



Quality for Your Success

Environment Social Governance

Living sustainability.



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What does sustainability mean to the managing directors?



“FINANCIAL SUCCESS IS ONLY POSSIBLE IN THE LONG-TERM IF IT IS BASED ON RESPONSIBILITY AND A GROWN, TRUSTWORTHY COOPERATION WITH OUR CUSTOMERS.”

Dr. Nicole Handschuer



“BEING AN EMPLOYER MEANS MORE THAN OFFERING A WORKPLACE. IT MEANS CREATING AN ENVIRONMENT, IN WHICH PEOPLE LIKE TO WORK.”

Florian Heumann



“LIVED SUSTAINABILITY REQUIRES SOLUTIONS, NOT ONLY WORDS. WITH OUR INVESTMENT PRODUCTS WE CAN ACTIVELY ASSIST IN DESIGNING THESE SOLUTIONS.”

Markus Niedermeier

ON
50
YEARS
EXPERIENCE

ONE OF THE
BIGGER
PORTFOLIO
MANAGERS ON
THE MARKET

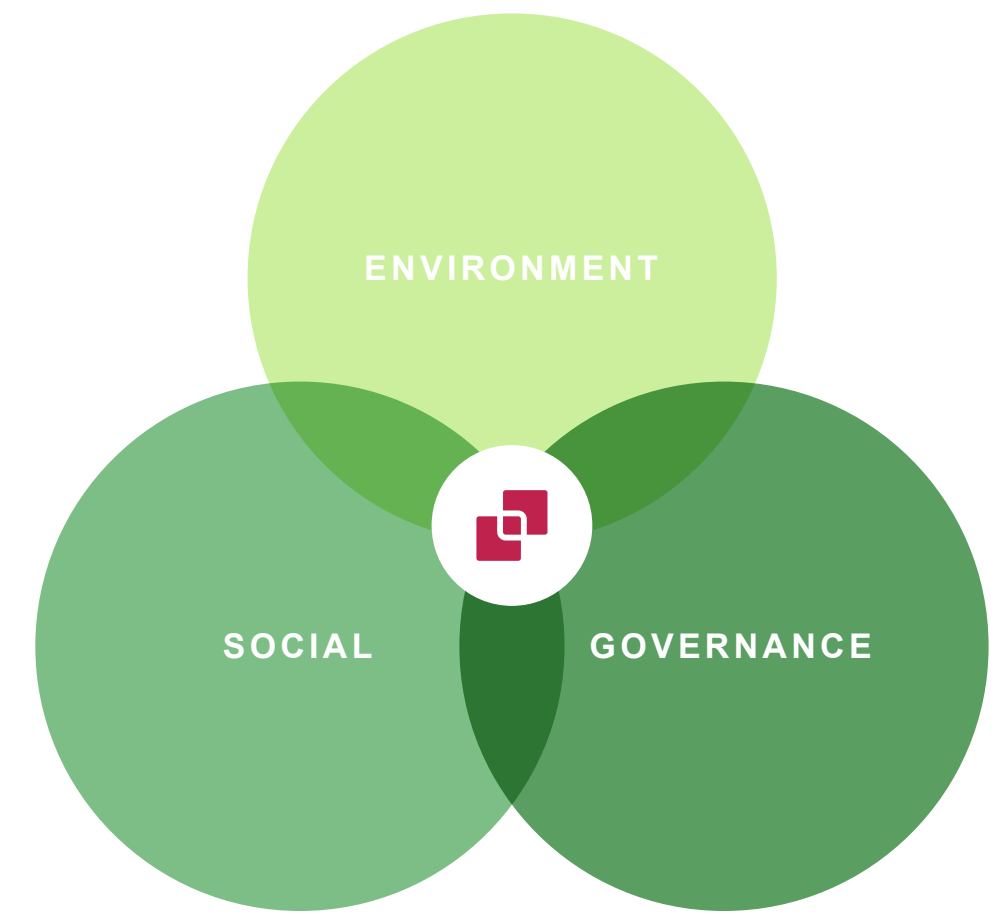


AROUND
270

EMPLOYEES



Sustainable thinking and actions can be found on all company levels. Our actions are oriented to the 3-pillar model of sustainability and takes ecological, social and economic aspects into account.



Environment – Ecological responsibility:

The focus here is placed on the generation and use of renewable energies, minimising the use of non-renewable resources, minimising energy consumption as well as the reduction of pollutant emissions. Ecological aspects are oriented to the original idea not to carry out any overexploitation of nature. This implies that the natural foundations of life are only used to the extent that they can be regenerated.

Social – Social responsibility:

The subject area "Social" includes aspects such as occupational safety and health, diversity and social commitment. A state or a society should be organised so that the social tensions are limited, and conflicts do not escalate, but are solved in a peaceful and civil way.

Governance – Economic responsibility:

"Governance" is understood as sustainable company management, for example on the basis of corresponding corporate values. An economical action is generally deemed to be sustainable if it can be conducted permanently.

Our standards

Sustainability in the LHI Group is a company-supporting concept. The LHI strategy is planned with a view to long periods of time. When making current decisions we take the long-term consequences into account. We show active commitment for the protection of the environment and assume social responsibility.

OUR BUSINESS AREAS

Structured Finance

Structured financing is designed for the long-term. The durations of the commitment are on average around 20 years, the customer relationships are accordingly long-term.

We design tailor-made financing concepts for companies adjusted to the individual goals of the customers. The industries of our customers are as varied as their goals. Possible approaches are e.g. new investment in a real estate, the economic optimisation of the real estate portfolio or the purchase/sale of a company. We finance objects, which have a long useful life.

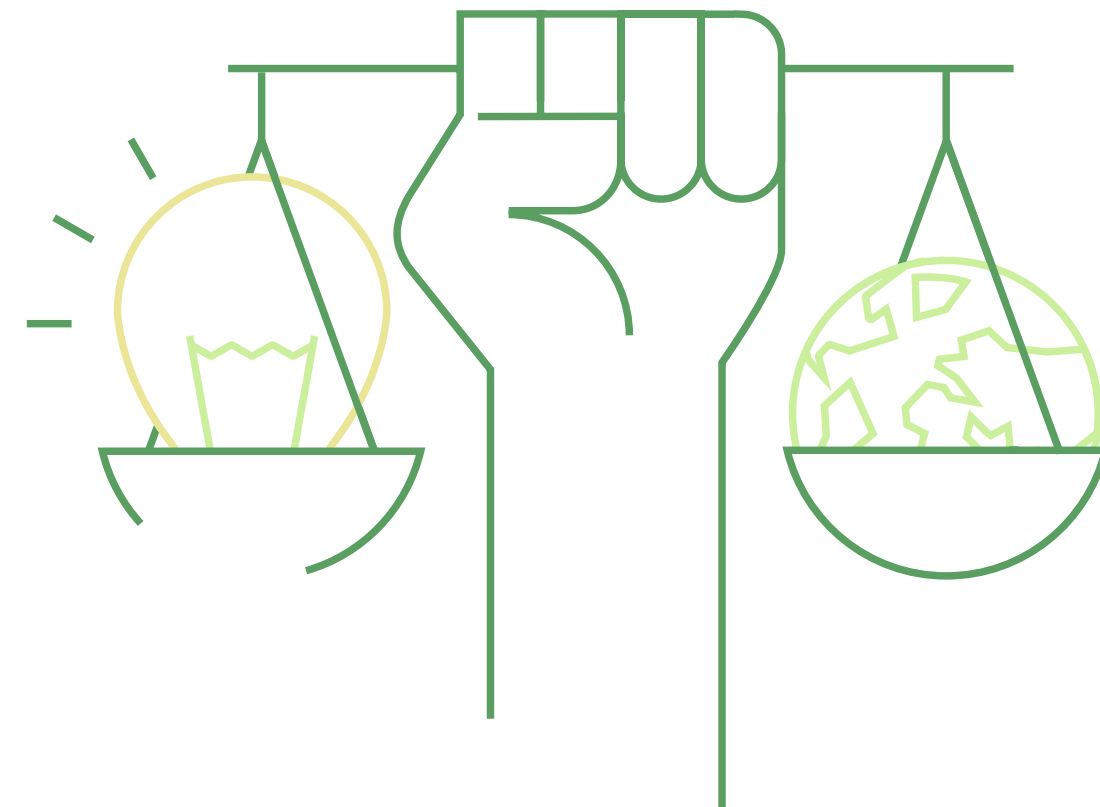
Investment management

The question of how sustainable a product is, is a decisive factor for success in the area of investments.

The EU action plan "Sustainable Finance" formulates three main objectives:

- Re-orientation of the capital flows to a sustainable economy
- Better depiction of financial risks, which arise from climate change, climate regulation, waste of resources, environmental destruction and social problems, in the investment and financing decision
- Higher transparency and long-term orientation of financial and real economic activities and decisions

One of the measures within the scope of the package for sustainable financial management is the proposal for a standard classification system, the so-called taxonomy. LHI has already occupied itself in detail since 2018 with the importance of the already existing and upcoming EU taxonomy for the asset management and for institutional investors and takes these into account with its investment decisions. LHI has a Sustainability Advisory Board consisting of employees from different areas within LHI and two external parties. The Sustainability Advisory Board meets at least twice a year.



LHI has established a reporting system, which takes all requirements of the EU disclosure and taxonomy regulation into account. Besides the Sustainability Advisory Board within the scope of an operative sustainability JF the requirements are checked regularly, and existing reporting standards are, if applicable, adjusted accordingly.

LHI KVG has been a member of the United Nations Principles for Responsible Investment (PRI) since 10 May 2023.

The basis of the Principles for Responsible Investment:

"Together with its international network of subscribers the PRI-Initiative dedicates itself to the practical implementation of the six principles for responsible investing. The aim is a better understanding of the implications of investment activities on environmental, social and company management topics as well as the support of the subscribers with the integration of these questions into their investment decisions."

The six principles were developed by investors and are promoted by the UN. In the meantime, more than 1,400 members from 50 countries have joined the initiative that together have investment capital of more than USD 59 trillion.

Mission of the Principles for Responsible Investment:

"We believe that long-term value added is only possible in a financially efficient, sustainably designed global finance system. Such a system will reward long-term responsible investments



and both the environment as well as society on the whole will benefit from this." By support with the introduction and implementation of these principles the PRI-Initiative shows commitment to achieving such a sustainable, international finance system. Good company management, integrity and accountability obligations should be promoted and impediments, which stand in the way due to the methods, structures and regulations prevailing on the market and the development of a sustainable financial industry, are eliminated.

The six principles of the Principles for Responsible Investment:

- We will include ESG topics in the analysis- and decision-making processes in the investment area.
- We will be active shareholders and take ESG topics into account in our investment policies and practice.
- We will require companies and entities in which we invest to provide a reasonable disclosure with regard to ESG topics.
- We will press ahead with the acceptance and the implementation of the principles in the investment industry.
- We will cooperate in order to improve our effectiveness with the implementation of the principles.
- We will report on our activities and progress with the implementation of the principles.

LHI is additionally a member of the industry initiative ESG-Circle of Real Estate. Through the cooperation of the industry since the foundation of the initiative it was possible to create substantial acceptance on the market for the ECORE valuation model. The aim is a uniform Real Estate-ESG-Scoring-Model as a standard for the European and global real estate market. LHI is active in various working groups and has valued 12 objects according to the ECORE Standard. Further ones will follow.

In addition, our own-developed LHI Scoring Model, which makes it possible to assess the environment, social and und governance (ESG) profile of real estate investments in various real estate use classes, is used. This is how we differentiate ourselves from the competition. LHI is also a supporter of the IES International Ethic Standards and has joined the ICG Institute for Corporate Governance in the Real Estate Industry.

Together with 26 founding members from the aircraft finance industry, LHI KVG is a member of the sustainability initiative "Impact on sustainable aviation e.V."

The LHI Group has been climate neutral since 2020. The aim is to continue to steadily reduce the directly and indirectly caused CO₂ emissions in accordance with the Greenhouse Gas Protocol (GHG).

Since the first certification in 2020, the company's greenhouse gas emissions have already been reduced by more than 10 % compared to the renewed certification for the fiscal year 2022. A CO₂ footprint of approx. 575 tonnes remains. The measurement pursuant to GHG was carried out by the Ebersberg-Munich Energy Agency as part of the initiative "Die Klimaneutralen" (The Climate Neutrals) and certified by Fokus Zukunft GmbH, Starnberg. On this basis, the emissions remaining in 2023, as expected, have been more than offset by the purchase of certificates from the projects GS Solarenergie Indien and VCS Bioenergie Niederlande, which have been audited by TÜV Süd and TÜV Rheinland respectively.

In addition, the LHI Group has invested in its own renewable energy projects. By investing in these projects, more than 24,650 tonnes of CO₂ were saved in 2022 alone. However, according to the GHG Protocol, these savings cannot be offset against the own CO₂ footprint.

The LHI Group has also joined the initiative of the Alliance for Development and Climate Foundation and the alliance "Die Klimaneutralen" (The Climate Neutrals) of the Ebersberg-München Energy Agency.

Since April 2021, LHI has also been home to three bee colonies at the Pullach campus.



FOR A FUTURE WORTH LIVING

Sustainability is most strongly oriented towards the original idea of not overexploiting nature.

This means only using the natural basis of life to the extent that it can regenerate.

Environment
Social
Governance

Environment – Ecological responsibility

REAL ESTATE

The building sector is responsible for around 40 % of energy consumption and 36 % of CO₂ emissions in the EU. The real estate industry is thus a key industry for achieving the EU objectives under the EU Action Plan.

By addressing ESG standards at an early stage, we:

- identified essential drivers and factors of influence for the ESG strategy
- established a presence in the market through talks with multipliers and investors
- evaluated catalogues of requirements for sustainable investments
- selected qualified service partners for operative accompaniment and implementation
- achieved transparency through operating cost analysis of portfolio objects
- already incepted one impact (Article 9) fund and two ESG strategy (Article 8) funds as special AIFs in the real estate sector and more are being planned
- converted 27 objects to sustainable energy supply
- completed the operative groundwork, for example drafting of a standard lease agreement with green lease elements pursuant to ZIA recommendations
- implemented first energy optimisation measures
- started the smart meter roll-out for the digitalisation of our portfolio holdings
- implemented tenant surveys
- subjected a large part of the portfolio to a CO₂ analysis
- implemented ESG management software

New objects that we acquire for our investment funds undergo an examination process. In addition to the usual technical due diligence, an extended purchase examination is carried out under ESG criteria. This examination includes energy efficiency, water consumption, CO₂ emissions, building materials, building equipment, operating costs, tenant comfort and connectivity. Moreover, acquisition objects are assessed by the LHI ESG Scoring Model.

For our leasing portfolio, we make our know-how available in a target-oriented manner so that the user (lessee) can make informed decisions about which building optimisations should be carried out.

In the case of real estate that we manage as asset managers, we have already switched to a sustainable energy supply (electricity and heat) as far as possible. A possible energy and ecological optimisation can take place, for example, in upcoming roof renovations, through the formation of an extensive green roof.

With regard to the electricity demand of the real estate we manage, we have converted a total of 773,263 kWh to green electricity by the end of 2022. At 350 g CO₂/kWh (German electricity mix – as of 2021), this corresponds to an annual saving of 270.64 t CO₂.

In the case of natural gas, we have offset CO₂ emissions for a total consumption of 998,702 kWh by the end of 2022. At 251 g CO₂/kWh (GEMIS factor), this corresponds to an annual compensation of 250,67 t CO₂.

In the ongoing management of the objects, we are constantly working with the Property and Facility Managers commissioned by us on analysis and activity plans for the further optimisation of the real estate.

In doing so, we are increasingly implementing green lease elements in new and follow-up leases as well as sustainability aspects in service provider contracts (especially Property Management). Moreover, we enter into dialogue with our tenants in order to sensitise these for sustainability issues.

The LHI ESG criteria catalogue

Regulatory requirements are also met through ongoing ESG reporting.

On the basis of

- the certification systems available on the market (DGNB, LEED, BREEAM et. al.)
- the sustainability guidelines published by the German Property Federation (ZIA), and
- by integrating specific exclusion criteria for non-ESG-appropriate uses or users, an LHI-specific ESG criteria catalogue was developed for the three main asset classes (office real estate, social/socially used real estate and retail real estate).

Our catalogue of criteria was reviewed and adjusted in cooperation with experts from the Advanced Building Technologies division of the European consulting, planning and project management company Drees & Sommer and by ISS ESG. As a partner of institutional investors and financial service providers, ISS ESG is one of the world's leading ESG research and rating agencies with an established rating methodology with regard to sustainability criteria.

A total of up to 100 sustainability criteria are examined in five dimensions for each asset class and differentiated according to new and existing buildings. The resulting degree of fulfilment is weighted for each dimension and results in the sum of the LHI ESG score of the object.



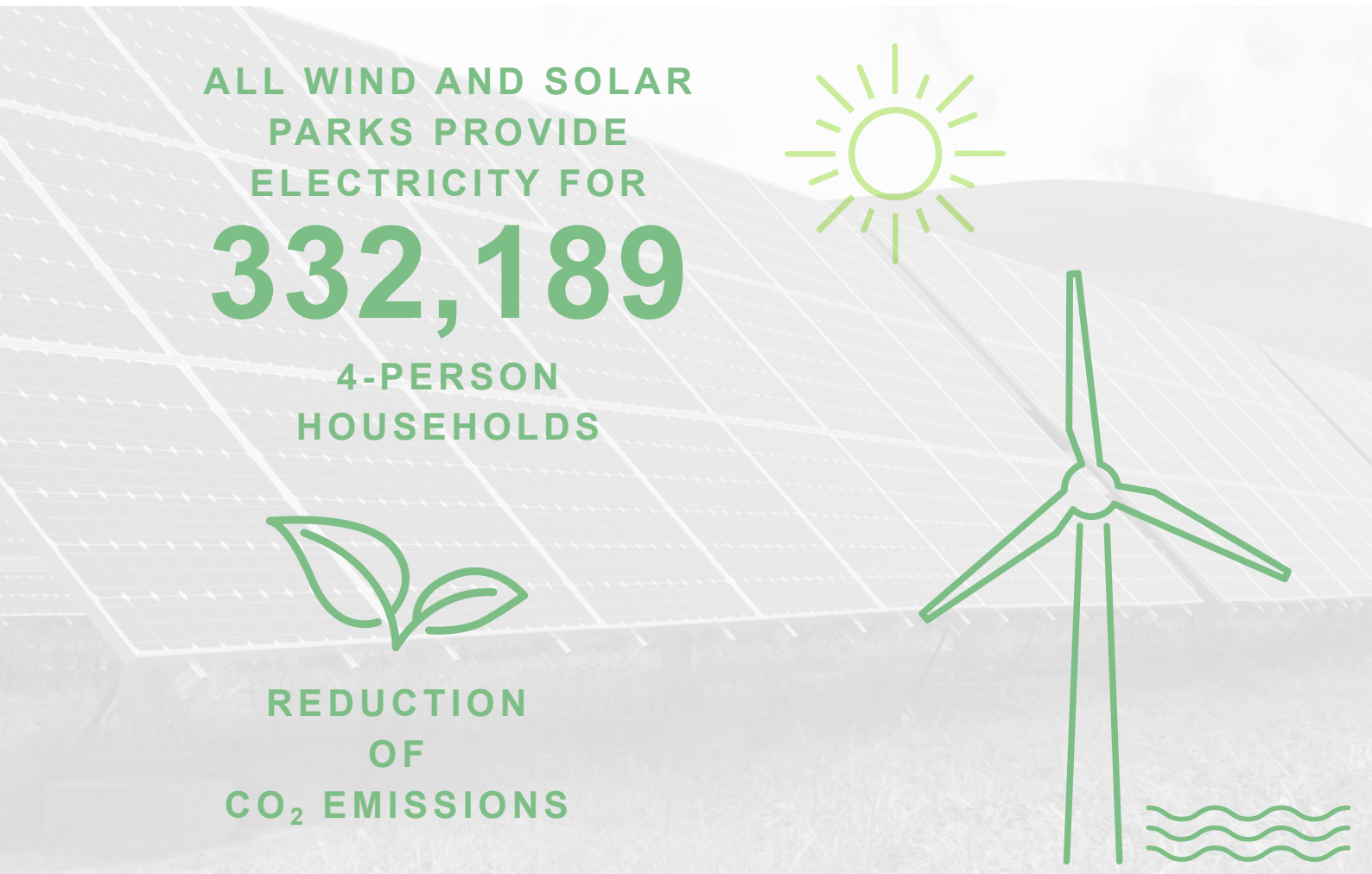
773,263
KWH
SWITCHED TO GREEN
ELECTRICITY

RENEWABLE ENERGIES

The long-term and, above all, sustainable securing of our energy supply is a central issue. Investments in renewable energies can contribute to making them an essential part of the energy supply. They create the conditions for conserving fossil resources and make a valuable contribution to the national economy in coping with the energy turnaround.

LHI has so far concentrated on solar and wind in the renewable energies asset class. Since 2020, hydropower plants have also been part of the portfolio. These are characterised by long life cycles. In this context, it is important to us that interventions in nature, for example by damming up water or changing a riverbed, are carried out gently.

For renewable energies, sustainability also means not only making use of resources, but also ensuring that a responsible approach is taken to the use of the land. The dismantling of the parks, the restoration of the leased areas and the proper disposal of the components at the end of their service life are a matter of course for us. In 2022, the wind and solar parks managed by LHI produced electricity for a total of 332,189 4-person households, thus saving around 519,003 tonnes of CO₂.

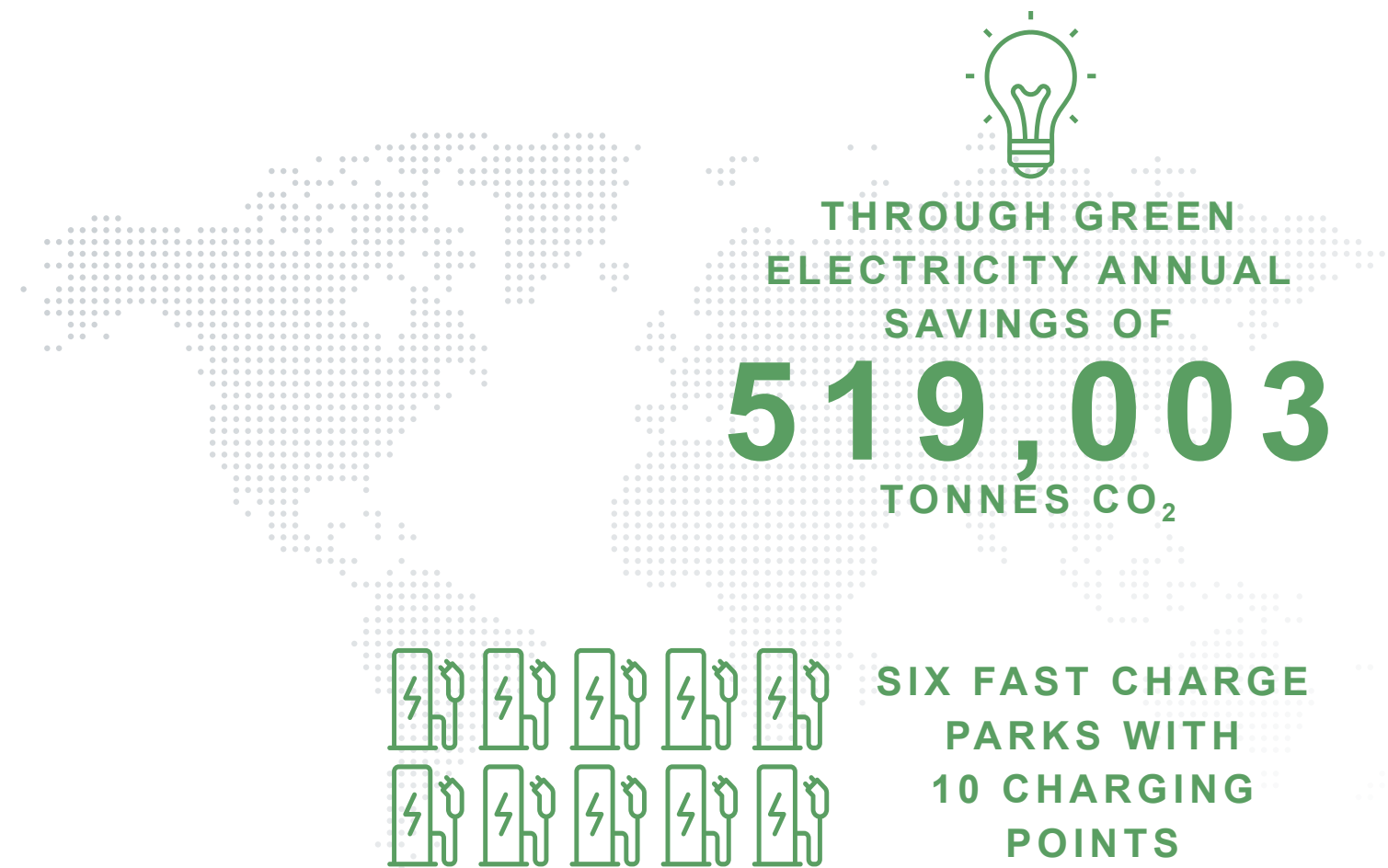


The transport sector also plays an important role in sustainable management. LHI focuses here on providing the necessary infrastructure and acquired six fast charging parks with ten charging points each for an individual mandate in 2022.

New objects that we acquire for our investors go through a separate review process. In addition to the usual due diligence, an extended purchase review is carried out under ESG criteria. The assessment covers, among other things, the contribution of the project to one of the EU environmental objectives and the avoidance of a significant impact on the other environmental objectives. In addition, permits and project partners are checked for ESG aspects and an assessment of the main adverse impacts on sustainability factors (Principal Adverse Impacts, PAIs) is carried out, including any adaptation solutions that may have been implemented.

For our existing projects, which we manage as asset managers, we measure compliance with environmental targets during the operating phase, for example, by calculating the CO₂ emission savings from the generation of energy from wind/solar power and hydropower on a quarterly basis. Sustainability factors and aspects of our existing projects are regularly monitored and published.

A next step will be the storage of energy. We are closely monitoring developments and looking at investing in storage systems either as part of a solar or wind farm or as a separate unit to stabilise the energy supply.



**NEW AIRCRAFT
LESS
CO₂ EMISSIONS**

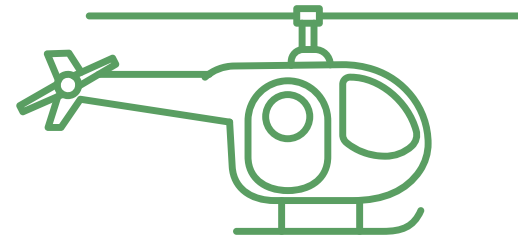


AVIATION

Air transport is indispensable for the transportation of freight and in the medical sector. Passenger transport has also been established for many years and brings people closer together worldwide. What matters is the sensible use of resources and the use of modern, innovative technology.

LHI's financing solutions mean that aircraft, engines and helicopters are used that emit significantly less CO₂ and consume less paraffin. For example, we make sure that for new products of our own we only invest in engines that are technologically capable of burning CO₂-neutral, synthetic fuel. We have already implemented this requirement by investing in two brand-new A 220-300 aircraft and an AH 145 helicopter. New aircraft, engines and helicopters are also lighter and use more efficient and environmentally friendly materials, which also has a positive effect on reducing noise emissions.

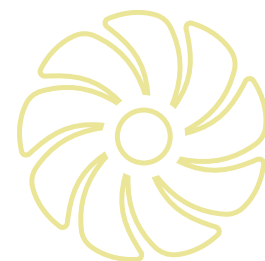
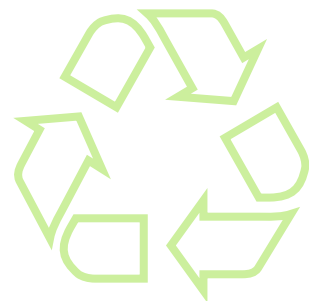
**NEW HELICOPTERS WITH
ENVIRONMENTALLY
FRIENDLY MATERIALS**



In addition to new aircraft, engine development is also contributing to a more sustainable aviation market. In the past, engine parts had to be replaced at fixed times for safety reasons, regardless of their technical condition. Today, technicians and mechanics regularly monitor important engine components by reading and analysing technical parameters in the system. This procedure makes it possible to detect technical problems at an early stage and to rectify them before major damage occurs. During an overhaul, only the worn individual parts are replaced and not the complete turbine. This procedure reduces material consumption and ensures that only worn individual parts are replaced. The previously installed, technically overhauled components are replaced by new components. This reduces the aircraft operators' repair, maintenance and fuel costs.

An increasingly important aspect is the topic of recycling in the aviation industry. An abundance of high-quality materials is installed in aircraft. By recovering these materials, such as aluminium, titanium and steel, important raw materials can be further processed. The aim is not only to recover individual components of an aircraft, but to use all the materials installed. For modern aircraft, it is assumed that about 92 % of the parts used can be recycled. The recycling rate is particularly high when older passenger aircraft are converted into cargo aircraft.

**RECOVERY
RAW
MATERIALS**



**CONTINUE
ENGINE
DEVELOPMENT**

Due to the high regulatory standards and safety requirements in the aviation industry, it is possible to track labour, social and compliance standards for virtually every single component. When making a new acquisition, we therefore ensure that we contractually guarantee a so-called "back-to-birth trace", i.e. a traceability option in the documentation for each individual component. This requirement has already been implemented in our investment in two brand-new A 220-300s, which are among the passenger aircraft in their category with the lowest CO₂ footprint per seat and emit up to 50 % less noise.

WORKING ENVIRONMENT

The LHI headquarters in Pullach has been awarded the German Sustainable Building Council (DGNB) platinum certificate. In terms of ecological quality, the building achieves a score of 96.5 %. The following measures have been implemented:

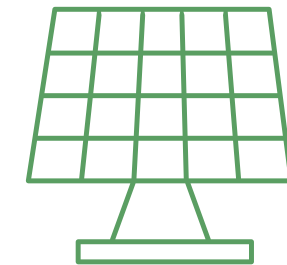
- We only use certified green electricity.
- The LHI Campus is connected to the public geothermal district heating network of the Pullach municipality. A building core activation system is used for basic temperature control.
- For the offices, the air is pre-treated via geothermal heat exchangers (EWT). The supply air systems are decentralised to the building components, the exhaust air systems are located centrally in the roof space together with the heat recovery system.
- The ventilation via EWT can be used energy-efficiently for heating in winter and cooling in summer. In this process, the outside air is brought to a temperature of 10° C difference to the outside air in each of the EWT tubes running under the building - depending on the season, this pre-tempered air is thus warmer or cooler than outside. In summer, the pre-tempered air is either used directly for cooling or mixed with the warm outdoor air. In winter, on the other hand, it can be heated in an energy-saving way instead of cold outside air. In this way, a temperature of approx. 21° to 26° C is achieved in the building at all times of the year.
- Energy-saving LEDs are predominantly used as light sources.
- All flat roofs are designed as green roofs.
- In 2023, a PV system was put into operation on the roofs of the Pullach Campus.

Actively conserve resources

- Energy consumption in the building is checked weekly and evaluated monthly. Our technical building equipment (TGA systems) is set to optimal operating intervals via the building management system. Potential for optimisation is implemented in consultation with a building services expert. Our data centre is cooled with the help of a decentralised air-conditioning unit and partly only with outside air. The central, electricity-intensive cooling machines can thus be switched off during the winter months. The number of servers was reduced from 14 to 10 and replaced with energy-saving hardware. We consistently switch off systems that are no longer used.
- No environmentally harmful pesticides or similar are used in the maintenance of our outdoor facilities.
- In our staff restaurant, we attach great importance to quality. Regionality and organic quality are therefore taken into account in our purchasing. Our food suppliers are always certified according to IFS, by TÜV SÜD, via SGS Organic Austria or via the German Accreditation Body DAkkS and are members of the Association for Organic Farming and Healthy Food e. V. biokreis.
- Waste is consistently separated - into organic waste, packaging and paper, and residual waste. Recyclable materials are sent for recycling.
- Paper consumption and the costs for paper and printers are actively controlled at LHI. In 2019, for example, around 1.5 million sheets were printed out. In 2022, this figure was only around 642,000. This corresponds to a reduction of over 57 %. The paper printed comes from sustainably managed forests and has the corresponding certifications and seals of approval from the FSC for sustainable forestry. The annual report is now only produced digitally. Advertising printed matter such as company brochures are only made available digitally as far as possible.

- Charging facilities for electric vehicles have been available at our company headquarters in Pullach since 2016. Further wallboxes were installed in 2022. Employees and guests can currently charge their electric vehicles at 25 wallboxes during their time of presence at cost price. For this purpose, we use electricity from our own rooftop PV system or purchased green electricity from 100 % hydropower.
- As a specialist in the three asset classes of real estate, renewable energies and aviation, we know that optimal performance requires specialised know-how. If third parties have greater expertise than we do, we are happy to incorporate this knowledge into our value creation. The same applies when service providers can provide their services on site while we would have to travel to the location. In these cases, we deliberately limit ourselves to overlay controlling.

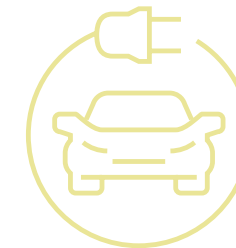
PHOTOVOLTAICS ON THE ROOFS OF THE CAMPUS IN PULLACH



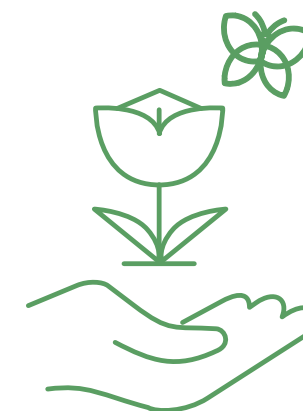
CONTROLLED PAPER CONSUMPTION FROM FSC CERTIFIED PAPER



25 WALLBOXES FOR ELECTRIC VEHICLES



NO ENVIRONMENTALLY HARMFUL PESTICIDES IN THE CARE OF THE OUTDOOR FACILITIES



RESPECTFUL AND APPRECIATIVE

NOW AND IN THE FUTURE

A state or a society should be organised in such a way that social tensions are kept within limits and conflicts do not escalate, but can be resolved peacefully and civilly.

Environment
Social
Governance

Social – Social responsibility

TOWARDS OUR EMPLOYEES

The professions in LHI are as diverse as the people who work here. Architects, business economists, accountants, engineers, lawyers, mathematicians, tax consultants. All contribute equally to the company's success.

We want the people who characterise LHI to work for us in the long-term.

The basis for this are permanent employment contracts. As a rule, we refrain from fixed-term contracts. The average length of service for the company is 13.5 years. The members of the management have also been with the company for more than 14 years on average.

Many generations with different social and cultural backgrounds work together at LHI. People who have just come from university as well as people who have been able to gain experience in the working world for a longer period of time. The age structure ranges from 25 to 65 years.

Our corporate culture is characterised by flat hierarchies. We want employees who work independently and on their own responsibility. That is why we promote professional qualifications as well as personal development within the framework of various further training measures.

Equal opportunities

56 % of LHI's employees are women, and 31 % of our managers are women.

Parental leave is in demand regardless of gender. We support our employees so that they can combine family and career. Regardless of their position in the company. So far, 32 of our male employees have taken parental leave.

The compatibility of family and career is also promoted through part-time employment. About 27 % of the employees work part-time.

We respect the prohibition of discrimination in the European Convention on Human Rights, i.e. we do not tolerate discrimination against people on the grounds of sex, skin colour, language, religion, political or other opinion, national or social origin, membership of a national minority, property, birth or other status.

Working environment

LHI's headquarters are embedded in nature in Pullach i. Isartal near Munich. We have deliberately chosen an environment with little noise and pollution. Our employees can work in peace and enjoy the opportunities offered by the immediate natural surroundings during their breaks. Thanks to the S-Bahn connection, the city centre can be reached in 20 minutes.

Many employees also use the good network of cycle paths and the showers and changing rooms in the building.

Within a suitable framework, employees can work decentrally and freely according to their own schedules. Full-time employees have the opportunity to work flexibly up to two days a week. This makes it easier to balance work and private life.

Health promotion

We support our employees with offers to maintain their health. As part of the LHI Health Week, lectures, health checks and joint sports are offered. Salads, soups, vegetarian and light meals are prepared in our in-house restaurant.

We offer a fruit counter with a seasonal selection free of charge, as well as coffee, tea and water at the coffee points.

Fair cooperation

We are committed to market- and performance-oriented remuneration that takes into account the interests of the company, its shareholders, our customers and all employees.

31 %
FEMALE
MANAGERS



13,5 YEARS
AVERAGE LENGTH
OF SERVICE



27 %
PART-TIME
EMPLOYEES



Our remuneration system complies with the applicable regulatory requirements and promotes responsible and risk-conscious behaviour among all employees. The statutory employee rights are respected at all LHI locations.

TOWARDS OUR BUSINESS PARTNERS

Our cooperation with all business partners is based on trust, respect and cooperation at eye level. In the long-term, successful cooperation is only possible if the interests of all parties involved are safeguarded.

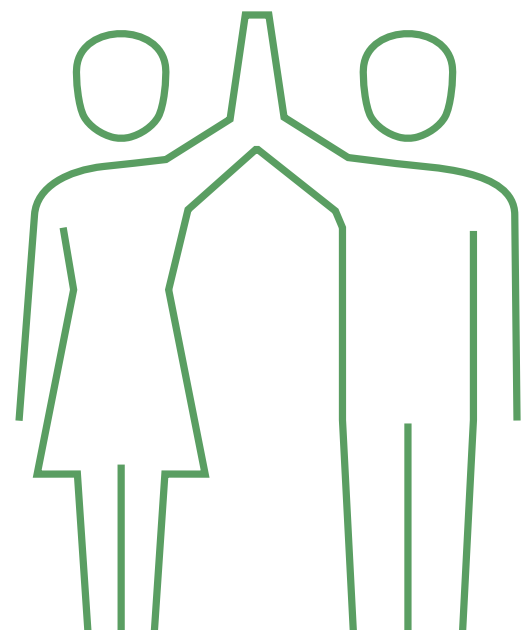
We advise and support our business partners or potential business partners/customers respectfully and personally. Confidential handling of information is a matter of course for us. Within the scope of applicable laws and regulations, we commit to safeguard trade secrets or other confidential information and documents from business partners and customers disclosed to us.

Information we communicate and disseminate is complete and understandable in itself in order to provide business partners and customers as well as potential business partners/customers with a basis for a long-term business relationship.

We strive for a long-term business relationship with our partners in all business areas.

We are available to business partners, customers, investors, service providers, authorities and associations through all necessary communication channels.

In the case of service providers, we make sure that we are assured of payment of the minimum wage. We have implemented the General Data Protection Regulation and strictly comply with the requirements.



**WITH EACH OTHER
AS EQUALS**



**PROMOTION
OF ART AND
CULTURE**

TOWARDS THE COMPANY

We do not support investments in economically or ethically questionable or controversial assets. For example, we refuse to provide financing and design expertise to companies that produce landmines or chemical weapons. We comply with applicable laws and other regulations governing competition. We seek to protect and promote fair competition.

We are actively involved in the industry associations Zentraler Immobilien Ausschuss (Central Property Committee) (ZIA), Bundesverband Alternative Investments (Federal Association of Alternative Investments) (BAI) and Bundesverband Deutscher Leasing-Unternehmen (Federal Association of German Leasing Companies) (BDL). This enables us to actively shape the further development of industry standards and to get involved in socio-politically important issues.

We understand social commitment to mean, above all, providing active and direct help. This includes, above all, the promotion of art and culture. This means direct active support through donations and membership fees, but also the organisation of art tours or direct cooperation with artists. For many years, LHI has offered its employees guided tours of current exhibitions in Munich.

We are convinced that a creative environment contributes significantly to a better working atmosphere. That is why a total of five works of art of various kinds were created especially for LHI by artists.

INVESTMENT IN THE FUTURE

A society should not live beyond its means economically,
as this would inevitably lead to losses for future generations.

Generally speaking, an economy is considered sustainable if it
can be operated in the long-term.

Environment
Social
Governance

Governance – Economic responsibility

We see the economic dimension of sustainability in terms of capital preservation with long-term returns that arise from the use of existing resources. In general, an engagement is considered sustainable if it can be operated successfully in the long-term. This distinguishes it from a logic based on short-term profits.

We are firmly convinced that companies must be managed with a view to the long-term. Only those who take into account today in their decisions what they will trigger in the long-term can combine success and responsibility.

RESEARCH

We look at the short-term, current market environment, medium-term developments and long-term trends. The Sustainability Advisory Board provides further input to the research team. The environment in which our products have to prove themselves is subject to constant change. On the one hand, the legal framework conditions are changing (e.g. EEG, Energy Saving Ordinance, etc.) and, on the other hand, the preferences of investors and users.

In investment management and in the structuring of financing, we react to this with an evolutionary further development of our product range and in asset management and portfolio management through a forward-looking adaptation of technical innovations and changing legal requirements.



**WE ARE FIRMLY
CONVINCED THAT
COMPANIES MUST
BE MANAGED WITH
A VIEW TO THE
LONG-TERM.**

ORGANISATION

The principles of LHI's corporate governance are shaped, among other things, by the relevant legal framework. LHI Leasing GmbH is a financial services institution regulated under the German Banking Act [Gesetz über das Kreditwesen - KWG]. LHI Kapitalverwaltungsgesellschaft mbH is an external capital management company regulated under the German Investment Code [Kapitalanlagegesetzbuch - KAGB]. LHI Capital Management GmbH is an investment services company regulated under the German Securities Institutions Act [Gesetz zur Beaufsichtigung von Wertpapierinstituten - WpIG]. These companies therefore fulfil the minimum requirements for risk management (MaRisk) and risk management for capital management companies (KAMaRisk) as well as the minimum requirements for the compliance function and other duties of conduct, organisation and transparency (MaComp), which is reflected accordingly in the business organisation. Central elements of the legal requirements are a consistent separation of functions between deciding and controlling corporate units, right up to the management. The LHI risk management system extends across the company, the subsidiaries and all managed companies. The organisational structure includes the areas required by law, such as auditing, risk controlling and compliance.

A consistent business and risk strategy defines the framework of the company's activities. In addition to the business and risk strategy, our understanding of sustainability, its organisational anchoring, the standards and exclusion criteria observed, and the sustainability targets and measures are set out in the sustainability policy paper for the subsidiaries LHI KVG and LHI CapMan.

RISK MANAGEMENT

The concept of caution is an important guiding principle of our business policies. However, every entrepreneurial activity involves taking risks. Risks can arise at any point in a company. It is impossible to identify and quantify all potential risks in advance already. However, in order to minimise risks, LHI has formulated guidelines for a risk culture and implemented mechanisms that start at various points in the process chains.

For example, active risk management begins with preventive measures, such as training and further training as well as risk sensitisation of all employees, the publication of instructions for action (emergency plans, work instructions), the conclusion of insurance policies (risk mitigation) and the duplication of resources (deputy system, technical backup procedures).

There is an internal control system the functionality of which is reviewed annually. This standardised control system is supplemented by case-by-case audits by the internal audit department.

In case of special issues, we use the services of external expertise as required. For example, we have attacks on our technical infrastructure carried out by external partners at regular intervals.

Risk management (the active handling of risks) is organised decentrally. Risk controlling (monitoring, limiting, etc.) is carried out in a central organisational unit. Risk control groups, which are organised along the risk categories relevant to LHI's business model, form the interface between the divisions. The current situation in the respective risk category is analysed and discussed in these committees. If necessary, countermeasures are developed and submitted to the Management Board for implementation. A risk report is prepared by Risk Controlling on a quarterly basis, in which LHI's current risk situation is presented in a base scenario and a stress scenario.

The risk report largely follows the nomenclature of MaRisk without, however, losing sight of LHI's business model. The core of this is a risk-bearing capacity calculation that follows a going-concern approach. The procedures and methods for calculating risk potential and risk cover funds are described in a method manual and are reviewed annually. Within the scope of this review, back testing is carried out, among other things, the results of which confirm the deliberately conservative nature of our risk models.

Pursuant to Art. 2 No. 22 of the EU Disclosure Regulation, a sustainability risk is "an environmental, social or governance (ESG) event or condition, the occurrence of which could have a material adverse effect, actual or potential, on the value of the investment". In this context, sustainability risks have the potential to exert a negative influence on all business areas and risk types. Sustainability risks are therefore taken into account and evaluated in all risk categories considered at LHI and its subsidiaries. We hereby ensure that sustainability aspects are incorporated into our decision-making processes and that possible negative effects on our customers and the company are minimised.

PREVENTION OF MONEY LAUNDERING

Another important aspect of our business activities is the prevention of money laundering. We are committed to ensuring that our services are not misused for illegal activities.

LHI has precautions in place in accordance with legal regulations to prevent money laundering and the financing of terrorism as well as other criminal activities. We effectively exclude suspicious potential business partners and transactions by implementing identification and monitoring procedures.

The LHI Group's money laundering officer can make direct contact with the entire management in all facts relevant to money laundering and reports directly to LHI's top management. The money laundering officer prepares an annually updated risk analysis on possible dangers for the group of companies. There were no incidents with regard to money laundering and terrorist financing in the last reporting period. No suspicious activity reports pursuant to the German Money Laundering Act [Gesetz über das Aufspüren von Gewinnen aus schweren Straftaten - GwG] were submitted. There were also no other conspicuous events.

COMPLIANCE

For LHI, compliance basically means good conduct in the sense of adhering to national and international laws and other legal rules and regulations considered to be essential, as well as observing the internal rules and regulations of LHI and its subsidiaries. The latter include, for example, LHI's



MONEY LAUNDERING PREVENTION IS AN IMPORTANT ASPECT OF OUR BUSINESS ACTIVITIES.

code of ethics, the guidelines for dealing with conflicts of interest and insider information or the regulations on employee transactions.

LHI has established a compliance function that complies with the legal requirements. Different regulatory frameworks apply to LHI Leasing GmbH, LHI Kapitalverwaltungsgesellschaft mbH and LHI Capital Management GmbH in the form of the KWG or the KAGB or the WpIG. As soon as it becomes apparent that a legal regulation is changing, the specialist departments check whether and how LHI is affected by this and what needs to be done. The compliance officer accompanies this process. This brings together the decentralised expertise on a wide range of compliance-relevant topics. Compliance-relevant facts are discussed once a quarter in the Compliance Committee. The organisation and functioning of the compliance function are described in a manual.

In addition, LHI has defined its conduct in compliance-relevant facts in various guidelines. These include, for example, regulations on insider information and employee transactions or on dealing with conflicts of interest. In LHI's business model, investor funds are simultaneously raised, invested and managed on the one hand and assets are acquired or financed on the other. It is possible, for example, that one or more assets are suitable for several investment vehicles or investor structures that are ready to accept them and that conflicts of interest arise within the LHI Group. LHI has therefore drawn up binding rules in a guideline that go beyond the legal requirements on how an asset is used within the LHI Group. We disclose these rules to our investors. This creates a high degree of transparency and at the same time ensures fair treatment of our investors.

Compliance-relevant results and observations are summarised in an annual report by LHI's compliance officer. In the past reporting period, there were no significant or serious fraud attempts (e.g. CEO fraud, falsified payment requests or similar), no incidents related to money laundering and no reports of data breaches were submitted. There were also no other significant compliance-relevant incidents.

REMUNERATION STRUCTURE

Remuneration policy is an important component of corporate policy. LHI's aim is to take equal account of the interests of the company, the shareholders, the investors in LHI products and the employees with remuneration that is in line with the market and performance and to support the sustainable and positive development of LHI. LHI has a remuneration system that both fulfils regulatory requirements and promotes the responsible and risk-conscious behaviour of employees. LHI's remuneration system is therefore essentially based on the following fundamental principles:

- Basic remuneration in line with the market and function
- Variable remuneration dependent on overriding goals at LHI Group level
- Consistency with the business and risk strategy
- Transparency and traceability
- Measures to avoid conflicts of interest
- Sustainable safeguarding of the future economic performance and earning power of the LHI Group of companies

The LHI Group's remuneration system complies with all relevant regulatory requirements.

The remuneration system of LHI does not differentiate between the companies belonging to the group in its essential components. The remuneration of all employees consists of a fixed (non-performance-related) and a variable (performance-related) component. Both components are well-balanced and do not create incentives to take inappropriate risks. The remuneration policy is flexible with regard to the variable component. The fixed component is calculated in such a way that a complete waiver of the variable component is also possible.

Non-performance-related remuneration

All employees receive a fixed annual salary, which is paid in twelve equal monthly instalments in arrears. The main parameters for determining the amount of the fixed compensation are the function performed, the position in the company (hierarchical level, assumption of entrepreneurial responsibility) and the assessment of past performance. In addition, bonuses are granted in individual cases for the assumption of certain tasks and functions.

Performance-related remuneration

The variable remuneration is decoupled from the achievement of targets at the individual level (target agreement). Depending on the achievement of targets at the overall company level, all employees receive variable remuneration calculated on an annual basis.

The system distinguishes between two groups of employees. Group 1 employees receive a fixed profit bonus, while group 2 employees receive a profit share. Employees with management functions are generally assigned to group 2, as are individual employees with special technical functions.

COOPERATION

Our cooperation with all business partners is based on trust, respect and cooperation at eye level. In the long-term, successful cooperation is only possible if the interests of all parties involved are safeguarded.

Our Code of Ethics serves as a code of conduct for all LHI employees. It contains values, basic behaviour, attitudes and rules of conduct which are binding for all of us when dealing with our business partners, customers and competitors as well as with authorities.

The Code of Ethics and the principles of sustainability contained therein are part of the target agreement. The employees thus undertake to comply with the Code of Ethics as far as they are affected as persons concerned and to support it as best as possible as far as the LHI Group is affected as an organisation.

The statutory employee rights are respected at all locations. A company suggestion scheme has been established. This also concerns issues of sustainability. Our employees are employed in full compliance with all human rights. In the case of service providers, we make sure that we are assured of payment of the minimum wage.



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ALL PARTIES INVOLVED
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Pullach

Stuttgart

Luxemburg

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