

Our Environmental Report

Reporting in Line with the EPRA sBPR Guidelines

June 2017

About us

At Grand City Properties we are committed to improving the environmental impact of our portfolio. To do this, it is essential that we monitor closely and regularly our energy, water and waste consumption and emissions. We are now doing this systematically across our portfolio (total number of units 83 thousand units as of 31 December 2016), which primarily consists of residential units (76 thousand residential units) with some commercial units (5 thousand units) and nursing homes (1.6 thousand).

After extensive growth of our portfolio in 2015-16, we have collected 2 years' worth of environmental data across as much of our portfolio as possible. In 2017 we are now ready to report for the first time on our energy, GHG emissions, water and waste impacts.

As EPRA members, we have chosen to report our environmental data in accordance with the EPRA Sustainability Best Practice Recommendations (sBPR).

Our Utility suppliers

For the supply of energy we largely work with companies/frame partners who provide electricity and gas on a national level with the exception of assets where we have inherited the current contract from the previous owner of an asset. Water supply and waste disposal contracts tend to be implemented on a municipal level due to the localized supplier economy in these sectors. Whenever possible, we use wholesale suppliers that are not limited to single geographies.

Data verification and assurance

All data generated is reviewed for consistency and coherence before released into the company reporting database. The data that is reported in 2017 has been assured to AA1000 standard.

Overarching recommendations

Organisational boundaries

We only report on assets for which we have operational control. This includes 83 thousand units as of 31 December 2016, of which 76 thousand are residential units and 5 thousand are commercial units within mixed use residential units.

Coverage

In this first year of reporting, and with such rapid growth of our portfolio in the past year, we are not able to report on 100% of our assets, however we aim to improve coverage significantly in our 2018 report. Please see our EPRA performance table for individual coverage of each performance measure.

Estimation of landlord-obtained utility consumption

All data for 75% of the assets which we report on is 100% based on bills received for 2015 and 2016. For the other 25% we have estimated the following percentages:

- Electricity: 8%
- Waste: 10%

Estimations were carried out only where the last utility bill of the year was not available in time for our report. In these instances, the estimations were calculated based on the previous year's consumption during the same period. Assets where an entire year's worth of data was missing were excluded.

Third Party Assurance

Third party assurance of our environmental data has been carried out by GUT Zertifizierungsgesellschaft für Managementsysteme mbH, Berlin, Germany according to Assurance Standard AA1000, limited assurance. A third party assurance statement can be found at the end of this report.

Boundaries – reporting on landlord and tenant consumption

The consumption reported includes only energy which we purchase as landlords. Any tenant data is therefore excluded.

Analysis - Normalisation

Over 90% of our assets are residential and all assets are in Germany. We have calculated intensity indicators using floor area (m²) for whole buildings, including tenant areas. We are aware there is a mismatch between the nominator and denominator in our methodology for calculating intensities, as we receive utility bills for electricity consumed only in common areas, but we receive utility bills for district heating and cooling and fuel consumed both in the common and tenant areas (it is not possible to separate these consumptions).

1.7 Analysis – Segmental analysis (by property type, geography)

Segmental analysis by property type and geography are not relevant for our portfolio. Our assets are all located within Germany, and therefore in the same climatic zone. Additionally, 94% of our assets are residential, with the other 6% being commercial units within residential assets. (see table "EPRA Overview" and "EPRA Performance Measures").

1.8 Disclosure on own offices

Our own occupied offices are reported separately to our portfolio. Please see EPRA GCP Table "EPRA Performance measures" on page 5.

1.9 Narrative on performance

In 2016, our portfolio grew by 28% (in value). Nonetheless, our absolute consumption, intensity and like-for-like performance measures for water, energy and GHG emissions, have reduced between 2015 and 2016, reflecting our ability to improve environmental performance as assets enter and develop throughout our ownership cycle. For example, we have switched 2/3 of our buildings, as well as all of our offices to electricity from 100 % renewable resources during the past 2 years and will continue to switch when existing contracts expire. Furthermore, through the changeover to new high efficiency heating systems we were able to reduce our CO² output by 780 tons (10%) per year and a further reduction of 1,000 tons (10%) per year is planned for the coming two years.

The Company puts emphasis on changing fixed costs to variable costs, which has proven to significantly increase the energy savings. In buildings where the charges for water, hot water and heating have been calculated on a per square meter basis in the past, GCP is installing metering systems that allow the charges to be applied based on actual consumption, which results in tenants becoming more conscious of their consumption, resulting in a lower use of valuable resources. This is enhanced by GCP's awareness creation amongst its tenants through several publications in various languages, independent hand-outs and videos about dealing responsibly with resources and saving costs at the same time.

Waste Management across our Portfolio

The German Waste Management Act governs the entire value chain regarding the disposal and handling of waste at a national level. It includes a five-level hierarchy that lays down fundamental series of steps comprising waste prevention, reuse, recycling, and other elements besides, including energy recovery and waste disposal.

Where there are opportunities to exceed national standards the company is committed to doing so. For example, Grand City Properties regularly encourages tenants to minimize waste and separate types of waste according to the municipal waste disposal procedures (e.g. where waste is incinerated in certain municipalities – and residents are obliged to use this facility – there tends to be less waste separation).

Grand City Properties has also introduced programmes specifically targeting the reduction of residual waste (i.e. waste that is not fit for recycling): Particularly in large assets there are tenant specific volumetric billing systems in place for residual waste, i.e. tenants have a pay-as-you-go system whereby a chip system monitors the volume of residual waste disposed of by tenants (measured by individual rental unit). The billing of actual usage is transparently displayed on the service charge statements so every tenants can see the effects of economizing on residual waste. Therefore the reduction of waste and increase of use of recyclable material is encouraged.

Another aspect of waste handling optimization over and above already refined German statutory requirements is the centralization of waste collection/ storage points. Some apartment buildings were originally built with vertical waste disposal shafts. Hereby tenants were able to dispose of waste on each specific floor in the building making it very simple to dispose of larger volumes of waste. This system had three negative implications: the minimization of waste was not encouraged as disposal was made very easy, the separation of types of waste was impossible, and, the state of hygiene in the building (due to waste being transported in those shafts by means of gravity) was not conducive to the overall well-being of tenants. Where we had those facilities in the portfolios those shafts were closed and easily accessible central waste collection points catering for all types of waste were created, outside the buildings. Hence all three negative implications have been successfully remedied.

1.10 Location of EPRA sustainability performance measures in companies' reports

As we have not published a full Sustainability report this year, this EPRA report is publicly available on our website.

Our EPRA sustainability performance measures are reported in the tables on page 4 and 5 in this report.

OVERVIEW

Impact area	EPRA Sustainability Performance Measures		Intensity indicator	2015	2016	% change
Residential / mixed use						
Energy	Energy-Int	Building energy intensity [GRI-CRESS: CREI]	kWh / m ²	125,47	107,84	-14,05
Greenhouse gas emissions	GHG-int	Greenhouse gas Scope 1 and 2 intensity from building energy [GRI-CRESS CRE.3]	kg CO ₂ e / m ²	54,66	37,31	-31,75
Water	Water-Int	Building water intensity [GRI-C RESS: CRE2]	m ³ / m ²	0,15	0,14	-7,85
Net Lettable Area (m ²)				705.432	705.432	
No of applicable units				10,707/ 81,000	10,707/ 81,000	
Headquarters						
Energy	Energy-Int	Building energy intensity [GRI-CRESS: CREI]	kWh / m ²	77,80	69,21	-11,03
Greenhouse gas emissions	GHG-int	Greenhouse gas Scope 1 and 2 intensity from building energy [GRI-CRESS CRE.3]	kg CO ₂ e / m ²	23,15	8,26	-64,31
Water	Water-Int	Building water intensity [GRI-C RESS: CRE2]	m ³ / m ²	0,17	0,18	6,04
Net Lettable Area (m ²)				9.532	13.845	
No of applicable units				2 \ 32	2 \ 47	

Headquarters

We report of our two largest offices, where 80 % of our employees are working.

Conversion factors GHG emissions

Grand City Properties' conversion factors for GHG emissions and for all relevant energy media are in line with the requirements of the German environmental protection association which represents the highest authority in the country.

EPRA PERFORMANCE MEASURES

Impact area	unit	EPRA Sustainability Best Practice Performance Measures				Residential / Mixed Use				Headquarters						
		Absolute measures (Abs)		Like-for-like (Lfl)		Absolute measures (Abs)		Like-for-like (Lfl)		Absolute measures (Abs)		% change				
		2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	% change		
Energy	kWh	Elecc-Abs, Elec-Lfl	2,144,744	2,062,722	2,040,418	1,953,840	92,497,44	103,217,66							12	
		Electricity (indirect)	Total landlord-obtained electricity													
		No of applicable units (coverage)	10,707 / 81,000	10,707 / 81,000	9,506 / 81,000	9,506 / 81,000	9,506 / 81,000	9,506 / 81,000	2 \ 32	2 \ 47						
		Heat (indirect)	Total landlord-obtained heat													
		DH & C-Abs; DH & C-lfl	46,352,688	39,241,810	40,821,630	32,937,891	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		No of applicable units (coverage)	6,327 / 81,000	6,327 / 81,000	5,144 / 81,000	5,144 / 81,000	5,144 / 81,000	5,144 / 81,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Fuels-Abs, Fuels-Lfl	39,271,286	33,812,200	39,271,286	33,812,200	649,045,33	855,035,45							32	
		Fuels (direct)	Total landlord-obtained fuels													
		No of applicable units (coverage)	4,380 / 81,000	4,380 / 81,000	4,380 / 81,000	4,380 / 81,000	4,380 / 81,000	2 \ 32	2 \ 47							
		No of applicable units total (coverage)	10,707 / 81,000	10,707 / 81,000	9,506 / 81,000	9,506 / 81,000	9,506 / 81,000	2 \ 32	2 \ 47							
Greenhouse gas emissions	tonnes CO ₂ e	applicable net lettable area (m2) total														
		GHG-Dir-Abs, GHG-Dir-Lfl	19,628	12,060	9,686	3,500	165,81	96,95							-42	
		GHG-Indir-Abs, GHG-Indir-Lfl	30,116	24,162	14,150	10,499	54,85	17,43							-68	
		Total	49,744	36,222	23,836	13,999	220,66	114,38							-110	
Water	cubic metres	No of applicable units total (coverage)														
		Water-Abs, Water-Lfl	705,432	705,432	640,652	640,652	9,532,00	13,845,00							45	
		Water (direct)	121,735	113,690	79,687	71,919	1628,19	2507,712							54	
		No of applicable units total (coverage)	10,707 / 81,000	10,707 / 81,000	9,506 / 81,000	9,506 / 81,000	9,506 / 81,000	60 / 60	63 / 63						5	
Waste (Landlord-handled)	liters / %	applicable net lettable area (m2) total														
		Waste-Abs, Waste Lfl	10,569,620	11,292,000	9,442,620	9,939,600	No data	No data							No data	
		Waste	4,122,152	4,403,880	3,777,048	3,975,840	No data	No data							No data	
		recycled waste Recycled (%)	39	39	40	40	No data	No data							No data	
Certified assets	%	No of applicable units total (coverage)														
		Waste-Abs, Waste Lfl	705,432	705,432	640,652	640,652	9,532,00	13,845,00							45	
		Mandatory (EPC): energy certificates	0,84	0,95	0,80	0,95	100%	100%							0	
		% of portfolio certified by building	10,707 / 81,000	10,707 / 81,000	9,506 / 81,000	9,506 / 81,000	60 / 60	63 / 63							5	
		applicable net lettable area (m2) total														
		705,432	705,432	640,652	640,652	9,532,00	13,845,00							45		

Conversion factors GHG emissions

Grand City Properties' conversion factors for GHG emissions and for all relevant energy media are in line with the requirements of the German environmental protection association which represents the highest authority in the country.

Third Party Assurance



Third Party Independent Report Document to Grand City Properties S.A.

In accordance with our mandate, GUTcert GmbH (GUTcert) accomplished an independent third party validation to obtain a **limited assurance** (within the meaning of the Assurance Standard AA1000) of the disclosures in the EPRA Sustainability Reporting 2017 by Grand City Properties S.A. (GCP) for the financial years 01.01.2015 to 31.12.2016. The check includes also the method of collection of consumption data and the special requirements in Germany.

Organisational boundaries, Coverage

The current portfolio of Grand City Properties S.A. includes 81 000 residential (and commercial) Units with 5.066.550 square meters. For EPRA Sustainability Performance Measures GCP collect data of 705.432 square meters. The boundaries covers 13,9 percent of GCP whole portfolio (without nursing homes). Within the chosen organizational boundaries all assets includes all Sustainability Performance Measures of the EPRA Reporting.

GUTcert activity consists of the validation of the acquisition data process adopted by GCP and of the control of the data set and KPIs about consumption of electricity, gas, district heating, oil, water and waste as well as CO₂ Emissions for the years 2015 and 2016.

Methodology

GUTcert undertook the following assurance activities:

- 1) Organization of a meeting with the referee of GCP to receive the official procedures of the Company for the acquisition and the processing of the data. This method is in accordance to the Best Practices Recommendations on Sustainability Reporting, developed by EPRA.
- 2) Providing a review in a random sample survey, concerning:
 - the consumption data reported in the bills of each energy supplier or contractor,
 - the summary data list collection reported within a dedicated model for each property,
 - a final table of general recording of consumption data that includes the comparison of all the collected values with the whole data.
- 3) Discussion of results of the above analysis with the referee of GCP to close open issues and point recommendations.

Verdict

GUTcert verified consumption data of Grand City Properties S.A. for all EPRA sBPR Performance Measures and the methodology of data collection and their treatment. The data set were ordered in a coherent and comprehensive way, contractors' bills are complete (as far as possible) and traceable. If contractors' bills are not available, the figures are based on an extrapolation of actual data from previous period. As a result of our validation process about the figures from a random sample survey we confirm the correctness of the calculated values. The examination and comparison of data do not put in evidence any incorrect situation or any non-conformity.

On the basis of our assessment to obtain a limited level of security, we have not been aware of any issues that may lead us to believe that the EPRA Report of Grand City Properties S.A. is not materially in accordance with the EPRA sBPR Performance Measures.

Recommendations

Without limiting the above mentioned results, we would like to make the following recommendations for the further development of data management and reporting:

- Internal standards should to be defined for all EPRA relevant data collecting,
- Use some software tool for data collection.

Independence of Assurance

- GUTcert is a certification body and has a number of accreditations trough DAkkS e.g. ISO 9001, ISO 14001, BS OHSAS 18001, ISO 50001, ISO 14064 as well approved body for Validation of European Emissions Trading.

Berlin, 30th June 2017

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