

Sustainability Strategy

LEG-Immobilien-Gruppe
11.05.2021

LEG

ESG-Agenda
2024



Our ESG mission statement




1 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

2 Customers, Colleagues, Communities



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

3 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



LEG-specific ESG targets

Measurable and auditable targets lay the foundation for our ESG roadmap

Targets

 E nvironment	<ul style="list-style-type: none">1 2021 – 2024: Reduction of CO₂ emissions by 10% in 4 years¹2 2021: Energetic refurbishment of at least 3% of units¹
 S ocial	<ul style="list-style-type: none">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%
 G overnance	<ul style="list-style-type: none">6 2021: Maintain Sustainalytics rating at a score of 10.4

¹ Units as at 12/19.

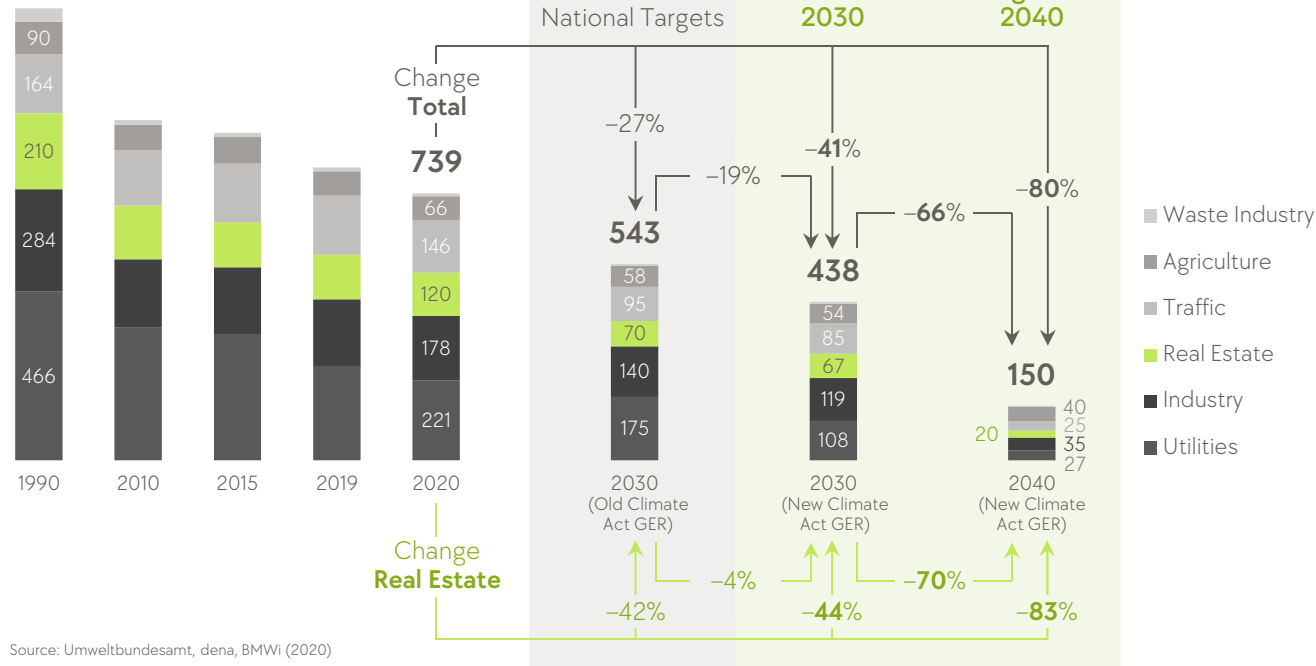
German reduction path by sectors

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

Germany CO₂ emission in sector context

Mio. t

1,251

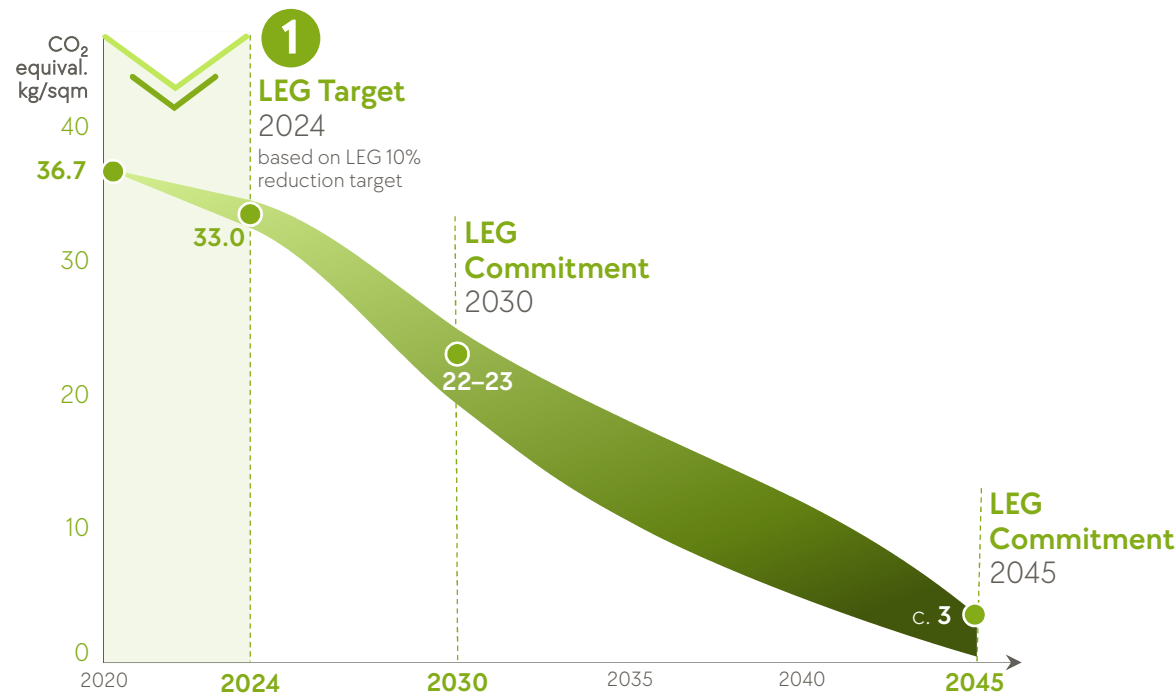


Source: Umweltbundesamt, dena, BMWi (2020)

- 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

Our transformational corridor until 2045

LEG is fully committed to the new German Climate Change Act

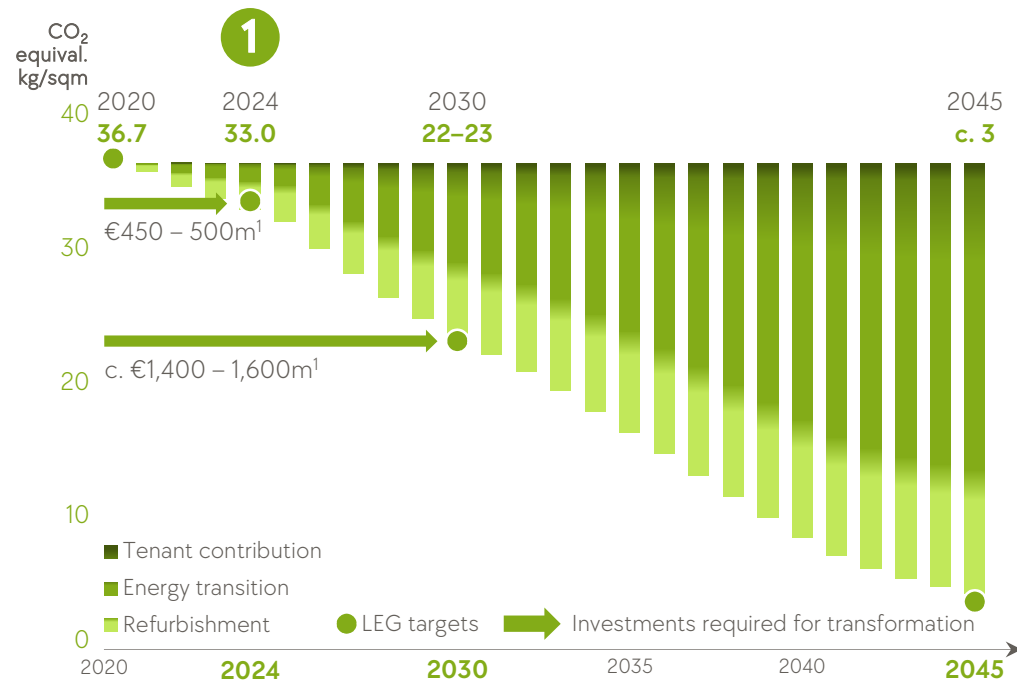


1 Units as at 12/19.

- LEG fully committed to new German Climate Change Act to achieve climate neutrality by 2045
- LEG targets a CO₂ reduction of **10%** by 2024¹
- **3%** of units to be refurbished in 2021¹ 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%**

Refurbishment

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

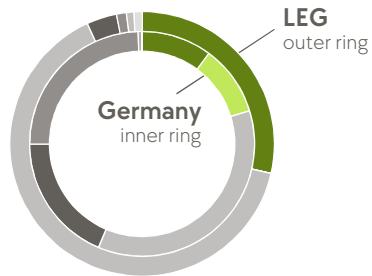
¹ Estimate based on current price levels for materials and services and taking no innovation and efficiency improvements into account. Based on portfolio as of 12/2020. In 2021 LEG aims to spend c. €110m for energetic improvements.

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

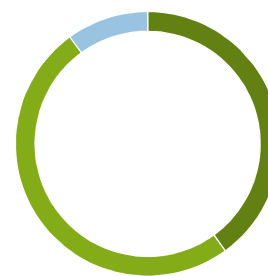
2020



	LEG outer ring	Germany ¹ 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



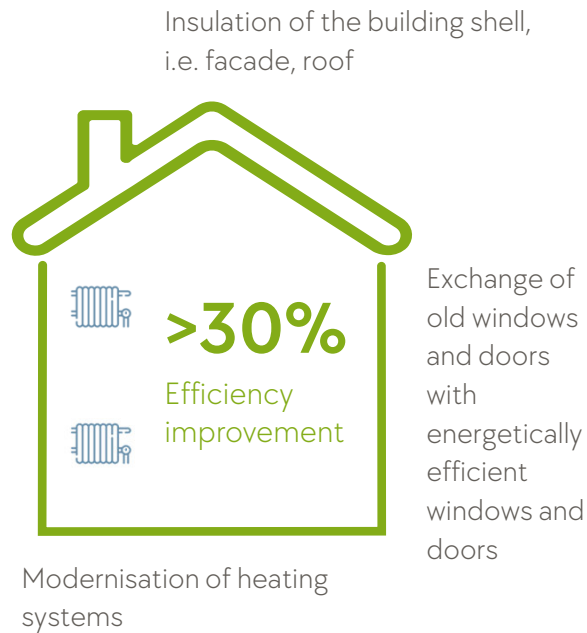
Green district heating	40%
Green electricity	50%
Gas	10%

- 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
- CO₂ reduction from energy transition by **65% – 70%**

¹ Source: BMWi 2020

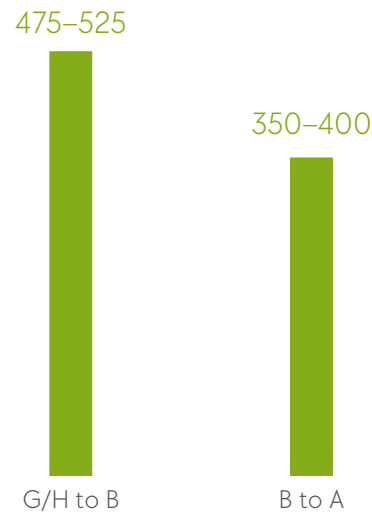
Energy-efficient refurbishment

Shift towards a more holistic approach



Estimated refurbishment costs

€/sqm



- 10% CO₂ 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 BEG¹ is more generous with regards to KfW grants
- CO₂ reduction from refurbishment of 25% – 30%

1
2

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

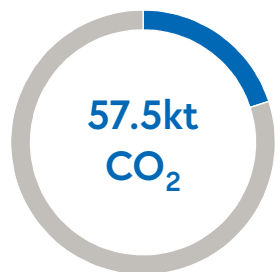
LEG's biomass plant

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

2020 LEG starting point for its portfolio: 36.7kg CO₂e/sqm

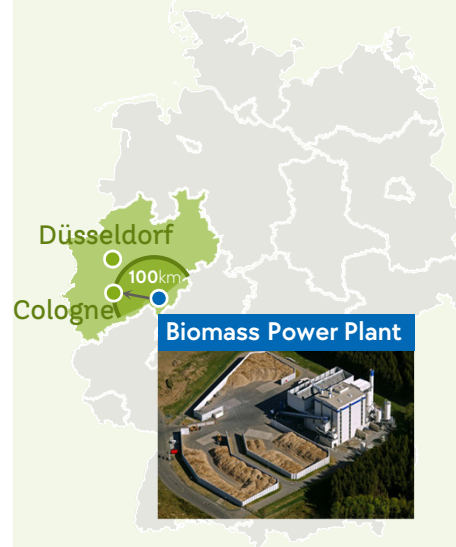
- LEG bottom-up approach based on actual consumption
- Not reflecting the bio mass plant
- Scope 1 and scope 2
- **311kt CO₂** in total
- **157.5 kWh/sqm**

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 **36.7kgCO₂e/sqm** footprint

This represents savings of **57.5kt CO₂** and potentially carbon neutral electricity for **45,000 LEG units**, i.e. around **1/3** of our portfolio

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 **€6.0²/sqm**
- On average rent of c. **€380** per month per unit
- Rent increases for rent-restricted units only every 3 years by inflation factor

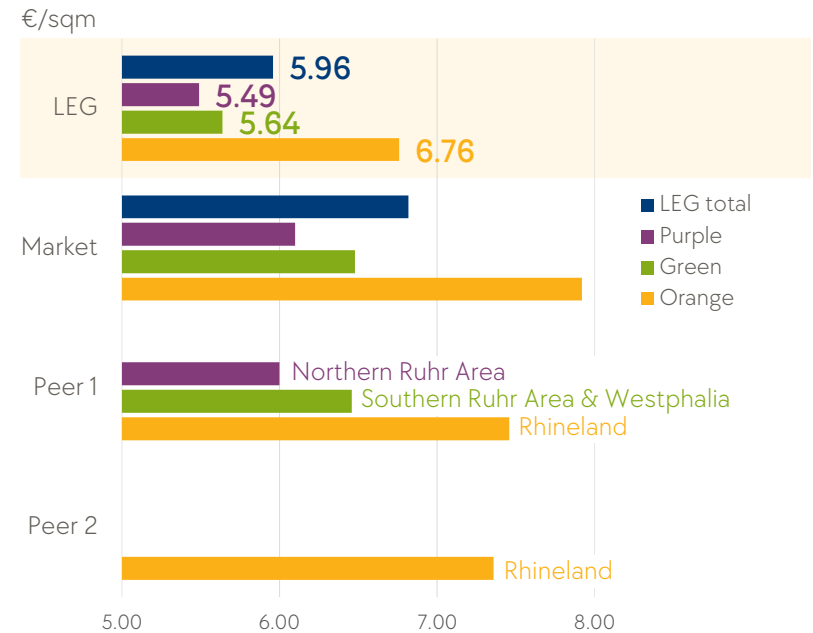
24% of our units are rent-restricted



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)

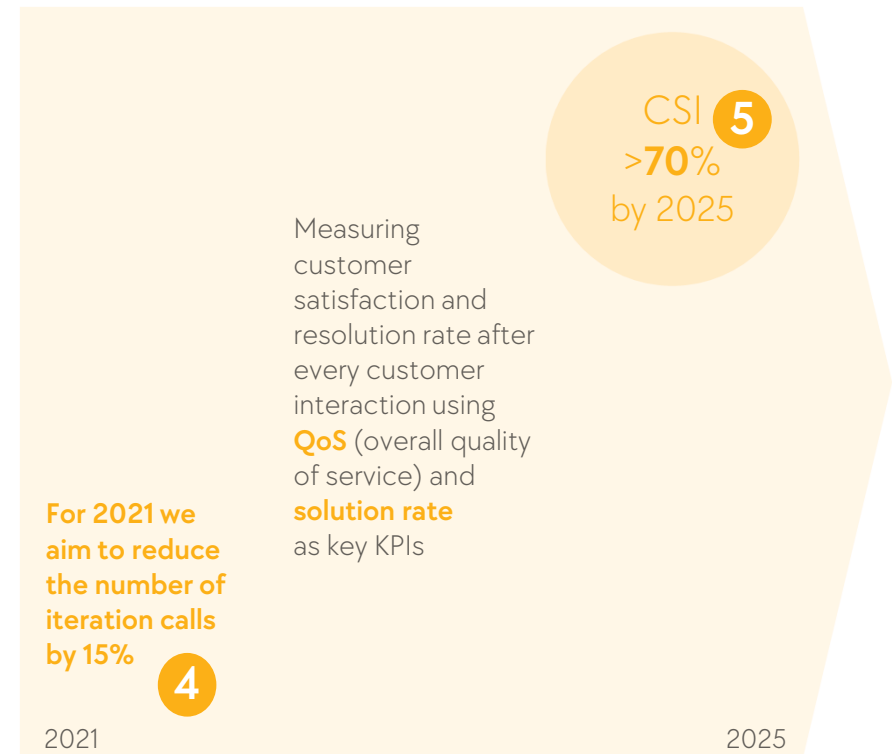
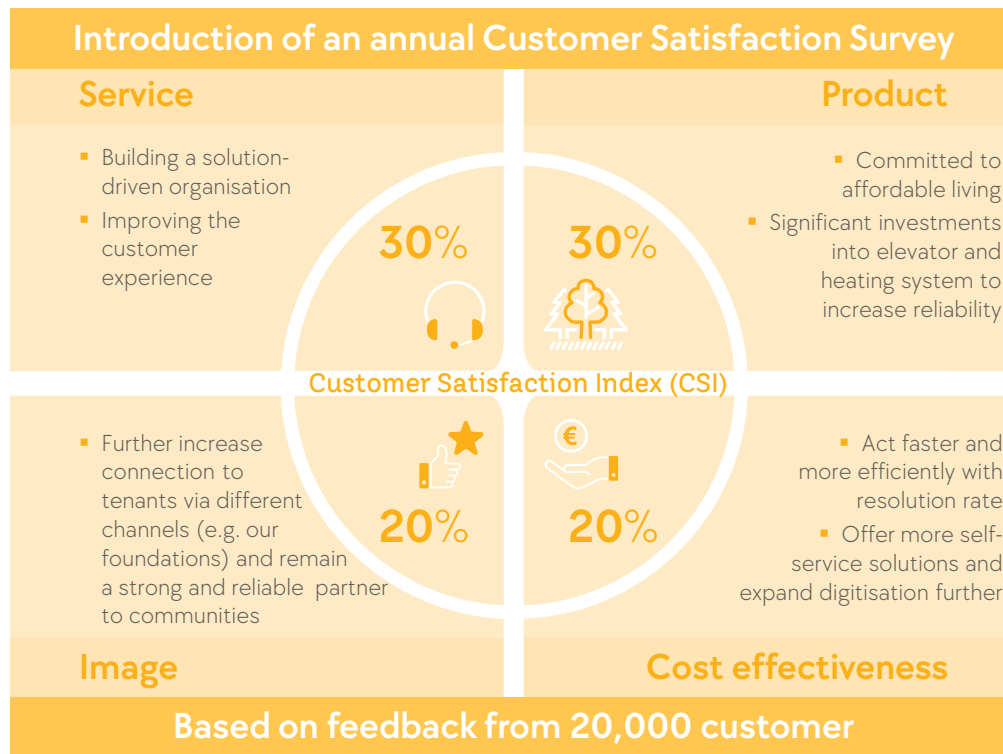
Attractive rent levels in market context (YE 2020)¹



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

Further improving our customer focus

A high customer satisfaction level will be a key differentiation factor



Trust Index 66% – Among the best employers in NRW¹

Target is to keep our strong employee recognition

Trust Index[®]

Based on Median



Total result

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



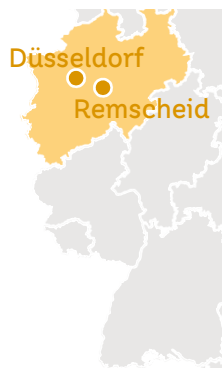
Top results



¹ 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

Strong partner to local communities

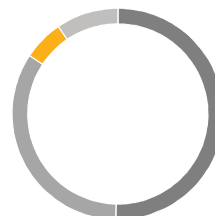
Acquisition of a 6% stake in GEWAG municipal housing company in Remscheid



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 50.3%
- Public utility company Remscheid 34.0%
- LEG 6.2%
- Other 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.



Among best-in-class in corporate governance

Target is to maintain a high Sustainalytics score in the 2021 review **6**

