
SUPPLY CHAIN & HUMAN RIGHTS

PART 1 – UNDERSTANDING THE ISSUE

GCP is wholly 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 residential real estate companies, 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 key priority, and through the application of the GCP 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

We purchase a range of goods and services from a network of national and international suppliers to support our business activities. The majority of our supply chain activities (by spend and volume of services/materials procured) are associated with refurbishment activities that are conducted as part of our asset repositioning strategy, annual maintenance works or upgrades to technical equipment as part of our environmental efficiency initiatives.

To execute our CAPEX and technical equipment upgrades, we typically work with around 50 contractors across Germany. In parallel, we manage approximately 400 projects that range in size and scope, with an average spend of between €200,000 and €400,000. Approximately 50% of these costs relate to refurbishing apartments, and 18% relate to technical equipment including elevators, electrical, heating, cooling, plumbing and sanitary systems. Other significant categories by spend include balcony refurbishments (8%), roofing (5%), façades (4%) and windows (3%).

To maintain our high standards of ethical behaviour, fair business practices and transparency, it is essential that we ensure that our partners in the supply chain fulfil these same expectations. As such, we carefully select business partners through comprehensive quality checks which cover the company's ownership, size, previous track record, credit rating and compliance with applicable laws and regulations. In consequence, we aim to develop long-term relationships with trusted business partners who have a proven track record of operating to the same high legal and ethical standards as GCP itself.

All relationships with suppliers and business partners are founded on an explicit commitment to upholding the GCP Code of Conduct for Business Partners. Once our new enterprise resource management software is fully integrated, it will provide us with the functionality to track the signing of the Code by all our business partners, further formalising their commitment to operating at the same high ethical standards.

The ESG standards stipulated within the Code are contractually binding, and GCP may terminate the rela-

tionship 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. We clearly communicate our expectations in invitations for bids, including any project or material environmental specifications. An open dialogue about our commitment to sustainability plays an important role when beginning a relationship with a new supplier. In addition, suppliers are expected to mitigate negative environmental impacts wherever possible and orient their operations toward the ISO 14001 environmental management standard.

In general, supply chain risks are reduced by the fact that all suppliers contracted by GCP operate within central Europe. This means that, like GCP itself, they are subject to the EU's comprehensive legal framework. 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 to sites.

The Group's centralised procurement department is primarily responsible for sourcing essential products for GCP and ensuring that the materials specified comply with German law, for example with regards to energy efficiency. If additional energetic or other sustainability-related characteristics are required, the department works with other teams such as the Energy Department. Procurement may be conducted on a departmental basis, for example concerning construction materials, if it is more efficient to do so. Nevertheless, these activities are underpinned by 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. For example, given the short timeline and smaller size of our apartment and building refurbishment projects, we award most projects to local suppliers (defined as up to two hours travelling time from a project).

Human Rights

GCP 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 in Germany and London, 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, 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 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, 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 undertake to avoid all possibility of human rights violations in the supply chain. A key element of GCP's asset repositioning strategy involves creating long-term value through the refurbishment of

formerly mismanaged residential 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 direct oversight by GCP. There is also a risk of human rights violations occurring in relation to the migrant workers employed by large construction firms.

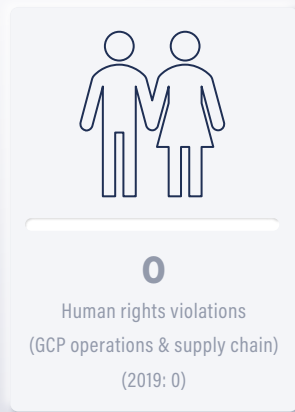
Human rights violations of any kind are not tolerated, and all suppliers must commit to providing decent standards of work. Child labour and forced labour are explicitly renounced. We equally expect all suppliers to foster workplaces free of discrimination and harassment.

Effective controls of business partner selection have been implemented. All business partners, who are primarily local medium-sized enterprises, are required to sign GCP'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 GCP project manager, who deals directly with the on-site contractors. Regular 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. GCP also conducts 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 are committed to maintaining zero human rights violations in the supply chain. To monitor our performance and contribute to our long-term commitment, we track human rights violations on a yearly basis:



As in 2020, we recorded zero human rights violations in GCP operations and throughout our supply chain, or otherwise connected to our business operations.