

# LEG Immobilien SE

**Type of Engagement:** Allocation Review

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## Introduction

In June 2021, LEG Immobilien SE (“LEG”) issued a sustainable bond aimed at financing existing projects that provide positive impact linked to affordable and social housing, green buildings and community engagement. Sustainalytics provided a Second-Party Opinion<sup>1</sup> on the LEG Sustainable Finance Framework<sup>2</sup> (the “Framework”). In May 2022, LEG engaged Sustainalytics to review the projects funded through the issued 2021 sustainable bond and to provide an assessment as to whether the projects met the Use of Proceeds criteria outlined in the Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2021 based on whether the projects and programmes met the Use of Proceeds and Eligibility Criteria outlined in the LEG Sustainable Financing Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, and associated KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Affordable and Social Housing</b>	Construction, acquisition, modernization and renovation of affordable and social housing assets and units which meet one of the following criteria: <ul style="list-style-type: none"> <li>Classified under the social housing scheme in accordance with the German law on Social Subsidized Housing<sup>3</sup></li> <li>Leased to tenants with subsidized housing permits or with rent paid directly by local public authorities</li> </ul>	<ul style="list-style-type: none"> <li>Number of units financed and/or refinanced</li> <li>Number of beneficiaries</li> <li>m<sup>2</sup> financed and/or refinanced</li> <li>Rent/m<sup>2</sup> compared to the national/regional rent index</li> <li>Expenditures attributable to modernization and renovation and number of units</li> </ul>
<b>Community Engagement</b>	Support two foundations that aim at providing financial relief for tenants in need and creating more livable community for LEG’s tenants <ul style="list-style-type: none"> <li>LEG NRW Tenant Foundation</li> <li>Your Home Helps Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Number of tenants supported</li> <li>Total amount of donations made toward foundations</li> </ul>
<b>Green Buildings and Energy Efficiency</b>	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:	<ul style="list-style-type: none"> <li>Level of certification by building</li> <li>Energy performance (kWh/m<sup>2</sup> per year)</li> </ul>

<sup>1</sup> Sustainalytics Second-Party Opinion, (2021), 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).

<sup>2</sup> The LEG Sustainable Financing Framework is available on LEG Immobilien SE’s website, at: <https://ir.leg-se.com/en/investor-relations/creditor-relations>.

<sup>3</sup> German State Law, “Law on Social Housing Promotion”, at: <https://www.gesetze-im-internet.de/wofg/index.html>.

	<ul style="list-style-type: none"> <li>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</li> <li>Renovation of existing buildings that leads to at least 30% improvement of primary energy demand compared to prior renovation level</li> <li>Individual renovation measures may include, amongst others, upgrade of windows, improvement of insulation, installation of heating, deployment of smart meters</li> <li>R&amp;D expenses linked to finding measures that advance building renovation technology through improving energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Annual greenhouse gas emission reduced/avoided (tCO<sub>2</sub> equivalent) relative to an established baseline</li> </ul>
<b>Renewable Energy</b>	<p>Installation of new or operation of existing renewable energy production facilities:</p> <ul style="list-style-type: none"> <li>Solar photovoltaic panels</li> <li>Offsite solar and wind energy production facilities</li> <li>Bio-mass power production facilities powered by wood waste</li> </ul>	<ul style="list-style-type: none"> <li>Installed capacity (MW)</li> <li>Clean energy produced (Mwh)</li> <li>Annual greenhouse gas emission avoided (tCO<sub>2</sub> equivalent)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>Infrastructure for electric vehicles</li> <li>Support infrastructure for zero-emissions personal mobility devices</li> <li>Electric vehicles for LEG’s own fleet</li> </ul>	<ul style="list-style-type: none"> <li>Number of installed charging infrastructure for electric vehicles</li> <li>Number of installed infrastructure for personal mobility devices</li> <li>Number of electric vehicles purchased</li> </ul>

### Issuing Entity’s Responsibility

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

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of LEG’s Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from LEG employees and review of documentation to confirm the conformance with the LEG Sustainable Financing Framework.

Sustainalytics has relied on the information and the facts presented by LEG with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>4</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of LEG's sustainable bond, are not in conformance with the Use of Proceeds outlined in the LEG Sustainable Financing Framework. LEG has disclosed to Sustainalytics that the proceeds of the sustainable bond were fully allocated as of December 2021.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainable bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the LEG Sustainable Financing Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainable bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the LEG Sustainable Financing Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>4</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Appendix 1: Allocation Reporting by Eligibility Criteria

Use of Proceeds Category	Green Projects Financed <sup>5</sup>	KPIs <sup>6</sup>	Percentage of net Proceeds allocated	Net Bond Proceeds Allocation (EUR)
<b>Affordable and Social Housing</b>	7,531 units of rent-restricted residential buildings	<ul style="list-style-type: none"> <li>Number of beneficiaries: 20,334<sup>7</sup></li> <li>m<sup>2</sup> financed/refinanced: 507,453 square metres</li> <li>Rent/m<sup>2</sup> compared to the national/regional rent index: 71% of average market rent<sup>8</sup></li> </ul>	48.3%	<b>290 million</b>
<b>Community Engagement</b>	Your Home Helps foundation <sup>9</sup>	<ul style="list-style-type: none"> <li>Number of tenants supported: 18,100</li> <li>Total amount of donations made towards foundations: 16 million</li> </ul>	2.7%	<b>16 million</b>
<b>Green Buildings and Energy Efficiency</b>	Portfolio of 558 energy efficient buildings	<ul style="list-style-type: none"> <li>Level of certification for all buildings: EPC B</li> <li>Energy performance (kWh/m<sup>2</sup> per year): 66.0<sup>10</sup></li> </ul>	49%	<b>294 million</b>
<b>Total Proceeds Allocated (EUR)</b>				<b>600 million</b>

<sup>5</sup> As the company operates in North Rhine-Westphalia in Germany, all projects financed/refinanced are geographically linked to this region.

<sup>6</sup> All the KPI related data is based on December 2021.

<sup>7</sup> For its social and affordable units, LEG assumes 2.7 tenants per unit.

<sup>8</sup> Market rent corresponds to median of quoted rents of the referring postcodes in the period from 01 January 2021 to 31 December 2021.

<sup>9</sup> 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.

<sup>10</sup> Within this analysis an energy consumption baseline of 30.8 kgCO<sub>2</sub>/sqm per year has been defined.

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