regularly assess the merits of ongoing improvements to the quality and appearance of the properties in our portfolio, which leads to higher rents and occupancy. We also scrutinize costs, systematically reviewing ways to increase efficiency and thus increase cash flows.

We maintain an ongoing focus on tenant health, safety and wellbeing and customer service excellence, supported by the 24/7 GCP Service Center. In accordance with our Environmental Policy, we continually seek opportunities to reduce our assets' energy, water, waste and emissions impact.

## 2.1.5 FOCUS ON LONG-TERM HOLD

Most of the assets in our portfolio are held for the long-term. Non-strategic assets, and occasionally assets that have reached full maturity following our repositioning activities, are disposed of on an opportunistic basis at high capital gains and proceeds are channeled into additional high potential properties.

### 3. CHAIRMAN'S STATEMENT

In 2021 GCP delivered a strong operational performance despite the ongoing challenges associated with the COVID-19 pandemic. The net rent growth like-for-like was 2.8%, 2.2% coming from in-place rent growth and 0.6% from occupancy growth. Accordingly, our rental income annualized run rate as of 31 December 2021 amounted to €383 million, and vacancy dropped to 5.1%, the lowest vacancy in our corporate history.

We increased the quality of our portfolio by completing disposals of non-core assets in secondary locations and reinvested the proceeds from sales into new acquisitions in target cities, which offer repositioning opportunities. In 2021 we have disposed of non-core properties in the amount of €360 million, while we have acquired over €700 million quality stable assets including the full impact of acquiring a controlling stake in an existing investee and consolidating a portfolio of approximately €280 million, previously held as an equity investee. Furthermore, we continued to enhance the quality of our assets, investing €63 million in repositioning CapEx works in 2021. Repositioning CapEx included measures to enhance the energy performance of our properties, increase the value proposition and the delivery of shared community spaces that resulted in enhancement of quality of life for our tenants and improve tenant satisfaction.

At GCP, sustainable business practices are firmly embedded in our organization's structure and business strategy. We transform under-performing properties to meet demand for comfortable and efficient homes, complemented by additional amenities and a best-in-class customer service in cities with growing populations. We cater to different segments of the market, with a strong focus on providing affordable accommodation to tenants with below average incomes. This approach supports environmental sustainability goals

by steering investment into the improvement of the existing building stock and delivers social benefit by increasing the supply of quality housing and community facilities.

We continue to build on our capacity to identify and manage the ESG risks and opportunities that are most material to GCP's business, adapting our strategy in accordance with evolving extra-financial trends. To enable us to shift our outlook towards a longer-term view, in 2021 we commissioned a fresh materiality risk assessment in the context of significant events at a macro-level – including the pandemic and extreme climate events, market-related changes and the evolution of the regulatory landscape. As the process was completed in early 2022, the full assessment including a new materiality matrix will be published in next year's report.

We have established regular forums for interdepartmental dialogue to tackle ESG challenges and identify potential solutions. We have allocated additional resources to topics that are rising up the agenda such as the need to assess and mitigate physical climate change risks; improve the energy performance of buildings and respond to corporate reporting requirements and standards including the EU Taxonomy and the Task Force on Climate-related Financial Disclosures (TCFD). In addition, we consider how we can contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

As we recognize and respond to environmental and social trends, we are increasingly confident in the resilience of our business model. Our residential focus will enable us to unlock opportunities associated with the new German coalition government's proposed housing strategy; and our investments in energy efficiency and expansion of on-site rene-

wable energy systems should enable us to advance on new regulatory requirements, leverage government incentives to support CO<sub>2</sub> reduction and reduce operational costs and sustain asset values in the long-term. In 2021, we installed five solar projects with a generating potential of 931 kWp and a further 98 projects are underway.

From a social standpoint, our sector-specific focus has so far shielded us from the acute economic impacts of the COVID-19 pandemic, as the residential market has remained resilient in the cities where we are present. Our strategic presence in cities with dynamic economies and a growing population is defensive and provides ongoing internal growth. Moreover, the culture of mutual trust and open dialogue which we have nurtured through our effective engagement with our customers enables us to continue and reduce vacancies. In 2021 we continued our customer-centric approach to property management, investing in physical building improvements, offering social activities and recreational facilities, rolling out app-based communication tools and maintaining our loyalty. We launched our GCP loyalty program, which allows tenants to gather points - for example, for each continued year of their contract's duration, by paying rent in a timely fashion or through participation in various activities and programs, such as by signing a green electricity contract. Through the program we can enhance our tenant satisfaction while at the same time promoting behavior that has a positive impact. We also maintained support to tenants who are at risk of defaulting on their rent payments, a key undertaking in the context of the financial challenges that the pandemic has posed to some of our tenants. We also let 20 units rent-free and three units at a reduced rent for charitable purposes.

On the back of strong investor demand for sustainable investment products we are currently reviewing our options

regarding establishing a framework for a sustainability-linked bond to support investment in energy efficiency projects over the coming years. Our robust reporting approach, acknowledged by our receipt of EPRA BPR and SBPR Gold Award status, already caters towards investor expectations on transparency and the processes we have put in place mean that we are well-prepared to report on our EU Taxonomy-eligible activities in 2021.

Looking towards 2022 and beyond, we hold faith in the continued execution of our business strategy: investing in the repositioning of undermanaged assets to deliver better housing and landlord services to tenants; improving the environmental performance of the building stock; and increasing asset values. Considering current events, in particular the conflict between Russia and Ukraine, the ensuing inflation, rise in interest rates and lastly, the increase in energy prices, it remains to be seen how this will affect our performance in 2022.

Nevertheless, we aim to further reduce our vacancy rate by increasing asset comfort and improving customer service in terms of quality and reduced resolution time, and to reduce our portfolio's CO<sub>2</sub> emissions through major insulation works and the switch to on-site renewable energy systems and grid supplies. By achieving these goals, we will deliver value for our tenants, our investors, our company and the wider communities where we operate.



**Christian Windfuhr**  
Chairman and member of the Board of Directors

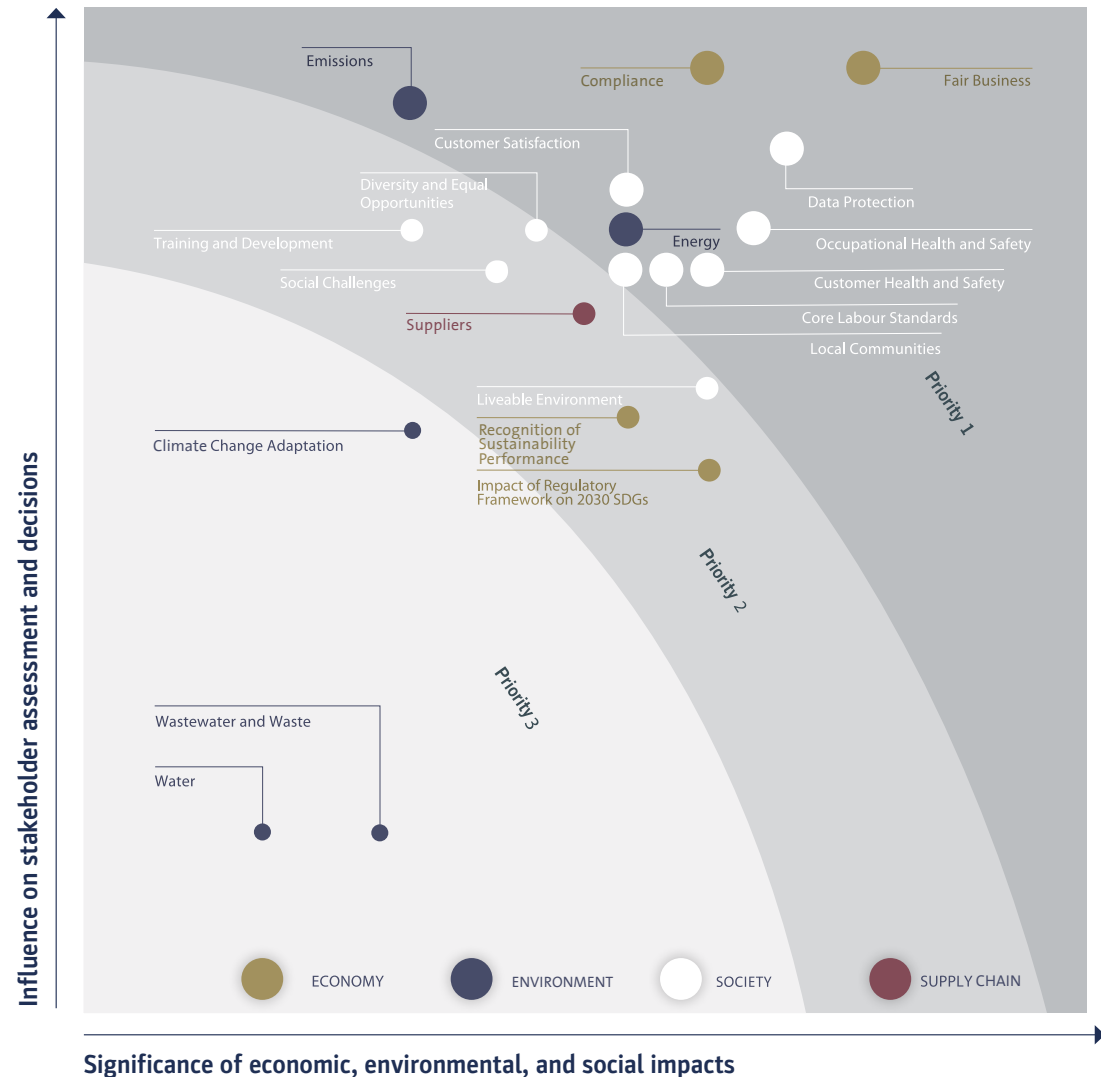


## 4. USING MATERIALITY TO INFORM OUR ESG STRATEGY

We use materiality as a guide to help us identify the risks, opportunities and significant topics – including sustainability topics – presented by our business model.

GCP conducted a full materiality review in 2018 that has informed our sustainability strategy to date. In 2021, with the support of a third party, we undertook a review of our material topics as part of a comprehensive sustainability risk assessment under the direction of the Sustainability Department. The outcomes will take effect in 2022 and will be reported on in next year's report. More detail about this process can be found on p. 14.

For our 2018 review, which is still valid in 2021's Non-Financial Report, we identified and prioritized topics both in terms of their impact on stakeholder decision-making and their significance in relation to our economic, environmental and social impact. We sought views from stakeholders who were representative of GCP's sphere of activity and influence, whilst the likelihood and significance of each topic's ESG impact was assessed by GCP department managers and executive management. In this context, "impact" was 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 (below) which was subsequently validated by the ESG 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 ten topics that placed above the highest priority materiality threshold determined the focus of our sustainability strategy and reporting approach from 2018 to 2021. Allocated against the topics required under the Law of the 23 July 2016, our material risks include:

### Environmental

1. Energy and emissions

### Employee and social issues (including human rights)

2. Customer satisfaction
3. Customer health and safety
4. Core labor standards
5. Occupational health and safety
6. Local communities
7. Data protection

### Anti-Corruption

8. Fair business & compliance





These topics have formed the basis of our responsible business strategy which has five core 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 goals and short-term targets.

Although no material risks were identified with respect to non-compliance with human rights laws in our operations or supply chain, we still provide an account of our policies, processes and key performance indicators in relation to this impact area.

A summary of the material topics, principal risks, management approach and key performance indicators is presented below. Further information on our risk management framework is available in our Consolidated Annual Report.





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Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>ENERGY &amp; EMISSIONS</b>	Enhancing energy efficiency; investing in (onsite) renewable energy systems and procuring renewable energy through the grid	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Energy and energy related cost</li> <li>• GHG emissions</li> <li>• Long-term asset values</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 carbon off-sets for gas</li> <li>• Ongoing performance data monitoring and benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>• % of assets supplied by renewable energy </li> <li>• Building energy intensity </li> <li>• Total GHG emissions (like-for-like) </li> <li>• GHG emissions intensity from building energy </li> </ul>

Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>CUSTOMER SATISFACTION</b>	Maintaining high levels of tenant satisfaction by ensuring anticipation of and response to latest interests and needs	<ul style="list-style-type: none"> <li>• Tenant attraction and retention</li> <li>• Long-term income generation and attractive yields</li> <li>• Occupancy rates</li> <li>• Reputation</li> <li>• Additional costs and revenue instability if there are suboptimal fluctuation rates</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant Satisfaction Policy</li> <li>• Tenant needs' assessment</li> <li>• Community Relations teams</li> <li>• GCP Service Center (TÜV certified proven Service Quality and DIN EN ISO 9001:2015)</li> <li>• SAP ERP IT and software systems for tenant care and management; tenant App</li> <li>• Alignment between investment and tenant satisfaction</li> <li>• Ongoing enhancement of housing quality</li> <li>• Regular tenant events</li> <li>• Ongoing training for employees and monitoring of tenant satisfaction</li> <li>• Tenant loyalty program</li> </ul>	<ul style="list-style-type: none"> <li>• Repositioning CapEx</li> <li>• Investment in outside space</li> <li>• Tenant rating of Service Center friendliness</li> <li>• Tenant rating of resolution time</li> <li>• Vacancy rate</li> </ul>

 Reviewed by auditor

Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>CUSTOMER HEALTH AND SAFETY</b>	Provision of infrastructural health and safety and management of day-to-day health and safety risks	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Sanctions and fines</li> <li>• Reputation and 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>• Regular, strong on-site presence</li> <li>• Ongoing health and safety assessment which feeds into investment planning</li> <li>• External fire safety checks and immediate corrective action</li> <li>• Investigation of all incidents</li> </ul>	<p>Investments in fire, life and safety</p> <p>% of properties undergoing regular health and safety inspections</p>


Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>CORE LABOR STANDARDS</b>	Conditions of employment for employees, rights of co-determination, salary structures, employee satisfaction, corporate culture and ethics	<ul style="list-style-type: none"> <li>• Reputation</li> <li>• High turnover resulting in loss of expertise and intellectual capital</li> <li>• Inability to attract talent</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Conduct and Anti-Discrimination policies</li> <li>• Whistle-blowing mechanism</li> <li>• Remuneration and benefits' package</li> <li>• E-learning management system and in-house training academy</li> <li>• Employee satisfaction survey</li> </ul>	<p>Incidents of discrimination</p> <p>Hours of employee training </p> <p>Gender pay gap</p> <p>Employee retention rate </p>

Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>OCCUPATIONAL HEALTH AND SAFETY</b>	Promoting health, safety and wellbeing in the work environment	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Sanctions and fines</li> <li>• Recruitment and retention</li> <li>• Staff productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety Policy and procedures, including incident reporting, monitoring and corrective actions</li> <li>• Employee representation on management committee for operational safety</li> <li>• Mandatory annual health and safety training for all employees</li> <li>• First Aid Officers throughout the company, and company physician</li> <li>• Initiatives to encourage healthy lifestyles</li> </ul>	<p>Work-related incidents</p> <p>Injury rate</p> <p>Lost-day rate</p>

 Reviewed by auditor

Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>LOCAL COMMUNITIES</b>	Being a responsible and active contributor to building strong communities	<ul style="list-style-type: none"> <li>Tenant attraction and retention</li> <li>Operational performance of assets</li> <li>Reputation</li> <li>Relationships with Local Authorities</li> </ul>	<ul style="list-style-type: none"> <li>Community Involvement and Development Policy</li> <li>Community needs' assessment</li> <li>Community Relations Officers</li> <li>Creation of high-quality shared spaces</li> <li>Grand City Properties Foundation</li> <li>Sponsorship of sports and educational initiatives</li> <li>Community events and employee volunteering</li> </ul>	<p>Investments through the Community Foundation</p> <p>Community Engagement Officer</p> <p>Employee hours spent at corporate volunteering days</p> <p>Community events held at GCP properties</p>

Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>DATA PROTECTION</b>	Protection of individual privacy and company data through adequate data security provisions	<ul style="list-style-type: none"> <li>Compliance with GDPR</li> <li>Reputation and trust</li> <li>Sanctions and fines</li> <li>Stakeholders' personal concerns and expectations</li> <li>Operational availability</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 data protection breach instances

Topic	What it Means	Risks & Opportunities	Management Approach	Performance Indicators
<b>FAIR BUSINESS AND COMPLIANCE</b>	<p>Maintaining ethical behavior practices; labor standards and human rights; fair treatment of staff and suppliers</p> <p>Compliance with all applicable laws and regulations as a pre-requisite for exceptional performance</p>	<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>Business Partner Code of Conduct</li> <li>On-site inspections and 'spot checks' on suppliers</li> </ul>	<p>Number of confirmed compliance violations </p> <p>Number of reported human rights' violations</p>

 Reviewed by auditor

## 4.1 2021 MATERIALITY UPDATE

Since we carried out our 2018 materiality review, changes have occurred in the market and regulatory landscapes - most obviously the impact of the COVID-19 pandemic, but also the formation of a new coalition government in Germany; the emergence of new sustainability-related legislation at EU and national levels; and rising concern about the physical impacts of climate change prompted, in part, by the severe flooding events witnessed in north-west Germany in July 2021. In this context, in 2021 and with the support of a third party, we undertook a review of our material topics as part of a comprehensive sustainability risk assessment under the direction of the Sustainability Department.

This process involved the input of a larger number of employees from 15 departments across the Group, including six workshops to raise awareness about sustainability risks and brainstorm potential solutions. Following the workshops, we performed a gap analysis and are currently assessing the potential impact of these gaps against our business. This enabled us to develop an updated materiality matrix that is applicable to GCP and the Aroundtown Group as a whole.

The main changes since 2018 are that tenant-related topics are now considered to be the most important non-financial aspects, and climate-change related aspects, including physical climate risk, have a higher materiality ranking. New subjects, such as the circular economy and environmental protection, have been included for the first time. Occupational health and safety, as well as supply chain topics continue to

be high risks for the Group due to the ongoing COVID-19 pandemic. Furthermore, the subjects of supply chain and human rights will remain a high priority in view of the German supply chain due diligence act and a planned European equivalent. The outcomes of this revised assessment, as well as the updated materiality matrix, will be used as the basis for our strategic planning and reporting from 2022 onwards.

In line with the newly identified material risk of climate-change related aspects and their overall increasing relevance in the real estate sector, GCP is already working to boost tran-

sition towards low carbon initiatives by adopting measures for increased energy efficiency through infrastructure upgrades. Furthermore, GCP is planning to initiate the use of specific tools to identify assets with a heightened 'stranding risk'. One tool being considered is the Carbon Risk Real Estate Monitor (CRREM), which assesses the stranding risk of individual assets and the greater portfolio against specified climate targets. Based on the determined stranding risks, appropriate mitigation measures may be taken to safeguard the asset and to manage associated financial risks.



## 4.2 GOVERNANCE OF ENVIRONMENTAL, SOCIAL AND EMPLOYEE TOPICS

GCP's governance structure gives due consideration to sustainability both at a strategic Board level and the operational management level.

Our Sustainable Business Strategy is guided by the Board of Directors with operational oversight from the Board's Chairman, Mr. Christian Windfuhr.

The Board of Directors represents the shareholders as a whole and makes decisions solely in the Company's best interest and independently of any conflict of interest. With senior management, the Board regularly evaluates the effective fulfilment of its remit and compliance with corporate governance rules. In 2021, The Board of Directors conducted seven meetings. Five committees, consisting mostly of independent directors, provide comprehensive oversight: The Audit Committee; Risk Committee; Remuneration Committee; Nomination Committee and ESG Steering Committee. For further information about the Board of Directors and Governance Committees, please see our Consolidated Annual Report for the year ending December 31, 2021.

In 2021, the Board of Directors conducted seven meetings.

DIRECTOR NAME	MEETINGS ATTENDED	PERCENTAGE ATTENDED
CHRISTIAN WINDFUHR	7	100%
SIMONE RUNGE-BRANDNER	7	100%
DANIEL MALKIN	7	100%
BOARD AVERAGE	7	100%

The Chairman of the Board of Directors has direct responsibility for ESG topics and chairs GCP's ESG Steering Committee, which includes all relevant heads of department. The Steering Committee meets twice a year and whenever it sees as relevant; and oversees the strategic guidance for ESG topics and provides direction to the Sustainability Department.

The Sustainability Department is responsible for implementing our responsible business strategy by liaising with all other departments in the Company. This department is also respon-

sible for preparing our materiality analysis and ESG reporting. The Investor Relations Team responds to investor enquiries and rating agency requirements on ESG topics. The Sustainability Department is led by the Head of Sustainability and reports directly to the CEO and Chairman of Board of Directors. In 2021 we further strengthened the Energy Department by appointing a new Head of Energy to lead on the delivery of our energy strategy and by growing the team to 16, including 10 engineers.



Nuremberg / Fürth

# 5. MATERIAL ENVIRONMENTAL MATTERS

## 5.1 ENERGY & EMISSIONS

### LONG-TERM TARGETS

- Achieve a 40% reduction in CO<sub>2</sub> emissions by 2030 against a 2019 baseline, measured in CO<sub>2</sub> emissions intensity, CO<sub>2</sub>e/m<sup>2</sup> <sup>2</sup>
- Continue the implementation of efficient heating systems
- Increase the amount of assets with onsite energy systems such as PV and Combined Heat and Power (CHP/ CCHP)
- Expand charging station infrastructure for electromobility and the inclusion of electric vehicles in our fleet
- Achieve electricity supply from renewables and climate-neutral gas supply for 100% of our assets where we have operational influence
- Switch all electricity to Power Purchase Agreements (PPA) certified renewable electricity from wind, hydro-electric and solar PV sources by 2027

### 2022 MILESTONES

- Continue to increase the scope of energy data to cover all GCP assets
- Roll out a revised Energy Performance Policy and Strategy and conduct training for relevant staff
- Deliver a third party assured, ISEA 3000 limited assurance, CO<sub>2</sub> baseline 2019 report
- Reduction of 3% in CO<sub>2</sub> emissions from the 2019 baseline
- Create and deliver a portfolio wide CO<sub>2</sub> reduction pathway report by energy auditing on asset level

### 5.1.1 RISKS, POLICIES AND PROCESSES

We recognize our role in contributing to national and global efforts to limit climate change and promote sustainable development and it is within the interest of all our stakeholders that we play an active role in the transition to a low carbon economy.

Across the industry, national and European legislation is already driving change. Countries are setting ambitious carbon reduction targets – Germany’s Climate Action Plan 2050, for example, outlines its strategy to achieve a carbon-neutral built environment by 2050, which entails the upgrading of building stock and the gradual phasing out of fossil-fuel heating systems, as well as a zero-energy standard for new buildings. Regionally, the EU’s Taxonomy Regulation requires companies such as GCP to follow strict criteria covering building energy performance and GHG emissions.

As awareness of the climate crisis grows, investors are looking for greater transparency on the steps that companies are taking to build climate-resilience and mitigation strategies into their business models. As our 2021 materiality assessment shows, climate change-related risks are factored into our value creation performance. Our energy consumption and efficiency targets are aligned with industry best-practice. They equate to cost reductions, support investor attraction and retention and contribute to long-term asset value.

#### Our Energy Performance Policy and Strategy

We have an ambitious target to achieve a 40% reduction in CO<sub>2</sub> emissions by 2030 against our baseline year of 2019. The Group-wide Energy Performance Policy and Strategy establishes a ma-

agement framework to deliver this goal, encompassing monitoring and review; benchmarking; energy optimization, auditing and target setting-processes for energy, use of fossil fuels and CO<sub>2</sub> emissions. It covers all our assets as well as corporate offices. A revised Policy and Strategy will be rolled out in 2022.

#### GCP'S FOCUS WITHIN THE GROUP-WIDE ENERGY STRATEGY:

1. 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.
2. Implementation of environmental management policies and procedures including data collection, digitalization and reporting, preventive maintenance and ongoing operational improvement.
3. Sustainable energy measures 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.
4. Progressively switching all electricity from Renewable Energy Certificates (RECs) to PPA certified renewable electricity generated from wind, hydroelectric and solar PV sources by 2027.

2. With two years of atypical energy consumption patterns due to the COVID-19 pandemic, we have consolidated a robust CO<sub>2</sub> emissions baseline of 2019 rather than 2018.



We have identified opportunities for structural interventions to improve a building's energy performance and lower its CO<sub>2</sub> emissions. Our technical due diligence process includes the assessment of upgrades to insulation, heating systems and energy-consuming equipment. Collaboration between our energy department and construction teams allows us to identify assets with greater potential for CO<sub>2</sub> reduction and plan the asset repositioning process accordingly, factoring in the necessary costs as part of the expenditure budget. In 2021, we delivered a total of 82 energy-related projects as part of building modernization works, including 42 for roof, window and façade insulation and five solar photovoltaic (PV) projects.

During the operations phase, we aim to ensure ongoing energy performance monitoring and improvements. Robust baseline data for energy and CO<sub>2</sub> emissions help us to steer our reduction plans and assess the effectiveness of interventions at asset and portfolio levels. We carry out annual performance benchmarking, site inspections and technical energy audits based on external certification standards such as EN16247 to identify both CapEx and operational management improvements on an ongoing basis. In parallel to our energy audit program, we continue to replace inefficient, fossil-fuel based heating systems with more efficient and, where possible, renewable-based alternatives.

In addition, we have recently co-invested in a company, which specializes in renewable energy and advanced energy systems' projects, the co-investment company analyzes the feasibility of installing efficient and/or renewable-based on-site energy systems in our properties. In the first phase, this involves projects that supply residential units with solar photovoltaic (PV) energy. Our intention is to increase the proportion of assets with onsite PV and/or combined heat and power (CHP), thereby enabling us to supply decentralized electricity and heat to tenants. In 2021, five on-site energy systems were installed across the GCP portfolio and a further 98 projects are underway.

We are progressively switching all common areas' electricity supply from Renewable Energy Certificates (RECs) to PPA certified renewable electricity generated from wind, hydro-electric and solar PV sources by 2027. This means that where it is not viable to generate energy on site or not sufficient to meet building demand, sustainable energy will be sourced for building areas under landlord control to minimize asset and portfolio carbon emissions. While PPA will be our focus from next year, RECs have been in place covering 100% of purchased electricity as of year-end 2021.

We do not control our tenants' energy consumption, and electricity contracts at the individual unit level are agreed by our tenants on an individual basis. Nonetheless, we strive to provide tenants with consistent and relevant information about their energy consumption. The progressive installation of sub-metering systems enables each tenant to be charged according to real consumption rather than average consumption over a group of units, giving them a clear cost incentive to reduce energy use. We have also developed a variety of materials promoting energy-saving behavior among tenants, emphasizing the links between resource efficiency, cost savings and environmental benefits. In 2021 we took this a step further, incorporating green energy contracts into the tenant loyalty program and rewarding tenants if they chose to purchase certified renewable energy as explained on page 20 below. We recognize that under an operational control approach, the allocation of CO<sub>2</sub> emissions between Scope 1 or 2 and Scope 3 is dependent on the metering and sub-metering arrangement in place between tenants and landlords. However, to create the desired representation of the entire building, we have classified indirect emissions by area apportioned between landlord and tenant spaces, as described in the methods below. We have chosen to assess tenant-obtained consumption in order to compare the scale of Scope 1 and 2 CO<sub>2</sub> emissions with Scope 3 as part of our carbon reporting analysis.

In addition, we changed our approach towards distributing energy consumption between landlord-controlled areas and tenant-controlled areas. We have used a common area/total area ratio to apportion shared-service heating consumption between landlord and tenant spaces, based on the floor area distribution found with the property types classification appendix (3a) of the GRESB Real Estate Assessment reference guide. For electricity, the consumption for tenant-controlled areas was extrapolated based on industry standard energy benchmarks.<sup>3</sup>

### Corporate Emissions

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.

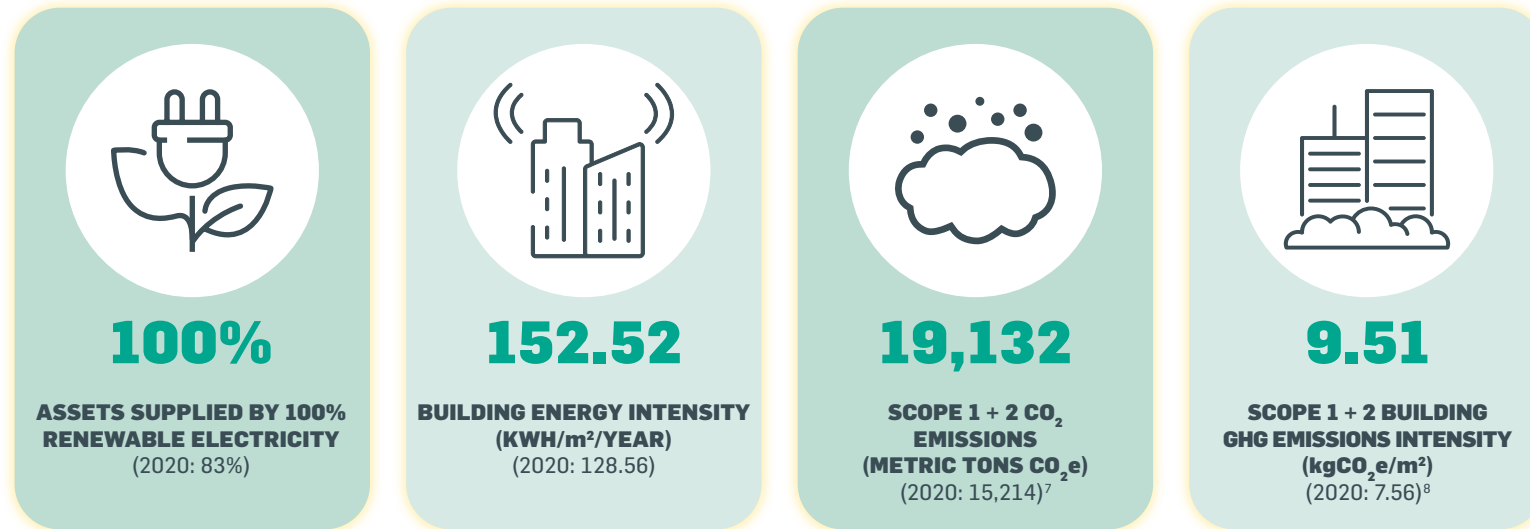
We have approached these calculations following the technical guidance of the GHG Protocol for Category 7: Employee commuting. Our employee commuting calculation was done on the basis of the average-data method, with consideration to the proportion of office working over the reporting period. The time spent as a proportion of office working was a product of mandated home working by the German government and known employee requests for home working over the year. This proportion was used to reflect reduced journeys for office commuting. Data for German transport trends 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. The additionality of home office working was accounted for by applying an intensity factor, using the floor area of a home working space with the entirety of the home.

Employee commuting for GCP totaled 189 tCO<sub>2</sub>e and teleworking totaled 771 tCO<sub>2</sub>e.

3. CISBE: Guide F Energy efficiency in buildings (2012).

## 5.1.2 KEY PERFORMANCE INDICATORS <sup>4 5 6</sup>



We monitor and assess energy performance and GHG emissions, based on total consumption (absolute and like-for-like) and intensity metrics. Aggregated data covering the GCP portfolio is reviewed and reported in line with regulatory standards and the EPRA Sustainability Best Practice Recommendations (EPRA sBPR). The data is used to assess our baseline performance and evaluate progress against our carbon reduction target.

GCP's 2021 Scope 3 emissions were 55,452 tCO<sub>2</sub>e, bringing total Scope 1, 2, and 3 emissions to 74,585 tCO<sub>2</sub>e.<sup>9</sup>

In 2021, GCP-obtained electricity across our portfolio totaled 12,442,873 kWh (2020: 11,029,898). Landlord-obtained heat and fuels totaled 147,066,111 kWh (2020: 121,472,162 kWh) and 159,720,974 kWh (2020: 137,119,213) respectively. This translated into an average building energy intensity of 152.52 kWh/m<sup>2</sup>/year (2020: 128.56).

The building energy intensity has increased by 19% year-on-year, while the building GHG emissions intensity has increased by 26%. The increase in energy intensity possibly correlates with:

- An increase in averaged heating degree days of around 16.5%
- An increase in building occupancy by 1.12%.
- A pandemic lockdown starting only mid-March 2020, while fully covering Q1 heating season 2021

Taking the above factors into account, it is likely that energy intensity has possibly decreased. In addition, GCP has spearheaded several renewable projects which will show results in 2022.

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

4. Like-for-like environmental data covers 3,189 assets, representing approximately 67% of our managed assets' portfolio, i.e. assets over which GCP has operational control.

5. Note that 2020 figures have been restated due to the updated baseline of 2019 and availability of real invoice data.

6. Key performance indicators monitored and assessed based on total consumption and intensity metrics on a like-for-like basis.

7. In 2020, calculations included landlord-obtained emissions for the entire building, whereas the restated figures for 2020 are based on calculations including landlord-obtained emissions from landlord-controlled areas only.

8. In 2020, calculations included landlord-obtained emissions for the entire building, whereas the restated figures for 2020 are based on calculations including landlord-obtained emissions from landlord-controlled areas only.

9. These are like-for-like figures as disclosed in the EPRA table.

## 6. MATERIAL CUSTOMER, EMPLOYEE AND COMMUNITY MATTERS

### 6.1 CUSTOMER SATISFACTION

#### LONG-TERM TARGETS

- Create a high standard of living at our properties through safe, attractive buildings, active community building and engaged customer service
- Retain residents by actively fostering tenant loyalty by creating supportive, affordable communities where people enjoy living and staying
- Continually enhance tenant satisfaction levels regarding all assessment areas

#### 2022 MILESTONES

- Maximize the impact of our digital communication tools and initiatives (including the GCP App and Loyalty Program)
- Maintain a high level of tenant satisfaction
- Expansion of service possibilities via the GCP App

#### 6.1.1 RISKS, POLICIES AND PROCESSES

At GCP, tenant satisfaction is a primary focus. We recognize that satisfied tenants are key to our long-term success – they stay with us for longer, enabling us to maintain high occupancy rates, reduce the administrative cost of signing on new tenants and generate strong long-term returns. Stable tenancies also help to build relationships between neighbors, fostering community spirit within our properties. We, therefore, aim to continually enhance the quality of our residential units and their surroundings to deliver a high standard of living.

The GCP Tenant Satisfaction Policy emphasizes the importance we accord this topic at every stage of the tenant lifecycle, even pre-contract, and is integral to the management of tenant satisfaction. The policy outlines how we measure satisfaction in order to understand performance, address any issues and ensure the continuous improvement of our approach.

Effective communication with current and prospective tenants is key. Tenants rely on receiving timely and effective information, advice, and assistance from GCP as their building operator. Their concerns are addressed by our property managers and the GCP Service Center, which offers support for all types of day-to-day issues in a variety of languages, 24 hours a day, seven days a week, every day of the year through several communication channels. A ticketing system enables all tenant concerns to be documented and addressed consistently. The Service Center targets minimum waiting times, and our goal is to answer 95% of calls in under 20 seconds. Prospective tenants can also contact the Center to make requests for information and arrange property viewings.

If tenants have personal challenges, they can also count on the support of GCP's Community Relations teams and on-site staff to assist in matters such as communication with schools and local authorities and overcoming language barriers.

The GCP Service Center boasts TÜV certifications for Proven Service Quality, re-certified by the TÜV Nord in March 2022 and Quality Management (DIN EN ISO 9001:2015). The quality management certification, re-confirmed by the independent auditor TÜV Profi Cert Hessen in February 2022, provides assurance that the Service Center is being managed on a rigorous basis with regards to stakeholder engagement, risk management and continual improvement. Throughout the COVID-19 pandemic our Service Center has served as a highly valued communication channel for our tenants, and we were proud to successfully maintain the quality and reliability of the service despite the challenges caused by the home-working mandates and other pandemic-related disruptions.

The successful running of the GCP Service Center and other tenant engagement channels is heavily contingent on the ability of our staff to listen and respond effectively, to cultivate open communication and trust, and deliver excellent customer service. All new employees in the GCP Service Center receive one month's customer service training in-house, and continuous training is a core requirement for all staff. Customer service is also an integral part of GCP's Leadership Program, reinforcing our visible management commitment to utmost professionalism in service.

Since 2020, we have expanded the use of digital solutions and channels, including our website and tenant app, to strengthen and enhance our engagement with tenants, which we continued in 2021 and will support GCP also in the future. Whilst this was partly driven by the COVID-19 pandemic, it's clear that in any event digital communication and workflows save time and costs for our company and our tenants. We can reach and respond to our tenants more quickly and offer a fast, transparent, and paperless solution to agreeing letting contracts and approving invoice payments. Since September 2021, the average digital signing rate by our tenants has been 86% until the end of the year.

At the same time, we recognize the importance of maintaining face-to-face contact with our tenants and in 2021 we were pleased to offer our tenant opening hours with the use of pre-booked appointments, a comfortable waiting area and application of all necessary hygiene standards. Feedback from our tenants has confirmed that they value the additional preparation and support we have offered during the pandemic.

As well as the roll-out of structural improvements within their building and communal areas, we provide tenants with facilities for recreation and socializing such as libraries, outdoor playgrounds, BBQ and seating areas.

Under normal circumstances, we also offer a program of social events and activities for our residential communities. In 2021, we successfully adapted our events program in the context of the COVID-19 restrictions, maintaining our high-quality service through innovative and compelling digital and remote events based on seasonal celebrations which attracted an increasing number of participants throughout the year. We also integrated the digital tenant events within the GCP tenant app and GCP loyalty program, helping

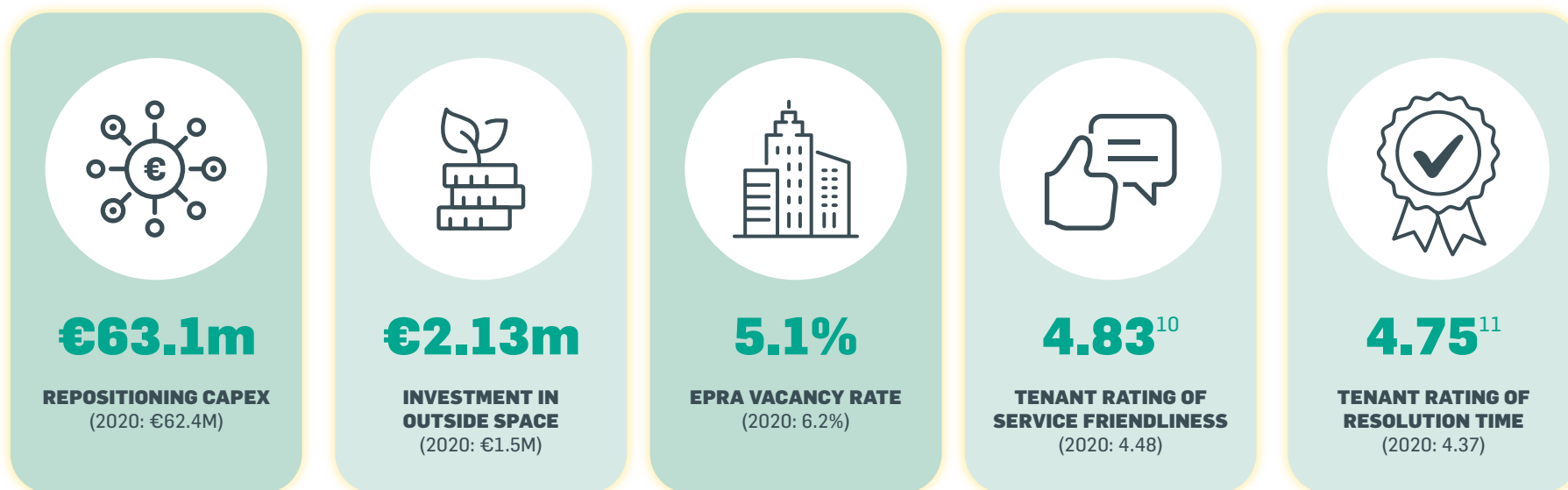
to boost participant numbers for both tools. We continue to offer our tenants exclusive benefits through the GCP loyalty program, which issues shopping discounts for new tenants and loyalty points for existing tenants who can exchange them for vouchers or settle them against rent payments. In keeping with our commitments to reduce our environmental impact and to encourage sustainable lifestyle choices, we have initiated a scheme by which tenants

can receive points on their loyalty account for switching to a renewable electricity provider.

Our exemplary performance was acknowledged in 2021 by the receipt of Focus Money magazine's 'Fairste Kunden-Hotline' (Fairest Customer Hotline) award, a distinction which validates GCP's approach to customer service.



## 6.1.2 KEY PERFORMANCE INDICATORS



We track and review quantitative indicators of satisfaction on a continual basis, covering the tenant life cycle from the first prospective enquiry interaction with GCP through to departure following the termination of a rental agreement. In 2021 our tenant retention rate remained strong and our EPRA vacancy rate decreased by a further 1.1%, an indicator of the consistent appeal of our properties and customer service.

Once a request received by the GCP Service Center has been answered, a survey goes to the tenant who is asked to assess GCP's performance in terms of friendliness; reachability; quality of work conducted and time to resolution. In addition to the KPIs shown above, in 2021 GCP was rated 4.82 (out of 5) for reachability and 4.75 (out of 5) for quality of work, an improvement in both areas compared to 2020. Our strong performance is also within the context of ongoing disruptions, challenging working conditions

and higher than usual levels of stress for our tenants due to COVID-19. Our target is to improve our score across all areas year-on-year, aiming for a minimum performance of 4.5, and to answer 95% of calls within 20 seconds.

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

4. The best score being 5.

5. The best score being 5.

## 6.2 CUSTOMER HEALTH AND SAFETY

### LONG-TERM TARGETS

- Create a high standard of living at our properties through safe, attractive buildings, active community building and engaged customer service

### 2022 MILESTONES

- Continue with the rollout of SAP to improve the effective identification, tracking and measuring of safety standards and requests
- Continue to focus on further digitalization including the widening of offers for self-service in the GCP tenant app

### 6.2.1 RISKS, POLICIES AND PROCESSES

The GCP Health and Safety Policy sets out our commitment to protecting our tenants and the procedures we employ throughout the asset lifecycle including hazard assessment, training, communication and reporting. The policy covers all aspects of health and safety including drinking water quality, fire safety, equipment specification, site maintenance and air quality.

### Health and safety at every stage

Health and safety are a primary focus of our asset management approach. At acquisition stage, our comprehensive due diligence risk assessment enables us to identify risks and implement preventive maintenance solutions to eliminate problems before they occur. We assess the building's structural characteristics to establish which refurbishment activities should be targeted. Safety is a priority, especially fire safety. Where necessary, we commission expert advice from external fire safety specialists. If deficits are identified, these are documented and reported to the construction department who are then responsible for seeing that the work is carried out. Follow-up processes verify it has been done and the deficit corrected satisfactorily.

Aesthetic works to enhance the building's exterior; increase its energy efficiency; create new facilities for residents and make the property more accessible to tenants with special mobility needs are all also considered at the acquisition stage. Measures such as improved temperature control and indoor environmental quality; lower utilities costs; easier movement in and around the building and additional communal space and services are implemented to enhance tenants' wellbeing.

During the operational phase, our approach reflects our aim to continually enhance the quality of our residential units and their surroundings. We seek to identify all potential health and safety risks before they materialize and take action to mitigate them as swiftly as possible. This preventive strategy is implemented through checks and maintenance work carried out by our onsite property management teams and complemented by regular site inspections undertaken in accordance with national legislation. These inspections encom-

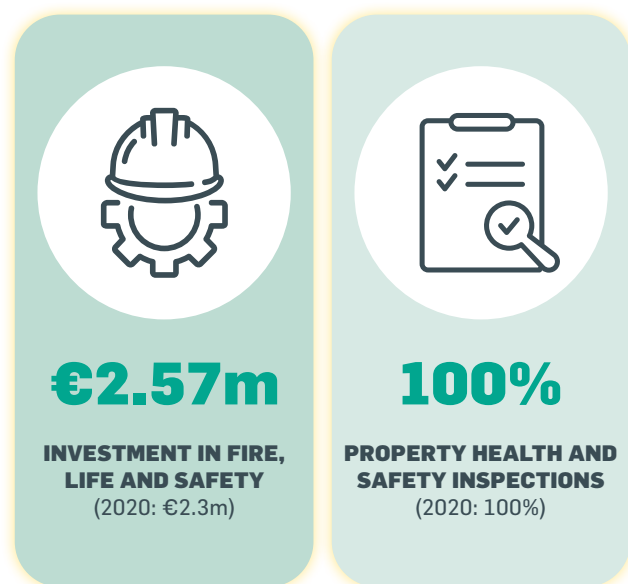
pass technical assessments covering aspects such as water quality, elevator safety and fire protection systems and other organizational measures including designated fire protection officers, provision of a fire protection order, and internal and external fire protection audits. Regular site visits also play a key role in preparing budget decisions for each property.

### Health and safety during the pandemic

Our robust approach to health and safety stood us in good stead regarding the challenges brought on by the COVID-19 pandemic. We updated existing operating procedures to provide revised guidance for activities such as regular safety inspections, incorporating new practices to ensure apartment visits were COVID-secure and tenant consultations could be conducted remotely. We also increased the cleaning cycles in commercial areas within our properties and installed hand sanitizing facilities. Since the start of the pandemic, face-to-face contact with our tenants has been carried out as safely as possible, with the establishment of social distancing and hygiene protocols for appointments and an obligatory COVID-19 testing regime for employees undertaking site visits and/or receiving tenants in our offices.

Communications via our website, tenant app, other digital formats and physical signage have helped to keep tenants informed of the latest updates to the pandemic-related regulations, highlighting actions they need to take to protect themselves and their fellow residents. We also maintain our 24/7 Service Center as a point of contact for health and safety-related concerns, with staff given additional training on how to handle situations where tenants need professional support, such as counselling services in response to mental stress and loneliness brought about by extended isolation.

## 6.2.2 KEY PERFORMANCE INDICATORS<sup>12</sup>



All our properties are subject to an annual safety assessment as part of our operational monitoring activities. In addition, we continued to prioritize investments in fire and safety and hazard prevention across our assets, with our total spend increasing by 12% throughout the year.

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

12. The KPIs are based on absolute figures.

13. We currently have several measures in place to assess our progress against this target. We will select the most optimum measures in the near future.

## 6.3 CORE LABOR STANDARDS

### LONG-TERM TARGETS

- Be among the top ten most attractive employers in the German residential real estate sector by 2030<sup>13</sup>

### 2022 MILESTONES

- Continue implementing and expanding the use of the digital performance management scheme, which was launched in 2021, to enable a customized training plan for each employee and access to online performance reviews
- Achieve a turnover rate below 10%
- Building on the increase in our Kununu score (an external ranking of employee satisfaction) from 3.4 to 3.5 in 2021, we aim to reach 3.6 in 2022

### 6.3.1 RISKS, POLICIES AND PROCESSES

As one of the largest listed residential property companies in Germany with an outstanding customer service reputation, GCP wants to attract talented people who share our commitment to excellence. We want them to know that they are an integral part of the company and partake in our shared success. The GCP Employee Code of Conduct explains our values, our culture and what is expected of all our employees in order to live up to our business promise to tenants and stake-

holders: willingness to help; reliability; and a consideration for others' needs. The Code is supported by accompanying policies including our Anti-Discrimination Policy, which provides staff with clear definitions of discrimination and harassment and sets out their responsibilities for upholding GCP's behavioral standards and reporting any incidents or suspected incidents that take place.

Investing in our people's personal growth is key. We support our staff, at all levels and across all areas of the Company, by creating an environment that encourages them to develop their competencies and acquire the skills they need to advance their career. Together with our modular e-learning tool, GCP's in-house training academy offers tailored training on a wide range of topics, and self-learning and knowledge-sharing are widely encouraged. Internally coordinated seminars, with external support where appropriate, promote continuous learning in the context of the residential real estate industry.

In 2020, we began the transition to a more strategic approach to the management of training and development. Following the merger of the GCP and Aroundtown SA HR departments, we created a consolidated People Development and Talent Management Team responsible for training and development, led by the Head of Strategic Human Capital Development. By streamlining our procedures, structures and systems we've been able to create a unified best practice approach and drive greater progress in specific areas such as recruitment and development. We now have a coordinated training program for all Group employees, supported by a new digital training tool that assigns personalized training modules aligned to individual development goals.

Since the start of the COVID-19 pandemic, our training and development strategy has been impacted by the inability to offer in-person training. Although we have offered our teams useful digital training materials, in 2021 we were pleased to be able to restore effective face-to-face training, including the re-launch of the postponed GCP Leadership Excellence Program. This 12-month program is designed to give talented employees the opportunity to build up their competencies within a managerial position. Encompassing junior, middle and senior leadership components, it focuses on equipping managers with the vital skills they need to tackle complex challenges.

Given the lingual diversity of our staff and customers, another specific area of focus over the past year has been language training. We partnered with Berlitz to offer advanced German courses for non-native speakers and English for German speakers, with 92 GCP employees taking part.

In line with our 2021 milestone, we launched a new digital performance management scheme, which provides job-specific skills criteria and a performance evaluation template. With goals and evaluations recorded, the scheme enables us to identify and respond to employees' training needs in a swift and targeted way, establishing the development paths needed to achieve future goals and determining the eligibility of employees to move into new roles within the business. This approach supports our aim of retaining talent within the business and ensuring that at least 25% of open positions are filled by internal candidates. The new scheme was initially rolled out to the Operations, Service Center and HR departments and apprentices and has covered around 40% of GCP employees to date.

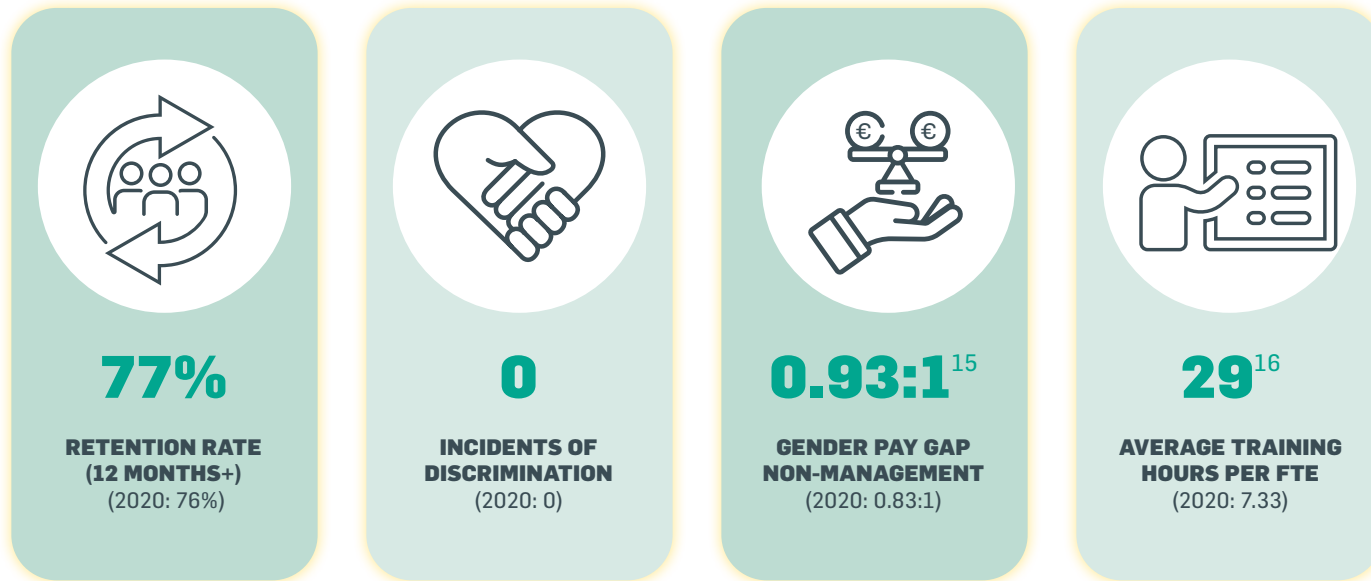
An attractive remuneration and benefits package is key to attracting and retaining highly qualified personnel. We are

committed to providing fair compensation to all our staff, with salaries and bonuses determined exclusively on individuals' skills, the competencies and responsibilities required by their position and personal success in their role. Our packages include compulsory pension plans; performance-based bonuses; extended annual leave entitlements in line with length of service; and other benefits including childcare subsidies. Another valuable benefit is our web-based portal offering employee discounts and deals we have brokered with external companies. Following the national lockdown, we helped our employees in Berlin return to everyday office life with a subsidy for food for 15 working days of every month and for travel, with employees who choose public transport receiving €15 a month to subsidize their costs and promote the use of sustainable travel options.





### 6.3.2 KEY PERFORMANCE INDICATORS<sup>14</sup>



We monitor a suite of key performance indicators covering discrimination, employee retention, gender pay ratios and training and development to track the effectiveness of our management approach in upholding core labor standards. In 2021, we slightly increased our retention rate to 77%, evidencing our continued commitment to retaining talent through our employee offerings. Our comprehensive training program is key to our approach and in 2021, we increased the average number of training hours per FTE by over 290% to invest in our employees' skills and knowledge, and to empower them to grow in their careers.

We are proud of our strong track record on anti-discrimination and in 2021, zero incidents were reported. Our workforce gender pay gap was 0.93:1 women to men for non-management employees and 0.76:1 women to men at management level<sup>17</sup>. The overall pay gap of 0.86:1 is better than the national average of 0.82:1 published by the German Federal Bureau of Statistics<sup>18</sup>. We are continuing our efforts to improve gender equality at GCP.

For more information on our approach and performance, please consult our Sustainability Insights on employee aspects, available to download from the sustainability section of our [website](#).

14. The KPIs are based on absolute figures.

15. The data includes only information for GCP Germany

16. Note that average training hours for GCP were comparatively high in 2021 due to additional training relating to the SAP implementation.

17. The data includes only information for GCP Germany.

18. [https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/03/PD22\\_088\\_621.html](https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/03/PD22_088_621.html)

## 6.4 OCCUPATIONAL HEALTH & SAFETY

### LONG-TERM TARGETS

- Become a health and wellbeing office by 2025
- Reduce sick days by encouraging our employees to be active and maintain a healthy lifestyle

### 2022 MILESTONES

- Increase training on first aid as well as the number of fire safety officers amongst employees once COVID regulations allow for these activities to resume
- Continue to uphold hygiene measures within our offices
- Continue our partnership with the German optician, Apollo, to provide employees with glasses at a discount

#### 6.4.1 RISKS, POLICIES AND PROCESSES

At GCP, we believe a positive corporate culture can only be built in a safe and healthy workplace. It's not simply a legal obligation - making sure that staff feel protected, valued and supported is a foundation for excellent staff performance.

Responsibility for health, safety and wellbeing is shared across the Company. Our Occupational Health & Safety Policy sets out the standards employees are expected to uphold, such as awareness of safety procedures and responsibilities for the reporting of safety incidents and non-conformities. Safety awareness is reinforced by mandatory annual training completed by all staff.

The Committee for Occupational Safety meets quarterly, consisting of the Health and Safety manager, Occupational Safety specialist, the Company's physician and representatives from the HR department. It gives employee representatives and health and safety specialists a form in which they can discuss health and safety and accident prevention measures.

Our staff are not generally exposed to high risk factors for physical injury or diseases. Nonetheless, we have implemented additional policies on workplace standards beyond the statutory EU health and safety regulations. GCP's offices are subject to regular health and safety inspections including annual risk assessments conducted by the occupational safety specialist, company physician and Health and Safety Manager. We encourage a culture of open communication, where employees can report any risks or hazards via email or phone to the Health and Safety Manager and HR department, who keep the employee informed of any actions taken. If a work-related incident has occurred, the employee must file an accident report form. GCP's HR department is responsible for investigating the issue and initiating any necessary corrective measures.

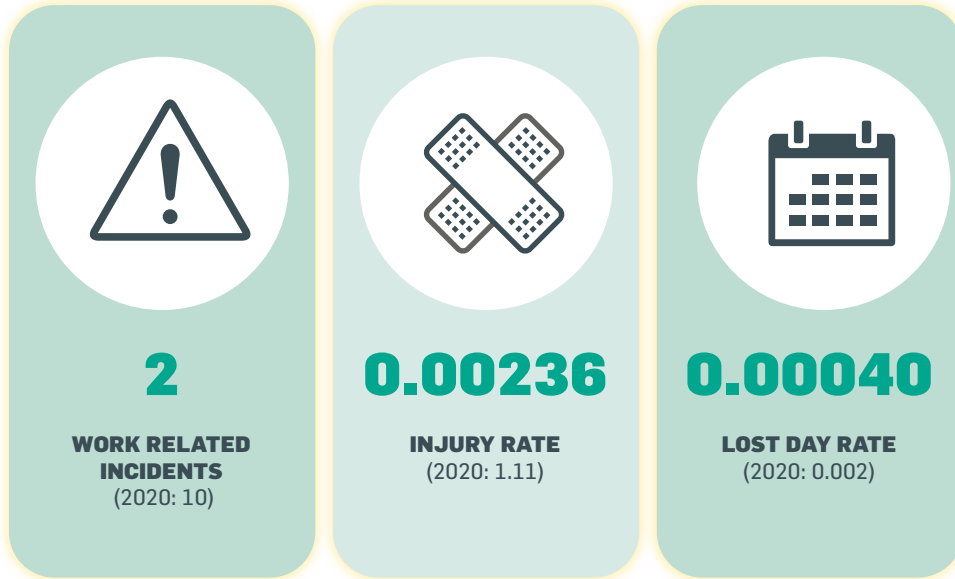
Legally, we are required to have two designated Safety Officers. We have gone beyond this to create a network of trained First Aid Officers throughout the Company, currently totaling 57 employees. All floors in our Berlin headquarters are equipped with automated external defibrillators and we employ a company physician who takes responsibility for occupational medical care, performing regular occupational health checks (for example on workstation ergonomics) and offering a point of contact for all workplace health and safety questions.

### Good health, good work

We know that exercise and good nutrition significantly impact the health, wellbeing and productivity of staff. To this end, employees at our Berlin headquarters have free access to a fitness center with training supervision and nutritional advice from qualified trainers, as well as specialized coaching to reduce back complaints associated with prolonged desk work. We have water dispensers in every GCP office, encouraging staff to stay hydrated and our staff canteen offers a wide range of healthy food including vegetarian and vegan diet options. In 2021 we completed a refurbishment of the educational training area in our Berlin office based on health and wellbeing principles, including the use of biophilic design elements to create a more welcoming space. In addition, our training program encompasses stress management and gives people advice on how they can 'switch off' at home.

In 2021, we continued to implement measures to protect the wellbeing of our employees in the context of the COVID-19 pandemic. Through the work-from-home periods, this included regular communications to our employees with advice around maintaining a work-life balance, setting a routine, workplace design and set-up, connecting with colleagues, managing remote meetings and creating workplans and goals. At times when employees were permitted to work from the office, our priority was to ensure that they could do so in a COVID-secure way. Through our Corona-Safety Task Force, we have taken all reasonable steps to reduce the chance of infection by consulting with doctors and implementing the recommendations of the Robert Koch Institute, which is responsible for setting workplace guidance regarding COVID-19 in Germany.

## 6.4.2 KEY PERFORMANCE INDICATORS <sup>19 20</sup>



In 2021, 2 work-related incidents were recorded at GCP, compared to 10 incidents reported in 2020. We saw an improvement across several health and safety indicators, including our injury rate (-100%) and lost day rate (-79%). Our absentee rate increased by 22% and there were no recorded fatalities. Our performance should be considered within the context of the ongoing COVID-19 pandemic and work-from-home mandates in place in Germany for over six months in 2021. As such, the data are not directly comparable

with those reported for 2020, when work-from-home was encouraged not enforced yet interim office working periods still occurred, and much less prior to 2020 before the pandemic took hold.

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



19. Our employee figures in 2021 are not directly comparable to the previous years due to a change in methodology. In previous year, we have included only GCP employees based in Germany however in 2021, we expanded our scope to include all GCP employees.  
20. The KPIs are based on absolute figures.

## 6.5 LOCAL COMMUNITIES

### LONG-TERM TARGETS

- Build supportive and affordable communities where people want to live and stay
- Target investments toward the creation of high-quality shared spaces for tenants and support local community-building organizations
- Invest up to €500,000 p.a. in community building activities until 2030 through the GCP Foundation

### 2022 MILESTONES

- Increase the number of people taking part in our tenant community events
- Explore the further potential for hosting digital social media events
- Host events with social responsibility themes in cooperation with external partners

#### 6.5.1 RISKS, POLICIES AND PROCESSES

Good relationships with the local authorities, residents and charitable organizations in the communities where we invest are essential to our success of our assets. More than this, at GCP we want to support long-term vibrant and friendly communities in and around our properties, on the premise that proactively building strong communities increases residents' quality of life; helps us to secure building permits;

finds collaborative solutions to mitigate social risks; maintains a good tenant structure and enhances tenant attraction and retention.

There are three elements to our social engagement strategy:

#### 1. Managing community events in shared spaces

Managed by our central team, our local property managers run community events in and around our residential assets. These events help bring neighbors together, creating a sense of pride in their shared building and its surroundings, and enable us to develop personal relationships with our customers based on cooperation and trust. Over the last two years, pandemic-related restrictions have obliged us to adapt our community events program, but we are proud of our success in conceiving a variety of compelling events using digital and social media formats for our tenants, as described on page 29 below.

#### 2. Supporting charitable projects

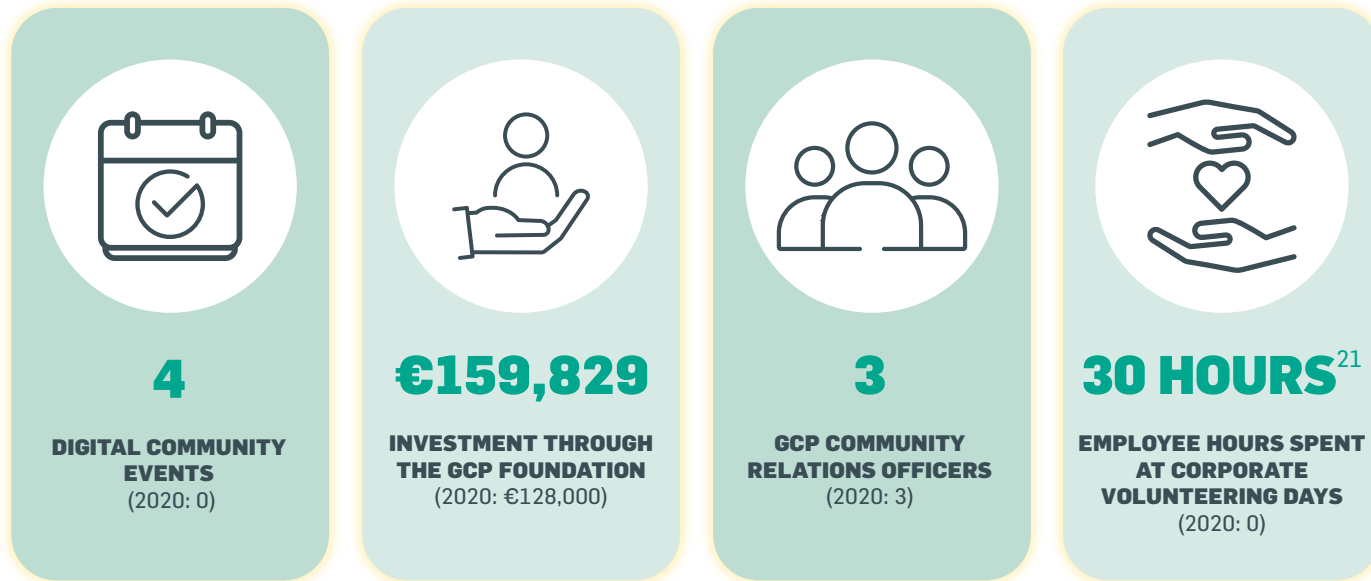
We develop relationships with and provide cash and/or in-kind funding to local organizations which can deliver additional social benefits to tenants and the wider community. This typically involves infrastructure investments — such as the creation of library rooms, playgrounds or sports pitches – and the funding of services such as educational support programs, sports clubs and social network groups. Our charitable work is channeled through the GCP Foundation, which is run by a Committee of GCP managers and overseen by an independent Board of Trustees. This structure, along with our recently developed 'Submitting an Application For The GCP Foundation SOP' (which defines the selection criteria for our project partners)

ensures that funding is targeted at projects that will deliver tangible social benefits for residents and wider communities. Proposed projects are discussed by the Committee on a regular basis, and decisions are submitted to the Board of Trustees for approval before funds are directed to charitable organizations, subject to standard compliance and risk management checks. The Foundation has a goal to channel up to €500,000 per year. We also maintain a policy of letting suitable vacant units rent-free for social and charitable purposes. In 2021, 20 units were being let on this basis, equivalent to a donation of €135,000 in unexploited rental income.

#### 3. Getting GCP employees involved in the community

We encourage our employees to take part in corporate volunteering activities and give them one day's paid work to do this. Whilst we have been unable to organize a team-wide volunteering day since the start of the COVID-19 pandemic, individual employees have continued to make use of their volunteering allowance. Most significantly, we are grateful to those team members who dedicated time to support the flood relief efforts in NRW in 2021. To enhance strong lines of communication with our communities, we also directly employ three full-time Community Relations Officers; trained social workers who are deployed regionally to assist tenants on a personal basis, as well as one Collector & Social Tenants Manager who provides social advice and individual support to tenants and implements social projects. Property managers provide a point of contact in areas where there is not a dedicated Community Relations Officer, and they make themselves personally known to tenants through participation in community events and regular site visits.

## 6.5.2 KEY PERFORMANCE INDICATORS



Due to the challenges presented by COVID-19 which have continued to prohibit large gatherings and in-person contact, community events were created using digital formats during 2021. These included a digital Easter egg hunt, a summer event, a Halloween photo competition using social media platform Instagram and a digital advent calendar, all of which involved the chance to win gifts or prizes. We recorded a 93% increase in participants over the course of the year, an indicator of the growing popularity of our digital events.

We were delighted to donate €159,829 of funds in support of social projects through the GCP Foundation in 2021, marking a 25% increase in comparison with the previous year. The GCP Founda-

tion supported a total of 44 projects geared towards a wide range of community needs across the spectrum of locations where we operate. Significantly, it included a €65,000 donation to the flood victims in Ahrtal.

Whilst our corporate volunteering days, the Social Day, continued to be put on hold in respect of COVID-19 safety guidelines, three of our employees dedicated a combined 30 hours of time to the flood relief efforts in NRW.

For more information on our approach and performance, please consult our Local Communities Sustainability Insight, available to download from the sustainability section of our [website](#).

21. Although our Social Day could not be held due to continued COVID-19 restrictions in 2021, few of our employees at the Dusseldorf office volunteered in the flood relief efforts in NRW for a total of 30 hours.

## 7. MATERIAL GOVERNANCE MATTERS

### 7.1 FAIR BUSINESS AND COMPLIANCE

#### LONG-TERM TARGETS

- Maintain zero compliance violations

#### 2022 MILESTONES

- Introduce compliance ambassadors as contact persons in country and regional offices
- Implement a virtual welcome and awareness day for new employees at the Group
- Conduct our periodic compliance risk assessment
- Roll out new company Code of Conduct
- Launch GCP's compliance website

#### 7.1.1 RISKS, POLICIES AND PROCESSES

At GCP, high ethical standards are at the heart of how we do business. After all, trust is one of our most valued – and valuable – assets. To justify the confidence our shareholders and investors have placed in our business, protect our reputation, and support our ability to attract shareholders, bondholders and retain tenants, we comply with all relevant laws and regulations as a matter of course.

Our comprehensive ethical policies and guidelines outline our commitments to transparency, fair business, and zero tolerance of non-compliance. The GCP Code of Conduct for employees

and the Code of Conduct for Business Partners comprise the core of our ethical business framework and are a mandatory component within all employee contracts and contracts with business partners respectively.

The Code of Conduct for employees is augmented by a range of sub-policies on key issues, including Anti-corruption, Anti-discrimination, Human Rights and Whistle-blowing Policies; Data Protection Declaration; User Policy for Dealing with Digital Content and Devices; and the Green Procurement Policy.

All employees and business partners are required to act in accordance with the binding framework formed by these policies, which are supported by a management structure that covers the full scope of the Company's activities. GCP's annual risk review feeds into our regular update of all compliance-related policies and procedures, taking into account any changes to the external regulatory context, so that all Company guidelines adhere to up-to-date and relevant market and legal requirements.

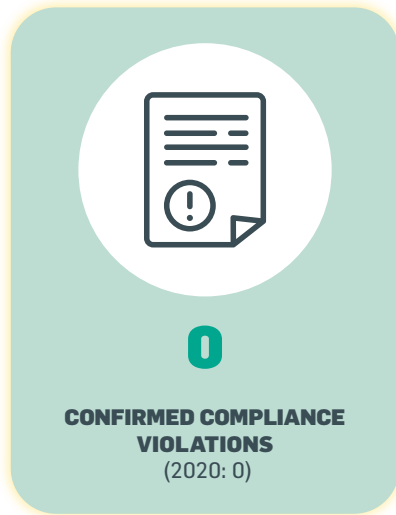
We want to support employees to make ethical decisions on a day-to-day basis. To that end, in 2021, we created a specific compliance page on our intranet, where information on topics such as bribery, corruption and ethics; links to CREA (our e-learning tool that offers self-study compliance courses on topics such as data protection, anti-corruption and anti-discrimination); and Group-wide policies and regulations can be easily accessed. All these structures encourage timely, complete and fault-free disclosures of conflicts of interest and other sources of controversy. The compliance page will be fully launched in 2022. In addition, zero tolerance towards compliance violations is continually communicated in meetings and mentorship and coaching programs. Our development programs for managers emphasize the tenets of professional leadership.

This continual drumbeat of compliance communication is supported by an annual refresher training module, which requires all employees to 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 GCP's policies and structures.

An effective whistle-blowing system is key to our compliance framework. Our Whistle-blowing Policy is designed to ensure that employees feel empowered to register their concerns, free from fear of repercussions. Through our "Speak up" approach, employees are encouraged to address any concerns they might have about violations of the law, the Code of Conduct, or internal policies via email, phone, in person or anonymously through a web-based reporting application. The system is operated via an external provider, giving both external and internal stakeholders the ability to report any suspected or verified instance of non-compliance or misconduct. No one outside the Group's compliance team has access to the system.

The system is supported by a Compliance Unit, which is formed on an ad hoc basis and made up of representatives from our Legal, HR and Compliance teams, who review the reports based on their respective focus for both impact and severity. If an investigation is required, management and the Compliance Unit consult on the appropriate procedure. Each case is treated on an individual basis, with the Chief Compliance Officer conducting discussions with the parties affected and documenting a formal report. The informant and witnesses are updated by the Compliance Unit as needed. Disciplinary sanctions are taken should the preconditions for such measures be met.

## 7.1.2 KEY PERFORMANCE INDICATORS



Our track record shows that our internal control systems, designed to exceed legal requirements and market expectations, are thorough and effective. Over the past four years we have not been made aware of or identified any confirmed incidents of non-compliance. We note that four potential compliance cases were reported at GCP in 2021. However, following thorough internal audits which did not identify sufficient evidence, the cases were closed and none of them lead to any sanction or fine. We are committed to reviewing and updating our processes on an ongoing basis to ensure optimal alignment with the evolution of our portfolio, the market, and regulatory environments.

For more information on our approach and performance, please see the Fair Business & Compliance Sustainability Insight, available to download from the sustainability section of our website.



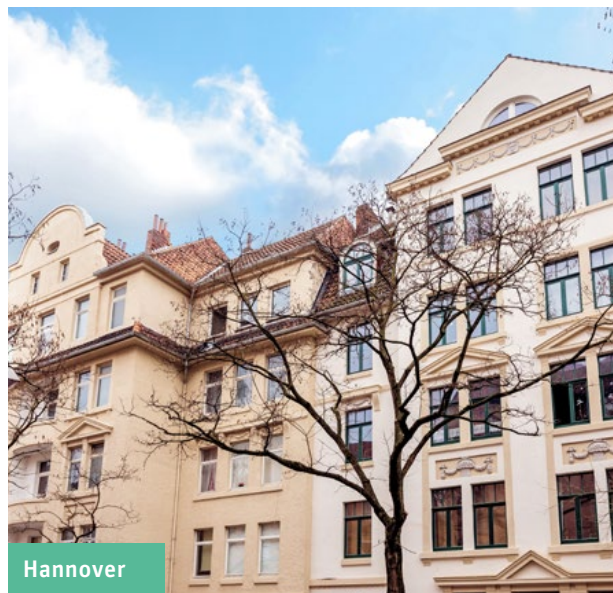
## 7.2 DATA PROTECTION

### LONG-TERM TARGETS

- Confidentiality: encryption wherever data is stored or accessed
- Integrity: establishing procedures to prohibit unauthorized personnel to alter information
- Availability: designing systems to minimize downtime
- Security: securing business information pertaining to company operations
- Personally Identifiable Information (PII): enforcing the security and confidentiality of processed personal information
- Regulations: satisfying regulatory (such as General Data Protection Regulation) and other information security requirements
- Awareness: Training employees on how to identify threat and act according to company guidelines
- Resilience: protecting our systems and networks as well as the data contained therein from malicious activities
- Information Assets: ensuring that all networks, systems and applications comply with confidentiality, integrity and availability

### 2022 MILESTONES

- Conduct further technical crisis training and simulation to enhance our ability to respond to cybersecurity events and work with an external partner to improve our data loss prevention strategy
- Carry out further audits on our ISMS to ensure that it conforms to all relevant criteria
- Deploy advanced security technologies
- Introduce a digital “Welcome Day” to provide assistance and guidance to new employees



### 7.2.1 RISKS, POLICIES AND PROCESSES

We take our commitment to the protection of individual privacy very seriously. In addition to the potential legal consequences, fines, and harm to our reputation, we know this area is of key importance to individual stakeholders.

Our Information Security and Privacy Strategy<sup>22</sup> protects the confidentiality, integrity, and availability of GCP’s 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, and adherence with legal, regulatory and audit requirements.

In 2021 we were proud to achieve the ISO 27001 certification for our information security management system (ISMS), covering our headquarters in Berlin. We appointed additional resources and dedicated time to reviewing our policies, conducting audits, introducing enhanced cybersecurity measures, and generating greater awareness across the business to ensure that our systems were compliant with this robust standard, which applies a risk-based approach to the identification, assessment, management and monitoring of information security risks covering business critical as well as other IT systems, employees and partners who have access to our hardware and IT systems. It defines the appropriate Information Security tools and processes in the event of a potential system vulnerability according to an ISO 27001 based Risk Management Lifecycle model: risks are identified and categorized based on business impact and likelihood, appropriate tools and remedial measures are identified to mitigate the risk, which are

22. Described in our Global Information Security Policy for Aroundtown and GCP.



then subjected 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 the Chief Information Security Officer, the Chief Information Officer and the Chief Technology Officer with support from the recently established Cyber Security Assurance team.

In order to embed our robust approach to data protection across the Group, all our employees follow mandatory video-based training units, and complete compulsory e-learning security training every 18 months, with managers also benefiting from seminars with subject matter experts. This e-learning is supplemented by regular campaigns and communications that emphasize 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. In 2021 we introduced the use of gamification to enhance the impact of our phishing prevention campaign. We also created a bespoke video featuring well-known employees to educate staff about physical security risks in a more engaging and memorable format and we have put up awareness posters around our offices to remind employees of our data protection policies. Finally, although not a legal requirement, all personnel must 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.

Prior to the start of the COVID-19 pandemic, 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, which governs our procedures and minimum standards for accessing and handling data, particularly information that is confidential and/ or restricted.

We continually aspire to improve our ISMS, maintaining our ISO certification and keeping up our awareness raising efforts. In 2022, we will continue to issue frequent and compelling email updates on cybersecurity to engage our employees and we will assign additional resources to conduct a higher number of audits so that we can pinpoint any weaknesses in our processes before they become threats. Building on the additional security measures deployed in the context of the pandemic-led move to remote working, we will introduce new controls to protect data and information on mobile devices and we will work with external advisors to review and enhance our data loss prevention strategy more widely.

We understand stakeholders have high expectations in this area, so we ensure that our Data Privacy Policy is available to tenants and business partners, along with information about our data processing systems; the purposes for which their data is used; and their related rights in compliance with the EU General Data Protection Regulation (GDPR). 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.

## 7.2.2 KEY PERFORMANCE INDICATORS



We monitor potential security incidents and data protection breaches (defined as the misuse, or corruption of personal data) as an indicator of the effectiveness of our operating procedures. In 2021, no such confirmed breaches resulting in a serious incident, sanction or fine were reported. In the event of any confirmed incident, a response team 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 consult the Data Protection Sustainability Insight, available to download from the sustainability section of our [website](#).

## 7.3 RESPECT FOR HUMAN RIGHTS

### LONG-TERM TARGETS

- Maintain zero human rights' violations in the supply chain and increase number of business partner audits

### 2022 MILESTONES

- Strengthen ESG selection criteria and the monitoring process of business partners as part of a review of our audit system in 2022
- Ensure that 100% of suppliers have signed our Business Partners' Code of Conduct

#### 7.3.1 RISKS, POLICIES AND PROCESSES

Our operations are governed by the strict regulations and legal framework of the European Union and the United Kingdom. These laws provide extensive human rights' protection at a local level, meaning concrete human rights' violations are not a substantial risk in our operations.

Nevertheless, to underline our view that respect for human rights is a non-negotiable component of any business premise, we have established a Human Rights Policy which articulates GCP's commitment to fully respect and uphold human rights in accordance with the UN Guiding Principles on Business and Human Rights and international standards including Declaration of the International Labor Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Our policy covers topics such as equality, freedom of association, a safe work environment, and education and development. In addition, it lays out the expectations of suppliers, the monitoring and control of violations and infringements, and reporting requirements.

Refurbishment of formerly mismanaged residential properties is a key part of what we do. The building work required by these activities is carried out by construction companies and their subcontractors, who are not under our direct oversight, and this is where the main area for possible human rights' violations lies. Risk also occurs in relation to the migrant workers employed by large construction firms.

Across the supply chain, we make it clear that human rights violations of any kind are not tolerated, and all business partners must commit to providing decent standards of work. Child labor and forced labor are explicitly renounced. We equally expect all suppliers to foster workplaces free of discrimination and harassment.

Our business partners for construction and building works are primarily medium-sized enterprises registered in Germany. Since 2017, all our partners have been required to sign GCP's Code of Conduct for Business Partners which details a firm commitment to human rights, prior to being appointed. Any suppliers who signed a contract with us before 2017 are asked to sign the Code of Conduct upon contract renewal. Following the conclusion of the service contract agreement, GCP maintains a record of the signed Code of Conduct within its central IT system.

During the construction works, a dedicated GCP project manager is responsible for engaging with on-site contractors, carrying out regular site inspections to check that all works are being executed in accordance with the contract and the German law. Sensitized to check that human rights standards are upheld, project managers are required to inform the Company immediately if any incidents of non-compliance are identified. The ESG standards stipulated within the Code are contractually binding, and GCP may terminate the relationship with immediate effect should any violations be identified. GCP also reserves the right to subsequently exclude the contractor concerned from the awarding of future contracts.

#### 7.3.2 KEY PERFORMANCE INDICATORS



Since the beginning of the COVID-19 pandemic, it has been challenging for us to maintain the same level of physical meetings with our business partners and, instead, video calls have increased. Nonetheless, we are confident that, based on our engagement with our business partners, the risk of human rights violations is minimal. In 2021, no instances of human rights violations of any form were brought to our attention.

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

## 8. EU TAXONOMY

### Introduction

The EU Taxonomy is a classification system which establishes a list of sustainable economic activities. Its purpose is to offer companies, investors and policymakers a standard set of definitions for which economic activities can be considered sustainable in order to create security for investors, protect against greenwashing and mobilize investment towards more sustainable activities. The EU Taxonomy is currently comprised of six environmental objectives<sup>23</sup>. To date, detailed criteria to determine the Taxonomy eligibility and alignment have been developed for two of these. Draft criteria for the other four objectives, as well as a draft Social Taxonomy, have been published and are expected to be officially adopted in the near future.

In accordance with the EU Taxonomy Regulation<sup>24</sup> and its supplementary Delegated Acts, Grand City Properties has undertaken an assessment of the Company's Taxonomy-eligible turnover, investments and operating expenses relating to the EU Taxonomy environmental objectives "climate change mitigation" and "climate change adaptation" for the financial year ending 31st December 2021. In accordance with the reporting requirements stipulated in Article 10 of the Disclosures Delegated Act, as of 1st January 2022, non-financial undertakings are only required to disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure relating to the first and second Taxonomy environmental objectives and the corresponding qualitative information required for this disclosure. In subsequent years, the proportion of activities that are Taxonomy-aligned and Taxonomy non-aligned will also be assessed and disclosed.

### Approach taken to determine Taxonomy-eligible activities

In order to determine Taxonomy eligibility, Grand City Properties firstly identified all activities undertaken by the Company. This was done in multiple discussions with various departments managed by the Sustainability Department, including energy, construction, and finance departments. During this identification process, the list of eligible activities was reviewed with a focus on those activities relevant for the energy sector (section 4), the construction sector (section 7) and other activities, such as "Professional, scientific and technical activities" (section 9).

The following five Taxonomy-eligible activities, as defined within Annex I and II of the Delegated Regulation, were identified as being undertaken by Grand City Properties:

- Electricity generation using solar photovoltaic technology (4.1)
- Renovation of existing buildings (7.2)
- Installation, maintenance and repair of energy efficient equipment (7.3)
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (7.5)
- Acquisition and ownership of buildings (7.7).

The above activities were determined as relevant for both environmental objectives – climate change mitigation and climate change adaptation. Additional eligible activities were discussed and found to potentially be applicable in future years, however, they could not yet be considered for Grand City Properties's 2021 reporting.<sup>25</sup>

### Taxonomy Assessment

Based on the conclusions of the Taxonomy-eligibility review defined above, Grand City Properties calculated the proportion of eligible and non-eligible activities in accordance with the calculation methodologies defined within the Delegated Act of 6.7.2021.

This constitutes the first EU Taxonomy reporting published as part of the 2021 Non-Financial Report and thus, Grand City Properties faced initial challenges regarding the retrospective allocation of data to the identified economic activities. As internal invoicing and project systems had not yet been fully adapted to the reporting requirements in 2021, the majority of data had to be analyzed and evaluated manually.

With Grand City Properties's number of bookings in the six-digit range, the data was searched using determined 'key words' relevant to each identified economic activity based on information provided in guidelines and descriptions in resources by the European Commission<sup>26</sup>. Such key words were used to filter out the relevant bookings, allocate them to the correct economic activity and to determine the corresponding KPIs.

In order to ensure alignment with our Consolidated Annual Report, the financial and/or controlling department of Grand City Properties provided the booking information for the relevant year 2021 to the various departments to review and analyze and allocate the data as described above.

Note, however, that due to partly unclear guidance from the European Union and lack of precedence reporting and best practice,

23. These are: (1) Climate change mitigation; (2) Climate change adaptation; (3) Sustainable use and protection of water and marine resources; (4) Transition to a circular economy; (5) Pollution prevention and control; (6) Protection and restoration of biodiversity and ecosystems.

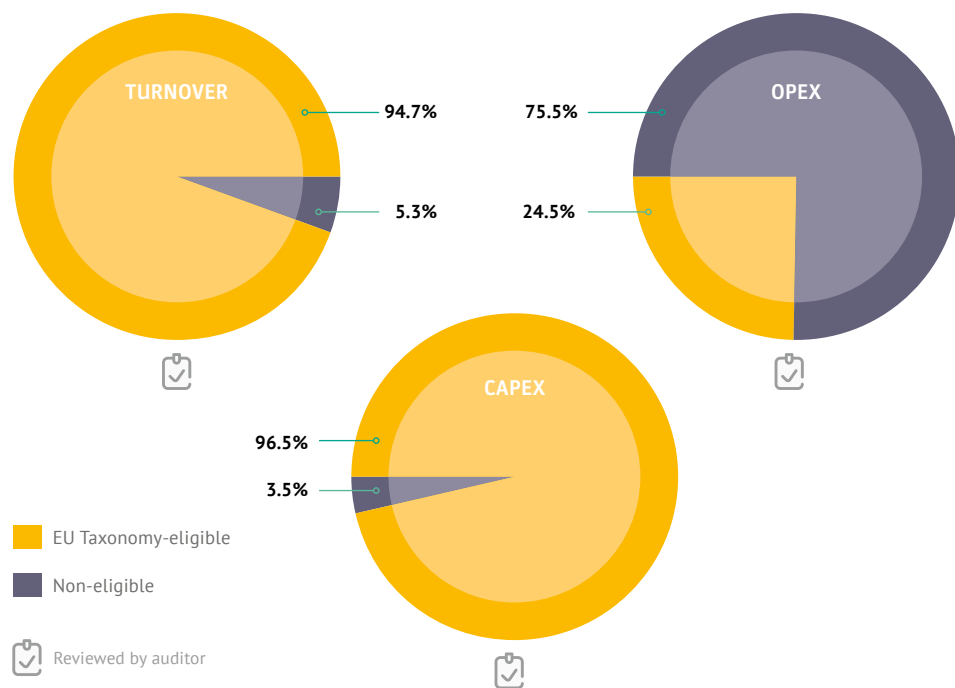
24. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

25. Such activities relate to Aroundtown Group renewable energy activities, including Electricity generation from geothermal energy (4.6) and Installation and operation of electric heat pumps (4.16).

26. Such as the website EU Taxonomy Compass: <https://ec.europa.eu/sustainable-finance-taxonomy/>

certain bookings could not be allocated with certainty to one specific economic activity. This was the case in particular with activities 7.2 (renovation of existing buildings) and 7.3, (installation, maintenance and repair of energy efficiency equipment), two major economic activities for Grand City Properties. For the purpose of this taxonomy reporting, the Company has divided CapEx costs into major renovation projects (7.2) and individual measures (7.3).

	Turnover KPI (related to EU Taxonomy-eligible economic activities)		OpEx KPI (related to EU Taxonomy-eligible economic activities)		CapEx KPI (related to EU Taxonomy-eligible economic activities)	
	€ '000	%	€ '000	%	€ '000	%
Total eligible activities (a)	496,719	94.7%	5,498	24.5%	841,168	96.5%
Total non-eligible activities (b)	27,910	5.3%	16,951	75.5%	30,361	3.5%
Total Company activities (a + b)	524,629	100%	22,449	100%	871,529	100%



### Basis for calculations

In general, all three Key Performance Indicators (KPIs) are calculated in accordance with IFRS in line with our consolidated financial statements.

The Turnover, OpEx and CapEx KPIs for eligible activities are determined on the basis of the following calculations:

#### Turnover KPI (related to EU Taxonomy-eligible economic activities)

The turnover KPI is relevant only for the economic activity, 7.7 (acquisition and ownership of buildings). As this year's reporting only covers Taxonomy-eligible activities and not aligned activities, the turnover constitutes a high percentage in 2021.

Grand City Properties's turnover consists of revenue generated from rental income and operating income. The Company also derives a comparatively small amount of other income that is not related to eligible economic activities, which is not counted to the numerator but is included in the denominator.

<b>Numerator</b>	Share of turnover derived from products and services associated with Taxonomy-eligible activities.
<b>Denominator</b>	Total net turnover, calculated in accordance with "IAS 1.82 a) Revenue" and consistent with the accounting principles applied to the preparation of the Group's financial statement.  Please see our <a href="#">website</a> for the financial statement.

### OpEx KPI (related to EU Taxonomy-eligible economic activities)

OpEx mainly derived from measures allocated to activities 7.3 (installation, maintenance, and repair of energy efficiency equipment) and 7.5 (installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings).

Data collection for these activities presented most challenges due to the lack of a clear definition of ‘energy efficiency equipment’ and due to retrospective allocation of such measures to the activities. Hence, it was not possible to establish a clear and precise differentiation between ‘highly energy efficient’ and ‘not highly energy efficient’. For the purpose of this year’s EU Taxonomy report, Grand City Properties will consider all measures as creating added value in terms of energy efficiency.

OpEx was reviewed in the data set provided by the controlling department of Grand City Properties and allocated to the relevant economic activities using ‘key words’ such as Insulation (Dämmung); window (Fenster); heating, ventilation, air-conditioning plant, cooling (Heizung, Lüftung, RLT, Kühlung, Klima and Kälte) and building services management system (BSM) (Gebäudeleittechnik, GLT). Where OpEx could not be clearly identified as one of the specific measures described in relation to the relevant activities, the Group took the conservative approach and did not calculate the OpEx towards this initial Taxonomy report.

<b>Numerator</b>	<p>Share of operating expenditure that is –</p> <ol style="list-style-type: none"> <li>1. Related to assets or processes associated with Taxonomy-eligible economic activities, including: <ul style="list-style-type: none"> <li>• training and other human resources adaptation needs</li> <li>• direct non-capitalized costs that represent research and development</li> </ul> </li> <li>2. Part of the OpEx plan (expand / upgrade of activities)</li> <li>3. Related to the purchase of output from Taxonomy-eligible economic activities</li> <li>4. Related to measures allowing activities to be carried out in a low-carbon manner or with reduced greenhouse gas emissions and individual building renovation measures</li> <li>5. Part of OpEx for the adaptation of economic activities to climate change</li> </ol>
<b>Denominator</b>	<p>Total operating expenditure, as the sum of direct non-capitalized costs, including –</p> <ol style="list-style-type: none"> <li>1. Research and development</li> <li>2. Building renovation measures</li> <li>3. Short-term lease</li> <li>4. Maintenance and repair</li> <li>5. Any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party.</li> </ol> <p>Please see our <a href="#">website</a> for the financial statement.</p>

### CapEx KPI (related to EU Taxonomy-eligible economic activities)

With reference to the relevant economic activities, CapEx is reported mostly in relation to activity 7.7 based on acquisitions of buildings in 2021 and in relation to 7.2 as major renovation works were undertaken. These can always be categorized as CapEx due to their clear improvement and value increase of the property. Additional CapEx derives from measures allocated to activity 7.3, which involves specific installation, maintenance and repair measures relating to insulation to existing envelope components, windows, external doors, energy efficient light sources, HVAC, heating systems, as well as kitchen and sanitary fittings. Lastly, CapEx is also derived from economic activity 4.1 (electricity generation using solar photovoltaic technology), relating to the installation of PV systems.

No CapEx was assigned to measures relating to activity 7.5, as these measures are part of 7.2 and 7.3.

<b>Numerator</b>	<p>Share of capital expenditure that is –</p> <ol style="list-style-type: none"> <li>1. Related to assets or processes that are associated with Taxonomy-eligible economic activities</li> <li>2. Part of a CapEx plan (expand / upgrade of activities)</li> <li>3. Related to the purchase of output from Taxonomy-eligible economic activities</li> <li>4. Related to measures allowing activities to be carried out in a low-carbon manner or with reduced greenhouse gas emissions</li> </ol>
<b>Denominator</b>	<p>Total capital expenditure, as the sum of –</p> <ol style="list-style-type: none"> <li>1. Additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any re-measurements, including – <ul style="list-style-type: none"> <li>• IAS 16.73 e) i) and iii) Property, Plant and Equipment</li> <li>• IAS 38.118 e) i) Intangible Assets</li> <li>• IAS 40.76 a) and b) Investment Property (for the fair value model)</li> <li>• IAS 40.79 d) i) and ii) Investment Property (for the cost model)</li> <li>• IAS 41.50 b) and e) Agriculture</li> <li>• IFRS 16.53 h) Leases (Leases that do not lead to the recognition of a right-of-use over the asset shall not be counted as CapEx)</li> </ul> </li> <li>2. Revaluations and impairments, additions resulting from business combinations and excluding fair value change</li> </ol> <p>Please see our <a href="#">website</a> for the financial statement.</p>

## 9. GLOSSARY OF TERMS

<b>CapEx</b>	Capital expenditure
<b>CHP</b>	Combined heat and power
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CO<sub>2</sub>e</b>	Carbon dioxide equivalent, used to standardize the climate effects of various greenhouse gases
<b>CR</b>	Corporate Responsibility
<b>EPRA</b>	European Public Real Estate Association
<b>ERP Software</b>	Enterprise resource planning software
<b>ESG</b>	Environmental, social and governance
<b>GDPR</b>	EU General Data Protection Regulation
<b>GHG</b>	Greenhouse gas
<b>GRI</b>	Global Reporting Initiative
<b>kWh</b>	Kilowatt hour - a unit of energy
<b>NIST</b>	National Institute of Standards and Technology
<b>PII</b>	Personally Identifiable Information
<b>PV</b>	Photovoltaic
<b>SDGs</b>	United Nations' Sustainable Development Goals
<b>SOPs</b>	Standard operating procedures
<b>WELL</b>	The International WELL Building Standard

## INDEPENDENT AUDITOR'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON THE NON-FINANCIAL REPORT

To Grand City Properties S.A., Luxembourg

We have performed a limited assurance engagement on the disclosures in the non-financial report of Grand City Properties S.A., Luxembourg, (hereinafter "the Company") for the period from 1 January through 31 December 2021 (hereinafter "the Report", attached hereto as an appendix).

Our audit does not cover the external sources of documentation or expert opinions mentioned in the non-financial report.

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

The executive directors of Aroundtown SA are responsible for the preparation of the non-financial report in accordance with the principles of Luxembourg Law of 23 July 2016 and in accordance with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section 6. of the non-financial report.

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 a non-financial report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in 9 of the non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently; the legal conformity of the interpretation is subject to uncertainties.

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

We are in accordance with the provisions under German commercial law and professional requirements independent of Aroundtown SA, and 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 national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms (IDW QS 1), 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. These standards require 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 to 31 December 2021 has not been prepared, in all material respects, in accordance with the principles of Luxembourg Law of 23 July 2016 and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section 6 of the non-financial report.

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 practitioner's professional judgment.

Within the scope of our 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
- Inquiries of personnel involved in the preparation of the non-financial report regarding the preparation process and the internal control system relating to this process and selected disclosures in the non-financial report
- Analytical evaluation of selected disclosures in the non-financial report
- Enquiry and review of selected documents supporting the disclosures in the non-financial report



- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the non-financial report
- Comprehension of the calculation of taxonomy key performance indicators and traceability to financial information

The executive directors are required to interpret undefined legal terms when determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

### **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 non-financial report for the period from 1 January to 31 December 2021 has not been prepared, in all material aspects, in accordance with the principles of Luxembourg Law of 23 July 2016 and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section 6 of the non-financial report.

We do not express an audit opinion on the external sources of documentation or expert opinions mentioned in the non-financial report.

### **Intended use of the Assurance Report**

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. Our report is not intended for any third parties to base any (financial) decision thereon.

Our responsibility lies only with the Company. We do not assume any responsibility towards third parties. Our assurance conclusion is not modified in this regard.

### **Limitation of Liability**

For the performance of our engagement and our liability, also in relation to third parties, the Special Engagement Terms for Audits and Audit-Related Services (<https://www.mazars.de/Home/Services/Audit-Assurance/Auftragsbedingungen>) of Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft dated 1 June 2019 as well as the General Engagement Terms for German Public Auditors and German Public Audit Firms as of 1 January 2017. With regard to the General Engagement Terms, we refer in addition to the liability provisions contained therein in clause 9 and to the exclusion of liability vis-à-vis third parties. We do not assume any responsibility, liability or other obligations vis-à-vis third parties unless we have concluded a written agreement to the contrary with the third party or unless such an exclusion of liability would be ineffective.

We expressly state that we will not update the limited assurance report in respect of any event or circumstance occurring after it has been issued unless we are under a legal obligation to do so. Whoever takes note of the result of our work summarised in the above report must decide on his own responsibility whether and in what form he considers this result useful and suitable for his purposes and extends, verifies or updates it by his own investigative actions.

Berlin, 27 April 2022

Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

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