

# SUPPLY CHAIN & HUMAN RIGHTS

## **PART 1 - UNDERSTANDING THE ISSUE**

Aroundtown is committed to maintaining stringent standards of ethical behaviour throughout our operations and in our supply chain. Our core values of integrity, respect, performance, accountability and sustainability apply to customers, business partners and employees alike.

As a responsible employer, and one of Germany's leading real estate investors, we take all necessary steps to assure that labour laws are being fulfilled, and every precaution to prevent risks of human rights violations. Failure to do so could

have significant negative impacts on our business, leading to a loss of trust among our shareholders, bondholders, tenants and other stakeholders, as well as sanctions and fines.

Maintaining these standards throughout our supply chain is a priority, and through the rigorous application of the Aroundtown Code of Conduct we hold our business partners to the same standards of performance. Although our supply chain is not typically associated with 'high risk' activities or countries, we nonetheless take a risk-based approach to ensure that core labour standards and the rights of individuals are upheld and protected.

## PART 2 – MANAGING THE ISSUE

### Supply Chain Management

To maintain our high standards of ethical behaviour, fair business practices and transparency, it is essential that we ensure our partners in the supply chain fulfil these same expectations. As such, we carefully select suppliers taking account of their corporate philosophy and values and their ESG commitments, and aim to develop long-term relationships with trusted partners who have a proven track record of operating to the same high ethical standards as Aroundtown itself.

We clearly communicate our expectations in invitations for bids, and an open dialogue about our commitment to sustainability plays an important role when beginning a relationship with a new supplier. Although we have no formal policy to prioritise smaller local and regional suppliers, we pay close attention to these characteristics and welcome tenders from such companies, recognising the benefits in terms of reduced procurement risk, as well as the opportunity to support local businesses and boost regional economic development.

All relationships with suppliers and business partners are founded on an explicit commitment to upholding the Aroundtown Supplier Code of Conduct. The ESG standards stipulated within the Code are contractually binding, and we may terminate the relationship with immediate effect should any violations be identified. We also reserve the right to subsequently exclude the contractor concerned from the awarding of future contracts.

In general, supply chain risks are reduced by the fact that all suppliers contracted by Aroundtown operate within central Europe. This means that, like Aroundtown itself, they are subject to the EU's comprehensive legal framework. We nonetheless operate a 'traffic light' system that seeks to identify high risk goods and suppliers. The review alerts our procurement managers to potential risks at an early stage and gives those responsible for the project an opportunity to initiate countermeasures in good time. Our oversight has been strengthened over the past 12 months as we have begun to consolidate some of our procurement activities for common facilities management services, which has also enabled us to focus more on responsible procurement.

Where significant potential hazards are identified, such as in materials handling, suppliers are required to provide evidence of corresponding certifications and permits. In addition, we perform regular checks during site visits, e.g. when materials are delivered, as well as inspections by our appointed health and safety coordinators or fire prevention officers. Through these on-site inspections and subsequent reporting, our internal project managers build up a comprehensive understanding of possible risks associated with different activities and plan accordingly to ensure these are identified and avoided in future projects.

During 2020, checks included heightened requirements regarding the implementation of COVID-19 secure measures for construction and facilities management activities. Furthermore we have included additional guidance and requirements on COVID-19 as part of our discussions with potential bidders to ensure that service providers and construction companies are aware of the need to comply with hygiene regulations, and that these are also adhered to in subsequent operations and on the construction site.

We have implemented a Green Procurement Policy which defines the basis on which contracting decisions should be made and is communicated to all employees with purchasing responsibility. We educate our staff accordingly to enhance awareness of how purchasing decisions affect environmental impact and other sustainability issues in the supply chain and as much as possible, we purchase services and materials from local organisations. Suppliers are expected to mitigate negative environmental impacts wherever possible and orient their operations toward the ISO 14001 environmental management standard. Moreover, we work together with suppliers to assess various aspects of sustainability and discuss where improvements can be made.

## Human Rights

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

Nevertheless, we strengthened the management of human rights within our operations and throughout our supply chain during 2020 with the creation of our Human Rights Policy. The policy details Aroundtown's commitment to fully respect and uphold human rights in accordance with the UN Guiding Principles on Business and Human Rights and international standards, covering topics such as equality, freedom of association, a safe work environment, and education and development. In addition, it lays out the expectations of suppliers, the monitoring and control of violations and infringements, and reporting requirements.

Accordingly, we avoid the possibility of human rights violations in the supply chain. A key element of our asset repositioning strategy involves creating long-term value through the refurbishment of formerly underperforming properties. The building work required by these activities is carried out by construction companies and their subcontractors. The main area for possible human rights violations lies with subcontractors, as these are not under our direct oversight. There is also a risk of human rights violations occurring in relation to the migrant workers employed by large construction firms.

Human rights violations of any kind are not tolerated, and all suppliers must commit to providing decent standards of work. Child labour and forced labour are explicitly renounced. We equally expect all suppliers to foster workplaces free of discrimination and harassment.

Effective controls of business partner selection have been implemented. All business partners, who are primarily local medium-sized enterprises, are required to sign Aroundtown's Code of Conduct for Business Partners, which details a firm commitment to human rights.

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

## 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:

- All construction project processes to be monitored according to an internal “traffic light” system
- Increase the number of supplier audits and maintain zero human rights violations in the supply chain
- To monitor our performance and contribute to our long-term goals, we track human rights violations on a yearly basis:

In 2020, we recorded zero human rights violations in Aroundtown’s operations and throughout our supply chain, or otherwise connected to our business operations.

Below, we have described the progress against our goals in 2020:



Goal	Status	Progress
All construction project processes to be monitored according to an internal “traffic light” system	Achieved	The ‘traffic light’ system was successfully implemented in 2020 and has become an integral tool for monitoring construction project processes. By highlighting any issues and risks at the earliest stage possible, it provides an opportunity for solutions and countermeasures to be implemented in good time.
Increase the number of supplier audits and maintain zero human rights violations in the supply chain	Partially achieved	Due to COVID-19 we were not able to increase the number of site inspections. We have however continued to ensure the safety of construction sites and properties through our high-quality standards and appointed health and safety coordinators and fire prevention officers.

### **Priorities for 2021**

To contribute to these long-term goals and focus our efforts in 2021, we will continue to consolidate and optimise the procurement of our goods and services. For example, we will consolidate the procurement of key services and pool the combined experience across Aroundtown departments and companies with a greater focus on managing ESG risks.