

ENERGY & EMISSIONS

PART 1 - UNDERSTANDING THE ISSUE

There is scientific consensus that our climate is changing considerably. The Intergovernmental Panel on Climate Change (IPCC) has made clear that we must limit global warming to 1.5°C, but based on current levels of commitment, we are on course to reach 3°C of warming.

Many local and national governments, businesses and other organisations have declared a climate and ecological emergency, making commitments to reduce or eliminate their carbon emissions by 2030 or 2050. Within the real estate sector, there is growing pressure from investors, governments (through more stringent regulation) and society to act promptly to reduce the impact of the built environment and actively manage climate change risk. Germany's Climate Action Plan 2050, for example, sets out long-term strategies for upgrading the building stock and the gradual phasing out of fossil-fuel heating systems, and a zero-energy standard for new buildings from 2021, aiming towards a carbon-neutral built environment by 2050. Stringent stan-

dards for GHG emissions reduction in buildings have also been introduced in The Netherlands.

We see the reduction of greenhouse gas emissions and investment in an efficient and renewable-energy based power supply as a key part of this transition. As a company which invests in the existing building stock and modernises it to achieve higher levels of efficiency, there is an opportunity for us to position ourselves as a positive contributor to the low-carbon economy, working towards low or zero carbon status for our assets.

We are undertaking significant efforts to position our business as a leader on this front, on the premise that energy efficiency and a low-carbon footprint brings commercial benefits in the form of reduced costs, more attractive assets and an enhanced reputation. As a responsible business with long-term interests in the cities where we invest, contributing towards global goals to limit the potentially catastrophic impacts of climate change is a natural course of action.

PART 2 – MANAGING THE ISSUE

Environmental management

Aroundtown's Environmental Policy sets out our management framework geared towards continued improvement, covering performance monitoring, benchmarking, auditing and target setting covering the Group's main environmental impacts, including energy consumption, GHG emissions and water use. While the policy establishes a consistent framework of action across the portfolio, it also provides the necessary flexibility given the specific characteristics, tenants arrangements and energy demand of each property class in our portfolio.

Portfolio characteristics

Offices

Within the office sector, tenants are placing a greater emphasis on the environmental performance of the properties that they occupy. Most large international and national companies have set energy and carbon reduction targets in line with their own sustainability strategies, and an increasing number of smaller regional and local tenants are following suite.

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

Furthermore, many of our multi-tenant office buildings are supplied by green electricity and we are expanding this across our office portfolio. These efforts complement our broader Energy Investment program that aims to significantly expand efficient and renewable energy generation and storage systems; EV charging stations; smart meters and advanced energy measurement software across our portfolio (see below).

Hotels

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

The hotels segment of our business follows a specific acquisition checklist which includes assessing the potential for sustainability improvements. This includes replacement of heating systems with more efficient combined heat and power (CHP) or combined cooling, heat and power (CCHP) and renewable energy based alternatives and solar PV installations under the direction of our Energy Investment programme, as well as lighting retrofits and use of sustainable materials in structural improvements such as window replacements and insulation. Because of the unique type of lease arrangement within this asset class, which involves

the transfer of greater responsibilities for building maintenance to the hotel operator as the lessee, the contractual agreement itself becomes the core point of focus for us to promote environmental improvements in our properties.

Retail

Within the retail portfolio, we are prioritising the roll out of LED lighting systems, evaluating the feasibility of rooftop photovoltaic (PV) systems, preparing for the installation of EV charging points and replacing older inefficient oil-fired boilers with more efficient, lower carbon gas-fired alternatives, and combined heat and power (CHP) and combined cooling, heating and power (CCHP) plants as part of our Energy Investment programme. We have a mixed portfolio that includes shopping malls, hybrid malls and single-tenant retail assets, all of which present opportunities to implement environmental improvements. Some of these involve no or low-cost management and maintenance measures, such as a more rational approach to lighting use and the changing of set points on cooling systems; others involve investments which are prioritised on a cost-benefit basis.

Residential – Grand City Properties S.A.

GCP considers the environmental and climate risk profile of all potential acquisitions and uses asset life-cycle assessments as a key tool for decision-making. This involves comparative analysis of a building's energy profile and economic profile, with the former taking account of heat and electricity consumption and CO₂ emissions alongside factors such as location and size of the property or type and size of heating units. From a technical perspective, the building fabric, materials used, and other considerations related to environmental performance are reviewed. Information provided for the property's energy performance certification comple-

ments this review, which is used to provide information about the potential repositioning opportunities presented by the asset.

GCP's asset repositioning strategy prioritises significant investment in technical improvements, particularly energy efficiency upgrades. Deeper technical due diligence studies inform which measures should be pursued based on economic business case; tenant satisfaction and environmental benefit.

Aroundtown Group Energy Strategy

Energy management across the asset lifecycle

In keeping with our Environmental Policy and portfolio characteristics, we identify opportunities for greenhouse gas emissions reduction and energy efficiency improvements across all asset types as part of the acquisition process and on a regular basis thereafter.

During the acquisition process, for example, we perform extensive technical audits of potential assets to critically examine their environmental profile and improvement potential. This includes examining buildings' structural fabric, their technical systems and appliances, and current management practices (among other things).

Whilst our corporate policy gives preference to investment in buildings with 'green' credentials, poor environmental performance does not deter us from proceeding with a purchase that aligns with our commercial criteria, as the guiding principle of our strategy is to raise asset environmental performance to the desired standard, even where this involves more significant structural interventions.

Fundamentally, the findings of the environmental assessments undertaken as part of our due diligence enable us to develop comprehensive asset environmental improvement plans, including a defined catalogue of measures which are factored into the budget for asset repositioning.

During the operations phase, efforts are made to support ongoing improvements in environmental performance. Across our German commercial portfolios, single-tenanted properties in The Netherlands and GCP residential portfolio, tenants establish their own contracts for electricity (and water in The Netherlands), hence our focus is limited to electricity and fuels consumption within landlord-controlled areas, and building-wide heating systems. We nonetheless work with tenants to improve their performance (see below).

The Aroundtown Energy Department, our in-house centre of excellence, works alongside property managers on an ongoing basis to assess building environmental performance in relation to various parameters and identify improvement measures, particularly in relation to energy efficiency and greenhouse gas emissions reduction.

The cross-functional team oversees all elements of our energy strategy including digitalisation and procurement, project feasibility studies, building systems optimisation and finally performance monitoring and reporting. This encompasses the deployment of an environmental management system approach to building operation, delivering training to staff and engaging with building occupiers.

Energy Investment Program

The Aroundtown Energy Performance Strategy and Policy formalises our lifecycle approach to energy management

by requiring asset managers and project teams to consider low carbon and energy efficiency improvements before commencing any qualifying works, or capital investment.

Target initiatives are prioritised according to our Energy Investment programme, which involves a partnership with an energy development company to invest to €210 million (initially by the end of 2022) in efficient and renewable energy generation and storage systems; EV charging stations; smart meters and advanced energy measurement software.

Anticipating the transition to a more decentralised, renewables-based energy market and electrification of road transport, the purpose of the programme is to improve the competitive position of our properties and unlock opportunities associated with digital technology advancements in the energy, building and transport sectors.

The programme is focused around five core components:

- The installation and operation of solar PV production systems on rooftops and parking areas, up to a potential capacity of 75 MW.
- The installation of highly efficient energy generating systems based on combined heat and power production (CHP) or combined cooling heat and power (CCHP), up to a potential capacity of 60 MW.
- The implementation of electricity storage to support these solar, CHP and CCHP systems. This will enable optimal management of energy consumption and production and provide the necessary infrastructure for fast and ultrafast electric vehicle charging stations to serve Aroundtown; our tenants and their clients.
- The installation of up to 25,000 EV charging stations. This will allow for the conversion of the Group's fleet to

- electric vehicles (EV) resulting in lower fleet cost and more reliable mobility as well as lower emissions.
- The implementation of smart meters combined with a total energy management system (demand/response) to optimise efficiencies in terms of resource use and cost.

The Energy Department provides support to project teams in determining the most appropriate investment given each project's characteristics.

We are progressively rolling out enhanced metering systems across the portfolio with digital and remote readable meters replacing older analogue models. These steps form part of Aroundtown's broader digitalisation strategy which includes the integration of environmental data into our SAP-based enterprise resource planning framework.

Automated digital invoice reading and expanding data coverage via smart meters will enable the Energy Department to monitor real-time energy consumption and more rapidly identify irregularities and inefficiencies at individual building management level; and implement corrective measures to reduce unnecessary resource consumption.

Coupled with measures such as LED retrofitting, hydronic balancing (which optimises hot water flows in central heating systems) and building management system optimisation, we expect the program to achieve energy and GHG emissions reductions of more than 30% across our commercial portfolio.

Green building certifications

Given that our investment strategy is firmly based on existing buildings, we only rarely undertake new construction projects and do not engage in greenfield development. In

instances where new construction has been carried out – such as in the development of two warehouses completed in 2018 and two office assets in Dresden (one of which completed in 2020) – we align our activity with sustainable building certification standards such as the German Sustainable Building Council's DGNB scheme or LEED. This approach also applies to exceptional projects where we undertake more significant redevelopment works. For example, we are targeting LEED Gold certification for an office asset in Frankfurt that is currently undergoing repositioning.

In The Netherlands, where it is common practice to apply the 'BREEAM In Use' standard for the operational management of buildings, and where our portfolio is generally younger, we are working towards a goal of achieving portfolio level certification according to the BREEAM In Use standard.

We already own two BREEAM certified properties in the country, including Newton House, which has achieved a certification to Excellent/Outstanding level for its base-level performance and property management practices. Keen to capitalise on the growing demand commercial demand for green buildings, in 2020 we embarked on a project to secure BREEAM In Use certifications covering Part 1 and 2 (Asset Performance and Building Management) for approximately 20 properties using the portfolio approach. We have identified 40 properties that are currently undergoing a technical and commercial assessment to understand the feasibility of achieving a Very Good certification as a minimum, and aim we aim to achieve certification for the top 20 by the end of 2021. Our longer-term goal is to achieve BREEAM In Use 'Very Good' or above certifications for all our office assets by 2025.

Engaging tenants

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

As a predominantly office investor, we recognise the increasing importance placed by tenants on energy use, and see this as an area where we can support their wider objectives by increasing the energy efficiency of our properties. All tenants, regardless of size, aim to reduce or contain their overall costs of occupancy and wish to benefit from reductions in service charge costs that can be realised through investments in more efficient building infrastructure. Our strategy of progressively replacing heating, ventilation, lighting and other electrical and mechanical systems and equipment with the most efficient and sustainable products available is thus aligned to our tenant satisfaction goals. Investment costs borne by the asset owner can be recuperated in the medium-term through incremental increases in rent, or, in the case of the hotels sector, agreements to share the cost-benefit of savings incurred to the operator through a proportionate additional rental charge.

Beyond investing in energy efficiency and greening our energy supply, we also identify additional measures that can encourage more sustainable practices and support tenants. In our Office portfolio, we work with new tenants to ensure efficiency is prioritised during the fit-out stage such as retrofitting LED lighting in their leased space. Where electric-

ity use is contracted by our tenants themselves (usually in single-tenanted offices) we encourage them to procure green electricity from renewable sources during our tenant meetings. We also actively monitor demand for EV charging stations and either support tenants who want to install their own charging stations or invest in charging stations ourselves at multi-tenanted offices.

In our Hotels portfolio, we work with a range of operators, many of which are franchise brands who follow their own high environmental standards and policies. Our goal is always to reach an agreement with the lessee whereby we are assured that there is a responsible and sustainable building management strategy in place. As such, we are working towards the development of an effective and practical green lease model whereby operators agree to take responsibility for the retrofit of lighting and heating systems to increase resource efficiency and/or integrate renewable energy use, and execute resource-efficient operational management of hotel assets that exceeds legal requirements. Although progress has been delayed by the COVID-19 pandemic, we have already begun to engage with an operator to refine the green lease concept with reference to the ISO 14001 best practice standard.

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

The nature of our Logistics portfolio means that we must work closely with tenants to identify opportunities to influence its environmental impact. All new developments are constructed according to the DGNB Gold standard, and we identify energy savings during refurbishment works. Most of our properties are let to a single tenant, and contain few common areas or shared services that fall under our responsibility as a landlord. In these instances, we engage with our tenants to invest in energy efficiency improvements, equipment upgrades, solar PV installations and electric-vehicle charging stations at their properties.

Within our Retail portfolio, tenants can be significant consumers of energy, and it can be challenging to influence individual practices. However, we are seeing increased interest in environmental sustainability from retailers, particularly our larger tenants who are increasingly setting their own sustainability objectives, and consumers. Our local technical teams are very willing to cooperate with tenants who seek our advice on these aspects. To this end, we are increasing engagement with our tenants to raise their awareness on what we are doing to save energy and proactively coming forward with the steps they can take to reduce consumption on their units.

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

Renewable energy

Over the past few years we have pursued a policy of systematically switching energy contracts to renewable-based electricity and carbon neutral gas supplies each time an agreement is subject to renewal. We are also progressively removing all inefficient, fossil-fuel based heating systems (more than 20 years old) from our buildings and replacing these with the most efficient and, where possible, renewable-based alternatives.

Beginning in 2022, we plan to progressively switch all common areas electricity supply from Guarantee of Origin certificates to carbon neutral Power Purchase Agreements (PPA) for renewable electricity generated from wind, hydroelectric and solar PV sources by 2027.

Understanding climate risks

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

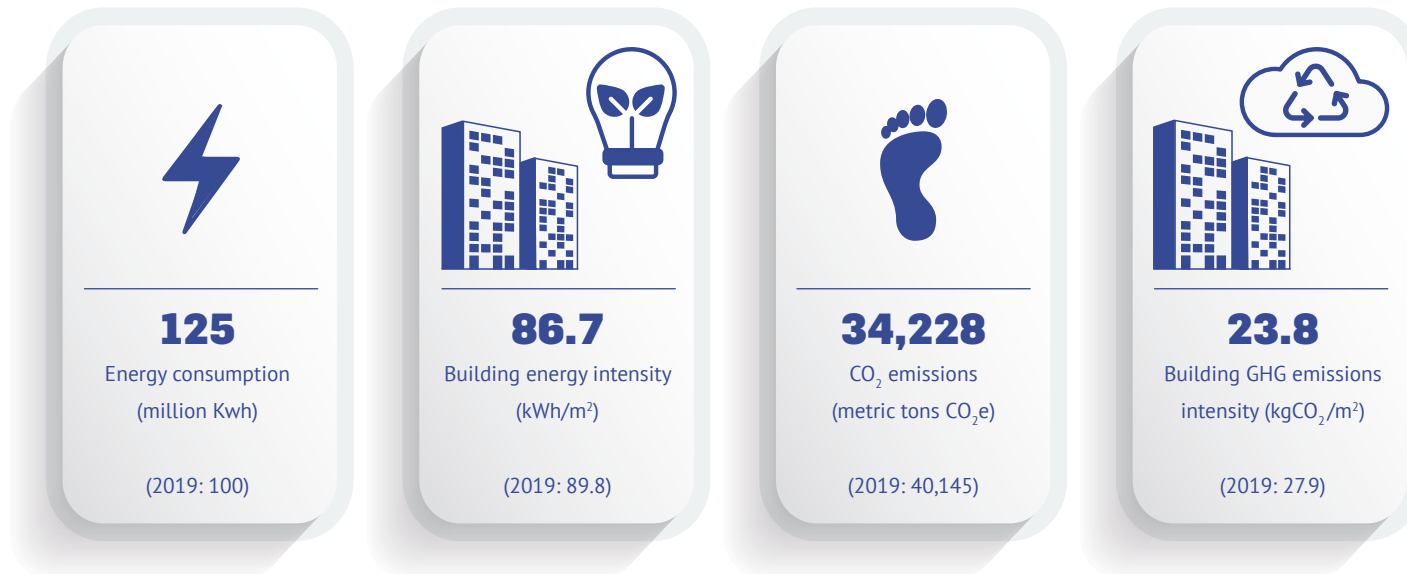
PART 3 – PERFORMANCE

Long-term Goals and 2020 Performance

To guide the implementation of our sustainability strategy and track our progress, we have developed several long-term goals that we are continuing to work towards:

- Achieve a 40% reduction in CO₂ emissions by 2030.
- Optimize the Group's cost structures via installation of sustainable systems and use of renewable energy; implementation of environmentally friendly refurbishment and building upgrades.

We use four key performance indicators that we track on a yearly basis to monitor our performance.



As well as our KPIs, in 2019 we set a target to implement the first phase of our Energy Investment Program including the installation and operation of solar power production systems, high efficiency CHP and CCHP heating and cooling plants and electric vehicle charging stations.

By the end of 2020, heating plants have been upgraded at two assets with the installation of CHP plants with a 150 kW rated capacity. Feasibility studies have been completed for a further 95 projects which have been delayed due to COVID-19. We have also completed the installation of two rooftop solar PV systems with a combined generating capacity of 900 kWp. Feasibility studies have been completed for a further 100 installations which have also been delayed due to COVID-19. Finally, we have installed 13 electric vehicle charging ports across five assets.

Significant activities

Portfolio energy and GHG emissions performance

Asset energy performance and greenhouse gas emissions are monitored and assessed based on total consumption (absolute and like-for-like) and intensity metrics, and benchmarked against average data for buildings of similar type and occupancy level.

Aggregated portfolio data is reviewed and reported in line with regulatory standards and the EPRA Sustainability Best Practice Recommendations (EPRA sBPR), and is used to assess baseline performance at a Group level and evaluate progress against our carbon reduction target. The following data represents a floor area equivalent to approximately 30% of our commercial portfolio, which includes retail, office and industrial assets, and only covers landlord-procured energy consumption. We are progressively increasing the scope and quality of our environmental data due to the continued rollout of automated meters and digital invoicing which we intend to complete by 2022. For more information on data coverage, please see our EPRA sBPR report available on the sustainability section of our website.

In 2020, landlord-obtained electricity across our commercial portfolio totalled 27,316,318 kWh (2019: 32,617,814 kWh). Landlord-obtained heat totalled 72,258,202 kWh (2019: 70,098,452 kWh), and fuels totalled 25,116,316 kWh (2019: 26,368,737 kWh) respectively. This translated into an average building energy intensity of 86.7 kWh/m²/year (2019: 89.8).

The differences are due to changes in the scope of properties included in our reporting. Like-for-like performance can be found in our EPRA sBPR report available on our website.

Mirroring these trends, like-for-like Scope 1 and 2 greenhouse gas (GHG) emissions associated with building energy use across our portfolio totalled 34,228 metric tons of CO₂e in 2020 (2019: 40,145 tons), and we achieved a building GHG emissions intensity of 23.8 kg CO₂e/m² /year (2019: 27.9).

Priorities for 2021

To contribute to these long-term goals and focus our efforts in 2021, we have set the following priorities:

- Increase the scope of energy data to cover all Aroundtown assets
- Undertake hydronic balancing, heating room digitalisation and lighting system optimisation pilot studies as part of the continued roll out of our Energy Investment Program.

We use four key performance indicators that we track on a yearly basis to monitor our performance.

DATA TABLES

ENERGY CONSUMPTION

Key figures	Scope	Unit	Total portfolio		
			2019	2020	% change
Electricity	For landlord shared services	kWh	32,617,814	27,316,318	-15%
	Total landlord-obtained electricity		32,617,814	27,316,318	-15%
	% from renewable sources		72%	71%	-1,4%
District heating & cooling	For landlord shared services		70,098,452	72,258,202	3%
	Total landlord-obtained Heat		70,098,452	72,258,202	3%
	% from renewable sources		0.73%	0.65%	-1,1%
Fuels	For landlord shared services	26,368,737	25,116,316	-5%	
	Total landlord-obtained fuels	26,368,737	25,116,316	-5%	
	% from renewable sources	59%	60%	1%	
Energy intensity	Building energy intensity	kWh/m ²	89.8	86.7	-3,5%

GHG EMISSIONS

Key figures	Scope	Unit	Total portfolio		
			2019	2020	% change
Greenhouse gas emissions	Scope 1	tonnes CO ₂ e	3,002	2,310	-23%
	Scope 2 (location-based)		37,143	31,918	-14%
	Scope 2 (market-based)		24,542	23,575	-4%
	Total (Scope 1 and Scope 2 location based)		40,145	34,228	-15%
GHG gas emissions intensity	Scope 1 and 2 intensity from building energy	kg CO ₂ e/m ²	27.9	23.8	-15%