

Declaration of Conformity:

KGAL GmbH & Co. KG

Report year	2016
Performance indicator set	GRI G4 SGS
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General information

Describe your business model (e.g. business purpose, products/services)

The KGAL Group is a leading independent asset and investment management company with an investment volume of €21.5 billion and 87,000 investors. The Group, founded in 1968, operates across Europe and has its registered office in Grünwald near Munich. It focuses on long-term capital investments for institutional investors in the real estate, aviation and infrastructure asset classes. A total of 335 employees work towards achieving stable, long-term earnings while taking into account aspects relating to revenue and risk. (As at 31/12/2016)

KGAL is a byword for long-term tangible assets that achieve enduring and stable yields. The Group's range of services includes creating and managing funds for institutional investors. As a regulated capital management company within the corporate group, KGAL Investment Management assumes the role of asset manager, while KGAL Capital acts as a sales company.

As one of the few German investment management companies that can produce a licence pursuant to Section 32 of the German Banking Act (Kreditwesengesetz) as well as a capital management company (KVG) licence, the KGAL Group attains a level of regulation and security that very few German financial service providers can offer. Work performed at KGAL is monitored by a permanent risk management system and the company is also subject to the relevant provisions of BaFIN (German Federal Financial Supervisory Authority).

KGAL takes a whole series of megatrends into account when investing, provides a solid investment basis for the future and also contributes towards sustainable development in line with the UN Sustainable Development Goals:

Demographic change: According to the 2015 UN forecast, in 2030 the global population of people who are 60 years old and above will reach approximately 1.4 billion. This corresponds to an



increase of more than 50% compared with 2015. The need for private pensions will also rise as a result of increased life expectancy.

Reconstruction of social systems: The switch from a contribution-financed to an equity-financed pension scheme means that individuals will be required to make greater provisions for retirement, resulting in an increase in private savings for pensions.

Climate change: People in developed national economies are acutely aware of this issue. KGAL pursues a clear sustainability strategy based on the ESG approach and offers the opportunity to invest capital in renewable energies.

Urbanisation: In 2016, the average level of urbanisation in the European Union was around 75%. A total of 76% of the population in Germany, 80% in France and 69% in Italy live in towns and cities. The “walkability” trend goes hand in hand with increasing urbanisation. KGAL is a trailblazer for this market trend: https://www.kgal-investment-management.de/fileadmin/kgal/documents/pdf_WhitePaper/KGAL_WhitePaper_Walkability_de.pdf

Digitisation: KGAL is rising the challenges presented by digital transformation and has started to implement IT-based process workflows in its business.

Low-interest phase: Risk spreading is even more important in the current low-interest phase. KGAL has implemented a value-added strategy in the real estate asset class to systematically extend its value-added components throughout the value chain.



Additional remarks (for example, note on external auditing):

KGAL's detailed financial figures are published in the German Federal Gazette pursuant to legal requirements.

In drafting this Declaration of Conformity, KGAL has been advised by one of the leading German financial auditing and consultancy firms.



Criteria 1–10: Sustainability concept

Criteria 1–4 relating to STRATEGY

1. Strategic analysis and measures

The company discloses whether it pursues a sustainability strategy. It explains which specific steps it is taking to operate in compliance with the key recognised industry-specific national and international standards.

KGAL is one of the leading providers of innovative financial solutions for tangible assets in Germany. Our investors trust us. They value our outstanding structuring skills, our successful track record and the dedication and expertise of our staff.

We firmly believe that the capital market and responsible investors make a key contribution towards sustainable economic and social development. KGAL's main contribution lies in finding solutions to meet megatrends such as renewable energy, urbanisation and sustainable mobility. As part of this, we also support the implementation of the United Nations' sustainable development goals.

As a responsible investor, we have a duty to pay close attention to environmental, social and economic requirements throughout our value chain and in accordance with our corporate sustainability strategy:

Through close consultation with the people and institutions affected by our business activities, we are able to take their needs into consideration when defining the way we conduct our business. We regularly reaffirm our objectives and validate our business processes on this basis.

We help our clients to select an investment vehicle that is ideally structured for them and reliably meets both statutory and voluntary ESG requirements.

When acquiring assets, we take ESG considerations into account in order to reduce risks and exploit opportunities. We are also guided by the standards customary in the industry, even if these standards



go beyond the legal requirements.

We actively determine the intrinsic environmental and social value of our investments by imposing clear ESG requirements on our contractors, service providers and suppliers. Depending on the financial situation at hand, we promote the use of the best technology available in order to ensure the long-term competitiveness of our assets.

We provide ongoing and targeted training and operational health management for our staff, which not only boosts their effectiveness over the long term, but also helps to enhance our appeal as an employer on the market as well as increasing the diversity of our workforce.

We always act responsibly and transparently when dealing with authorities and other statutory bodies. Reliable and efficient compliance with legal requirements is common practice. We continuously monitor for changes to the statutory requirements and make any necessary adjustments well in advance.

We are certain that digitisation will make a substantial contribution towards improving collaboration along the value chain and to ESG factors and we will innovatively incorporate any relevant developments into our business model.

Trust and transparency are two key basic values in our corporate culture, which is why it is essential for us to regularly report on our performance and successes with regard to ESG. We want to increase the significance of ESG in the industry as well as in the public domain.

We are committed to upholding the corporate responsibility standards that underpin our industry, especially with respect to the UN Global Compact, the principles of UNEP FI, the Principles for Responsible Investments and the Equator Principles as well as the sustainability code of the German Property Federation (ZIA).



2. Materiality

The company discloses which aspects of their business activity have a material impact on sustainability aspects and what material effect sustainability aspects have on business activity. It analyses the positive and negative effects and states how these findings are factored into its processes.

As a provider of innovative financing solutions for tangible assets, KGAL is exerting its influence when it comes to developing solutions relating to megatrends such as renewable energy, urbanisation and sustainable mobility.

Real estate: The fundamental values for a national economy are generated by the infrastructure developed, implemented and maintained by the real estate market. This is why sustainability must be considered in real estate investments, if only from an economic perspective: the sustainability of real estate supports capacity for third-party utilisation and therefore value retention. KGAL always factors in that using strong, durable, non-toxic building materials minimises lifecycle costs; that an energy-efficient building can avoid harmful emissions and reduce running costs; and that good accessibility and high-quality transport links have a major impact on resource usage relating to real estate utilisation and on urban development.

Aviation: By financing aircraft, KGAL makes a valuable contribution towards globalisation and economic development: Aircraft facilitate meetings between people from different cultures and make it possible to quickly and safely transport perishable or urgently required goods. Alongside these social factors, aircraft also promote sustainability with regard to environmental and economic factors: Lower fuel consumption reduces CO₂ emissions and fuel costs, and less noise pollution in airline operations drives down airport utilisation costs. KGAL takes sustainability aspects into account when financing aircraft because they have a beneficial impact on the lifespan and operating costs, and therefore on the competitiveness of an aircraft.

Renewable energies: Tangible investment in renewable energies offers stable and predictable cash flows with low risk of default. This type of investment also reflects the ethical and environmental awareness of an investor. KGAL largely invests in power plants that are predominantly supplied from



natural primary energy sources. The wind farms and solar power plants that we financed in 2016 made it possible to supply 445,175 households with “green” energy from an output of 1,551,610 MWh. This results in a CO₂ saving of 830,111 t CO₂ according to the German power mix.

KGAL’s actual business operations and our company locations in Grünwald, Vienna, Milan and London have no appreciable negative impact on the environment.



3. Goals

The company discloses which quality- or quantity-related and time-delimited sustainability goals are set and being operationalised, and how it monitors the extent to which they have been achieved.

Our goals are based on the requirements of our stakeholders and our business model, and are updated on a regular basis:

- Steady, stable business development
- Secure jobs, advanced training courses, promotion of diversity
- Innovative, future-proof and high-yield financial products
- Lasting, stable business relationships
- Business processes that guarantee legal conformity

Our goals are operationalised using precisely defined management processes, examples of which are set out below.

Steady, stable business development

To implement the budget plan, a dedicated process is run several times a year (full-year forecast four times a year in addition to mid-term planning over three years) so that any deviations are identified immediately and counter measures can be taken. A planning round also takes place between investment divisions and sales once a month in which forecasts for the next 14 months are presented.

Innovative, future-proof and high-yield financial products

When selecting our assets, we set great store by sustainability. We also take our investors' expectations into account by asking them directly what their requirements and conditions are in terms of the sustainability of the investment. These terms are then contractually agreed and become a main consideration when selecting the assets. In addition, we tailor our products specifically to meet the needs of our investors, for example regarding Solvency II.



Secure jobs, advanced training courses, promotion of diversity

In order to enhance the competitiveness and to secure the future of KGAL, our corporate and management culture and our business processes are aimed at the promotion and utilisation of each individual employee's potential, especially with respect to diversity based on gender, age and nationality. Data regarding the various quotas is regularly collected and any issues addressed.

Lasting, stable business relationships

KGAL sets great store by long-term business relationships based on trust and transparency. All business partners undergo "know your customer" processes in compliance with legal requirements. We constantly strive to maintain a direct line of communication with our customers, key service providers, contractors and suppliers to facilitate the exchange of ideas and information.

Business processes that guarantee legal conformity

Capital market legislation demands clear processes and structures that meet legal requirements at all times. We closely monitor the development of new requirements so that we can incorporate them in our workflows and processes at an early stage. In order to maintain the high standards of our processes, we established various functions such as compliance officer, data protection officer, IT security officer, anti-money laundering officer, Internal Auditing and Risk Management.

We ensure that the processes set out above achieve the specified objectives by means of a series of internal reporting processes that guarantee that all responsible parties up to Management Board level have an up-to-date overview of our target achievement.



4. Value chain depth

The company states the importance of sustainability aspects to the value chain and to which depth its value chain sustainability criteria are reviewed.

Our value chain is itself characterised by tight regulation with regard to sustainability issues, as all our investments are made in high-income OECD countries:

- The long lifespan of real estate coupled with the high level of energy efficiency resulting from building standard requirements, make this a sustainable asset class. The focus of real estate investment at KGAL falls within Europe, especially Germany, Austria and the UK.
- We are investing in renewable energy plants in Germany (solar and wind), UK (solar), France (solar and wind), Italy (solar and hydroelectric), Spain (solar), Finland (wind), Sweden (wind) and Norway (hydroelectric).

When making an investment decision, we do not only take legal requirements into consideration, but also – if only for risk management reasons – apply our own voluntary sustainability standards. Depending on the case at hand, this may include criteria from the following sources:

Real estate – Sustainability code of the German Property Federation (ZIA), especially the “Voluntary Requirements of the Real Estate Market”, and the cluster-specific supplementary provisions for financiers listed in the ZIA sustainability code.

Aviation – Recommendations from the International Civil Aviation Organization (ICAO) such as the ICAO Agreement on International Aviation and Climate Change, the Global Framework on Aviation and Alternative Fuel, the Convention on International Civil Aviation / Annex 16 Environmental Protection with the annexes Aircraft Noise and Aircraft Engine Emissions.

Renewable energy plants – “Power Generation and Distribution” Environmental and Social Risk Briefing from the UNEP FI, along with provisions regarding the protection of national parks and nature reserves, biosphere reserves and areas covered by the EU Birds Directive and the Habitats Directive.



Our business partners are contractually obliged to guarantee that the construction and operation of real estate or energy plants, as well as the design of aircraft, are legally compliant and that voluntary sustainability standards are applied within their area of responsibility. Our office material and equipment suppliers are also contractually obliged to adhere to the ten principles of the UN Global Compact. Our business operations in Grünwald, Vienna, Milan and London have no appreciable impact on environmental and social conditions.



Industry-specific supplementary provisions 1–4

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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Criteria 5–10 for PROCESS MANAGEMENT

5. Responsibility

Company management responsibilities for sustainability are disclosed.

Operational responsibility for “sustainability” lies with the Chief Operations Officer. The Management Board is responsible for and takes joint decisions regarding the sustainability strategy, monitors the company’s sustainability performance and approves the adoption of sustainability standards. The Board approves internal sustainability requirements according to the area of responsibility, as well as sustainability reporting.

6. Rules and processes

The company discloses how the sustainability strategy is implemented using rules and processes in business operations.

The Investor Services manager is appointed as a Sustainability Officer. She is supported by a three-person team from the Corporate Organisation, Marketing and Asset Management divisions. The sustainability team advises the Management Board on sustainability, supports the divisions in implementing sustainability measures and is their point of contact for sustainability issues. The sustainability team drafts the Declaration of Conformity according to the German Sustainability Code and organises data compilation. General enquiries regarding sustainability are also handled by the sustainability team and external developments regarding sustainability standards and issues are monitored.

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The company divisions are actually responsible for KGAL's sustainability performance. They implement the sustainability requirements that are relevant to their division each day, identify potential for improvement and track external trends regarding sustainability issues relevant to their area.

7. Monitoring

The company discloses how and which performance indicators of sustainability are used in regular internal planning and monitoring. It sets out how suitable processes are used to ensure reliability, comparability and consistency of data for internal management and external communication.

The KGAL risk management system is responsible for identifying, measuring, managing, monitoring and reporting risks, including risks that arise in the areas of Environmental, Social and Compliance (ESG), both internally and externally. The scope of KGAL risk management includes:

- ongoing identification and assessment of company-specific risks at KGAL IM, with regard to relevance and impact (risk inventory)
- ongoing development of methods and instruments for measuring these risks, leading to detection of risk potential (risk measurement)
- identification of measures for managing risks by way of, for example, risk prevention, transfer, reduction and mitigation (risk management)
- regular reporting of identified risks in order to create a risk-focused foundation for management decisions and to define recommended actions (risk reporting).

KGAL has defined essential rules on how to handle sustainability data for internal and external sustainability reports. The goal here is the audit-compliant collection and documentation of basic data and information derived from it (for example, data aggregation). Data collection, processing and publication at KGAL are designed in such a way that they can meet the three criteria of completeness, adequacy and accuracy, and the requirements of clarity, unambiguity and comprehension.





Performance indicators for criteria 5–7 (SRS)

Performance indicator SRS-102-16 (see G4-56)
Values, principles, standards and norms of behaviour.

The KGAL approach is based initially on areas in which the company has been successful in the past and also sets out the prospects of maintaining KGAL's leading market position.

The approach helps in the decision-making process and in resolving potential conflicts of interest, as well as setting benchmarks for day-to-day work and promoting a culture that strives to achieve common goals. It focuses on four areas that act as a general guide and bear the "KGAL mark": quality leadership, loyalty, sustainability and straightforwardness.

- Quality leadership: KGAL aims to meet the highest possible quality standards in its products and services.
- Loyalty: KGAL is founded on long-lasting partnerships.
- Sustainability: KGAL is a company geared towards long-term success far into the future
- Straightforwardness: KGAL represents a clear and plausible position.

Our approach sets out the following with regard to sustainability:

KGAL is a company geared towards success far into the future and is aligned with environmental, economic and social values. We take responsibility for our actions. The approach comprises three areas that are focused on the sustainability "triple bottom line" and encourage environmental, economic and social requirements to be considered when making business decisions.

Environmental

- For us, sustainability means that we invest in sustainable assets and work with sustainable – in the sense of future-proof – concepts.



- We integrate environmental requirements into our goals because we are convinced that the most efficient environmental investments will make the biggest contribution towards meeting our yield forecasts in future.

Economic

- We optimise yields with the aim of minimising risk.
- To achieve our performance targets, we must first meet the minimum quality standards.

Social

- The development and promotion of our employees is seen as an investment in securing our future.
- Our business transactions are based on basic social values and the basic principles of social responsibility.
- We are committed to the wellbeing of those outside the commercial sphere.



Industry-specific supplementary provisions 5–7

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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8. Incentive systems

The company discloses the ways in which agreed targets and remuneration for managers and employees are also based on achieving sustainability goals and long-term added value. The company also discloses the extent to which the achievement of these goals forms part of top management's (CEO/Management Board) evaluation by the supervisory body (Supervisory Board/Advisory Board).

In setting targets and in KGAL's remuneration of managers and employees, compliance with and consideration of legal provisions, as well as consideration of internal requirements, are of primary importance. This includes compliance with provisions and requirements relating to sustainability issues. Achievement of personal goals is reviewed and discussed during regular employee appraisals. Reviewing the achievement of company goals is part of the remit of the Management Board.

Specific information on KGAL remuneration and incentive systems is subject to company secrecy and is not published for competitive reasons.



Performance indicators for criterion 8 (SRS)

Performance indicator SRS-102-35a (see G4-51a)
Remuneration policies.

The remuneration policy for the highest supervisory body and top management at KGAL is based on the standard criteria and frameworks in the market.

Specific information on KGAL remuneration and incentive systems is subject to company secrecy and is not published for competitive reasons.

Performance indicator SRS-102-38 (G4-54)
Annual total compensation ratio.

The remuneration paid by KGAL is based on the standard criteria and frameworks in the market. All KGAL employees receive individual employment contracts.

Specific information on KGAL remuneration and incentive systems is subject to company secrecy and is not published for competitive reasons.



Industry-specific supplementary provisions 8

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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9. Involvement of stakeholder groups

The company discloses how social and economically relevant stakeholder groups are identified and integrated into the sustainability process. It discloses whether and how it maintains a continual dialogue with them, and how the results of these discussions are integrated into the sustainability process.

In order to identify the sustainability requirements of our stakeholders at an early stage and to react quickly to these requirements, KGAL uses established lines of communication to discuss sustainability issues. Relevant stakeholders include customers, employees, owners, suppliers and statutory authorities. As part of stakeholder analysis, we regularly survey the relevant stakeholders. To do this, we determine how much influence stakeholder groups have on our business operations and to what degree stakeholder groups are affected by our activities.

With respect to stakeholders, KGAL uses the principles developed by the international "AccountAbility" organisation:

- "We take the sustainability requirements of our stakeholders into account when developing and implementing sustainability measures,
- and we regularly assess the impact of key sustainability issues on our business activities.
- A sustainability issue is of key importance if it has a material effect on our decision-making, actions and performance, or those of our stakeholders.
- We react systematically to the relevant queries and concerns of our stakeholders, for example, through strategic alignment, restructuring of internal systems and processes, organisational steps or communication measures for sustainability."

The continuous stakeholder dialogue itself already forms part of our daily business processes, for example in the form of customer meetings or employee surveys, through working together in committees or through dialogue with the capital market. To this end, KGAL regularly takes part in events such as aviation workshops, hangar visits or investor information councils and has a stand at



EXPO REAL, where experts, investors, shareholders and employees can meet and discuss the latest trends and future prospects. We also attend all relevant trade fairs and forums, sometimes as invited speakers.

Issues that are important to stakeholders are brought to the attention of KGAL sustainability management through direct, personal discussions between managers and within the sustainability team and are documented in an annual report arranged according to the importance of the topic.



Performance indicators for criterion 9 (SRS)

Performance indicator *SRS-102-44* (see *G4-27*)
Key topics and concerns raised.

Owners:	Steady, stable business development
Employees:	Secure jobs, advanced training courses, advancement of women
Customers:	Innovative, future-proof and high-yield financial products
Suppliers:	Lasting, stable business relationships
Statutory authorities:	Business processes that guarantee legal conformity



Industry-specific supplementary provisions 9

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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10. Innovation and product management

The company discloses how it uses suitable processes to harness the power of innovation in products and services to improve sustainability in its resource use and that of users. It also demonstrates whether and how the current and future effect of key products and services is evaluated in the value chain and product lifecycle.

KGAL's influence over the development of building regulations and technologies for "green buildings", the development of aviation technologies and of technologies for exploitation of regenerative energy sources is only very limited. By taking sustainability standards into account when selecting and managing investment and by requiring compliance with the valid legal provisions, KGAL does however have an indirect effect on the sustainability of our investments.

With the creation of a new value-added management strategic company unit in 2016, KGAL introduced an innovation in the real estate asset class that also has an impact on sustainability. The new unit focuses on optimising and enhancing value appreciation potential within the existing real estate stock, as well as actively searching the market for properties with performance potential, for example because of historical shortfalls in redevelopment or refurbishment. The following approaches are utilised: optimising area plans to facilitate better use of space; exploitation of available building rights; improvement of building efficiency and consistent energy optimisation; increasing amenity value; repurposing; building additional storeys; and increasing unit density.



Performance indicators for criterion 10 (G4)

Performance indicator G4-FS11
Percentage of financial investments which undergo a positive or negative selection review based on environmental or social factors. [Link](#)

(Note: Indicator must also be included in a report according to GRI SRS)

On risk grounds alone, KGAL takes environmental and social aspects into account in all financial investments, provided that they are relevant and material. Essentially, there are certain industries in which we will not invest – namely the tobacco and gambling industries, manufacturers of controversial weapons and the pornography industry. There is a separate guideline covering this.



Industry-specific supplementary provisions 10

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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CRITERIA 11–20: Sustainability aspects

Criteria 11–13 for ENVIRONMENTAL INTERESTS

11. Use of natural resources

The company discloses the extent to which natural resources are used in our business activities. This relates to materials, as well as the input and output of water, soil, waste, energy, land, biodiversity and emissions for the lifecycle of products and services.

The direct business activity of KGAL has no appreciable impact on natural resources. The use of environmentally friendly building materials, energy-efficient designs and land usage play a role in our real estate investments, where we invest exclusively in commercial properties in urban locations. When investing in renewable energies, we do not invest in environmentally sensitive areas. These include areas covered in the following lists: “Ramsar List of Wetlands of International Importance”, UNESCO World Heritage List within the framework of the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage and the UNESCO Biosphere Reserves List within the framework of the UNESCO “Man and the Biosphere (MAB)” programme.



12. Resource management

The company discloses which quality- and quantity-related goals it has set for its resource efficiency, especially the use of renewable energies, increase in raw material productivity and the reduction in use of ecosystem services; which measures and strategies it pursues to achieve this, how they have been met or should be met in future and where it sees risks.

Due to relatively insignificant resource usage resulting from its direct business activity and a limited ability to influence indirect resource use, KGAL does not set targets for resource efficiency.



Performance indicators for criteria 11–12 (SRS)

Performance indicator SRS-301-3 (see G4-EN1)
Reclaimed products and their packaging materials.

The materials used directly in KGAL's business activities are of little relevance to the sustainability impact of KGAL. In terms of these materials the main consideration is paper, which is sourced in FSC or PEFC-certified quality as standard.

Performance indicator SRS-302-1 (see G4-EN3)
Energy consumption within the organization.

In 2016, KGAL consumed 737,742 kWh of electricity at its site, of which 691,717 kWh was green energy.

Performance indicator SRS-302-4 (see G4-EN6)
Reduction of energy consumption.

KGAL has taken all necessary measures to minimise energy consumption at its head office. These include room lighting aimed at efficiency (replacement of incandescent bulbs with LEDs), energy-efficient electrical devices including our own solar power installation on the roof of one of our buildings (output 81,686.37 kWh; average annual CO₂ saving: 48.15 t CO₂; CO₂ emissions saved in 2016: 43.05 t; CO₂ according to 2016 CO₂ Emissions Power Mix Germany: 0.527 kg/kWh).



Performance indicator SRS-303-1 (see G4-EN8)
Water withdrawal by source.

KGAL uses drinking water from the public water supply for sanitary purposes. The annual volume is approx. 3,000 m³. Sanitation wastewater flows into the public sewerage system.



*Performance indicator SRS-306-2 (see G4-EN23)
Waste by type and disposal method.*

The waste produced directly by KGAL's business activities is of little relevance to the sustainability impact of KGAL. It includes domestic-type commercial waste, which is disposed of by the local authority. An annual volume of approximately 225 m³ is produced, corresponding to approximately 225 t.



Industry-specific supplementary provisions 11–12

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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13. Climate-related emissions

The company discloses greenhouse gas (GHG) emissions in accordance with the Greenhouse Gas (GHG) Protocol or standards based upon this protocol and states its self-defined targets for reducing emissions.

In order to prevent unnecessary business trips, all business trips must be approved by the Management Board according to a work instruction. KGAL employees no longer automatically receive a company car. There is an option to rent a car for private use through a company rental scheme. The company car regulation clearly states, however, that only vehicles with a maximum CO₂ emission of 175 g/km can be selected. KGAL pays an environmental subsidy for company cars ordered before 31 December 2017: KGAL will pay €100 per month towards the rental rate for three years for cars with emissions of 100g/km or less according to the manufacturer's specification.

In 2016, KGAL held the "Cycle Challenge" for the first time. This internal competition motivated KGAL employees to cycle to work instead of taking the car: they easily managed to beat the target of 40,000 km, clocking up an impressive 63,673 km. A total of 70 employees took part in the challenge.

KGAL has not set specific targets for the reduction of harmful emissions, as the emissions directly related to its business activities are negligible.

At single asset level, individual optimisation goals are set in order to enhance the value of the asset. These also include investments in energy efficiency measures that reduce the asset's CO₂ emissions. However, because of the number and diversity of assets, this is not cumulative at company level.

With regard to the use of renewable energies, we refer to performance indicator SRS-302-1 Energy consumption within the organisation and to KGAL's own solar power installation, which is used to provide more than 1/10 of our electricity consumption. For our remaining electricity needs, we are a customer of Elektrizitätswerke Schönau (EWS). The power generation at EWS comprises 19.8% renewables supported, in accordance with the Renewable Energy Act (EEG), by 79.8% from other

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renewables and just 0.4% from natural gas.



Performance indicators for criterion 13 (SRS)

Performance indicator SRS-305-1 (see GH-EN15)
Direct (Scope 1) GHG emissions.

GHG emissions (Scope 1) produced directly by KGAL's business activities are of no relevance to the sustainability impact of KGAL.

Performance indicator SRS-305-2 (see G4-EN16)
Energy indirect (Scope 2) GHG emissions.

GHG emissions (Scope 2) produced indirectly by KGAL's business activities are of no relevance to the sustainability impact of KGAL.

Performance indicator SRS-305-3 (see G4-EN17)
Other indirect (Scope 3) GHG emissions.

We have only indirect and very limited influence on the climate impact of our investments (Scope 3). By taking account of minimum legal requirements and by working on technological measures which go beyond these requirements, we do however have some (though also limited) influence on the energy consumption and other environmental impacts of our real estate investments and on the fuel emissions from the aircraft we have financed.



Performance indicator SRS-305-5 (see G4-EN19)
Reduction of GHG emissions.

The GHG emissions that can be reduced within the course of our business activity are negligible. Our investments in renewable energies do, however, have a positive influence: The wind farms and solar power plants which we financed in 2016 made it possible to supply 445,175 households with “green” energy from an output of 1,551,610 MWh. This results in a CO₂ saving of 830,111 t CO₂ according to the German power mix.

In 2016, KGAL established its fourth Enhanced Sustainable Power Fund (ESPF 4) and therefore its market position in this segment across Europe. The new Fund 4 offers institutional investors the chance to benefit from existing growth opportunities and the stability of renewables. The investment strategy focuses primarily on the entire spectrum of the value chain in the areas of wind power, photovoltaics, hydroelectric power and other renewable energy technologies. While investments in the development and construction phase should be made in mature markets, brownfield investments in growth markets round off the portfolio. The fund has a target volume of €500 million and is structured for institutional investors.

Energy optimisation offensives launched in 2016 enabled real estate asset management in the KGAL Group to reduce energy consumption costs and emissions. Efficient interventions into existing energy supply contracts and optimisation of technical facilities, targeted “energy contracting” and blanket procurement of green electricity allowed, for example, a total reduction in electricity costs of 32%. KGAL owns 15 commercial properties across Germany, with a total area of 270,000 m², which were the subject of the energy optimisation drive.



Industry-specific supplementary provisions 13

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

...

Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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Criteria 14–20 for SOCIAL

Criteria 14–16 for EMPLOYEE INTERESTS

14. Employee rights

The company reports on how it conforms to national and internationally recognised employee rights standards and how it supports the involvement of employees in the company and in the company's sustainability management; which goals it sets in doing so, which results have been achieved to date and where it sees risks.

Our 335 employees (2016) and their ideas, expertise and motivation have brought us to where we are today. They are the most important factor in our success. Commitment is a product of satisfaction. That is why we focus not only on attractive remuneration systems, but also firmly on qualifications and training for our employees. By continuing to offer appealing concepts in the future, we can respond to rising market and investor demands.

KGAL is only active in high-income European OECD countries (Germany, Italy, Austria, UK). The 2% of our employees who are not employed in Germany enjoy a high standard of statutory employment rights in the UK, Austria or Italy.

As a company almost entirely domiciled in Germany, KGAL is subject to German law, and consistently applies its provisions with regard to employment law and co-determination law. Management maintains regular, targeted dialogue based on trust with the Works Council established in accordance with the Works Constitution Act. The Works Council is involved in all relevant issues at an early stage. KGAL commits itself to the ten principles of the UN Global Compact. Six of these principles relate directly to the consideration of human rights and labour standards in our business activity.

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KGAL sees these principles as a framework within which it defines its actions at all times, as a financial service provider with responsibilities to customers, as an employer with responsibilities to employees and as a “corporate citizen” with responsibilities to society. In light of this, KGAL commits itself to the core requirements of the International Labour Organization.

The sustainability officer regularly notifies employees about current developments via the intranet. KGAL employees also have the opportunity to present their ideas on sustainability by talking directly to sustainability officers and via the Works Council.

15. Equal opportunities

The company discloses how it implements national and international processes; what goals it has with regard to promoting equal opportunities and diversity, occupational health & safety, co-determination, integration of migrants and people with disabilities, fair remuneration and work-life balance agreements; and how it implements them.

At all our locations, the valid legal provisions form the basis of equal opportunities and diversity, occupational health and safety, integration of migrants and people with disabilities, fair remuneration and work-life balance agreements.

In order to enhance the yield and therefore secure the competitiveness and future of KGAL, our corporate and management culture and our operating processes are aimed at the promotion and utilisation of individual potential, especially with respect to diversity based on gender, age and nationality.

As a first step towards implementing these projects, KGAL signed the “Diversity Charter” in 2016 – in order to affirm that there is no place at the company for discrimination of any kind. Alongside this, a change management project has been launched which looks at the management and company culture as a whole, for example in terms of diversity.



The mental and physical health of employees lies at the heart of all KGAL activities. KGAL willingly goes beyond its legal requirements in how it treats employees, for example the “Balanced Working” project was created to develop a holistic and effective stress management system. The first selected measures have already been implemented.

But healthy eating is also essential to maintain a good work-life balance, so for a flying start to the day, KGAL offers its employees a varied breakfast buffet in the company restaurant, with chopped fruit, a variety of mueslis, freshly squeezed juices and open sandwich rolls. At lunchtime, the chefs provide a wide selection of dishes including vegetarian meals as well as fish and meat dishes. An extensive salad bar is also available every day. In general, we run a sustainable kitchen using regional and seasonal ingredients. The canteen food is subsidised by the company. Free coffee and water are also on offer in the numerous staff kitchen areas. A vending machine is available throughout the day for a quick snack.

KGAL also offers its workforce a wide range of sporting activities. We have a long-standing arrangement with a fitness studio whereby in the evenings, or even at lunchtimes, employees can attend subsidised fitness studio courses, or attend running groups with a professional trainer twice a week. KGAL also runs a free weekly course in its yoga room with a qualified trainer. In addition, KGAL offers its employees free Milon Circuit training once a year in the neighbouring fitness studio.



16. Qualifications

The company discloses which goals it has set and what measures it has taken to ensure employability, i.e. for all employees to be able to participate in a working and professional environment; to adapt this with respect to demographic trends; and to disclose where the company sees risks.

An all-encompassing training concept was created in 2015. The requirement for qualifications – which should be available to all employees – was determined and prioritised. Individual training courses (internal and external) for employees are also set out in writing in the annual employee appraisal.

Since 2015, KGAL has offered three trainees the opportunity to gain initial work experience. In addition to this, a number of KGAL employees have been mentors to Deutschlandstipendium (scholarship for high-achievers) recipients at the University of Augsburg over the past few years.



Performance indicators for criteria 14–16 (SRS)

Performance indicator SRS-403-2 (see G4-LA6)
Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities.

For data protection reasons, KGAL does not communicate figures on types of injury or occupational diseases. In 2016, one employee was injured during working hours, which resulting in a total of one lost working day.

Performance indicator SRS-403-4 (see G4-LA8)
Health and safety topics covered in formal agreements with trade unions.

Health and safety topics are covered by company management and the KGAL Works Council pursuant to the requirements of the Works Constitution Act. An occupational health and safety committee meets on a regular basis.

Performance indicator SRS-404-1 (see G4-LA9)
Average hours of training per year per employee.

In total, 47 internal and 110 external hours of training were held for employees.



Performance indicator SRS-405-1 (see G4-LA12)
Diversity of governance bodies and employees.

	Governance body “Supervisory Board”	Employees
Gender		
female	-	53%
male	100%	47%
Age groups		
20–34	-	13%
35–49	25%	61%
50–65	50%	26%
over 65 years	25%	-
Nationality		
only German nationals	50%	92%
non-German	50%	08%

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*Performance indicator SRS-406-1 (see G4-HR3)
Incidents of discrimination and corrective actions taken.*

There were no incidents of discrimination in the 2016 fiscal year.



Industry-specific supplementary provisions 14-16

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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Criterion 17 on HUMAN RIGHTS

17. Human rights

The company discloses the measures, strategies and objectives which are employed by the company and its supply chain to highlight the issue of human rights worldwide, and to prevent forced and child labour as well as any form of exploitation. The results of the measures and any risks must also be addressed here.

KGAL is active exclusively in high-income OECD countries with very high labour law standards. Forced labour or child labour and exploitation are prohibited by law in these countries. KGAL requires a contractual commitment from its suppliers to comply with the relevant legislation and to observe the principles of the UN Global Compact.



Performance indicators for criterion 17 (SRS)

Performance indicator SRS-412-3 (see G4-HR1)
Significant investment agreements and contracts that include human rights clauses or which have undergone human rights screening.

KGAL does not invest in assets or real estate in countries suspected of human rights violations.

Performance indicator SRS-412-1 (see G4-HR9)
Operations that have been subject to human rights reviews or impact assessments.

As of 2016, KGAL's business sites were located in Germany, Austria, Italy and UK, which is why these have not been audited with regard to human rights or human rights impacts.

Performance indicator SRS-414-1 (see G4-HR10)
New suppliers which have been screened using social criteria.

All new suppliers for which there is even the slightest possibility that environmental and human rights issues could be relevant are audited with regard to compliance with the ten principles of the UN Global Compact.

Performance indicator SRS-414-2 (see G4-HR11)



Negative social impacts in the supply chain and actions taken.

We only source the goods and services required for our business activities from companies domiciled in Germany. All our suppliers for which there is even the slightest possibility that environmental and human rights issues could be relevant are obliged to commit their upstream suppliers to meet our supplier requirements with regard to sustainability. We therefore assume that there are no actual or potential negative impacts on human rights – or no impacts that we can influence – arising from our procurement activities.



Industry-specific supplementary provisions 17

Industry-specific supplementary provisions Heading I

Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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Criterion 18 on SOCIAL ISSUES/COMMUNITY

18. Community

The company discloses how it contributes to the community in the regions in which it performs most of its business operations.

The actual business activity of KGAL contributes directly to the community in Germany. From financing of residential or office buildings, neighbourhood hubs or shopping centres, wind farms or solar power plants, through to hydroelectric plants and aircraft, all investments are directly linked to people's demand for homes, employment, transport or sustainable energy generation options.

As one of the largest tax payers in the Grünwald municipality (indirectly via the managed special investment vehicles and holding companies), our taxes directly finance the various social and cultural programmes offered by the municipality.

KGAL itself launches "social fund" projects which our employees volunteer to become involved with. Each employee also has the opportunity to attend a "social day" once a year during working hours. Social days are organised by our HR department – social facilities are given the opportunity to request a certain number of employees to support the facilities for a full day. The activities range from painting work in a children's hospital to organising and attending Christmas parties for blind senior citizens. KGAL thereby supports selected charities that require specific assistance. In 2016, three social days were held, in which a total of 24 employees participated. More details can be found here: https://www.kgal.de/unsere_unternehmensgruppe/gesellschaftliches_engagement.html



Performance indicators for criterion 18 (SRS)

Performance indicator SRS-201-1 (see G4-EC1)
Direct economic value generated and distributed.

In 2016, the KGAL yield from service provision and brokerage was around €59 million. KGAL paid €44 million in loans and salaries, and almost €14 million in non-personnel costs. Taxes and contributions of more than €1.8 million were paid.



Industry-specific supplementary provisions 18

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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Criteria 19–20 for COMPLIANCE

19. Political influence

All material input into the legislative process, all entries in lobby registers, all significant membership fees paid, all contributions to governments and all donations to parties and politicians should be disclosed according to country.

As a company active in the capital market (with two regulated subsidiaries), all legal requirements (the most important being KAGB (German Capital Investment Act), KWG (German Banking Act), WpHG (German Securities Trading Act), GwG (German Money Laundering Act)) are of key importance to KGAL. We carefully track the development of these provisions without having a direct influence on them.

KGAL has no direct influence on political decision makers or political decisions. KGAL is a member of the following associations: BSI Bundesverband Sachwerte und Investmentvermögen e.V., BDL Bundesverband Deutscher Leasing-Unternehmen e.V., INREV European Association for Investors in non-listed Real Estate Vehicles, ACSC Austrian Council of Shopping Centers and BAI Bundesverband Alternativer Investments. Some of these associations make contributions in connection with responses to draft legislation within the remit of their statutory activities and monitoring of this legislation through the relevant association bodies.

KGAL makes no payments to political parties, party institutions, politicians or governments.



Performance indicators for criterion 19 (SRS)

Performance indicator SRS-415-1 (see G4-S06)
Political contributions.

KGAL does not make donations to political parties or related institutions, nor does it indirectly sponsor political parties or related institutions. Payments to political parties or related institutions are expressly forbidden in the KGAL guidelines on donations, sponsoring and memberships.



Industry-specific supplementary provisions 19

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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20. Conduct compliant with laws and directives

The company discloses which measures, standards, systems and processes are in place to prevent illegal conduct and especially corruption; how they are reviewed; the results of these processes; and where the risks lie. It sets out how corruption and other legal violations are prevented, detected and penalised in the company.

The KGAL Group has established standards and guidelines that help prevent illegal conduct throughout the Group, in particular corruption and other punishable acts. A Code of Conduct is in place to govern issues such as integrity and prevention of entanglement in illegal acts, as well as professional impartiality. In order to give employees a reliable framework for the acceptance and presentation of gifts, dinner invitations and invitations to events, a corresponding work instruction has been approved in accordance with the legal standards. The anti-money laundering officer or central office is involved in this. The validity and operational implementation of these requirements are reviewed on a regular basis by the compliance/anti-money laundering department. This department is also directly involved in operational processes through the corresponding process requirements, in order to ensure that all relevant processes are constantly monitored with regard to compliance aspects.

Regular and one-off training sessions on the standards and their practical application are held with employees.

As part of its regulatory function, Internal Auditing reviews compliance with the aforementioned standards and the process requirements defined for their implementation.

Illegal conduct by employees is not tolerated and is always prosecuted. The KGAL Group also performs due diligence in selecting business partners and in existing business relationships with regard to their integrity.



Performance indicators for criterion 20 (SRS)

Performance indicator SRS-205-1 (see G4-SO3)
Operations assessed for risks related to corruption.

Corruption risks at KGAL locations are assessed by KGAL Internal Auditing as required or in the course of its normal business.

Performance indicator SRS-205-3 (see G4-SO5)
Confirmed incidents of corruption and actions taken.

There were no corruption cases or cases of suspected corruption in the report year.

Performance indicator SRS-419-1 (see G4-SO8)
Non-compliance with laws and regulations in the social and economic area.

In the reporting year, KGAL did not have to pay any fines or non-monetary penalties as a result of non-compliance with laws and provisions.



Industry-specific supplementary provisions 20

Industry-specific supplementary provisions Heading I

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Industry-specific supplementary provisions Content I

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Industry-specific supplementary provisions Heading II

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Industry-specific supplementary provisions Content II

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