



**TAG**

Immobilien AG

# GREEN INVESTOR REPORT 2023

# Green Investor Report

## Overview

### About the Report

In 2022, we issued a total of EUR 74.5 mn Green Schuldschein aiming to invest the proceeds in green projects, showcasing our commitment to sustainability and a strong emphasis on green building practices, optimizing energy efficiency, and reducing emissions in our properties. Through this Green Investor Report, stakeholders and investors will gain insight into our sustainable practices and understand the positive impact we have on society, the environment, and the economy.

Our Financing Committee has elaborated the Sustainable Finance Framework, and together with the Sustainability Financing Committee, consisting of employees from various departments, they are responsible for coordinating, communicating, and advancing the various group-wide projects and ideas.

In accordance with our Sustainable Finance Framework, the Green Investor Report aims to provide a comprehensive update on several key aspects. Firstly, it will highlight the total amount of proceeds that have been allocated to Eligible Assets, which encompass green projects and initiatives. Furthermore, the report will also disclose the remaining balance of financing and refinancing. This breakdown allows stakeholders to assess the impact of the sustainable finance activities and understand how funds have been directed towards supporting new projects or optimizing existing ones. Moreover, the impact of these investments is disclosed, which underlines our commitment to responsible and impactful investments in line with the Sustainable Finance Framework.

The Green Schuldschein volume of EUR 74.5 mn is fully allocated. 97.4% is allocated to green investments between the years 2019-2022 (refinancing), while 2.6% of projects are financed in the first half of 2023. The allocation takes into account investments for refurbishment in Germany (19.5%) and new buildings in Poland (80.5%). In total, the refurbishment investments results in 70% savings of the primary energy demand (PED) in the German buildings. This corresponds to a reduction of 219 t CO<sub>2</sub>e every year. The new buildings in Poland are 10% more energy efficient compared new buildings requirements and thus avoid 270 t CO<sub>2</sub>e per year.

This report has been confirmed by the external verification provider Sustainalytics.

### Summary metrics



The Green Schuldschein proceeds are 100% allocated to Green Buildings



**1,348 MWh** per energy savings per year are achieved for the relevant properties



Over **489 t** of CO<sub>2</sub> emissions reduced/avoided per year

# Green Investor Report

## Sustainability strategy

### Our path to tomorrow

In our sustainability strategy, we consider the economic, ecological, and social repercussions of our business activities across the entire value chain. We understand sustainable corporate development as a holistic system that enables positive interactions.

One of the greatest challenges at present is affordable housing that is nonetheless climate-friendly. To ensure its availability, we will continue to develop our portfolios with a sense of proportion. We believe that housing should be affordable for every one of its tenants. By practicing efficient modernization, we make an effective contribution to climate protection on the one hand, while not exceeding our tenants' budgets on the other.

### The sustainability targets

#### Our economic goal

Secure future viability by maintaining and expanding the value of our properties.

#### Our social goal

Continuing our social responsibility efforts and increasing the quality of life in neighborhoods; Furthermore, increase the satisfaction of tenants and employees by strengthening the loyalty of both groups.

#### Our ecological goal

Reduce consumption and optimize the use of resources, increase energy efficiency and reduce CO<sub>2</sub> emissions.



### KEY figures



#### Developing our portfolio responsibility

Sustainability in the value and supply chain, sustainable resource management, and optimizing energy efficiency and emissions.



#### Responsibility to society

Marketable development of the portfolio for broad sections of the population, including appropriate rents, customer focus and quality of service and liveable neighborhoods.



#### Our employees shape the future

Corporate culture of appreciation, transparency, and co-determination; staff qualification and training; work-life balance, family friendliness and diversity.

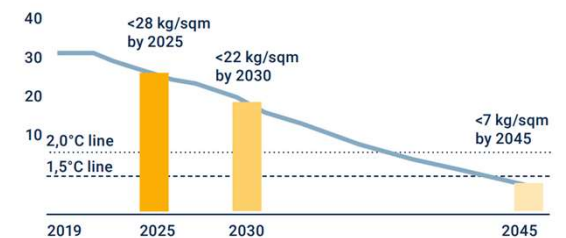
### Decarbonization Strategy

In addition to social targets and professional corporate governance, the reduction of carbon emissions is a clear target of our effort for sustainable business development. The decarbonization strategy includes maintenance and modernization needs as well as the entire supply chain and materials with internal emission control.

#### Status Quo – TAGs Real Estate Portfolio

- Full commitment to reach CO<sub>2</sub> emission level in line with 1.5°C climate goal
- Conducted study to define measures required to achieve goal
- Current emission of 31.9 kg/sqm (based on last available data for 2019)

CO<sub>2</sub>-emission development (kg/sqm p.a.)



# Green Investor Report

## Sustainable Finance

### Sustainable Finance Framework<sup>1</sup>

Tying our financing to specific dedicated project categories allows us to further integrate our Company's overall strategy with our access to the financial markets, and we consider Sustainable Financing instruments to be a key tool to support our sustainability ambitions.

To ensure alignment with international market practice, we have prepared the Sustainable Finance Framework in accordance with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2021, and Sustainability Bond Guidelines (SBG) 2021, as well as the Loan Market Association's (LMA) Green Loan Principles (GLP) 2021 and Social Loan Principles (SLP) 2021.

### Use of Proceeds

The equivalent amount to the net proceeds of Green, Social or Sustainability instruments issued by us in relation to the framework will be used to finance or re-finance assets and projects ("Eligible Assets") in line with the Eligibility Criteria outlined below.

We will strive to allocate the proceeds within 24 months after the respective issuance. Additionally, proceeds may be used to refinance Eligible Asset expenditures that occurred not longer than 36 months prior to the respective issuance.

### Eligible Assets - Green Projects

- Green buildings defined as the financing or refinancing of buildings that meet regional, national, or internationally recognized regulations, standards, or certifications.
- 1) German portfolio with buildings meeting at least one of the following
    - Minimum EPC Rating A or B
    - PED 10% < than threshold for NZEB Standard criteria for Germany
    - In line with requirements for major renovations of EU EPBD
    - Refurbishments with - 30% PED compared to the status quo
    - Individual renovation measures (installation, maintenance or repair)
  - 2) Polish portfolio with buildings meeting at least one of the following
    - EPC compliant with CBI low carbon building criteria for Poland
    - PED 10% < than threshold for NZEB Standard criteria for Poland
    - In line with requirements for major renovations of EU EPBD
    - Refurbishments with - 30% PED compared to the status quo
    - Individual renovation measures (installation, maintenance or repair)
- Expenditures related to the installation and/or operation of new and/or existing onsite solar photovoltaic panels.
  - Expenditures related to the installation of charging infrastructure for electric vehicles and expenditures for electric vehicles for the own fleet

### Eligible Assets - Social Projects

- Affordable Housing, Low-barrier housing, Expenditures on community engagement projects

### Process for Project Evaluation and Selection

We have established a Sustainable Financing Committee to oversee the process of evaluating and selecting Eligible Assets following each respective issuance. This Committee consists of our management board, the head of the strategic real estate management department, in which our ESG strategies are developed and monitored, and the head of the financing and treasury department.

The Sustainable Financing Committee will ensure that the Eligible Assets are aligned with our overall sustainability strategy and environmental and social risk policies. We use a central risk management system to ensure that all material risks are identified, measured, managed, and monitored throughout the group, including for projects and assets under evaluation as Eligible Assets.

Environmental and social risks are mitigated through compliance with applicable German and European laws and regulations, as well as recognized environmental and social standards and specific company policies around environmental risks and business conduct.

### External Review<sup>2</sup>

Sustainalytics provided as an independent third party a Second Party Opinion on TAG's Framework. Sustainalytics confirmed that the Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021.

<sup>1</sup>[Sustainable Finance Framework TAG Immobilien AG – March 2022 \(tag-ag.com\)](#)

<sup>2</sup>[TAG Immobilien AG Sustainable Finance Framework Second-Party Opinion \(2022\) \(sustainalytics.com\)](#)

# Green Investor Report

## Allocation of Proceeds

Green Building Portfolio	Location	Gross Building Area in m <sup>2</sup>	Signed amount in EUR	Eligibility Criteria	Average energy saving (PED) in %	Allocated amount in EUR	Unallocated funds in EUR	Financing in %	Refinancing in %
Residential (3 units)	Germany	6,141	15,023,625	Refurbishments of existing buildings where the renovation leads to reduction of the Primary Energy Demand (PED) of at least 30 % in comparison with the energy performance of the building prior to the refurbishment	71.36	14,500,000	-	13.20	86.80

Green Building Portfolio	Location	Gross Building Area in m <sup>2</sup>	Signed amount in EUR	Eligibility Criteria	Average PED in kwh/m <sup>2</sup> a	Hurdle for 2026 <sup>2</sup> in kwh/m <sup>2</sup> a	Allocated amount in EUR	Unallocated funds in EUR	Financing in %	Refinancing in %
Residential (5 units)	Poland	69,277	70,626,840	New or existing residential buildings with an Energy Performance Certificate (EPC) in compliance with Climate Bonds Initiative's (CBI) established Residential Proxy for Poland of its Low Carbon Buildings Criteria 3, based on year of the financing instrument's issuance and duration. <sup>1</sup>	70.94	83	60,000,000	-	-	100

<sup>1</sup>Climate Bonds Initiative Low Carbon Buildings Criteria are available on the CBI website at Buildings | Climate Bonds Initiative

<sup>2</sup>mid-point of the 7 year tranche of the Green Schuldschein

### German Portfolio

The German Portfolio consists of 3 different projects where the renovation leads to a reduction of the Primary Energy Demand (PED) of at least 30 % in comparison with the energy performance of the building prior to the refurbishment. All residential complexes are located in Eastern Germany with a total useful building area of 6,141 m<sup>2</sup>.

The signed amount for these projects, after deducting the promotional loans, is € 15,023,624 (the allocated amount was € 14,500,000).

The energy savings of each projects have been calculated and all the data can be found in the energy performance reports (when a project consists of more residential buildings, prudent methods have always been used, taking the lower energy consumption before the project and the higher one after).

The allocated volume covers both refinancing eligible assets (expenditures that occurred no longer than 36 months prior the respective issuance) and financing new eligible assets. Thus, all costs before 31/12/2022 were considered to calculate the refinancing quota that is 89.11%, the left of 10.89% is used for financing new projects

### Polish Portfolio

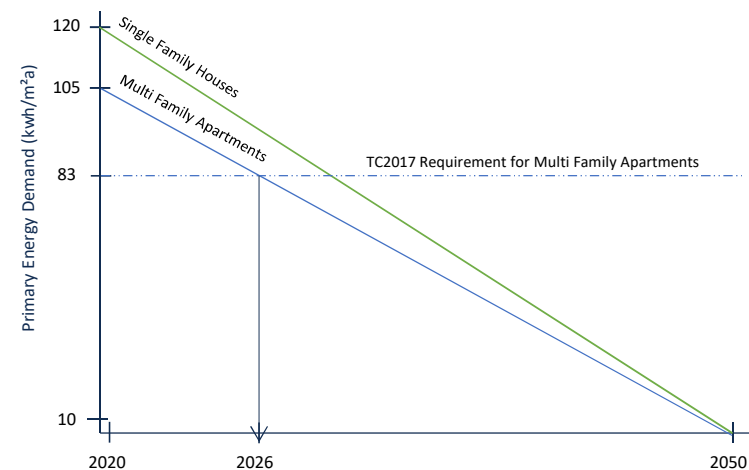
The Polish Portfolio consists of 5 different new residential buildings in the area of Wrocław and Poznań with a total useful building area of 69,277 m<sup>2</sup>.

The signed amount for these projects is € 70,626,840 (no promotional loan were used) and the allocated amount was € 60,000,000. Since they are all new projects, 100% of the allocation is earmarked for refinancing.

The energy savings of each projects have been calculated and all the data can be found in the energy performance reports (when a project consists of more residential buildings, prudent methods have always been used, taking the lower energy consumption before the project and the higher one after).

Residential buildings in Poland are aligned to the Eligibility Criteria (derived from the Climate Bonds Initiative's Low Carbon Buildings Criteria for residential buildings in Poland) if their Primary Energy Demand (kwh/m<sup>2</sup>a) lies below an established hurdle rate (that is a trajectory towards zero by 2050 defined by the 2019 baselines of 105 kWh/m<sup>2</sup>/year for multi family apartments) for the year 2026 (that is the mid-point term of the SSD). Consequently, a Primary Energy Demand of 83.00 kwh/m<sup>2</sup>a is identified as hurdle point and Polish Portfolio's average PED demand is 70.94 kwh/m<sup>2</sup>a.

100% of the allocation is earmarked for refinancing (expenditures that occurred no longer than 36 months prior the respective issuance



# Green Investor Report

## Impact Reporting

German Portfolio	Country	PED reduction in kWh/m <sup>2</sup> a	PED reduction in %	Annual CO <sub>2</sub> emissions in kg of CO <sub>2</sub> equivalent/m <sup>2</sup> a	Annual CO <sub>2</sub> emissions reduced/avoided in %
Residential (3 units)	Germany	144.42	71.36	50.73	70.64

### Methodology

- The average energy saving is stated in the energy performance certificate of each refurbished building
- Moreover the certificates after the refurbishment stated the CO<sub>2</sub> emissions. To compare these to the status before refurbishment we took the pre refurbishment data from the certificates for 2 buildings. One pre-refurbishment certificate did not disclosure the data. For this building we assumed the same CO<sub>2</sub> saving as for the energy savings.

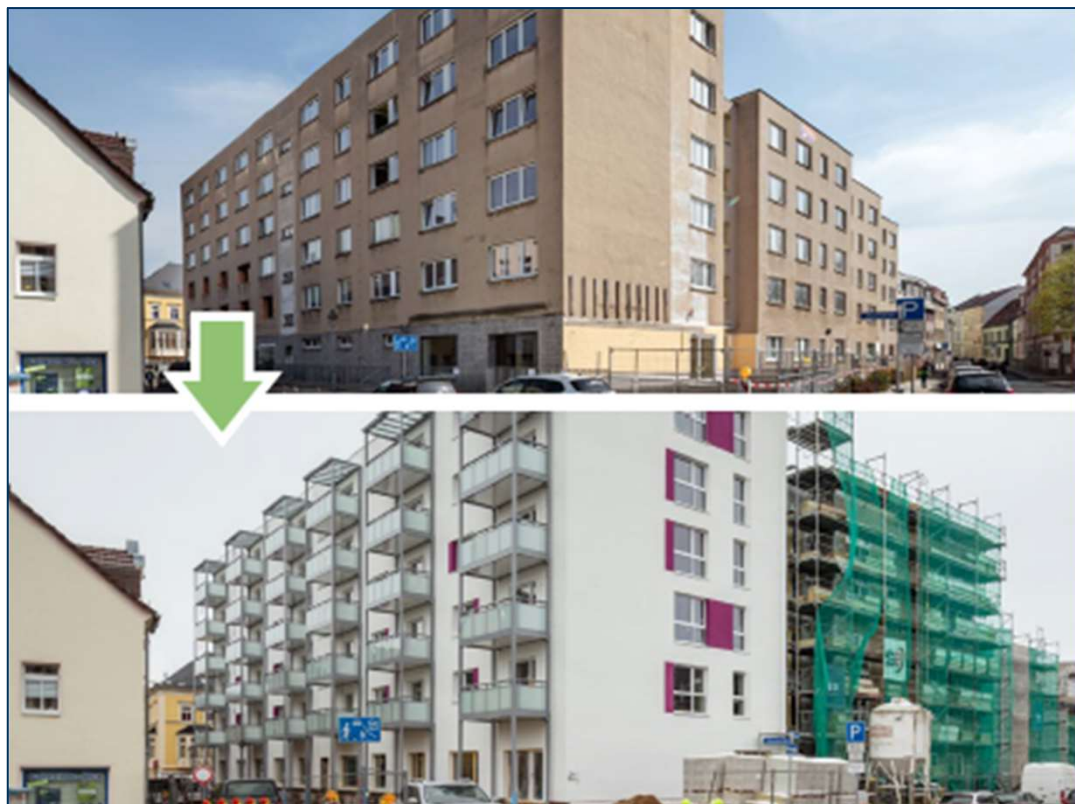
Polish Portfolio	Country	PED savings vs PED requirements of a new building in kWh/m <sup>2</sup> a	PED saving vs PED requirements of a new building in %	Annual CO <sub>2</sub> emissions reduced/avoided (location based) in kg of CO <sub>2</sub> equivalent/m <sup>2</sup> a	Annual CO <sub>2</sub> emissions reduced/avoided (location based) in %
Residential (5 units)	Poland	45.54	10.68	17.44	10.68%

### Methodology

- Energy savings and CO<sub>2</sub> emissions reduction final data are compared with those stated in the certificate for standard new buildings
- Since the energy certificates do not show any reference energy sources, we have used the same energy sources from our object for the reference building with the corresponding primary energy sources and CO<sub>2</sub> equivalents (location based method)

# Green Investor Report

## Case study I



**Project name:** Zwingerstraße 44-46 - Johannisstraße 1-3 - KfW70 (Döbeln)

In Döbeln, Saxony, a residential building from the 1980s has been converted into a modern residential complex that meets the climate and sustainability demands of the future through specific renovation activities including insulation works, facade and balcony extension, floor plane changes, barrier-free and modern bathroom, new heating and hot water system and extensive energetic renovation

<b>Eligible green project category</b>	Green Buildings
<b>Investment date</b>	February 2022
<b>Total investment volume in EUR</b>	6,011,200 (planned costs)
<b>Land area in m<sup>2</sup></b>	3,816.0 (before renovation) 3,801.6 (after renovation)
<b>Number of buildings</b>	5
<b>Number of flats</b>	65 flats (before renovation) Ca. 40 flats (after renovation)
<b>Scheduled completion</b>	December 2023



# Green Investor Report

## Case study II



**Project name:** Buforowa 89 (stage III; Wrocław)

Buforowa 89 is a family housing estate in the newest area of Jagodno. Tenants can spend their free time on the balcony, terrace or garden. The project implemented eco-friendly solutions, such as photovoltaic panels powering administrative circuits of the buildings. In the apartments, water-filtering batteries have been installed, as well as waste segregation containers.

<b>Eligible green project category</b>	Green Buildings
<b>Investment date</b>	March 2020
<b>Total investment volume in PLN</b>	55,901,290 (planned costs)
<b>Land area in m<sup>2</sup></b>	6,489
<b>Number of buildings</b>	2
<b>Number of flats</b>	155
<b>Scheduled completion</b>	November 2021

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## **Note**

In order to improve readability, only the male form is used in the text, nevertheless the information refers to members of all genders.