

Corporate Governance Declaration in Accordance with Sections 289f and 315d HGB

As a listed stock corporation, LEG Immobilien AG issues a corporate governance declaration in accordance with section 289f and section 315d of the German Commercial Code (HGB). This includes (i) the declaration of compliance in accordance with section 161(1) of the German Stock Corporation Act (AktG), (ii) relevant information on corporate governance practices exceeding statutory requirements, (iii) a description of the working methods of the Management Board and the Supervisory Board plus the composition and working methods of their committees, (iv) targets for the participation of women in managerial positions and (v) a description of the diversity concept.

In light of this, LEG Immobilien AG issues the following corporate governance declaration:

Declaration of Compliance in Accordance with Section 161(1) AktG

The Management Board and the Supervisory Board of LEG Immobilien AG submitted the following declaration in accordance with section 161 AktG in November 2018:

“The Management Board and Supervisory Board of LEG Immobilien AG (the “Company”) hereby declare that the Company has complied with the recommendations of the “Government Commission for the German Corporate Governance Code” (version dated 7 February 2017, “Code”) published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 24 April 2017 without exception since submitting its last declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG) in November 2017.

Furthermore, the Management Board and Supervisory Board of LEG Immobilien AG declare that the Company currently complies with the recommendations of the Code without exception and that it will continue to do so in future.

Dusseldorf, November 2018

The Management Board of LEG Immobilien AG
The Supervisory Board of LEG Immobilien AG”

Relevant Disclosures on Corporate Governance Practices exceeding Statutory Requirements

LEG Immobilien AG is geared towards sustainable, successful portfolio management and growth. This is inseparably tied to value-driven corporate governance and corporate social responsibility, to which LEG Immobilien AG has expressed its commitment. Customer orientation, reliability and social commitment are core elements of the company’s corporate philosophy. They ensure the lasting high utilisation and value of the portfolios and maintain or create a basis of trust with tenants as well as private and public-sector partners.

Promotion of local social projects

LEG Immobilien AG and its subsidiaries are committed to a number of local projects, such as tenant and district festivals and supporting cultural or social institutions and sports clubs. These measures actively promote social structures and neighbourhoods in order to strengthen the sense of identity and the bond between tenants and with the company, which in turn leads to a long-term rental partnership and appreciation that maintains value and a sense of responsibility for the neighbourhood.

LEG NRW Tenant Foundation

The charitable LEG NRW Tenant Foundation was created in 2010. With endowment assets of EUR 5.0 million, it supports individual tenants of the Group who require support on account of acute economic distress or due to their emotional, physical or mental state. Local social projects, schools and charitable initiatives are also aided on an individual and specific basis. The aim of this commitment is to create specific value added for tenants, estates and the public, for example in the form of easy access apartments or pro-integration or intercultural events.

Corporate Governance Code of the German Real Estate Industry Association

LEG Immobilien AG is a member of the Corporate Governance Institute of the German Real Estate Industry Association. At www.icg-institut.de, the Corporate Governance Initiative of the German Real Estate Industry Association published a “Corporate Governance Code of the German Real Estate Industry” (as at July 2017, “ICGK”), which contains industry-specific recommendations as addition to the German Corporate Governance Code. The Supervisory Board and the Management Board of LEG Immobilien AG agree that – with the exception of the provisions of item 5.3.2i – the recommendations of the ICGK should also be complied with.

Item 5.3.2.i of the ICGK recommends that the Supervisory Board, the Audit Committee or a separate valuation committee be entrusted with the valuation of the property portfolio and the selection of the valuation experts. The Rules of Procedure of the Management Board of LEG Immobilien AG currently stipulate that fundamental changes to valuation methods require the approval of the Supervisory Board. In addition, the Supervisory Board and the Audit Committee of the Supervisory Board comprehensively monitor and review the preparation of the annual financial statements in accordance with the statutory provisions and the recommendations of the German Corporate Governance Code and, in connection with this, the valuation of the property portfolio. The valuation of the property portfolio itself is performed by the company but is validated by an external property valuation expert and the auditor. Both the auditor and the external property valuation expert regularly participate in meetings of the Supervisory Board and the Audit Committee of the Supervisory Board.

Compliance

LEG Immobilien AG employs a compliance management system that bundles measurements directed at the compliance of legal provisions and internal policies especially with regard to the areas of anti-corruption, competition, taxes, product, data protection, and capital market. The compliance management system is targeted at preventing law and rule violations in the previously mentioned areas, to detect such violations and to sanction them. A whistle-blower system gives employees and third parties the opportunity to give notices on law violations in a protected environment. The compliance management system is described in [> the risks and opportunities report](#).

Description of the working Methods of the Management Board and the Supervisory Board and the Composition and working Methods of their Committees

As a stock corporation under German law, LEG Immobilien AG has a dual management system consisting of the Management Board and the Supervisory Board. Executive management and control are clearly separated in a dual management system.

The Management Board

The Management Board manages LEG Immobilien AG on its own responsibility in accordance with the provisions of law, the Articles of Association and the Rules of Procedure for the Management Board. The Rules of Procedure for the Management Board were most recently amended by the Supervisory Board on 5 October 2018. Among other things, these stipulate that certain transactions of particular significance require the prior approval of the Supervisory Board or one of its committees. The Management Board reports to the Supervisory Board regularly, comprehensively and in a timely manner on all issues of strategy, planning, business performance, the risk situation, risk management and compliance relevant to the company. The Management Board performs its management duties as a collective body. Regardless of their overall responsibility, the individual members of the Management Board manage the departments

assigned to them in the context of Management Board resolutions on their own responsibility. The allocation of duties among the members of the Management Board is based on the assignment plan.

The Supervisory Board

The Supervisory Board has six members and monitors and advises the Management Board. It appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. Its duties and rights are determined by the legal provisions, the Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board most recently amended the Rules of Procedure at its ordinary meeting on 25 March 2014.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work together closely for the good of the company. The intensive and constant dialogue between the bodies is the basis for efficient and targeted business management. The Management Board develops the strategic orientation of LEG Immobilien AG, coordinates this with the Supervisory Board and ensures its implementation. The Management Board discusses the status of the strategy implementation with the Supervisory Board at regular intervals.

The Chairman of the Supervisory Board maintains regular contact with the Management Board, particularly with the Chairman of the Management Board, and advises on issues of strategy, planning, business performance, the risk situation, risk management and compliance at the company. The Chairman of the Supervisory Board is immediately informed by the Chairman of the Management Board of key events significant to the assessment of the position and development of the company and Group companies and their management. The Chairman of the Supervisory Board then reports to the Executive Committee or the Supervisory Board and convenes extraordinary meetings if necessary.

Committees of the Supervisory Board

The Supervisory Board had three committees in the 2018 financial year: the Executive Committee, the Nomination Committee and the Audit Committee. Further committees can be formed if required.

Executive Committee of the Supervisory Board

The Executive Committee discusses key issues and prepares resolutions by the Supervisory Board. In particular, the Executive Committee discusses resolutions by the Supervisory Board on the following matters:

- The appointment and dismissal of members of the Management Board, naming of the Chairman of the Management Board
- The conclusion, amendment and termination of employment agreements with members of the Management Board;
- The structure of the remuneration system for the Management Board, including the key contract elements and the total compensation paid to the individual members of the Management Board; and
- The acquisition of property portfolios.

The Executive Committee regularly discusses long-term succession planning for the Management Board with the involvement of the Management Board. In place of the Supervisory Board but subject to the above and other mandatory responsibilities of the Supervisory Board, the Executive Committee passes resolutions on the following matters:

- Transactions with members of the Management Board in accordance with section 112 AktG
- Approval of transactions with a value in excess of EUR 25,000 between the company or one of its Group companies on the one hand and a member of the Management Board or persons or undertakings related to a member of the Management Board on the other
- Consent to other activities by a member of the Management Board in accordance with section 88 AktG and approval of other additional employment, in particular holding supervisory board mandates and mandates in similar executives bodies of companies outside the Group

- Granting loans to the persons named under sections 89, 115 AktG
- Approval of contracts with Supervisory Board members in accordance with section 114 AktG
- Any other approval required in accordance with the Articles of Association of the company or the Rules of Procedure for the Management Board for measures by the Management Board if the matter cannot be delayed and a resolution by the Supervisory Board cannot be passed in a timely manner

The members of the Executive Committee are the Chairman of the Supervisory Board, Mr Michael Zimmer, his deputy, Mr Stefan Jütte and Dr Johannes Ludewig. As the Chairman of the Supervisory Board, Mr Michael Zimmer is also the Chairman of the Executive Committee. Dr Jochen Scharpe has been elected deputy member (in the case of absence).

Nomination Committee

The Nomination Committee meets as required and suggests suitable candidates to the Supervisory Board for its nominations for the Annual General Meeting. The members of the Nomination Committee are the members of the Executive Committee (Mr Michael Zimmer, Mr Stefan Jütte, Dr Johannes Ludewig). The Chairman of the Supervisory Board is also the Chairman of the Nomination Committee.

Audit Committee

In particular, the Audit Committee deals with the monitoring of the accounting process, the effectiveness of the internal control system and the internal audit system, the audit of the financial statements, including in particular the independence of the auditor, the other services performed by the auditor, the granting of the audit mandate to the auditor, the determination of the key areas of the audit, the fee agreement and compliance. The Audit Committee also deals with the non-financial declaration in accordance with section 289f HGB. The Audit Committee prepares the resolutions by the Supervisory Board

on the annual financial statements (and the consolidated financial statements where applicable) and the agreements with the auditor (in particular, the granting of the audit mandate to the auditor, the determination of the key areas of the audit and the fee agreement). The Audit Committee takes appropriate measures to determine and monitor the independence of the auditor. Thus, the Audit Committee released a white list of a limited number of non-audit services that can be provided by the auditor. If the auditor is commissioned to perform further tasks, the Audit Committee's approval will be required. In addition, on the Audit Committee's behalf, the company has established a process to ensure that no prohibited non-audit services are contracted to the current auditor or potential future auditors. The work of the Audit Committee is based on particular Rules of Procedure that were most recently amended on 17 June 2016.

The members of the Audit Committee are Mr Stefan Jütte (Chairman), Dr Jochen Scharpe (Deputy Chairman), Ms Natalie C. Hayday. The Chairman of the Audit Committee is independent and has special expertise and experience in the application of accounting policies and internal control procedures.

Detailed information on the work of the Supervisory Board and the composition of the committees of the Supervisory Board in the 2018 financial year can be found in the [> Report of the Supervisory Board](#).

Targets for the Participation of Women

In accordance with section 76(4) and section 111(5) of the German Stock Corporation Act, the Supervisory Board and the Management Board are required to set targets for the participation of women in (i) the Supervisory Board, (ii) the Management Board and (iii) the two management levels below the Management Board, to stipulate a timeframe for when this goal must be achieved, to report on the achievement of this goal, or give reasons in the event of non-achievement of this goal.

Supervisory Board

At its meeting on 8 March 2017 the Supervisory Board, based on the six-person Supervisory Board of LEG Immobilien AG and given the current composition of the Supervisory Board, resolved a ratio of 16.6 % (corresponds to one woman on the six-person Supervisory Board). The deadline for achieving this goal was set as 31 December 2021.

Management Board

Also at its meeting on 8 March 2017, the Supervisory Board set a goal for the share of women on the Management Board of 0.0 %, in particular on account of the extension of Management Board appointments in March 2015. The goal was therefore for the current status. The deadline for achieving this goal was set as 31 December 2021.

Management levels below Management Board

LEG Immobilien AG itself has no employees. Hence it is not possible to set goals for employees that it does not have. However, at the Management Board meeting of 6 March 2017 the Management Board of LEG Immobilien AG voluntarily set Group-wide targets for the appointment of women to management positions. The Management Board is standing by its goal of a share of women of 30 % in the first and second management levels below the Management Board, and is aiming to achieve this by 31 December 2021.

Diversity concept of the Supervisory Board

For its composition the Supervisory Board has stated the following targets which include various diversity requirements:

- With the overall composition of the Supervisory Board, the competence profile set should be met. 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. The Supervisory Board has stated that Group management, the housing industry, property transactions, bank and capital market financing, finances and management and regulation are special areas of competence which should be met by the Supervisory Board as a whole.
- The members of the Supervisory Board should satisfy the requirements of the German Corporate Governance Code.
- At least five members of the Supervisory Board must be independent as defined by item 5.4.2 sentence 2 of the GCGC.
- In the interests of complementary cooperation, the members of the Supervisory Board should have sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience when selecting candidates.
- There should be at least one woman on the Supervisory Board.
- Only candidates younger than 75 at the time of the election should be proposed for the Supervisory Board.
- The period of office of a member of the Supervisory Board should not generally be longer than fifteen years.

In its decision on candidates, the Supervisory Board takes into account not only the statutory requirements and the provisions of the Articles of Association, but in particular the above targets and the competence profile. The same applies to the Nomination Committee, which supports the Supervisory Board by providing assistance in its search for suitable candidates. With the current composition of the Supervisory Board all goals have been achieved and the current composition of the Supervisory Board is balanced.

Diversity concept of the Management Board

There are the following targets for the composition of the Management Board:

- Each member of the Management Board must have not only his own qualification, but also must be suitable for the company in its concrete situation and in view of future tasks.
- The Rules of Procedure for the Management Board specify that members of the Management Board should generally be not older than 65.
- The members of the Management Board should supplement each other in respect to competence and knowledge. Here the Management Board should be composed in a way that the Board as a whole not only has entrepreneurial and managerial competence but also knowledge of property management and extensive expertise concerning regional housing markets.
- Moreover, the composition of the Management Board should allow it to have financial markets expertise as well as social competence, e. g. in the area of social and neighbourhood management.
- At its meeting on 8 March 2017, the Supervisory Board set a goal for the share of women on the Management Board of 0.0 %

The Supervisory Board and its Executive Committee ensure that the composition of the Management Board takes place taking due account of the targets set. In addition, account is taken of the relevant legislation and the recommendations of the German Corporate Governance Code. With the current composition of the Management Board, all goals have been achieved.

The corporate governance declaration in accordance with sections 289f HGB and 315d HGB, including the above declaration in accordance with section 161 AktG and the other disclosures on corporate governance can also be found on the homepage of LEG Immobilien AG at www.leg.ag.