



Environment Social Governance

Live sustainability.



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FOR SUSTAINABILITY

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What Does Sustainability Mean for the Managing Directors?



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

Dr. Nicole Handschuher



“IF ACTIVELY PRACTISED, SUSTAINABILITY REQUIRES SOLUTIONS, NOT JUST WORDS. WITH OUR INVESTMENT PRODUCTS, WE CAN PLAY AN ACTIVE ROLE IN SHAPING THESE SOLUTIONS.”

Markus Niedermeier

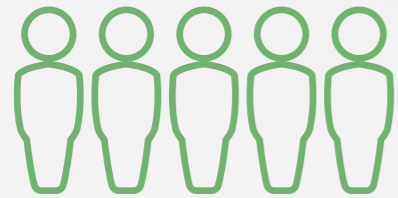


“BEING AN EMPLOYER MEANS MORE THAN JUST OFFERING SOMEONE A JOB. IT MEANS CREATING AN ENVIRONMENT WHERE PEOPLE LIKE TO WORK.”

Florian Heumann

OVER
45
YEARS OF
EXPERIENCE

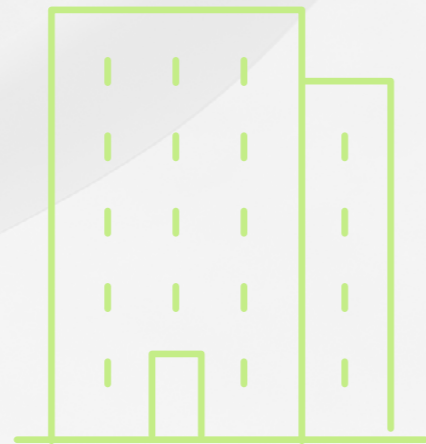
ONE OF THE
LARGEST
PORTFOLIO
MANAGERS OF REAL
ESTATE ON THE
MARKET



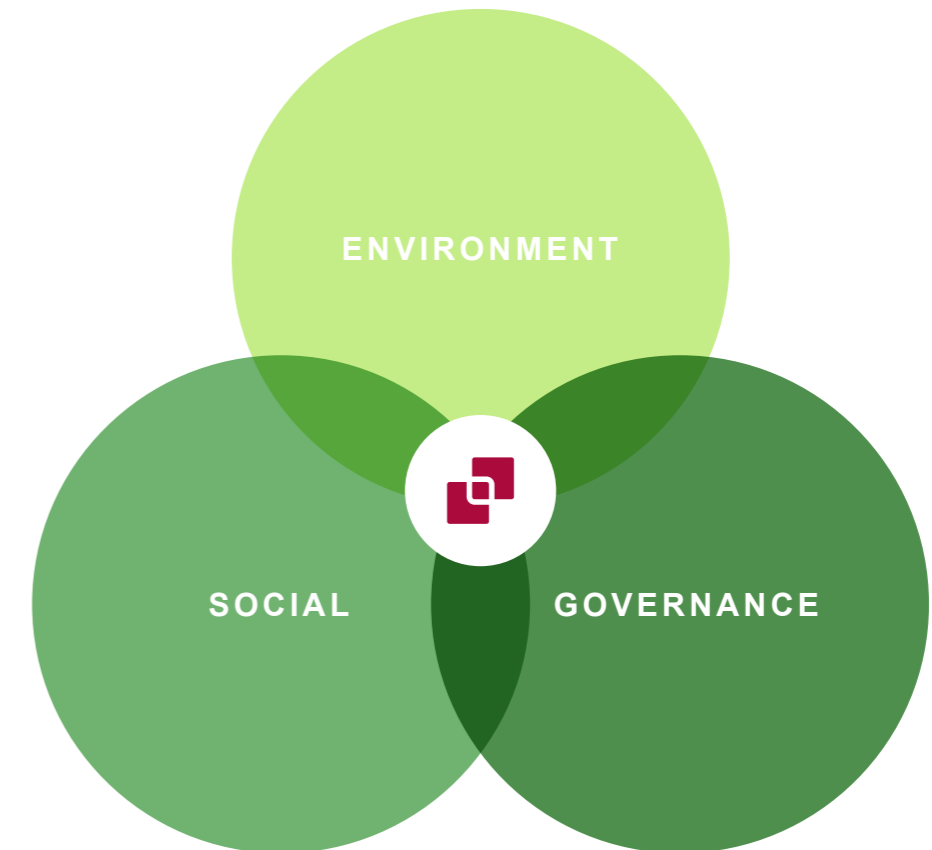
APPROXIMATELY

250

EMPLOYEES



Sustainable thinking and behaviour is reflected at all levels of our company. Our actions are based on the 3-pillar model and take ecological, economic and social aspects into account.



Environment:

Here the focus is on generating and using renewable energies, minimising the use of non-renewable resources and energy consumption and reducing pollutant emissions. This pillar is based most closely on the original idea of not over-exploiting nature. This means only using the natural foundations of life to the extent that they are able to regenerate themselves.

Social:

Includes aspects such as occupational safety and health protection, diversity or social commitment. A state or society should be organised in such a way that social tensions are limited and conflicts cannot escalate but can be resolved by peaceful and civil means.

Governance:

This basically means sustainable corporate governance. This includes topics such as corporate values or corporate governance control and monitoring processes. A society should not live economically beyond its means, as this would inevitably lead to losses for future generations. In general, an economy is considered sustainable if it can be operated on a permanent basis.

Our Standards

At the LHI Group, sustainability is regarded as a concept that supports the company. Companies are successful in the long term if they are managed with a long-term view. When making current decisions, we take into account what the long-term consequences will be. Environmental protection is relevant and important to us and is taken into account in all company matters.

The LHI business areas follow exactly this concept.

Structured Finance is geared to the long term. On average, the commitments last 20 years and the customer relationships are just as long-term.

We design tailor-made financing concepts for companies that are customised to the individual goals of our customers. The industry sectors our customers operate in are as varied as their goals. For example, these goals can relate to a new investment in a property, the economic optimisation of the property portfolio, or the purchase/sale of a company. We finance properties that have a long service life. Such properties have a better life-cycle assessment per se than consumer and disposable products.

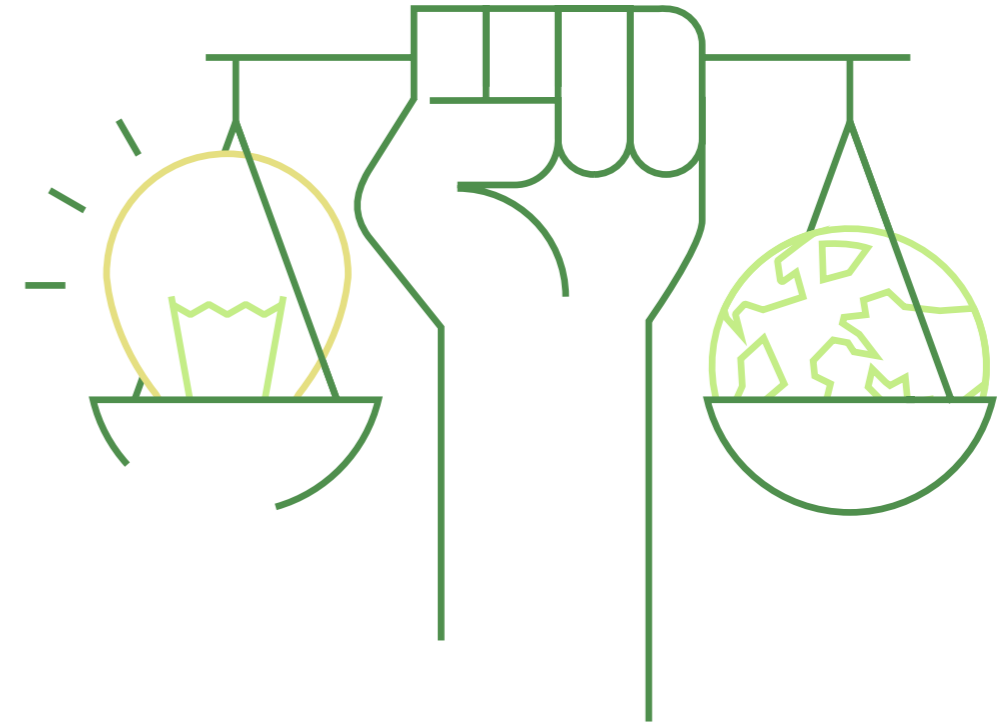
In the area of investments, a decisive factor for success is the question of how sustainable a product is.

The EU “Sustainable Finance” Action Plan sets out three main objectives:

- Reorientation of capital flows towards a more sustainable economy
- Better mapping of financial risks arising from climate change, climate regulation, waste of resources, environmental degradation and social problems in investment and financing decisions.
- Greater transparency and long-term orientation of financial and real economic activities and decisions.

One of the measures under the Sustainable Finance Package is the proposal to introduce a standardised classification system, or what is known as taxonomy. Since 2018, LHI has been looking at the importance of an upcoming EU taxonomy for asset management and institutional investors in detail as part of its corporate values and takes this into account in its investment decisions.

LHI has a Sustainability Advisory Board consisting of people from different departments of LHI and two external members. The Advisory Board meets at least twice a year.



LHI has established reporting with the basic aim of fully meeting all requirements of the EU Disclosure and Taxonomy Regulation. In addition to the Sustainability Advisory Board, a project group will elaborate specific implementation proposals by the end of the first quarter of 2021 as to how existing reports may need to be supplemented, provided that the requirements have not already been fulfilled.

The general guideline is the Principles for Responsible Investment (PRI) of the United Nations, as it currently stands, and the GRESB standard.

LHI has joined the ESG-Circle of Real Estate (E.C.O.R.E.) industry initiative. The aim of the initiative is to develop a uniform Real Estate ESG scoring as a standard for the global/European real estate market by the end of 2021 through the industry's collaborative approach.

Until an industry standard is adopted, our proprietary LHI scoring model, which makes it possible to assess the environmental, social and governance (ESG) profile of real estate investments in different real estate use classes, will continue to be used as a differentiator.

In cooperation with Fokus Zukunft GmbH & Co. KG, we have determined our own carbon footprint for the year 2019 and offset it for the years 2020, 2021 and 2022 by obtaining climate protection certificates. In total, twice as many certificates were purchased as are required to offset our carbon footprint. This makes the LHI Group a climate-positive company. Read more here.

We support regional projects. Since April 2021, we have been cooperating with beefuture. We have adopted three bee colonies, which moved into the LHI campus on April 13.

FOR A FUTURE WORTH LIVING

Sustainability is based most closely on the original idea of not over-exploiting nature. This means only using the natural foundations of life to the extent that they are able to regenerate themselves.

Environment
Social
Governance

Environment – Ecological Responsibility

REAL ESTATE

The building sector accounts for around 40 % of energy consumption and 36 % of CO₂ emissions in the EU. This makes it clear that the real estate sector is a key industry if we are to achieve the EU's objectives under the EU Action Plan.

By engaging at an early stage with the ESG, we have:

- Identified key drivers and influencing factors for the ESG strategy
- Acquired a presence in the market through discussions with multipliers and investors
- Evaluated ecclesiastical catalogues of requirements for sustainable investments
- Selected qualified service partners for operational supervision and implementation
- Gained transparency through the operating cost analysis of existing properties
- Completed the product development of a real estate special AIF investing in the long term
- Switched selected properties to sustainable energy supply
- Completed the basic operational work, e.g. development of a standard rental agreement with green lease elements in accordance with the recommendations of the ZIA
- Implemented initial energy optimisation measures

New properties that we purchase for our investments are subjected to an audit process. In addition to the usual due diligence, an extended purchase check is carried out under ESG criteria. This audit covers, among other things, energy efficiency, water consumption, CO₂ emissions, building materials, building equipment, operating costs, tenant comfort and connectivity.

In the case of our leasing portfolios, we make our know-how available in a targeted manner, so that the user (lessee) can make a sound decision about which building optimisations are made.

Our properties, which we manage as asset managers, have already been converted to a sustainable energy supply (electricity and heat) as far as possible. For example, if a customer has an upcoming roof renovation, we bring about the energy-related and ecological optimisation by building an extensive green roof.

So far in 2020, we have converted a total of 78,080 kWh to green electricity in our properties. At 421 g CO₂/kWh (German electricity mix – as of 2018), this corresponds to an annual saving of 32.9 t CO₂.

In the case of natural gas, we have so far offset the CO₂ emissions for a total consumption of 581,304 kWh in 2020. This corresponds to an annual saving of 145.9 t CO₂ at 251 g CO₂/kWh (GEMIS factor).

As part of the ongoing management of the properties, we work with the Property and Facility Managers we have appointed on analysis and activity plans to optimise the properties further.

This is not a one-off action, but a permanent task for all involved. We are increasingly implementing green lease elements for new and follow-up rentals as well as sustainability aspects in service provider contracts (especially property management) as a standard LHI procedure.

The LHI ESG Catalogue of Criteria

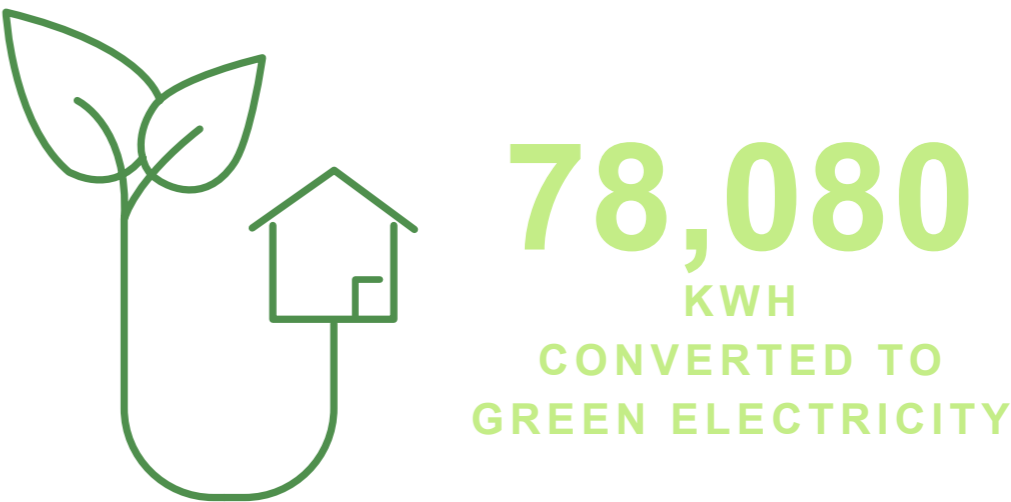
Based on

- marketable certification systems (DGNB, LEED, BREEAM et al)
- the Sustainability Guide published by the Central Real Estate Committee (ZIA) and
- including specific exclusion criteria for non-ESG-compliant uses or users,

an LHI-specific ESG criteria catalogue was developed for three asset classes initially (office properties, properties used for social purposes and retail properties). This catalogue was reviewed and adjusted in cooperation with the Advanced Building Technologies department of the European consultancy, planning and project management company Drees & Sommer as well as by ISS ESG. ISS ESG, as a partner of institutional investors and financial service providers, is one of the world's leading ESG research and rating agencies with an established rating methodology for sustainability criteria.

Depending on the asset class and distinguishing between new buildings and existing buildings, up to 100 sustainability criteria are examined in five different dimensions. The resulting degree of fulfilment is weighted for each dimension to produce the overall degree of fulfilment or the LHI ESG score of the property.

In the future, however, further thermal insulation alone will not be enough. Instead, it is important to structure buildings transparently and manage them smartly, to take advantage of the opportunities offered by digitalisation and to participate in networked neighbourhoods, having dissociated ourselves from the "single property" way of thinking. In order to play a significant role on the market here, we teamed up with BCI Build.Ing Consultants + Innovators GmbH. We make use of the know-how they have built up to optimise our property portfolio. In addition, a member of the BCI Board of Management is represented on our Sustainability Advisory Board.



NEW AIRCRAFT



LESS CO₂
EMISSIONS



FURTHER
DEVELOPMENT OF
ENGINES



ALL WIND FARMS
AND SOLAR PARKS
GENERATE
ELECTRICITY FOR
150,000
4-PERSON
HOUSEHOLDS

RENEWABLE ENERGIES

Safeguarding our energy supply in the long term and above all in a sustainable manner is a central issue, especially for all industrial societies. Investments in renewable energies can help them to become an essential part of energy supply. They lay the basis for conserving fossil resources and make a valuable economic contribution to managing the energy revolution.

LHI has so far focused on solar and wind in the renewable energies asset class, and since 2020 hydropower plants have also been part of its portfolio. These are characterised by very long life cycles. It is important to us that any impact on nature, for example as the result of the accumulation of water or a riverbed being modified, is kept to a minimum.

For renewable energies, sustainability also means not only making use of resources, but also ensuring that they are handled responsibly after the areas have been used. The dismantling of the parks, the restoration of the leased areas and the proper disposal of components at the end of the contractual term is a matter of course for us.

In 2019 in total, all of the LHI wind farms and solar parks produced electricity for 150,000 4-person households, thereby saving around 253,000 tonnes of CO₂.

The next step will involve addressing the issue of how to store energy. As soon as storage technologies are available on an industrial scale, we intend to invest in them.

AVIATION

At first glance, one might think that sustainability and the aviation market are not a good fit. But that is not the case. Air transport is indispensable for the transport of freight and in the medical field, and passenger transport also has its legitimate place and brings people closer together worldwide. What is important is using the resources wisely and taking advantage of modern and innovative technology.



ANNUAL SAVING
OF
32.9
TONNES OF CO₂
THANKS TO GREEN
ELECTRICITY



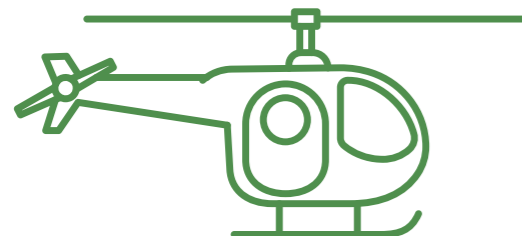
RECOVERY OF
RAW MATERIALS

Thanks to LHI's financing solutions, new aircraft, engines and helicopters that emit significantly less CO₂ and reduce their kerosene consumption can now be used. For example, we make sure that for new, proprietary products, we only invest in engines that are technologically capable of burning CO₂-neutral synthetic fuel. We already nailed this requirement when we invested in two brand new A 220-300 aircraft and an AH 145 helicopter. New aircraft, engines and helicopters are also lighter and more efficient and environmentally-friendly materials are used, which also has a positive effect on reducing noise emissions.

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

The issue of recycling in the aviation industry is rapidly gaining in importance. A host of high-quality materials are installed in aircraft. By recovering these materials, such as aluminium, titanium and steel, important raw materials can be processed further. It is not just a question of extracting the individual components of an aircraft, using all the materials installed is also very important. With modern aircraft, it is assumed that about 92 % of the installed parts can be recycled. The recycling rate is particularly high when older passenger aircraft are converted to become cargo aircraft once again. We are therefore consulting with two aircraft manufacturers to establish whether our financing solutions can also make a lasting contribution in this regard. Precisely because of the Corona situation, we are assuming that a series of A 330 aircraft, for example, could still be used very effectively for this "freighter conversion" as otherwise they would just have to be scrapped.

Due to the high regulatory standards and safety requirements in the aviation industry, retracing labour, social and compliance standards for virtually every single component is also very easy. In the case of a new acquisition, we therefore take care that we contractually ensure what is known as a "back-to-birth-trace", in other words, a traceability option in the documentation for each individual component. We already nailed this requirement when we invested in two brand new A 220-300 aircraft and an AH 145 helicopter.



**NEW HELICOPTERS
WITH MORE
ENVIRONMENTALLY-
FRIENDLY MATERIALS**

**CONTROLLED
PAPIER
CONSUMPTION
FROM
FSC-CERTIFIED
PAPER**



**REDUCTION
OF CO₂
EMISSIONS**

**ENERGY-
SAVING
LEDS**



SMART BUILDINGS

**STORAGE OF
ENERGY**

WORKING ENVIRONMENT

The LHI headquarters in Pullach has been awarded the DGNB platinum certificate. In terms of ecological quality, the building achieved a result of 96.5 %. The following measures were implemented during construction:

- We only use certified green electricity.
- The LHI Campus is connected to the public geothermal district heating network of the municipality of Pullach. Building core activation is used for the basic temperature control.
- For the offices, the air is pre-treated by geothermal heat exchangers (GHE). The supply air systems are decentralized in relation to the component, the exhaust air systems are located centrally in the roof space, together with the heat recovery system.
- Ventilation via geothermal heat exchangers (GHE) can be used in an energy-efficient manner for heating in winter and cooling in summer. The outside air in the GHE pipes running under the building is brought to a temperature of 10° C difference to the outside air – depending on the season, this pre-tempered air is therefore warmer in winter and cooler in summer than outdoors. In summer, the pre-tempered air is then either used directly for cooling or added to the warm outside air. By contrast in winter, it can be heated instead of minus-grade outdoor air in an energy-saving manner. In this way, a temperature of approx. 21° to 26° C can be achieved in the building at any time of the year.
- Energy-saving LEDs are used as lamps.
- All flat roofs are designed as green roofs.

Actively Conserving Resources

- The energy consumption in the building is checked weekly and evaluated monthly. Our technical building equipment (TBE systems) is adjusted to optimum operating intervals via the building control system. Optimisation measures are implemented in coordination with TBE experts. In 2014, a decentralized air conditioner was installed in our computing centre, so that the two large, power-intensive cooling units can be switched off over the winter months.
- No environmentally harmful pesticides or the like are used in the maintenance of our outdoor facilities.
- In our company restaurant, we attach great importance to quality. For example, when shopping, care is taken to ensure that organic products are mainly used and that the food comes from our region. Our food suppliers are certified without exception according to IFS, TÜV SÜD, SGS Organic Austria or the German Accreditation Body DAkkS and are members of the Association for Organic Farming and Healthy Nutrition (the registered association biokreis). In addition to the Fairtrade seal, the coffee we use has also been awarded the EcoPure, Rainforest Alliance and EU Organic seals.
- Waste is strictly separated according to organic waste, packaging and paper as well as residual waste. Reusable materials are recycled.
- Paper consumption and the costs for paper and printers have been recorded in the LHI Group by the Controlling department since 2005. In 2019, paper consumption totalled 1.5 million sheets. This means a paper consumption of around 5,800 sheets per employee, which corresponds to a quantity of 7.5 tonnes and a CO₂ emission of 7.9 tonnes. LHI attaches great importance to the fact that the paper comes from forests that are managed sustainably and bears the corresponding certifications and seals of approval of the FSC for sustainable forestry. Advertising printed matter such as company brochures are not printed annually. We pay attention to which brochures are to be published, in what volume and in which years. In addition, all processes in which documents are printed are currently being tested to establish the extent to which it might be possible to switch to completely digital processes in this regard.
- Since 2016, there have been two charging options for electric vehicles at our headquarters in Pullach, and two more charging stations were added at the beginning of 2018. Our employees can charge their electric vehicles during their working hours. We are happy to pass on the attractive electricity price of the green energy we buy, which is made of 100 % hydropower.
- As a specialist in three asset classes, we know that optimum performance requires special know-how. If third parties have greater expertise than ourselves, we systematically incorporate this knowledge into our value added. The same applies if service providers are able to provide their services on site while we have to travel. In these cases, we deliberately limit ourselves to overlay controlling.



**SINCE 2016
FOUR CHARGING
STATIONS FOR
ELECTRIC VEHICLES**



**NO ENVIRONMENTALLY
HARMFUL PESTICIDES
ARE USED IN THE
MAINTENANCE OF OUR
OUTDOOR FACILITIES**

**THE PURCHASED
GREEN ELECTRICITY
IS GENERATED FROM
100 % HYDROPOWER**



**IN THE COMPANY
RESTAURANT
IMPORTANCE
ATTACHED TO
REGIONAL AND
ORGANIC PRODUCTS**



RESPECTFUL AND APPRECIATIVE NOW

AND IN THE FUTURE

A state or society should be organised in such a way that social tensions are limited and conflicts cannot escalate but can be resolved by peaceful and civil means.

Environment
Social
Governance

Social – Social Responsibility

VIS-À-VIS OUR EMPLOYEES

Long-term Cooperation Desired

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

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

As a rule, new employees receive a fixed employment contract rather than fixed-term contracts. The average company affiliation is 14 years. Two of the new managing directors have been with LHI for around 20 and 14 years respectively.

Many generations from different social and cultural backgrounds work together here. These can be people who have just left university and people who have been part of the workforce for a long time. The employee age structure ranges from 22 to 64 years.

The LHI corporate culture is characterised by flat hierarchies. We want employees who can work autonomously and independently. That is why we promote professional qualifications just as much as personal development within the framework of various further training programmes.

Equal Opportunities

56 % of LHI's employees are women and of these 30 % are in management positions. LHI has a female managing director.

In our company parental leave is not just for women. We support our employees so that they can reconcile family and professional life easily, regardless of their position in the company. So far, 25 of our male employees have taken parental leave.

We promote the reconciliation of family and work life by offering part-time job opportunities. About 27 % of our employees work part-time.

We respect the prohibition of discrimination in accordance with the European Convention on Human Rights, i.e. no discrimination against people on any ground such as sex, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status.

Responsibility

From the day the first schools, kindergartens and nurseries were closed due to the coronavirus pandemic, we offered staff with responsibility for the care of children the option of working from home. If individual hours could not be worked due to childcare commitments, we did not expect our employees to bear the expense of this, but instead allowed them to book these hours to a "Corona" order set up specifically for this purpose.

In order to protect all employees, LHI largely switched its workforce to decentralised working in home offices for a period of around 7 weeks as a result of further measures taken due to the Corona crisis. In order to maintain the basic LHI processes, around 15 % of the workforce remained in the office in Pullach. Appropriate safety and hygiene measures were of course taken.

Working Environment

The LHI headquarters in Pullach im Isartal near Munich is embedded in nature. We took a conscious decision after our previous location near the central station to look for an environment with less noise and pollution to allow us to work in peace and enjoy the possibilities nature offers on our doorstep during our breaks. Thanks to the S-Bahn connection, you can be in the city centre in 20 minutes.

Many employees also use the good network of cycle paths and cycle to work in Pullach. There are showers and changing rooms in the building for the employees.

To work in the LHI Group, however, you do not have to come to the company headquarters every day. As part of our flexi-work arrangements, you can also work offsite.

All employees have the option of working outside the office for two days a week. In this way, work and private life can be better reconciled.

30 %
FEMALE
MANAGERS



14 YEARS
AVERAGE
COMPANY AFFILIATION
OF EMPLOYEES



27 %
PART-TIME
EMPLOYEES

Health Promotion

We support our employees by providing facilities for maintaining good health. The LHI Health Week offers lectures, health checks and sports courses.

To help our staff relax physically and mentally, we organise mobile massages and yoga classes. The in-house restaurant serves salads, soups, vegetarian and light dishes and, where possible, dishes are prepared using local products.

We provide a fruit counter with seasonal produce as well as coffee, tea and water at the coffee points, all free-of-charge.

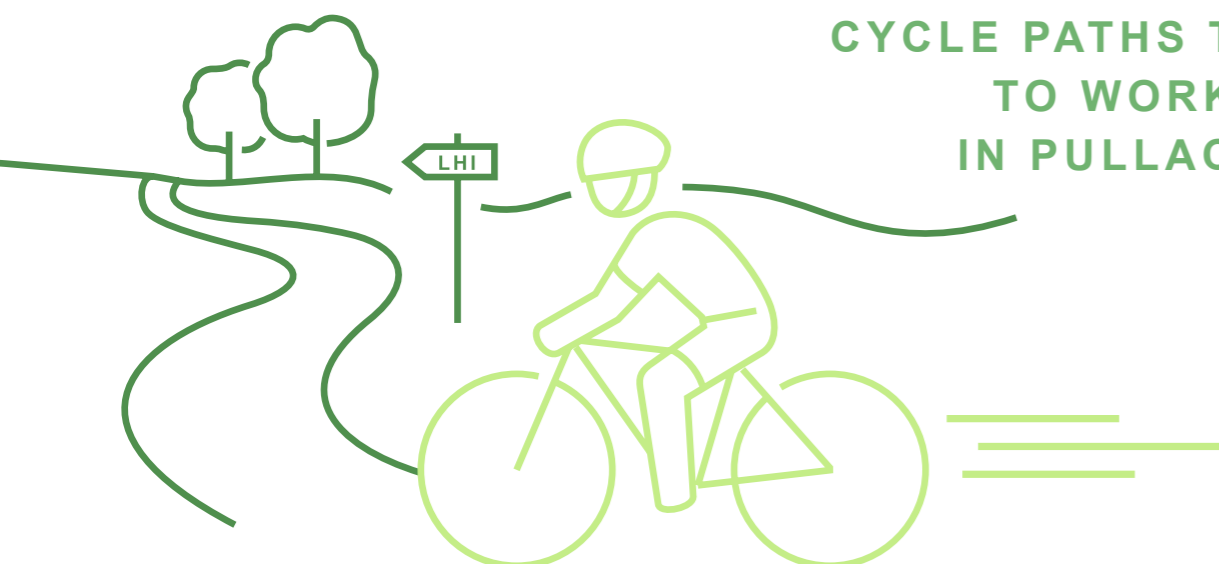
Fair Cooperation

We operate a market- and performance-based remuneration system as a result of which we are able to take the interests of the company, the shareholders, the investors in LHI products and the employees equally into account.

Our remuneration system fulfils the regulatory requirements. It also promotes responsible and risk-aware conduct on the part of our employees.

The statutory rights of workers are respected at the sites in Germany, Poland and Luxembourg.

**MANY EMPLOYEES
ALSO USE THE GOOD
NETWORK OF
CYCLE PATHS TO GET
TO WORK
IN PULLACH**



**WORKING WITH EACH
OTHER ON AN EQUAL
FOOTING**

VIS-À-VIS OUR BUSINESS PARTNERS

Our cooperation with all business partners is based on trust, respect and dealing with each other on an equal footing. In the long term, we can only work together successfully if the interests of all parties involved are safeguarded.

We advise and support our business partners or potential business partners/customers respectfully and individually. It goes without saying that we treat all information confidentially. We undertake to protect the trade secrets disclosed to us and other confidential information and documents belonging to our business partners and customers within the framework of the statutory provisions.

The information we communicate and disseminate is complete and comprehensible so we can provide business partners and customers as well as potential business partners/customers with a basis for a sustainable business relationship.

We strive to establish 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 via all necessary communication channels.

For service providers, we make sure that we can always pay the minimum wage.

We implement the General Data Protection Regulation (GDPR) and comply with its requirements implicitly.

VIS-À-VIS SOCIETY

We do not support any investments in assets which are questionable or controversial, either economically or ethically. For example, we refuse to provide companies that produce landmines or chemical weapons with financing and creative know-how.

We comply with applicable laws and other regulations governing competition. We want to protect and promote fair competition.

We are actively involved in the industry associations Central Real Estate Committee (ZIA), the Federal Association of Alternative Investments (BAI) and the Federal Association of German Leasing Companies (BDL). In this way, we can play an active role in shaping the further development of industry standards and participate in issues that are important socio-politically.

In our company restaurant, we work exclusively with food suppliers who are certified according to IFS, TÜV SÜD, SGS Organic Austria or the German Accreditation Body DAkkS and are members of the Association for Organic Farming and Healthy Nutrition (the registered association biokreis). We support regional institutions such as the local fire brigade, kindergartens, schools and sports clubs. Children and young adults are our future. That is why commitment to children's and youth projects as well as promoting students is particularly important to us.

Due to the Corona crisis, events at LHI have been cancelled for our employees. Events for our business partners have also not taken place. We have donated part of the budgets that would have been spent had these projects gone ahead to the homeless, among other charities.



EXHIBITION BY ELEVEN STUDENTS FROM THE MUNICH ART ACADEMY

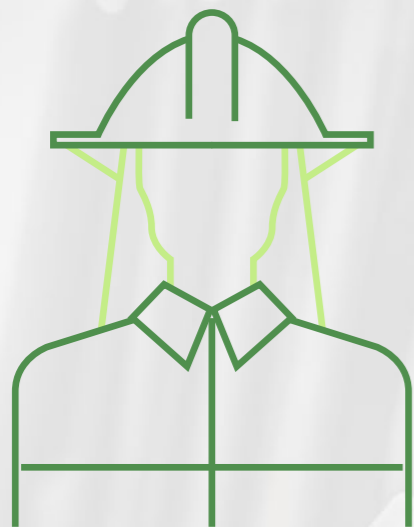
To us social commitment means providing assistance actively and immediately. In 2019, for example, as part of the "Housing for Large Refugee Families" project, we provided housing in our extension area next to the company headquarters and offered initial training for a former refugee.

For us, social commitment also means the promotion of art and culture. This means direct active support through donations and membership fees, but also organising guided art tours or direct cooperation with artists. For many years, LHI has been offering its employees guided tours of the current exhibitions in Munich and supports the Pianists' Club, for example. This gives young pianists the opportunity to organise concerts themselves and to demonstrate their skills.

We are convinced that a creative environment contributes significantly to a better working atmosphere. For this reason, a total of five very different works of art were created especially for LHI by artists.

In 2000 there was a very special art project at LHI. Eleven students from the Munich Academy of Fine Arts exhibited their works at a vernissage with the slogan "Young Art at LHI". This project gave the young artists the opportunity to present their works of art. Each LHI employee was allowed to choose a picture for his or her office that LHI had acquired specifically for this purpose. After LHI moved to Pullach, these pictures were initially put into storage. In 2016, we reactivated the project to make room for the artworks once more. The employees were able to choose a picture for their office from the collection.

AMONG OTHER INSTITUTIONS, WE SUPPORT THE REGIONAL FIRE BRIGADE



INVESTING IN THE FUTURE

A society should not live economically beyond its means,
as this would inevitably lead to losses for future generations.
In general, an economy is considered sustainable if it
can be operated on a permanent basis.

Environment
Social
Governance

Governance – Economic Responsibility

We regard the economic dimension of sustainability to be capital preservation with long-term returns that accrue from the use of existing resources. A society should not live economically beyond its means, as this will inevitably lead to losses. In general, a commitment is considered sustainable if it can be operated successfully on a permanent basis. It thus differentiates itself from a logic based on short-term profits.

We firmly believe that you have to manage companies with a long-term view. Of course, you can also rely on quick successes and a short-term view. But only those who take into account in their present decisions what they will be triggering in the long term can combine success and responsibility effectively.

RESEARCH

We examine 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 constantly changing. On the one hand, the legal framework conditions (e. g. EEG, Energy Saving Ordinance, etc.) and on the other hand, the preferences of investors are changing.

In investment management, we respond to this by continuing to develop and evolve our product range and in asset management by adapting technical innovations and changing legal requirements proactively.



WE FIRMLY BELIEVE
THAT YOU HAVE TO MANAGE
COMPANIES WITH
A LONG-TERM VIEW.

ORGANISATION

The principles of corporate governance of the LHI Group are, among other things, shaped by the relevant legal framework conditions. LHI Leasing GmbH is a financial services institution regulated by the German Banking Act (KWG). LHI Kapitalverwaltungsgesellschaft mbH is an external capital management company regulated under the German Capital Investment Code (KAGB). LHI Capital Management GmbH is a securities-related services company regulated under the Securities Trading Act (WpHG). In this way, these companies meet the minimum requirements for risk management (MaRisk) and risk management for capital management companies (KAMa-Risk) as well as the minimum requirements for the compliance function and other conduct, organisational and transparency obligations (MaComp), which is reflected in the business organisation accordingly.

The key elements of the legal requirements relate to a continuous separation of functions between decision-making and controlling business units that extends right up to management level. The LHI risk management system covers 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 scope of entrepreneurial activities. The Rules of Procedure of LHI determine the basis on which decisions of the Board of Management are taken. A formulated remuneration directive decouples the direct relationship between individual successes achieved as the result of risk-taking and remuneration. This counteracts the incentive to take disproportionate risks. A remuneration committee monitors compliance with this directive and prepares a remuneration report.

RISIK MANAGEMENT

The concept of caution is an important principle in our business policy. However, any business 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. However, in order to minimise the risks, LHI has set up guidelines for a risk culture and implemented mechanisms that take effect at different points in the process chains.

For example at LHI, active risk management starts with preventive measures, such as training and advanced training, raising awareness of risks among employees, the publication of instructions (emergency plans, work instructions), the conclusion of insurance policies (risk mitigation) and the doubling of resources (deputy system, technical back-up procedures).

There is an internal control system, the functionality of which is checked once a year. This standardised control system is supplemented by case-by-case assessments carried out by the internal auditing department.

In the event of special problems, we consult external experts, if necessary. Thus, for example, we arrange to have attacks carried out on our technical infrastructure by external partners at regular intervals.

The risk management function (active management of risks) is organised decentrally. Risk controlling (monitoring, limitation, etc.) is carried out in a central organisational unit. Risk Management Steering Committees form the interface between the areas. These committees are organised along the risk categories relevant to the LHI business model. In these committees, the current situation in the respective risk category is analysed and discussed. If necessary, measures that counteract the risk are developed and submitted to the Board of Management for implementation. The Risk Controlling department prepares a quarterly risk report in which the current risk situation of the LHI is presented in a basic and a stress scenario. The risk report largely follows the nomenclature of MaRisk, but without losing sight of the LHI's business model. At the heart of this is a risk-bearing capacity calculation, which follows a "Going Concern" concept. The procedures and methods for calculating risk potentials and the risk cover amount are described in a methodological manual and are reviewed annually. This review will, among other things, stage backtesting, the results of which demonstrate the deliberately conservative nature of our risk models.

PREVENTION OF MONEY LAUNDERING

The LHI has an internal auditing department, a risk management function and a Money Laundering Officer in accordance with Sections 7, 9 (1) No. 2 GWG (Money Laundering Act). This officer performs the function of the "central body" in accordance with Section 25h (7) of the KWG (German Banking Act). The Money Laundering Officer can make direct contact with all members of the Board of Management in all money laundering-related matters and reports directly to the top management of the LHI.

COMPLIANCE

The LHI has set up a compliance function that complies with legal requirements. As a result of the KWG (German Banking Act), the KAGB (German Investment Code) and the WpHG (Securities Trading Act), LHI Leasing GmbH, LHI Kapitalverwaltungsgesellschaft mbH and LHI Capital Management GmbH are subject to different regulatory frameworks. As soon as it becomes apparent that a legal provision is changing, the specialist departments check whether and how the LHI is affected and what is to be done. The Compliance Officer supervises this process. This merges the decentralised expertise which covers a wide range of compliance-relevant topics. Compliance-relevant issues are discussed once every quarter in the Compliance Committee. The organisation and functionality of the compliance function are described in a manual.



THE REMUNERATION POLICY IS AN IMPORTANT PART OF COMPANY POLICY

In addition, the LHI has defined its conduct in compliance-relevant matters in various guidelines. This includes, for example, regulations on insider information and employee transactions or with regard to the handling of conflicts of interest.

In the LHI business model, investor funds are raised, invested and managed and assets acquired simultaneously. It would therefore be possible for one or more assets to be suitable for several receptive investment vehicles or investor designs and for conflicts of interest to arise within the LHI Group. The LHI has therefore established binding rules on how an asset is used within the LHI Group in a directive that goes beyond the legal requirements. 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.

REMUNERATION STRUCTURE

Remuneration policy is an important part of company policy. The aim of the LHI is to take into account the interests of the company, the shareholders, the investors in LHI products and the employees equally and to support the sustainable and positive development of the LHI through market- and performance-based remuneration. The LHI has a remuneration system which fulfils the regulatory requirements and promotes the responsible and risk-aware conduct of its employees. The remuneration system of the LHI is therefore essentially based on the following basic principles

- Basic remuneration in line with market and function conditions
- Variable remuneration depending on higher-level 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 profitability of the LHI Group

The remuneration system of the LHI Group complies with all relevant regulatory requirements (KWG, KAGB, InstVV).

The remuneration system of the LHI, in its essential components, does not make a distinction between the companies associated with the Group. The remuneration of all employees consists of a fixed (non-performance) and a variable (performance-related) component. The two components are balanced and do not provide an incentive for taking unreasonable risks. The remuneration policy is designed to be flexible with regard to the variable component. The fixed component is dimensioned in such a way that dispensing with the variable component entirely is also possible.

Non-performance Remuneration

All employees receive an annual fixed salary, which is paid out retrospectively in twelve equal parts per month. The key parameters for determining the amount of the fixed remuneration are the function performed, the position in the company (hierarchy level, assumption of corporate responsibility) and the assessment of past performance. In addition, bonuses are granted in individual cases if specific tasks and functions are taken on.

Performance-related Remuneration

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

Here the system makes a distinction between two employee groups. Group 1 employees receive a fixed profit-related bonus, and group 2 employees receive a profit share. Employees with management functions and individual employees (without a management function) on a higher salary level are generally assigned to Group 2.

The documentation of the profit-related bonus payment per employee is handled by HR in an appropriate form.

WORKING TOGETHER

Our cooperation with all business partners is based on trust, respect and dealing with each other on an equal footing. In the long term, we can only work together successfully 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 approaches, attitudes, and rules of conduct which are binding on everyone when dealing with our business partners, customers and competitors as well as with authorities.

The legal rights of workers are respected at the sites in Germany, Poland and Luxembourg. The company suggestion scheme is well-established. This also applies to sustainability issues. Our workers are employed in full respect of all human rights. For service providers, we make sure that we always pay the minimum wage.



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Pullach

Stuttgart

Warsaw

Luxembourg

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