

LEG Immobilien SE

# ESG Agenda 2024

## A Joint Journey

11<sup>th</sup> June 2021

**LEG**

2021



# ESG Agenda 2024

## Agenda

- 1 Executive Summary
- 2 Contextual Background & Framework
- 3 ESG house of LEG
  - E**nvironment
  - S**ocial
  - G**overnance
- 4 Appendix







# 1

## Executive Summary – A joint journey

# ESG Agenda 2024 – A joint journey

## Key takeaways



E

- We are committed to climate targets
  - **10% CO<sub>2</sub> reduction by 2024**
  - **Committed to Climate Act 2030** and to **climate neutrality by 2045**
- We intend to invest **up to €500m** into energetic modernisation until **2024**
- **Key driver** for our energetic transition **until 2045** are:
  - **Tenants engagement** needed to contribute up to **5%** to the overall improvement
  - **Energy transition** to shift towards green district heating and green electricity, driving **65% – 70%** of the overall improvement
  - **Refurbishments** to achieve **>30%** of energy reduction, contributing **25% – 30%** to the overall improvement

S

- **Affordable living** segment and responsibility for our client base remains core to our **DNA**
- We aim to reduce tenants' **iteration calls** by **15%** in **2021**, from 2022 onwards to be replaced by a **customer satisfaction index (CSI)** with a target level of **>70%** by **2025**
- Further building on the strong partnership with local communities, leading to a preferred partner status
- Our colleagues make the difference, and we want to remain a highly attractive employer with a **Trust Index** of at least **66%** in **2024**

G

- In **2021** we aim to defend our strong **Sustainalytics rating** of **10.4**
- Our target is to have **one-third** of our fully independent **supervisory board** to be represented by women after the **AGM 2022**
- Compliance management system certified by the Institute for Corporate Governance in the German Real Estate Industry

# Our ESG mission statement



## Environment

- A promoter of the transformation of the residential sector towards climate neutrality
- Committed to the enforced German Climate Change Act 2045 and UN Paris Climate Agreement 2050



## Customers, Colleagues, Communities

- A committed leader for affordable housing of good quality
- A top employer, promoting a corporate culture of diversity, open-minded-ness and respect
- A strong partner in developing our local communities

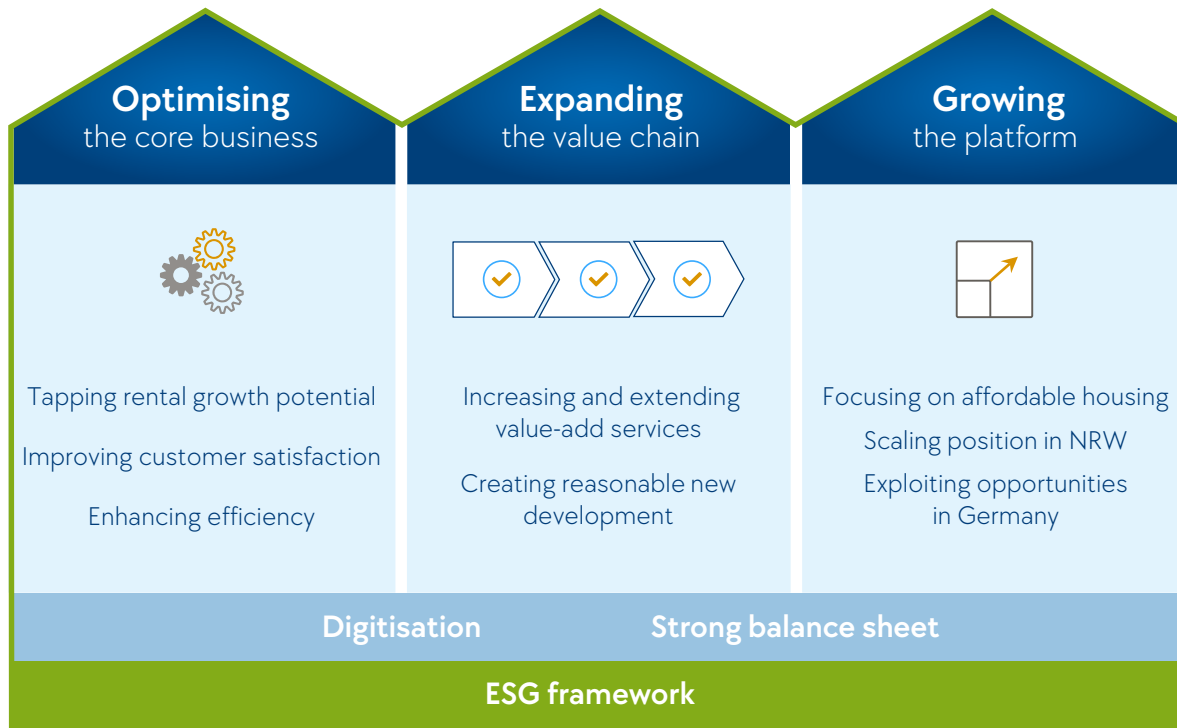


## Governance

A highly effective governance that ensures day-to-day compliance with our values, the law and the ethical standards that form the basis of our reputation

# ESG providing the framework to our overall strategy

## ESG framework



## LEG's strategy needs to balance ESG and commercial objectives

### Environment



We are committed to the 2030 and 2045 climate targets

### Social



Core to our business with focus on affordable living segment overall and **24%** social housing

### Governance



General principles for our corporate being

# LEG-specific ESG targets

Measurable and auditable targets lay the foundation for our ESG roadmap

## Targets

### Environment

- 1 2021 – 2024: Reduction of CO<sub>2</sub> emissions by **10%** in 4 years<sup>1</sup>
- 2 2021: Energetic refurbishment of at least **3%** of units<sup>1</sup>

### Social

- 3 2021 – 2024: Maintain high employee satisfaction level (**66%** Trust Index)
- 4 2021: Reduction of iteration calls from tenants by **15%**
- 5 2021 – 2025: Ambition to become best in class in customer recognition by 2025 with a Customer Satisfaction Index of **>70%**

### Governance

- 6 2021: Maintain Sustainalytics rating at a score of **10.4**

<sup>1</sup> Units as at 12/19.



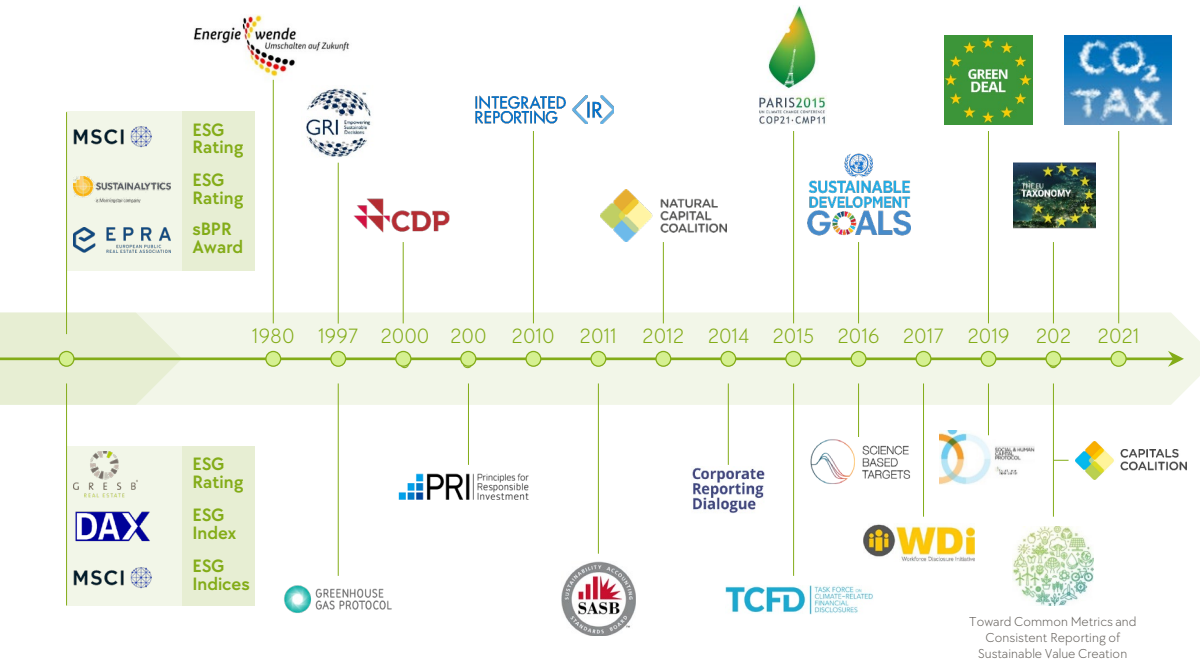


## 2

# Contextual Background & Framework



# Acting in a global context and a framework of increasing standards & guidelines



## Paris Climate Accord 2015

- Limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels

## European Green Deal 2019

- Reduction of Greenhouse Gas emissions of **55%** by 2030 (vs. 1990)
- Climate neutrality by 2050

## Fuel Emissions Trading Act 2019

- Introduction of carbon tax

## Europe EU Taxonomy 2020

- Direct investments in order to achieve European Green Deal targets

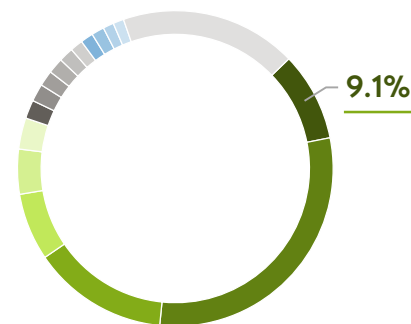
## German Climate Change Act 2020/ 2021 (implementation of EU Green deal into federal law)

- GHG reduction by **55%/65%** until 2030
- GHG reduction in real estate of **68%** until 2030
- Climate Protection Plan for 2045 as "roadmap to climate-neutral real estate stock"
- Introduction of carbon tax in 2021

# Carbon emissions in global context

## Global CO<sub>2</sub> emission by country 2019

Total 38Gt



EU28	9.1%	Iran	1.9%	Mexico	1.3%
China	29.7%	South Korea	1.8%	South Africa	1.3%
USA	13.9%	Saudi Arabia	1.6%	Turkey	1.1%
India	6.9%	Canada	1.6%	Australia	1.1%
Russia	4.6%	Indonesia	1.5%	Other	24.0%
Japan	3.2%	Brazil	1.3%		

## German and sector CO<sub>2</sub> emission in global context

9.1%



EU28

Germany

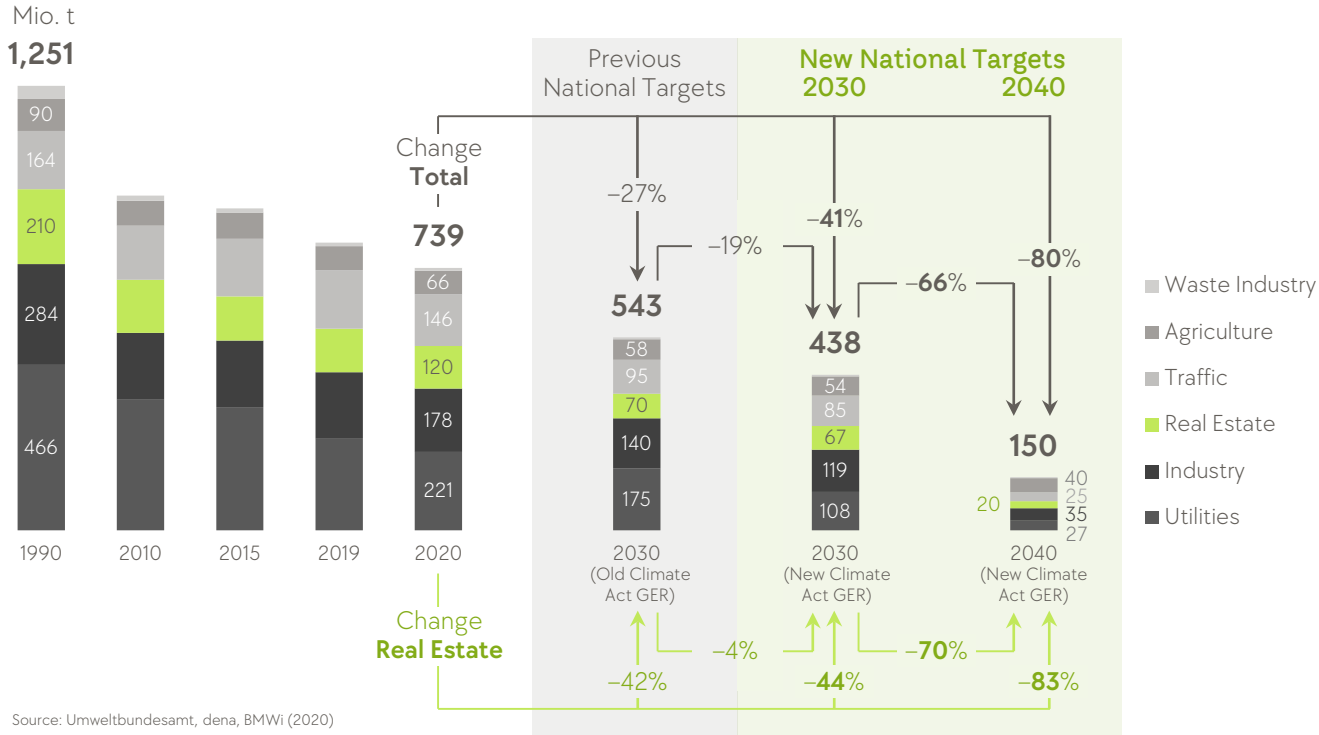
Germany Real Estate

LEG

# German reduction path by sectors

Further enforcement of Germany's targets and climate neutrality targeted by 2045

## Germany CO<sub>2</sub> emission in sector context



Source: Umweltbundesamt, dena, BMWi (2020)

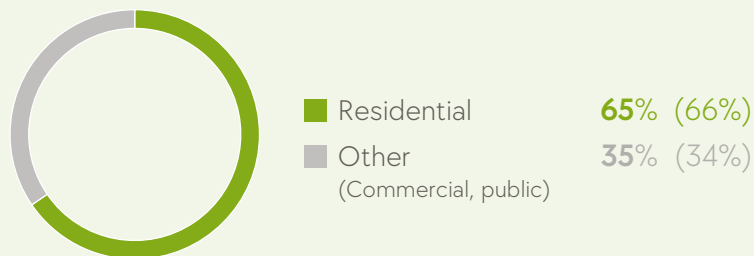
- Real estate sector represents **16%** of Germany's emissions (2020)
- New climate change act enforces carbon reduction to 65% when compared to 1990 (vs. previously 55%) by 2030 and climate neutrality by 2045
- Significant reduction for real estate sector required:
  - 44%** by 2030 vs. 2020
  - 83%** by 2040 vs. 2020
- Uniform and consistent EU ETS (European Trading System) required to allow for uniform prices and standards across the EU and to allow for a holistic carbon reduction framework

# Real estate sector Germany 2020

Two thirds of sector driven by residential

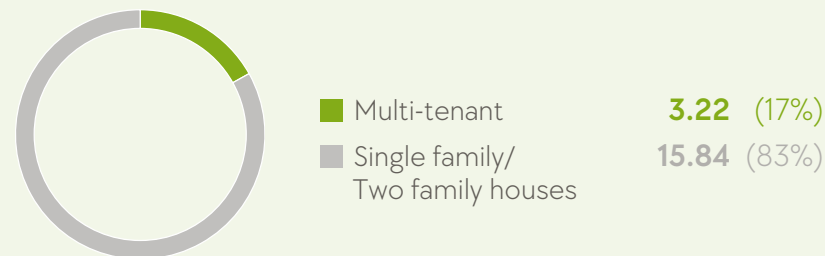
## Real estate: Breakdown by type based on sqm

(Energy consumption %)

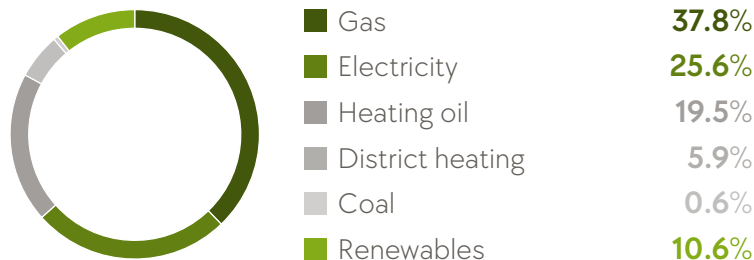


## Residential Real Estate: Type of building in million

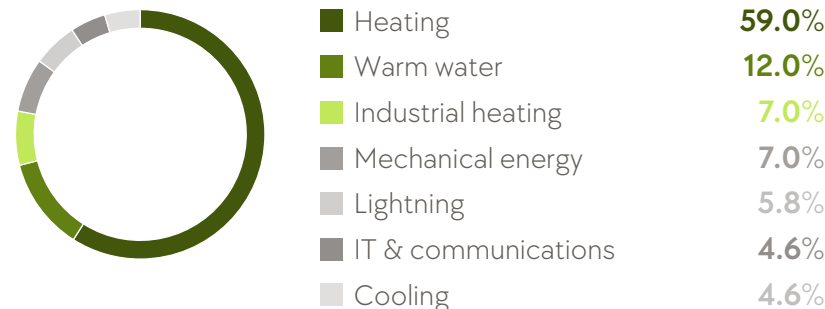
(%)



## Real estate: Energy sources



## Real estate: Energy usage by application



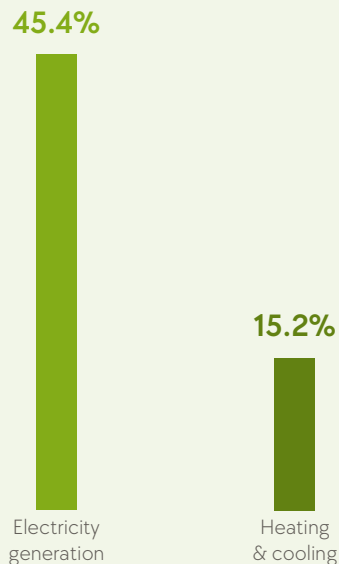
Source: Umweltbundesamt, dena, BMWi (2020)



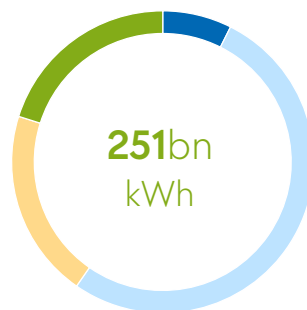
# Share of green energy and breakdown in Germany 2020

Biomass with a significant contribution

## Share of renewable/ green energy in Germany

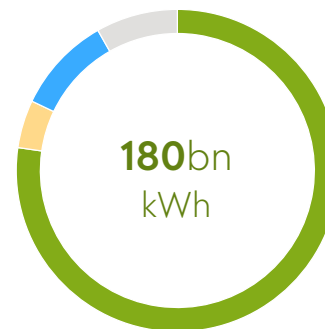


## Split of green energy to electricity generation



- Water
- Wind
- PV
- Biomass & Biogas

## Split of green energy to heating and cooling



- Biomass & biogas
- Solar thermal
- Geo thermal
- Other

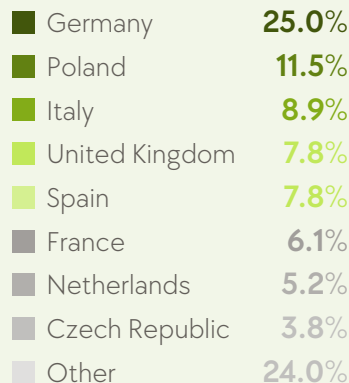
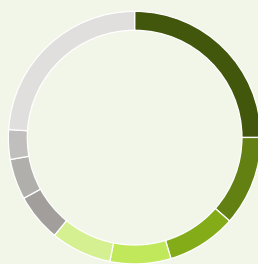
# Different frameworks regulate different industries

Power sector, manufacturer and airlines regulated under EU-ETS via CO<sub>2</sub>-certificates

## EU-ETS<sup>1</sup> (since 2005)

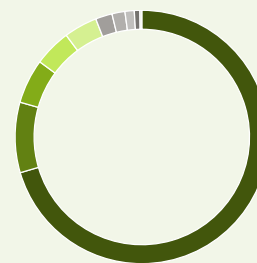
- Comprises **27** EU countries, UK, Iceland, Liechtenstein, Norway
- Covers the **power sector**, **manufacturing industry** as well as **airlines**
- Covers emissions from c. **10,000** installations
- Minimum thresholds for installations apply (installations above 20MW)
- Captures c. **40%** of EU's carbon emissions
- Cap and trade principle

Million t CO<sub>2</sub>-Equivalent

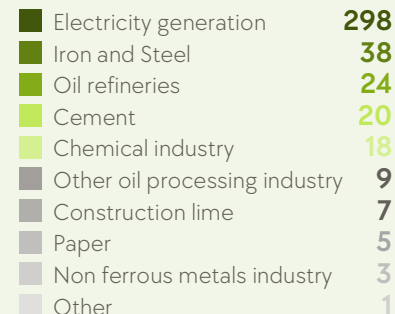


## EU-ETS in Germany

- c. **1,500** installations covered



Million t CO<sub>2</sub>-Equivalent



## CO<sub>2</sub> certificate price (€/t)



<sup>1</sup> Emission Trading System, incl. UK

# German carbon tax based on Fuel Emissions Trading Act

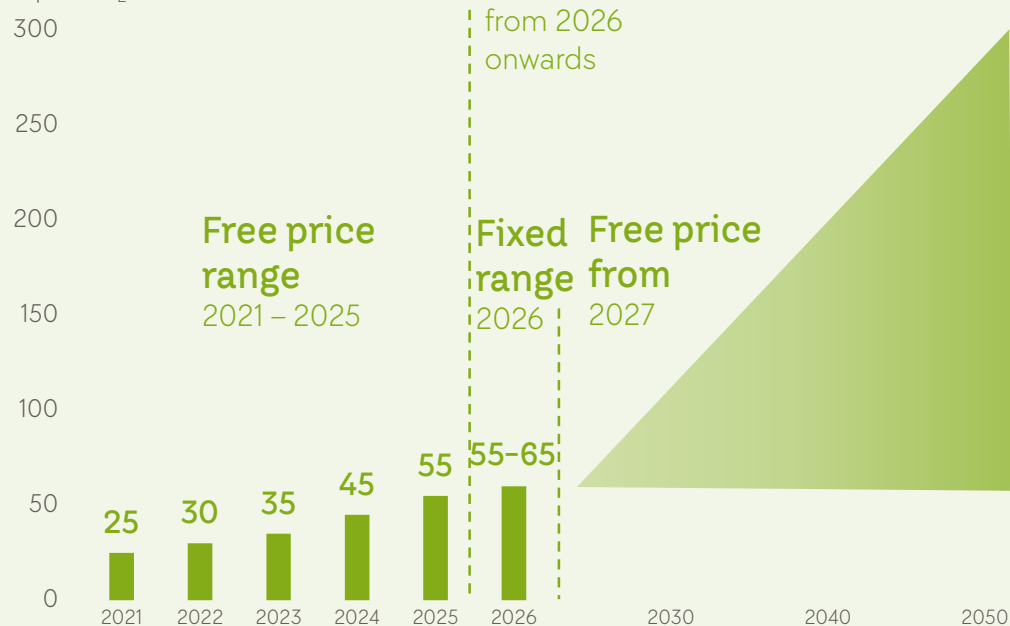
Heat energy and traffic covered by nETS via carbon tax

## National ETS (nETS) Germany

- Since 2021
- Covers the sectors **heat energy** and **traffic**
- Carbon tax per ton, based on Fuel Emissions Trading Act (BEHG)
- Via **heat energy** effect on **real estate**
- Fixed price path until 2025, full market price from 2027 onwards
- Expected tax income for German state of €7-8 bn in 2021
- LEG factored in €2m negative effect on FFOI for 2021 financial guidance (assuming 50/50 split)
- Also reflected already in our 2020 valuation with a €420m negative effect (assuming a 50/50 split)

## Carbon tax price path in Germany based on national ETS

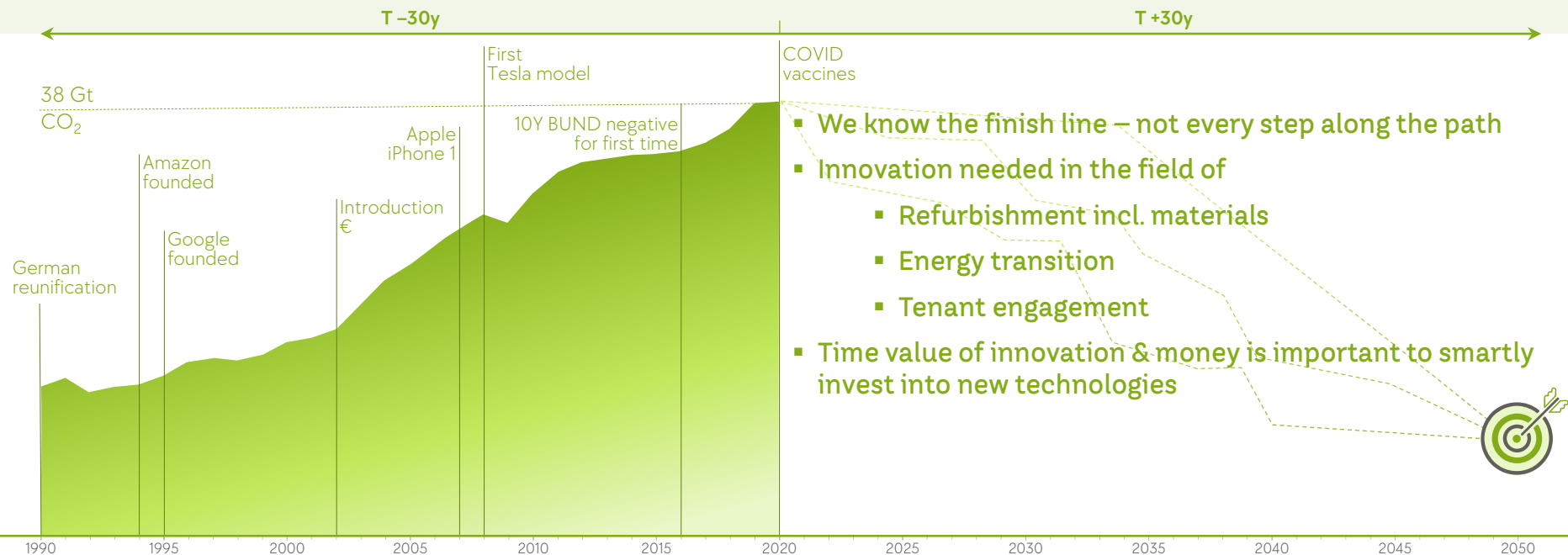
€ per CO<sub>2</sub> tonne



# It's a marathon and not a sprint – just crossed the starting line

No quick fix available – investments required, but also innovation

## Global CO<sub>2</sub> emission development & key innovations/ events



Source: European Commission for Global CO<sub>2</sub> Emissions





# 3.1

## ESG house of LEG – E nvironment

# Our new headquarter (2022)

Fulfilling high environmental standards



Gold  
Certificate

- 2 new office buildings of which one externally rented out to commercial clients (c.4% of LEG's total commercial space)
- C. **7,600** sqm own office space
- New office for **>400** colleagues
- Green rooftop
- High efficiency standards
- LED lightning
- Efficient systems for heating, ventilation and warm water
- E-charging stations for EV's and E-bikes

# Environment

## Overview

Targets  
& investments

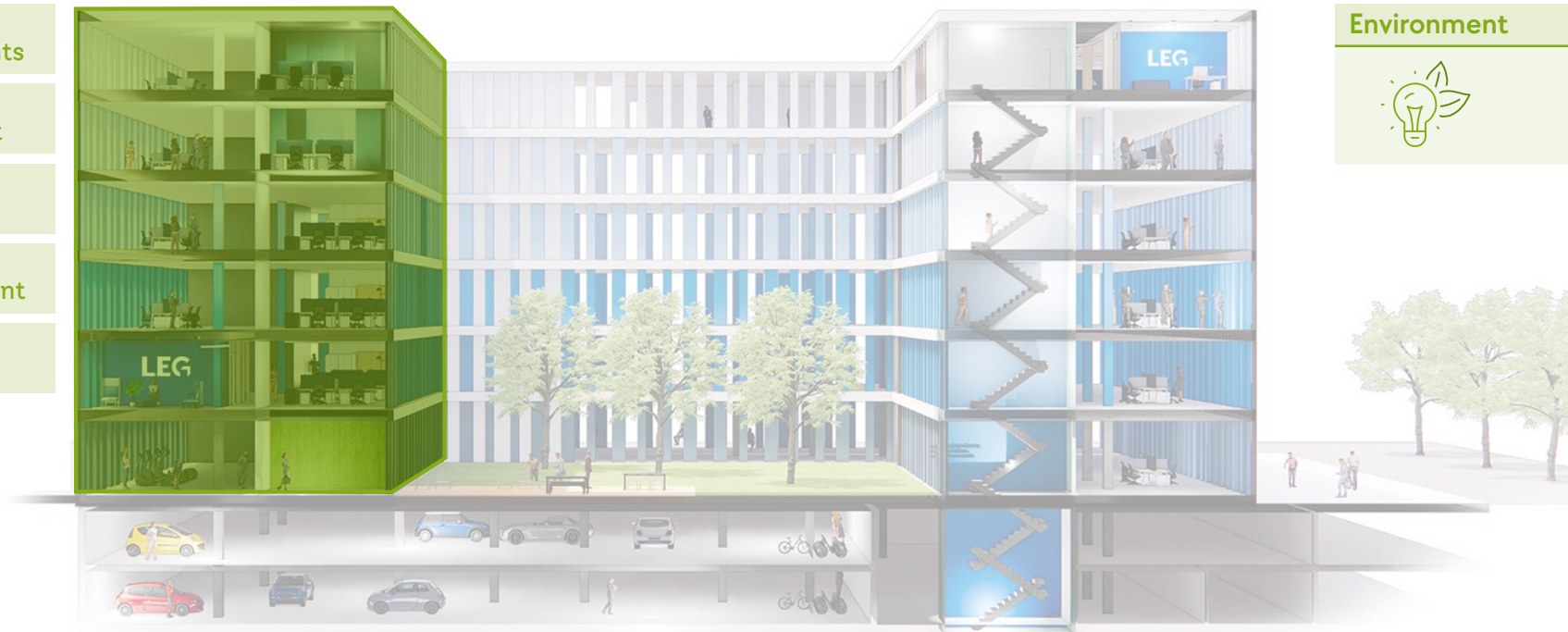
Tenant  
engagement

Energy  
transition

Energetic  
refurbishment

Carbon  
footprint

Environment



Partnerships

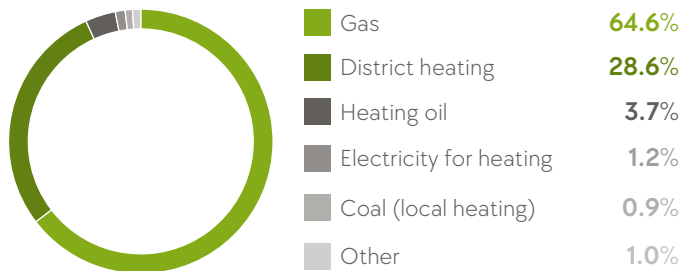
# LEG Carbon Balance Sheet 2020

36.7kg CO<sub>2</sub>e/sqm as the starting point for our transformational journey

## Opening carbon balance sheet

- Bottom-up approach
- BAFA factors in line with GHG protocol
- Scope 1 and scope 2
- 36.7kg CO<sub>2</sub>e/sqm** based on heating energy
- 311k t CO<sub>2</sub>** in total
- C. 2/3 coming from gas

## Heat energy by source



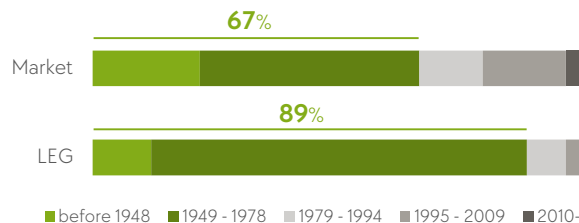
- Based on actual consumption 2019 (81% actuals, 19% certificates)
- Extrapolated for 2020
- Limited assurance by PWC
- 100% of portfolio covered

## Reflecting our roots

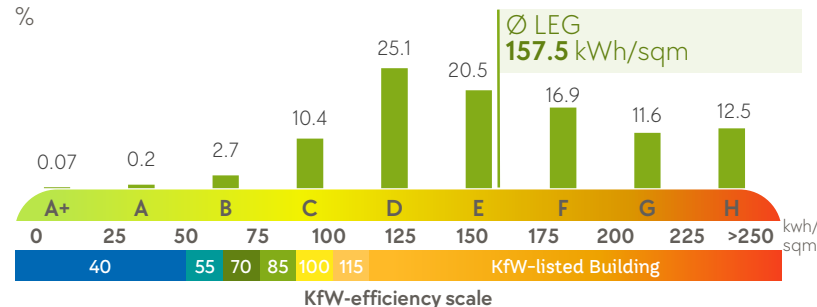
Energy efficiency of our portfolio of **157.5 kWh/sqm** is a function of corporate DNA & history:

- Providing affordable housing in post-war Germany

## LEG portfolio by construction years vs. LEG market



## Distribution by energy efficiency classes LEG





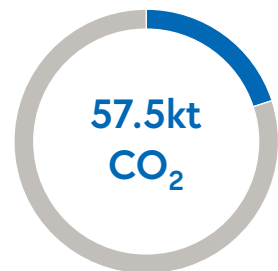
# LEG's biomass plant

Providing us with an competitive advantage – not reflected due to current framework

## 2020 LEG starting point for its portfolio: 36.7kg CO<sub>2</sub>e/sqm

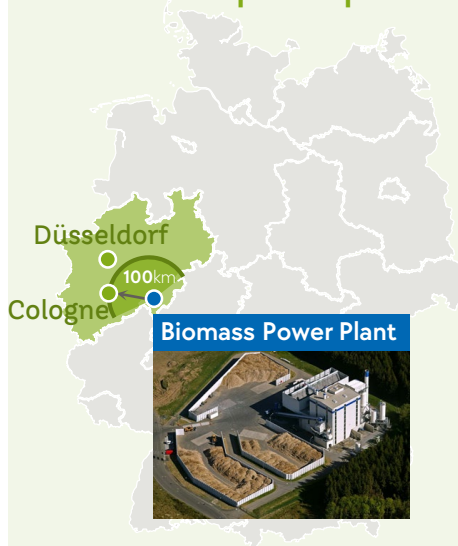
- LEG bottom-up approach based on actual consumption
- Not reflecting the bio mass plant
- Scope 1 and scope 2
- **311kt CO<sub>2</sub>** in total
- **157.5 kWh/sqm**

## Potential offset from biomass plant



Potential  
**18%** off-set  
from own  
biomass plant

## LEG Biomass power plant

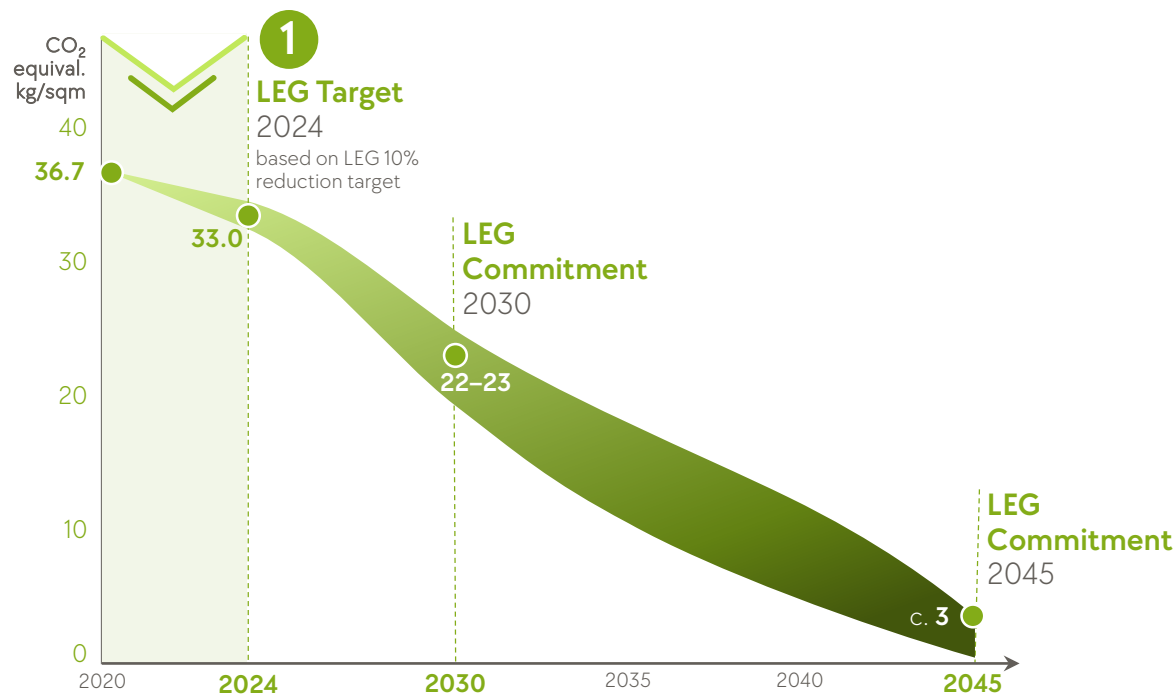


- Started 2005
- Own carbon neutral power plant, c. 100km from LEG hubs
- Green energy from waste wood
- Recognised as carbon neutral energy
- Production of district heat and electricity for local commercial area
- Due to distance to LEG buildings, energy not provided to own buildings
- Annual production of 105,000 MWh of electricity (represents annual production of onshore wind farm with 20 large wind turbines)
- **Not reflected** in our **36.7kgCO<sub>2</sub>e/sqm** footprint

This represents savings of **57.5kt CO<sub>2</sub>** and potentially carbon neutral electricity for **45,000 LEG units**, i.e. around **1/3** of our portfolio

# Our transformational corridor until 2045

LEG is fully committed to the new German Climate Change Act

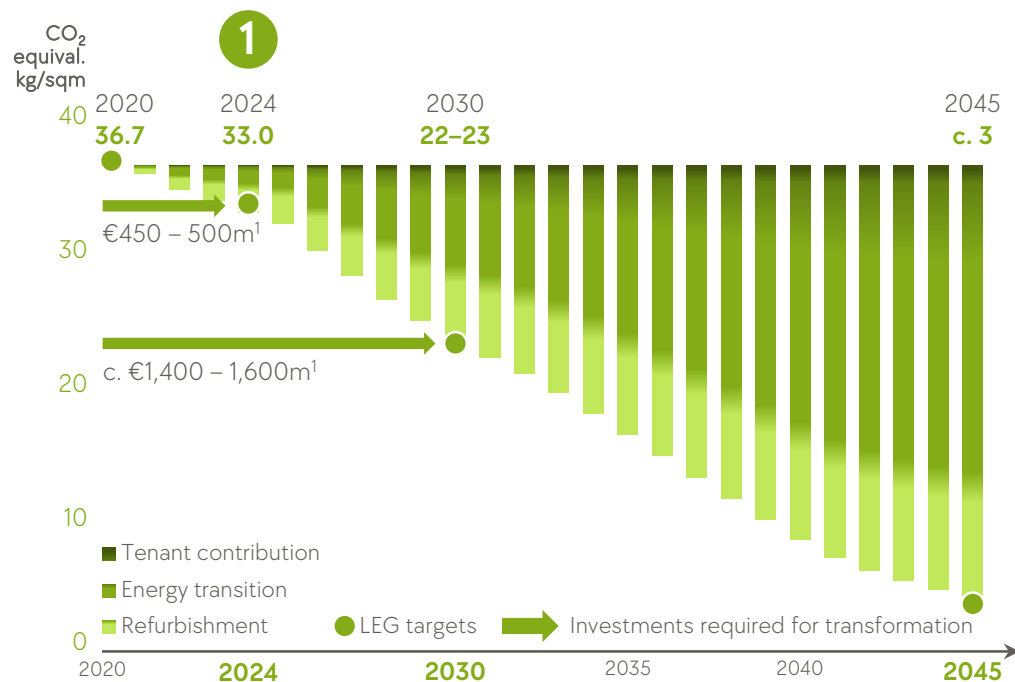


1 Units as at 12/19.

- LEG fully committed to new German Climate Change Act to achieve climate neutrality by 2045
- LEG targets a CO<sub>2</sub> reduction of **10%** by 2024<sup>1</sup>
- Regular internal and external GHG audits as well as verification of GHG target retention
- **3%** of units to be refurbished in 2021<sup>1</sup> **2**
- Key driver will be the general transition of Germany towards green energy
- Refurbishments will require a more standardised and industrialised process and innovation around materials
- Tenants will also need to contribute to the transformation on the back of technology and digitisation
- The journey will therefore be rather within a corridor than along a straight path

# Transition roadmap towards climate neutrality

Energy transition and energetic refurbishment are the main drivers to reach the targets



## Tenant engagement

- Digitisation of heating system via smart metering
- Education and incentivisation of tenants
- Contribution of up to **5%**

## Energy transition

- Shift from fossil energy mix to green district heating
- Shift towards green electricity along Germany's transition path
- Contribution of **65% – 70%**

## Energetic refurbishment

- Targeting **3%** of units to be refurbished in 2021 **2**
- **At least 30%** efficiency improvement
- Insulation of the building shell, incl. windows and doors
- Contribution of **25% – 30%**

<sup>1</sup> Estimate based on current price levels for materials and services and taking no innovation and efficiency improvements into account. Based on portfolio as of 12/2020. In 2021 LEG aims to spend c. €110m for energetic improvements.

# Tenant engagement

Contribution of up to 5% from the tenant to our overall reduction necessary

1

## Consumption data

Consumption data from heating and warm water visualised for tenant in order to encourage customers rethinking their consumption behaviour. Tenants might then change consumption individually or automatically. Change in tenant behaviour is expected.

2

## Presence control

Due to an automatic registration of the buildings' use (e.g. registration of the actual geolocation of the tenant) or even the use of a single room heating will be adapted accordingly.

3

## Heating system

- Adaption of flow temperature to local weather conditions
- Provisioning of heating depending on actual space heating demand; measurement possible via actual value adjustment or via metrological registration of the temperature of the effective heating surface
- Hydraulic adjustment ensures that the system provides each room with the precise heating required.

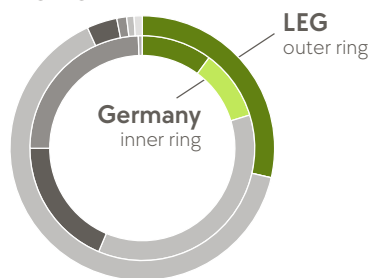


# Energy transition – LEG with a good starting point

Key driver will be the shift towards green electricity and green district heating

## Heat energy by source LEG / Germany

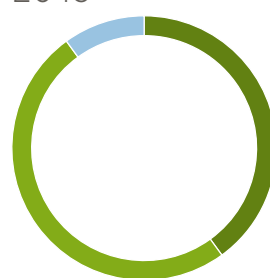
2020



	LEG outer ring	Germany <sup>1</sup> inner ring
District heating	28.6%	5.9%
Renewable	n.a.	10.6%
Gas	64.6%	37.8%
Heating oil	3.7%	19.5%
Electricity for heating	1.2%	25.6%
Coal (local heating)	0.9%	0.6%
Other	1.0%	n.a.

## Target heat energy mix LEG

2045



Green district heating	40%
Green electricity	50%
Gas	10%

- Gradual shift from fossil energy towards green mix
- Increase in electricity along the planned transformation of the German energy mix towards green energy assumed
- Increase in green district heating from already high levels, benefitting from location of assets in bigger cities
- Assuming a remaining gas share of **10%** as a conservative assumption. A complete shift towards green energy would reduce footprint to full climate neutrality
- CO<sub>2</sub> reduction from energy transition by **65% – 70%**

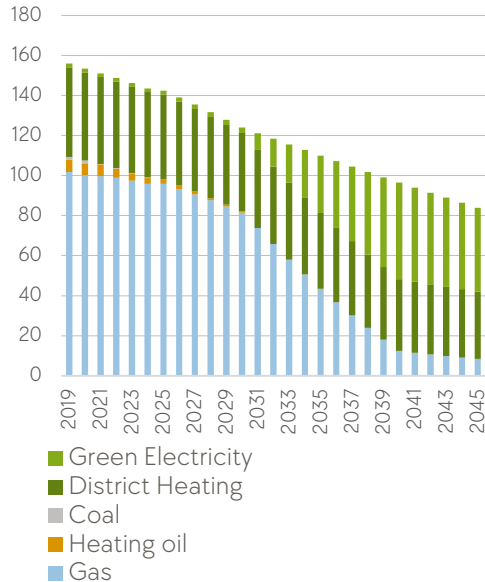
<sup>1</sup> Source: BMWi 2020



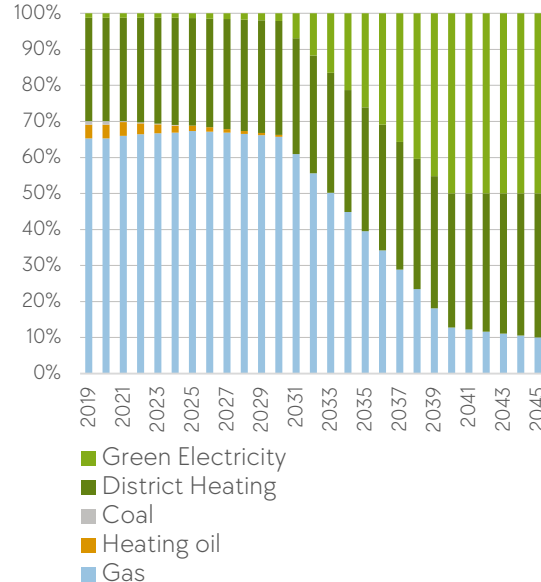
# Transformation path energy mix

Shift towards green electricity and green district heating

## Energy consumption in kWh/m<sup>2</sup> towards 2045 targets



## Total energy mix shift towards 2045 targets



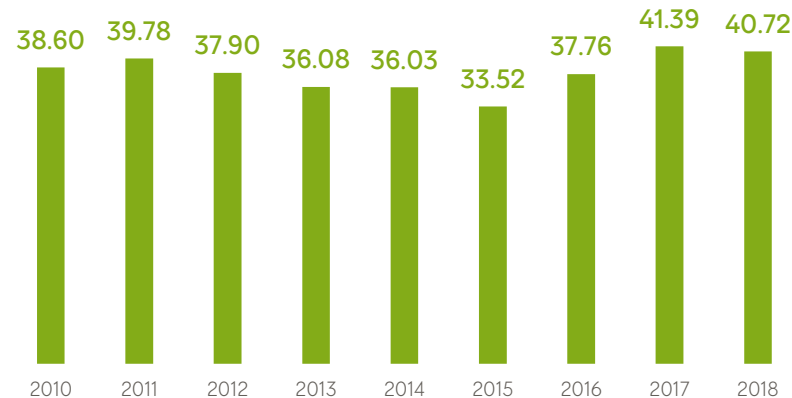
- Shift towards green district heating and green electricity based on transformation path of climate change act
- Assuming climate neutrality for electricity and district heating by 2045 according to energy sector targets of climate change act
- Requirements:
  - Energetic modernisation of buildings
  - Change of heating systems to heat pumps
  - Connection to green district heating systems

# The investment paradox for Germany

No progress for the market in energy efficiency since 2010 despite significant investments and new construction activity

**>€340bn invested**  
in energetic refurbishments since 2010...

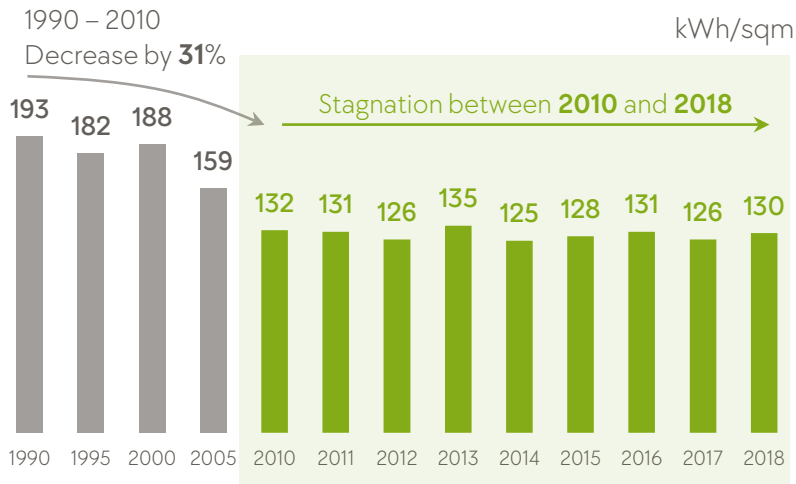
€bn



- Investments into energetic refurbishments of residential households

Source: Federal Statistical Office; New construction volume calculation of DIW Berlin; Model calculation DIW Berlin, GdW

**...leading to no efficiency gains**

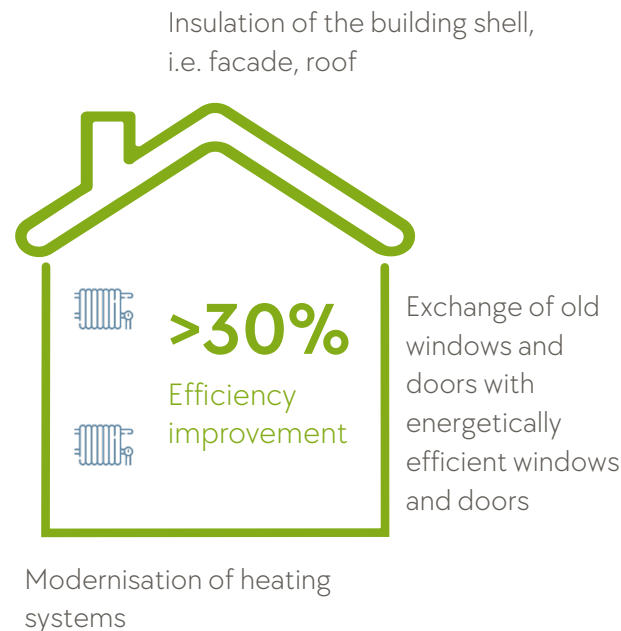


- Including construction of **2.7m** new units and almost **300k** demolished units since 2010
- Should have improved efficiency by **15%** (GdW)

Source: Federal Ministry of Economics, GdW

# Energy-efficient refurbishment

Shift towards a more holistic approach and aiming for at least 30% efficiency improvement



## Estimated refurbishment costs

€/sqm

475–525



G/H to B

350–400



B to A

- **10%** CO<sub>2</sub> reduction by 2024
- Targeting **3%** of units to be refurbished in 2021
- Shift towards a more holistic approach with lower share of individual measures and higher share of full comprehensive refurbishment measures
- At least 30% of efficiency improvement
- Latest Federal Court of Justice ruling constrains rent increase potential, whereas new BEG<sup>1</sup> is more generous with regards to KfW grants
- CO<sub>2</sub> reduction from refurbishment of **25% – 30%**

1

2

<sup>1</sup> Bundesförderung für effiziente Gebäude (BEG)/ Federal support for efficient buildings

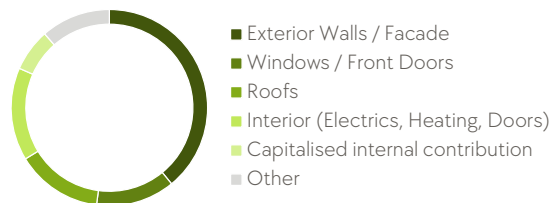
# Strong track record for energetic refurbishments

A review of our 2017 – 2020 programmes: >30% energy reduction

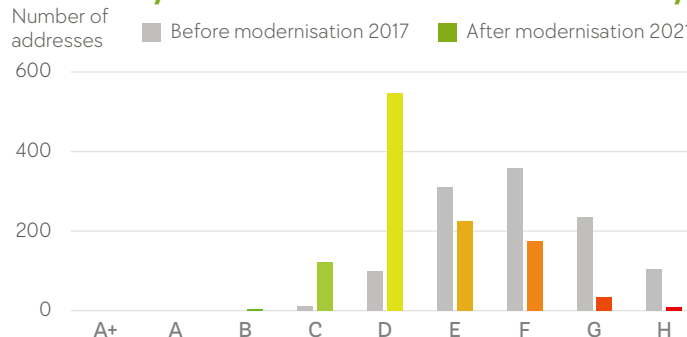
## What we achieved so far

- Programme started **2017**, ramped up over time
- Achieved energy reduction of **>30%** through these projects<sup>1</sup>
- >450** modernisation projects completed since 2017
- 76** locations
- ~17,000** units
- Total refurbishment costs of **€275m** for the completed projects<sup>2</sup>
- Approx. **50%** of total project volume for full modernisations

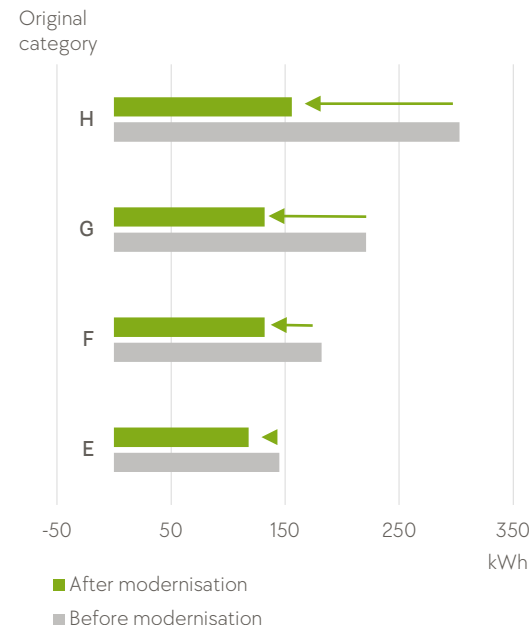
## What we did



## Efficiency class distribution 2017 vs. today<sup>1</sup>



## Drivers for improvement

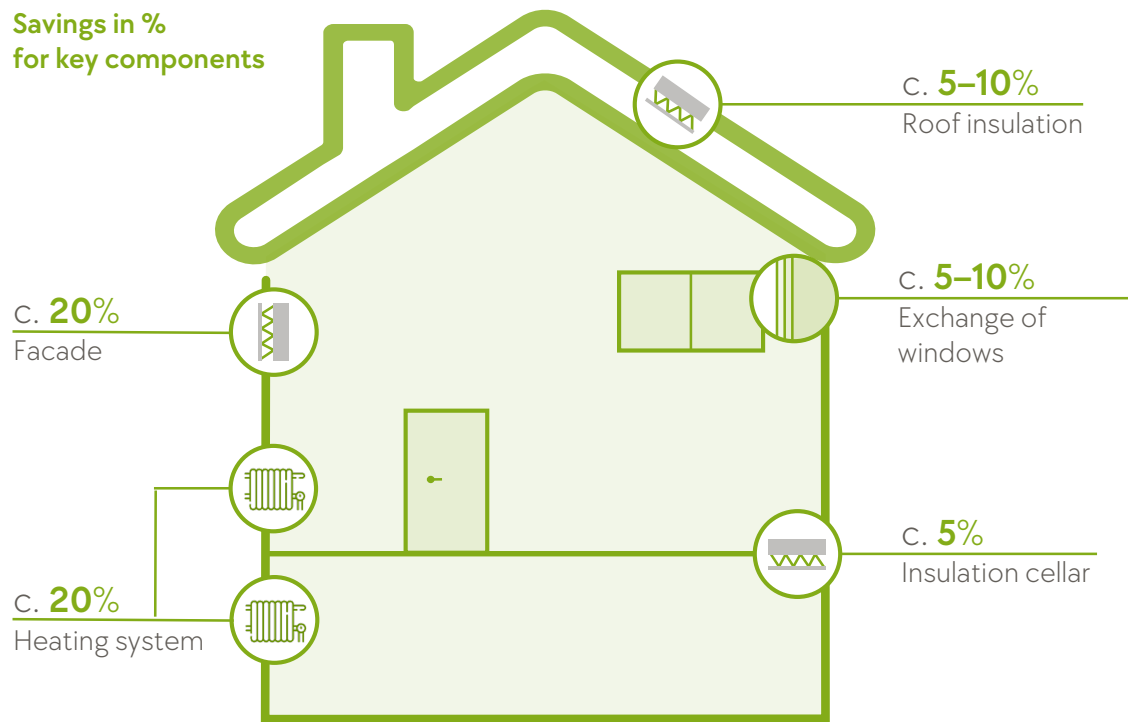


<sup>1</sup> Based on analysis of renewed energy passports only. <sup>2</sup> Energetic share only, total modernisation costs are usually higher as they also include non-energetic incurred costs.

# Average savings from energetic refurbishment per component

Biggest effects from facade and heating systems

Savings in %  
for key components



## Implications

- LEG portfolio typically comprises different levels of refurbishment
- Ranging from original status, to one component being renewed to full refurbishment
- Overall heterogeneous status quo across the portfolio
- Biggest effect from facade insulation and new heating system

# Energiesprong Real World Laboratory

Standardising energetic modernisation to bring down costs and speed up process

## Promoter



Bundesministerium  
für Wirtschaft  
und Energie

**dena**  
Deutsche Energie-Agentur

**energie  
sprong  
de**

## Powered by

**LEG**

- Similar buildings with similar technology and energy efficiency
- In-house experience in modernising buildings
- Own network of craftsmen
- >€10m investment volume

## Targets



### Serial modernisation/ Prefabrication

- Prefabrication of facade modules and roof elements
- Serial production
- Scalable to bring down costs per unit
- Easy installation of modules at the building



### Net zero-standard

- Balanced result from energy consumption and production
- Includes entire energy consumption (heating, warm water, cooling, electricity)
- Application of PV/ heat pump systems

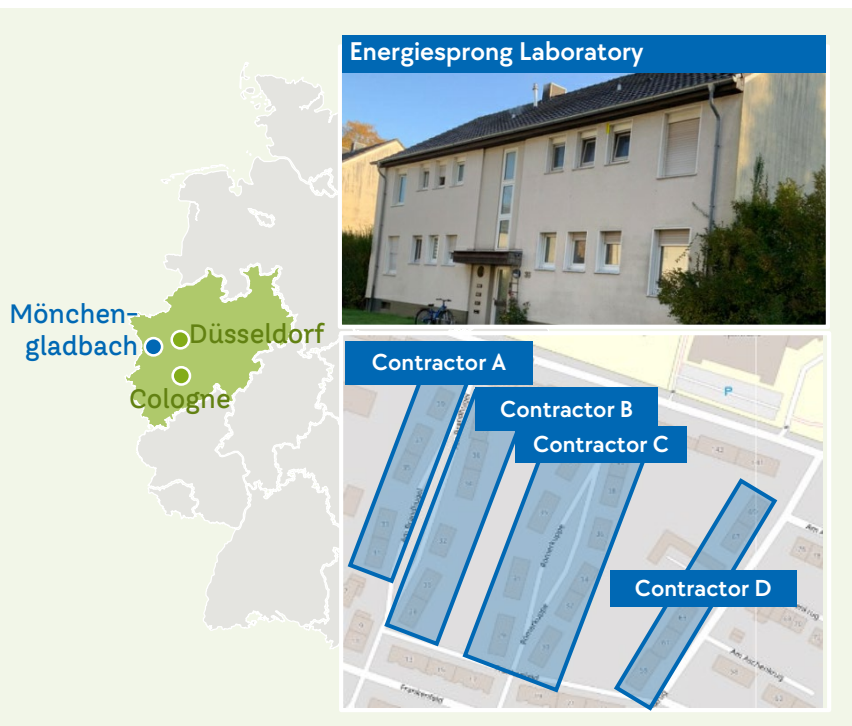


Ensure affordability



# Energiesprong Real World Laboratory

Location Mönchengladbach



- 4 similar complexes of 2-floor buildings
  - Total of 22 buildings
  - Modernised by different contractors in parallel to test different approaches/technologies
- 
- Original construction year **1956**
  - Number of units **111**
  - Energy efficiency class **H**
  - KWh/sqm **190**
  - CO<sub>2</sub>ekg/sqm **55**
- 
- Planned project period **2020 – 2023e**
  - Target **NetZero Standard**

# New buildings: Not the solution from an ‘E’ nor ‘S’ perspective

Debate often starts at the wrong starting point – comparing apples with oranges

## Total costs of ownership perspective required

### Demolish old building and rebuild



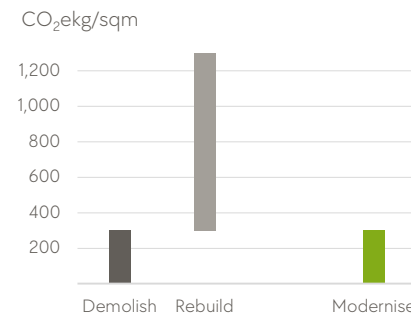
- Closes the supply gap but not helpful under ‘E’-perspective
- Concrete, steel, glass, hydrocarbon products, land consumption as key driver
- Wooden/ hybrid multi-tenant buildings not available for affordable mass market (c. 3% share for new multi-tenant buildings)

### Energetically modernise



- Improve existing stock
- Significantly smaller footprint than new construction

### Comparison (Illustrative)



## Different product

Minimum replacement cost  €3,000/sqm<sup>2</sup>

LEG  €1,503/sqm

**4.7%** Gross residential yield

At ~€3,000 minimum replacement cost without land for a comparable new product, the company’s in-place yield of 4.7% would imply a rent/sqm requirement of c. €12/sqm<sup>1</sup>, which is not feasible to achieve in the affordable living segment

<sup>1</sup> Based on €3,000/sqm. <sup>2</sup> Excluding costs for land, traditional construction.

# New planing process kicked-off – update in Q3

Balancing capex yield vs. carbon yield

## Investments

- 2021 c.€110m for energetic measures planned
- Budget process for 2022 investments started
- Shift towards a more holistic approach, i.e less individual measures, more full modernisation projects
- BEG-framework considered

€390–400m<sup>1</sup>

€40–42/sqm

c.€110m



FY 2021



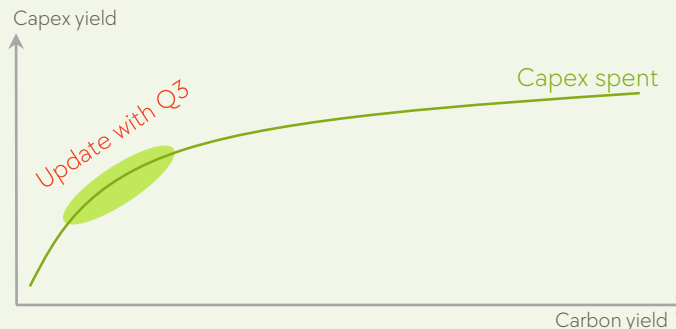
FY 2022

Update with Q3

- Energetic refurbishment
- New development
- Acquisition backlog
- Capex
- Maintenance

## Capex yield vs carbon yield

- Shift of paradigm from pure rental yield focus to balance rental and carbon yield
- At least 30% efficiency improvement
- BEG grants to support measures and yield on investments



<sup>1</sup> Capex + Maintenance

# BEG programmes

Energy-efficient construction and refurbishment

Programme	BEG Energy-efficient buildings (existing buildings and new construction)		BEG individual measures
Eligible measures	<p><u>Existing Building</u></p> <ul style="list-style-type: none"> <li>▪ Efficiency House 40, 40 EE</li> <li>▪ Efficiency House 55, 55 EE</li> <li>▪ Efficiency House 70, 70 EE</li> <li>▪ Efficiency House 85, 85 EE</li> <li>▪ Efficiency House 100, 100 EE</li> <li>▪ Efficiency House Listed, Listed EE</li> <li>▪ Planning</li> </ul>	<p><u>New Construction:</u></p> <ul style="list-style-type: none"> <li>▪ Efficiency House 40+</li> <li>▪ Efficiency House 40, 40 EE, 40 NH</li> <li>▪ Efficiency House 55, 55 EE, 55 NH</li> <li>▪ Planning</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insulation</li> <li>▪ New windows and/or front doors</li> <li>▪ Heating system</li> <li>▪ Renewable energy</li> <li>▪ Digital systems (efficiency smart home)</li> <li>▪ Planning</li> </ul>
Max. amount <sup>1</sup>	<p><b>€120,000 - €150,000</b>                      Planning: <b>€4,000</b> (max. <b>€40,000</b> for each building)</p>		<p><b>€60,000</b>                      Planning: <b>€2,000</b> (max. <b>€20,000</b> for each building)</p>
Repayment bonus <sup>12</sup>	<p><b>25% - 40%, +5%</b> for EE                      Planning: <b>50%</b></p>		<p><b>20%-40%, +10%</b> for changing oil heating                      Planning: <b>50%</b></p>
Type of financing	Subsidized loan with repayment bonus or grant only		Subsidized loan with repayment bonus or grant only
Use at LEG			

<sup>1</sup> For each residential unit. <sup>2</sup> Calculated on the eligible amount

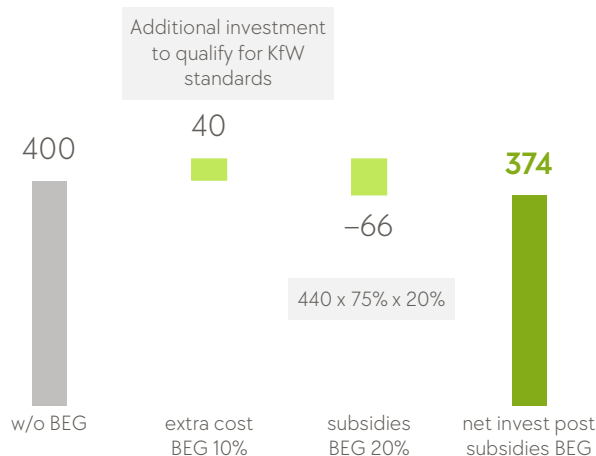
# Energy-efficient refurbishment

Simplified calculation with and without BEG

## Illustrative examples

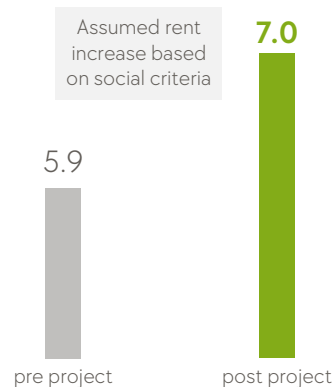
### Investment

€/sqm



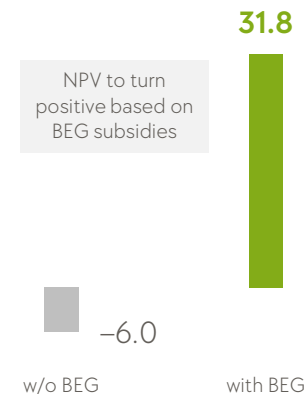
### Rent

€/sqm



### NPV

per sqm



### Valuation impact

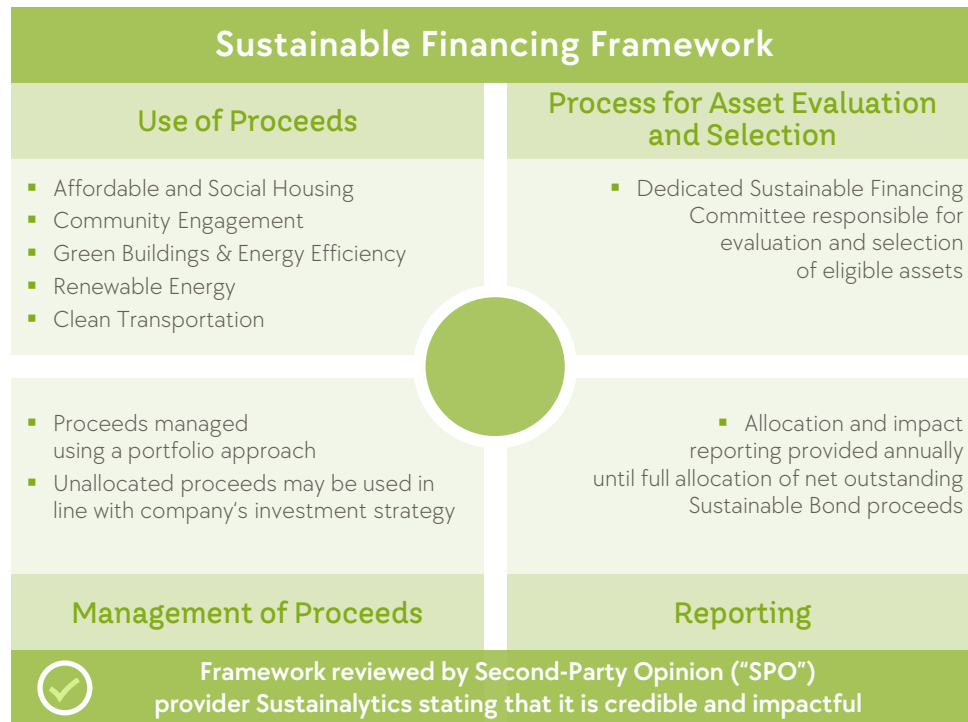
Up to **25%** valuation uplift through higher modernisation standards in combination with the direct grants / repayment bonus

1 Assumptions: Apportionment of modernisation costs: 60%, in example new rent capped at €7.0; KfW-eligible modernisation costs: 75%; NOI-Margin: 75%; Rent growth p.a.: 1.0%; Discount rate: 3.0%

# Our Sustainable Financing Framework

Part of our sustainable business strategy

- LEG has established its Sustainable Financing Framework to finance or refinance social and green assets that contribute to its ESG agenda
- The Framework is developed to be in line with the ICMA, LMA and APLMA principles for sustainable financing and contributes towards the United Nations Sustainable Development Goals
- Sustainable asset pool: around €3.3bn





# Eligible Asset Categories (1/2)

Assets related to social



## Affordable and Social Housing

Expenditures related to the construction, acquisition, modernization and renovation of affordable and social housing assets or single units that are qualified under existing statutory social subsidiary schemes in Germany

Additionally, expenditures relating to improving access to housing for people with disabilities are eligible as well. Beneficiaries of the Affordable and Social Housing category include low-income groups and people disadvantaged by disabilities

Eligible affordable and social housing assets should meet at least one of the below criteria:

- **Assets / units that are under the statutory subsidy scheme** in accordance with § 2 (2) of the German law on Social Subsidized Housing (Gesetz über die soziale Wohnraumförderung (Wohnraumförderungsgesetz – WoFG) in Germany for social housing (“Soziale Wohnraumförderung”) and are only accessible for tenants with a permit for subsidised housing (“Wohnberechtigungsschein”) in accordance with § 27 (1) of the German law on Social Subsidized Housing (Gesetz über die soziale Wohnraumförderung (Wohnraumförderungsgesetz – WoFG), as amended or replaced by successor legislation from time to time; or
- Assets / units that LEG rents to **tenants with a permit for subsidized housing** or to tenants where **part of the rent is paid directly by local public authorities**

## Community Engagement

Expenditures to actively support and positively impact local communities through LEG’s foundations:

- **LEG NRW Tenant Foundation:** Provide financial relief for tenants in hardship, care service for tenants in need as well as integration of immigrant communities, or
- **Your Home Helps Foundation (Stiftung Dein Zuhause hilft):** Create more liveable and more stable neighbourhoods and a nurturing environment, identify social problems at an early stage and provide support for tenants in need

**Social contribution to the Sustainable Development Goals**



# Eligible Asset Categories (2/2)

Assets related to environmental



## Green Buildings & Energy Efficiency



Expenditures related to the construction of new buildings, operation of existing buildings or renovation of existing buildings (with a minimum energy efficiency upgrade) in the commercial or residential real estate sector that meet or will meet at least one of the below criteria:

- **Recognised certification schemes**, such as:
- **Modernisation of existing buildings that lead to a decreased primary energy demand** of at least 30% compared with the energy demand (in case of residential property) or energy demand or energy consumption (in case of non-residential properties) prior to the investment, as evidenced by an energy performance certificate ("Energieausweis" in accordance with the German Energy Savings Regulation (Energieeinsparverordnung - EnEV), or where already available in accordance with successor legislation Gebäudeenergiegesetz as amended or replaced by successor legislation from time to time; or
- **Individual renovation measures that improve energy efficiency;** or
- Research & Development expenses that aim at **finding measures to reduce the energy demand** of the real estate sector

## Renewable Energy



Expenditures related to installation of new or operation of existing **renewable energy production facilities**. Eligible Assets can be assigned to one of the below categories:

- Onsite photovoltaic panels
- Offsite solar and wind energy production facilities
- Bio-mass power production facilities, only if resources do not compete with food production

## Clean Transportation



Expenditures related to the installation of charging infrastructure for electric vehicles and support infrastructure for zero-emissions personal mobility devices, as well as electric vehicles of own fleet

## Green contribution to the Sustainable Development Goals





# 3.2

## ESG house of LEG – Social

# Social

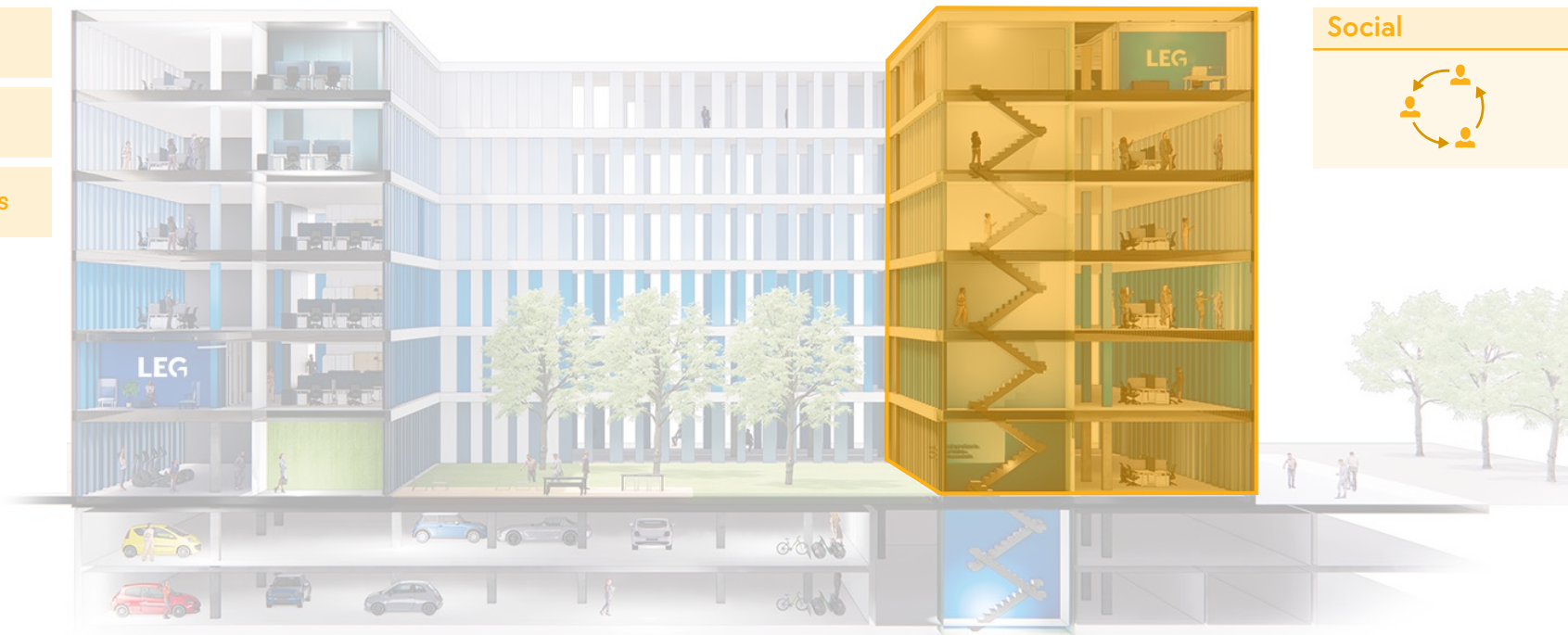
The core of our daily business



Customer

Colleagues

Communities



Social



# Affordable living is at the core of our corporate DNA

Attractive rents overall – especially for tenants in our rent-restricted units

## Providing an affordable home

- Social responsibility for our **400,000** customers
- Providing a home at affordable prices
- **145,000** units at **€6.0<sup>2</sup>/sqm**
- On average rent of c. **€380** per month per unit
- Rent increases for rent-restricted units only every 3 years by inflation factor

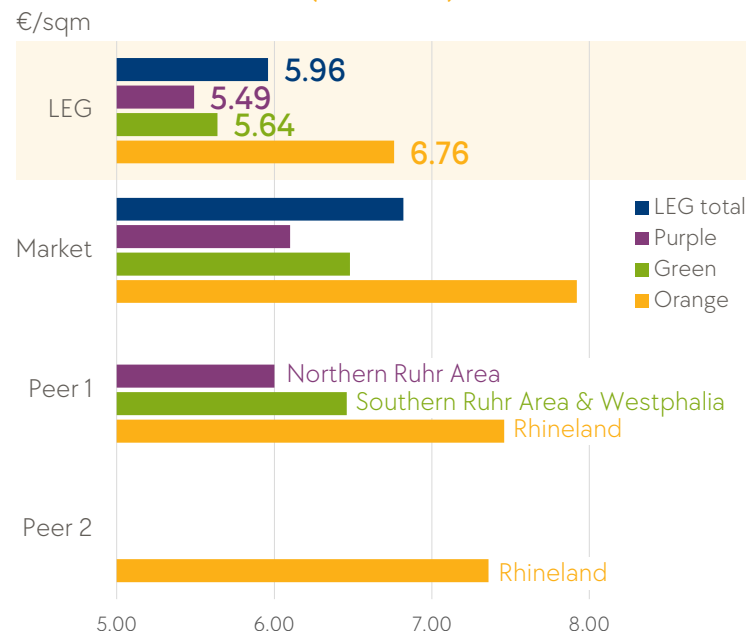
## 24% of our units are rent-restricted



## Preconditions for tenants of rent-restricted units

- Rent-restricted rents c. **20%** below free-financed rents
- Entitlement from local municipal office
- Personal income **<25k€ p.a.** for family with 2 children (North-Rhine Westphalia)

## Attractive rent levels in market context (YE 2020)<sup>1</sup>



1. Peers Vonovia and Deutsche Wohnen with respective market clusters, Market numbers from CBRE for respective LEG market clusters. 2. As at 31 March 2021



# Customer – Colleagues – Communities

Social

01

Customer

Satisfaction



02

Colleagues

Attractive  
Employer



03

Colleagues

Diversity



04

Communities  
District  
Management &  
Foundations



05

Communities

New  
development



S



# Customer types

Voice of the Customer (VoC): A very diverse range of customer demands

## Entrants to work & independent life

- **13%** of our customers are in the age group 18–29
- **39%** of our customers live less than 5 years in an apartment

"I prefer to use the App and look for flexibility in payment options, deadlines, agreements and paperwork."



## Tenants with a migration background

- **36%** of our customers have a migration background
- Currently customers from **167** countries rent an LEG apartment

"I am happy that I found an affordable apartment. There is a language barrier and I would need more time for you to understand me."



- **19%** of our customers are supported by the social security system
- On average **2.4** people live in our apartments

"Our apartment is quite small, so we need space outside for our kids to play in a safe environment."



## Families supported by social security system

- **22%** of our customers are in the 70+ age group
- **10%** of our customers live longer than 30 years in their apartment

"I have lived in my apartment for 30 years and have high expectations on neatness in and around the house. Especially the bathroom requires a modernising that fits my needs."



## Senior citizen

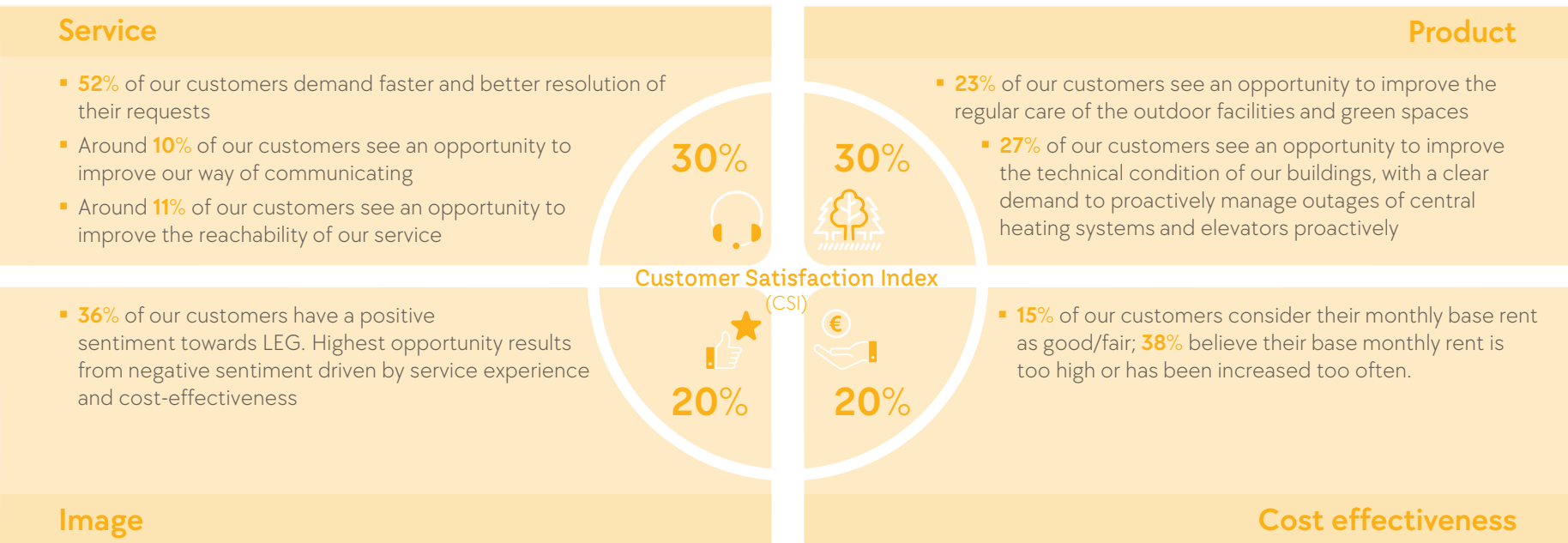
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01



# Drivers of customer needs

Service, product, image and cost-effectiveness as main drivers of customer satisfaction

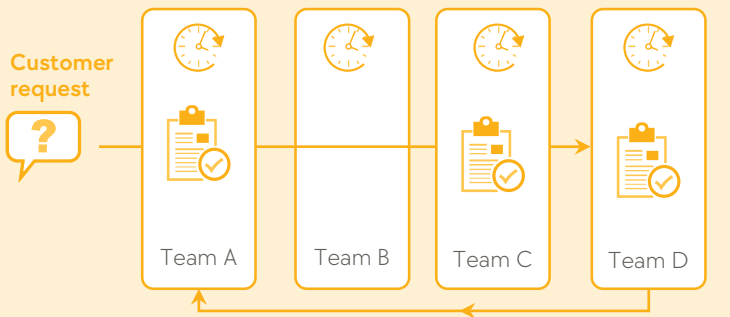


These customer needs are the outcome of a verbatim analysis as an integral part of our VoC evaluation based on more than 20,000 customer comments

# Building a solutions-driven organisation

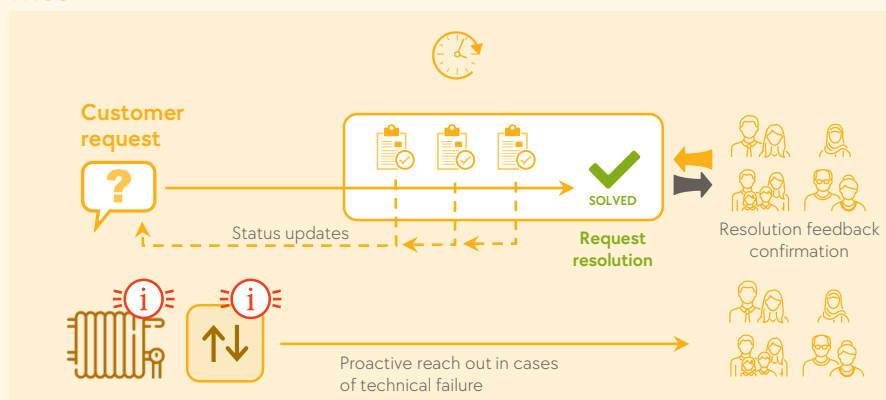
Every request needs a customer feedback to be finalised

From...



Culture Change\*

...to



One size fits all

## \* Changing the perspective

A substantial cultural transformation process takes currently place in LEG bringing customer perspective into all our decisions and actions.



Omni Channel  
The customer defines the channel

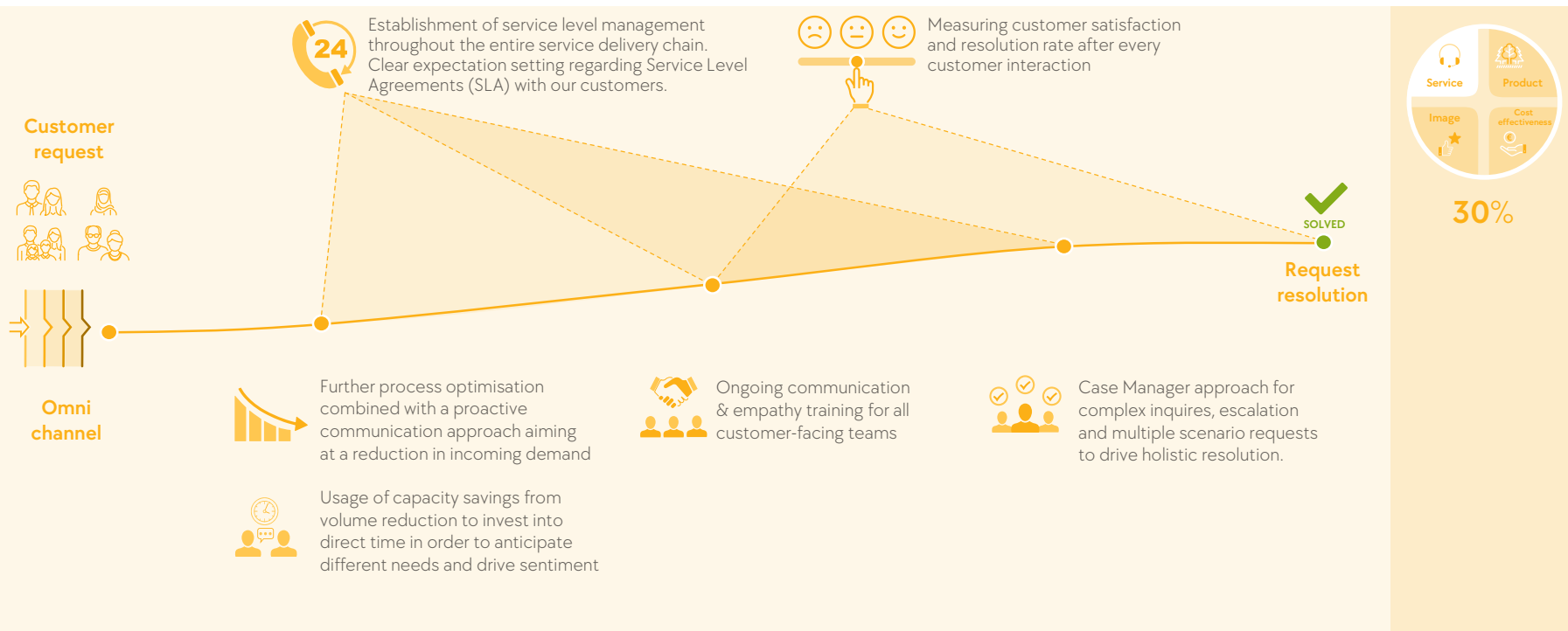
Digitalisation  
Digitalisation helps to speed up processes

Customer Journey  
Each customer demand ends with a feedback

Proactiveness  
Employees reach out to customers

# Establishing a committed service experience

All teams steered towards higher frequency of customer interaction



# Improving the reliability of our product

Strong investments into heating systems and elevators started

## Improving emergency communications

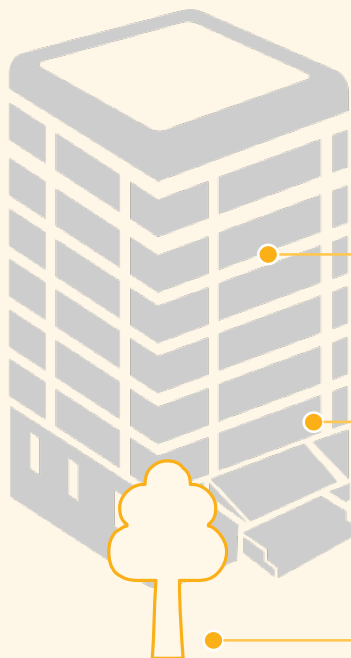


Redesign of our emergency communications processes during technical outages to inform customers proactively and continuously about status and recovery objective

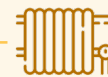
## Simplify complaint management



Massively reduce complexity of complaint management regarding green spaces maintenance



## Key focus areas



Roll-out of a comprehensive **heating systems** investment programme to significantly improve the reliability of our heating systems



Roll-out of a **€90m** elevator investment programme to modernise **900 elevator** systems in the next 5 years



Strengthening our service provider management to improve quality of service for **green spaces** maintenance



30%

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01



# Sharpening our focus on the social needs of our customers

Strong neighbourhoods support customer satisfaction

## Image



### District Management

LEG as a reliable local partner for communities to holistically develop and implement district concepts taking socio-economic and demographic situations into account

LEG NRW MIETER-STIFTUNG



LEG's "NRW Tenant foundation" helps tenants on an individual level who require help because of their mental or physical condition or need financial support



LEG's "Dein Zuhause hilft" foundation helps on individual and project level to maintain stable and liveable districts



Organisation of tenant events on local quarter level to enhance neighbourhood relations

## Cost effectiveness



Maintaining our reasonable approach regarding rent increases following energetic modernisations



Advancement of our hardship management approach for rent adjustments after modernisation projects in order to secure the affordability of our product for long-term tenants with unfavourable socio-economic background



Refining our pricing strategy taking into account specifics of each apartment, building and immediate neighbourhood area, as well as local community pricing trends, using our in-house expertise and extensive research data



Improved customer satisfaction to also support our strong EPRA cost ratio in the medium-term



20% 20%

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01





# Further improving our customer focus

A high customer satisfaction level will be a key differentiation factor

## Introduction of an annual Customer Satisfaction Survey

### Service

- Building a solution-driven organisation
- Improving the customer experience

### Product

- Committed to affordable living
- Significant investments into elevator and heating system to increase reliability

### Customer Satisfaction Index (CSI)

30%



30%



20%



20%



- Further increase connection to tenants via different channels (e.g. our foundations) and remain a strong and reliable partner to communities

- Act faster and more efficiently with resolution rate
- Offer more self-service solutions and expand digitisation further

### Image

### Cost effectiveness

Based on feedback from 20,000 customer

Measuring customer satisfaction and resolution rate after every customer interaction using **QoS** (overall quality of service) and **solution rate** as key KPIs

For 2021 we aim to reduce the number of iteration calls by 15%

4

2021

2025

CSI **5**  
>70%  
by 2025

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# Trust Index 66% – Among the best employers in NRW<sup>1</sup>

Target is to keep our strong employee recognition

## Trust Index<sup>®</sup>

Based on Median

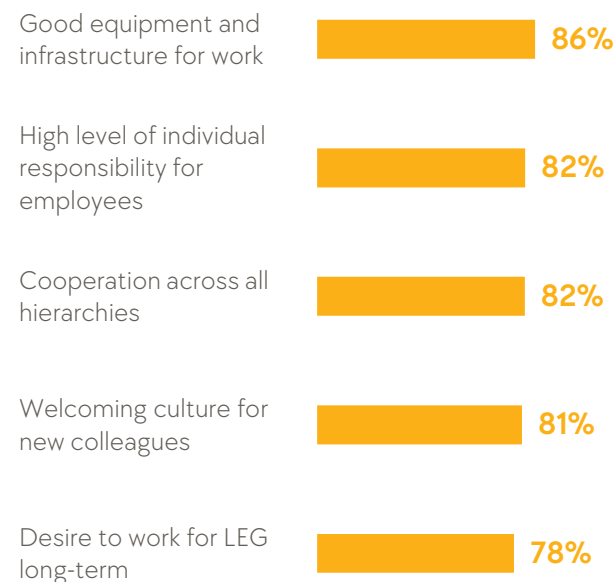


## Total result

Based on statement: "All in all I can say that this is a very good place to work."



## Top results



<sup>1</sup> North Rhine-Westphalia. NRW represents c.21% of the German GDP in 2020. Within Europe, NRW would rank as the 9th biggest economy if it were an independent state

# Attractive offerings as an employer

## Attractive working conditions and offerings

### Attractive working conditions

- **37.75** working hours weekly
- **30 days** of paid vacation, additional holidays on 24/31 December and Carnival Monday
- Two extra monthly salaries in **June** and **December**
- Close co-operation with workers council
- Collective agreements for 65% of the employees
- Anniversary payments for **10, 25, 40** and **50** years of company affiliation
- Death **benefit for our employees** in case of death of close relatives
- **Extra time off** for different cases, e.g. moving, marriage, birth of a child
- **Extraordinary protection** against dismissal and long periods of notice (both above legal requirements)

### Health and well-being

- Flu shots
- Ophthalmological examinations (eye exams)
- A variety of fresh fruits every week in every office "Fruitful Office"
- Water dispenser
- Company runs (e.g. B2Run) in different cities in NRW
- Preventive healthcare (e.g. colon cancer prevention, skin cancer prevention, smoking cessation)
- Stress prevention
- Transparency on accident rate and derived prevention measures and training
- Professional family services ("pme")

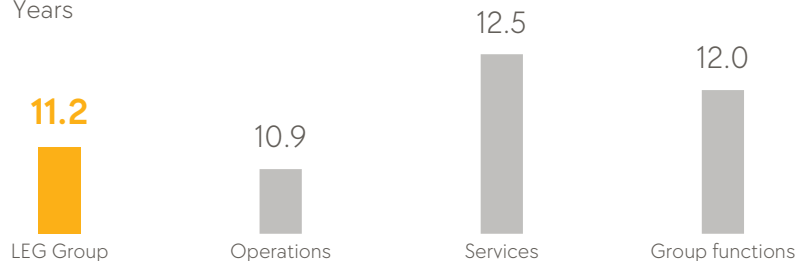
# Engagement – Employee retention and satisfaction

## Colleagues

- Surveys on a regular basis (e.g. by Germany's leading survey provider "Great Place to Work"-Institute)
- Participation in strategic management audit focussed on work/life-balance topics (Seal "Job & Family")
- Annual dialogue between employee and executive & annual target agreements
- Internal conflict advisor
- Mentoring programme for women/diverse colleagues
- Onboarding programme and coaching
- Team development activities
- Professional training strategy and respective budgets; right on educational leave in GER (5 days p.a.)
- Open door policy and feedback culture
- Competition for best improvement ideas
- Sponsorship programme

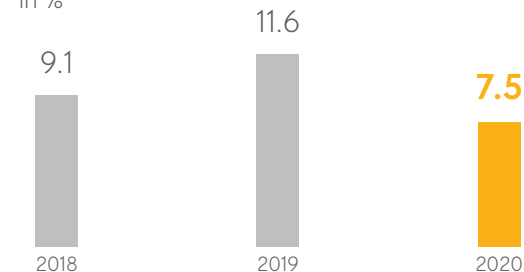
### Average period of employment<sup>1</sup>

Years



### Fluctuation rate as of December 31<sup>1</sup>

in %



<sup>1</sup> Without the companies Biomasse Heizkraftwerk Siegerland, TSP und LWS Plus, as of 31.12.2020

# Diversity and equal opportunities

## Colleagues

### Working time

- Possibility to work in between **6am – 10pm**
- **Overtime compensation:** choice between pay-out or extra free time (both with an addition of 25%)
- **Flexible working** time account from -25 hours up to +50 overtime hours
- Possibility of **working on Saturdays** for specific reasons
- **Full-time** and **part-time** options
- Surcharge from **25%** up to **100%** for working on Sundays and public holidays and at night (if extraordinary reasons apply)

### Mobile working conditions

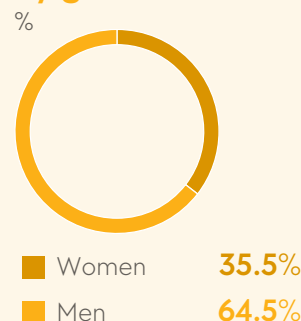
- Possibility to work **from any place up to 100%** by using mobile IT equipment and mobile devices

### Targeted offers for certain age groups

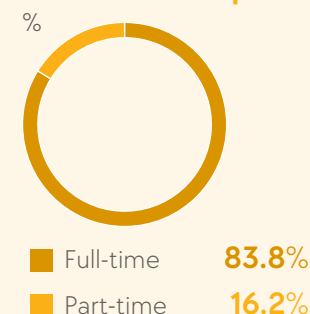
- Partial retirement programme with 55+
- Award-winning apprenticeship programme to secure young talent



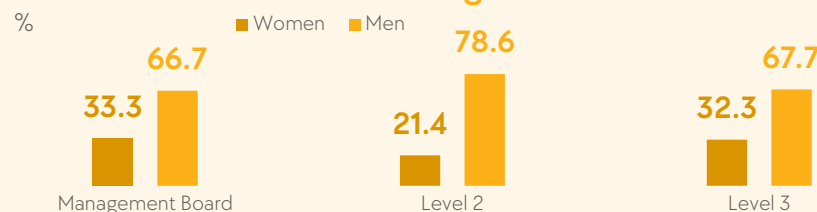
### Breakdown of employees by gender<sup>1</sup>



### Breakdown of employees into full- and part-time<sup>1</sup>



### Gender distribution in management levels 1 –3



<sup>1</sup> Without the companies Biomasse Heizkraftwerk Siegerland, TSP and LWS Plus. As at 31.12.2020.

# We support communities by holistically redeveloping entire districts

## Communities

### District concept

- Comprehensive modernisation to revitalise whole districts
- Promotion of local communities/ neighbourhood concepts
- Cooperation with our foundations and partner offerings of more than 60 social welfare organisations
- Tenant committee & advisory council
- Support for tenants in need
- Tenant festivals
- Tenant meetings with CEO
- Concepts for multi-generational housing
- Homework assistance for children
- Playgrounds renewals with sustainable materials and environmental certificate
- Comprehensive elevator and heating system renewal programme



Circus for children



Tenant festival



Food truck offering



Santa Claus for tenants

# LEG as biggest landlord serves as a strong local partner

Communities – 1,963 modernised units in Monheim



BEFORE



AFTER



*"Here in Monheim, LEG has invested many millions of euros to modernise the Berlin district over the past few years. We are of course delighted that the company is realising its largest project so far here. We have been working well together for many years on the step-wise development of this particular district – with great success."*

**Mayor of Monheim**  
**Daniel Zimmermann**

## Market

# of units	1,963
Total sqm	134,022
Year(s) of construction	1967 – 1971
Mod. start/completion <sup>1</sup>	2014 – 2021
Total investment <sup>2</sup>	€60.3m

## High-growth

# of units	1,963
Total sqm	134,022
Year(s) of construction	1967 – 1971
Mod. start/completion <sup>1</sup>	2014 – 2021
Total investment <sup>2</sup>	€60.3m

E.g. thermal insulation composite system, windows, roof renewal with insulation, balconies renovation, cellar ceiling insulation, staircase paint

Modernisation and maintenance measures

Average reduction of energy demand p.a. after modernisation<sup>3</sup>

–40%



<sup>1</sup> With the exception of the Herne project, all modernisation projects include several residential properties with staggered start and end dates over the specified period. <sup>2</sup> Including investments for modernisation, maintenance and repair. <sup>3</sup> Calculated values.



# Strong partner to local communities

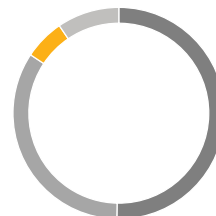
Acquisition of a 6% stake in GEWAG municipal housing company in Remscheid



## Profile

- Locations: Remscheid (86%)
- 1,036** buildings
- 6,208** units
- Total sqm **430k**
- Average rent/sqm **€5.29**
- Acquisition price **€6m**
- Implied acquisition price per sqm c. **€600**
- LEG with **1,088** units in Remscheid

## Shareholder



- City of Remscheid
- Public utility company Remscheid
- LEG
- Other

**50.3%**  
**34.0%**  
**6.2%**  
**9.5%**

## Strong partner to the city of Remscheid



- In 2020, foundation of a district meeting location together with the city of Remscheid and local charities, including LEG's "Dein Zuhause hilft"-foundation
- Targeting offerings for entire age range, i.e. kids, families to elderly tenants
- Offerings range from language classes, cooking classes, parents' cafe, presentations on various topics, etc.



# Comprehensive support from our foundations

>10,000 tenants and family members supported

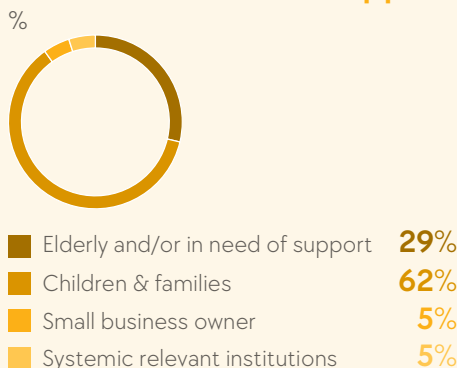
## Key milestones 2020

- Founding capital €16m
- Over 30 projects supported/implemented
- Focus is on community support, not tenants only
- **Collaborations** with local partners from welfare organisations, communities, food banks, schools, home-work assistance, kids clubs, sport initiatives, hospitals

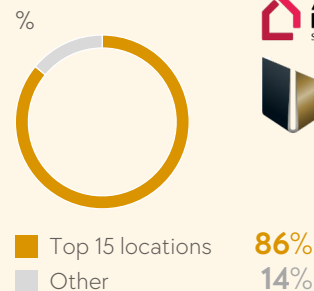
## Around 50 partner organisations

Tafeln NRW, Deutscher Kinderschutzbund Landesverband NRW, Die Arche Herne, local welfare organisations like AWO Köln, Caritas Gelsenkirchen, CJD, Diakoniewerke, Sozialdienst Katholischer Frauen Köln, Sozialdienst Katholischer Männer Köln, Jumpers and many others

## Beneficiaries of our support



## Locations



LEG NRW MIETER-STIFTUNG



- Founding capital of €5m
- Focus on LEG tenants
- Support of tenants in need
- Financial support for tenants in financial hardship
- Financial and non-cash benefits to support home care assistance for relatives
- Support for cross-cultural offerings and projects

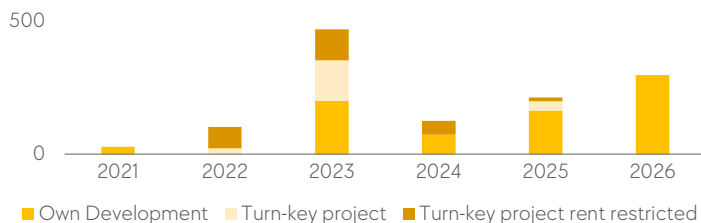
# LEG new building programme

Communities – Social contribution with high environmental standards

## Contribution to closing the supply gap in the affordable housing segment

- 500 units p.a. from 2023 onwards
  - C. 250 units built by LEG
  - C. 250 units acquired as turnkey projects from external developer
- Own units mainly via redensification
- Annual investment volume of >€100m p.a.
- Pipeline currently ramped up

## Pipeline (finished units by year)



## Criteria for all our new development projects

- Lifecycle assessments
- Focus on redensification on own land or use of already developed residential areas – no additional land usage
- Comprehensive environmental measures, e.g. at least 1-by-1 compensation of felled trees/ compensation of green areas according to municipal guidelines
- 100% of new buildings built by LEG and 90% of external turnkey projects to achieve energy efficiency class A/ Efficiency building 55
- Funding according to Efficiency building 55 standard
- Environmentally friendly heat supply, favourable thermal insulation, energy-saving windows and, if possible, roof greening
- Strive for barrier-free units
- Comprehensive construction waste concept

S

05



# New development – redensification projects

## Communities – Examples

### Köln Höhenhaus



Year of completion

2029

No. of units /  
of which subsidised

400/ 120

Energy class

A

#### Specifics

- Flagship project
- Mobility concepts with e-charging stations/ car and bike sharing
- Apartments for senior citizens with direct access to local traffic, 100% low-barrier, elevators in all buildings
- Balconies or terraces for all units
- Climate-resistant green areas, heavy rain equipment

### Hilden



2020

38/ 0

B

- Heat supply through an environmentally-friendly combined heat and power plant
- Green roof areas (buffer storage for rainwater)
- Modern drain system for rainwater
- Special NoX-absorbing pavement
- Green areas incl. a meadow for bees

### Münster



2018

50/ 0

B

- Car-free quarter /modern mobility concept with e-charging stations for cars/ car sharing and cargo bikes
- Obligation for tenants not to own a vehicle
- Allocation of apartments with the involvement of a non-profit association

S

05





# 3.3

## ESG house of LEG – Governance

# Governance

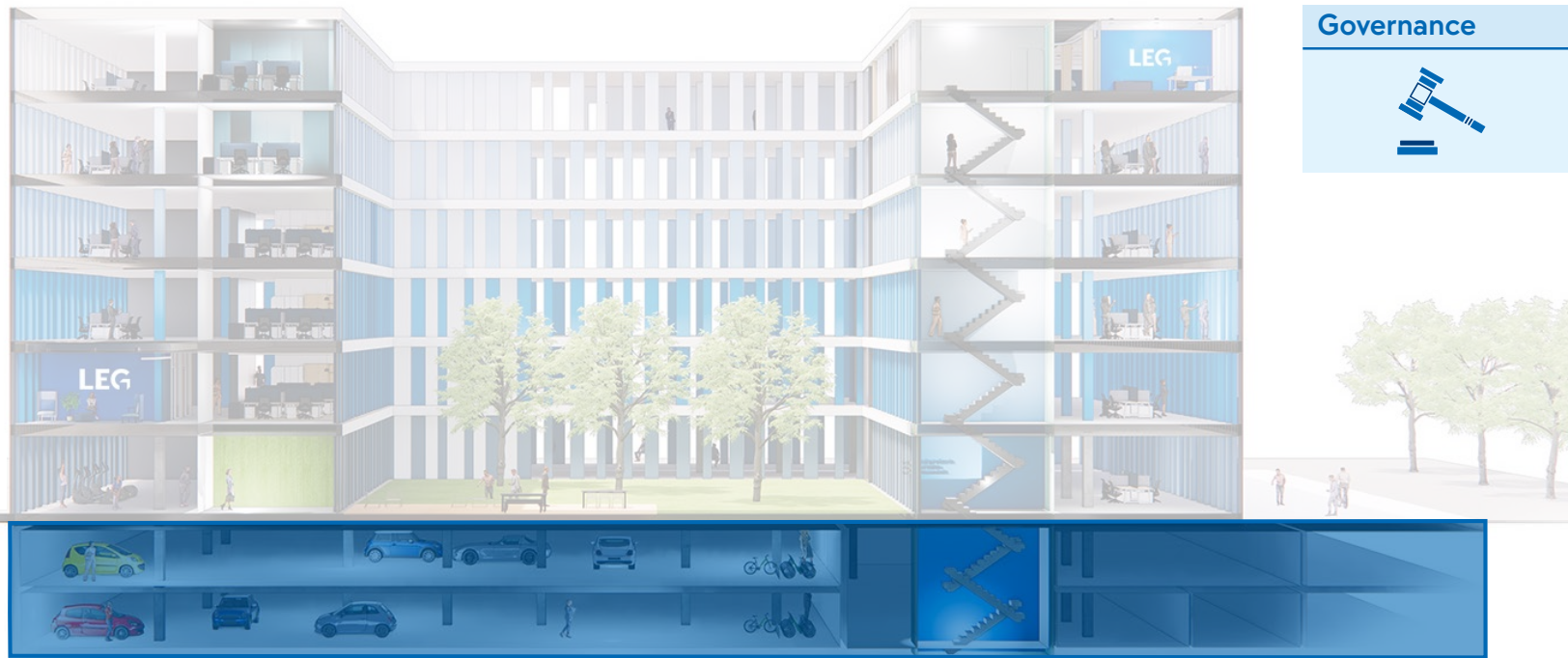
## Overview

Compliance

Internal  
audit

Risk  
management

Internal  
control system



Governance

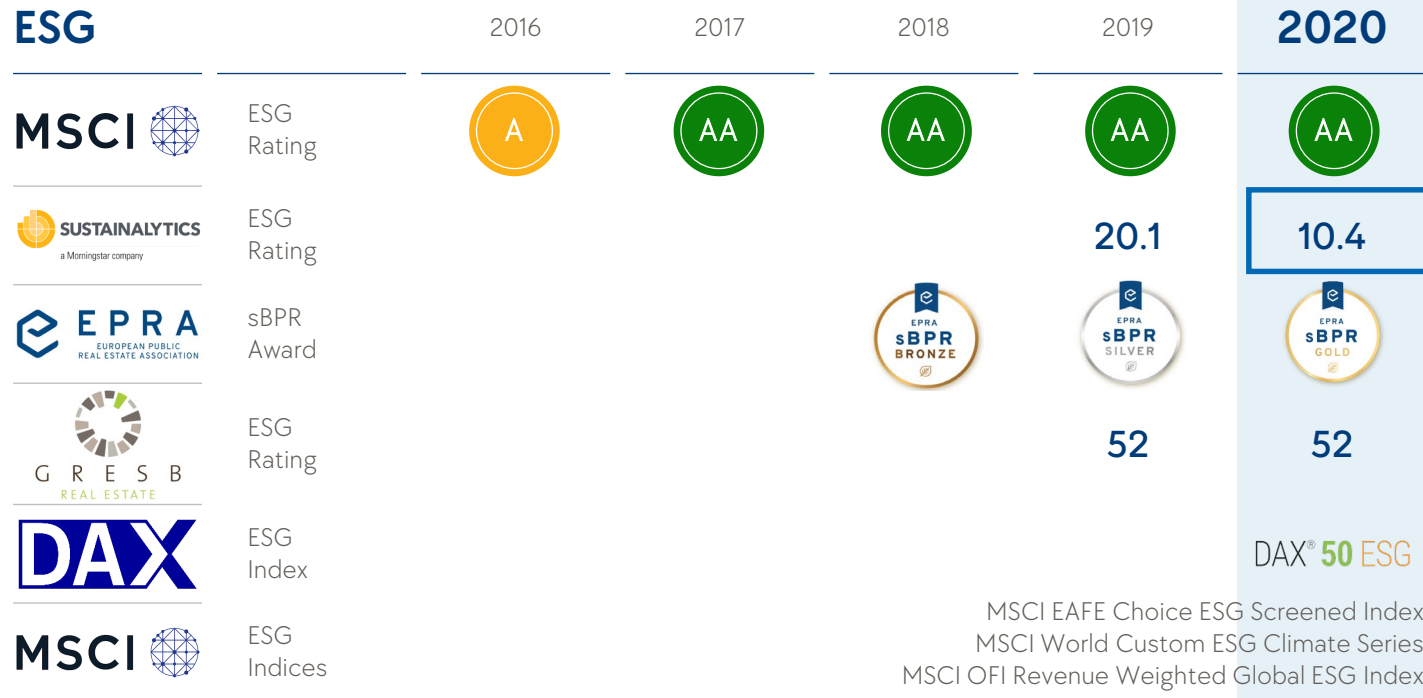


# Among best-in-class in corporate governance

Target is to maintain a high Sustainalytics score in the 2021 review

6

LEG



MSCI EAFE Choice ESG Screened Index  
 MSCI World Custom ESG Climate Series  
 MSCI OFI Revenue Weighted Global ESG Index

Top **2%** global coverage  
 Top **4%** global real estate sector

No. **1** among peer group based on Public Disclosure Assessment



# A highly effective governance

The 4 pillars of governance

01

Compliance



02

Internal  
audit



03

Internal  
control  
system



04

Risk  
management



A highly effective governance that ensures day-to-day compliance with our values, the law and the ethical standards that form the basis of our reputation

G



# Compliance management system

The 4 pillars of governance

## Toolbox



- Compliance management system certified by the Institute for Corporate Governance in the German Real Estate Industry
- Declaration of basic values
- Human Rights Guideline
- Code of Conduct
- Guidelines - in particular data protection, anti-corruption, capital market compliance, taxes - and strict rules for behavior towards politics
- Strictly German regulation on equality issues, incl. comprehensive diversity policy and respective training for all new employees
- Supplier compliance checks
- Work agreement on business environment conduct
- Business partner code
- Compliance manual regulates procedures
- Internet-based whistleblower system with 24/7 availability from mid 2021
- External data protection officer to live up to highest possible standards
- Anti-corruption officer
- Business processes with a focus on non-compliance prevention (four-eyes principle)
- Fully independent supervisory board
- Rules of procedure for the management board, supervisory board, audit committee

## Communication



- Compliance intranet page
- Compliance training for all new employees (4 times a year)
- Refresher courses and training for employees in particularly sensitive areas
- From mid-2021 annual refresher courses for all employees via an e-learning tool
- Compliance advice from compliance officers and the compliance and data protection teams



# Internal audit & Internal control system (ICS)

The 4 pillars of governance

## Internal audit

- Regular external quality assessments
- Current audit manuals as well as own organisational instructions (including the DIIR code of ethics)
- Regular exchange of information with internal departments and functions
- Subject-specific consultations
- Regular report to supervisory board
- Reporting line directly to CEO

## Internal control system (ICS)

- Integrated recording of an ICS as part of process management
- Regular updates as part of process audits
- Implementation of the Governance Risk and Compliance System (GRC system) for holistic monitoring of risks and controls as a result of our powerful monitoring
- Auditing of ICS by external auditor once a year

# Risk management

## The 4 pillars of governance

- Identification of sustainability risks and disclosure in risk reporting
- Annual review of the risk management system by the auditors in accordance with IDW PS 340
- Intranet page for risk management system
- Anonymous risk reporting tool for all LEG employees
- Regular training for all risk assistants and risk owners
- Direct reporting line to CFO
- Financial and non-financial risks included
- Regular reporting to audit and risk committee of supervisory board
- Detailed manual defining risk tolerance and limits for LEG Group



**LEG**

**RISK**

**RISIKUM**

**Video des Gesamtvorstandes zum Thema Risikomanagement**  
Weiterlesen ...

**Ziel und Intention des Risikomanagements**  
„Risikomanagement umfasst ein systematisches Vorgehen zur Identifikation, Analyse, Bewertung, Steuerung, Dokumentation und Kommunikation von unternehmerischen Risiken sowie deren Überwachung“.  
Weiterlesen ...

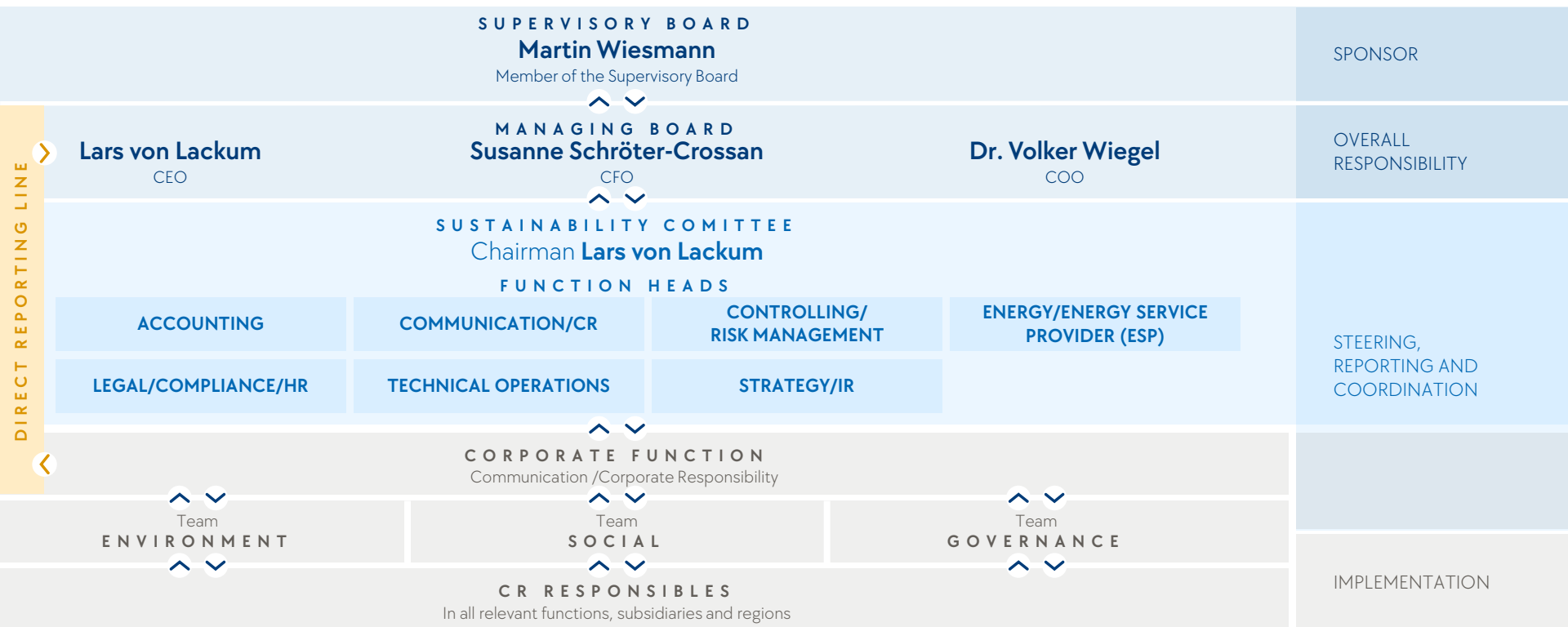
**Was sind typische Risiken der großen Wohnungsgesellschaften?**  
„Risiko ist die aus der Unvorhersehbarkeit der Zukunft resultierende, durch „zufällige“ Störungen verursachte Möglichkeit, von geplanten Zielen abzuweichen.“  
Weiterlesen ...

**Hat die LEG existenzgefährdende Risiken?**  
Die LEG hat, im Vergleich zu klassischen

**Wer kann Risiken innerhalb der LEG melden?**  
Für die Risikoidentifizierung ist jeder

**Zu welchem Zeitpunkt müssen LEG Risiken gemeldet werden?**  
Direkt nach Ihrem „Erkenntnisgewinn“. Die

# Our ESG governance structure



# Objectives for the composition of the Supervisory Board

01



## Fulfilment of the competence profile

Knowledge of real estate sector and key competences in areas like business management, housing industry, property transactions, bank and capital market financing, finance and regulation

02



## Fulfilment of the German Corporate Governance Code GCGC

03



## Independence

04



## Diversity and participation of woman

There should be at least one woman on the supervisory board, aiming for 1/3 of female member from AGM 2022 onwards

05



## Age limit

Only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board

06



## Membership of the Supervisory Board

A member of the Supervisory Board is not usually a member for more than fifteen years (first appointment plus two re-appointments)

# Supervisory board – 100% independent members

Aiming for 1/3 of female members by 2022



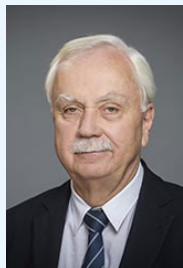
**Michael Zimmer**

Chairman since 2013



**Stefan Jütte**

Deputy Chairman since 2013



**Dr. Johannes Ludwig**

Member since 2013



**Dr. Claus Nolting**

Member since 2016



**Dr. Jochen Scharpe**

Member since 2013



**Martin Wiesmann**

Member since 2020



**Dr. Sylvia Eichelberg**

To be elected at AGM 2021

**47,763 shares** in LEG<sup>1</sup>

Entrepreneurial career in the real estate sector (e.g. founder of Corpus Sireo Immobilien, later sold to Swiss Life) since 1990

---

From 1980 – 2012, different roles in the banking sector (e.g. CEO of Deutsche Postbank, DSL Bank)

**1,051 shares** in LEG<sup>1</sup>

From 1997 – 2011 various roles in the real estate and railway sector (e.g. CEO of Deutsche Bahn) as well as in different political roles in Germany from 1975 - 1997

---

Professional background as a lawyer. Different positions in the banking and private equity sector (e.g. CEO of Hypovereinsbank, Cerberus, Lone Star)

**3,000 shares** in LEG<sup>1</sup>

Professional experience in Corporate Finance (KPMG) and the real estate sector, e.g. precursor of CA Immo and Siemens Real Estate

**300 shares** in LEG<sup>1</sup>

Professional background in investment banking with Deutsche Bank and J.P. Morgan, amongst various roles Vice-Chairman IB Europe with JPM

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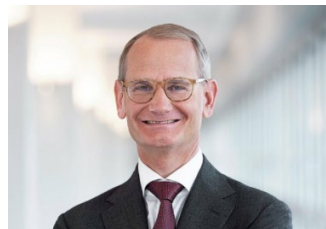
CEO of Gothaer Health Insurance and previously in different roles with AXA and ERGO insurance

Age-related terms end with AGM 2022  
To be replaced by one **female member**  
→ **Back to 6 seats with 1/3 female members**

<sup>1</sup> LEG shares held as at 31 August 2021



# Management Team



**Lars von Lackum**  
CEO

**4,129 shares** in LEG<sup>1</sup>

- Strategy, M&A, Organisation, Processes and Digitisation
- Legal and Human Resources
  - Management & Supervisory Board Office
  - Legal, Compliance and Internal Audit
  - Human Resources
- Corporate Communications & Corporate Responsibility
- Acquisition
- New Construction
- IT

**With LEG since 2019**

<sup>1</sup> LEG shares held as at 31 August 2021    <sup>2</sup> LEG shares held as at 14 September 2021



**Susanne Schröter-Crossan**  
CFO

**227 shares** in LEG<sup>1</sup>

- Investor Relations
- Finance & Treasury
- Controlling & Risk Management
- Portfolio Management
- Accounting & Taxes

**With LEG since 2020**



**Dr. Volker Wiegel**  
COO

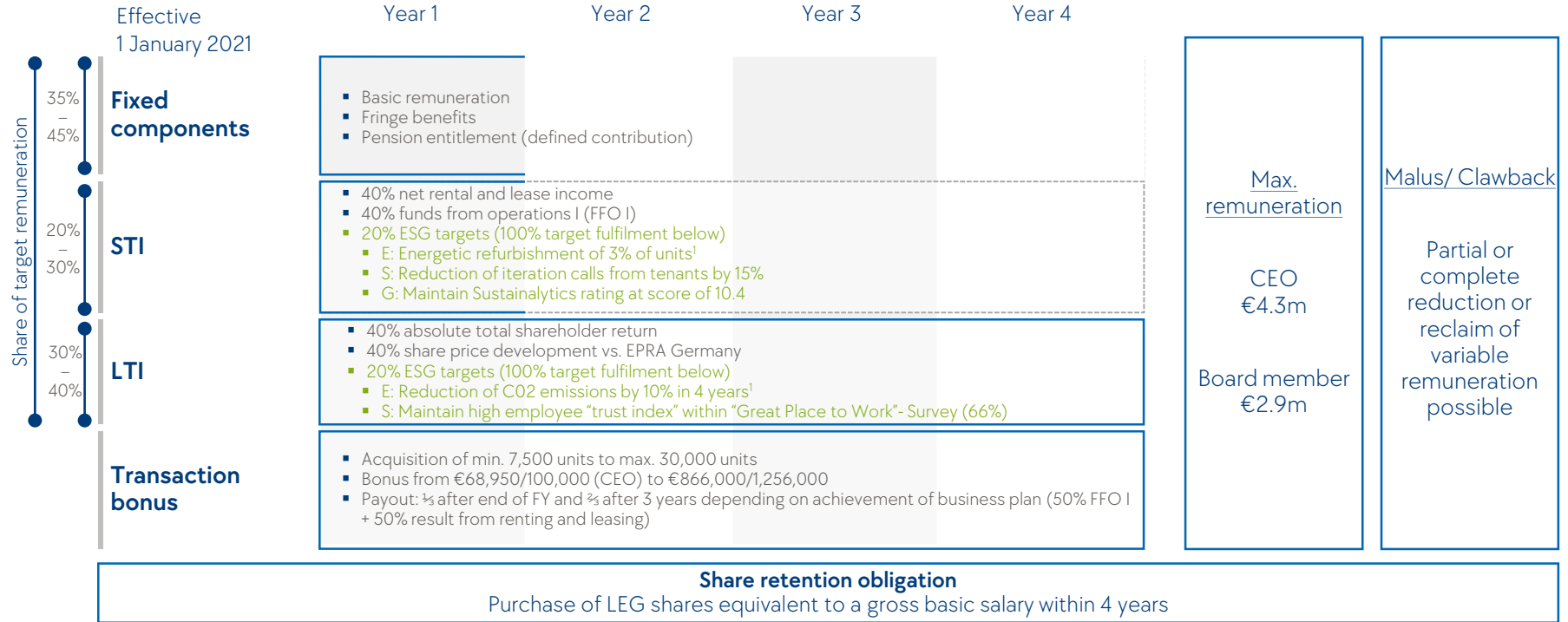
**1,039 shares** in LEG<sup>2</sup>

- Asset and Property-Management
  - Commercial Management
  - Neighbourhood Management
  - Property Management
  - Modernisation
  - Central Procurement
  - Receivables Management
  - Rent Management
  - Operating Expenses Management
- TechnikServicePlus GmbH
- EnergieServicePlus GmbH

**With LEG since 2013**

# ESG targets within management's remuneration system

Approved by AGM 2020 – Management Remuneration System



<sup>1</sup> Units as of 12/19.

# 2021 guidance

All financial targets confirmed and ESG targets integrated

			2021
FFO I			€410m – 420m <sup>1</sup>
I-f-I rent growth			~3.0%
EBITDA margin			~75%
Investments			~40 – 42€/m <sup>2</sup>
LTV			max. 43%
Dividend			70% of FFO I
Acquisition ambition			Not reflected in guidance ~7,000 units
<b>Environment</b>	2021 – 2024 2021	<b>1</b> <b>2</b>	Reduction of CO2 emissions by <b>10%</b> in 4 years <sup>2</sup> Energetic refurbishment of <b>3%</b> of units <sup>2</sup>
<b>Social</b>	2021 – 2024 2021 2021 – 2025	<b>3</b> <b>4</b> <b>5</b>	Maintain high employee satisfaction level ( <b>66%</b> Trust Index) Reduction of iteration calls from tenants by <b>15%</b> Best in class in customer recognition by 2025 with a Customer Satisfaction Index of <b>&gt;70%</b>
<b>Governance</b>	2021	<b>6</b>	Maintain Sustainalytics rating at score of <b>10.4</b>

<sup>1</sup> Including a ~ €2m impact from the 2020 carbon tax, assuming a 50/50 split between LEG and tenants. <sup>2</sup> Units as at 12/19.



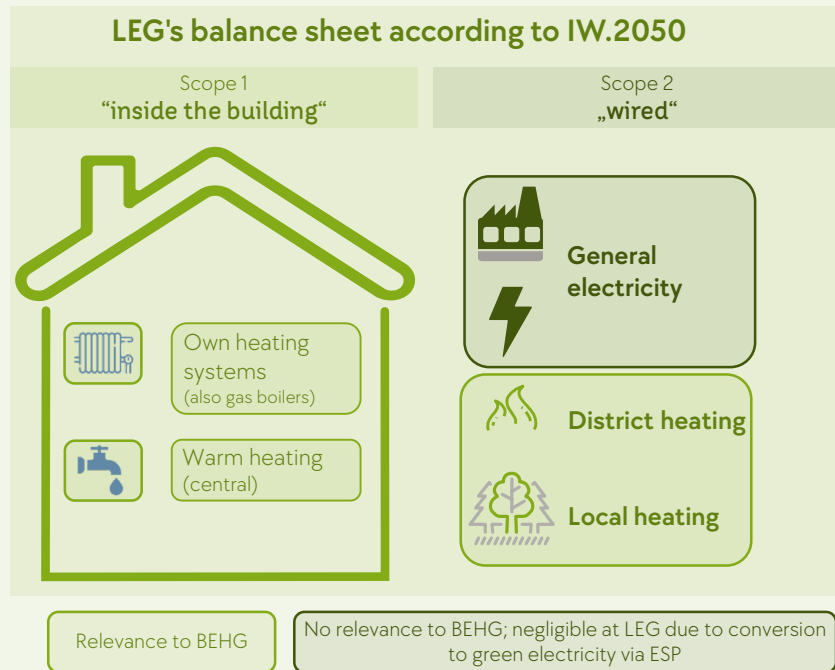
# 4

## Appendix

# LEG Principles of CO<sub>2</sub> Accounting

Based on “limited” cause balance of GHG principles

## LEG accounting approach for building stock



Scope 3 / Out of scope  
no consideration

### Scope 3

Upstream chain e.g.:

- Manufacture of building materials and buildings

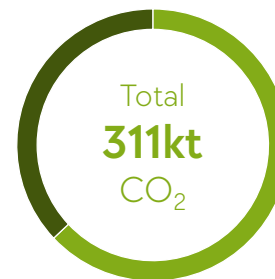
Downstream chain e.g.:

- External service providers, e.g. their car emissions

### Out of Scope

- Self-consumption by tenants, e.g. household electricity
- LEG administration buildings

## Split LEG 2020



# Carbon Balance Sheet 2020

Our approach: Based on actual consumption



LEG's real world approach  
in line with major frameworks



Several options within  
CO<sub>2</sub> accounting available

LEG CO<sub>2</sub>  
accounting framework

Coverage of  
total portfolio

Basis for  
calculation

Treatment  
vacancies

Several  
sources  
for conversion  
emission  
factors

e.g. Gas  
(kWh into kg  
CO<sub>2</sub> e/sqm)

**100%**  
(e.g. incl. listed buildings)

**Actuals**

**Excluding  
vacancies**

**BAFA**



**0.202**

**IW.2050**



**0.202**

**OPTIONS**

Partial  
coverage

Energy  
certificates

Including  
vacancies

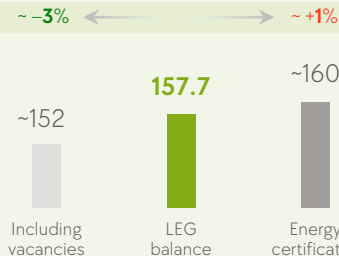
**GEMIS**



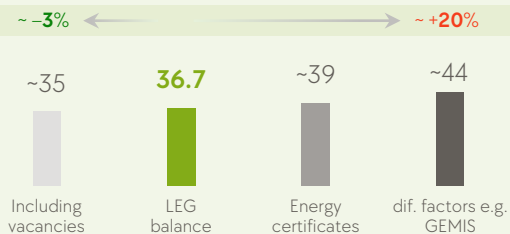
**0.25**

LEG footprint based  
on different approaches

**KPI 1 kWh/sqm**



**KPI 2 kg CO<sub>2</sub> e/sqm**





# KfW subsidies via programmes 261/262/263/264

## Overview

Individual measures	Subsidies
Individual measures building shell	20%
Installation engineering except heating system	20%
Heating system	20 – 50%
New building	
Efficiency house 55	15 – 17.5%
Efficiency house 40	20 – 22.5%
Efficiency house 40 Plus – residential building only	25%
Modernisation	
Efficiency house/ Listed building	25 – 30%
Efficiency house 100	27.5 – 32.5%
Efficiency house 85 – residential building only	30 – 35%
Efficiency house 70	35 – 40%
Efficiency house 55	40 – 45%
Efficiency house 40	45 – 50%

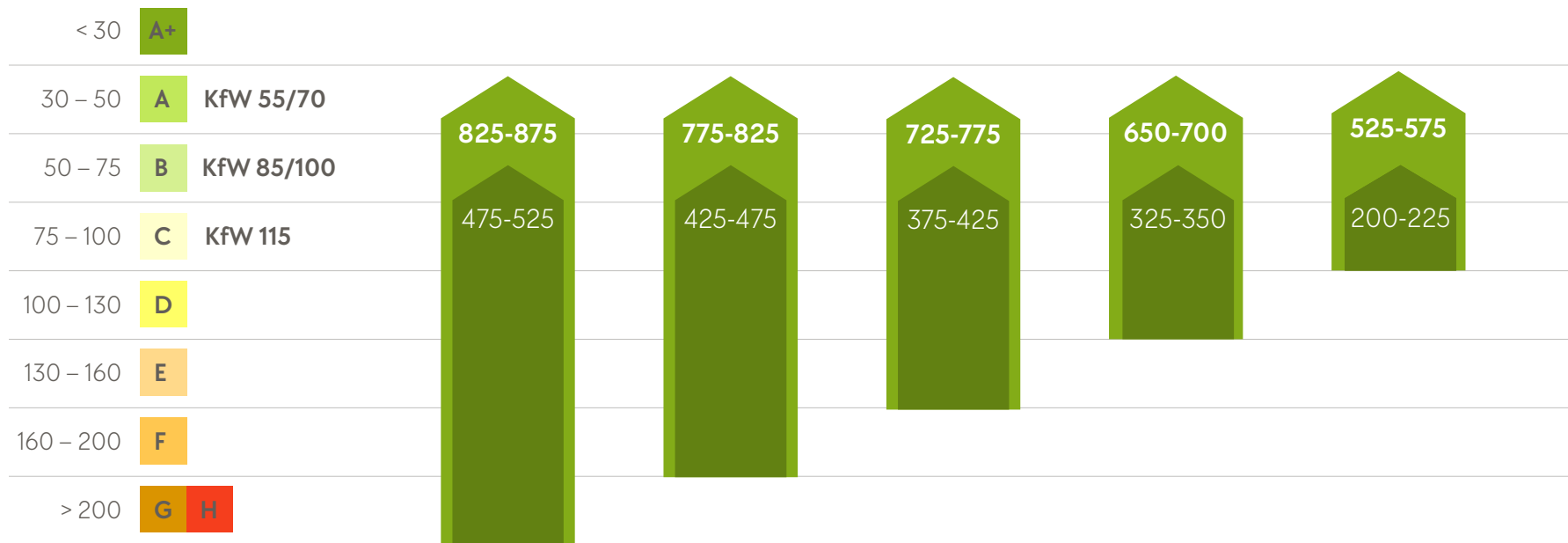
## Energy efficiency classes/ KfW



# Estimated costs for energetic refurbishment

## Costs for energetic refurbishment

(€/sqm)



<sup>1</sup> Based on own estimates and current level of prices and technology



# Coronavirus crisis: LEG's voluntary 10-point paper (21 March 2020)



Customer – Our social commitment at work – Sustainability

## Support and protection for tenants

- Temporary suspension of rent increases in line with Mietspiegel
- No termination of rental agreements, no evictions
- Supporting of small business/ commercial tenants

## Social initiatives

- Special offers for system-relevant professionals
- €1m for corona aid measures through foundation („Your home helps“)
- Organisation of neighbourhood assistance
- Commitment to homeless people

## Protection of employees

- Work from home to provide safety and flexibility for employees and their families
- Protective gear for employees
- Benefits for employees during times of closed schools and nursery schools

## Legal amendment on federal level

- Tenants cannot be evicted if they are not able to pay their rents for April-June 2020 due to the coronavirus crisis
- Deferral until June 2022 at the latest; interests (4%) can be charged

**Press Information**

Düsseldorf, 21 March 2020

**Overcoming the Corona crisis together: LEG's 10-point paper to protect and safeguard customers and employees**





- LEG presents 10-point paper to support and protect tenants and employees during the Corona crisis
- In addition to various measures and initiatives, rent increases to local reference rent under BGB Section 558 are temporarily suspended
- Currently no adjustment of the FFO guidance of € 370 to 380 million for the 2020 financial year

"In times of Corona, our home is the most important retreat we have. We want to offer our customers a home worth living in and a safe environment, especially in this serious crisis, while also offering our employees a secure job," said Lars von Lackum, CEO of LEG Immobilien AG. To this end, the company has adopted the following ten measures:

- 1. Safety first – Services switched to digital where possible**  
Our number one priority is the protection of our customers and our employees. At the same time, we want to maintain business operations and offer a decent standard of service to our customers even during this crisis. We are currently doing this mainly online and by telephone. Where physical contact cannot be completely avoided, strict protection measures apply.
- 2. LEG suspends rent increases on a wide scale**  
Until further notice, we will not increase rents to the local reference rents as provided for in section 558 of the German Civil Code (BGB), which means that from now on we will not be sending out rent change letters for the time being. In this way we want to send a signal of solidarity and social responsibility in times of the Corona pandemic and lessen the burden on our customers.
- 3. Tenants to stay in their homes – No termination of rental agreements, no evictions, termination notices can be withdrawn**







# Foundation “Dein Zuhause hilft”

## Overview projects 2020 (1/4)

No.	Description	Target group	Top 15-locations	Project type	Implementation
1	Distribution of 100 <b>activity boxes</b> in LEG quarters		✓ (several)	Corona support	2020-03
2	Jumpers <b>Kids Club</b> (online activities)		✓ (several)	Corona support	2020-03
3	Extension of offerings for <b>Jumpers-Prospects workshop</b> in Duesseldorf-Hassels		✓	Extension of project	2020-04
4	Distribution of 100 <b>Thank-you boxes</b> in NRW for hospital staff		✓ (several)	Corona support	2020-04
5	<b>Support offerings</b> in <b>Gelsenkirchen</b> together with Caritas for c. 6,500 LEG-house holds		✓	Corona support	2020-04
6	<b>Easter greetings</b> with 150 boxes for tenants with reading material and sweets		✓ (several)	Corona support	2020-04
7	Foundation of a €50k <b>Corona-Emergency Relief fund</b> for the NRW <b>food banks</b>		✓ (several)	Corona support	2020-04

# Foundation “Dein Zuhause hilft”

## Overview projects 2020 (2/4)

No.	Description	Target group	Top 15-locations	Project type	Implementation
8	Support in Essen: CSE-studying support for kids and teenager, food donations and daily life support		✓	Corona support	2020-05
9	Support for kids, teenagers and families with SKF Köln		✓	Corona support	2020-05
10	Establishment of a „Meeting venue Klausen” in Remscheid with several local organisations		×	Initiation of project	2020-06
11	Sustainable learning support for one year in Dortmund and Recklinghausen with the Deutschen Kinderschutzbund NRW		✓	Corona support	2020-06
12	Kids, teenager and family support in Dortmund and Herten with CJD		✓	Corona support	2020-07
13	Senior citizen support together with AWO in Köln-Mülheim to support in daily life activities		✓	Corona support	2020-07
14	Support of two pupil teams within „Digi-LOTSEN” programme of the Stifter Association		×	Corona support	2020-07

# Foundation “Dein Zuhause hilft”

## Overview projects 2020 (3/4)

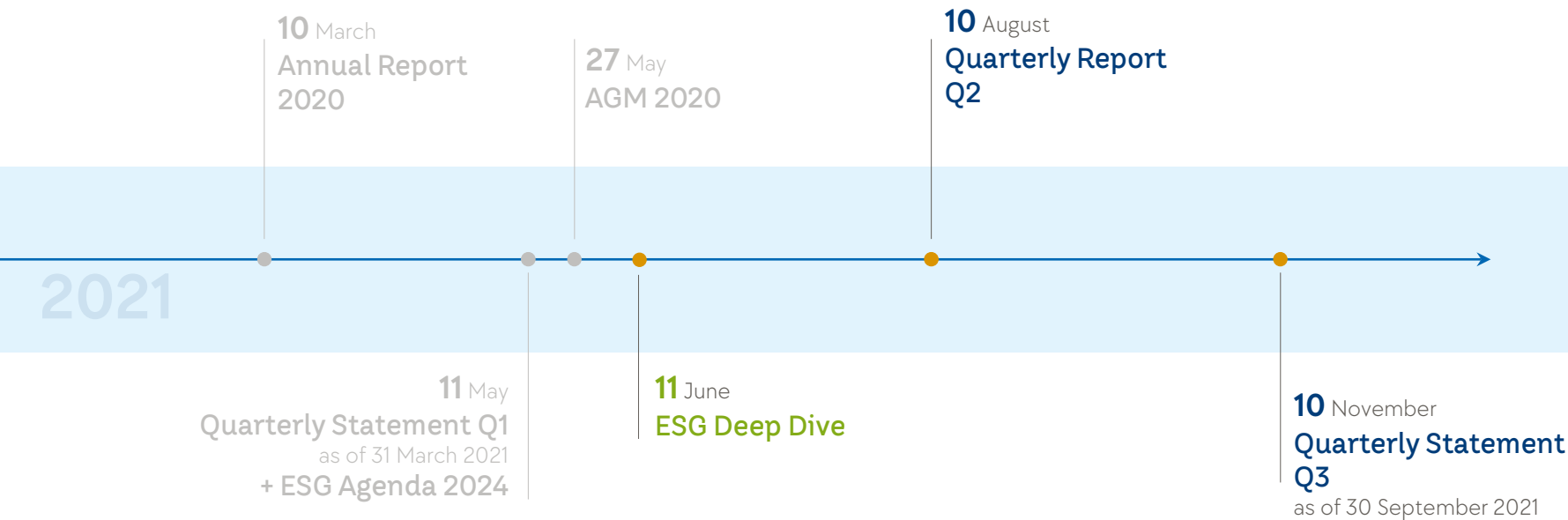
No.	Description	Target group	Top 15-locations	Project type	Implementation
15	Kids holiday pack for „Die Arche“ in Herne		✓	Corona support	2020-07
16	Support of <b>20 Digital Scholarships</b> and <b>two Digital Guides</b> of JOBLINGE Ruhr		✓	Corona support	2020-08
17	<b>Anti-Racism-workshops</b> for kids and parents together with the „Arche“ in Herne		✓	Corona support	2020-11
18	Support of the Caritas Projects „ <b>District Shop NeST</b> “ in Gelsenkirchen-Neustadt		✓	Extension of project	2020-10
19	<b>Sport programmes</b> for <b>120 kids</b> in <b>12 preschools</b> in Dortmund with Association KinderGlück		✓	Corona support	2020-11
20	RheinFlanke „ <b>Peace &amp; Power Sports</b> “ <b>pedagogical boxing project</b> for young adults in Köln		✓	Corona support	2020-12
21	<b>Promoting academic careers</b> for potential students with <b>non-academic family backgrounds</b> with “Arbeiterkind” organisation		✓	Corona support	2020-12

# Foundation “Dein Zuhause hilft”

## Overview projects 2020 (4/4)

No.	Description	Target group	Top 15-locations	Project type	Implementation
22	Initiation of a weekly <b>boxing group for 6 months</b> for teenagers at the Diakonie-Gütersloh		✗	Initiation of project	2020-12
23	Ordered c. <b>1,400 meals</b> from a local caterer for <b>families in need &amp; food boxes</b> with CSE in Essen		✓	Corona support	2020-12
24	E-Bike to <b>increase the mobility</b> of residents of a social psychiatric institution at the Diakoniewerk Duisburg		✓	Corona support	2020-12
25	„ <b>Digital classroom</b> “ (Equipment & lessons) for a vocational college in Hagen together with Talent Metropole Ruhr		✗	Corona support	2020-12
26	<b>Christmas boxes:</b> Toys and activity material for kids, families and elderly tenants		✓	Corona support	2020-12
27	<b>12 courtyard concerts in 12 LEG quarters</b> to entertain tenants and support local artists		✓	Corona support	2020-12
28	<b>Books project for 4 preschools:</b> Picture books about friendship in times of Corona		✓	Corona support	2020-12

# Financial calendar



For our detailed financial calendar, please visit our IR web page

# IR Contact



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