

# Sustainability Report

for the calendar year 2021

1 January 2021 to 31 December 2021



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# 1 Foreword of the Management Board

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Dear shareholders and business partners,

Dear Sir or Madam,

Deutsche Konsum REIT-AG ("DKR") has recorded consistently strong, value-enhancing growth since commencing operations in 2014. The Company now holds a real estate portfolio of retail properties for daily needs in 185 locations in Germany with a rental area of approx. 1,087,000 sqm, which currently generates annualised rents of nearly EUR 77 million and is valued at over EUR 1.1 billion (as of 30 September 2022). DKR is a German REIT and listed on the regulated market (Prime Standard) of Deutsche Börse. The market capitalisation is currently around EUR 300 million. Deutsche Konsum is currently the employer of 20 internal and external employees (as of 30 September 2022).

In each of the last two calendar years, we have submitted a report on environmental ("E"), social ("S") and Corporate Governance ("G") aspects ("ESG Report"), thus committing ourselves to sustainable corporate development. With success – last year we received the "EPRA sBPR Silver Award" and the "EPRA sBPR Most Improved Award" for our non-financial reporting. We see this as confirmation of our course of transparent ESG reporting and would like to present to you, ladies and gentlemen, the most recent development of the Company in the area of sustainability on the basis of our "ESG Report" for the calendar year 2021.

As a long-term and defensively oriented owner of local supply properties, it is part of our DNA to act sustainably, both economically and ecologically, and to find a suitable balance between both objectives. In addition, we are committed to using the manpower and financial resources provided by our employees and shareholders in a responsible manner. In this respect, we as DKR's Management Board are committed to sustainable Corporate Governance and will continue to implement meaningful improvement steps on an ongoing basis.

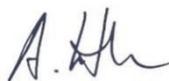
Potsdam, November 2022,

With kind regards,



**Rolf Elgeti**

Chairman of the  
Management Board (CEO)



**Alexander Kroth**

Member of the  
Management Board (CIO)



**Christian Hellmuth**

Member of the  
Management Board (CFO)

## 2 A sustainable business model

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Deutsche Konsum REIT-AG, with its registered office in Broderstorf, is a REIT ("Real Estate Investment Trust") specialising in retail properties for daily needs. The Company's shares (ISIN DE000A14KRD3) are traded in the Prime Standard of Deutsche Börse as well as on the Johannesburg Stock Exchange (South Africa) by way of a secondary listing. The steadily growing retail portfolio is located exclusively in Germany and, on a pro forma basis, currently comprises 185 properties with a lettable area of over 1,087,000 sqm.

The corporate strategy is long-term and defensive. It is based on sustainable portfolio management of retail properties for everyday consumer goods ("basic retail"). The focus is on good micro-locations in regional areas and medium sized cities across Germany, where market prices are more stable than in the major cities. By investing in real estate that is not of interest to large institutional and small private investors, DKR invests in a niche with an attractive risk/reward profile. As a result, it continues to be able to achieve annual acquisition yields of between 8% and 10%. The large number of individual locations also results in broad risk diversification of the overall portfolio.

The Company currently considers around 80% of the rental income to be non-cyclical and therefore very sustainable. DKR's largest tenant group is made up of well-known and highly creditworthy food retailers, which generate almost 41% of the portfolio rent. Among the non-cyclical tenants, DIY stores follow, representing around 13% of rental income, and so-called non-food discounters, which account for over 10% of rental income. They are accompanied by other non-cyclical tenants (e.g. residential or public sector), which account for a good 10% of the portfolio rent, and the health care sector, which generates around 5% of the Company's total rent. Around 20% of the portfolio rent comes from cyclical retail tenants, which can be assigned to the electronics, textiles, furniture or gastronomy sectors, for example. Due to the low cyclical sensitivity of tenants with basic supply functions, no significant rent losses were recorded during the Corona pandemic. In the meantime, the rent collection rate is close to 100%.

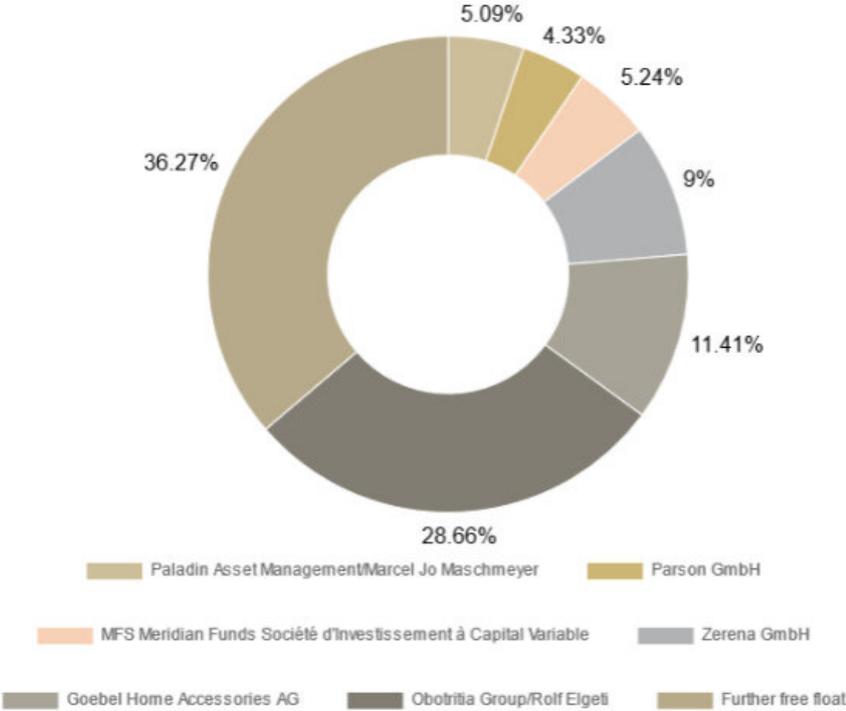
A professional asset and portfolio management of the properties adds additional value. The goal is to retain tenants while increasing the value of the properties over the long term.

At the same time, DKR uses the option of debt financing for acquired properties and generally finances its various retail properties at attractive interest rates. The average cost of debt is currently less than 2.0% p.a. Further sources of financing exist through raising equity capital on the capital market as well as through the issuance of secured and unsecured debt instruments.

The combination of the very simple and low-cost corporate structure and the advantages of the REIT status results in attractive and sustainable dividend distributions for shareholders.

DKR's shareholder structure is characterised by a high degree of consistency among the anchor shareholders and is structured as follows (as at 30 September 2022):

### Shareholder structure



Total number of voting rights: 35,155,938

Obotritia Group: 27.94%

Free Float as defined by "Guide to the DAX Equity Indices": 45.84%

Free Float pursuant to the German REIT Act: 36.27%  
(incl. rounding differences)

## 3 Sustainability as part of the corporate strategy

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As a sustainably and responsibly operating real estate company, DKR has set itself the target to bring economic activity in line with ecological and social responsibility. DKR bases its sustainability activities on the national and international sustainability standards and guidelines of the Global Reporting Initiative (GRI), the European Real Estate Association (EPRA) and the "Zentraler Immobilien Ausschuss" (ZIA). DKR also follows the recommendations of the Government Commission on the German Corporate Governance Code (DCGK).

How the issue of sustainability is handled at DKR in relation to the individual "ESG" topics is shown below.

### 3.1 Environment ("E")

#### Real estate portfolio

After the acquisition of purchased properties, existing supply contracts are reviewed to identify potential for savings and sustainability. An essential factor is the purchase of electricity. In many cases, the energy supply of the individual properties can be switched to an environmentally friendly electricity supplier with whom a framework agreement exists for the supply of sustainably produced electricity for the DKR portfolio. This switch in energy supply to "green" electricity from renewable sources alone therefore already saves a significant proportion of CO<sub>2</sub> emissions.

In addition, DKR strives to offset a steadily growing proportion of the CO<sub>2</sub> emissions caused by the use of gas heating. This is done by supporting certified climate protection projects. The auditing and certification of the projects is carried out by independent auditors.

Furthermore, the roofs of a portion of the property portfolio are used to operate photovoltaic systems. The CO<sub>2</sub>-neutral electricity that is produced is either used directly by the tenants of the respective buildings or fed into the general power grid. Due to the strong growth of the real estate portfolio, the use of additional roof areas has great potential to increase the profitability of the buildings and reduce greenhouse gas emissions. Concrete steps are already at an advanced stage of planning.

The EU Directive of 30 May 2018 on the Energy Performance of Buildings includes sections on the promotion of e-mobility. The Act on the Construction of a Building-Integrated Charging and Line Infrastructure for Electric Mobility ("Gebäude-Elektromobilitätsinfrastruktur-Gesetz" - GEIG), which was passed on 24 March 2021, stipulates that a charging point for electric vehicles must be installed on non-residential buildings (existing properties) with more than 20 parking spaces by 1 January 2025.

Since DKR's retail properties are generally accessible by car, the owners and landlords consequently support e-mobility by installing e-charging points and thus indirectly contribute to reducing greenhouse gas emissions. At the same time, the implementation of such a project preserves the attractiveness and sustainability of retail locations, which in turn has a positive impact on the tenants.

In addition, the strict regulations of the Energy Saving Ordinance (“Energieeinsparverordnung” - EnEV) must be observed for any large-scale modernisation and revitalisation as well as for new constructions. This ensures a high degree of efficiency improvement in energy consumption. For example, within the DKR portfolio, a newly built supermarket building in Bitterfeld has a Green Building certification.

### **Headquarters**

DKR also uses a CO<sub>2</sub>-neutral energy supply for the offices in its headquarters and energy-saving technologies, such as LED lighting and a modern, energy-efficient IT infrastructure. Furthermore, recycled paper is used for all printed matter, and multipage and duplex printing ensures the smallest possible print volume.

Additionally, business trips are reduced to a minimum and meetings are replaced by virtual conferences where possible. In addition, air travel will be replaced by climate-friendly train travel where possible. Employees are encouraged to use public transport for their way to work. A low-consumption pool vehicle is available for trips to property visits, which is used by several employees.

## **3.2 Social Aspects ("S")**

### **Health and Security**

DKR guarantees occupational safety and ergonomic working conditions for its employees. To ensure this, regular workplace inspections are carried out by DEKRA. In addition, there are inspections and training courses regarding fire protection and first aid measures.

DKR also offers its employees additional benefits, such as group accident insurance for employees with 24-hours coverage for occupational, travel and leisure accidents. In addition, there is extensive insurance coverage for the use of the pool vehicle as well as a free supply of fruit and drinks at the workplace.

### **Diversity**

When recruiting personnel, DKR also pays attention to diversity and strives to achieve a balanced mix of suitable male and female applicants. Nevertheless, the decisive criteria for filling positions are qualification and suitability, irrespective of gender.

### **3.3 Governance ("G")**

DKR is guided by the latest recommendations of the German Corporate Governance Code ("DCGK") and, in accordance with Article 161 of the German Stock Corporation Act, issues annual declarations of conformity, which are accessible on the website. DKR also complies a large proportion of the recommendations, if they can be applied meaningfully.

DKR strives to achieve the highest possible degree of transparency in its reporting. As a result, DKR shares have been listed voluntarily for over five years in the Prime Standard, the highest transparency level of Deutsche Börse AG. This includes the publication of regular annual and quarterly financial statements in German and English within the periods stipulated by the stock exchange regulations. In addition, DKR makes all relevant data for each individual property in its real estate portfolio available on its website on an ongoing basis.

Given its status as a REIT, DKR is also obliged to comply with the REIT criteria under the German REIT Act, which lays the foundations for sustainable investment, particularly in terms of free float, debt ratio and dividend distribution.

As an EPRA member, DKR supports EPRA's transparency and comparability initiative and publishes all relevant EPRA key figures in accordance with the guidelines. DKR has received two silver awards for the last four annual reports and most recently the gold award twice.

## 4 Sustainability reporting according to EPRA

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The European Public Real Estate Association (EPRA) is a non-profit organisation that represents the interests of European listed real estate companies and uses guidelines which promote uniform and easily comparable reporting. As an EPRA member, DKR feels obliged to prepare its Sustainability Report in accordance with the Best Practices Recommendations for sustainability reporting (EPRA sBPR) and to present the recommended key figures as comprehensively as possible.

DKR's Sustainability Report for the calendar year 2020 was awarded the "EPRA sBPR Silver Award" and the "EPRA sBPR Most Improved Award" by EPRA.



The reporting is divided topically into the areas of environment ("E"), social affairs ("S") and governance ("G").

### Reporting principles

#### 4.1 Organisational Boundries

DKR has full operational control over all properties whose data is examined in this Sustainability Report.

#### 4.2 Reporting period

Unless otherwise indicated, all data and information relate to the reporting period from 1 January 2021 to 31 December 2021 and the corresponding preceding reference year 2020.

### **4.3 Scope of the database**

#### **Environmental indicators ("E") in relation to the real estate portfolio**

The consumption figures in this report relate fundamentally to all properties for which the transfer of benefits and encumbrances in favour of DKR had taken place by 31 December 2021. As of the reporting date, the portfolio for this Sustainability Report comprised 173 properties with a rental area of approx. 1,023,410 sqm and a balance sheet value of approx. EUR one billion.

The key figures were collected from the best possible data available. This includes mainly data on electricity, water, waste and fuel consumption for which DKR is responsible as landlord and which often relates to the common areas in a building. On the other hand, due to insufficient data, it is not possible to provide information on electricity consumption, which is explicitly attributed to heating and cooling purposes. In addition, no information can be provided on the respective electricity and water consumption of the tenants, as this is the responsibility of the tenants and DKR does not receive any data in this regard.

In order to improve the comparability of the data, the consumption figures are compared year on year on a "like for like" basis ("LFI") in addition to the absolute consumption figures. The determining key figures correspond to a portfolio that is composed in the same way at the respective reporting date. Portfolio changes due to acquisitions or sales within the reporting period are therefore not included in the analysis. The LFI portfolio therefore only includes those properties that were part of the portfolio as of both the reporting date of December 31, 2020 and December 31, 2021.

The LFI-portfolio comprises 163 properties with a cumulative rental space of 915,388 sqm and a total market value of EUR 845,1 million.

#### **Environmental indicators ("E") relating to the administrative operations of the Company**

DKR's office and administrative space is used under a sublease agreement with the Group's parent company Obotritia Capital KGaA, based in Potsdam. In order to determine DKR's share of the total consumption of office space, a distribution key of 13% was determined based on rental space use, which DKR uses in proportion to the total area of the office premises. The data is mainly derived from the operating cost accounts for the rented offices.

#### **Social Performance Figures ("S")**

The performance figures were generated from evaluable internal data.

#### **Governance ("G")**

With reference to the key figures in this Sustainability Report, the information provided corresponds to the Corporate Governance Report and the declaration on Corporate Governance of DKR. Further details on this topic can be found in the corresponding annual report of DKR.

#### **4.4 Use of standardised performance measures**

In order to measure and present changes in efficiency in environmental indicators, DKR always calculates the respective consumption figures in relation to the rental space.

Therefore, the corresponding total consumption (in the respective unit) is divided by the rental space of the reporting portfolio.

Social indicators relate to statements regarding employee health and safety at work and are determined as follows:

- Injury rate = number of reported injuries / total number of working days
- Lost day rate = number of days lost (three days or more) due to injuries on workplace / total number of working days
- Absentee rate = number of days absent due to illness / total number of working days x number of employees

#### **4.5 Estimations**

For all consumption data regarding water, fuel and electricity, data is available that represents a large part of the DKR portfolio in the respective year. The remaining consumption data was approximated on the basis of the given data and their intensity. The greenhouse gas emissions determined on the basis of the consumption data correspond to projections calculated using the emission factors reported by the Federal Environment Agency (Umweltbundesamt).

#### **4.6 Segmental analysis**

The real estate portfolio consists exclusively of retail properties with a variety of rental agreements comprised of the same retail chains and is therefore very homogeneous. For this reason, no segments were formed in this Sustainability Report.

## 5 EPRA sBPR performance measures and explanations

### 5.1 Environmental performance indicators of the DKR's real estate portfolio

No.	EPRA Code	GRI	Indicators	Units of measures	2020	2021	% Change
<b>Energy indicators</b>							
4.1	Elec-Abs	302-1	Electricity	kWh	12,685,741	13,354,435	25.27%
4.2	Elec-LfL	302-1	Electricity	kWh	12,685,741	12,560,139	-0.99%
			Percentage of renewable sources	%	n/a	n/a	-
4.3	DH&C-Abs	302-1	Indirect electricity consumption due to heating and cooling	kWh	n/a	n/a	-
4.4	DH&C-Abs	302-1	Indirect electricity consumption due to heating and cooling	kWh	n/a	n/a	-
			Percentage of renewable sources	%	n/a	n/a	-
4.5	Fuels-Abs	302-1	Fuel consumption	kWh	69,622,930	80,655,512	15.85%
4.6	Fuels-LfL	302-1	Fuel consumption	kWh	69,622,930	69,189,221	-0.62%
			Percentage of renewable sources	%	n/a	n/a	-
4.7	Energy-Int	CRE1	Energy intensity	kWh/m <sup>2</sup> /a	84.53	87.09	3.03%
4.8	GHG-Dir-Abs	305-1	Dir. GHG emissions	tCO <sub>2</sub>	8,021.6	9,921.8	23.69%
4.9	GHG-Indir-Abs	305-2	Indir. GHG emissions	tCO <sub>2</sub>	14,941.7	16,543.3	10.72%
4.10	GHG-Int	CRE3	GHG emissions intensity	tCO <sub>2</sub> /m <sup>2</sup> /a	0.0251	0.0259	3.08%
<b>Water indicators</b>							
4.11	Water-Abs	303-1	Water	m <sup>3</sup>	21,113	23,729	12.39%
4.12	Water-LfL	303-1	Water	m <sup>3</sup>	21,113	21,227	0.54%
4.13	Water-Int	CRE2	Water intensity	m <sup>3</sup> /m <sup>2</sup> /a	0.023	0.023	0.53%
<b>Waste indicators</b>							
4.14	Waste-Abs	306-2	Waste weight	t	144	162	12.39%
4.15	Waste-LfL	306-2	Waste weight	t	144	144	0.00%
<b>Certifications</b>							
4.16	Cert-Tot	CRE8	Certification	# Certificates	1	1	0.00%

#### Energy and greenhouse gas emissions

The significant increase in absolute consumption in the categories electricity consumption (Elec-Abs) and fuel consumption (Fuels-Abs) mainly results from the strong acquisition-related corporate and portfolio growth. Accordingly, the property portfolio grew by more than 106,000 sqm or approx. 11.6% rental space in the reporting year 2021. It should be mentioned that the vacancy rate of the DKR portfolio increased slightly in calendar year 2021 compared to the previous year due to the acquisition of properties with higher vacancy rates and the revitalisation of some existing properties. The fact that consumption within individual properties sometimes fluctuates strongly year-on-year is in most cases due to the fact that the tenancies in the corresponding multi-tenant properties have changed between the two reporting dates.

To calculate the direct CO<sub>2</sub> emissions resulting from the heat generation in the individual properties, the emission factors for natural gas and heating oil (light), which are shown by the Federal Environment Agency ("Umweltbundesamt"), were used. This results in direct CO<sub>2</sub> emissions of around 9,922 tonnes of CO<sub>2</sub> for the properties considered in 2021. Compared to the previous year, direct CO<sub>2</sub> emissions have increased in line with the portfolio growth.

Indirect CO<sub>2</sub> emissions result from the electricity consumption of the portfolio and the amount of heat purchased via district heating. If the total electricity consumption of the portfolio in 2021 of 13,354,435 kWh is converted into CO<sub>2</sub> emissions, this results in CO<sub>2</sub> emissions of approximately 5,609 tons. The 163 properties considered in 2020 caused CO<sub>2</sub> emissions of approximately 4,643 tons due to the electricity consumed.

For the conversion of the consumption data, CO<sub>2</sub> conversion factors published by the Federal Environmental Agency for the German electricity mix of 420 g/kWh (2020: 366 g/kWh) were used. During the reporting period, 15 properties were heated via district heating, resulting in CO<sub>2</sub> emissions of around 10,934 tons CO<sub>2</sub> in 2021. In total, this results in CO<sub>2</sub> emissions of indirect emissions of approx. 16,543 tons.

The portfolio in 2021 generated CO<sub>2</sub> emissions of 25.9 kgCO<sub>2</sub> per sqm of floor space (GHG-Int) using the previously mentioned data basis. In comparison, the CO<sub>2</sub> efficiency fell by 3.08% compared to the previous year (25.1 kgCO<sub>2</sub>/m<sup>2</sup>). This value is significantly influenced by the building types acquired in the last financial year, which each have different levels of efficiency.

## **Water**

The water consumption (Water-Abs) of the entire portfolio has increased by 12.39% in the reporting period, which is due to the portfolio growth. The absolute water consumption of the LfL portfolio in 2021 remained largely constant, as did water efficiency.

Water efficiency refers to the annual absolute water consumption of the sub-portfolio per square metre of rental space in the sub-portfolio. A differentiation by water source, as described in the EPRA Guidelines, cannot be made.

## **Waste**

A total waste volume of 162 tons was determined for the year 2021. The increase in waste volumes by approx. 12.4% (approx. 18 tons of waste) can be explained accordingly by the portfolio growth.

In relation to the LfL comparison, the generated waste volume remains almost unchanged.

## **Certifications**

For the new construction of the REWE store in Bitterfeld there is a green building certificate in gold from the DGNB. The property was already certified in 2016.

## 5.2 Environmental performance indicators of headquarters

Regarding the environmental performance measures of the headquarters in August-Bebel-Straße 68 in 14482 Potsdam (office use), the following indicators can be presented:

EPRA-Code	Indicators	Units of measures	2019	2020	% Change
<b>Energy indicators</b>					
Elec	Absolute electricity consumption	kWh	1,353.19	1,413.24	4.44%
	Percentage of renewable energies	%	100%	100%	0.00%
DH&C	Indirect electricity consumption due to heating & cooling	kWh	n/a	n/a	-
	Percentage of renewable energies	%	n/a	n/a	-
Fuels-Abs	absolute fuel consumption	tCO <sub>2</sub>	8,047.89	8,009.14	-0.48%
Energy-Int	Energy intensity	kWh/m <sup>2</sup>	106.66	106.90	0.23%
	Heating & cooling		n/a	n/a	-
GHG-Dir-Abs	CO <sub>2</sub> -emission	tCO <sub>2</sub>	-	-	-
GHG-Indir-Abs	CO <sub>2</sub> -emission	tCO <sub>2</sub>	1.4343	1.4047	-2.07%
GHG-Int	CO <sub>2</sub> -efficiency	tCO <sub>2</sub> /m <sup>2</sup>	0.0163	0.0159	-2.07%
<b>Water</b>					
Water-Abs	absolute water consumption	m <sup>3</sup>	-	14.91	-
	Thereof hot water	m <sup>3</sup>	-	1.63	-
Water-Int	Water efficiency	m <sup>3</sup> /m <sup>2</sup>	-	0.1691	-
<b>Waste indicators</b>					
Waste-Abs	Total weight of waste	kg	283.92	283.92	0.00%

Due to the delayed billing dates for electricity consumption and fuel consumption, the key figures for the reporting years 2019 and 2020 are shown regarding the environmental indicators of the administration. No documents/billings were available for the 2021 reporting year at the time this report was prepared.

Compared to the previous year, the electricity consumption increased by 4.4%. In both years, 100% green electricity was purchased from Stadtwerke Potsdam.

Fuel consumption as well as energy efficiency hardly changed year-on-year. Approx. 1.4 tons of CO<sub>2</sub> were emitted for the year 2020. Compared to the previous year, approx. 2.1% less CO<sub>2</sub> emissions were emitted. Accordingly, CO<sub>2</sub> efficiency has improved.

In 2020, approx. 14.9 m<sup>3</sup> of water was consumed. Of this, approx. 1.6 m<sup>3</sup> was hot water.

The corresponding consumption data was taken from the consumption billing of the entire office space and allocated to DKR on a pro rata basis.

Due to the lack of better measurability, the amount of waste produced was calculated from the operating costs statement, resulting in a roughly constant waste quantity of around 284 kg per year for DKR.

### 5.3 Social performance indicators

No.	EPRA Code	GRI	Indicators	Units of measures	2020	2021	% Change		
<b>Diversity</b>									
5.1	Diversity-Emp	405-1	Gender diversity of employees	in % male/female employees	Supervisory Board	total	6	6	0%
						thereof male	83%	83%	
					Management Board	total	3	3	0%
						thereof male	100%	100%	
			Administrative Employees	total	4	5	25%		
				thereof male	50%	60%			
5.2	Diversity-Pay	405-2	Pay-Ratio	Ratio of basic salary and remuneration	Supervisory Board		100%	100%	
					Management Board		100%	100%	
					Employees		n/a	n/a	
<b>Employees</b>									
5.3	Emp-Training	404-1	Employee training	Average number of hours	Hours per year	10	10	0%	
5.4	Emp-Dev	404-3	Employee performance appraisals	Percentage of employees, who have received a performance appraisal	in %	100%	100%		
5.5	Emp-Turnover	401-1	Employee turnover and retention	Turnover rate	New hires	Number of employees	5	7	40%
						in %	36%	28%	
					Turnover	Number of employees	2	7	250%
						in %	14%	28%	
<b>Health and safety</b>									
5.6	H&S-Emp	403-2	Employee health and safety	Injury, lost day and absentee rate	Absentee rate		0.95%	1.91%	101%
					Injury rate		0	0	0%
					Lost day rate		0	0	0%
					Work-related fatality		0	0	0%
5.7	H&S-Asset	416-1	Asset health and safety assessments		in % of properties	100%	100%	0%	
5.8	H&S-Comp	416-2	Asset health and safety compliance		Number of incidents of non-compliance with health and safety standards	0	0	0%	
<b>Community engagement</b>									
5.9	Comty-Eng	413-1	Community engagement, impact assessments and development programs		in % of properties	Local community involvement programs	0	0	0%

## **Diversity**

The Supervisory Board of DKR and the Management Board of the Company remained unchanged in both reporting periods, comprising six and three members respectively.

The performance indicator Diversity-Pay is not very significant due to the relatively small number of employees and the lack of management structures below the Management Board. However, it is a fundamental principle that all employees are paid regardless of gender based solely on their qualifications and suitability.

The compensation of the members of the Supervisory Board is not performance-related and is based on the functions of the members on the committee. The ratio of basic compensation to performance-related compensation at Management Board level largely complies with the recommendations of the DCGK (German Corporate Governance Code) and, depending on the degree of target achievement for the variable compensation components, amounts to at least 49% and 51% fixed/variable respectively. The compensation of the members of the Supervisory Board and Management Board of the Company can be found in the compensation report in the Annual Financial Statements of DKR.

## **Education and training**

External speakers are usually invited, and seminars organised for the further training and promotion of employees. In the reporting period, further education took place primarily online via video calls or webinars, due to the corona pandemic. Further education relates to topics such as data protection, the Money Laundering Act, insurance and operational security measures, as well as to topics related to operational business, such as building fire protection, operating costs, tenancy law and technical building equipment. In addition, coaching sessions are held to identify and promote the individual strengths and weaknesses of employees. This is also done for the members of the Management Board.

Additionally, each employee receives an annual feedback meeting. A specific performance assessment based on predetermined criteria or performance measures has not yet been carried out.

## **Employee turnover**

In 2021, a total of 7 new employees were hired, mainly in response to DKR's growing portfolio and business volume.

In addition to permanent employees, DKR's staff consists of interns and student trainees, which explains the fluctuation during the reporting period.

There were no work-related deaths, absences or injuries in either of the two reporting years. In 2021, there was an absence rate of approx. 1.91% due to illness.

## **Health and safety**

All existing properties in the DKR portfolio are regularly inspected for potential health or safety risks in accordance with legal requirements. All properties meet the relevant standards in terms of fire and elevator safety, indoor air quality and asbestos protection.

DKR has no reported incidents of non-compliance with regulations affecting health and safety at the reporting date.

## 5.4 Governance

No.	EPRA Code	GRI	Indicators	2020	2021
<b>Governance</b>					
			Number of Management Board members	3	3
			Number of Supervisory Board members	6	6
6.1	Gov-Board	102-22	Average term of office in Governance Body	Member of Management Board	5.0 years*
				Member of Supervisory Board	4.7 years*
			Management/Supervisory Board members with competence in environmental and social issues	0	0
6.2	Gov-Select	102-24	Selection and appointment procedure of the members of the Supervisory Board	All Supervisory Board members are elected by the shareholders at the Annual General Meeting. (For further information please see the Annual Report [page 8 ff.])	
6.3	Gov-Col	102-25	Procedure for the regulation of conflicts of interest	Conflicts of interest of members of the Management Board and Supervisory Board must be disclosed to the Supervisory Board without delay. In financial year 2020/2021 there were no conflicts identified.	

\* The average term of office refers to the period from the date of taking up office until the reference date 31 December 2021.

DKR is committed to good Corporate Governance as a central element of corporate management. The Management Board and Supervisory Board manage and lead the Company based on compliance with the law and extensive adherence to generally recognized standards and recommendations. These are based on the values of competence, transparency and sustainability.

The Management Board and the Supervisory Board support the German Corporate Governance Code and the objectives it pursues. For the benefit of the Company, the Management Board and the Supervisory Board work closely together to ensure responsible management and control of the Company through good corporate governance. An essential element of corporate governance is the separation of corporate management and corporate supervision. This is achieved by a clear division of responsibilities between the Management Board and the Supervisory Board. In addition, the Annual General Meeting is a further body that allows the shareholders to participate in fundamental decisions.

DKR's main business objective is also to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants. At DKR, Corporate Governance means not only compliance with the law and the Articles of Association, but also adherence to internal instructions and voluntary commitments in order to implement the values, principles and rules of responsible management in daily operations.

This also includes responsible risk management in order to adequately and systematically counter the risks DKR is exposed to. A comprehensive process has been introduced to enable the Management Board to identify, evaluate and control risks and opportunities in a timely manner. In this way, adverse developments and events become transparent at an early stage and can be analysed and managed in a targeted manner.

The compensation system for the Management Board and Supervisory Board, adapted to the new requirements of the German Corporate Governance Code (DCGK), was adopted by the Annual General Meeting of 2021.

## 6 Outlook

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Regarding the decrease of the ecological footprint ("E"), DKR will mainly focus on the following objectives in the next two years:

- Further progress in the construction of the currently planned roughly 150 e-charging stations for electric vehicles at the existing properties. DKR is cooperating with EnBW as an experienced partner for this. The implementation of these measures has already begun in March 2021. An increasing proportion of DKR's portfolio will gradually be equipped with charging stations.
- Conception and installation of further photovoltaic systems on the roofs of buildings in the real estate portfolio. In this context, the Company is working together with an innovative start-up. Pilot sites have already been identified, and in some cases the technical and economic feasibility has already been examined. In the case of two larger properties, the planning is already close to completion - the photovoltaic projects are to be implemented in the near future.
- Optimisation of the power supply of the entire portfolio and shifting to the purchase of electricity from renewable energy sources. A cooperation has been established with an energy consulting firm, which continuously examines optimisation potentials. In this way, up to 25% of energy costs can be saved annually. Furthermore, the conversion to eco-certified electricity and gas tariffs makes it possible to reduce the CO<sub>2</sub> emissions of the real estate portfolio by about 8,000 tons of CO<sub>2</sub> per year.
- Renewal of building and heating technology. DKR has identified the replacement of outdated heating technology with modern and far more efficient heating systems in its existing buildings as another important factor in reducing CO<sub>2</sub> emissions. To this end, DKR is continuously examining possible locations as well as various economic options for implementation.
- Green financing and ESG rating. DKR is continuously reviewing green financing options and currently concludes that green financing is possible for the implementation of individual CO<sub>2</sub> reduction measures. This will be examined in more detail with the implementation of the respective projects. In the future, the topic of green financing will also play a major role in DKR's overall financing. For this reason, the Company has carried out an ESG rating process with the rating provider GRESB for the first time in calendar year 2022. Deutsche Konsum expects this to result in greater transparency in the area of sustainability vis-à-vis investors. This should quite significantly improve the opportunities for concluding financing that is "green" or "ESG-linked".
- Green roofs. The heat island effect is one of the main reasons for the increase in energy consumption in urban areas. It occurs when building roofs absorb the thermal energy of solar radiation. As a result, the temperature in the immediate area of the building exceeds the temperature of the wider environment. The heat island effect leads to buildings having a higher cooling demand, especially in summer. Therefore, green roofs and walls can mitigate the heat island effect and at the same time form an insulating layer that leads to a reduction in energy consumption. Through selective and well-considered investments, DKR aims to exploit the positive effects of green roofs on energy balance and sustainability. As of autumn 2022, four properties in the portfolio are equipped with green roofs. The equipping of further properties with green roofs is being examined on an ongoing basis.

