

Sustainability Report 2017

Separate non-financial Group report of LEG Immobilien AG 2017

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ABOUT THIS REPORT

GRI 102-45; 102-50; 102-52; 102-54

This Sustainability Report constitutes a first separate non-financial Group report as required by Sections 315b and 315c in conjunction with Sections 289c and 289e of the German Commercial Code (HGB) for the financial year 2017. Certain sections within the separate non-financial Group report are marked with a blue line in the margin next to the text.

The report was published on 8 March 2018 at the following web address: www.leg-wohnen.de/en/corporation/investor-relations/news-publications/sustainability-reports/

Unless indicated otherwise, the contents of the report relate to the entire LEG Group, i.e. all fully consolidated companies as per the 2017 consolidated financial statements (a comprehensive list of the consolidated companies can be found under "List of shareholdings" in the Notes to the 2017 Annual Report).

The reporting period equates to the 2017 financial year and runs from 1 January 2017 to 31 December 2017.

This Sustainability Report has been prepared in accordance with the GRI Standards: Core option. We also complied with the supplement G4 Construction and Real Estate Sector Disclosures (CRE) specific to the real estate industry.

For this separate non-financial Group report, we used the GRI Standards as a guide in particular also for carrying out the materiality assessment and in defining policies.

In addition to the GRI Standards, the report was prepared taking into account the second edition of the Best Practices Recommendations on Sustainability Reporting of the European Public Real Estate Association (EPRA) published in 2014. The EPRA Sustainability Performance Measures are listed in a separate index at the end of the report.

The consolidated financial statements do not report any figures which relate to the aspects addressed in this separate non-financial Group report.

The separate non-financial Group report was audited by the audit firm PricewaterhouseCoopers GmbH in accordance with the ISAE 3000 (Revised) standard with limited assurance. The components that have been audited can be recognised by the blue line to the left of the text. References to information outside of the Group management report relate to supplementary information and are therefore likewise not part of the audit.

LEG will henceforth report on its sustainability activities annually.



HOLGER HENTSCHEL
Chief Operating Officer

ECKHARD SCHULTZ
Chief Financial Officer

THOMAS HEGEL
Chief Executive Officer

FOREWORD BY THE MANAGEMENT BOARD

GRI 102-14

Ladies and gentlemen,
dear readers,

We are delighted to present to you our first sustainability report. In the chapters that follow, we will explain how we set about establishing structured sustainability management. You can read about the issues we focus on in particular and the goals we have set ourselves for the years to come. We will henceforth report annually and transparently on the status quo, developments, our activities, progress/successes and the challenges we face in the area of corporate responsibility. We are reporting in accordance with the Global Reporting Initiative (GRI) Standards, supplemented by other performance indicators based on the Best Practices Recommendations on Sustainability Reporting of the European Public Real Estate Association (EPRA).

With 130,000 apartments, the LEG Group is the market leader in North Rhine-Westphalia and also one of the largest housing companies in Germany. We offer our approximately 350,000 tenants in our focal region of North Rhine-Westphalia contemporary and affordable housing. We are conscious of our corporate social responsibility and thus are there for our tenants. We aim to achieve medium- to long-term value enhancement and thereby generate ongoing and sustainable growth. We are well aware that the expectations external stakeholders have of real estate companies are increasing in view of the challenges that our society is currently facing, be it climate change, demographic change, the integration of immigrants and refugees or the creation of affordable housing in conurbations.

We intend to assume responsibility for our actions and to make a significant contribution to solving societal challenges. We consider sustainability to be a matter of course for our company and have been implementing this for the benefit of our tenants, investors, business partners, municipalities and employees in a variety of ways for a number of years.

We then took stock of our activities in 2017. To do so, we conducted an extensive materiality assessment and surveyed our stakeholders regarding their expectations. We used the results to identify the material areas of action, which largely determine the contents of this report. From there, we developed a sustainability mission statement and began to create an organisational structure for sustainability within the company.

We will continue to develop our sustainability strategy in the years to come on the basis of this work. We are conscious of the fact that a number of areas are still very new to us. With this report, we hope to show you where exactly we are at and in which areas we are already making or could make a contribution to sustainable development.

We would like to thank our shareholders, our business partners and our tenants for the trust they have placed in us. We would in particular like to thank our employees, who have played a significant part in the development of this report with their hard work and who are responsible for implementing our sustainability idea on a daily basis.

We hope you find this report informative reading.



Thomas Hegel Eckhard Schultz Holger Hentschel

The Management Board of LEG Immobilien AG

Düsseldorf, March 2018

COMPANY PROFILE

GRI 102-1; 102-2; 102-3; 102-4; 102-5; 102-6; 102-9

With around 130,000 rental apartments and approximately 350,000 tenants, the LEG Group based in Düsseldorf is one of Germany's leading exchange-listed housing companies. It is listed on Germany's mid-cap DAX index (MDAX) and generated revenue from renting and leasing of around 795.8 million euros in the 2017 financial year.

As the largest lessor in Germany's most populous federal state, North Rhine-Westphalia, LEG systematically focuses on the tenant via a finely honed management concept, extensive knowledge of the local markets and its regional presence. Its portfolio of apartments serves the growing demand for living space that offers good value for money. LEG's sustainably value-oriented business model based on medium- and long-term growth and a tenant focus combines the interests of shareholders and tenants with a systematic growth strategy that draws on value-enhancing portfolio investment, the acquisition of suitable assets and organic growth. Tenant satisfaction is also a top priority for LEG and it endeavours to continuously improve its level of service by means of target group orientation, social and neighbourhood management, and personalised service.

With carefully selected services, it creates added value for tenants while also generating additional revenue. For example, thanks to a cooperation agreement between LEG and Unitymedia, a regional multimedia provider, tenants benefit from a significantly more extensive and more affordable portfolio of TV service and Internet products.

Through EnergieServicePlus GmbH (ESP), LEG has been providing a portion of its rental apartments with affordable and environmentally friendly heating in partnership with innogy SE since early 2016. Together with the company B&O, LEG founded TechnikServicePlus GmbH (TSP), which provides tenants with repair services.

Neighbourliness is important to us, and the tenant events organised by LEG are designed to bring together people from many different nations. In 2017 alone, the company invited its tenants to more than 150 neighbourhood parties and events.

LEG continuously invests in maintenance and modernisations in order to bring its portfolio into line with modern living standards, to increase tenant satisfaction and to improve the quality of its portfolio; in the past few years, its investments always exceeded industry-standard levels. In 2017, approximately 188 million euros (around 22.4 euros per square metre) were spent on offering the tenants modern, environmentally friendly living spaces. Thanks to an additional strategic investment programme, capital expenditure will increase in 2018 to some 250 million euros (around 29 euro per square metre). The investment strategy makes sense not only for the LEG shareholders, but also for the Group's tenants and the environment, and underscores the sustainability of LEG's entrepreneurial focus.

As an employer, LEG goes to great lengths to ensure positive well-being for its employees. Career development prospects, team spirit and reliability are values that the employees associate with LEG.

Further information on the business model of LEG Immobilien AG can be found in the Group's Management report in the section "Basic information about the Group".

MANAGING SUSTAINABILITY EFFICIENTLY AND RELIABLY

SUSTAINABILITY MANAGEMENT AND GOVERNANCE STRUCTURES ESTABLISHED

GRI 102-18

In 2017, LEG began establishing a sustainability management system with the primary objective of developing a sustainability report for the current reporting year. In the medium to long term, LEG will engage in structured sustainability management and will report annually on the current state of its activities, its progress and the challenges it faces with respect to sustainability topics.

The first task for 2017 was to take stock of the existing measures and programmes and to define the processes for recording non-financial performance indicators. At the same time, LEG created an organisational structure for its sustainability management, identified sustainability issues with highest materiality and drew up a sustainability mission statement based on the existing guiding principles for responsible business (e.g. Code of Conduct).

LEG will develop its activities further in this area in 2018 by drawing up a sustainability strategy, pursuing some initial goals and making its sustainability management more professional.

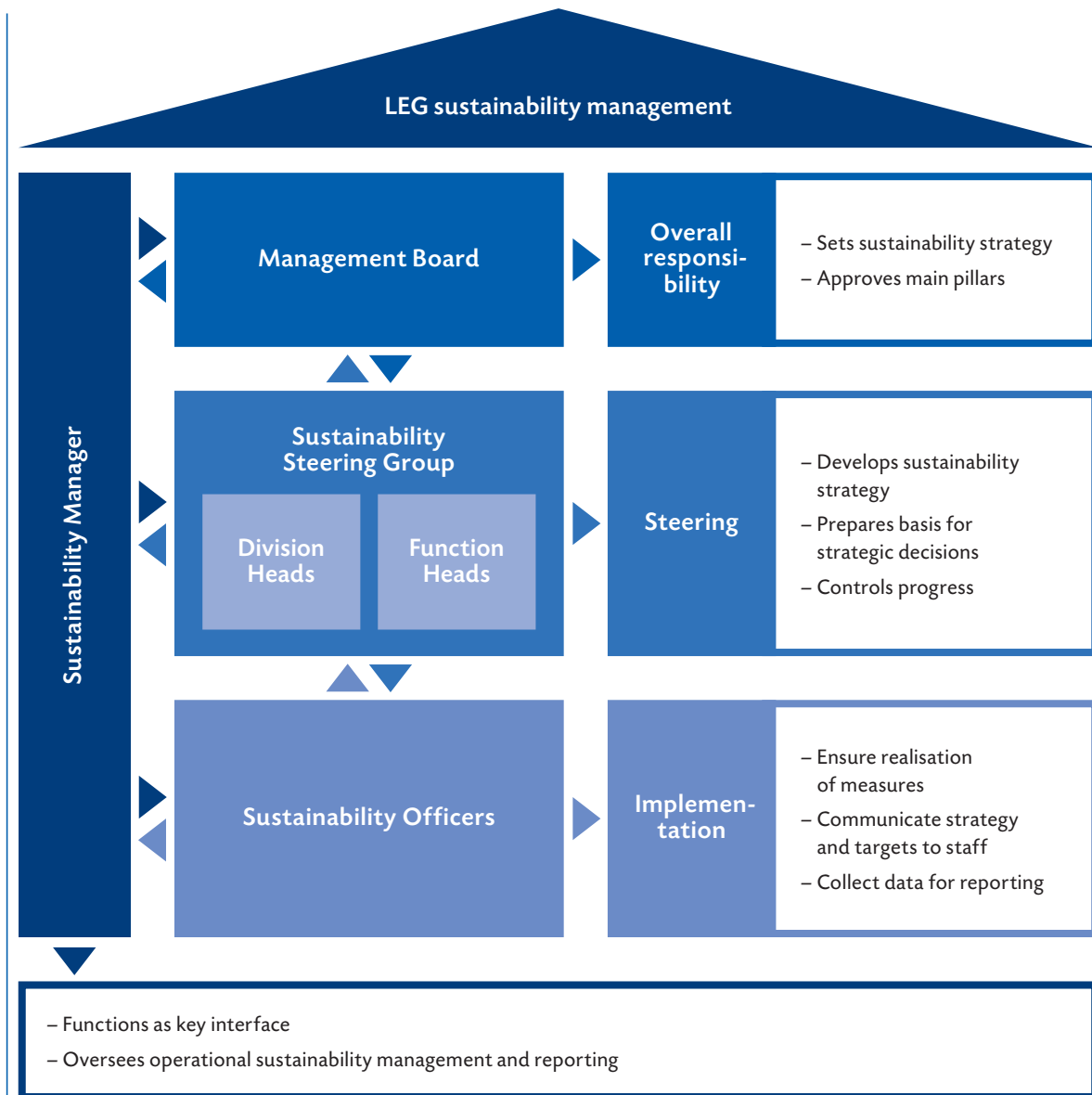
LEG sees sustainability as a corporate obligation, which it meets for its tenants, investors, business partners and employees in a variety of ways. The Management Board bears overall responsibility for the area of sustainability. A Sustainability Steering Committee was created for strategic decisions and to pool the activities; it comprises the heads of the key divisions and the function heads. The following divisions have permanent representation within this committee:

- Management Services
- EnergieServicePlus GmbH
- Investor Relations and Strategic Business Analysis
- Human Resources
- Accounting
- Legal, Auditing and Compliance
- TechnikServicePlus GmbH
- Corporate Development
- Corporate Communications
- Management Board Office
- Centralised Letting and Customer Management
- Centralised Technology

In 2017, the Sustainability Steering Committee's key responsibilities included developing the sustainability mission statement and determining the sustainability goals. Additionally, various sustainability officers were appointed, who actively participated in assessment and in implementing the processes for gathering performance indicator data. Going forward, they will ensure that the company's sustainability goals are achieved through corresponding measures.

LEG will also create the position of a sustainability manager, who will serve as the primary interface between the various divisions and who will be responsible for sustainability reporting. This position will be affiliated with Corporate Communications.

Sustainability governance structure



MATERIALITY ASSESSMENT AND STAKEHOLDER DIALOGUE

Key sustainability issues determined

GRI 102-46

LEG performed an extensive materiality assessment in 2017 in order to identify the key sustainability management issues and to determine the reporting content. This analysis was based on the areas covered by established frameworks such as the GRI Standards, including its guidance for the real estate sector, EPRA's Best Practices Recommendations on Sustainability Reporting and the Global Real Estate Sustainability Benchmark (GRESB). These were supplemented by topics identified in a peer group analysis. A shortlist was then drawn up with the assistance of external consultants and in consultation with those responsible for sustainability within LEG. This list comprises 23 issues assigned to four areas.

Area A: ECONOMY

- A1: Economic performance
Financial results, sums generated and disbursed (profit, expenses, taxes, levies), profitability, financial stability.
- A2: Indirect economic impacts
Involvement in infrastructure projects (not exclusively serving LEG itself) and the economic impact (positive/negative) on the company and the local economy, e.g. on the local labour market, on the real estate sector, etc.
- A3: Fair business
Avoiding corruption, bribery and anti-competitive behaviour.
- A4: Political influence
Involvement in politics, donations to political parties, payments made to governments.
- A5: Compliance
Observing national and international laws and regulations, and LEG's commitment to voluntary regulation.

Area B: ENVIRONMENT

- B1: Energy
LEG's (operational) energy consumption, energy consumption of the let buildings (electricity, gas, heating oil, fuels, etc.) and energy efficiency of the portfolio.
- B2: Water
LEG's (operational) fresh water consumption and fresh water consumption of the let buildings.
- B3: Biodiversity
The impact of LEG's business activities on biodiversity.

- B4: Emissions
LEG's (operational) emissions and emissions of the let buildings (greenhouse gases such as CO₂, ozone-depleting substances and other air pollutants).
- B5: Effluents, waste
LEG's (operational) effluents and waste as well as effluents and waste of the let buildings.
- B6: Adaptation to climate change
Adaptation to climate change and to the increase in extreme weather events (storms, flooding, etc.) and prevention.

Area C: SOCIAL AFFAIRS

- C1: Employment
Employment relationships for LEG employees, co-determination rights, remuneration structures, employee satisfaction, corporate culture and ethics.
- C2: Occupational safety and health
Occupational safety and health protection for LEG employees.
- C3: Training and development
The promotion of vocational training and professional development for LEG employees.
- C4: Diversity and equal opportunity
Diversity and equal opportunity within the LEG workforce, reconcilability of family and career, and work-life balance.
- C5: Local communities
Impact (positive/negative) of LEG's business activities on local communities (neighbourhoods), civic participation and co-determination, contribution to society made locally by the business activities.
- C6: Societal challenges
LEG's contribution to general societal challenges such as the creation and provision of living space in conurbations, accommodation which is suitable in view of demographic change, etc.
- C7: A liveable environment
LEG's contribution to the development of sustainable and liveable neighbourhoods, the promotion of quality of life, the promotion of historic buildings and heritage protection, the tackling of future-oriented topics (new living concepts, smart cities, smart homes, etc.).
- C8: Corporate citizenship
Donations to and sponsorship of sports, culture and non-profit projects/organisations.
- C9: Tenants' health and safety
The health and safety of the tenants in LEG apartments and buildings, protection of the tenants' privacy, and data protection.

- C10: Product labelling
The labelling of products in terms of their sustainability (building certification, energy classification of buildings/apartments, etc.).
- C11: Tenant satisfaction
Tenant services, advisory services and general tenant satisfaction.

Area D: SUPPLY CHAIN

- D1: Suppliers
Relevance of environmental and social aspects with regard to LEG's suppliers. The suppliers' use of sustainable materials in building/renovation measures and their social and occupational safety standards.

As part of the materiality assessment, the 23 issues were assessed in more detail from two perspectives: their significance from the point of view of the stakeholders and an assessment of the economic, environmental and social impact of the company's actions.

Surveys to analyse stakeholder interests

GRI 102-40; 102-42; 102-43; 102-44

LEG used a structured process to analyse and select the stakeholders. The company focused on those stakeholders which are related to its core line of business and which have a high degree of expertise in their respective areas. The stakeholder groups included comprise:

- Tenants' associations
- Policymakers
- Real estate industry
- Suppliers/service providers
- Financial market
- Industry associations
- Employees
- Scientists

For the purposes of analysis, a total of 26 stakeholders were surveyed anonymously between the end of March and the end of August 2017, with their evaluations being given equal weighting. The data was collected using a quantitative assessment form complemented by qualitative interviews for verifying the quantitative results and obtaining additional information. The key issues and concerns raised by the stakeholders resulted in the following picture:

With regard to the environment, great importance is attached in particular to the issue of energy and the resultant emissions. The stakeholders expect LEG to make greater use of its potential in this area. LEG is praised for its activities in the area of social affairs, especially within residential neighbourhoods. However, the company is assigned more far-reaching responsibility for resolving societal challenges such as the creation of living space in conurbations and age-appropriate accommodation. The stakeholders surveyed considered a responsibility towards the tenants to be a key issue and stressed the importance of tenant satisfaction.

LEG has taken up these issues and concerns in its various areas of action and incorporated them into the management of its measures. Other matters of concern to the stakeholders included the desire to see greater transparency, this henceforth being achieved by means of LEG's regular sustainability reporting.

Impact of business activities examined

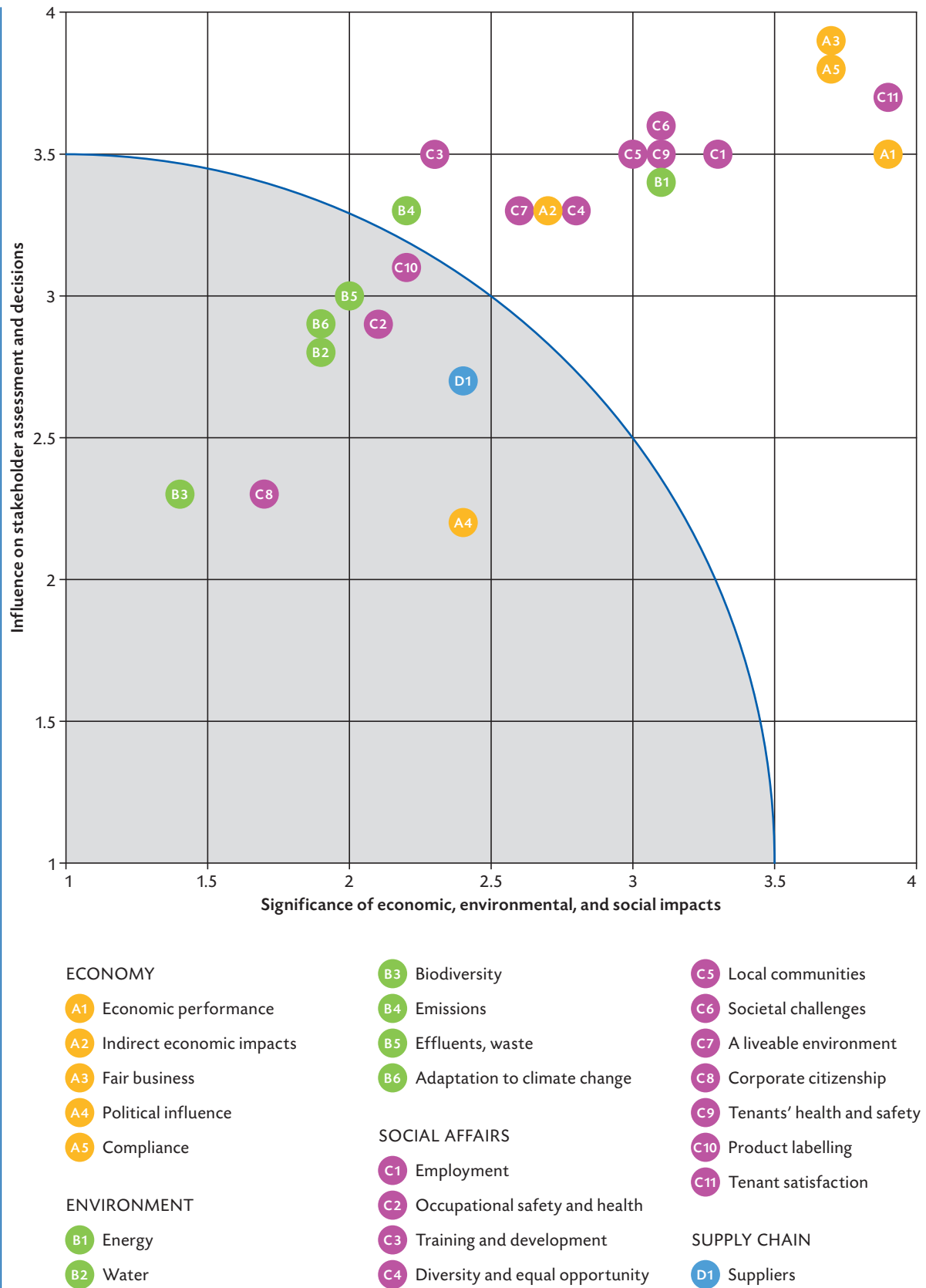
The Sustainability Steering Committee assessed the impact of LEG's business activities on economic, environmental and social dimensions of sustainability, taking into account the requirements of the GRI Standards, Germany's CSR Directive Implementation Act (CSR-RUG) and other relevant legislation. Distinctions were made between the impacts as follows: positive/negative, intentional/unintentional, actual/potential, direct/indirect and short-term/long-term.

Materiality matrix created

The joint evaluation of the two perspectives (stakeholder analysis and assessment of the financial, environmental and social impact of the company's activities) results in a materiality matrix for LEG's sustainability topics. An additional check was performed to determine whether there were any issues that had not been considered which were necessary in order to understand the course of business, the business result or the company's situation. No such topics were identified.

The findings were then validated by the Steering Committee and the Management Board. As all 23 issues were rated relatively highly on a scale of 1 to 4, the 3.5 mark was used to distinguish between material and less material issues. This allows LEG to focus on 14 topics, which also form the core of the report.

Materiality matrix



Deriving the sustainability areas of action

GRI 102-46; 102-47

The 14 issues which were determined to be material were assigned to five areas of action. They serve as the basis of LEG's sustainability management and are therefore also the focus of the report, with a main chapter dedicated to each issue.

Each area of action corresponds to certain aspects of CSR-RUG and also GRI and EPRA disclosures (see table).

AREA OF ACTION: BUSINESS MANAGEMENT

Key topics	GRI/EPRA disclosures	CSR-RUG aspect
Economic performance	GRI 201 Economic Performance	
Indirect economic impacts	GRI 203 Indirect Economic Impacts	
Fair business	GRI 205 Anti-corruption GRI 206 Anti-competitive Behavior	Combating corruption and bribery
Compliance	GRI 307 Environmental Compliance GRI 419 Socioeconomic Compliance	

AREA OF ACTION: TENANTS

Key topics	GRI/EPRA disclosures	CSR-RUG aspect
Tenant satisfaction		Other aspects
Tenants' health and safety	GRI 416 Customer Health and Safety GRI 418 Customer Privacy	

AREA OF ACTION: EMPLOYEES

Key topics	GRI/EPRA disclosures	CSR-RUG aspect
Employment	GRI 401 Employment GRI 406 Non-discrimination	Employee aspects
Vocational and professional training	GRI 404 Training and Education	
Diversity and equal opportunity	GRI 405 Diversity and Equal Opportunity	

AREA OF ACTION: ENVIRONMENT

Key topics	GRI/EPRA disclosures	CSR-RUG aspect
Energy	GRI 302 Energy GRI CRE1 Building energy intensity GRI CRE8 Type and number of sustainability certification, rating and labeling schemes EPRA Electricity consumption EPRA District heating & cooling consumption EPRA Fuel consumption EPRA Building energy intensity EPRA Type and number of sustainably certified assets	Environmental aspects
Emissions	GRI 305 Emissions GRI CRE3 Greenhouse gas emissions intensity from buildings EPRA Direct greenhouse gas emissions EPRA Indirect greenhouse gas emissions EPRA Greenhouse gas intensity from building energy consumption	

AREA OF ACTION: SOCIETY

Key topics	GRI/EPRA disclosures	CSR-RUG aspect
Local communities	GRI 413 Local Communities	Social aspects
Societal challenges		
A liveable environment		

LEG's materiality assessment was based on the generally accepted reporting principles in accordance with the GRI Standards. Stakeholder involvement was ensured by means of stakeholder analysis, while the sustainability context was established by generating topics taken from established frameworks. Each topic's materiality was determined on the basis of a materiality assessment. Exhaustiveness is achieved by addressing the topics identified in their respective chapters of the report.

The human rights aspect stipulated in CSR-RUG was classified as immaterial to LEG in this process. LEG has therefore not assigned this aspect to any area of action and is not developing a management approach including performance indicators in this area.

Taking into account the outlined concepts and measures, LEG did not identify any risks that have serious negative impacts on the aspects and which are very likely to occur.

SUSTAINABILITY MISSION STATEMENT AND STRATEGY DEVELOPED

Values and principles are the foundation

GRI 102-12; 102-16

LEG underpins its business activities with clear ethical principles and values, which are summarised in its Code of Conduct. Day-to-day compliance with this code is a key factor contributing to LEG's business success. Its central tenet is fair, responsible and transparent conduct when dealing with co-workers, tenants, business partners and the public. The Management Board and Supervisory Board have made a commitment to observe the Code of Conduct.

LEG attaches particular importance to long-term partnerships, compliance with agreements and mutual obligations, and honest dealings with its business partners. Business partners are required to comply with the Supplier Code of Conduct, which is based on the LEG Code of Conduct.

LEG additionally acts on the basis of the German Corporate Governance Code (DCGK), which contains not only important statutory requirements regarding the management and monitoring of German listed companies, but also recommendations regarding good corporate governance. The LEG Management Board and Supervisory Board have made an explicit commitment to responsible corporate governance and identify with the aims of the Code. (The declaration of compliance is available online at: <https://www.leg-wohnen.de/en/corporation/investor-relations/corporate-governance/corporate-governance-code-compliance-statement//>)

LEG is a member of the Initiative for a Corporate Governance Code for the German Real Estate Industry. This framework complements the DCGK with the addition of real estate-specific aspects, to reflect the specifics of the German real estate industry and the goal of its ability to compete internationally. LEG also engages in a variety of activities with a view to enshrining value-oriented corporate governance featuring transparency, integrity and sustainability in the real estate industry.

Mission statement provides guidance

LEG used the identified areas of action to develop a sustainability mission statement. In doing so, LEG also took into account the real estate industry's sustainability code as developed by the German Property Federation (ZIA). The mission statement outlines LEG's understanding of responsibility, its sustainability strategy and its dialogue approach. The mission statement process was developed on the basis of close cooperation between the Steering Committee and the Management Board.

THE LEG GROUP'S SUSTAINABILITY MISSION STATEMENT

Our understanding of responsibility

As the largest provider of affordable housing in North Rhine-Westphalia and as one of the largest housing companies in Germany, the LEG Group provides some 350,000 people in its core North Rhine-Westphalia market with homes in some 130,000 apartments. We have been a reliable lessor for more than 90 years and, as the designer of attractive housing and residential solutions, we are a strong partner to the housing industry and local authorities. We are also an important source of business for the skilled trades, the service sector and industry.

As a company with a tradition rooted in North Rhine-Westphalia, we have been engaging in social responsibility within our neighbourhoods for some time and are committed to acting sustainably. We are also aware of our particular responsibility regarding the balanced treatment of people within society and environmental development.

As a real estate company, we create and maintain long-term value with our apartments. As such, we consider sustainable development to be about acting with foresight and in a way that safeguards value. In addition to our responsibility towards our tenants, employees, shareholders and business partners, we see it as our duty to also ensure that our actions and the impact of our business activities are in keeping with societal expectations.

Our sustainability strategy

We embrace this corporate responsibility by seeking to exceed the minimum statutory requirements and achieve continuous improvements. Our sustainability strategy revolves around five key areas of action covering the three dimensions of sustainability – environment, social affairs and economy.

1. Business management

The aim of all stock corporations is to generate financial value for their shareholders. We support the economy and society both directly and indirectly by paying salaries, taxes and levies. In this area of action, we ensure that the value we create is generated fairly in compliance with national and international laws and regulations as well as the voluntary regulations to which we have committed. We make targeted ongoing investments in order to maintain and increase the quality and the environmental and economic added value of our portfolio.

2. Tenants

Our actions have a systematic tenant focus, both in our core line of business and in our extra and added value services. We offer our tenants attractive housing and residential solutions at appropriate prices in which they can live well and safely. We know our tenants and are happy to assist them. This area of action also comprises social and neighbourhood management measures, measures designed to integrate tenants into our neighbourhoods and measures for fair and conflict-free coexistence.

3. Employees

We offer our employees a motivational work environment that will continue to secure committed and qualified employees and which further boosts the appeal of our company to job applicants. In our day-to-day interactions, we are guided by our Principles of Management and Working Together and observe the principles of sustainability when selecting, developing and managing our employees. This area of action comprises measures relating to employee satisfaction, vocational training and professional development, and the topics of diversity and equal opportunity. We also actively involve our employees in our sustainability endeavours and seek to inspire them to make a contribution.

4. Environment

The real estate industry has a major role to play in sustainable development in particular with regard to the environmental dimension. In Germany, it is primarily the topics of energy efficiency and emissions reduction that are highly relevant to the sector. In this area of action, we therefore focus on measures that contribute to the achievement of global climate goals. We involve our tenants in this development by raising their awareness of environmental issues and educating and informing them about targeted energy conservation measures.

5. Society

The strengthening of local structures for sustainable and liveable neighbourhoods is a key task to which we are committed. In addition to our social and integrative work within neighbourhoods, this area of action comprises measures through which we can contribute our real estate expertise toward the solving of general societal challenges, for example by maintaining living space in conurbations.

We set ourselves concrete annual goals in each of these five areas of action. These goals contribute to the implementation of our sustainability strategy and are continuously pursued. Our sustainability goals are summarised in a company-wide plan of measures.

To firmly establish the principles of sustainability within our corporate structure and to steer our sustainability strategy, we created a governance structure for sustainability comprising the Management Board, the division heads and appropriate specialists. All the company divisions are coordinated centrally by the Corporate Communications division.

Our understanding of dialogue

We achieve transparency by publishing our goals, measures, activities and progress annually in our sustainability report. We regularly engage in dialogue with all of our stakeholders in order to take external expectations into account. These stakeholders include tenants, employees, shareholders, business partners, associations, local policymakers, municipalities, social organisations and society as a whole.

Sustainability strategy with a fixed road map from 2018

Following the appraisal of the Group's status quo and determination of its areas of action in 2017, the company will expand and further develop its strategic sustainability activities in 2018. A number of overarching goals in this area were already defined in the 2017 reporting year. These include the development of a sustainability strategy together with a road map up to the end of 2018. The purpose of the road map is to define LEG's future sustainability vision and to underpin it with short-, medium- and long-term goals and a concrete plan of action for the following five years. LEG also aims to have further professionalised its sustainability management by the end of 2018 and to make it a regular process. LEG will simultaneously implement its sustainability strategy as part of the corporate strategy and will harmonise its financial and sustainability reporting. LEG plans to expand its recording of performance indicators up to the end of 2020, thereby plugging any gaps in collection.

In the chapters that follow, LEG describes its policies and management approaches in the five areas of action and presents its associated measures.

DOING BUSINESS FAIRLY AND RESPONSIBLY

BUSINESS MANAGEMENT AREA OF ACTION

The aim of all stock corporations is to generate financial value for their shareholders. We support the economy and society both directly and indirectly by paying salaries, taxes and levies. In this area of action, we ensure that the value we create is generated fairly in compliance with national and international laws and regulations as well as the voluntary regulations to which we have committed. We make targeted ongoing investments in order to maintain and increase the quality and the environmental and economic added value of our portfolio.

Key topics within this area of action:

- **Economic performance**
Financial results, sums generated and disbursed (profit, expenses, taxes), profitability, financial stability.
- **Indirect economic impacts**
Involvement in infrastructure projects (not exclusively serving LEG itself) and the economic impact (positive/negative) on the company and the local economy, e.g. on the local labour market, on the real estate sector, etc.
- **Fair business**
Avoiding corruption, bribery and anti-competitive behaviour.
- **Compliance**
Observing national and international laws and regulations, and LEG's commitment to voluntary regulation.

COMPLIANCE SAFEGUARDS VALUE ADDED

GRI 103-1

LEG generates value for its shareholders, the employees, the local economy and society. It endeavours to generate value added fairly in compliance with national and international laws as well as the voluntary regulations to which it is committed.

Fair business and compliance were identified as key topics in the materiality assessment conducted in 2017. The topic of economic performance, which is discussed in detail in LEG's annual report (<https://www.leg-wohnen.de/en/corporation/investor-relations/news-publications/financial-reports/>) is likewise relevant, as is the topic of indirect economic impacts. The latter is handled both in the annual report (for example in the form of information regarding employees' vocational training and professional development) and in various chapters of this sustainability report (see employees area of action, p. 23ff. and society area of action, p. 30ff.). As no concept for the management of indirect economic impacts exists within LEG to date, this topic is not included in the description of the management approach below. The scope of the policies regarding the topics of fair business management and compliance comprises the entire LEG Group and all its employees.

At LEG, compliance first and foremost relates to the observation of laws, rules and voluntary regulations, and the

non-utilisation of information asymmetries which are to the detriment of the tenants, employees and business partners. In this context, LEG has committed to compliance with the German Corporate Governance Code. In addition to the meeting of statutory requirements, LEG understands fair business to be about basing one's conduct on the guiding principles of the 'reputable businessman', these being closely linked to responsible conduct on the basis of respect, honesty and decency.

Fair business and compliance foster the trust of existing and future tenants, boost credibility, fulfil the stakeholders' expectations and strengthen LEG's public reputation. They also ensure the company's long-term growth and protect the company's assets by avoiding criminal offences and fines.

COMPLIANCE MANAGEMENT SYSTEM MANAGES GOALS AND MEASURES

GRI 103-2; 103-3

LEG's corporate culture is characterised by ethics, integrity and compliance with the law. These principles are in line with the German Corporate Governance Code and demand not only legal correctness, but also ethically sound independent conduct on the part of the employees.

The avoidance of cases of non-compliance is a strategic goal pursued by LEG. In the 2018 reporting year, it intends to achieve this goal primarily by training all of its new employees and by creating an intranet page on compliance in order to promote communication and raise awareness. Additionally, the risk of non-compliance cases occurring is to be reduced by improving the business processes with a view to non-compliance prevention. As a second strategic goal, LEG intends to consolidate its alignment with the guiding principles of the 'reputable businessman'. A central concern here is not leveraging information asymmetries which are to the detriment of the tenants, employees and business partners. LEG ensures that the rental process and tenant communication are both fair and transparent.

Compliance with all statutory and regulatory requirements is managed via the aid of a centralised compliance management system (CMS) pursuant to IDW standard AsS 980. The CMS comprises all the internal guidelines and regulations that require compliance of the employees and business partners. These include the Code of Conduct, the Group works agreement on conduct in the business environment, LEG's management principles, information sheets on compliance for the LEG employees and the purchasing manual. The employees are given compliance training in particular with regard to corruption prevention.

The CMS is reviewed in an annual risk inventory. Additionally, compliance risks and countermeasures are recorded and assessed within the risk management system on a quarterly basis. At least once a year, the Compliance Officer and executive managers review the relevance of the compliance goals for each of LEG's organisational units.

Responsibility for the CMS lies with the Management Board, which determines the compliance goals. The Legal, Auditing & Compliance division is responsible for the organisational and professional aspects of compliance. The compliance team comprises the Compliance Officer at its helm, an independent ombudsman, the Head of Human Resources and the Head of Auditing. The Compliance Officer is the person to contact regarding any compliance matters such as prevention, training and reporting.

Whistle-blower system for reporting violations

LEG has put a whistle-blower system in place via which employees and external third parties can address concerns via their direct superior, the Compliance Officer or the ombudsman. When compliance violations are reported, they are investigated by the Legal, Auditing & Compliance division or by an external audit company. If a violation of compliance is confirmed, action is taken irrespective of the individual's position within the company, for example in the form of industrial law consequences or criminal charges.

The lawyer who acts as the ombudsman is obliged to observe secrecy and, insofar as is legally enforceable, has the right to withhold information vis-à-vis a public prosecutor or the company management. The ombudsman evaluates the violation reports and makes an independent decision

regarding whether to pass on a suspicion to the company management or the Compliance Officer. LEG also has an internal Anti-corruption Officer as an additional point of contact in the event of rule violations. The Supervisory Board's Audit Committee likewise regularly addresses the issue of compliance and reports on this to the Supervisory Board.

Investigating violations and taking countermeasures

The compliance goals are reviewed regularly and their achievement status is reported to the Management Board. Since 2016, there have additionally been audit reviews focusing on compliance. The sub-topic of anti-corruption is the subject of regular external auditing in accordance with IDW standard AsS 980 or comparable standards. In the event of cases of non-compliance, a structured analysis of the causes is conducted, following by ad hoc training and improvement measures.

The existence of non-compliance is continuously under review. There were no confirmed cases of corruption in 2017, and no significant fines were imposed as a result of non-compliance with environmental, social or other statutory requirements. No legal proceedings were initiated in the reporting period on the basis of violations of competition law (see key performance indicators: business management area of action, p. 34f.).

LEG is seeking to have its CMS certified in accordance with the certification system of Initiative Corporate Governance der deutschen Immobilienwirtschaft e.V.

TRANSPARENCY IN ALL BUSINESS PROCESSES

GRI 103-2

In addition to compliance training for the employees and executives (see p. 18), LEG's compliance management is founded on the application of various sets of rules, of which the Code of Conduct is one of the most important (see p. 13ff.). The Code of Conduct is part of the employees' contracts of employment and also applies to business partners with anticipated sales exceeding 10,000 euros. Additionally, master agreements contain anti-corruption clauses.

At LEG, the "two sets of eyes" principle is applied as well, for instance in contracting and invoice approval from 500 euros or more and the issuing of declarations of intent regarding leases, acquisitions or letters of authority.

All of LEG's business processes are additionally reviewed by the Legal, Auditing & Compliance division prior to their application regarding the extent to which they pay into the commitment to prevention and provide an incentive for LEG's compliance goals to be achieved. Since the fourth quarter, the organisational unit Business Process Manage-

ment, which models the business processes, has been part of the Legal, Auditing & Compliance division.

LEG communicates fairly and frankly with all of its prospective tenants, for example by means of multilingual information sheets. It does not demand commission for brokering, advising on or concluding accommodation leases, either directly or through third parties, and does not work with individuals who demand such commission from prospective tenants. If interpreters are needed in talks, LEG reviews their background. LEG informs prospective tenants of the option of reporting behaviour to the Compliance Officer should LEG employees or third parties demand cash sums.

A compliance intranet page will be created this year which will provide employees with all the relevant information on the topic of compliance, such as the names of the people to contact, training documents and internal rules, and the current legal situation.

COMPLIANCE TRAINING: KNOWLEDGE EQUALS PREVENTION

LEG raises awareness among its employees and gives them training in order that they can act safely and entirely ethically in any work situation. A key area is compliance training, in which LEG above all focuses on combating corruption.

All the employees were given initial training in 2016. Since then, compliance training has been held for all new employ-

ees on a six-monthly basis. LEG adopts a strict approach to ensuring that everyone attends the training sessions. Follow-up sessions or phone-based sessions are arranged for employees who are unable to attend. Members of staff who are unable to attend any of these sessions are sent the training documents for them to study themselves and must give written confirmation that they have understood the contents in full.

Training further expanded

LEG conducts separate training for managerial staff, while trainee employees are given training by LEG's ombudsman. Since 2017, there have additionally been separate compliance training sessions for employees working in especially sensitive divisions like Acquisitions and from 2018 additionally Central Purchasing and Technology.

Training to raise awareness of and further develop the compliance management system is especially important to LEG, as it wishes to keep the risk of compliance violations to a minimum. These training sessions are conducted by the Compliance Officer, with the assistance of external experts depending on the topic being addressed.

As of 30 September 2017, all employees had participated in compliance training. This equates to 100 per cent of the workforce at that time, not including TechnikServicePlus employees. The members of the Supervisory Board and the Management Board are likewise actively involved in the most important compliance activities and are given instruction regarding anti-corruption strategies and measures.



SATISFACTION AND SAFETY FOR THE TENANTS

TENANTS AREA OF ACTION

Our actions have a systematic tenant focus, both in our core line of business and in our extra and added value services. We offer our tenants attractive housing and residential solutions at appropriate prices in which they can live well and safely. We know our tenants and are happy to assist them. This area of action also comprises social and neighbourhood management measures, measures designed to integrate tenants into our neighbourhoods and measures for fair and conflict-free coexistence.

Key topics within this area of action:

- **Tenant satisfaction**
Tenant services, advisory services and general tenant satisfaction.
- **Tenants' health and safety**
The health and safety of the tenants in LEG apartments and buildings, protection of the tenants' privacy, and data protection.

TENANT FOCUS AS THE BASIS FOR LEG'S SUCCESS

GRI 103-1

As the leading lessor in the region of North Rhine-Westphalia, LEG meets the fundamental needs of a broad array of social strata with a diverse portfolio of apartments in various locations, sizes and furnishings. The company creates attractive housing solutions and living space based on tenants' wishes. This includes suitable options for low-income households. The tenants are especially important to LEG. Their satisfaction is the cornerstone of a sustainable business model.

In its materiality assessment, LEG identified tenant satisfaction and the tenants' health and safety as key sustainability issues, based on a consideration of LEG's own tenants.

The company understands tenant satisfaction first and foremost to be about tenant services, identifying the tenants' expectations, implementing tenant-oriented solutions and tenant satisfaction in general. The topic of tenants' health and safety relates in particular to the conditions within LEG's residential buildings as well as protection of the tenants' privacy and data protection.

The topics selected are highly relevant to LEG as satisfaction with one's living space not only promotes tenant well-being and cohesion, but is also a key factor in the economic success of a housing company. At the same time, appreciation of the tenants and targeted tenant retention have a positive effect on LEG's reputation.

LEG can influence these issues directly. For example, LEG's services have an impact on tenant satisfaction, while the state of the property portfolio affects the tenants' health

and safety. The state of the neighbourhood in question also has consequences for both areas. In this regard, LEG works with various partners such as social institutions, local authorities and other housing companies to exploit its opportunities to make a contribution to creating a safe and liveable environment with its neighbourhood management.

SYSTEMATIC MANAGEMENT OF TENANT SERVICES AND SAFETY

GRI 103-2; 103-3

LEG's top priority is to have happy tenants living in stable neighbourhoods in which they can live well, safely and at a fair rental price. High tenant satisfaction reduces costs thanks to low tenant fluctuation, secures revenue and boosts the company's image. LEG pursues the strategic goal of achieving constant levels of tenant satisfaction, drawing on optimum value for money, improved quality of LEG services and a systematic focus on the tenants' needs to do so.

Tenant focus with clear responsibilities

LEG sees tenant satisfaction as the result of an intelligent and straightforward system of all clerical and technical processes within the company and of all the employees valuing the tenants. LEG created a customer management working group in order to guarantee corresponding knowledge exchange and flow of communication within the company, make practical decisions quickly and improve the dialogue with external parties.

LEG engages in systematic neighbourhood management. Its short-term measures focus on actively reducing the vacancy rate and stabilising neighbourhoods by boosting ten-

ant satisfaction. LEG simultaneously implements long-term and strategic management concepts coupled with investments in modern living standards as well as safety, orderliness and cleanliness.

All LEG positions are responsible for tenant satisfaction, in particular those that have direct contact with the tenants, such as the staff working within Centralised Customer Services and the eight branch offices. The Management Board and executive management are likewise involved.

Preventative protection of safety and health

LEG maintains site safety systematically and comprehensively, with its own employees and also service providers performing building and facility inspections and checks. Tradespeople are contracted immediately in the event of defects or accident hazards. Once the work has been completed, the elimination of the defect is inspected and documented.

To prevent all hazards in the interests of the tenants, the safety maintenance processes are comprehensively organised accordingly. The Management Board assigns responsibility by giving instructions to the Centralised Purchasing and Technology division, the head of which has overall responsibility together with the regional branch office heads. In the 2017 financial year, LEG's systematic safety maintenance process enabled it to ensure that more than 98 per cent of its own buildings were checked for potential hazards in terms of the tenants' health and safety and that defects could be identified and remedied early on. Safety checks have been commissioned for the rest of the buildings – primarily properties which were newly acquired up to the end of 2017 – and these will be concluded in early 2018.

For matters concerning protection of their privacy, the tenants can turn to LEG's Data Protection Officer. Data protection complaints lodged by tenants and incidents of data loss or theft are logged centrally for management purposes. No justified complaints from external parties were registered during the reporting year. LEG is not aware of any cases of leaks, thefts or losses of tenant data.

Direct contact with LEG

There are various channels open to the tenants via which they can contact LEG regarding problems or queries, such as phone, email, post, personally (with appointment) or digitally via the tenants' website or app. Complaints are systematically logged by means of a ticket system and are forwarded to those responsible for customer service. Any necessary repairs are carried out by TechnikServicePlus GmbH.

Monitoring service quality and tenant satisfaction

LEG uses various tools to gauge the effectiveness of its measures. These include monitoring the development of complaints according to the channels via which they are received, a company-internal scoring model for the development of tenant satisfaction, tenant satisfaction surveys,

feedback received regarding neighbourhood improvement measures and the evaluation of safety inspections. There is additionally a regular exchange of knowledge among those responsible for tenant management and neighbourhood management.

INNOVATIVE SERVICES AND PROGRAMMES WITHIN NEIGHBOURHOODS

GRI 103-2

LEG achieves a strong tenant focus among other things with a wide array of housing-related services. For example, the service unit EnergieServicePlus, which is a partnership between innogy SE and LEG, not only provides tenants with subsidised electricity tariffs from 2018, but also promotes energy conservation with efficient heating systems (since 2016) and increases the use of climate-friendly renewable energies. The company is at its tenants' disposal as the central point of contact regarding energy matters and has consolidated expertise in the areas of energy-related real estate management and supply.

With the company TechnikServicePlus, which LEG founded together with the housing industry skilled trades company B&O, LEG secures skilled trade capacities, which are in great demand, for its core market of North Rhine-Westphalia and offers minor repair services with its own staff.

The company WohnServicePlus is partnered with Unitymedia to provide LEG tenants with an attractive basic cable TV array. To this end, the majority of the apartments are fitted with a modern multimedia cable connection via which the tenants can receive not only a wide array of digital TV channels and radio stations, but also a free 1 Mbit/s Internet flat-rate connection. As part of the basic service, all the tenants can additionally have an HD option comprising 45 HD channels and a foreign language package of their choice activated at no extra cost. The tenants can subscribe to other services such as a fast Internet connection directly through Unitymedia. The existing in-house networks are continuously being modernised in order to offer as broad an availability of high-speed Internet as possible in all of LEG's portfolio properties. WohnServicePlus now serves approximately 101,000 LEG apartments.

In addition to a basic cable TV supply, LEG makes other broadband and multimedia services available to its tenants. The Free WiFi pilot project within the LEG neighbourhood in Monheim am Rhein is an example of the company's innovative approach to service. This gives the residents unlimited and free Internet surfing in certain green areas and courtyard areas in and around the residential neighbourhood. The project also offers advantages with regard to general real estate management. When a user logs in to a hotspot on the estate, they are automatically taken to LEG's communications website, which provides the tenants with comprehensive information on tenant topics such as the

next dates for bulky waste collection, vacant apartments or advance notice of upcoming modernisation work.

The company VitalServicePlus, the creation of which was announced in December 2017, will mediate services in the areas of nursing, safety, vitality and support for LEG tenants. A VSP pilot project offering emergency call services is scheduled to start in April 2018 and other services are currently under development.

Valuing new and existing tenants

LEG makes a particular effort to engage with its new tenants. When it makes large acquisitions, the company sends the LEG info bus to the residential neighbourhoods in order to welcome the new tenants to LEG and to introduce the company. The info bus team and LEG experts are there to answer any questions concerning living with LEG. This personalised greeting of new tenants and the offer of detailed advice have so far been well received by the tenants.

LEG also affords its long-standing tenants a lot of attention. For example, customer managers, heads of customer management and branch office heads visit loyal and long-standing tenants to present them with bouquets of flowers and small gifts to mark 25, 40 or 50 years of tenancy. In some places, LEG also invites the tenants on interesting excursions and to convivial afternoons with shared coffee and cake.

LEG regularly involves its tenants in drives to beautify their residential environment, thereby boosting the local feeling of togetherness and sense of responsibility. For example, two school classes on the Canadian Estate in Soest planted a heart of flowers. This is the eleventh time that this campaign has been run and it was supported by the Soest Development Network, which has also agreed to maintain the plants.

Partnership-based and socially oriented neighbourhood management

LEG sets great store by tailored neighbourhood management oriented on the challenges in the individual residential areas. This includes taking a sensitive approach to occupancy management and accommodating displaced persons. LEG is the only real estate company in Germany to offer its tenants an extensive year-round holiday and leisure programme as part of its neighbourhood and integration management. Its neighbourhood management also includes services for senior citizens, assistance from the independent LEG NRW Tenant Foundation in the event of tenancy hardship, social projects such as language development, debt advice and life coaching.

In terms of the focus of its neighbourhood management, LEG values highly working in partnership with towns and municipalities. One such example is a long-standing housing estate agreement for the Wulfen-Barkenberghof neighbourhood of Dorsten. Urban development is promoted and social projects are realised together with the town of Dorsten and Dorstener Wohnungsgesellschaft in the interests of the

positive development of this neighbourhood. This includes making prudent use of previously developed wasteland, implementing upgrading measures, restructuring the neighbourhood office or extending a streetwork project. LEG seeks to generate added value for its tenants and the public by teaming up with numerous clubs and initiatives, such as a sports club, the workers' welfare association, the Red Cross and the neighbourhood office. The company makes a key contribution here by making rooms available to non-profit initiatives for the purposes of intercultural meeting places, cafes and youth work.

TO GOOD NEIGHBOURS! LEG TENANTS' PARTIES FOR GREATER COHESION

What is particular good at boosting cohesion and the sense of togetherness within a residential area? Quite simply, interaction between neighbours and joint parties. Tenants' parties are therefore an integral part of LEG's neighbourhood management. LEG's programmes, which are put together by trained LEG event managers in a variety of event formats such as petting zoos, dance classes, bouncy castles, human table football, kids' face painting, Christmas and Easter parties and Martinmas lantern processions, bring tens of thousands of people from all over the world together every year. On average, an LEG event is held every three days, and in 2017 more than 150 events were held.

Joint campaigns boost cohesion

In Düsseldorf's Hassels neighbourhood, LEG not only held a welcome party for its new tenants in 2017 – it also joined forces with the tenants to give the residential neighbourhood a new name: Hazelnut Estate. Those who attended this first shared party took the opportunity to get to know one another and chat in a social setting. Nor were the younger guests left out, as there was a varied entertainment programme including a bouncy castle, kids' face painting and the Kölner Spielekreis (Cologne Play Circus). As a symbolic act, the lessor and tenants jointly planted a hazelnut tree as a way of making the housing complex's new name tangible and boosting the tenants' sense of identification with their neighbourhood. The welcome party was well received, indicating to LEG that it is on the right track with its neighbourhood management.

Meanwhile, in the town of Frechen, tenants and associations jointly celebrate an annual Burgstraße street party in front of the LEG housing complex buildings. A varied programme was put together for kids both young and old and for the entire neighbourhood together with youth initiatives and the organisation Netzwerk Burgstraße. LEG provides not only the space, but also all of its event equipment.

The party is an important part of the Burgstraße Frechen neighbourhood measure comprising advisory and support services in the areas of integration, living and education, and projects for the creation of liveable public spaces. This

measure draws on a broad network of day care centres, family centres, schools, leisure and youth welfare facilities and the town of Frechen in which LEG is actively involved. The next projects are already being planned with LEG's assis-

tance, such as a contest to find the prettiest front garden or balcony. The winners will then be announced at the 2018 Burgstraße street party.



RESPONSIBILITY FOR THE EMPLOYEES

EMPLOYEES AREA OF ACTION

We offer our employees a motivational work environment that will continue to secure committed and qualified employees and which boosts the appeal of our company to job applicants. In our day-to-day interactions, we are guided by our Principles of Management and Working Together and observe the principles of sustainability when selecting, developing and managing our employees. This area of action comprises measures relating to employee satisfaction, vocational and further training, and the topics of diversity and equal opportunity. We also actively involve our employees in our sustainability endeavours and seek to inspire them to make a contribution.

Key topics within this area of action:

- **Employment**
Employment relationships for LEG employees, co-determination rights, remuneration structures, employee satisfaction, corporate culture and ethics.
- **Training and development**
The promotion of vocational training and professional development for LEG employees.
- **Diversity and equal opportunity**
Diversity and equal opportunity within the LEG workforce, reconcilability of family and career, and work-life balance.

CREATING AN ATTRACTIVE WORK ENVIRONMENT

GRI 103-1

The employees are pivotal to securing LEG's business success in the long term. With their dedication, they decisively help to shape all the changes at LEG and serve as a bridge to the customers. In return, the company offers them an attractive and motivational work environment.

The materiality assessment identified the topics of employment, vocational training and professional development, and diversity and equal opportunity as material, based on a consideration of all the LEG employees, irrespective of the type of employment relationship or hierarchical level. The topics identified are also especially important to LEG as trusting and fair interaction with the employees has a direct effect on their satisfaction and performance – leading to good productivity and innovation and boosting the company's appeal as an employer. LEG therefore endeavours to effectively nurture its employees and establish the best possible parameters for them.

LEG faces up to the key labour market challenges that are intensifying competition for the most qualified job candidates, such as a shortage of skilled workers and executives and demographic change. LEG also acknowledges its responsibilities as a major employer in North Rhine-Westphalia.

In the area of employment, LEG focuses on having a broad spectrum of employment relationships involving full- and part-time models, co-determination rights as exercised by employee representatives, market-oriented remuneration models and salary structures in the form of its own frame-

work employment condition and collective remuneration agreements, a high level of employee satisfaction and a corporate culture with fixed principles guiding management and collaboration. In the area of vocational training and professional development, the focus is on personalised training so that each and every employee can live up to the responsibilities of their position.

When it comes to diversity and equal opportunity, LEG strives to have a balanced workforce characterised by gender equality and to reconcile having both a family and a career through the aid of workshops, seminars, family services and health management. The company does not currently have its own management approach to the topic of diversity and equal opportunity. As such, the following sections focus on the company's policies in the areas of employment and training and professional development.

STRATEGY AND PROGRAMME FOR FUTURE-ORIENTED HR ACTIVITIES

GRI 103-2; 103-3

LEG's HR Strategy 2020, which forms part of its corporate strategy, provides answers to megatrends such as demographic developments, changes in values, technological change and globalisation. Appropriate programmes are used to increase staff retention, reduce the fluctuation rate, enhance process and structure efficiency and improve the company's image. At the same time, LEG expects all this to have a positive impact on its ability to achieve its financial targets.

Boosting employee satisfaction is a strategic goal pursued by LEG. Based on this, its appeal as an employer is to be quantifiably increased by the end of 2019. The company aims to achieve by this time a better rating in the Trust Index employee survey conducted by the independent Great Place to Work® Institute, as compared with its 2017 result.

LEG's HR Strategy 2020 is founded on six key pillars and success factors:

1. Attractiveness as an employer:

LEG analyses its workplace culture and continues to develop it together with its employees. Its participation in the Great Place to Work® – Germany's Top Employer competition serves to make this visible and quantifiable.

2. Recruitment:

The existing recruitment channels are to be expanded and adapted to all the target groups. A mix of new recruitment tools will henceforth be used in addition to the conventional recruitment methods. This includes actively engaging with candidates via social media platforms, job fairs, partnerships with educational institutions and internal HR development measures.

3. Retention management:

LEG aims to secure executives and skilled workers and to lower its fluctuation costs via a retention programme founded on talent management, severance prevention and training. LEG intends to further reduce its current fluctuation rate of 8.9 per cent (see key performance indicators: employees area of action, p. 36ff.).

4. Talent management & skills development:

The focus here is on reliably filling vacancies with suitable candidates and retaining staff by highlighting flexible and tailored development paths. The areas of action here are the establishment of a new career culture combined with strengths- and talent-oriented HR development and further training.

5. IT systems:

Overly heterogeneous IT systems within HR are to be replaced by SAP HCM modules. This will in particular make implementation of the HR strategy efficient at all the levels within the company, from HR administration and seminar management to payroll accounting.

6. Values orientation:

LEG believes that the upper management levels of a company must set an example of value-oriented conduct. An important element here is the Principles of Management and Working Together, which are based on the company's values, are mandatory in day-to-day practice and shape LEG's corporate culture.

LEG will adopt an HR Strategy 2025 in 2018, as the current HR Strategy 2020 will essentially have been fully implemented by then. LEG will incorporate its experience from the previous processes into this further development.

Responsibilities and lines of communication determined

HR is overseen centrally at LEG, with the support of the HR Management, HR Development and Change Management departments and the vocational training officer. The Management Board is heavily involved in the topic discussions and approves the corresponding concepts and programmes. Additionally, the key HR figures are regularly reported to the Management Board.

During annual HR talks, LEG's executives can bring room for improvement regarding the HR division's services to people's attention. In the event of conflicts, all employees can first turn to a conflict manager, who records the situation confidentially and develops a way to resolve the conflict together with those involved. In accordance with Section 85 of Germany's Works Constitution Act (BetrVG), the employees have the right to take their complaints to the works council. Employees at the branch offices and at the head office can bring shortcomings directly to the Management Board's attention via the "Vorstand im Gespräch" (Dialogue with the Management Board) format and can make suggestions there.

EMPLOYEE SERVICES

GRI 103-2

Occupational health management

LEG considers reconciling a career with a private life to be an important aspect of promoting good health. LEG uses the company pme Familienservice to offer tailored services in the areas of childcare and nursing for family members who are dependent on care, find employees support for household and garden work and motivate employees to participate in courses, coaching or informational events.

Employees can also use the services of the machtfit health platform and receive a voucher worth 80 euros a year. Its services range from smoking cessation courses, fitness programmes and meditation to nutritional coaching and general health management information. To promote healthy eating, LEG's Joint Committee implements a "Fruitful Office" campaign in the winter months, during which employees working in the administrative buildings can help themselves to produce from baskets of fruit. And the company promotes greater physical activity by entering company runs such as B2Run.

Regular surveys on employee satisfaction

LEG conducted an employee survey in 2017 as part of a Great Place to Work®. The results were stable in comparison to the first survey conducted in 2014. LEG achieved a slight improvement of 2 per cent in the areas of credibility, fairness and team spirit, while its rating regarding respect increased by some 4 per cent. Its rating in respect of pride had

deteriorated. The employees have a predominantly positive attitude towards the company and are motivated in their responsibilities.

The results of the employee survey were communicated to all the employees and were discussed with the works council in a workshop. The division-specific result reports are currently being evaluated and considered together with all the employees. One of the key follow-up measures for further improving employee satisfaction is the relaunch of the Principles of Management and Working Together (see section "Values determine our actions – both now and in the future"). The next Great Place to Work® survey is scheduled to be conducted in 2019.

In dialogue with the employees

Regular communication between the employees and executives is especially important for the promotion of employee satisfaction. The POWER talks that took place until 2015 were recently made more dialogue-oriented in order to meet the increasing demands regarding the quality of communications, appreciation and feedback. This LEG employee dialogue also gives an insight into the individual employees' skill levels and the promotional measures needed. Through it, employees also have the opportunity to talk to their supervisors about the support they would like, their satisfaction with their job and their further development within the company. LEG's executives are thoroughly prepared for these staff appraisals in workshops.

Career development and promotion

In August 2017, the company took on twelve trainees. LEG has adopted the approach of supporting best potential, offering the two top-performing trainees of a given year financial support for studying while working. The trainees are involved in the day-to-day processes right from the outset. For example, Centralised Customer Services is supported by a trainee task force. At the same time, a trainee project group is working on measures to boost the appeal of LEG vocational training as a follow-up measure to the Great Place to Work® survey. The LEG trainees also go to schools, where they have presented the career of the property agent in their capacity as the Chamber of Commerce and Industry's 2017 trainee ambassadors.

LEG has an extensive professional development portfolio which is open to all the employees. It comprises seminars, training sessions and workshops on work techniques and organisation, communication, personal development, team development, leadership, IT and specialist topics. It also gives employees the opportunity to participate in individual subject-specific further training.

LEG focuses in particular on strengthening leadership skills. For example, the purpose of closed management conferences is to inform managerial staff about the latest leadership topics and to boost managerial cohesion. The company also organises special leadership coaching that focuses on personality promotion and encouragement, self-leadership,

careful consideration of one's own conduct and the prudent use of resources. Importance is additionally attached to the promotion of management and leadership skills and the structuring of the development areas identified in employee dialogue

Flexible working hours

LEG has launched pilot projects regarding making working hours more flexible and has concluded a works agreement in this respect. According to the agreement, there will be a one-year trial period in the divisions Portfolio Management, Accounting, HR, and Corporate Finance & Treasury. This will focus on extending the office hours to 6.30 a.m. to 10 p.m., doing away with core working hours and providing the option of working from anywhere. There is also a home office works agreement in place at LEG's offices in Münster and Bielefeld, offering employees in Accounting the opportunity to trial working from home for a full year. If this proves successful, expansion of the scope will be considered.

VALUES DETERMINE OUR ACTIONS – BOTH NOW AND IN THE FUTURE

The Principles of Management and Working Together were completely overhauled in 2017 for the first time since LEG's initial flotation. These are the framework values applicable to interaction within LEG and with the tenants. External support was also brought in for the revision of the principles and one-on-one interviews were conducted with each of the members of the Management Board. The revised framework has also been brought into line with the company's current situation, societal trends and not least the interests of the LEG stakeholders.

This relaunch was simultaneously one of the primary projects on the way to improving employee satisfaction, which was analysed on the basis of the Great Place to Work® survey. The new principles are now available to all the employees both digitally and in printed form and starting immediately will be a component of annual LEG employee talks offering direct dialogue between staff and their respective superior.

Principles of Management and Working Together

Based on our corporate values, these principles serve to improve the effectiveness of our management and how we work together. They are mandatory for all our actions, shape our corporate culture and play an important part in our implementing our LEG Future Strategy 2025.

1. Joint assumption of responsibility

We base our actions comprehensively on the LEG Future Strategy 2025 and work together responsibly to implement the four strategic goals.

2. Autonomous actions

We work with a strong creative drive and have the courage to promote development, use our scope for making decisions and seize business opportunities.

3. Solution-oriented communication

We constructively strive for the best solutions. This calls for appreciative and frank communication between equals and the courage to adopt a clear position and to dissent if this is in the interests of the issue.

4. Performance facilitation

We critically question our own actions and learn from one another. We demand and promote commitment, innovative ideas and a constructive feedback culture in order to develop future-proof and sustainable solutions.

5. Customer-oriented actions

We serve our customers' current and future needs, both externally and internally, taking into account the company's entrepreneurial interests. In this way, we achieve maximum customer satisfaction and pride in shared meaningful success.



PROTECTING THE ENVIRONMENT AND CLIMATE

ENVIRONMENT AREA OF ACTION

The real estate industry has a major role to play in sustainable development in particular with regard to the environmental dimension. In Germany, it is primarily the topics of energy efficiency and emissions reduction that are highly relevant to the sector. In this area of action, we therefore focus on measures that contribute to the achievement of global climate goals. We involve our tenants in this development by raising their awareness of environmental issues and teaching and informing them about targeted energy conservation measures.

Key topics within this area of action:

- **Energy**
LEG's (operational) energy consumption, energy consumption of the let buildings (electricity, gas, heating oil, fuels, etc.) and energy efficiency of the portfolio.
- **Emissions**
LEG's (operational) emissions and emissions of the let buildings (greenhouse gases such as CO₂, ozone-depleting substances and other air pollutants).

FOCUS ON ENERGY EFFICIENCY AND EMISSIONS REDUCTION

GRI 103-1

The buildings sector is responsible for a significant portion of Germany's overall energy consumption and is therefore one of the primary causes of carbon emissions. As the largest provider of apartments in Germany's most populous federal state, North Rhine-Westphalia, LEG believes it has a particular responsibility for the environmental impact of its actions. It makes strategic use of its considerable leverage for impacting energy efficiency and emissions reduction, and involves its tenants in improvement measures.

In the materiality assessment, the topics of energy and emissions were classified as having high materiality in the environment area of action. This classification applies to the LEG Group's entire property portfolio, including its administrative buildings. LEG supports the achievement of the climate goals set by policymakers and meets the statutory requirements of Germany's Energy Conservation Ordinance (EnEV). To do so, the company carries out energy modernisation programmes that focus on building insulation, window replacement, heating system optimisation, the use of renewable energies and targeted information for the tenants.

In implementing these, LEG pays attention to appropriate modernisation, meaning that the energy-saving and emission reduction measures must result in a better home environment for the tenants. At the same time, the modernisations must be financially manageable for the tenants, in other words ideally not increase their service charges and keep the housing affordable. If these two aspects can be reconciled with one another, there are all sorts of opportunities. The property portfolio's sustainability and value are

enhanced, the rental properties are made more attractive, letting the properties becomes easier and tenant satisfaction increases, as does the length of the leases. What's more, it reduces impact on the environment.

LEG also prepares itself for future developments and seeks partnerships within the nationwide Alliance for Carbon-Neutral Residential Buildings (see also section entitled "Effectively increasing energy efficiency in residential buildings"). It is furthermore dedicated to the highly relevant topic of digitisation, implementing concepts for smart homes, efficiency management for its heating systems and energy-efficient living.

INVESTMENT PROGRAMME FOR ENERGY MODERNISATION

GRI 103-2; 103-3

To offer its tenants energy-efficient apartments and to assist them in reducing consumption and emissions, LEG adopted a set of measures with concrete goals as part of its strategic investment planning and has set its sights on improving the efficiency of its heating systems via its own energy company.

The company is pursuing the strategic goal up to the end of 2021 of reducing the energy consumption and carbon emissions of its portfolio of properties. The key instrument in this respect is implementing energetic improvements to a rate of more than 15 per cent of the portfolio between 2017 and 2021 (on average 3 per cent per year). Additionally, the number of residential buildings in energy efficiency classes G and H is to be reduced by more than 20 per cent over

the same period and consumption transparency is to be increased for the tenants.

Modernisation is a key component of the strategic investment programme. The ongoing project planning and preparation for this is handled by the relevant technical units, supported by idea gathering on the part of the branches and the centralised Portfolio Management division. The financing of the project ideas is calculated and they are evaluated in terms of categories such as traffic safety, regulatory requirements and obligations pursuant to private law.

The measures are selected on the basis of internal company requirements regarding profitability, value enhancement, financing regulations, budgeting and LEG's strategic goals. All of the project portfolio is approved by the Management Board.

LEG already invested approximately 77.6 million euros in value-enhancing measures in 2016. The focus in terms of energy-related and emission-reducing measures was on insulating facades and storey ceilings and on replacing windows. Additionally, unoccupied apartments were modernised, balconies were added and bathrooms were renovated.

LEG continued to invest in energy-related and other modernisation measures in 2017 and backed this up with an additional investment programme. According to LEG's own analyses, there is the potential for additional investments in the amount of at least some 360 million euros in the years to come, around 10 per cent of which is to be realised in the 2017 financial year followed by approximately 22.5 per cent per year between 2018 and 2021.

Transparency regarding consumption and environmental metrics

Transparency is required in order for LEG to have a direct influence on consumption levels and emissions. LEG employs energy efficiency certificates for this and uses consumption-based utility and heating cost invoicing for many of its portfolio properties. This enables the tenants to understand their energy costs and modify their consumption behaviour. LEG strictly adheres to the EnEV ordinance and observes the principle of efficiency regarding the invoicing of service charges.

In 2017, LEG began to log centralised energy consumption and emissions metrics for its property portfolio and administrative buildings. This establishes a quantitative basis for the future management of the topics within the environment area of action (see key performance indicators: environment area of action, p. 39 ff.).

The system for recording and evaluating environmental metrics is continuously reviewed and developed further so as to derive the correct action strategies.

Responsibility for target attainment assigned

The Management Board and Supervisory Board are involved in setting the strategic investment programme first and foremost with regard to budgeting. A team comprising employees from multiple divisions is responsible for implementation of this investment programme. Realisation of the strategic investment programme and the modernisation measures is firmly embedded in LEG's target attainment system and is linked to target agreements. This applies to employees at all levels.

EFFECTIVELY INCREASING ENERGY EFFICIENCY IN RESIDENTIAL BUILDINGS

GRI 103-2

LEG is a member of the Alliance for Carbon-Neutral Residential Buildings, which was founded in Berlin in 2016. Its other members include the Federal Association of German Housing and Real Estate Companies (GdW), various housing companies, Techem Energy Services, Danfoss and research institutes such as EBZ Business School and the TU Dresden. The aim of the alliance is to raise awareness of affordable climate protection within the residential sector. It focuses in particular on improving the technical infrastructure of buildings in order to tap potential for greater heating supply efficiency. This is primarily achieved on the basis of measures with an attractive cost-benefit ratio, a high degree of innovation and digitisation, and strong practical relevance.

As part of its commitment, LEG is supporting the Energy Efficiency pilot project, which evaluates new valve systems within the heating cycle, intelligent thermostats and smart home systems in terms of their energy-saving effects. LEG pilot properties in Bottrop, Marl, Mönchengladbach and Wetter were chosen for this and were fitted with the necessary technology. The technology allows the tenants' heating behaviour to be recorded and evaluated by separate data loggers. The results should show the extent to which energy savings can be achieved on the basis of low-threshold investment measures.

The pilot project also involves subjecting energy modernisation measures which have already been concluded to a data analysis in order to demonstrate what energy savings can be achieved by insulating facades and replacing windows. The analysis of this data gives LEG wide-ranging information it can use as the basis for future strategic decisions regarding modernisation measures.

The research project highlights the particular complexity of heating systems in apartment buildings, which require extensive consideration and optimisation. Both the heating systems and the residents' user behaviour play an important role here.

Full tenant support provided by EnergieServicePlus

The LEG subsidiary EnergieServicePlus has an important role to play regarding the economic and technical management and supply of energy for LEG's properties. The company is a joint project of LEG and innogy SE. LEG holds 51 per cent of the shares in EnergieServicePlus and innogy SE 49 per cent. The company is the tenants' primary point of contact for all matters relating to energy. It arranges affordable power supplies, guarantees that the heating systems work efficiently and handles many of the energy-related services within the LEG Group.

Combined heat and power plants for decentralised and efficient energy supplies

LEG makes use of cogeneration, which is especially efficient, to supply its residential neighbourhoods. Four modern combined heat and power plants have now gone into operation as part of a project entitled LEG-Quartierpower in der Fritz-Erler-Siedlung. The Fritz Erler housing estate in Kreuztal comprises around 700 apartments with more than 50,000 square metres of living space and 1,600 residents. It is the largest continuous housing estate in the Siegerland region and was built between 1968 and 1971. The project is a partnership between LEG and innogy SE (formerly called RWE) and it complements the existing power supply sourced from a number of RWE heating plants.

LEG's energy-related endeavours are rounded off by transparent information for the tenants. For example, LEG has its own tenant manual (also available online) that introduces users to energy-saving approaches and the correct way to air rooms.

MONHEIM AM RHEIN: SAVING ENERGY AND PROTECTING THE CLIMATE TOGETHER

Berliner Viertel is a neighbourhood in the south of the town of Monheim am Rhein. Broad green spaces, long-standing

trees, traffic-calmed streets, more than 30 playgrounds, and playgroups, schools, shops and doctors' surgeries all within walking distance make this housing estate developed in the 1960s and 1970s a popular place for families.

The apartments in the Berliner Viertel neighbourhood are to be given an energy efficiency upgrade so that 70 per cent less energy is used there in the long term for heating and hot water. This is what was set out in a report adopted by the town council in 2016. Only a year later, the partners LEG and the town of Monheim am Rhein presented a joint modernisation concept.

Comprehensive modernisation up to 2021

As the largest lessor in the area, LEG can draw on its experience of comprehensively modernising some 200 apartments in three stages between 2013 and 2016 at a cost of 4.1 million euros. LEG plans to invest an additional approximately 25 million euros in modernising accommodation in Monheim between now and 2021. The key measures include installation of a composite thermal insulation system on building facades, installation of roof and cellar ceiling insulation, replacing old windows with double-glazed PVC windows, modernising bathrooms and renovating balconies. Making properties wheelchair-accessible is also important in many areas.

With every step it takes, LEG is committed to clear communication and trust. For example, the upcoming measures and their impact on the tenants were presented to the tenants in detail at a joint information event held by LEG together with the Berliner Viertel neighbourhood office and the town's climate protection manager in October 2017.

The sustainable set of measures allows the project partners to achieve multiple goals: the tenants' living quality is improved, thereby noticeably increasing their satisfaction levels, the heating costs are reduced and the property portfolio is developed further and made fit for the future. At the same time, a significant contribution is made to protecting the environment and the climate, as the modernisations enable the buildings' carbon emissions to be reduced.



RESPONSIBILITY FOR SOCIETY

SOCIETY AREA OF ACTION

The strengthening of local structures for sustainable and liveable neighbourhoods is a key task to which we are committed. In addition to our social and integrative work within neighbourhoods, this area of action comprises measures through which we can contribute our real estate expertise toward the solving of general societal challenges, for example by maintaining living space in conurbations.

Key topics within this area of action:

- **Local communities**
Impact (positive/negative) of LEG's business activities on local communities (neighbourhoods), civic participation and co-determination, contribution to society made locally by the business activities.
- **Societal challenges**
LEG's contribution to general societal challenges such as the creation and provision of living space in conurbations, accommodation which is suitable in view of demographic change, etc.
- **A liveable environment**
LEG's contribution to the development of sustainable and liveable neighbourhoods, the promotion of quality of life, the promotion of historic buildings and heritage protection, the tackling of future-oriented topics (new living concepts, smart cities, smart homes, etc.).

STRENGTHENING SOCIAL COHESION WITHIN NEIGHBOURHOODS

GRI 103-1

LEG acknowledges its responsibility to create sustainable and liveable residential neighbourhoods and to strengthen them by means of social and inclusive work. It provides housing that meets tenants' highly diverse needs. LEG ensures its long-term success on the basis of stable neighbourhoods.

The company has identified local communities, societal challenges and a liveable environment as topics of material relevance. This applies equally to all of the residential neighbourhoods managed by LEG. The high materiality of these issues is derived directly from LEG's business model. For example, the company is conscious of the effect that its actions have on local communities and therefore assumes a particular social responsibility. The promotion of civic participation, cooperation and co-determination is a key factor in achieving a broad consensus within society.

LEG can play a part in resolving societal challenges such as demographic change and immigration by making affordable housing available in conurbations too. A liveable environment can only be established if sustainable neighbourhoods offering a high quality of life are developed.

In contrast, insensitive occupancy management coupled with a lack of integration work can jeopardise local structures and foster instability. At the tenant level, these risk factors can have an impact on districts, neighbourhoods and even entire towns. Sensitivity is also called for when choosing cooperative partners as the quality of the business relations has a direct influence on the development of residential estates and on quality of life. If service providers are not sufficiently qualified, this can jeopardise neighbourhoods and LEG's image. These risks can only be avoided on the basis of shared values and standards within partnerships.

NEIGHBOURHOOD MANAGEMENT PROMOTES LOCAL INTEGRATION

GRI 103-2; 103-3

As a company with an awareness of its responsibilities, LEG endeavours to maintain and create liveable neighbourhoods and to provide sustainable housing. The overarching framework of this is neighbourhood management throughout the entire LEG portfolio. LEG focuses on systematic networking that makes it possible to identify the local societal structures and develop projects and, based on this, to promote integration of networks. These partnerships breathe life into neighbourhoods and play a part in stabilising local com-

munities. At the same time, a network of contact points leads to greater tenant satisfaction and retention.

LEG pursues three strategic goals in the society area of action and continuously works towards achieving these goals. LEG uses active neighbourhood management to maintain stable neighbourhoods and promote local communities. LEG is a reliable partner to the local authorities and institutions, with which it maintains close dealings. The company also plays its part in resolving societal challenges such as housing shortages in conurbations and develops answers to demographic change with the services it offers.

Measures managed efficiently and based on dialogue

LEG's neighbourhood management seeks to address the three highly material topics of local communities, societal challenges and a liveable environment. The company engages in direct dialogue with municipalities and local stakeholders in order to improve residential and living conditions at the local level and contributes in the form of staff and financial resources. LEG promotes intercultural exchange and supports local integration and immigration work for displaced persons.

The measures are managed with the aid of a neighbourhood database in which responsibilities, budgets, partnerships, stakeholder contacts, integration projects, analyses, tenant acquisition activities and the projects of the LEG NRW Tenant Foundation are logged. In the reporting period, 100 per cent of LEG's branch offices realised social responsibility measures within their neighbourhoods. Overall, around 150 neighbourhood measures were implemented (see key performance indicators: society area of action, p. 42).

In addition to the Management Board and management staff, each and every employee involved in operating activities is responsible for the relevant topics related to the societal challenges. Neighbourhood management is the responsibility of the heads of customer management and letting, the clerical customer managers with the support of the branch office management, the lessors and caretakers, and possibly also the technical customer assistants. The Centralised Letting and Customer Management, Corporate Communications, Corporate Development and Innovation Management divisions are likewise involved. As well as staffing, LEG provides funds to promote neighbourhoods, for tenant events, for ongoing upkeep and for energy modernisations. Furthermore, the independent LEG NRW Tenant Foundation (www.leg-nrw-mieter-stiftung.de) contributes its own foundation budget. The purpose of the LEG NRW Tenant Foundation is to support tenants who have got into difficulties through no fault of their own and to promote integration.

Open to criticism and suggestions

LEG makes it possible for tenants and all other interested parties, affected parties and partners to contact the company with suggestions and criticism in person (via appointment), over the phone, in writing or digitally. Enquiries from,

for example, residents, municipalities or NGOs, are systematically logged and processed by the company's own ticket system.

Success of the measures evaluated

LEG uses its neighbourhood database and the project managers' assessments of their respective neighbourhood measures to monitor the success of its activities. It also uses the customer management team's regular analyses of tenant satisfaction and the development of complaints as benchmarks. At LEG, new ideas are developed within the Innovation Management division, within the customer management working group and during the customer manager days, which are held every two years.

DEDICATION TO LIVEABLE NEIGHBOURHOODS

GRI 103-2

LEG engages in active neighbourhood management comprising a broad spectrum of measures that strengthen social cohesion.

"Wohnen für Generationen" initiative helps families and senior citizens

In view of the shortage of spacious, family-friendly apartments in many cities in North Rhine-Westphalia, LEG launched an initiative called "Wohnen für Generationen" (Living Space for Generations) in 2017. The aim of this initiative is to create additional living space for families and to enable senior citizens to downsize to more affordable apartments within their neighbourhood. LEG then gives preferential treatment to families when letting the large apartments freed up in this way. LEG believes strongly in personal and sensitive dialogue with its tenants and takes the wishes of its senior citizen tenants, who predominantly live alone, into account when seeking an appropriate solution. The "Wohnen für Generationen" initiative is supported by Germany's Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB).

Münster: school building used as a day care centre

As of August 2017, LEG is letting a former school building to Outlaw gGmbH, a non-profit provider of child and youth support, for a 20-year contractual period. LEG converted part of the building, which was previously used by the Dutch armed forces, for use as a day care centre, which is attended by 60 children. The investment sum totalled approximately 460,000 euros. LEG's operating technology team realised the extensive construction project in close cooperation with the Münster branch office.

Sports promotion with the LEG Arminia Football School

LEG believes that sport contributes to social integration and healthy development. The company therefore supports youth work as a cooperative partner in the area of football and has been the main sponsor of the LEG Arminia Football School since 2010. In this capacity, LEG funds annual football camps that allow young football fans to follow in the footsteps of their role models. This included the football school's second special diabetes camp, which was held on the pitch of the SV Gadderbaum club in Bielefeld and was attended by 30 children and adolescents. At the training camps, the up-and-coming football players are trained and nurtured in a fun and coordinated way by certified coaches.

LEG supports cultural offerings for immigrants

GRI 203-01

LEG assigned part of a building in Düsseldorf-Garath to a support centre for immigrants run by the integration agency Kin-Top. This highly networked agency helps immigrants find their feet within society with education and cultural offerings. LEG provides the rooms and the agency is required to pay nothing more than the service charges and heating costs. Additionally, the independent LEG NRW Tenant Foundation supported Kin-Top as a sponsor of conversion of the rooms for their future use. The new "Salon der Kulturen" (Culture Salon) is a place for people to meet and will allow all citizens, in particular families with a migrant background and refugee families, to participate in local intercultural life without any inhibitions.

"Zelt Zeit" – a creative festival at Whitsun

LEG regularly serves as the main sponsor of the "Zelt Zeit" (Tent Time) cultural festival held at the Grüner See lake in Ratingen, which is a popular recreational area. During the festival held over the Whitsun weekend, visitors can participate in a variety of events such as cabaret and comedy, and can experience music, games, fun and excitement. On the traditional LEG family Sunday at "Zelt Zeit", there are running events, dragon boat races and outdoor attractions such as climbing walls and bouncy castles for kids.

More leisure activities on high-rise estates

LEG seeks to further strengthen neighbourhoods by means of joint activities and exchange among the residents. In Wuppertal, the company supports the Sternenberg recreation area, which was established by parents. It is nestled among the LEG high-rise buildings and features an approximately 16,000-square-metre playground with a variety of playground equipment and sports opportunities. The majority of the children who use it come from LEG tenant families, many of which have a migrant background. The objective is to break down the anonymity which is so typical of high-rise estates and to strengthen the residents' identification with their neighbourhood. For example, among other projects, an annual experiential education afternoon is held for the children and all the tenants.

Mobility for female immigrants

LEG works closely with the "Alte Post – Berg Fidel" association in Münster, which launched a cycling course for female immigrants six years ago under the motto of "Get on and go". The participants now come from not just Berg Fidel but from neighbourhoods all over the city and represent countries such as Morocco, Egypt, Syria, Sri Lanka and many others. The German Cyclists' Association (ADFC) in Münster supports the project with practical cycling training, while the LEG NRW Tenant Foundation contributes to the success of the course in the form of donated funds. As demand is so high, further courses are now in the pipeline.

"LEBEN IN SCHARNHORST IST BUNT!" – PARTNERSHIP FOR A NEIGHBOURHOOD

The Scharnhorst neighbourhood in Dortmund is like a town in itself, boasting essentially everything you need, such as two shopping centres, numerous doctors, schools, day care centres, a pharmacy, hairdressers, banks, a post office, a travel agency and much more. The neighbourhood is family-friendly and has great leisure and recreation appeal thanks to the Alte Körne nature reserve. The housing companies that cooperate here offer approximately 3,800 apartments of varying sizes for individuals, single parents, families and senior citizens, of which LEG alone manages around 3,200.

Four partners – LEG Wohnen NRW GmbH, DOGEWO21, Spar- und Bauverein eG Dortmund and the city of Dortmund – came together under the motto of "Leben in Scharnhorst ist bunt!" (Life in Scharnhorst is colourful) to jointly see to it that the people living in Dortmund-Scharnhorst feel at home in their neighbourhood. The partnership has been in existence for a number of years and was given new, binding foundations in 2017. The aims of the cooperation agreement are to sustainably improve the neighbourhood's image, boost the residents' identification with it and promote initiatives. It makes it possible for elderly residents to stay in the neighbourhood, while also making the age structure younger by bringing more families in and integrating people with a migrant background better.

Offerings for old and young

The housing industry partners make funds available that are used to successfully implement all sorts of happenings for residents. These include the "Spieletonne" games bin, which is set up at four locations on the estate in the summer, and tenant excursions for the entire family. Other projects include a school class taking part in a dragon boat race on Phoenix Lake and programmes designed to strengthen the skills of pupils at the Scharnhorst schools.

All the cooperative partners vote on and agree on the implementation of new ideas. They jointly seek to play a part in enabling children and adolescents to grow up in an environment with good residential and living conditions. All the projects have been running for a number of years and are well received.

This cooperation between private and municipal stakeholders for the benefit of a neighbourhood has already been widely recognised, as evidenced by the Social City 2010 award presented to the cooperation by the Federal Association of German Housing and Real Estate Companies (GdW) and other sponsors. The housing industry cooperation also

won the 2009 Robert Jungk Award sponsored by North Rhine-Westphalia's Ministry for Generations, Family, Women and Integration, the network of cities in North Rhine-Westphalia, the Robert Jungk Foundation Salzburg and other partners for its neighbourhood management in Scharnhorst.



LEBEN IN SCHARNHORST IST BUNT!

KEY PERFORMANCE INDICATORS

In order to manage the topics identified as highly material, we gauge our performance with regard to sustainability on the basis of specific key performance indicators. These are shown in the table below. Unless indicated otherwise, the key performance indicators relate to the financial year in

question and the entire LEG Group (i.e. all the fully consolidated companies as per the consolidated annual financial statements). The figures presented here are rounded to one decimal place. As such, there may be minor totalling deviations.

BUSINESS MANAGEMENT AREA OF ACTION

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Scale of the organization						
Total number of employees	Number	932	955	1,246	Average number of employees.	102-7
Total number of operations	Number	8	8	8	The total number of operations equates to the eight LEG branch offices.	
Net sales	EUR million	320.5	373.1	399.4	Equates to the revenue from renting and leasing.	
Total capitalization broken down in terms of debt and equity	%	44.2	44.9	42.3	The figures equate to the so-called loan-to-value ratio, i.e. net debt in relation to the real estate assets.	
Quantity of products or services provided	Number of residential units	108,916	128,488	131,341	Equates to the number of residential units within the LEG portfolio.	
Direct economic value generated and distributed						
Direct economic value generated: revenues	EUR million	436.1	511.7	534.7	Equates to the net rent (excl. utilities and services costs) from renting and leasing.	201-1
Economic value distributed	EUR million	213.0	236.5	230.9	Equates to the expenses from renting and leasing.	
CRE sector supplement: payments to government	EUR million	9.9	14.7	14.7	Equates to net income tax payments in accordance with the statement of cash flows.	
Economic value retained	EUR million	223.1	275.2	303.8	Equates to the difference between net rent (excl. utilities and service costs) and expenses.	
Confirmed incidents of corruption and actions taken						
Total number and nature of confirmed incidents of corruption	Number	0	0	0	Relates to all confirmed cases of corruption, bribery and the granting or receiving of advantages.	205-3
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	Number	0	0	0	The number of confirmed cases of corruption, bribery and the granting or receiving of advantages subsequent to which employees were dismissed or disciplined is disclosed.	

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	Number	0	0	0	The number of confirmed cases of corruption, bribery and the granting or receiving of advantages on the basis of which contracts with business partners were terminated or not renewed is disclosed. A contractual relationship with business partners was terminated by LEG because LEG was of the opinion that the contractual partner had violated the law as applicable or LEG's Code of Conduct. However, this did not constitute a confirmed case of corruption. As such, this case does not fall within the definition of the key performance indicator.	
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases					Investigation proceedings initiated by LEG itself were conducted in the reporting period. The police made a recommendation to the public prosecutor that the proceedings be terminated.	

Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

Total number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant	Number	0	0	0	The number of pending and concluded legal actions and cases is disclosed.	206-1
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Non-compliance with environmental laws and regulations and laws and regulations in the social and economic area

Total monetary value of significant fines	EUR	0	0	0	Fines of 100,000 euros or more are considered significant.	307-1; 419-1
Total number of non-monetary sanctions	Number	0	0	0	Repressive, i.e. punishing, measures for past misconduct not consisting of a monetary sanction are reported.	
Cases brought through dispute resolution mechanisms	Number	0	0	0	Dispute resolution mechanisms are reported, i.e. judicial proceedings and out-of-court dispute resolution based on mediation or conciliation.	

TENANTS AREA OF ACTION

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Assessment of the health and safety impacts of product and service categories						
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	%	–	97.5	98.1	The percentage of LEG portfolio buildings for which safety checks were performed in the year under review is reported. Safety checks have been commissioned for the rest of the buildings – primarily properties which were newly acquired up to the end of 2017 – and these will be concluded in early 2018.	416-1

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Substantiated complaints concerning breaches of customer privacy and losses of customer data						
Complaints received from outside parties and substantiated by the organization	Number	1	1	0	"Outside parties" refers to any external party.	418-1
Complaints from regulatory bodies	Number	0	1	0		
Total number of identified leaks, thefts, or losses of customer data	Number	0	0	1		

EMPLOYEES AREA OF ACTION

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Information on employees and other workers						
Total number of employees by employment contract (permanent and temporary) and gender						
Total number of employees	Number	970	990	1,311	The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date or trainees. The increase in 2017 is attributable first and foremost to the addition of the company TechnikServicePlus GmbH (317 employees). The temporary employment figures do not include trainees or the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG.	102-8
Of which women		466	465	476		
Of which men		504	525	835		
Of which temporary		–	–	74		
Of which women		–	–	25		
Of which men		–	–	49		
Total number of employees by employment type (full-time and part-time) and gender						
Full-time	Number	780	807	801	The figures do not include employees in the passive stage of partial retirement, employees on parental leave at the reporting date or trainees. The employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.	
Of which women		–	–	314		
Of which men		–	–	487		
Part-time		190	183	176		
Of which women		–	–	140		
Of which men		–	–	36		
Collective bargaining agreements						
Percentage of total employees covered by collective bargaining agreements	%	–	92.0	91.9	Percentage of LEG employees covered by the LEG collective agreement. Managerial employees, employees not covered by collective bargaining agreements, trainees, students and the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.	102-41
New employee hires and employee turnover						
Total number and rate of new employee hires during the reporting period by age group, gender and region						
Total	Number	–	88	108	Trainees and students and new employee hires at TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included. A further breakdown of the figures is not possible at this time.	401-1
Rate	%	–	8.9	11.1		

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Total number and rate of employee turnover during the reporting period by age group, gender and region						
Total	Number	–	68	87	Expiring partial retirement contracts, retirements, mortalities, the departure of trainees and students, and the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included. A further breakdown of the figures is not possible at this time.	
Rate	%	–	6.9	8.9		
Average hours of training per year per employee						
Number of employees who participated in a seminar or other training measure during the reporting period	Number	–	877	520	The employees of TechnikService-Plus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included. A breakdown by gender and type of employee is not possible at this time.	404-1
Cumulative number of seminar days in the reporting period	Number	–	3,000	1,610		
Percentage of employees receiving regular performance and career development reviews						
Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	%	–	89.1	46.3	The employees of TechnikService-Plus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included. The deadline for performance reviews was postponed in the 2017 reporting year for organisational reasons. As such, only 452 staff appraisals were conducted. A breakdown by gender and type of employee is not possible at this time.	404-3
Diversity of governance bodies and employees						
Percentage breakdown of people in governance bodies by:						
Gender					The figures relate to the six members of the Supervisory Board.	405-1
Women	%	16.6	16.6	16.6		
Men	%	83.3	83.3	83.3		
Age						
Under 30 years old	%	0	0	0		
30–50 years old	%	16.6	16.6	16.6		
Over 50 years old	%	83.3	83.3	83.3		
Percentage of employees per employee category by:						
Gender					Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), trainees and the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.	
LEG total						
Women	%	–	46.8	36.3		
Men	%	–	53.2	63.7		
LEG Wohnen and Wohnen Service						
Women	%	–	45.5	45.3		
Men	%	–	54.5	54.7		
LEG management						
Women	%	–	53.7	54.7		
Men	%	–	46.3	45.3		
Specialist companies						
Women	%	–	33.8	11.3		
Men	%	–	66.2	88.7		

KEY PERFORMANCE INDICATORS

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Age					Employees in the passive stage of partial retirement, employees on parental leave at the reporting date (31 December), apprentices, trainees, students, casual workers and the employees of TechnikServicePlus GmbH and Biomasse Heizkraftwerk Siegerland GmbH & Co. KG are not included.	
LEG total						
Under 30 years old	%	–	12.1	11.7		
30–50 years old	%	–	51.2	48.9		
Over 50 years old	%	–	36.6	39.4		
LEG Wohnen and Wohnen Service						
Under 30 years old	%	–	12.6	12.4		
30–50 years old	%	–	50.7	48.6		
Over 50 years old	%	–	36.8	39.0		
LEG management						
Under 30 years old	%	–	13.9	12.6		
30–50 years old	%	–	56.1	51.4		
Over 50 years old	%	–	30.0	36.0		
Specialist companies						
Under 30 years old	%	–	4.3	3.0		
30–50 years old	%	–	44.9	45.5		
Over 50 years old	%	–	50.7	51.5		

ENVIRONMENT AREA OF ACTION

Key performance indicator(s)	Unit	2015	2016	2017	2015 Lfl	2016 Lfl	2017 Lfl	Definition/explanation	GRI Standards/ EPRA
Energy consumption within the organization (administrative offices)									
Fuel consumption from non-renewable sources									302-1; EPRA Fuels-Abs
Diesel	MWh	–	1,446.0	1,264.4				The figures relate to LEG's vehicle fleet and company cars with the exception of TechnikServicePlus GmbH and to the fuel oil consumption of Biomasse Heizkraftwerk Siegerland. Energy consumption was calculated on the basis of the respective fuel consumption levels. Business trips taken for LEG by LEG employees in their own vehicles are not included. As the precise passenger car fuel consumption data for December 2017 was not available at the data collection cut-off date, a figure was extrapolated on the basis of the December 2016 consumption in relation to 2016 as a whole.	
Regular petrol	MWh	–	32.4	36.7					
Premium-grade petrol	MWh	–	135.4	168.7					
Heating oil	MWh	–	1,053.5	1,202.2					
Fuel consumption from renewable sources	MWh	–	433,000.0	440,276.0				As the proportion of total diesel/premium-grade fuel attributable to biodiesel/bioethanol cannot be determined, this is not reported separately here. Therefore, only the waste wood consumption of Biomasse Heizkraftwerk Siegerland is disclosed here.	
Electricity consumption	MWh	–	–	–				A key performance indicator cannot be given here as LEG did not take the consumption meter readings at rented properties itself in the past and can therefore only draw on the respective landlords' utility bills. However, not all of these utility bills were available at the time at which the data was collected for the 2016 calendar year.	302-1; EPRA Elec-Abs
Heating consumption	MWh	–	–	–					302-1; EPRA DH&C-Abs
Electricity sold	MWh	–	98,770.9	99,181.9				This figure relates exclusively to the electricity fed into the public grid by Biomasse Heizkraftwerk Siegerland.	302-1; EPRA Elec-Abs
Heating sold	MWh	–	1,885.0	1,918.0				This figure relates exclusively to the district heating supplied by Biomasse Heizkraftwerk Siegerland.	302-1
Standards, methodologies, assumptions, and/or calculation tools used								Unless stated otherwise, the information relates to the companies of the LEG Immobilien Group that hold personnel or properties and are directly or indirectly involved in the administration of LEG's residential real estate (incl. management companies).	
Source of the conversion factors used								In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from Germany's Federal Ministry for the Environment were used. The following conversion factors were used: diesel: 9.9285 kWh/l; premium-grade petrol: 8.7600 kWh/l; regular petrol: 8.9747 kWh/l; heating oil: 10.0000 kWh/l; waste wood: 4.00 MWh/t.	
Energy consumption outside of the organization (housing portfolio)									
Total electricity consumption (communal areas)	MWh	–	19,488.8	20,774.4	–	19,442.8	17,939.6	The consumption figures relate exclusively to the electricity costs billed to LEG tenants for the communal areas (e.g. stairwells) of the portfolio properties of the fully consolidated portfolio companies as at 31 December 2015 or 31 December 2016 (not including large commercial properties). The key performance indicator represents the consumption volumes billed to the tenants in the respective financial year (the electricity was actually consumed in the previous financial year). As LEG is not provided with consumer data digitally by the utilities, the consumption values were extrapolated on the basis of the costs logged in the course of cost allocation for 2016 using samples. This therefore excludes costs not allocated to the tenants. Volumes consumed in billing periods during the year and volumes which are attributable to LEG commercial units managed by third parties are not taken into account. The figures additionally do not include the volumes consumed by economic units consisting of mixed-use tenant privatisation rental properties. The tenants' electricity consumption volumes within their apartments (e.g. room lighting) are not included – these are billed directly to the tenants by the utilities.	302-2; EPRA Elec-Abs/Lfl
Bergkamen	MWh	–	1,799.1	1,955.7	–	1,799.1	1,579.5		
Dortmund	MWh	–	2,924.9	2,860.2	–	2,921.8	2,739.4		
Duisburg	MWh	–	2,624.5	2,512.3	–	2,612.0	2,257.0		
Düsseldorf	MWh	–	3,002.6	3,079.3	–	2,981.2	2,970.2		
Gelsenkirchen	MWh	–	1,745.3	2,841.2	–	1,744.3	1,583.4		
Hamm/Bielefeld	MWh	–	2,025.0	2,068.4	–	2,025.0	1,818.8		
Cologne	MWh	–	3,367.2	3,348.4	–	3,365.5	3,088.3		
Münster	MWh	–	2,000.1	2,108.8	–	1,993.9	1,902.9		
Total heating energy consumption (rental units)	MWh	–	553,469.9	685,265.8	–	553,083.7	579,839.1	The consumption figures relate exclusively to the heating consumption billed to the tenants by LEG in relation to the portfolio properties of the fully consolidated portfolio companies as at 31 December 2015 or 31 December 2016. Consumption billed directly to the tenants by the energy utilities, on the other hand, is excluded as LEG does not have this data at its disposal. The key performance indicator represents the consumption volumes billed to the tenants in the respective financial year (the electricity was actually consumed in the previous financial year). The volumes consumed in 2017 can only be calculated in the course of 2018 subsequent to the editorial deadline for this sustainability report. Volumes consumed in billing periods during the year and volumes which are attributable to LEG commercial units managed by third parties are not taken into account. The figures additionally do not include the volumes consumed by economic units consisting of mixed-use tenant privatisation rental properties. Heating energy consumption relates to 74,975 rental properties in 2016 and 63,918 rental properties in 2015 (residential and commercial). The like-for-like analysis encompasses 63,879 rental properties.	302-2; EPRA DH&C-Abs/Lfl
Of which natural gas	MWh	–	427,082.4	490,602.6	–	426,699.9	445,763.2		
Bergkamen	MWh	–	55,797.2	60,991.7	–	55,797.2	57,569.2		
Dortmund	MWh	–	34,912.7	43,885.7	–	34,912.7	37,669.1		
Duisburg	MWh	–	59,137.0	74,334.3	–	59,137.0	62,633.9		
Düsseldorf	MWh	–	39,101.9	40,224.3	–	39,101.9	40,224.3		
Gelsenkirchen	MWh	–	61,800.1	80,759.5	–	61,800.1	65,259.1		
Hamm/Bielefeld	MWh	–	49,587.5	52,843.4	–	49,392.2	52,227.9		
Cologne	MWh	–	83,023.5	89,322.5	–	83,023.5	85,346.1		
Münster	MWh	–	43,722.5	48,241.2	–	43,535.3	44,833.6		
Of which heating oil	MWh	–	41,714.9	48,646.8	–	41,714.9	43,614.3		
Bergkamen	MWh	–	6,347.7	8,069.5	–	6,347.7	6,593.5		
Dortmund	MWh	–	495.7	857.9	–	495.7	575.0		
Duisburg	MWh	–	16,218.3	18,758.6	–	16,218.3	18,087.2		
Düsseldorf	MWh	–	2,334.6	2,061.0	–	2,334.6	2,061.0		
Hamm/Bielefeld	MWh	–	7,465.0	8,040.4	–	7,465.0	8,040.4		
Cologne	MWh	–	4,935.3	6,653.3	–	4,935.3	4,051.1		
Münster	MWh	–	3,918.3	4,206.1	–	3,918.3	4,206.1		

Key performance indicator(s)	Unit	2015	2016	2017	2015 Lfl	2016 Lfl	2017 Lfl	Definition/explanation	GRI Standards/ EPRA
Of which district heating	MWh	–	84,672.9	146,016.4	–	84,669.1	90,461.3		
Bergkamen	MWh	–	10,539.0	11,450.5	–	10,539.0	11,450.5		
Dortmund	MWh	–	14,986.4	18,499.6	–	14,986.4	15,591.7		
Duisburg	MWh	–	9,324.0	11,843.9	–	9,320.2	9,770.9		
Düsseldorf	MWh	–	1,628.8	1,840.7	–	1,628.8	1,840.7		
Gelsenkirchen	MWh	–	5,666.9	52,393.7	–	5,666.9	5,989.6		
Hamm/Bielefeld	MWh	–	15,976.0	16,714.6	–	15,976.0	16,714.6		
Cologne	MWh	–	11,192.5	12,501.6	–	11,192.5	12,501.6		
Münster	MWh	–	15,359.3	20,771.8	–	15,359.3	16,601.7		
Standards, methodologies, assumptions, and/or calculation tools used								Unless stated otherwise, the information relates to the companies of the LEG Immobilien Group that hold personnel or properties and are directly or indirectly involved in the administration of LEG's residential real estate (incl. management companies).	302-2
Source of the conversion factors used								The factors used for conversion between electricity costs and electricity consumption were determined on the basis of samples taken from the utilities' electricity bills in each financial year. The following conversion factor was additionally used: heating oil: 10.0000 kWh/l. In the case of contracting facilities, heating consumption was converted into primary energy consumption (natural gas, heating oil) on the basis of flat-rate conversion factors.	
Building energy intensity	kWh/m² a	–	139.9	140.6				The median consumption figure of all the energy efficiency certificates for LEG's let property portfolio is taken into account. The consumption figure is calculated according to the rules stipulated in Germany's Energy Conservation Ordinance (EnEV). Properties for which no energy efficiency certificate is required pursuant to EnEV (e.g. properties under heritage protection) are not included. Non-residential buildings and properties sold in 2017 are not included.	CRE1; EPRA Energy-Int
Type and number of sustainably certified assets									
Percentage of residential buildings by energy efficiency certificates									CRE8; EPRA Cert-Tot
Energy efficiency level A+	%	–	0.03	0.02				Regarding sustainability certificates, reference is made to the energy efficiency certificates required pursuant to Germany's Energy Conservation Ordinance (EnEV) and the classification information applicable in this respect. All the energy efficiency certificates for LEG's let property portfolio are included. Properties for which no energy efficiency certificate is required pursuant to EnEV (e.g. properties under heritage protection) are not included. Non-residential buildings and properties sold in 2017 are not included.	
Energy efficiency level A	%	–	0.5	0.4					
Energy efficiency level B	%	–	2.0	1.7					
Energy efficiency level C	%	–	8.4	7.7					
Energy efficiency level D	%	–	22.9	23.0					
Energy efficiency level E	%	–	24.2	23.8					
Energy efficiency level F	%	–	21.7	21.9					
Energy efficiency level G	%	–	11.5	12.4					
Energy efficiency level H	%	–	8.7	9.1					
Direct (Scope 1) GHG emissions									
Administrative offices									305-1; EPRA GHG-Dir-Abs
Gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent	t CO ₂ e	–	1,107	1,069				The figures relate exclusively to the aforementioned energy consumption volumes. Only CO ₂ emissions were considered in the calculation of GHG emissions. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from Germany's Federal Ministry for the Environment (BMU) were used, in particular, BMU: "CO ₂ -Emissions-Faktoren – brennstoffbezogene Emissionsfaktoren" (as of 15.04.2016); BMU: "Bestimmung spezifischer Treibhausgasemissions-Faktoren für Fernwärme"; BMU: "Entwicklung der spezifischen Kohlendioxid-Emissionen des deutschen Strommix in den Jahren 1990–2016"). The CO ₂ emission figures for fleet vehicles and company cars were supplied directly by the billing company.	
Biogenic CO ₂ emissions in metric tons of CO ₂ equivalent	t CO ₂ e	–	57,459	57,556				The CO ₂ emissions equivalent for electricity generation and district heating is taken into account, less the direct CO ₂ emissions caused by heating oil combustion for Biomasse Heizkraftwerk Siegerland.	
Direct (Scope 1) GHG emissions									
Housing portfolio									305-1; EPRA GHG- Dir-Abs/Lfl
Gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent									
GHG emissions of rental units (heating energy only)	t CO ₂ e	–	62,817	74,287	–	62,741	65,380	The figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from Germany's Federal Ministry for the Environment (BMU) were used, in particular, BMU: "CO ₂ -Emissions-Faktoren für fossile Brennstoffe" (27/2016), BMU: "Bestimmung spezifischer Treibhausgasemissions-Faktoren für Fernwärme", BMU: "Entwicklung der spezifischen Kohlendioxid-Emissionen des deutschen Strommix in den Jahren 1990–2016".	
Biogenic CO ₂ emissions in metric tons of CO ₂ equivalent		–	–	–	–	–	–	Due to the selective use of renewable energies, there are no significant CO ₂ equivalents for biogenic CO ₂ emissions.	

Key performance indicator(s)	Unit	2015	2016	2017	2015 Lfl	2016 Lfl	2017 Lfl	Definition/explanation	GRI Standards/ EPRA	
Energy indirect (Scope 2) GHG emissions										
Administrative offices										
Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent	–	–	–	–				A key performance indicator cannot be given here as LEG did not take the consumption meter readings at rented properties itself in the past and can therefore only draw on the respective landlords’ utility bills. However, not all of these utility bills were available at the time at which the data was collected for the 2016 calendar year.	305-2; EPRA GHG-Indir-Abs	
Energy indirect (Scope 2) GHG emissions										
Housing portfolio										
Gross location-based energy indirect (Scope 2) GHG emissions for communal areas (electricity only) in metric tons of CO ₂ equivalent	t CO ₂ e	–	8,861	9,351	–	8,840	8,096	The figures relate exclusively to the aforementioned energy consumption volumes. In general, publicly accessible sources were used for the conversion factors; as a rule, the publications of or information from Germany’s Federal Ministry for the Environment (BMU) were used, in particular, BMU: “CO ₂ -Emissions-Faktoren – brennstoffbezogene Emissionsfaktoren” (excerpt, as of 15.04.2016), BMU: “Bestimmung spezi-fischer Treibhausgasemissions-Faktoren für Fernwärme”, BMU: “Entwicklung der spezifischen Kohlen-dioxid-Emissionen des deutschen Strommix in den Jahren 1990 bis 2016”. The factors used for conversion between electricity emissions and electricity consumption were determined on the basis of samples taken from the utilities’ electricity bills and the tariff-/utility-specific emissions given here in each financial year.	305-2; EPRA GHG-Indir-Abs/Lfl	
Gross location-based energy indirect (Scope 2) GHG emissions for rental units (heating energy only) in metric tons of CO ₂ equivalent	t CO ₂ e	–	54,893	73,015	–	54,892	58,007			
Total GHG emissions (Scopes 1 + 2)										
Housing portfolio										
Gross location-based energy GHG emissions in metric tons of CO ₂ equivalent	t CO ₂ e	–	126,571	156,652						
Water withdrawal by source										
Administrative offices										
Total volume of water withdrawn	–	–	–	–				Data cannot be collected at this time.	EPRA Water-Abs	
Water withdrawal by source										
Housing portfolio										
Total volume of water withdrawn	m ³	3,828,908.8	4,040,548.9	–	3,809,024.9	3,885,777.8	–	Only water withdrawal by municipal water supply companies and other public or private waterworks is presented here, as other sources are not relevant. This refers to fresh water consumption. The water consumption volumes are based on rental properties (commercial, residential) for which the item cold and/or hot water was recorded or allocated to the tenants separately from waste water on the basis of their consumption, as part of integrated billing. This related to 56,201 residential and commercial properties in 2016 and to 53,686 in 2015. Volumes consumed in billing periods during the year and volumes which are attributable to LEG commercial units managed by third parties are not taken into account. The figures additionally do not include the volumes of water consumed by economic units consisting of mixed-use tenant privatisation rental properties. The volumes consumed in 2017 can only be calculated in the course of 2018 subsequent to the editorial deadline for this sustainability report.	EPRA Water-Abs/Lfl	
Building water intensity	m ³ /m ²	1.1	1.1	–	1.1	1.2	–		EPRA Water-Int	
Waste by type and disposal method										
Administrative offices										
Total weight of hazardous waste	–	–	–	–				No hazardous waste is generated by the administrative offices.	EPRA Waste-Abs	
Total weight of non-hazardous waste	–	–	–	–				Data cannot be collected at this time.		
Waste by type and disposal method										
Housing portfolio										
Total weight of hazardous waste	–	–	–	–	–	–	–	Hazardous waste is generated in the course of renovating and modernising buildings and apartments. The exact volume is not recorded, however, as LEG has such little economic, legal, organisational or any other influence over the waste-generating activities of its contractor that LEG does not qualify as the waste generator within the meaning of waste legislation.	EPRA Waste-Abs/Lfl	
Total weight of non-hazardous waste										
Residual waste	t	–	13,249.2	14,810.9	–	–	–	The data of a service provider that acts as the waste manager for approximately a quarter of LEG’s total portfolio is reported. This company managed approximately 26% (34,008 residential units) of the LEG portfolio in 2017 and approximately 23% (30,183 residential units) in 2016. The properties managed in Wuppertal by the service provider were not included. The volumes of the waste containers provided by LEG were assessed. These volumes do not correspond to the waste containers’ actual filled volumes. Additionally, these figures do not correspond to the actual volume of waste generated as a proportion of the waste is disposed of in public containers (for example, public waste paper containers). The volumes are converted into weights based on general conversion factors for the various types of waste. 10% was added to these conversion factors across the board as the waste containers hold an above-average volume of waste due to the service provider’s active waste management. Biodegradable waste is not included as there is no active waste management in this area (conversion factors – residual waste: 0.11 t/m³; recyclable materials: 0.033 t/m³; paper, card, cardboard packaging: 0.22 t/m³; biodegradable waste: 0.25 t/m³).		
Recyclable materials (lightweight packaging, Green Dot materials)	t	–	1,193.2	1,557.9	–	–	–			
Paper, card, cardboard packaging	t	–	9,786.7	6,325.8	–	–	–			
Biodegradable waste	t	–	429.8	928.4	–	–	–			

SOCIETY AREA OF ACTION

Key performance indicator(s)	Unit	2015	2016	2017	Definition/explanation	GRI Standards/ EPRA
Operations with local community engagement, impact assessments, and development programs						
Branches that implemented neighbourhood measures in the reporting period	%	–	100	100	LEG involves local communities by means of neighbourhood measures, which are stated here accordingly. A neighbourhood database was introduced in 2016/17 to document the measures. Approximately 93 measures are recorded in the database for 2016. The number of measures is actually higher, however, as not all measures were systematically logged in the early stages in 2016. LEG already implemented neighbourhood measures outside of this documentation prior to 2016. The explanation relates to measures logged in the database – no claim is made that the measures are exhaustive.	413-1
Neighbourhood measures implemented	Number	–	approx. 93	approx. 154		
Percentage of cooperation measures	%	–	27	43		
Percentage of cooperations with local communities	%	–	5	10		

GRI CONTENT INDEX

GRI 102-55

In the following GRI content index, we list all the GRI Standards applied and cross-reference the sections of the report in which the corresponding details can be found.

GRI Standard	Disclosure	Reference/explanation	Omission
General disclosures			
GRI 102: General disclosures 2016	102-1 Name of the organization	Company profile, p. 6	
	102-2 Activities, brands, products, and services		
	102-3 Location of headquarters		
	102-4 Location of operations		
	102-5 Ownership and legal form		
	102-6 Markets served		
	102-7 Scale of the organization	Key performance indicators: business management area of action, p. 34f.	
	102-07 CRE supplement	In terms of strategy, LEG sees itself in a portfolio maintenance role, though growth may come about both organically and from external sources, e.g. through acquisitions as defined in LEG's purchasing criteria. New builds and other investment alternatives are given equal consideration. The specific challenges of a new build project (e.g. cost risk, time risk, risk of bankruptcy on the part of business partners, quality risks) are taken into account before an investment decision is made. Through the use of appropriate specialist expertise, competences and organisational structures, provisions have been made to mitigate the specific risks of new build projects. In particular, new build projects on existing portfolio lots and redensification measures are attractive for LEG from an economic standpoint.	
	102-8 Information on employees and other workers	Key performance indicators: employees area of action, p. 36ff.	
	102-9 Supply chain	Company profile, p. 6	
	102-10 Significant changes to the organization and its supply chain	As this report is a first report, there are no changes to be reported.	
	102-11 Precautionary principle or approach	We are monitoring the current course of scientific discussion and orient our entrepreneurial decisions on these developments. Nonetheless, the precautionary principle is at this time not yet integrated into all corporate decision making.	
	102-12 External initiatives	Sustainability mission statement and strategy developed, p. 13ff.	

GRI Standard	Disclosure	Reference/explanation	Omission
	102-13 Membership of associations	LEG Group is a member of the following associations and societies: <ul style="list-style-type: none"> • AGV Arbeitgeberverband der Deutschen Immobilienwirtschaft e.V. • AGW Arbeitsgemeinschaft großer Wohnungsunternehmen • Bundesverband der Unternehmensjuristen e.V. • DESWOS Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen e.V. • Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e.V. • DIIR Deutsches Institut für Interne Revision e.V. • EPRA European Public Real Estate Association • Förderer des Fachbereichs Wirtschaftswissenschaften der Hochschule Düsseldorf e.V. • Förderverein für die Aus- und Fortbildung im EBZ e.V. • GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V. • Gesellschaft der Freunde und Förderer des InWIS e.V. • Gesellschaft zur Förderung der Forschung auf dem Gebiet des Siedlungs- und Wohnungswesens e.V. • Initiative Corporate Governance • VdW Verband der Wohnungs- und Immobilienwirtschaft Rheinland Westfalen e.V. • ZIA Zentraler Immobilien Ausschuss e.V. 	
	102-14 Statement from senior decision-maker	Foreword by the Management Board, p. 4f.	
	102-16 Values, principles, standards, and norms of behavior	Sustainability mission statement and strategy developed, p. 13ff.	
	102-18 Governance structure	Sustainability management and governance structures established, p. 7f.	
	102-40 List of stakeholder groups	Materiality assessment and stakeholder dialogue, p. 9ff.	
	102-41 Collective bargaining agreements	Key performance indicators: employees area of action, p. 36ff.	
	102-42 Identifying and selecting stakeholders	Materiality assessment and stakeholder dialogue, p. 9ff.	
	102-43 Approach to stakeholder engagement		
	102-44 Key topics and concerns raised		
	102-45 Entities included in the consolidated financial statements	About this report, p. 3	
	102-46 Defining report content and topic boundaries	Materiality assessment and stakeholder dialogue, p. 9ff.	
	102-47 List of material topics		
	102-48 Restatements of information	As this report is a first report, there are no changes to be reported.	
	102-49 Changes in reporting		
	102-50 Reporting period	About this report, p. 3	

GRI Standard	Disclosure	Reference/explanation	Omission
	102-51 Date of most recent report	As this report is a first report, there is no prior report.	
	102-52 Reporting cycle	About this report, p. 3	
	102-53 Contact point for questions regarding the report	Contact details and imprint, p. 52	
	102-54 Claims of reporting in accordance with the GRI Standards	About this report, p. 3	
	102-55 GRI content index	GRI content index, p. 43ff.	
	102-56 External assurance	Audit certificate, p. 50f.	
Material topics			
Economic performance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Annual Report 2017 (https://www.leg-wohnen.de/en/corporation/investor-relations/news-publications/financial-reports/)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	Key performance indicators: business management area of action, p. 34f.	
Indirect economic impacts			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary		Compliance safeguards value added, p. 16
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	Dedication to liveable neighbourhoods, p. 31f.	
Anti-corruption			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Compliance safeguards value added, p. 16	
	103-2 The management approach and its components	Compliance management system manages goals and measures, p. 16f.; Transparency in all business processes, p. 17f.	
	103-3 Evaluation of the management approach	Compliance management system manages goals and measures, p. 16f.	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Key performance indicators: business management area of action, p. 34f.	
Anti-competitive behavior			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Compliance safeguards value added, p. 16	
	103-2 The management approach and its components	Compliance management system manages goals and measures, p. 16f.; Transparency in all business processes, p. 17f.	
	103-3 Evaluation of the management approach	Compliance management system manages goals and measures, p. 16f.	
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Key performance indicators: business management area of action, p. 34f.	

GRI Standard	Disclosure	Reference/explanation	Omission
Energy			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Focus on energy efficiency and emissions reduction, p. 27	
	103-2 The management approach and its components	Investment programme for energy modernisation, p. 27f.; Effectively increasing energy efficiency in residential buildings, p. 28f.	
	103-3 Evaluation of the management approach	Investment programme for energy modernisation, p. 27f.	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Key performance indicators: environment area of action, p. 39ff.	Data on electricity and heating consumption cannot be reported at this time.
	302-2 Energy consumption outside of the organization		
GRI CRE 1	Building energy intensity		
GRI CRE 8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment		
Emissions			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Focus on energy efficiency and emissions reduction, p. 27	
	103-2 The management approach and its components	Investment programme for energy modernisation, p. 27; Effectively increasing energy efficiency in residential buildings, p. 28f.	
	103-3 Evaluation of the management approach	Investment programme for energy modernisation, p. 27f.	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Key performance indicators: environment area of action, p. 39ff.	
	305-2 Energy indirect (Scope 2) GHG emissions		Data relating to administrative functions cannot be reported at this time.
GRI CRE 3	Greenhouse gas intensity from buildings		Cannot be reported at this time.
Environmental compliance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Compliance safeguards value added, p. 16	
	103-2 The management approach and its components	Compliance management system manages goals and measures, p. 16f.; Transparency in all business processes, p. 17f.	
	103-3 Evaluation of the management approach	Compliance management system manages goals and measures, p. 16f.	
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Key performance indicators: business management area of action, p. 34f.	
Employment			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Creating an attractive work environment, p. 23	
	103-2 The management approach and its components	Strategy and programme for future-oriented HR activities, p. 23f.; Employee services, p. 24f.	
	103-3 Evaluation of the management approach	Strategy and programme for future-oriented HR activities, p. 23f.	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Key performance indicators: employees area of action, p. 36ff.	A breakdown of the information by age and gender is not currently possible.

GRI Standard	Disclosure	Reference/explanation	Omission
Vocational and professional training			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Creating an attractive work environment, p. 23	
	103-2 The management approach and its components	Strategy and programme for future-oriented HR activities, p. 23f.; Employee services, p. 24f.	
	103-3 Evaluation of the management approach	Strategy and programme for future-oriented HR activities, p. 23f.	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Key performance indicators: employees area of action, p. 36ff.	A breakdown of the information by gender and type of employee is not currently possible.
	404-3 Percentage of employees receiving regular performance and career development reviews		
Diversity and equal opportunity			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary		Creating an attractive work environment, p. 23
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Key performance indicators: employees area of action, p. 36ff.	
	405-2 Ratio of basic salary and remuneration of women to men	Due to an existing collective bargaining agreement, there are no differences in remuneration for female and male employees.	
Non-discrimination			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Creating an attractive work environment, p. 23	
	103-2 The management approach and its components	Strategy and programme for future-oriented HR activities, p. 23f.; Employee services, p. 24f.	
	103-3 Evaluation of the management approach	Strategy and programme for future-oriented HR activities, p. 23f.	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No instances of discrimination came to light during the reporting period.	
Local communities			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Strengthening social cohesion within neighbourhoods, p. 30	
	103-2 The management approach and its components	Neighbourhood management promotes local integration, p. 30f.; Dedication to liveable neighbourhoods, p. 31f.	
	103-3 Evaluation of the management approach	Neighbourhood management promotes local integration, p. 30f.	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Key performance indicators: society area of action, p. 42	The presentation of LEG's neighbourhood measures only partially satisfies the requirements of the disclosure.

GRI Standard	Disclosure	Reference/explanation	Omission
Societal challenges and liveable environment (no topic-specific GRI Standard available)			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Strengthening social cohesion within neighbourhoods, p. 30	
	103-2 The management approach and its components	Neighbourhood management promotes local integration, p. 30f.; Dedication to liveable neighbourhoods, p. 31f.	
	103-3 Evaluation of the management approach	Neighbourhood management promotes local integration, p. 30f.	
Customer health and safety			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Tenant focus as the basis for LEG's success, p. 19	
	103-2 The management approach and its components	Systematic management of tenant services and safety, p. 19f.; Innovative services and programmes within neighbourhoods, p. 20f.	
	103-3 Evaluation of the management approach	Systematic management of tenant services and safety, p. 19f.	
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Key performance indicators: tenants area of action, p. 35f.	
Customer privacy			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Tenant focus as the basis for LEG's success, p. 19	
	103-2 The management approach and its components	Systematic management of tenant services and safety, p. 19f.; Innovative services and programmes within neighbourhoods, p. 20f.	
	103-3 Evaluation of the management approach	Systematic management of tenant services and safety, p. 19f.	
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Key performance indicators: tenants area of action, p. 35f.	
Tenant satisfaction (no topic-specific GRI Standard available)			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Tenant focus as the basis for LEG's success, p. 19	
	103-2 The management approach and its components	Systematic management of tenant services and safety, p. 19f.; Innovative services and programmes within neighbourhoods, p. 20f.	
	103-3 Evaluation of the management approach	Systematic management of tenant services and safety, p. 19f.	
Socioeconomic compliance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Compliance safeguards value added, p. 16	
	103-2 The management approach and its components	Compliance management system manages goals and measures, p. 16f.; Transparency in all business processes, p. 17f.	
	103-3 Evaluation of the management approach	Compliance management system manages goals and measures, p. 16f.	
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Key performance indicators: business management area of action, p. 34f.	

EPRA INDEX

Code	Performance measure	Unit	Reference
Elec-Abs	Total electricity consumption	annual MWh	p. 39
Elec-Lfl	Like-for-like total electricity consumption	annual MWh	p. 39
DH&C-Abs	Total district heating and cooling consumption	annual MWh	p. 39f.
DH&C-Lfl	Like-for-like total district heating and cooling consumption	annual MWh	p. 39f.
Fuels-Abs	Total fuel consumption	annual MWh	p. 39
Fuels-Lfl	Like-for-like total fuel consumption		–
Energy-Int	Building energy intensity	annual kWh/m ²	p. 40
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions (Scope 1)	annual t CO ₂ e	p. 40
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions (Scope 2)	annual t CO ₂ e	p. 41
GHG-Dir-Lfl	Like-for-like total direct greenhouse gas (GHG) emissions (Scope 1)	annual t CO ₂ e	p. 40
GHG-Indir-Lfl	Like-for-like total indirect greenhouse gas (GHG) emissions (Scope 2)	annual t CO ₂ e	p. 41
GHG-Int	Greenhouse gas (GHG) intensity from building energy consumption		–
Water-Abs	Total water consumption	annual m ³	p. 41
Water-Lfl	Like-for-like total water consumption	annual m ³	p. 41
Water-Int	Building water intensity	annual m ³ /m ²	p. 41
Waste-Abs	Total weight of waste	annual t	p. 41
Waste-Lfl	Like-for-like total weight of waste	annual t	p. 41
Cert-Tot	Buildings with sustainability certificates	number	p. 40

AUDIT CERTIFICATE

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING¹

To LEG Immobilien AG, Düsseldorf

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of LEG Immobilien AG, Düsseldorf, (hereinafter the "Company") for the period from 1 January 2017 to 31 December 2017 (hereinafter the "Non-financial Report"). The separate non-financial group report comprises the sections marked with a blue vertical line in the Company's Sustainability Report for the financial year 2017.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitäts-

sicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed. Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, 6 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Nicolette Behncke

ppa. Juliane v. Clausbruch

Wirtschaftsprüfer
(German public auditor)

CONTACT DETAILS AND IMPRINT

GRI 102-53

PUBLISHER

LEG Immobilien AG
Hans-Böckler-Straße 38
40476 Düsseldorf
Germany
Tel. +49 2 11 45 68-0
Fax +49 2 11 45 68-2 61
info@leg-wohnen.de
www.leg.ag

CONTACT DETAILS

Corporate Communications

Sabine Jeschke
Head of Corporate Communications
Tel. +49 2 11 45 68-3 25
Email: sabine.jeschke@leg-wohnen.de

Astrid Mendolia
Tel. +49 2 11 45 68-3 51
Email: astrid.mendolia@leg-wohnen.de

CONSULTANCY, CONCEPT, EDITING, DESIGN

Scholz & Friends Reputation, Berlin

NOTE

The separate non-financial Group report is published in German and English. The German version is always authoritative.

PHOTOS/ILLUSTRATIONS

Rüdiger Nehmzow, Düsseldorf (Management Board)
Stadtplanungsamt Dortmund GmbH, architect:
Andreas Hanke (Berliner Viertel, Monheim am Rhein)
Heleen Berkemeyer, Düsseldorf (employees, tenants)

LEG Immobilien AG
Hans-Böckler-Straße 38
40476 Düsseldorf
Germany
Tel. +49 2 11 45 68-0
Fax +49 2 11 45 68-2 61
info@leg-wohnen.de
www.leg.ag