LEG Immobilien SE

# Sustainability Agenda 2030

2025

March 2025

LEG

# Sustainability Agenda 2030
## Agenda

1. Key takeaways
2. ESG at LEG
3. Environment
4. Outlook

# Key takeaways

## E

### LEG's climate change mitigation strategy – Emission reduction & innovative solutions

- Ambitious climate targets up to 2030 – validated by the Science Based Targets initiative: 47 % reduction in Scope 1 and 2 emissions by 2030 compared to 2019; equivalent to 21 kg $CO_2e/m^2$
- Update for the decarbonisation pathway up to 2045
- Identification of emission- and cost-efficient measures aimed at reducing $CO_2$
- Sustainable transformation of the LEG portfolio and LEG business model
- Sustainability as business opportunity: Driving business models in climate change mitigation, operating of green ventures and positioning as solution provider - planned cumulative income from investments[1] in green ventures of € 20 million (LTI) up to 2028

## S

### Social targets – Social as core of our corporate DNA

- Tenants: focus on affordable housing and continuous improvements in tenant satisfaction
- Employees: continuous improvements in employee satisfaction as gauged by the "Great Place to Work" survey (73.5 achieved)
- Society: closer collaboration with neighbourhoods, districts, municipalities, municipal enterprises and local policy makers

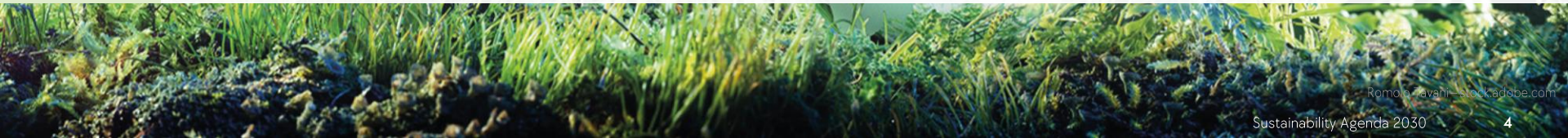
## G

### Governance targets: Good governance as our foundation

- Good compliance as the basis of good corporate governance and greater focus on IT security, goals set for employee awareness training events
- Focus on emission efficiency incorporated into remuneration structure
- Risk management: physical climate risks and transitional risks are regularly evaluated and mitigation measures are regularly reviewed

1: Including potential sales proceeds


# 2 ESG at LEG



# Laying the foundation

The ESG Agenda 2024 successfully established sustainability topics at LEG

## Environment

- Establishing LEG's initial decarbonisation pathway, including annual reporting
- Commitment to the German Federal Climate Action Act – Climate Targets 2030 & 2045
- Identification of measures to reduce $CO_2$
- Founding of green ventures with focus on solutions to climate change mitigation

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## Social

- Affordable housing as the core of the business model
- Enhancement in customer satisfaction as gauged by the reduction in repeat callers and the CSI
- Increase in employee satisfaction as reflected by the trust index (66 % targeted; average of 73.5 % achieved 2022-2024)
- Expansion of strong partnerships with local communities

S

## Governance

- Highly efficient governance to guarantee daily compliance with our values, legislation and ethical standards
- Integration of ESG goals into the remuneration system
- Improvement in ESG rating performance, e.g. Sustainalytics
- Women make up one third of the fully independent Supervisory Board

G

# Sustainability as business opportunity

ESG continues to be established as a core business model, building upon its foundational framework

## Phase 1
### "Laying the foundation"

- Development and establishment of the $CO_2$ reduction pathway up to 2045
- Identification of climate change mitigation measures to support the energy transition
- Affordable housing at the core of the business model
- Improvement in our rating performance and integration of ESG goals into the remuneration system

## Phase 2
### "Sustainability as business opportunity"

- Development of new measures to reduce $CO_2$ in order to achieve our own climate ambitions, thereby focusing on emissions efficiency
- Guarantee and focus on financially viable reduction measures
- Establishing financially advantageous upside potential for the green venture companies in LEG's portfolio, and in third-party portfolios
- Even greater focus on affordable housing
- Compliance with LEG's high governance standards

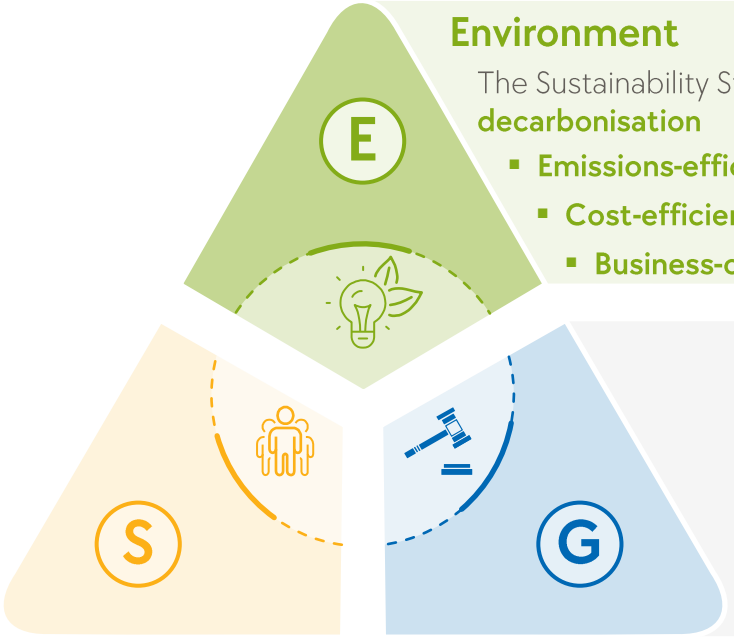
## Phase 3
### "Achieve climate milestone 2030"

- Established, efficient and rapid implementation of the developed catalogue of climate change mitigation measures while ensuring effectiveness
- International competitor in climate-friendly, sustainable solutions for the real estate sector
- Affordable housing as a core LEG element to address societal challenges
- Governance as a key pillar, adapted continually to regulatory requirements

2024 — 2028 — 2030

# The sustainability strategy focuses on the climate goals

Under the guiding principles of emissions efficiency, cost reduction and business-oriented implementation




## Environment

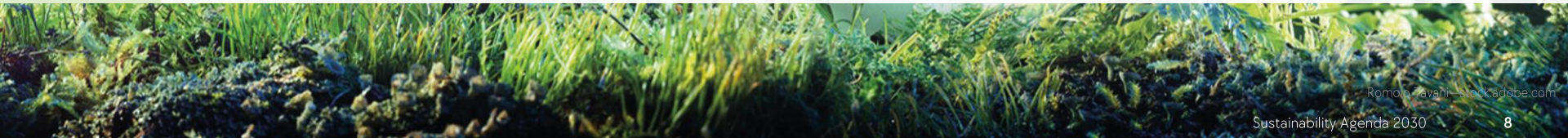
The Sustainability Strategy 2030 primarily focuses on **climate change mitigation and decarbonisation**

- **Emissions-efficient implementation:** $CO_2$ reduction instead of energy efficiency
- **Cost-efficient implementation:** lower costs per ton of $CO_2$ saved
- **Business-oriented implementation:** green solutions as a contribution to business success

## Social & Governance

Established within LEG's strategy, providing a key cornerstone for the company


# 3 Environment



# Five key action areas of the sustainability strategy

Focus on proactive $CO_2$ reduction and positioning as a green solutions provider

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## 01

### Data management

Automation of the carbon balance to calculate actual consumption

$CO_2$ reporting on $CO_2$ savings for each measure

Use of tools to control measurement investment and ensure financing viability

## 02

### Climate objectives

LEG's climate targets are scientifically based and validated by the Science Based Targets initiative

Statement of the LEG Decarbonisation Pathway up to 2045

Publication of annual Scope 1 and 2 emissions in the carbon balance and in the pathway

## 03

### Measures to reduce $CO_2$

Extension of measures to reduce $CO_2$ in the clusters with focus on emissions efficiency

- Emission-efficient heat supply
- Reduced energy requirements
- Energetic refurbishment

## 04

### Innovations and green ventures

Pilot and implement climate change mitigation to reduce $CO_2$, reduce costs and increase profit

Identify business models in the field of transformation and exploit opportunities

Additional source of income based on green business models

## 05

### Reporting & ratings

Sustainability report as per CSRD specifications

Report on physical and transitory sustainability risks

Participation in ESG ratings and improvement in ESG performance

# Optimised data management

Data management as key basis for setting goals and planning measures



## Tools to control investment in measures

Use of tools to ensure financing viability

REVIEW – STATUS QUO

### Carbon balance

- Calculation of **Scope 1 and 2 emissions** for the entire company and consideration of the **successful reductions** in the decarbonisation pathway
- **Actual consumption levels** as the basis of the carbon balance
- **Automation** of the carbon balance to optimise data management

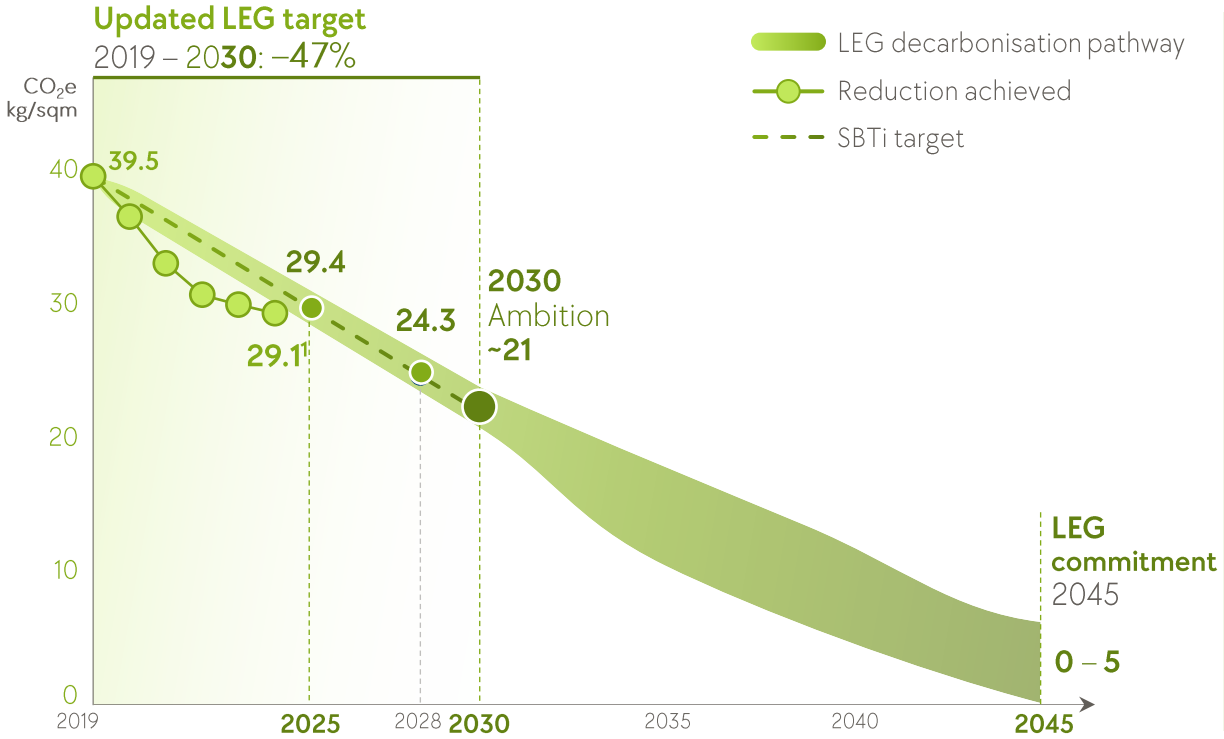
OUTLOOK – PLANNING

### $CO_2$ reporting

- Planning of necessary **$CO_2$ savings** per **reduction measure** and year
- Consideration of the **investment costs** and the **effectiveness of measures**
- Quarterly internal reporting

# LEG's climate targets

~ 47 % of Scope 1 and 2 emissions to be reduced by 2030




- LEG has successfully reduced its carbon emissions through targeted measures over the last few years
- Updating of the methodology to delineate the carbon reduction pathway through such measures as:
  - Inclusion of administration, communal areas and biomass heating power plants
  - Adapting the climate adjustment methodology (DWD climate factors)

- Updated LEG target:
  - 47 % of Scope 1 and 2 emissions will be reduced by 2030 compared to the base year 2019 (Science Based Target)
  - LEG will thus achieve ~21 $CO_2$e kg/m² on its 2030 pathway (to date: 22–23 $CO_2$e kg/m²)
  - We are striving to become almost greenhouse gas-neutral by 2045

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1: Projection for 2024, market based (climate adjusted).

# Identification of measures

When identifying measures, LEG places greater emphasis on emission and cost efficiency



## Energy efficiency
### as the driver to date

- Energy efficiency as the key driver in regulation changes and legislation
- Growing requirements in the field of energy efficiency no longer financially feasible
- Existing $CO_2$ emissions are only given secondary consideration from an energy efficiency standpoint
- Energy-efficient modernisation regarded as an essential decarbonisation option in the property industry

## Emissions efficiency
### with higher future value

- Carbon reduction should take priority in climate protection as it concerns the actual $CO_2$ saving achieved, not the $CO_2$ saving projected through energy efficiency measures
- Significant carbon reduction is not achievable through energy efficiency measures
- Measures such as energy source transformation paired with green energy are more effective and more cost-efficient
- Energy-efficient modernisation is just one possible measure on the pathway to decarbonisation due to the challenging financing viability

# From home to neighbourhood

LEG pursues an integral sustainability strategy with a focus on innovations

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## 1 Emission-efficient heat supply

50 – 55 %[1]

**LEG biomass power plant**
Wood waste combustion

**dekarbo° Air-to-air heat pumps**
Split air conditioning systems instead of gas combination boilers for $CO_2$-free heating

**District heating network**
Space heating and hot water heating

**Heating replacement**
Replacement of conventional heaters

## 2 Reduced energy requirements

30 – 35 %[1]

**termios AI-based thermostats**
Reduce energy consumption and perform hydraulic balancing

**Green nudging**
Measures to change customer behaviour

## 3 Energetic refurbishment

10 – 15 %[1]

**RENOVATE Serial refurbishment**
All-inclusive energy efficiency solution with refurbishment of building envelope, heating and roof

**Conventional refurbishment**
Building envelope modernisation

**Pilot projects**
**Innovations**
e.g. sector coupling, heating technology, refurbishment approaches

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1: Contribution to overall $CO_2$ reduction by 2030

# 1 Emission-efficient heat supply – Heating replacement & district heating

Measures contribute around 50 – 55 % to $CO_2$ reduction until 2030



## Heating replacement

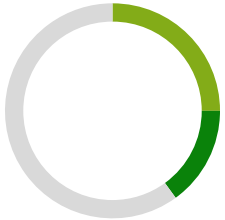
### Central systems

- Modernisation of central heating systems
- Air-to-water heat pumps as a key component; change of energy source to electricity
- Greater efficiency: Modern air-to-water heat pumps offer high efficiency[1] (SCOP of > 3: can convert 1 kWh of electrical energy into at least 3 kWh of thermal energy)

### Independent systems

- Air-to-air heat pumps (AAHP) in apartments with an independent heating system as a solution to heating transition with option for cooling
- AAHPs have a high efficiency[1] (SCOP of > 4.2), even for non-insulated buildings, and thus ensure operating cost neutrality
- Installation within two days by dekarbo°

## Expansion of district heating



| | |
|---|---|
| Supplies | 25 % |
| Connection potential | 15 % |
| No potential | 60 % |

- Up to 40% of LEG properties may be connected to district heating networks, thus ensuring they are decarbonised in the future.
- ~25 % connected; ~15 % offer untapped district heating potential
- Expansion of district heating in cooperation with municipal heating planning, involvement of Wärmewende Bochum and Dortmund heating transition initiatives

**50 – 55 %** $CO_2$ saving thanks to **emission-efficient heat supply**

1: Seasonal coefficient of performance, i.e. how much heat energy is generated by one kWh of electrical energy

# 2 Energy demand reduction – AI-based thermostat and green nudging

Measures contribute around 30 – 35 % to $CO_2$ reduction

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## AI-based thermostats

termios

- Use of intelligent AI-based thermostats to provide energy savings of up to 30 %
- Saving thanks to adaptive hydraulic compensation and additional saving opportunities
- Minimally invasive and low-investment measure
- Rapid installation and maximum possible independence from specialists/tradespeople
- Official market launch on March 31st, 2025

## Green nudging – Change in behaviour


- "Nudging": the concept of nudging is used to gently encourage changes in energy consumption behaviour
- Since 2022, posters have been displayed on 17,000 buildings showing the average amount of energy costs that tenants can save by changing their heating
- Shower savings project: hot water requirements for showers can be reduced by up to 40 % using inexpensive flow restrictors

**30 – 35 %** $CO_2$ saving thanks to **reduced energy requirements**

# 3 Energetic refurbishment – Conventional and serial refurbishments

Measures contribute around 10 – 15 % to $CO_2$ reduction

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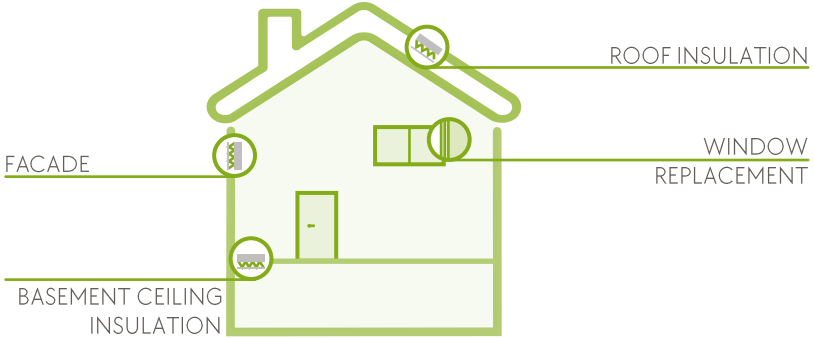
## Conventional energetic refurbishment




- Conventional energy-efficient modernisation involves optimisation of the building envelope section
- However, modernisation covers different energy-related aspects

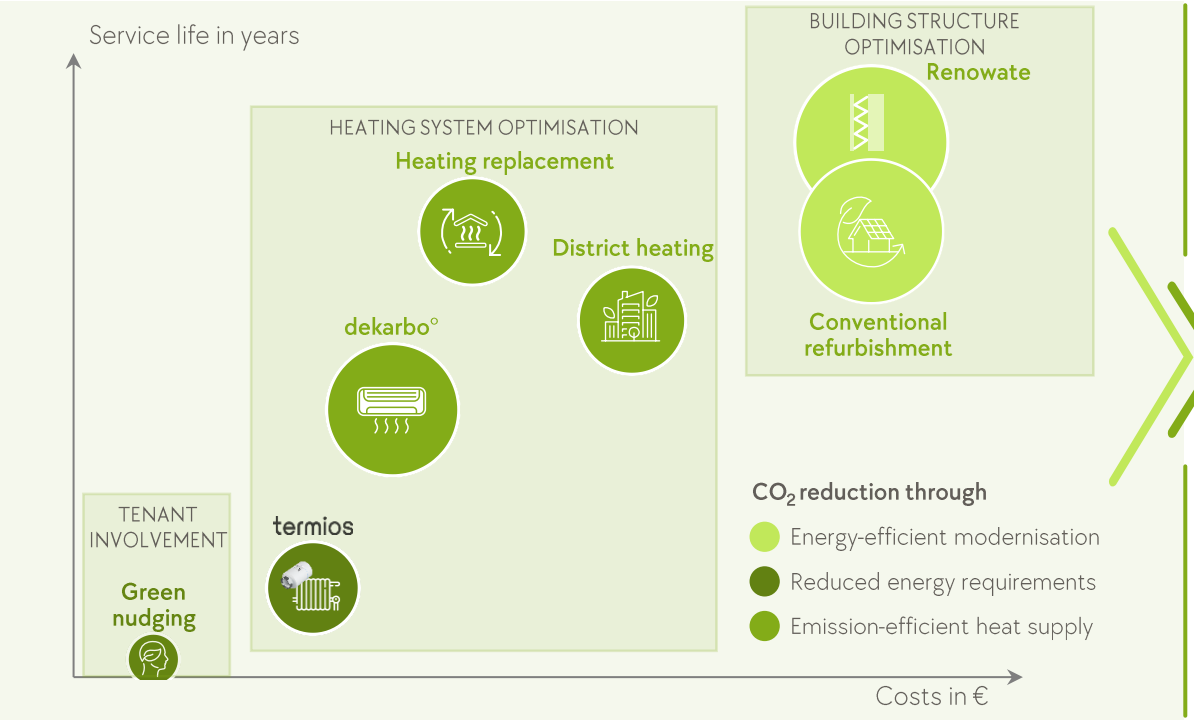
## Serial energetic refurbishment


- Attaching prefabricated facade elements and all technical building equipment without the residents needing to move out
- In the case of a serial energetic refurbishment by RENOWATE, 100 % of the $CO_2$ emissions are reduced by installing heat pumps that run on green electricity

**10 – 15 %** $CO_2$ saving thanks to **energetic refurbishment**

# Measures – Identification of measures

LEG implements measures based on efficiency in terms of emissions and cost




- Identification of measures depending on emission and cost efficiency
- Climate change mitigation and, consequently, $CO_2$ reduction can be much more effectively focused through emission efficiency than through measures focused on energy efficiency
- Support and funding of emission-efficient measures to achieve an immediate $CO_2$ reduction effect while ensuring financing viability

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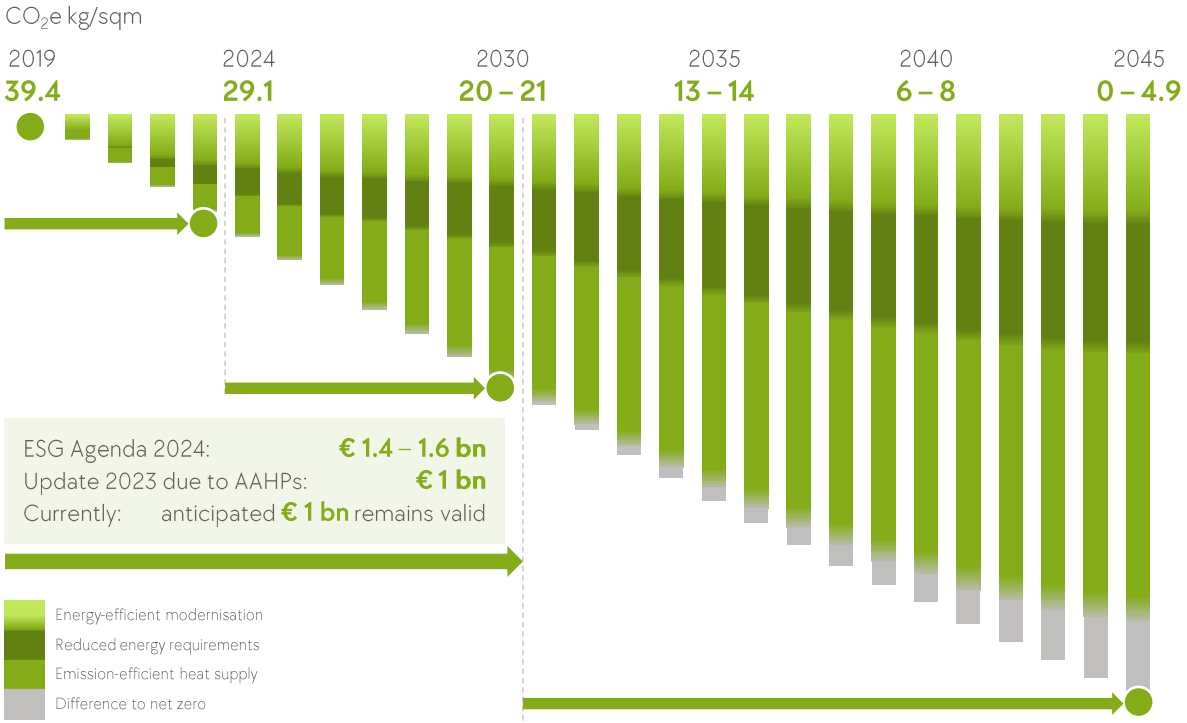
# Measures – Financing

The costs of decarbonisation until 2030 will still amount to approximately € 1.0 billion




## Financing decarbonisation

- Overall, the costs for decarbonisation by 2030 are currently expected to be € 1 billion (as of today)
- The aim is to minimise the costs per saved ton of $CO_2$ as much as possible and continue to reduce them over the next few years

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# LEG clarifies decarbonisation, yet uncertainties remain

Measures are planned until 2030, but not all steps to the target are clear



## Uncertainties exist in the following fields in particular...

### Policy makers 1

- Changes in political goals regarding climate policy conceivable
- Change in the political circumstances
- Legislation and guidelines may be amended before 2030 or 2045

### Regulations 2

- Uncertainties remain in the formulation of regulations, such as whether the potentials arising from EU-ETS II can be fully realised
- European directives still need to be transposed into German law; implementation unclear
- Uncertainties regarding funding landscape for decarbonisation measures

### Dependence on energy sector 3

- Interdependence on decarbonisation efforts of energy providers
- Complete decarbonisation of the portfolio is only possible if the German electricity mix and the connected district heating use green energy sources
- The trend in energy prices is still unclear and implementation costs can be high (e.g. due to district heating expansion and the sometimes complex combinations of trades involved)

Despite dedicated planning, considerable uncertainty remains regarding the numerous political and regulatory risks and dependencies on other sectors

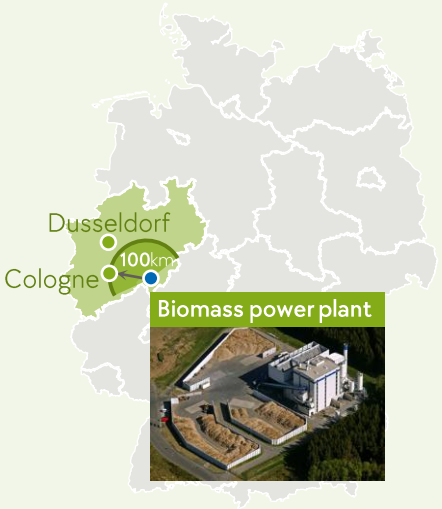
# 2 Influence of regulations on $CO_2$ reduction measures

LEG biomass power plant with competitive advantage for the future[1]

## Potentials from biomass heating power

- Annual production of 101,000 MWh of electricity (equivalent to onshore wind park with 20 large wind turbines)
- Biomass power plant as a sustainable LEG business model
- Carbon neutral thanks to use of wood waste
- Generation of district heating and electricity for the local business park
- Energy supply to LEG buildings not possible due to distance
- Depending on the design of EU ETS II (from 2027), LEG may consider the savings from the biomass power plant as a $CO_2$ reduction measure
- Cost-effectiveness is continuously monitored, especially after the German Renewable Energy Law remuneration ceases in mid-2026

## LEG biomass power plant




### Offset potential due to biomass power plant


Corresponds to about **4 %** of total emissions

**Emissions** contained in our carbon balance;
**saving** could be taken into account from 2027
**Offset dependent on implementation of EU ETS II**

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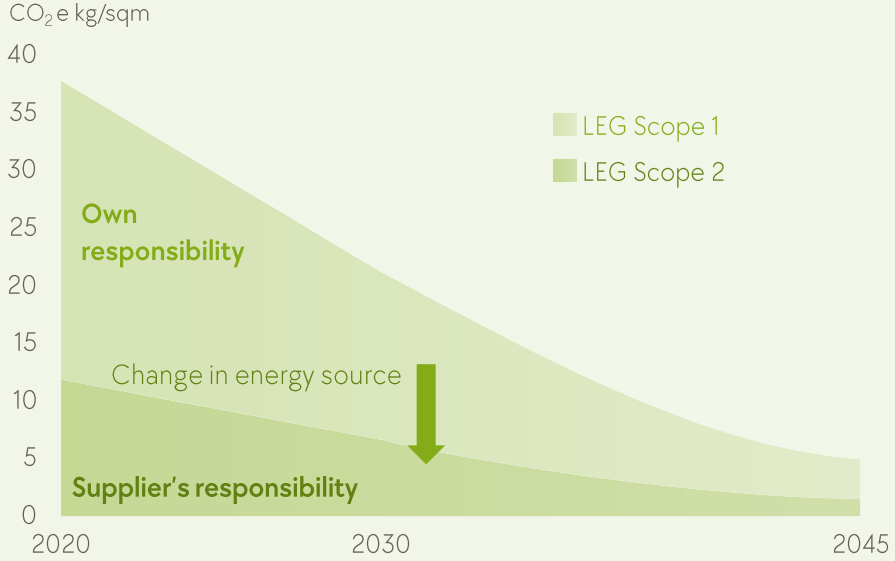
1 Low number in comparison with earlier publications due to the anticipated emissions factor for 2027. Current regulatory provisions do not yet allow for the direct use of savings.

# 3 Energy sector – Heating supply

Significant potentials, but dependent on the energy supplier

## Dependence on energy provider




*Emissions change from Scope 1 to 2 if connection is to non-green district heating or electrification (without green electricity)*

## Electrification – Replacement of fossil fuel heating systems

- Due to the switch to electricity, emissions are calculated based on the German electricity mix
- Complete decarbonisation can only be achieved with green electricity, e.g. contracting models with dekarbo°

## District heating

- A district heating connection is not sufficient to decarbonise the connected building
- The extent of the remaining $CO_2$ emissions depends on the energy supplier and municipal heating planning; complete decarbonisation is only possible with green district heating
- To date, only ~ **22 %** of district heating in Germany is supplied from renewable energy sources
- Energy prices are also highly uncertain

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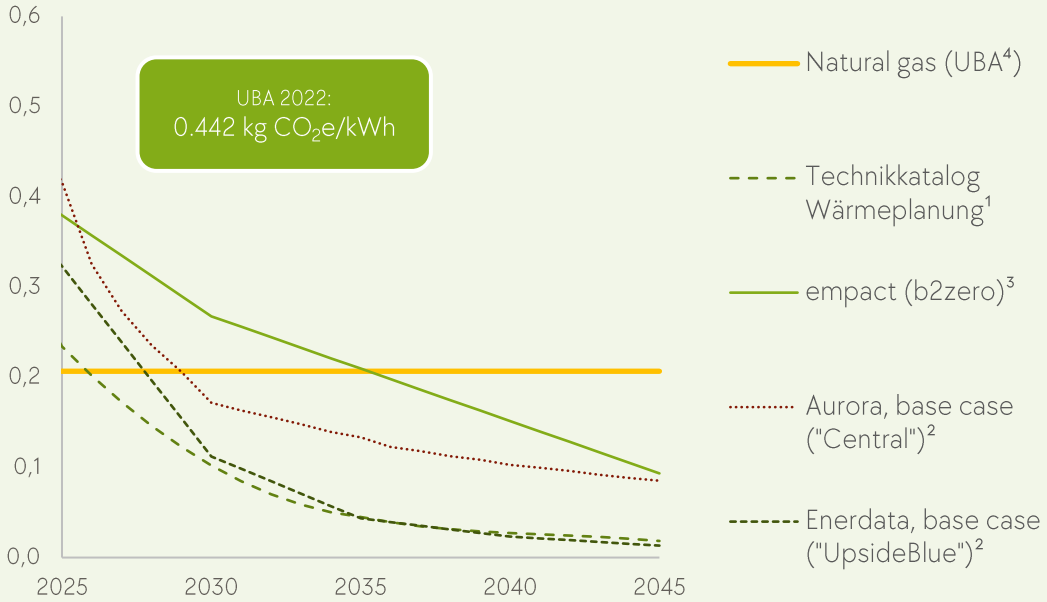
# 3 Energy sector

## The wide variance in scenarios to develop the German electricity mix highlights uncertainty

### All available scenarios show significant decarbonisation

Kg $CO_2$ e/kWh – GHG emission factor for the German electricity mix




- The variance in the available scenarios reveals the uncertainty of impending developments
- In 3 of the 4 base case scenarios considered, the emissions factor for natural gas will fall below the threshold before 2029
- Electricity-based heating and hot water systems (Scope 2) will nevertheless soon transition to emission-efficient systems, irrespective of whether exclusively green electricity contracts are used
- As a result, proofs of origin will steadily diminish in importance in the future

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1 Without upstream emissions, based on data from the *Technikkatalog Wärmeplanung*, Prognos AG, ifeu, University of Stuttgart (commissioned by the BMWK and BMWSB): https://www.kww-halle.de/wissen/bundesgesetz-zur-waermeplanung
2 From Projekt Bell, dated 2023-07, without $CO_2$ equivalents, without upstream. 3 Publicly available forecast from the International Institute for Sustainability Analysis and Strategy (IINAS), data source: GEMIS (Öko-Institut Freiburg), converted to the German Environment Agency (UBA) starting value for 2022. 4 UBA 2022.

# Sustainability as business opportunity

## Green ventures as a strategic pillar and potential growth driver for LEG

### Identification of green solutions through innovation and openness to technology

- Undertaking of pilot projects for suitable, technology-neutral, innovative solutions with a focus on cost and emissions efficiency
- Establishment and development of strategic partnerships to pool existing expertise
- Examination of new sustainable business models (green ventures) for owned and third-party portfolios ("from the housing industry, for the housing industry")

### LEG has already managed to create three new business models thanks to strategic partnerships

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| Construction firm | Air conditioning and refrigeration | Heating control technology |
|---|---|---|
| RENOWATE: Serial energetic refurbishment with prefabricated refurbishment components | dekarbo°: Air-to-air heat pumps – Decarbonisation of apartments in 2 days | termios: AI-based thermostats Automated hydraulic compensation |

E 04

Founding of green ventures

Cumulative income from investments[1] planned in green ventures up to 2028 of € 20 million (LTI)

Further expansion and scaling

RENOWATE dekarbo° termios

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

1: Including potential sales proceeds

# Sustainability as business opportunity

Green ventures target attractive and under-served markets for both owned and third-party portfolios

## Market potentials, Germany


**23** million apartments in apartment buildings in Germany
Of these, approximately **18.5** million apartments with central heating systems
As a result, around **92.4** million thermostats for hydraulic compensation[1]

**2.1** million[2] building structures that can be targeted through serial refurbishment
**>€ 5 –10** billion possible annual volume of refurbishment

**23** million apartments in apartment buildings in Germany
Of these, some **4.5** million apartments with independent heating systems
As a result, around **4.5** million air-to-air heat pumps

SUSTAINABILITY AS BUSINESS OPPORTUNITY ESG

E 04

1 Without trades. 2 Share of total German building stock of some 20 million buildings; source: Census 2011.

# Reporting – Sustainability report according to CSRD

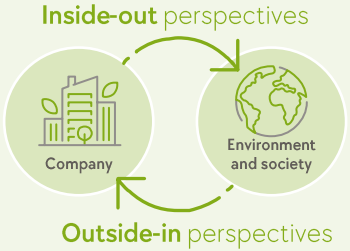
This year, LEG is reporting in line with the European Sustainability Reporting Standards for the first time



## High transparency due to double materiality

**Materiality analysis** using the principle of **double materiality** forms the basis of reporting

**Opportunities and risks** of sustainability topics for the company's financial standing




Company's **impact** on sustainability matters

## Voluntary reporting according to CSRD

- Companies which currently already produce reports as per the Non-financial Reporting Directive (NFRD) should have applied the standards for the first time in the reporting year 2024
- Since the CSRD Implementation Act was not passed in time, there is no adoption into national law
- LEG is voluntarily providing a full report for the 2024 reporting year in line with the CSRD and ESRS to ensure maximum transparency
- The standards E1 (climate change), S1 (own workforce), S4 (end users) and G1 (business conduct) are relevant to LEG

# Reporting – Sustainability risks

A few changes in reporting and control will need to be taken into account in the future



## Management of sustainability risks

- Climate risk tool introduced
- Conformity with EU Taxonomy assured
- Classification into non-monetary sustainability risks and TCFD risks with monetary value
- Risk classification based on ecological and societal impacts
- Focus on reducing transitional risks

- Preparation of risk reporting as per CSRD
- Classification into physical climate risks and transitory risks
- Monetary valuation of all sustainability risks

- Active risk management and process control
- Implementing risk minimisation measures: in addition to measure control of transitory risks, includes control of specific physical climate risks in the future, on the basis of climate risk analysis (e.g. flooding risks) among other things
- Action catalogue for mitigation of identified risks

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

# Ratings

Since 2021, we have managed to improve all of our ratings and achieve or maintain good positions



| ESG | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | |
|---|---|---|---|---|---|---|---|---|
| MSCI | ESG Rating | AA | AA | AA | AAA | AAA | AAA | **Improved to AAA** and maintained since 2022 |
| SUSTAINALYTICS a Morningstar company | ESG Rating | 20.1 | 10.4 | 7.8 | 6.7 | 6.7 | 6.3 | **Improved to 6.3** in 2024 |
| CDP DISCLOSURE INSIGHT ACTION | CDP Score | | | | B | B | B | B since 2022 |
| SCIENCE BASED TARGETS | SBTi target | | | | SBTs submitted | SBTs validated | Update validated | SBTs have been submitted, **validated and approved** |
| ISS ESG | ISS ESG | D+ | C– | C– | Corporate ESG Performance Prime | Corporate ESG Performance Prime | Corporate ESG Performance Prime | **C Prime Status** was **achieved** for the first time in 2022 and has been maintained |
| EPRA EUROPEAN PUBLIC REAL ESTATE ASSOCIATION | sBPR Award | sBPR SILVER | sBPR GOLD | sBPR GOLD | sBPR GOLD | sBPR GOLD | sBPR GOLD | **Gold Award** consistently upheld since 2020 |
| DAX | ESG Index | | DAX® 50 ESG | DAX® 50 ESG | DAX® 50 ESG | DAX® 50 ESG | | Member since the index was started |

# 4 Outlook

# Sustainability Strategy 2030

More information and annual update in our Factbook

## Sustainability Strategy 2030

LEG is continually working to implement its sustainability strategy, taking suitable measures to achieve the targets.

For more on the subject of sustainability, see our Sustainability Factbook

- ✓ Annual update
- ✓ Additional information
- ✓ Successes with our ESG goals to date