

LEG Immobilien SE

Type of Engagement: Annual Review

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Introduction

In 2021, LEG Immobilien SE (“LEG”) issued a sustainable bond to finance existing projects expected to provide positive impacts linked to affordable and social housing, green buildings and community engagement. In 2023, LEG engaged Sustainalytics to review the projects financed with proceeds from the 2021 sustainable bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the LEG Sustainable Financing Framework (“Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in June 2021.² This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in June 2022.³

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 sustainable bond based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the LEG Sustainable Financing Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the LEG Sustainable Financing Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators (KPIs)
Affordable and Social Housing	<p>Construction, acquisition, modernization and renovation of affordable and social housing assets and units which meet one of the following criteria:</p> <ul style="list-style-type: none"> Classified under the social housing scheme in accordance with the German law on Social Subsidized Housing⁴ <p>Leased to tenants with subsidized housing permits or with rent paid directly by local public authorities</p>	<ul style="list-style-type: none"> Number of units financed and/or refinanced Number of beneficiaries m² financed and/or refinanced Rent/m² compared to the national/regional rent index <p>Expenditures attributable to modernization and renovation and number of units</p>
Community Engagement	<p>Support two foundations that aim at providing financial relief for tenants in need and creating more livable community for LEG’s tenants</p> <ul style="list-style-type: none"> LEG NRW Tenant Foundation <p>Your Home Helps Foundation</p>	<ul style="list-style-type: none"> Number of tenants supported <p>Total amount of donations made toward foundations</p>

¹ The LEG Sustainable Financing Framework is available on LEG Immobilien SE’s website, at: <https://ir.leg-se.com/en/investor-relations/creditor-relations>

² Sustainalytics, “LEG Immobilien SE Sustainable Financing Framework Second-Party Opinion”, (2023), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/leg-immobilien-se/leg-immobilien-se-sustainable-financing-framework-second-party-opinion-\(2021\)/leg-sustainable-financing-framework-second-party-opinion](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/leg-immobilien-se/leg-immobilien-se-sustainable-financing-framework-second-party-opinion-(2021)/leg-sustainable-financing-framework-second-party-opinion)

³ Sustainalytics, “Annual Review, LEG Immobilien SE”, (2022), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/leg-immobilien-se/leg-immobilien-se-annual-review-\(2022\)/leg-immobilien-se-annual-review-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/leg-immobilien-se/leg-immobilien-se-annual-review-(2022)/leg-immobilien-se-annual-review-(2022))

⁴ German Federal Ministry of Justice, Federal Office of Justice, “Gesetz über die soziale Wohnraumförderung”, at: <https://www.gesetze-im-internet.de/wofg/index.html>

<p>Green Buildings and Energy Efficiency</p>	<p>Construction of new buildings, operation of existing buildings or renovation of existing buildings in the commercial or residential real estate sector that meet one of the below criteria:</p> <ul style="list-style-type: none"> Recognized certification schemes: EPC A or B, BREEAM "Excellent" or above, LEED "Gold" or above, DGNB "Gold" or above, KfW Standard 55 or better; or equivalent other certifications Renovation of existing buildings that leads to at least 30% improvement of primary energy demand compared to prior renovation level Individual renovation measures may include, amongst others, upgrade of windows, improvement of insulation, installation of heating, deployment of smart meters <p>R&D expenses linked to finding measures that advance building renovation technology through improving energy efficiency</p>	<ul style="list-style-type: none"> Level of certification by building Energy performance (kWh/m² per year) <p>Annual greenhouse gas emission reduced/avoided (tCO₂ equivalent) relative to an established baseline</p>
<p>Renewable Energy</p>	<p>Installation of new or operation of existing renewable energy production facilities:</p> <ul style="list-style-type: none"> Solar photovoltaic panels Offsite solar and wind energy production facilities <p>Biomass power production facilities powered by wood waste</p>	<ul style="list-style-type: none"> Installed capacity (MW) Clean energy produced (Mwh) Annual greenhouse gas emission avoided (tCO₂ equivalent)
<p>Clean Transportation</p>	<ul style="list-style-type: none"> Infrastructure for electric vehicles Support infrastructure for zero-emissions personal mobility devices <p>Electric vehicles for LEG's own fleet</p>	<ul style="list-style-type: none"> Number of installed charging infrastructure for electric vehicles Number of installed infrastructure for personal mobility devices Number of electric vehicles purchased
<p>Renewable Energy</p>	<p>Installation of new or operation of existing renewable energy production facilities:</p> <ul style="list-style-type: none"> Solar photovoltaic panels Offsite solar and wind energy production facilities <p>Bio-mass power production facilities powered by wood waste</p>	<ul style="list-style-type: none"> Installed capacity (MW) Clean energy produced (Mwh) Annual greenhouse gas emission avoided (tCO₂ equivalent)
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Issuer’s Responsibility

LEG is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from LEG’s 2021 sustainability bond. The work undertaken as part of this engagement included collection of documentation from LEG and review of said documentation to assess conformance with the LEG Sustainable Financing Framework.

Sustainalytics relied on the information and the facts presented by LEG. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by LEG.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the LEG Sustainable Financing Framework. LEG has disclosed to Sustainalytics that the proceeds from the sustainable bond were fully allocated as at 30 September 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 sustainable bond to determine if projects aligned with the use of proceeds criteria outlined in the LEG Sustainable Financing Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 sustainable bond to determine if impact of projects was reported in line with the KPIs outlined in the LEG Sustainable Financing Framework. For a list of SPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact

In June 2021, LEG issued a sustainable bond with a volume of EUR 600 million. In 2023, the bond's outstanding amount increased to EUR 700 million.

Use of Proceeds Category	Projects Financed	Environmental Impact Reported	Percentage of net Proceeds Allocated	Net Proceeds Allocation (EUR)
Affordable and Social Housing	7,142 units of rent-restricted residential buildings	<ul style="list-style-type: none"> Number of beneficiaries: 19,283⁶ m² financed/refinanced: 478,415 square metres Rent/m² compared to the national/regional rent index: 69% of average market rent⁷ 	48.7%	341 million
Community Engagement	Your Home Helps foundation ⁸	<ul style="list-style-type: none"> Number of tenants supported: 18,100 Total amount of donations made towards foundations: 16 million 	2.3%	16 million
Green Buildings and Energy Efficiency	Portfolio of 595 energy efficient buildings	<ul style="list-style-type: none"> Level of certification for all buildings: EPC B Energy performance (kWh/m² per year): 65.3⁹ Annual GHG emissions reduced/avoided (tCO₂equivalent) relative to an established baseline: Reduction of 7,023 tCO₂ resulting in an reduction of 20,48 tCO₂ per EUR 1 million invested 	49%	343 million
Total Proceeds Allocated (EUR)				700 million

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⁶ For its social and affordable units, LEG assumes 2.7 tenants per unit.

⁷ Market rent corresponds to the median of quoted rents for units in the referring postcodes in the period from 01 July 2022 to 30 June 2023.

⁸ The foundation is committed to social concerns of people in order to structurally improve individual living situations and to make neighbourhoods within the LEG group more liveable.

⁹ Assuming an energy consumption baseline of 30.8 kgCO₂/m² per year.

transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

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