



# ESG Strategy

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April, 2021

# Deutsche Wohnen – ideally positioned to benefit from the existing megatrends and committed to ESG concerns



**Urbanization**

Continued growth of cities anticipated; rural areas to experience dramatic loss in population



**Aging society**

Further increase in demand for care expected – already an unmet need for Assisted Living housing of 550,000 units



**Climate change**

Increase in global warming due to the consumption of resources and the emission of greenhouse gases



**Letting business, Development**

- Concentration on metropolitan areas
- Investing in development projects
- Consideration of diversity and individuality of customer and product

**Nursing & Assisted Living**

- One of the largest owners of nursing facilities in Germany
- Continuously expanding the segment and investing in existing facilities

**Large leverage in the real estate**

- Property sector contributes to around 1/3 of national carbon emissions
- Climate strategy for carbon neutral property portfolio until 2040 with clear targets and milestones

**Value generation for all stakeholders**




**Environmental**

- Commitment to sustainability, environment and climate
- Significant improvement of energy efficiency of our apartments (2020: 125.1 kWh/m<sup>2</sup>\*a)
- ~ 62% of our units perform better than average residential property in Germany



**Social**

- Socially reliable landlord who goes beyond legal requirements
  - Corona aid fund of EUR 30m
  - “Promise to our tenants”
- Affordable housing



**Corporate Governance**

- Permanently monitored and discussed the company’s corporate governance standards
- Good ESG rating results
- ESG performance linked to management board remuneration (LTI)

# Key strategic challenges for the German residential real estate industry for the next decades

1

## Reduction of environmental impact and carbon footprint

30% of Germany's carbon emissions are related to the building sector<sup>1</sup>



- Reduce energy consumption of existing building stock
- Increase renewable energy supply and on-site power generation

2

## Creating sufficient housing supply in key demand regions

Key driver of increasing rents in Germany is prevailing supply/demand imbalance



- Build significant number of residential apartments in key demand areas
- Create efficient development platform serving all stakeholders



**Solutions for both challenges require significant amounts of time and capital**

**Deutsche Wohnen's Core+ portfolio enables good economic returns on these sizeable investments**

1) According to the Federal Environment Agency (Umweltbundesamt)



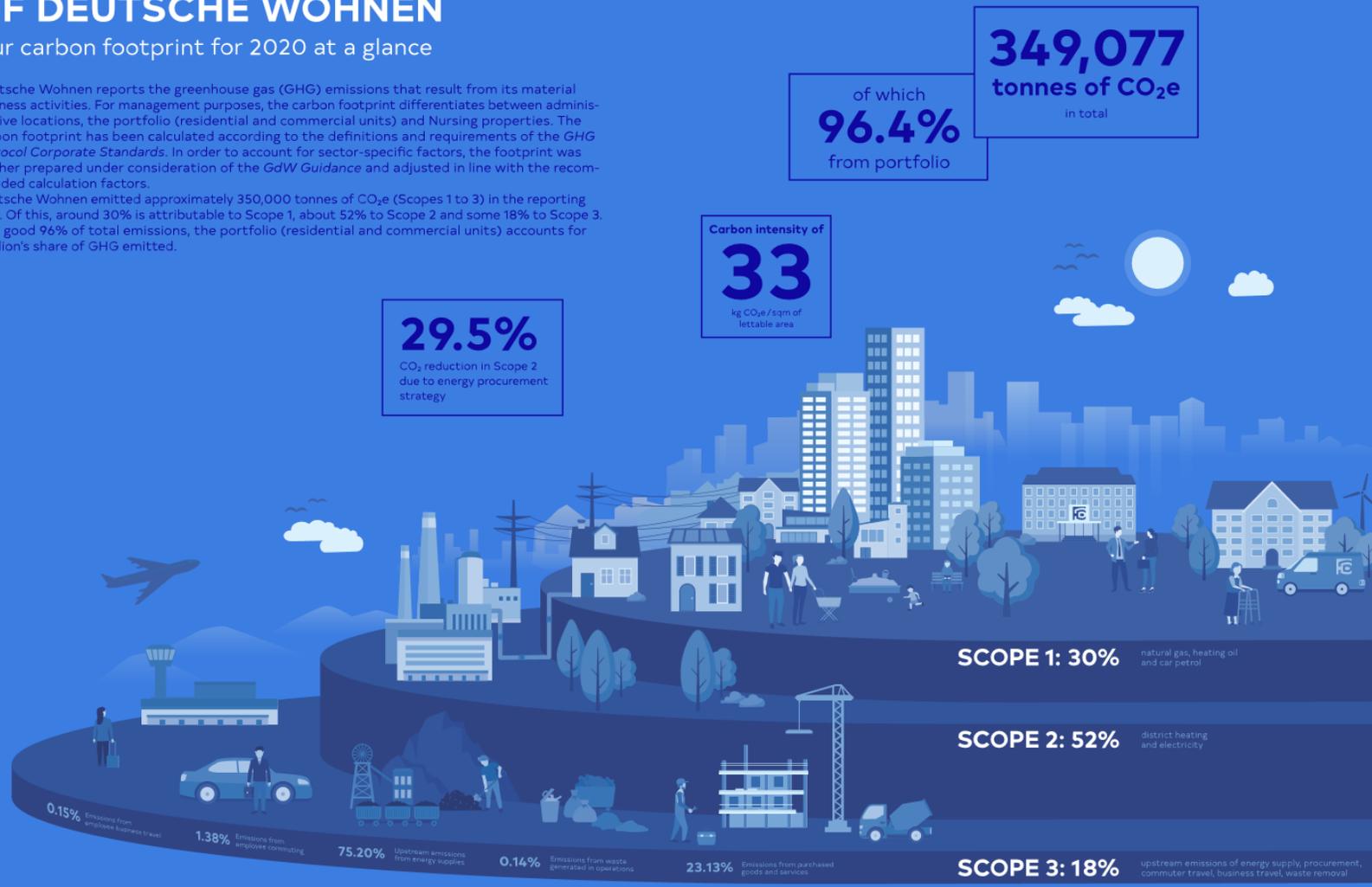
# Carbon footprint of Deutsche Wohnen 2020

## CLIMATE-RELEVANT EMISSIONS OF DEUTSCHE WOHNEN

Our carbon footprint for 2020 at a glance

Deutsche Wohnen reports the greenhouse gas (GHG) emissions that result from its material business activities. For management purposes, the carbon footprint differentiates between administrative locations, the portfolio (residential and commercial units) and Nursing properties. The carbon footprint has been calculated according to the definitions and requirements of the *GHG Protocol Corporate Standards*. In order to account for sector-specific factors, the footprint was further prepared under consideration of the *GdW Guidance* and adjusted in line with the recommended calculation factors.

Deutsche Wohnen emitted approximately 350,000 tonnes of CO<sub>2</sub>e (Scopes 1 to 3) in the reporting year. Of this, around 30% is attributable to Scope 1, about 52% to Scope 2 and some 18% to Scope 3. At a good 96% of total emissions, the portfolio (residential and commercial units) accounts for the lion's share of GHG emitted.





# Mission climate neutrality

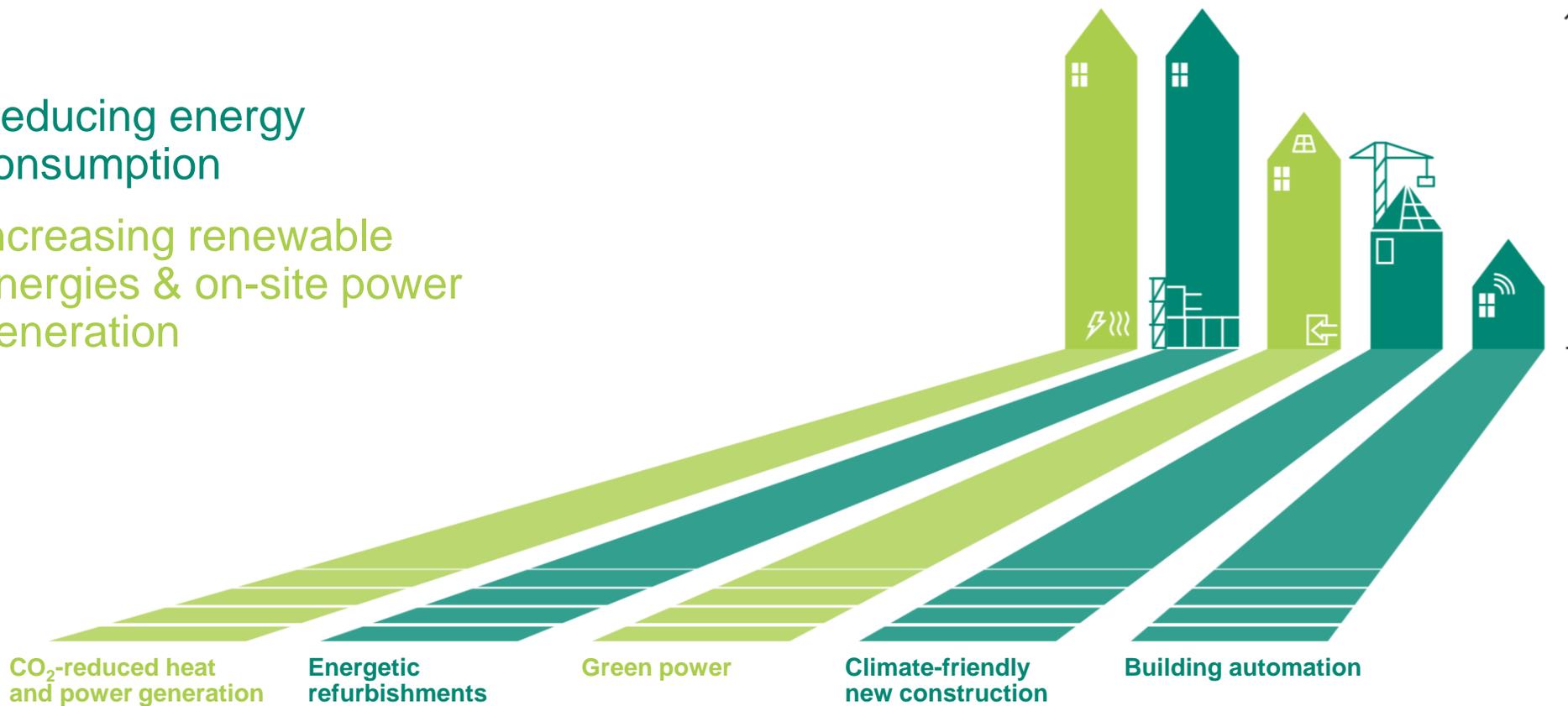
The two key fields of action

1. Reducing energy consumption
2. Increasing renewable energies & on-site power generation

## 2040

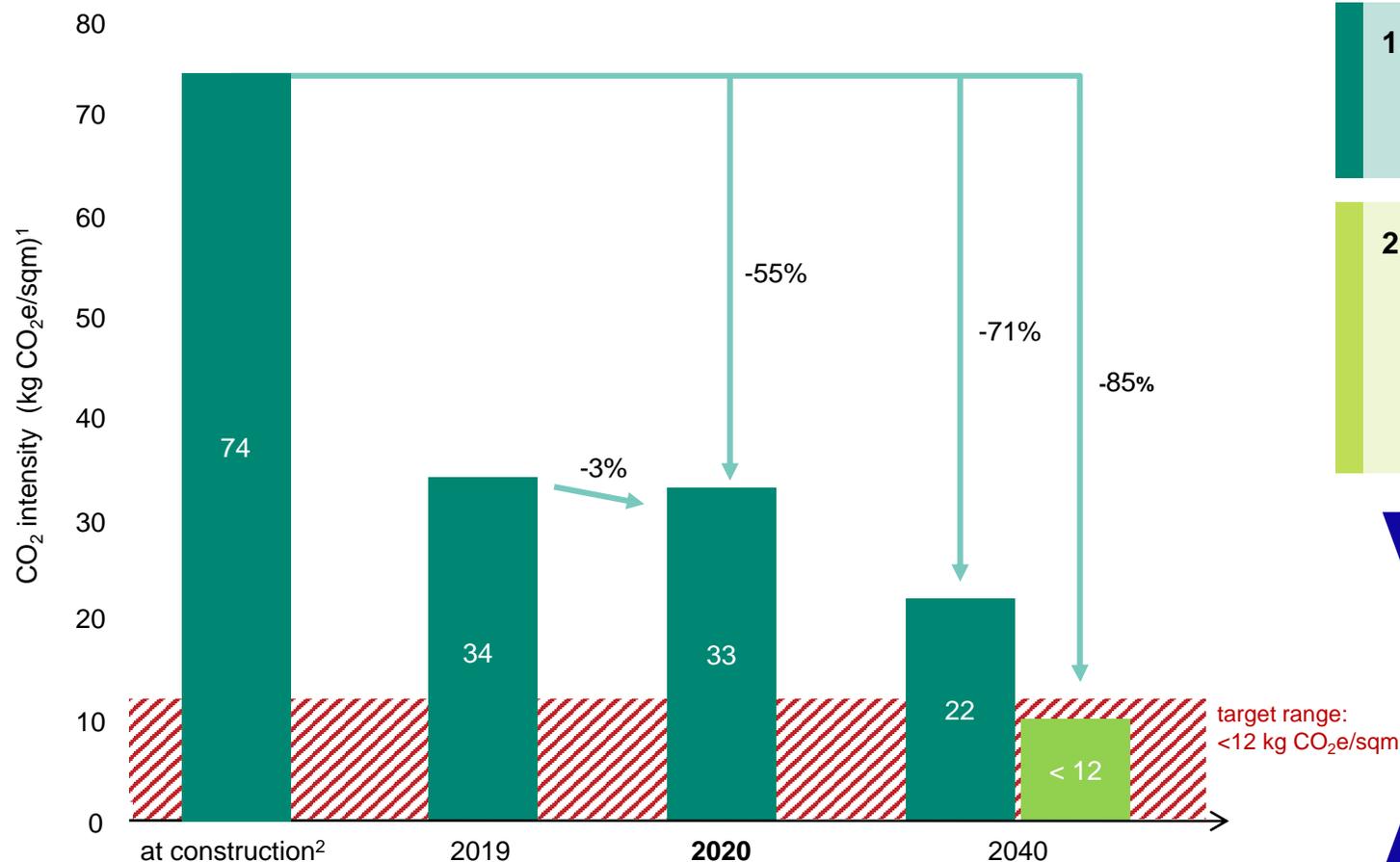
Climate neutrality  
Deutsche Wohnen

Impact on the  
goal of climate  
neutrality





# CO<sub>2</sub> target path until 2040



## 1. Focus on energetic refurbishments

- Economically sensible investments in energy-efficient building refurbishment will reduce the carbon intensity to 22 kg CO<sub>2</sub> e/sqm by 2040

## 2. Cross-sector approach

- Expansion of low-carbon heat and power generation
- Use of self-generated green power
- Further savings possible through building automation to promote climate-friendly user behavior
- Climate-friendly new construction (certified by renowned sustainability agency)

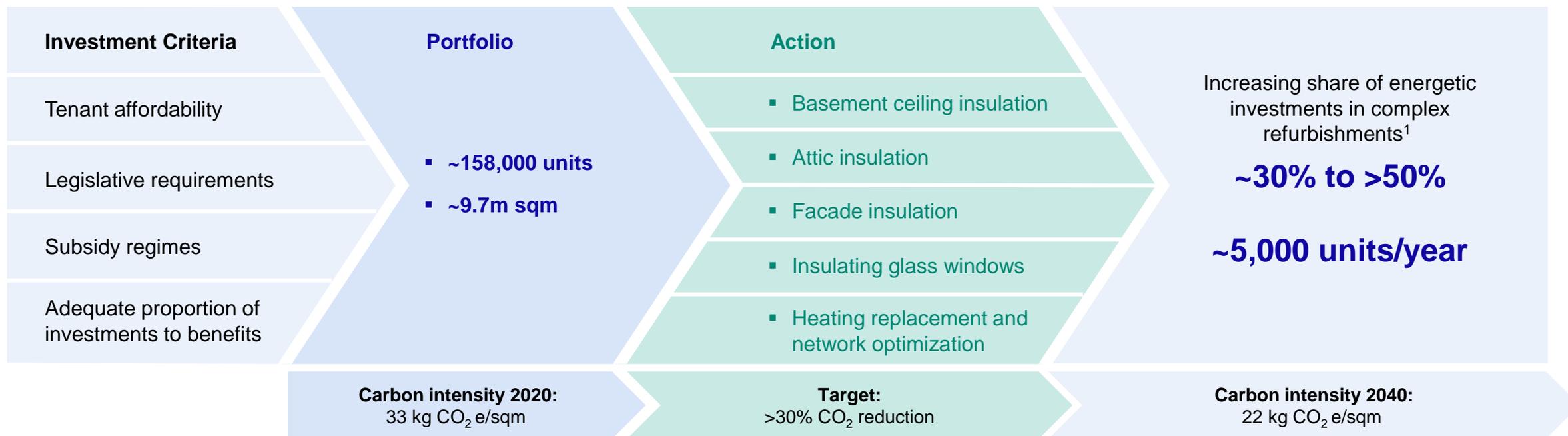
## Supporting regulatory framework required

- Resolving the tenant-landlord dilemma and increasing the rate of refurbishment (see our proposal "Concept for socially responsible climate protection in the property sector")
- Strong user involvement required. First projects show that savings of up to 10% of energy consumption are possible (see our MIA pilot project)
- Further adjustments to the modernization charge or in the regulatory landscape can have a negative impact on the achievement of targets

1) The climate path shown is calculated on the basis of the CO<sub>2</sub> technology tool provided by the Initiative Wohnen 2050 (IW.2050) and does not include nursing homes. This is used across the industry as the basis for setting a climate target path for housing companies. The target range of < 12 kg CO<sub>2</sub>e/sqm is derived from the available carbon budget for the sector and is considered by the industry to be an acceptable level of carbon emissions to achieving climate neutrality in the property sector. 2) This figure represents the theoretical carbon intensity per sqm of a given product cluster of a standard house with construction-period standards.



# EUR 1.5 bn investments in energetic refurbishment of existing buildings until 2040

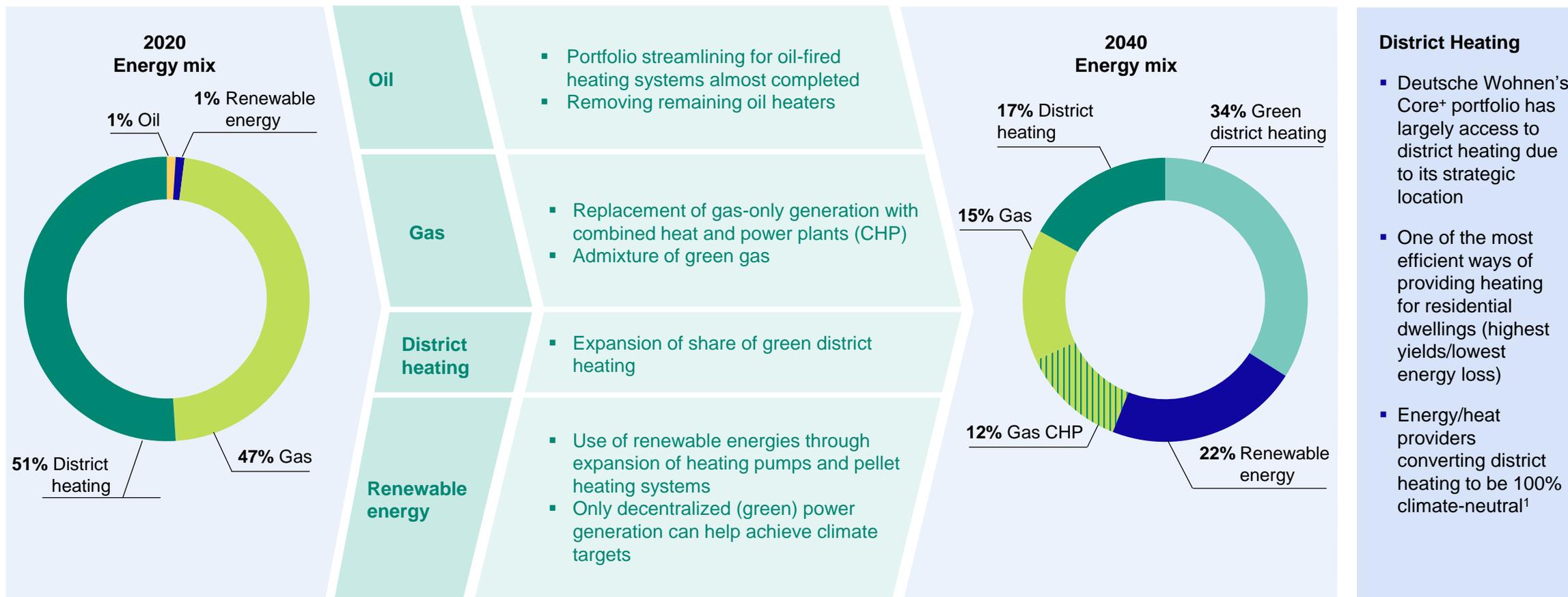



**Deutsche Wohnen will increase share of energetic refurbishments to EUR 1.5 bn to achieve >30% carbon reduction by 2040. Given the good condition of the building stock, this will be achievable at good returns**

1) This relates purely to investments in building modernization. Measures relating to re-lettings and capitalized maintenance are not included.



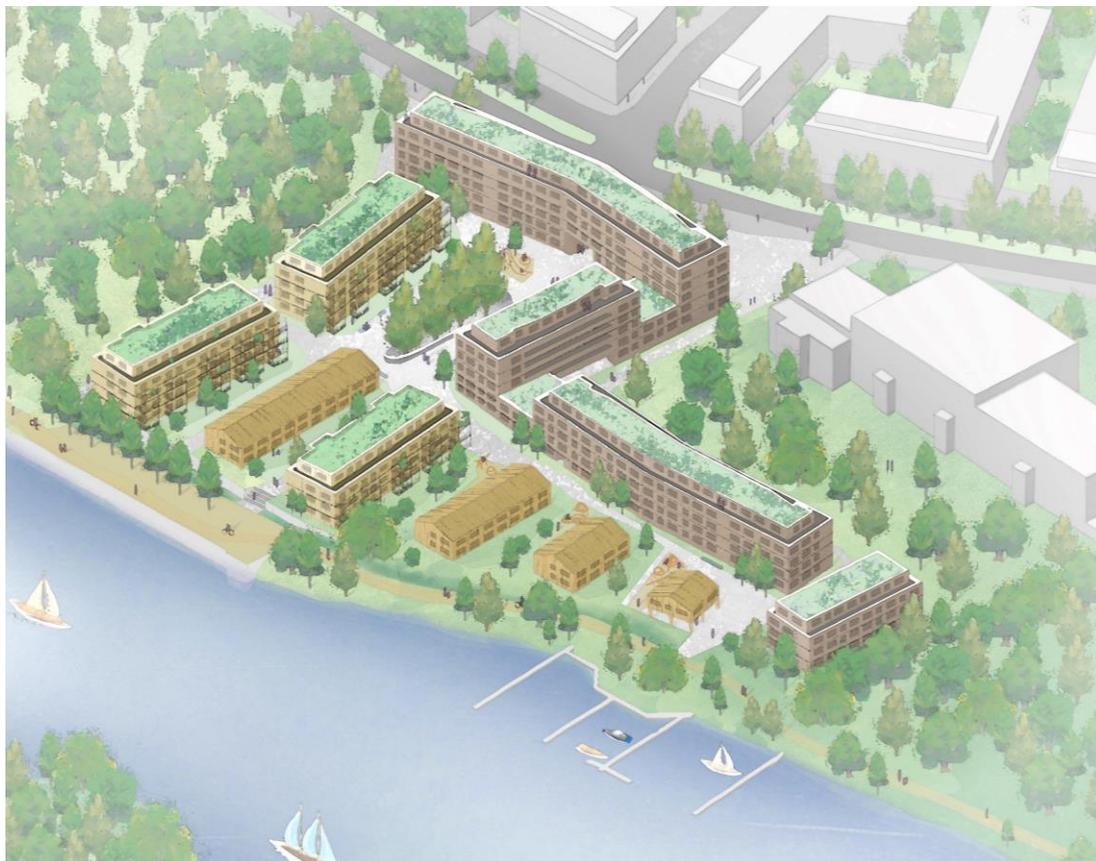
# EUR 0.5 bn investments to expand heat and power generation with low carbon footprint



1) Vattenfall, district heating supplier for Berlin, publicly announced to supply 100% climate-neutral generated heat for Berlin by 2050 at the latest.



# Extensive project pipeline focused on sustainable new construction



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- Creating a center-of-competence for new construction in Germany while focusing on sustainable building
- Ensuring sustainable approach through membership in the **German Sustainable Building Council (DGNB)** and the aspiration to strive for at least the Gold Standard
- Focusing on wood hybrid construction: Depending on the type of building wood hybrid construction for example releases 50–70<sup>1</sup> kg less CO<sub>2</sub> per sqm of floor area compared to conventional construction

**Daumstraße-Berlin** Deutsche Wohnen is planning a unique neighbourhood development with timber hybrid construction

- 287 apartments
- Smartliving applications
- eMobility with own mobility hub
- DGNB Gold Standard
- KfW 55 standard
- Cradle2Cradle approach
- Holistic energy concept
- Home office workstations for tenants

1) This is based on information from the DGNB and takes into account the various life cycle phases of a building over a 50-year period (production of the entire building component, energy use during operation, replacement of parts with a service life shorter than 50 years, etc.)



# Generation of green energy in the neighborhood

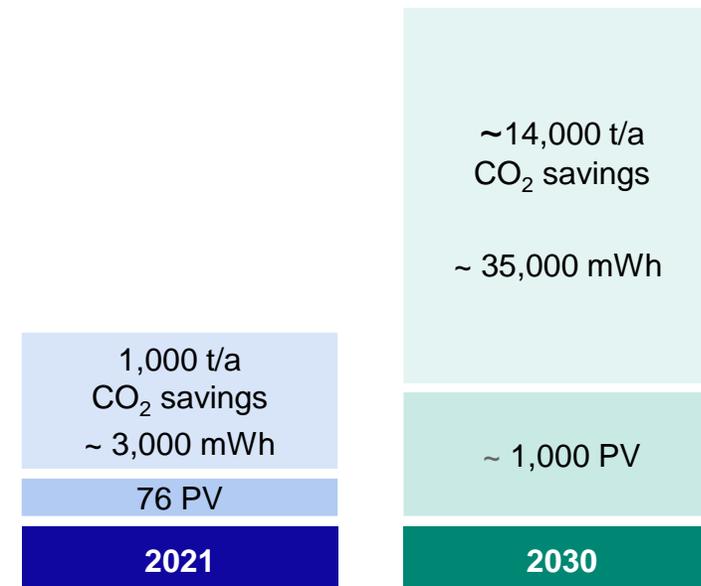
Deutsche Wohnen has founded SYNVIA energy for the expansion of PV and the marketing of decentrally generated energy as tenant electricity

- Green power for prospective tenant electricity
- Relief of the power grid
- EUR 50m investment volume for PV programme in the next 10 years
- Development of charging infrastructure for electromobility
- Together with GETEC another EUR 25m investments planned for around 2,000 additional charging poles
- Currently 8 charging stations installed



Picture shows Heinrich Böll Siedlung, Berlin- Pankow

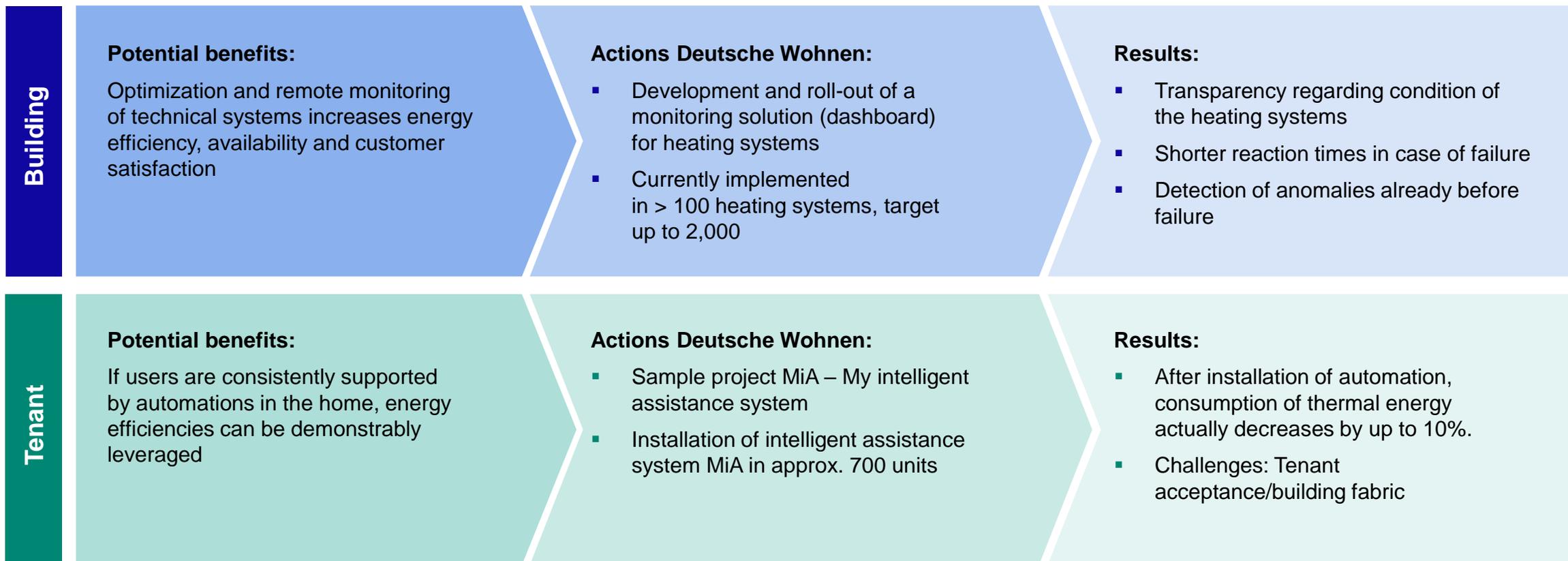
PV efficiency program already started ✓



Note: The dynamics on the energy market cannot be estimated and accordingly our PV-expansion and connected calculations are a theoretical perspective taking into account the presumed developments on the energy market. Unpredictable changes in the electricity composition can affect the measures presented here.

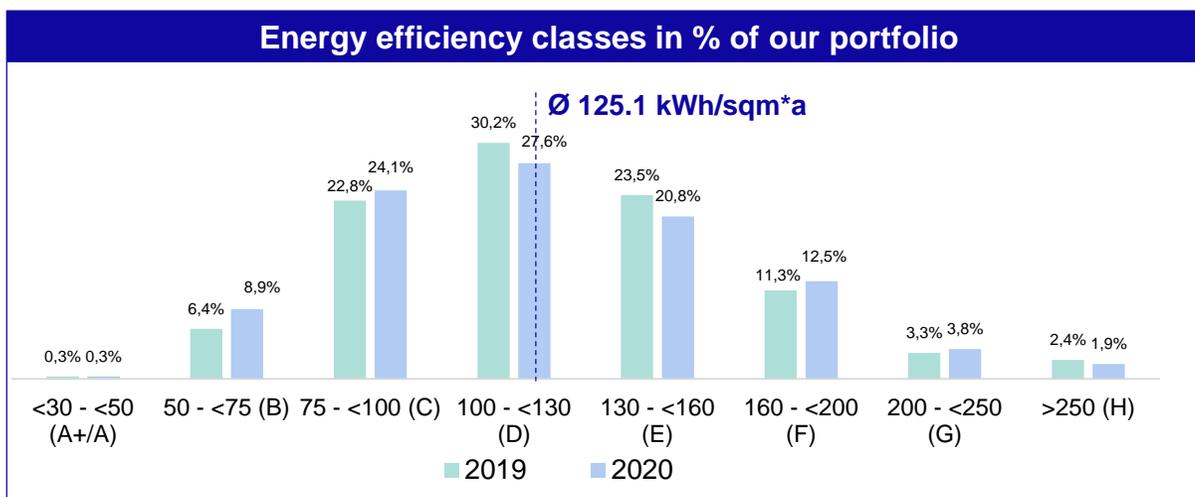
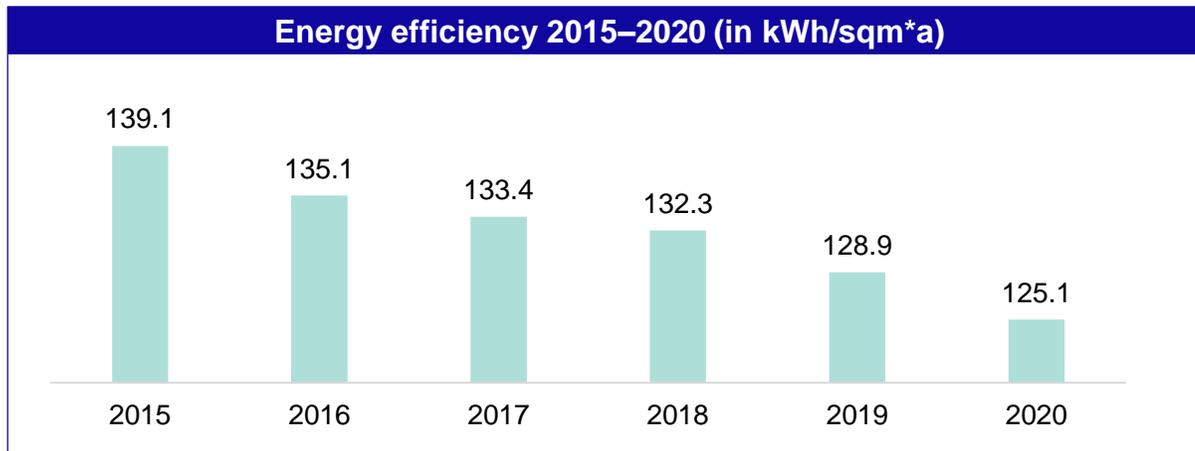


# Optimization potential for climate protection through building automation





# Improvement of energy efficiency of our properties



- Wide-ranging refurbishment measures with positive impact on energy efficiency of portfolio
- Energy efficiency of approx. 62% of residential properties better than the average for residential buildings in Germany (133.0 kWh/sqm per annum)<sup>1</sup>
- Average consumption of our holdings at 125.1 kWh/sqm\*a

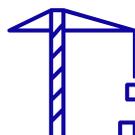
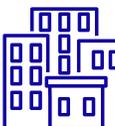
Note: Energy efficiency based on the current energy performance certificate (EPC) of properties in relation to the gross internal floor area. Entire portfolio considered, excluding listed units for which no EPC is required

1) BMWi, 2019a, 107

# Deutsche Wohnen – a socially reliable landlord who goes beyond legal requirements

## Key Achievements

- ✓ Implementation of EUR 30m Corona relief fund for our tenants and business partners in 2020
- ✓ Since the beginning of the Corona pandemic no rental increases have been implemented and no tenant has lost his/her home because of late payment
- ✓ In 2020, around 30% re-lettings of residential units to tenants entitled to a certificate of eligibility to live in social-housing (“Wohnberechtigungsschein”) to mitigate gentrification in urban areas
- ✓ Deutsche Wohnen provides affordable housing with an average monthly net cold rent of ~ EUR 400<sup>1</sup>
- ✓ Regular annual tenant surveys to further improve tenant satisfaction and response times; based on latest survey 88% are satisfied with their apartment (2019: 87%) and 82% with Deutsche Wohnen as their landlord (2019: 78%)



## Details on “Our promise to tenants”

- **Our promise #1**  
No tenant will have to give up their apartment due to rent increases
- **Our promise #2**  
No tenant will have to give up their apartment due to modernisation measures
- **Our promise #3**  
In the new lettings process, we will let one in four apartments to tenants who are entitled to a certificate of eligibility for social housing
- **Our promise #4**  
As part of the local community, we will fund social and non-profit projects promoting diverse and vibrant districts with several million euros a year
- **Our promise #5**  
We intend to significantly invest in new construction to combat the housing shortage

1) ø EUR 6.53 in place rent per sqm/month and average apartment size of 60 sqm

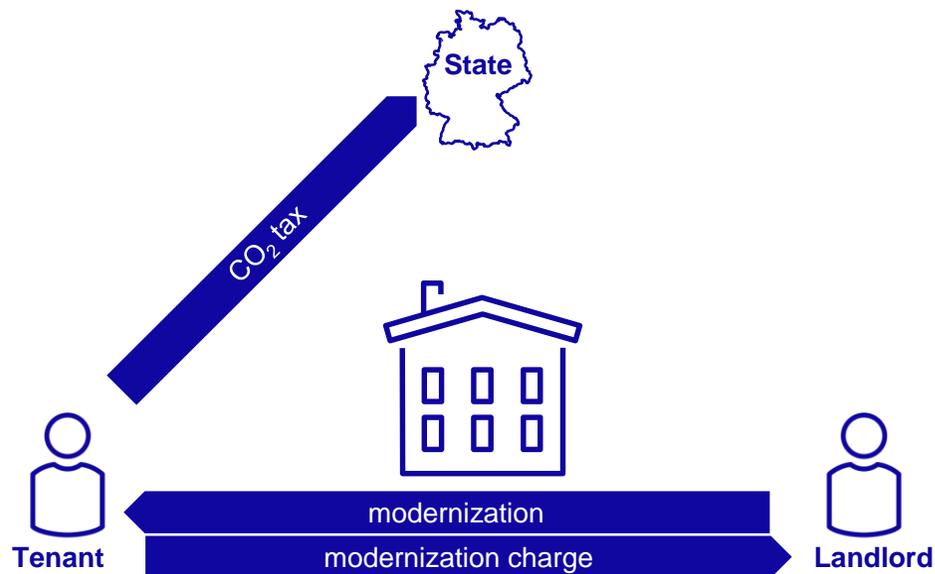
# Our concept for socially responsible climate protection in the property sector

- **Initial situation**
  - Current refurbishment rate at around 1% not sufficient; at least 2.5% required to meet national climate goals
  - Climate protection as a task for society as a whole, involving the state, companies and citizens
  - The majority of tenants are in favor of climate protection, but are only willing / able to pay a limited amount
  
- **Proposal to resolve conflicting goals of climate protection and affordability**
  - Funding through the Energy and Climate Fund (CO<sub>2</sub> pricing legislation by the German Federal Government)
  - EUR 498 billion have to be invested in modernising residential properties for a carbon neutral building stock
  - The financing model for energetic refurbishments relieves tenants by EUR 123 billion (EUR 4.1 billion a year)
  
- **Deutsche Wohnen as host of a climate conference in October 2020**
  - Engagement with politics, science and economy
  - Proposal combines economic, social and environmental aspects in the interest of tenants and landlords
  - Socially responsible climate protection is possible in the property sector



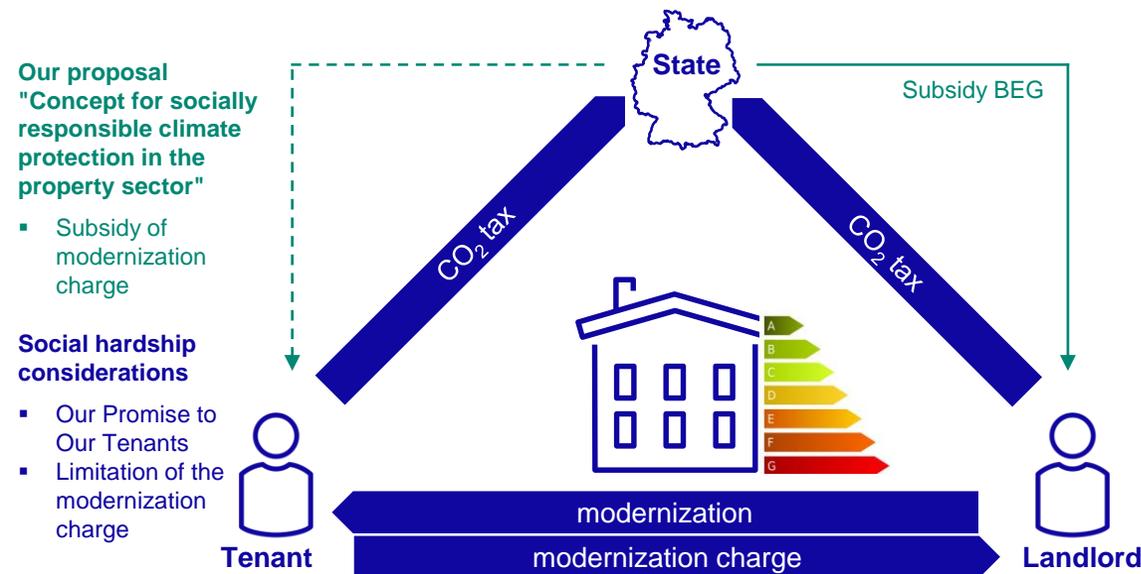
# Balancing climate costs through CO<sub>2</sub> pricing

## Current legal situation



- National emissions trading system started in 2021 with a fixed path until 2025
- CO<sub>2</sub> tax currently forms part of recoverable expenses
- Politically, it is currently being discussed how the CO<sub>2</sub> tax should be shared between tenants and landlords

## Our proposal for a socially acceptable solution



**Our proposal**  
"Concept for socially responsible climate protection in the property sector"

- Subsidy of modernization charge

**Social hardship considerations**

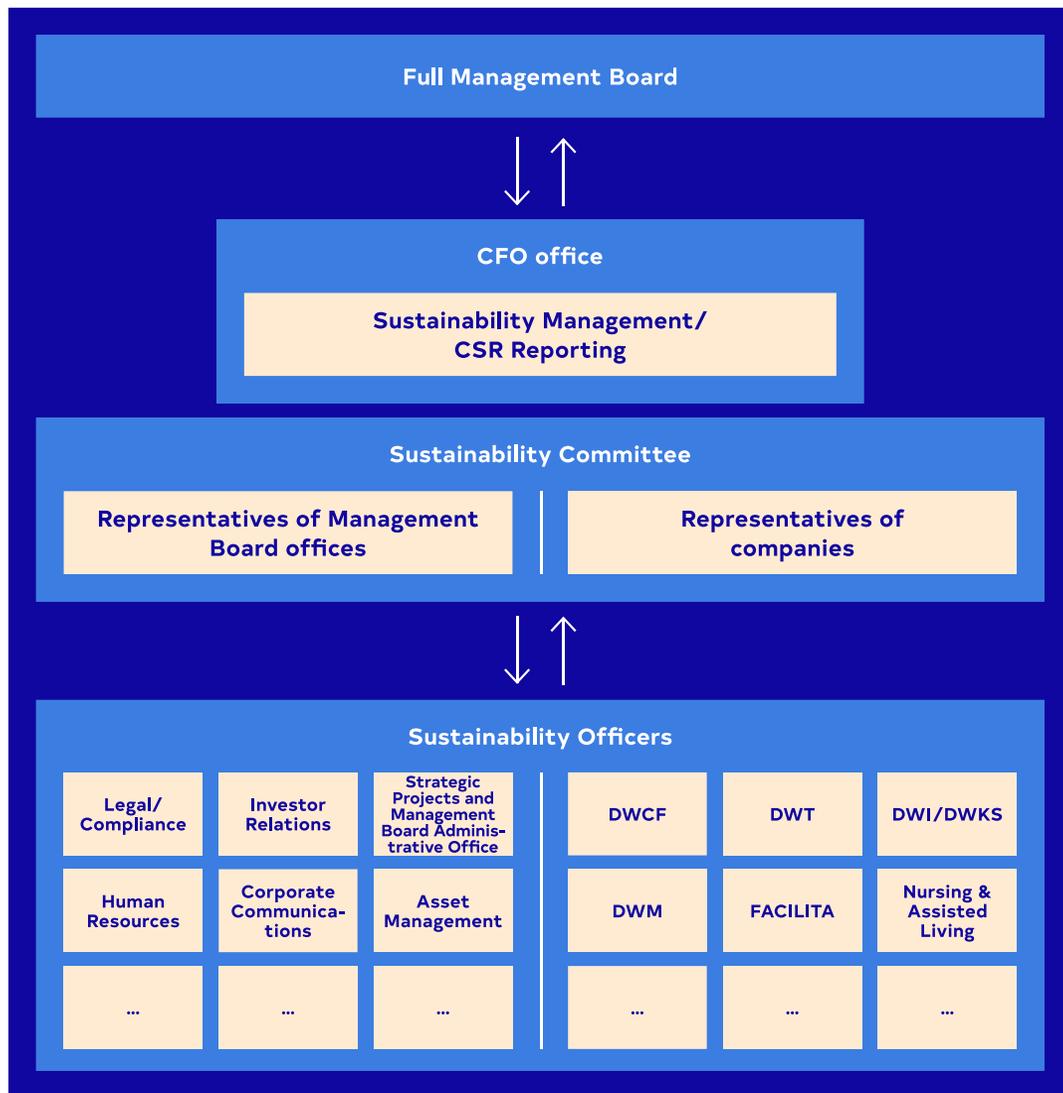
- Our Promise to Our Tenants
- Limitation of the modernization charge

- Landlord continues to receive full refinancing for energy modernizations
- Tenants and landlords bear a share of the CO<sub>2</sub> costs, depending on the building energy efficiency
- Tenant is supported with modernization costs from CO<sub>2</sub> pricing funds

Year	2021	2022	2023	2024	2025	As of 2026
CO <sub>2</sub> price in EUR/t	25	30	35	45	55	55–65



# Sustainability is firmly embedded in the company



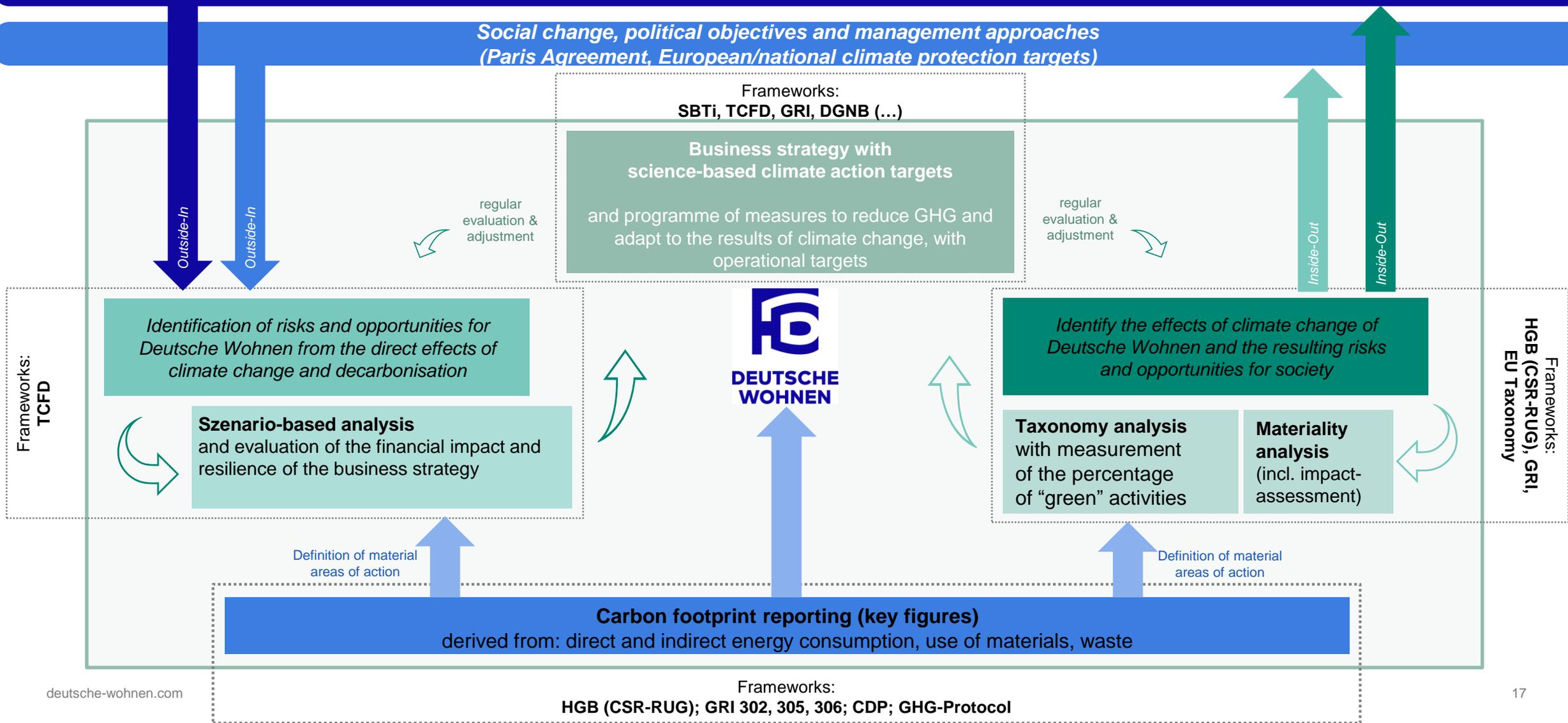
- Management Board with overall responsibility for sustainability strategy, climate-related targets and ensuring decisions on investment strategy
- Sustainability Management/ CSR Reporting department, which ensures operational implementation, is overseen by CFO
- Sustainability Committee is chaired by CFO and committee members represent relevant departments in the Group
- Committee is responsible for continuously refining and evaluating the sustainability strategy and monitoring performance against targets



# Our environmental and climate strategy

Scientific findings about climate change and its effects on the environment and society

Social change, political objectives and management approaches  
(Paris Agreement, European/national climate protection targets)





# Responsible corporate management

Corporate Governance		
Independent Supervisory Board	Management Board	Employees
<ul style="list-style-type: none"> <li>1/3 are female</li> <li>Rejuvenation: Average age at 56</li> <li>Average tenure at 6.7x (2016: 9.5 years)</li> </ul>	<ul style="list-style-type: none"> <li>ESG is element of management remuneration as part of LTI</li> <li>LTI: 70% financial targets + 30% ESG targets</li> <li>ESG Targets: <b>new</b> <ul style="list-style-type: none"> <li><b>15%</b> reduction carbon intensity per sqm</li> <li><b>7.5%</b> employer satisfaction based on employee satisfaction survey</li> <li><b>7.5%</b> customer satisfaction based on customer satisfaction survey</li> </ul> </li> <li>20% female quota until June 2025</li> </ul>	<ul style="list-style-type: none"> <li>Approx. 50% of our employees are female</li> <li>At least 40% females in executive positions</li> <li>77% of employees are happy with Deutsche Wohnen as an employer</li> </ul>



# Our contribution to the UN SDGs



- The health and well-being of our customers, employees and business partners is central to Deutsche Wohnen
- Holistic approach to health and well-being during refurbishments & new constructions



- Climate neutrality until 2040 with clear targets and goals
- Substantial investments into the building stock to reduce energy consumption and carbon emissions
- New constructions following DGNB-gold standard



- Electricity for stairwell and hallway/corridor lighting for approx. 90% of our letting portfolio and majority of our administrative locations entirely sourced from hydroelectric power
- Advancement of decentralized electricity generation and heating through photovoltaic and CHP plants



- Initiative to create a healthy, diverse and resistant tree population ("Klima-Baumkonzept")
- Improvement of the micro-climate through shade producing trees and ecologic optimization of front yards
- Preservation of biological diversity by converting outdoor facilities in meadows and gardens



- Conversion of Deutsche Wohnen's car fleet to alternative drives
- Installation and operation of electric car charging stations and related infrastructure
- Installation of smart building technologies



- Member of the Foundation 2° - German Businesses for Climate Protection (Deutsche Unternehmer für Klimaschutz)
- Partner of the sector initiative IW.2050 to combine climate protection activities in the housing industry
- Member of German Sustainable Building Council (DGNB)



- Commitment to making cities better places to live and strengthening social structures as an urban partner
- Continuous engagement with residents, politicians and social organisations
- Supporting art, culture and sports

SUSTAINABLE DEVELOPMENT GOALS



# CSR Ratings continuously improved




**Gold Award 2020  
since 2017**

Participation since 2015




**Rating: C 2020  
Prime Status confirmed since 2018**

- Transparency Level: Very High
- Relative Performance Decile Rank: 1

Participation since 2015



**ESG Risk Rating  
12.1 Low Risk**

Negl	Low	Med	High	Severe
0-10	10-20	20-30	30-40	40+

**TOP 2%** Global Universe

**TOP 5%** Real Estate Management

Participation since 2014



**In 2021, Deutsche Wohnen SE  
received a rating of AA (on a  
scale of AAA-CCC) in the MSCI  
ESG Ratings assessment<sup>1</sup>**

Participation since 2013

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# Task force on Climate-related financial disclosure (TCFD)



- Deutsche Wohnen wants to contribute to fighting climate change. In this context we consider the impact of climate change on our company and want to analyse in greater depth going forward what the financial and non-financial opportunities and risks of climate change will be for us.
- We are guided in this endeavour by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- As part of our strategic sustainability programme, we have therefore formulated the goal of preparing our own concept for integrating the TCFD recommendations into our Group reporting.

# Disclaimer

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