Green Lease
Achieving sustainability goals together

Deka Immobilien

Deka Immobilien Investment GmbH
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"Green leases make an active contribution to the development of sustainable cities and communities and encourage stakeholders to adhere to shared sustainability goals."

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How can you, as a building user, and we, Deka Immobilien, work together to meet the current and future challenges resulting from climate change and biodiversity loss? Globally, approximately 30% of CO_2 emissions are generated in or by buildings. At the same time, companies are increasingly being assessed on the basis of sustainability factors by the public, business partners and even their own employees.

The concept of Corporate Social Responsibility (CSR) has become established and the ecological footprint is being taken into account in an increasing number of business decisions. In addition to the impact of production processes and staff travel, the buildings used by the company play a central role. On the one hand, attention must be paid to resource-efficient operations; at the same time, however, growing demands regarding health and well-being both inside and outside the property must be taken into account as part of a holistic and sustainable corporate strategy.

One component of such a corporate strategy is the so-called Green Lease. This is a tenancy agreement that commits both the landlord and the tenant to the sustainable use and management of the property.

We would be happy to explain exactly what such arrangements might look like and how they can contribute to general sustainability goals, using a few examples from our day-to-day experience as a global landlord of commercial property.

Green Lease as part of the UN Sustainable Development Goals (SDGs)

At a broader level, the Green Lease primarily addresses two of the United Nations' sustainability goals: sustainable cities and communities, and partnerships for the goals.

SDG 11
Sustainable cities and communities

SDG 17
Partnerships for the goals

The Green Lease

Sustainable use meets sustainable management

In the international context, numerous regulatory requirements for ‘green’ leases already exist. In France, for example, a green annex to commercial leases has been mandatory since 2013. The regulations in force there aim in particular to create greater transparency regarding the consumption of electricity, heat, water and the volume of waste generated. They also oblige the contracting parties to jointly draw up an action plan for improvement. Such legal framework has not yet been established in the German property market. Against this backdrop, a definition of green leases applicable in Germany has been the goal of various market initiatives over the past decade.

The summary below from the German Property Federation (ZIA) aptly describes the aim of a green lease as the synergy between the tenant’s sustainable use of the property and the landlord’s sustainable management.

> “A Green Lease is a lease agreement focused on sustainability, which, through its specific structure – where applicable, supplemented by the requirements of any existing property certification – is intended to encourage the tenant to use the property as sustainably as possible and the landlord to manage the property as sustainably as possible.”
>
> Source: ZIA Zentraler Immobilien Ausschuss e.V., “GREEN LEASE 2.0 – From the green lease to the ESG lease”, February 2024 edition

Basic Green Lease

Contains at least one clause from each of the following areas:

- Sustainable use and management of the rental property during ongoing operations
- Saving resources and reducing emissions, mutual exchange of consumption data
- Environmentally friendly and resource-efficient implementation of construction and repair works

Deka ESG Lease

Includes the following contractual additions compared to the Basic Green Lease:

- More than one provision per basic category
- Concrete contractual obligations going beyond a letter of intent
- Requirements under green building certification schemes for tenants and/or landlords
- Social and governance aspects, such as accessibility

Other countries are also addressing sustainability and green leases – not least due to the Paris Climate Agreement. Like the ZIA in Germany, they too are guided by Environmental, Social and Governance (ESG) criteria.

Environmental

Companies understand and minimise their impact on the environment and use resources responsibly.

Social

Companies act fairly, safely and responsibly towards employees, society and their supply chains.

Governance

The company’s management acts transparently, ethically and responsibly, in accordance with clear control and decision-making structures.

Economic Success

The Paris Climate Agreement in real estate practice

At the international climate conference ‘COP21’, the participating nations committed, amongst other things, to limiting global warming to 1.5 degrees above pre-industrial levels. This target can only be achieved through a significant contribution from the building sector.

To asess the necessary contribution from Deka Immobilien, the “Carbon Risk Real Estate Monitor” (CRREM) is used in practice. The target pathways for CO_2 emissions and energy are applied to individual buildings, and optimisation scenarios are developed on this basis.

Green tenancy agreements at Deka Immobilien

To ensure the long-term quality of our property portfolio, Deka Immobilien regards the widespread use of green leases as an integral part of its asset management activities. To this end, internal policy guidelines have been developed that align with our overarching sustainability strategy whilst also enabling regular review and further improvement of quality for tenants in our buildings.

Using three illustrative clauses from the core categories of a Green Lease, we are pleased to demonstrate below the benefits of green leases for both tenants and landlords, and how they fit into our broader sustainability and climate protection initiatives.

1 Example of a clause

Sustainable use and management

In order to optimise the operation of a property together with our tenants, we as owners need to understand our tenants' behaviour and the associated consumption patterns. Here we begin with an exchange of information with our tenants. Building on this, we apply our experience as owners in a targeted manner to continuously reduce operating costs and negative environmental impacts.

The tenant also receives structured information through this process, enabling them to more easily meet any potential ESG reporting requirements of their own using the data collected from the occupied spaces.

Part of the Green Lease provisions at Deka Immobilien:
Environmentally friendly cleaning methods must be used and, where possible, ecologically sound cleaning products must be employed.

Aim of the regulation:

> We are improving indoor air quality to create a healthier working environment for our tenants.

> We are making an active contribution to keeping our water cycles clean.

UN Sustainable Development Goals addressed:

SDG 03
Good health and well-being

SDG 06
Clean water and sanitation

2 Example of a clause

Reduction of consumption, emissions and waste

Part of the Green Lease provisions at Deka Immobilien:
Exchange of consumption data for electricity, heating and water, waste generation and emissions

Aim of the regulation:

> We initiate a dialogue with our tenants regarding the property's consumption and can thus jointly implement active improvement measures.

> We assist in compiling the data required for our tenants' ESG reporting activities.

UN Sustainable Development Goals addressed:

SDG 07
Affordable and clean energy

SDG 12
Responsible consumption and production

SDG 13
Climate action

3 Example of a clause

Environmentally friendly materials

Part of the Green Lease provisions at Deka Immobilien:
The need for cosmetic repairs must be carefully assessed. When carrying out work, care must be taken to use materials that are emission-free and considered resource-efficient over their life cycle.

Aim of the regulation:

> By selecting non-toxic materials, we create healthy workspaces for our tenants.

> We carefully consider the timing of cosmetic repairs. This helps to minimise any disruption or loss of working hours for our tenants.

> We select materials responsibly, thereby contributing to the resource-conscious use of materials.

UN Sustainable Development Goals addressed:

SDG 03
Good health and wel-being

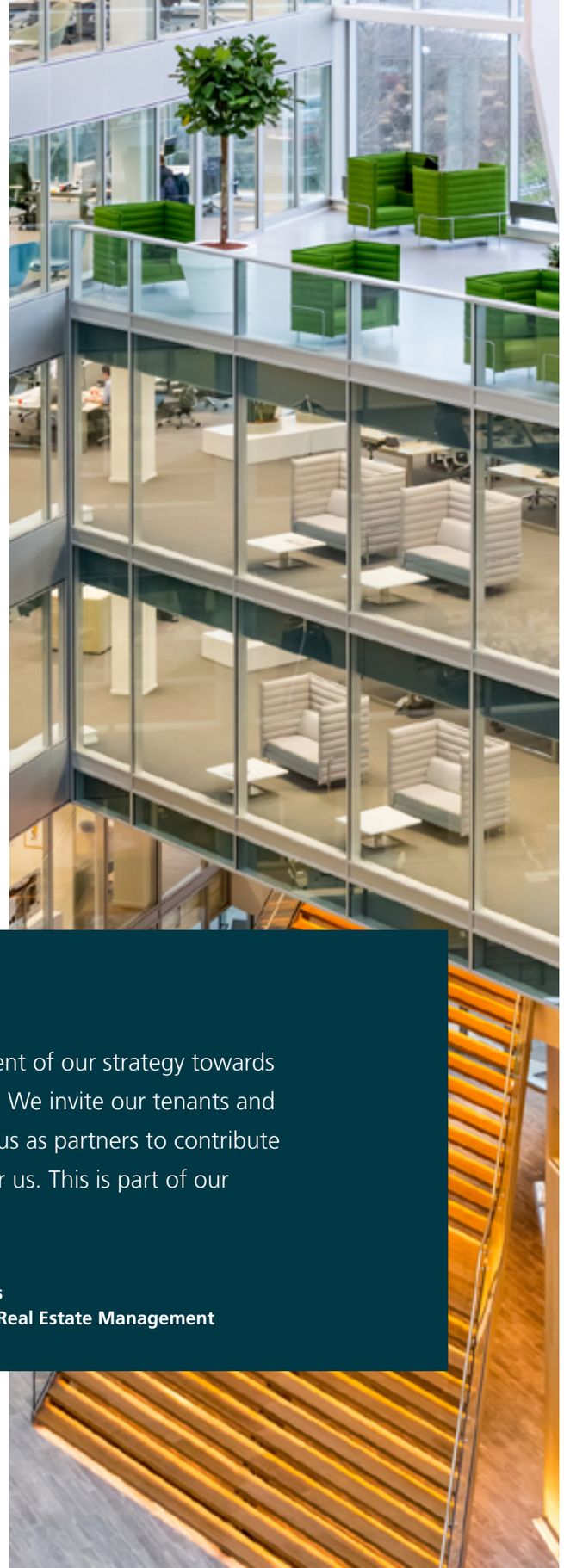
SDG 12
Responsible consumption and production

Outlook

Achieving sustainability goals together

The wider adoption and application of Green Leases will help us, as landlords and tenants, to tackle the challenges in the areas of E, S and G in a spirit of partnership. We would be happy to discuss with you the inclusion of green clauses in existing tenancy agreements and look forward to working together constructively on new tenancies.

Only together can we achieve our goals – to preserve our livelihoods and economic foundations and to protect the climate for future generations.



> "Green leases are a key component of our strategy towards a sustainable property portfolio. We invite our tenants and business partners to work with us as partners to contribute to the sustainability goals set for us. This is part of our social responsibility."
>
> **Johannes Hermanns**
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