

## Corporate Governance

**The trust of investors, employees, customers and the public in LEG Immobilien AG is gained and maintained by responsible and value-based management and control of the company geared to long-term business success. Respecting the interests of shareholders and employees, transparency and responsibility in business decisions and the appropriate handling of risk are therefore core elements of our corporate governance and the basis for the work of the Supervisory Board, the Management Board and the employees of LEG Immobilien AG.**

Below, the Management Board, together with the Supervisory Board, reports on corporate governance at LEG Immobilien AG. Further information on this can be found in the corporate governance declaration > [page 82 of the annual report](#); this information is also part of our corporate governance reporting.

### Compliance with the Recommendations of the German Corporate Governance Code

LEG Immobilien AG complies with the currently applicable recommendations of the German Corporate Governance Code as amended on 7 February 2017 ("Code").

The Management Board and Supervisory Board have discussed compliance with the recommendations of the Code and, in November 2018, issued a declaration of compliance in accordance with section 161(1) of the Aktiengesetz (AktG – German Stock Corporation Act). The declaration of compliance issued in the 2018 financial year has been printed in the corporate governance declaration > [page 82 of the annual report](#).

LEG Immobilien AG also complies with the suggestions of the Code, which can be deviated from without disclosure in the declaration of compliance, with the following exceptions:

- Item 2.3.3 of the Code suggests that the company should make it possible for shareholders to monitor the Annual General Meeting using modern communication media (e.g. the Internet). LEG Immobilien AG has examined the technical cost and effort this would entail and has come to the conclusion that this would be disproportionate to the information benefit for shareholders, particularly since all speeches by the Management Board are published on the company's website.
- In accordance with item 3.7(3) of the Code, in the event of a takeover bid, the Management Board should convene an extraordinary general meeting at which shareholders discuss the takeover bid and possibly decide on corporate action. It is questionable as to whether the organisational effort of convening a general meeting would be justified if no corporate action was to be resolved. Accordingly, the Management Board reserves the right to convene an extraordinary general meeting only if a resolution is planned.

### Objectives for the Composition of the Supervisory Board

The Supervisory Board of LEG Immobilien AG consists of six members, all of whom are elected by the Annual General Meeting as shareholder representatives. The mandates of the current members of the Supervisory Board – with the exception of Dr Claus Nolting – ended after the Annual General Meeting on May, 17, 2018. Dr Claus Nolting's mandate ends after the Annual General Meeting that adopts the resolution on official approval of his actions for the 2021 financial year. Following the proposal of the Supervisory Board, the Annual General Meeting decided to appoint Natalie Hayday, Stefan Jütte, Dr Johannes Ludewig, Dr Jochen Scharpe, and Michael Zimmer as members of the Supervisory Board again, effective after the end of the Annual General Meeting. The Appointment was executed in

accordance with section 8.2 of LEG Immobilien AG's articles of association for the duration of one term until the end of the Annual General Meeting that passes the approval of the actions of the Supervisory Board in the financial year 2022.

In accordance with item 5.4.1(2) of the recommendations of the German Corporate Governance Code (GCGC), the Supervisory Board resolved the following objectives for its composition on 23 April 2013, last modified on 28 September 2017. In this context, the Supervisory Board meeting on 28 September 2017 adopted a competence profile devised in 2017 as an additional target:

#### 1. Fulfilment of the competence profile

On the basis of their knowledge, skills and professional experience, the members of the Supervisory Board should be able to perform the duties of a Supervisory Board member of a listed property company with a focus on residential properties. In particular, this includes knowledge of the property industry in addition to general requirements expected of a correspondingly responsible position, such as teamwork, integrity and an awareness of responsibility and sustainability.

Furthermore, the Supervisory Board has designated special areas of competence, which are met by the Supervisory Board as a whole through individual members' key areas of competence. These special areas of competence are the key issues derived from the business activities of LEG Immobilien AG as a listed property company. In particular, key competence in these topics is acquired through many years of experience in and a special commitment to the respective field, and goes far beyond general knowledge and capabilities in these areas.

Each special area of competence should be covered by at least one Supervisory Board member. However, in order to benefit from specific expertise and to allow the Supervisory Board to function efficiently, it is not intended that each member of the Supervisory Board covers the majority of the special areas of competence.

When selecting the members of Supervisory Board committees in particular, care must be taken to ensure that the respective committee has a member specialising in the subject matter of the committee at all times.

The special areas of competence that should be fulfilled by the Supervisory Board as a whole include special expertise in the following areas:

#### **Business management**

As a listed company whose shareholders are mainly institutional investors, the company is committed to increasing its enterprise value by serving the expectations of its key stakeholders, namely its shareholders, tenants and employees. Efficient management and the optimisation of these requirements demand special experience of managing companies or heading up complex organisations.

#### **Housing industry**

LEG Immobilien AG focuses on the management of residential property. Knowledge of the specifics of managing large residential portfolios and exploiting the residential value chain are of great importance for the qualified oversight and guidance of the management of one of Germany's largest property holding companies.

#### **Property transactions**

Growth through acquisitions and the integration of property portfolios are a major cornerstone of our corporate strategy. However, value is generated by such growth only if the risk/reward profile is attractive relative to the consideration. Detailed experience of property transactions is helpful in assessing and evaluating the corresponding purchase and sales opportunities and their structures.

#### **Bank and capital market financing**

Against the background of the growth strategy and safeguarding liquidity in the long term, the financing of the company with equity and debt is a matter of crucial importance. Capital discipline and efficiency are the cornerstones of corporate strategy, together with a defensive financing profile. Banking and capital market financing expertise is required in order to make the best possible use of the extensive range of capital market instruments and bank financing available.

#### **Finance**

Efficient oversight demands an in-depth knowledge of the analysis of financial reports and controlling assessments. The ability to analyse and scrutinise risks, to be sensitive to and have an affinity for the significance of effective compliance structures can be applied more profitably with appropriate experience and the knowledge acquired.

#### **Management and regulation**

"Housing" fulfils a basic need. As a major provider of residential housing, LEG takes the responsibility this entails seriously. LEG therefore also serves its local municipalities as a partner to help solve housing shortages. Furthermore, defining rent levels in particular is subject to regulatory requirements that are constantly under discussion of potential amendment. Communication with the public sector, an understanding of the relevant perspectives and the analysis of regulatory developments are therefore highly important.

#### **2. Fulfilment of GCGC requirements**

The members of the Supervisory Board should satisfy the requirements of the German Corporate Governance Code. In particular, these include the requirements regarding the independence of the members of the Supervisory Board (5.4.2 sentence 3 GCGC: not members of governing bodies of, or exercise advisory functions at, significant competitors, 5.4.4 GCGC: not a member of the management board of the same listed company in the last two years) and their having sufficient time available (5.4.5 sentence 2 GCGC: no more than three Supervisory Board mandates at listed companies in total).

#### **3. Independence**

At least five members of the Supervisory Board must be independent as defined by item 5.4.2 sentence 2 of the GCGC, i.e. in particular they must have no business or personal relationship with LEG Immobilien AG, its executive bodies, a controlling shareholder or an affiliated company, which could give rise to a material and not merely temporary conflict of interest.

#### **4. Diversity and participation of women**

In the interests of complementary cooperation within the Supervisory Board, attention should be paid to sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience when selecting candidates. As the business activities of LEG Immobilien AG primarily concentrate on residential property in Germany, it is not necessary, in the opinion of the Supervisory Board, that the Supervisory Board has one or more members with a particular degree of international experience. Nevertheless, the Supervisory Board welcomes it if a member has an international background.

There should be at least one woman on the Supervisory Board.

#### **5. Age limit**

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

#### **6. 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).

### Implementation/fulfilment of objectives

All goals have been achieved with the current composition of the Supervisory Board. In particular, the requisite competence profile has been fulfilled. This is illustrated by the table and brief CVs below:

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#### Fulfilment of objectives

	Age	Member since	Appointed until (AGM)	Independence	Committee membership	
					Executive Committee <sup>1</sup>	Audit Committee
Michael Zimmer (Chairman.)	55	2013	2023	•	x	
Stefan Jütte (Deputy Chairman)	72	2013	2023	•	•	x
Natalie C. Hayday	42	2015	2023	•		•
Dr Johannes Ludewig	73	2013	2023	•	•	
Dr Claus Nolting	67	2016	2021	•		
Dr Jochen Scharpe	59	2013	2023	•		•

<sup>1</sup> Nomination Committee has the same composition as the Executive Committee.

x = Chairperson

• = Member / fulfilled

#### Michael Zimmer

Michael Zimmer co-founded the Corpus Sireo Group in 1995 and, as the Chairman of its management, built it into one of the largest asset management companies in Germany, with more than 500 employees and assets under management of around EUR 17 billion. In his years as the property group's CEO, Michael Zimmer has overseen corporate and property transactions with a total value of more than EUR 20 billion. This includes the sale of roughly 11,000 Deutsche Post AG apartments and 48,000 ThyssenKrupp AG apartments. In this context, alongside expert knowledge in the structuring and financing

of large property transactions, Michael Zimmer also gained an extensive understanding of dealing with public agencies. Michael Zimmer gradually sold his shares to a banking syndicate in the years that followed, before leaving the company in 2009. Since leaving the Corpus Sireo Group, Michael Zimmer has successfully applied his knowledge and experience as an investor and consultant to many, mostly property-related, transactions. Michael Zimmer's philanthropic spirit is demonstrated by his role as Chairman of the Cornelius Foundation's board of trustees, which helps the children of parents suffering from addictions.

#### Stefan Jütte

As a long-serving board member at major German banks, Stefan Jütte has more than 20 years of experience in the responsible governance of banks. Stefan Jütte was appointed to the Board of Deutsche Postbank AG in 2000, where he was made CEO in July 2009, a position he held until he left the company in July 2012. Mr Jütte's responsibilities at Deutsche Postbank AG included corporate banking and commercial property financing. Before joining the Deutsche Postbank AG board, Stefan Jütte was with DSL Bank, Bonn, as a member of the Board from 1994 and Chairman from 1997. From 1990 he was a deputy member of the Board of Stadtsparkasse Münster/Westfalen, and went on to become a full member from 1992 to 1994. Stefan Jütte was a member of the Supervisory Board of HSH Nordbank until the end of 2018.

#### Natalie C. Hayday

Natalie C. Hayday acquired her extensive knowledge in investment banking, capital markets and finance while working at UBS Warburg (Investment Banking division of the Corporate Advisory Group, New York, 1997 to 1999) and GOLDMAN SACHS & CO, where she most recently held the position of Executive Director of Investment Banking in Frankfurt/Main. Natalie C. Hayday worked for BIG from 2009 to 2012, initially as a consultant to HE Sheikh H. A Al-Banawi (Chairman and CEO of BIG, Saudi Arabia) and subsequently as the Head of Business Development, Jeddah, Dubai and Frankfurt/Main. Since 2013, Natalie C. Hayday has been exercising her experience and proven expertise as a consultant, initially as a freelance consultant for capital markets and investor relations, and as an investment consultant to Obermark GmbH since 2016 and also as managing director of 7Square GmbH since 2018. Natalie C. Hayday is a member of the Supervisory Board of JOST Werke AG.

#### **Dr Johannes Ludewig**

Dr Johannes Ludewig spent many years in senior positions at the German Federal Ministry of Economics, most recently as State Secretary and Federal Government Commissioner for the New Länder, and previously in the Federal Chancellery as head of the Department of Economics, Finance and Coordination for the New Länder. During his time as the CEO of Deutsche Bahn AG (1997 to 1999) and as Executive Director of the Community of European Railway and Infrastructure Companies (2002 to 2011), he also gained valuable knowledge and experience in the field of corporate governance and government regulation in key sectors. Since 2006, Dr Johannes Ludewig has been the Chairman of the National Regulatory Control Council, responsible for federal ministry information on the follow-up costs of legislation, and advising the government on reducing bureaucracy, limiting statutory follow-up costs and digitising public administration.

#### **Dr Claus Nolting**

After studying law, Dr Claus Nolting initially became a lawyer and then worked for the HYPOVEREINSBANK Group from 1989 to 2002, where he held various board positions (member of the Board of Directors at Bayerische Vereinsbank, CEO of Bayerische Handelsbank/HVB Real Estate, member of the Board of Directors at Hypovereinsbank). Dr Claus Nolting applied and further improved his outstanding finance, capital market and property expertise acquired during this time in his next position as CEO of COREALCREDITBANK AG (formerly Allgemeine Hypothekenbank Rheinboden). Since 2015, Dr Claus Nolting has been using his expertise as Senior Advisor to the private equity firm Lone Star Germany. Dr Claus is a member of the Supervisory Boards of IKB Deutsche Industriebank AG, TLG Immobilien AG (until the end of 2018), Hamburg Trust REIM Real Estate Invest Management GmbH and Chairman of the Supervisory Board of MHB Bank.

#### **Dr Jochen Scharpe**

After studying business and earning his doctorate, Dr Jochen Scharpe was initially a Senior Manager in the corporate finance department of KPMG Peat Marwick GmbH, where he acquired his extensive knowledge in the field of finance. Since 1996 he has held prominent management positions at various companies in the property industry, including as Managing Director of Eisenbahnimmobiliengeschäft GmbH (later Vivico GmbH, today CALmmo Deutschland GmbH, from 1996 to 1999) and subsequently as Managing Director of Siemens Real Estate GmbH. Since 2004, Dr Jochen Scharpe has been applying his outstanding knowledge in the fields of the property industry and transactions as a Managing Partner of AMCI GmbH and ReTurn Immobilien GmbH. Dr Jochen Scharpe is the Deputy Chairman of the Supervisory Board of FFIRE AG, a member of the Supervisory Board and Chairman of the audit committee of Instone Real Estate Group AG, and a member of the Advisory Board of Ista GmbH and H&H Holding GmbH.

#### **Directors' Dealings**

In accordance with Article 19 of the Market Abuse Regulation (MAR), the members of the Supervisory Board and the Management Board are required to immediately disclose transactions involving shares and bonds of LEG Immobilien AG or related financial instruments if the value of the transactions attributable to the member or related persons reaches or exceeds a total of EUR 5,000 within a calendar year. No such transactions were reported to LEG Immobilien AG in the 2018 financial year.

#### **Share Programmes**

LEG Immobilien AG has not currently set up any share option plans and does not currently have any similar share-based incentive systems.

#### **Transparency**

In dealing with the shareholders of the company, LEG Immobilien AG abides by the principle of comprehensive, continuous and timely information. We provide detailed documents and information, such as financial reports, current ad hoc disclosures and press releases and information on Annual General Meetings on our website [www.leg.ag](http://www.leg.ag). The company's Articles of Association can also be found on the website.

#### **Compliance Management System**

Compliance with the law and the company's internal policies is a key management and monitoring function. LEG Immobilien AG maintains a compliance management system and, in this context, has appointed a compliance officer and an experienced external ombudsman as an additional point of contact. Please see [> page 59 of the annual report](#) for information on the compliance management system.

#### **Declaration in Accordance with Section 289f HGB and 315d HGB**

The corporate governance declaration in accordance with section 289f and 315d of the Handelsgesetzbuch (HGB – German Commercial Code), including the above declaration in accordance with section 161 AktG and the relevant disclosures on corporate governance practices applied in addition to the statutory requirements, is a component of the management report. [> page 82 of the annual report.](#)

The corporate governance report of LEG Immobilien AG, including the corporate governance declaration in accordance with section 289f and 315d HGB, can also be found on the website of LEG Immobilien AG at [www.leg.ag](http://www.leg.ag)