

Second-Party Opinion

TAG Immobilien AG Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the TAG Immobilien AG Sustainable Finance 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. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings & Energy Efficiency, Renewable Energy, Clean Transportation, Affordable Housing, Low-Barrier Housing, and Community Engagement – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 9, and 11.



PROJECT EVALUATION / SELECTION TAG Immobilien AG’s internal process in evaluating and selecting projects is managed by the Sustainable Financing Committee, comprised of the Company’s management board, head of the strategic real estate management department, and head of financing and treasury department. The Committee evaluates all eligible projects and ensures they align with TAG Immobilien AG’s environmental and social risk policies. Sustainalytics considers the environmental and social risk management processes to be adequate and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS TAG Immobilien AG’s processes for management of proceeds is supervised by the Sustainability Financing Committee in collaborating with the Company’s financing and treasury departments. The Company intends to fully allocate proceeds within 24 months post issuance. Pending allocation, unallocated proceeds will be held in cash, or cash equivalents. TAG Immobilien AG will use internal reporting systems to track the receipt and use of proceeds. This is in line with market practice.



REPORTING TAG Immobilien AG intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include the total amount of proceeds allocated to eligible assets, remaining balance of any unallocated funds, and the proportion of proceeds used for financing and refinancing. In addition, TAG Immobilien AG is committed to reporting on relevant impact metrics. Sustainalytics views TAG Immobilien AG’s allocation and impact reporting as aligned with market practice.

Evaluation Date	March 18, 2022
Issuer Location	Hamburg, Germany

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Introduction

TAG Immobilien AG (“TAG”, or the “Company”) is an owner, manager, and developer of residential properties across Germany and Poland. As of December 31, 2021, the Company had a portfolio of over 87,600 residential units in Germany, circa 500 residential units in Poland and a contractually secured project pipeline for the construction of approximately 12,100 residential units in Poland.

TAG has developed the TAG Immobilien AG Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainability bonds and/or loans, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that aim to reduce the carbon footprint of its portfolio, contribute to improving the energy performance of buildings in Germany and Poland, and provide positive social impacts. The Framework defines eligibility criteria in six areas:

1. Green Buildings & Energy Efficiency
2. Renewable Energy
3. Clean Transportation
4. Affordable Housing
5. Low-Barrier Housing
6. Community Engagement

TAG engaged Sustainalytics to review the TAG Immobilien AG Sustainable Finance Framework, dated March 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)¹, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)². This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of TAG’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. TAG representatives have confirmed (1) they understand it is the sole responsibility of TAG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and

¹ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

³ The TAG Immobilien AG Sustainable Finance Framework is available on TAG Immobilien AG’s website at: www.tag-ag.com/en/investor-relations/bonds-convertibles/bonds

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

(3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and TAG.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that TAG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the TAG Immobilien AG Sustainable Finance Framework

Sustainalytics is of the opinion that the TAG Immobilien AG Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of TAG's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings & Energy Efficiency, Renewable Energy, Clean Transportation, Affordable Housing, Low Barrier Housing, and Community Engagement – are aligned with those recognized by the GBP, SBP, GLP, and SLP. TAG has communicated to Sustainalytics that all funds for social categories will be allocated for projects in Germany.
 - Under the Green Buildings and Energy Efficiency category, TAG may finance or refinance the development, acquisition and renovation of buildings in Germany and Poland according to the following criteria. These investments are aligned with market practice.
 - (i) New, existing or refurbished residential buildings in Germany that have received an Energy Performance Certificate (EPC) with energy class A or B , and (ii) new, existing or refurbished residential buildings in Poland that have received an EPC in compliance with low-carbon building criteria under the Climate Bonds Initiative's (CBI) residential building proxy for Poland.⁵ The required technical conditions of the CBI proxy are subject to change based on year of bond issuance and bond duration.
 - Residential buildings constructed after 31st of December 2020 with primary energy demand (PED) at least 10% lower than the Nearly Zero Energy Building (NZEB) requirements in Germany and Poland.⁶
 - Refurbishment of existing buildings that: (i) meet the cost-optimal minimum energy performance requirements under the Energy Performance of Buildings Directive (EPBD) in Germany and Poland, or (ii) leads to at least 30% reduction in PED compared to the pre-renovation levels. Sustainalytics notes that the performance standard

⁵ CBI, "Eligible Residential Building – Poland", at: <https://www.climatebonds.net/files/files/Residential%20Proxy%20Poland%281%29.pdf>

⁶ European Commission, "Nearly Zero Energy Buildings", (2020), at:

https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficientbuildings/nearly-zero-energy-buildings_en

reflected in the EU Taxonomy,⁷ which requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, could vary by region (EU Member States). Sustainalytics, therefore encourages TAG to report on the actual primary energy demand performance level (or energy savings) achieved compared to the reference buildings as defined based on existing building stock within the region.

- Renovation measures including installation, maintenance and repair of energy efficiency equipment. The Company may finance the installation of smart meters, window upgrades, insulation measures and heating equipment. TAG has confirmed that the financing will exclude fossil fuel powered equipment. Sustainalytics considers these investments to be aligned with market practice and encourages TAG to report on estimated or achieved energy efficiency gains, where feasible.
- Under the Renewable Energy category, TAG may finance or refinance the installation and operation of renewable energy production facilities for projects including onsite solar photovoltaic panels. Sustainalytics considers the investment to be in line with market practice.
- Under the Clean Transportation category, the Company may finance or refinance the installation of electric vehicle charging infrastructure excluding parking lots. The Company may also finance the acquisition of electric vehicles for its own fleet. Sustainalytics considers these investments to be in line with market practice.
- Under the Affordable Housing category, the Framework includes projects related to the refurbishment, maintenance and modernization of affordable and social housing units based on affordable housing laws, policies and benchmarks. The Framework defines the following eligibility criteria:
 - For the eligible affordable and social housing units, the Framework specifies housing units that meet the eligibility criteria under the Kosten der Unterkunft und Heizung (“KDU”)⁸ scheme. The KDU Scheme targets low-income or unemployed individuals that are currently receiving support from the job center (unemployment benefit and social benefit) or social welfare (subsistence aid, security for senior citizens, and individuals with reduced earning capacity) to have their accommodation and heating costs subsidized. TAG has confirmed that housing will be dedicated to low-income individuals that qualify under the KDU, and the rent will be kept under the KDU limit of EUR 560.
 - TAG may finance housing units rented at a discount of 15% below the local customary comparable rent (Ortsübliche Vergleichsmiete § 558 BGB),⁹ and a net actual rent¹⁰ of less than EUR 6.00/sqm. This investment targets low-income populations that do not qualify under the KDU and do not have the financial means to pay the local comparative rent. TAG has communicated to Sustainalytics that they will evaluate applicants for financing on a case-by-case basis with criteria related to income level and employment record.
 - Based on the targeting of low-income and underserved populations, and established thresholds, Sustainalytics considers investments within this category to be aligned with market practice.
- Within the Low-Barrier Housing Category, TAG may finance or refinance accessibility refurbishments to residential buildings to provide improved access for people with reduced mobilities. Intended expenditures include the financing of low-barrier equipment in rooms and electrical systems, and door widening for wheelchair use.
 - TAG has communicated that they intend to finance retrofit expenditures to making housing more accessible for vulnerable populations, and not the acquisition/ construction of whole buildings or house. Sustainalytics views favourably that these investments will increase access of low-barrier housing for vulnerable populations.

⁷ European Commission, “Taxonomy Report: Technical Annex to the Final report of the Technical Expert Group on Sustainable Finance”, (2020), at: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-reporttaxonomy-annexes_en.pdf

⁸ Dresden, “Leistungen für Unterkunft und Heizung”, at: <https://www.dresden.de/de/rathaus/dienstleistungen/kosten-unterkunft-heizung-d115.php>

⁹ The local comparative is formed on the basis of the usual fees agreed in the municipality or a comparable municipality for a living space of a comparable type, size, equipment, condition and location including the energetic equipment and condition in the last six years. For more information please see: https://www.gesetze-im-internet.de/bgb/_558.html

¹⁰ Rent without service charges.

- Regarding the Community Engagement category, TAG may finance community engagement projects including youth and elderly care programs, sports, education and training programs for vulnerable populations, including children, young people, the elderly and people in need. The Framework specifies that TAG's non-profit organization, *TAG Miteinander-Stiftung*, governs the programs within this category and identifies the target populations as classified by German tax law, Section 51, Abgabenordnung.
 - Through TAG Miteinander-Stiftung, TAG provides financing for community engagement programs to charitable institutions and organizations. The eligible programs must be dedicated to one of the four funding areas, including (i) children and youth projects, (ii) support for people and families in need, (iii) elderly and senior care, and (iv) social engagement.¹¹
 - TAG has communicated to Sustainalytics that TAG *Miteinander Stiftung*, under its statutes, is only allowed to donate to charitable institutions or organisations whose activities strictly align with at least one of the four funding areas and are in compliance with the regulations within the German tax law, Section 51, Abgabenordnung. Furthermore, the Company expects future allocations to not exceed ~EUR 1 million per annum.
 - Sustainalytics notes that the target population and potential projects to be financed through the donations to the charitable foundation are broad and might benefit the general population in addition to more vulnerable target groups. Sustainalytics encourages the issuer to transparently report on the social impact of the projects, especially for the identified target groups.
 - Sustainalytics recognizes that indirect financing through donations to charitable foundations limits the transparency of the final projects or programs being funded. The Issuer has communicated that allocation under the Community Engagement category will exclusively focus on non-profit and charitable projects and will comprise of less than 2% of proceeds.
- Project Evaluation and Selection:
 - TAG has established a Sustainable Financing Committee (the "Committee"), consisting of the Company's management board, head of the strategic real estate management department, and head of financing and treasury department. The Committee evaluates the Eligible Assets and ensure they align with TAG's sustainability strategy and environmental and social risk (E&S) policies. The Company uses a central risk management system to identify, measure, manage, and monitor all material risks. The environmental and social risks are mitigated in accordance with relevant German and European laws and regulations, and the Company's policies on E&S risk management.
 - Based on the established process for project selection and risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - TAG's Sustainability Financing Committee in collaboration with the Company's financing and treasury department are responsible for the management and allocation of proceeds. TAG intends to reach full allocation of proceeds within 24 months after issuance. Should any proceeds remain unallocated, the Company will hold unallocated proceeds in cash or cash-equivalents. TAG will use internal reporting systems to track the receipt and use of proceeds.
 - Based on these measures, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - TAG intends to report on the allocation and impact of its Sustainable Finance Instruments on its website on an annual basis at least until full allocation. The allocation reporting will include the total amount of proceeds allocated to Eligible Assets, remaining balance of any unallocated funds and the proportion of proceeds used for financing and refinancing.
 - In addition, the Company is committed to reporting on relevant impact metrics per eligible category, which may include EPC certifications achieved for relevant properties, annual

¹¹ TAG Miteinander-Stiftung, at: <https://tag-miteinander-stiftung.de/>

- renewable energy generation in MWh, number of new charging stations for electric vehicles, and number of units financed and/or refinanced split by regions.
- Based on these commitments to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the TAG Immobilien AG Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of TAG

Contribution of Framework to TAG Immobilien AG 's sustainability strategy

Sustainalytics is of the opinion that TAG demonstrates a commitment to sustainability with a focus on the provision of affordable housing, the decarbonization of its German residential real estate portfolio, and responsible new construction in Poland. The Company aims to create communities that use natural resources sustainably and result in sustainable and livable neighborhoods.

Since 2017, TAG conducts a yearly review of its materiality matrix informed by ongoing dialogue with the Company's stakeholders, as well as within TAG departments and the TAG Management. In 2020, the most significant issues to stakeholders and in terms of impacts by TAG include (i) Marketable portfolio development for broad sections of the population including reasonable rents, (ii) Optimizing energy efficiency, and (iii) Liveable neighborhoods.

TAG's business activities are centered around residential units, which accounted for approximately 99.4%¹² of the Company's total units portfolio in 2020. The average rent across TAG's residential units was 5.48 EUR per square meter¹³ as compared to 6.45 EUR per square meter per month in Germany as of 2020.¹⁴ To develop marketable properties for broad sections of the population, TAG works with local and trade businesses.¹⁵

To optimize energy efficiency and reduce emissions in its residential portfolio, TAG set targets to reduce CO₂ emissions by approximately 3000 tonnes through the refurbishment of heating systems by 2024.¹⁶ Furthermore, TAG aims to increase the share of buildings with an Energy Performance Certificate (EPC) of at least C (where energy intensity is below 100 kWh/m² per year) from 61% in 2020 to 65% by 2025.¹⁷ TAG plans to further develop its decarbonization strategy with quantifiable targets and steps to reduce CO₂ emissions.

To support liveable neighborhoods, TAG developed a TAG 'Miteinander Stiftung' (TAG Together Foundation) to promote social projects with the donation of 150 thousand EUR annually from 2022.¹⁸ An example of the foundation's projects are children and youth projects which include the financial endowment of non-profit institutions that promote the education, training, sporting and cultural activities of children and young people.¹⁹

Sustainalytics recognizes the importance of the above commitments and ambitions to tackle material issues and encourages the Company to further develop a comprehensive sustainability and decarbonization strategy. Sustainalytics is of the opinion that the Sustainable Finance Framework is aligned with TAG's overall sustainability strategy and initiatives and that it will further the Company's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such

¹² TAG, "TAG Sustainability Report", (2020), at:

https://www.tag-ag.com/fileadmin/content/nachhaltigkeitsberichte/TAG_Nachhaltigkeitsbericht_2020_EN.pdf

¹³ TAG, "TAG Annual Report", (2020), at: https://www.tag-ag.com/fileadmin/content/geschaeftsberichte/TAG-IR-GB2020_ENG_einseitig_geschuetzt.pdf

¹⁴ Property prices in Germany, (2021), at: <https://www.engelvoelkers.com/en-de/property-prices-germany/>

¹⁵ TAG, "TAG Sustainability Report", (2019), at: https://www.tag-ag.com/fileadmin/content/nachhaltigkeitsberichte/TAG_Nachhaltigkeitsbericht_2019_EN.pdf

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ TAG, 'Miteinander Stiftung', children and youth projects, at: <https://tag-miteinander-stiftung.de/foerderbereiche/kinder-und-jugendprojekte/>

eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction. Sustainalytics is of the opinion that TAG is able to manage and/or mitigate potential risks through implementation of the following:

- TAG's Management uses a central risk management system to ensure that all environment and social risks are identified, measured, managed, and monitored throughout the Company. The risk assessment focuses on climate-related risks, in line with the recommendations on the disclosure of climate-related financial risks published by the Task Force on Climate-related Financial Disclosures.²⁰
- TAG's corporate ESG management structure consists of the Strategic Real Estate Management, a contact center for all of TAG's operating division regarding sustainability topics, and a Sustainability Committee, which consists of TAG employees. The role of the Sustainability Committee is to involve stakeholder's participation in sustainability issues.²¹
- As required by section 11 of the German Occupational Safety Act (ASiG),²² TAG has in place "Work instructions for the fulfilment of the safety obligations at TAG". The mitigation strategy for occupational health and safety states that business partners comply with applicable laws and regulations to ensure safe working environment for employees and subcontractors.²³
- TAG engages in active neighborhood management to maintain stable neighborhoods and promote local communities. It also engages in direct dialogue with municipalities and local stakeholders to improve local and living conditions. Any aggrieved party, or anyone that has a suggestion can contact the Company in person, at housing consultations, over the phone, in writing or digitally.
- In the Polish residential real estate its subsidiary, ROBYG Group²⁴, has a Code of Conduct for Suppliers and Subcontractors.²⁵ It requires partners to comply with legal regulations regarding environmental impact and waste management, to minimise the production of waste and to ensure proper waste management, including cooperation with authorized recipients.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TAG has implemented adequate measures and is able to manage and mitigate environmental and social risks commonly associated with the eligible categories. Sustainalytics encourages TAG to further develop environmental impact and waste management policies to manage land use, biodiversity and waste risks associated with new construction projects in Poland.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Reducing the environmental footprint of buildings in Germany, Poland and the EU

The building sector is the single largest energy consumer, accounting for around 40% of the European Union (EU)'s total energy use and responsible for emitting 36% of the EU's CO₂ emissions as of 2020.²⁶ The EU targets to reduce emissions by at least 40% by 2030 compared to 1990 levels.²⁷ In 2020, the European Commission proposed to raise the target by 55% and further aspires to become climate neutral by 2050.²⁸

²⁰ TAG ESG policies shared internally.

²¹ TAG, "ESG presentation - Homes for today and tomorrow, pg-6", at:

https://www.tag-ag.com/fileadmin/content/nachhaltigkeitsberichte/ESG_TAG_2021_final.pdf

²² ASiG, Section 11 of German Occupational Safety Act at: https://www.gesetze-im-internet.de/englisch_asig/englisch_asig.pdf

²³ TAG, "Work instructions for the fulfilment of the safety obligations at TAG", at: <https://www.tag-ag.com/en/company/compliance/business-partner-codex>

²⁴ TAG Immobilien AG acquired ROBYG in December 2021 with the aim to focus on newly constructed residential units in large cities in Poland.

²⁵ Code of Conduct for Suppliers and Subcontractors of ROBYG Group, at: <https://esg.robyg.pl/wp-content/uploads/2021/12/Code-of-Conduct-for-Suppliers-and-Subcontractors-of-ROBYG-Group.pdf>

²⁶ European Commission, "In Focus: Energy Efficiency in Buildings" at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

²⁷ European Commission, "2030 Climate Target Plan", at: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en

²⁸ Ibid.

As the fourth largest and most populated country in the EU²⁹, Germany accounts for 24% of net GHG emissions in the EU and plays an important role in meeting the EU's climate goals.³⁰ The operation of buildings accounts for 35% of Germany's total final energy consumption.³¹ The German government aims to achieve a virtually climate-neutral building stock by 2050.³² As part of its strategy to meet this goal, the Government has defined an interim target of 67% emissions reduction in building stock by 2030 compared to 1990 levels,³³ and also commits to achieving a share of renewables of approximately 24-32% in the building sector by 2030.³⁴

Following the EU's legislation to adopt a 10-year national energy and climate plan (NECP), Poland formulated a target to reduce GHG emissions by 7% by 2030 compared to 2005 level.³⁵ In Poland, the building sector is one of the primary contributors of GHG emissions.³⁶ Approximately two-thirds of the country's emissions are generated from residential buildings caused by the low level of thermal insulation.^{37,38} In 2014, Poland implemented NZEB requirements for all new buildings and further tightened the primary energy requirement for all buildings in 2020.³⁹ In 2019, the government launched other incentives such as the "Clean Air" programme with the aim of replacing heat sources and insulating residential units.⁴⁰ In addition, under the National Energy and Climate Plan for 2021-2030, Poland has set a target to thermally insulate 70% of the total housing stock in 2030, compared to 56% in 2015.⁴¹

Given this context, Sustainalytics is of the opinion that TAG's financing of green buildings will contribute to the emission reduction in Germany and Poland's building sectors and will further support the EU in meeting its 2050 climate target.

Importance of affordable housing in Germany and Poland

In many EU countries, the lack of affordable housing is widely viewed as an important challenge. This is partly due to factors such as a mismatch between demand and supply of social housing stock, increased housing prices and rents relative to incomes, and the privatization of social housing units in recent years.^{42,43} Recognizing access to affordable housing as a fundamental human right, the European Parliament calls for stronger action to end homelessness in the EU by 2030 and ensure legal provisions to keep housing affordable.⁴⁴

Germany has among the lowest shares of social housing in the EU, with social housing representing only 2.7% of the country's total housing stock.⁴⁵ Furthermore, Germany's social housing stock declined significantly

²⁹ European Union, "Living in the EU", at: https://europa.eu/european-union/about-eu/figures/living_en

³⁰ European Parliament, "Climate action in Germany", at:

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690661/EPRS_BRI\(2021\)690661_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690661/EPRS_BRI(2021)690661_EN.pdf)

³¹ Federal Ministry for Economic Affairs and Energy, "Energy Transition in the Building Sector", at: <https://www.bmwi.de/Redaktion/EN/Dossier/enhancing-energy-efficiency-in-buildings.html>

³² Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, "Climate Action Plan 2050", (2016) at: https://www.bmu.de/fileadmin/Daten_BMU/Pool/Broschueren/klimaschutzplan_2050_en_bf.pdf

³³ Ibid

³⁴ Government of Germany, "Integrated National Energy and Climate Plan", (2020), at: https://ec.europa.eu/energy/sites/default/files/documents/de_final_necp_main_en.pdf

³⁵ European Commission, "European Green Deal National Energy & Climate Plans Poland", at:

https://ec.europa.eu/energy/sites/ener/files/documents/summary_of_sw_d_assessment_necp_poland_en.pdf

³⁶ IMF, "Poland: Staff Concluding Statement of the 2021 Article IV Mission", (2021), at: <https://www.imf.org/en/News/Articles/2021/12/13/poland-staff-concluding-statement-of-the-2021-article-iv-mission>

³⁷ Buildings Performance Institute Europe, "Ready for carbon neutral by 2050?", at: https://www.bpie.eu/wp-content/uploads/2021/12/BPIE_Assessing-NZEB-ambition-levels-across-the-EU_HD.pdf

³⁸ Polish Green Building Council, "Whole life carbon roadmap for Poland", (2021), at: <https://www.worldgbc.org/sites/default/files/Whole-life-carbon-roadmap-for-Poland-2050.pdf>

³⁹ Buildings Performance Institute Europe, "Ready for carbon neutral by 2050?", at: https://www.bpie.eu/wp-content/uploads/2021/12/BPIE_Assessing-NZEB-ambition-levels-across-the-EU_HD.pdf

⁴⁰ Government of Poland, "'Clean Air 2.0' Programme launched", at: <https://www.gov.pl/web/climate/clean-air-20-programme-launched>

⁴¹ Ministry of Energy, "National Energy and Climate Plan for the years 2021-2030", (2019), at:

https://ec.europa.eu/energy/sites/ener/files/documents/poland_draftnecp_en.pdf

⁴² European Parliament, "Parliament calls for action to solve housing crisis", at:

<https://www.europarl.europa.eu/news/en/headlines/society/20210114STO95643/parliament-calls-for-action-to-solve-housing-crisis>

⁴³ Euro Cities, "Housing affordability: A European crisis", at: <https://eurocities.eu/latest/housing-affordability-a-european-crisis/>

⁴⁴ European Parliament, "EU should set goal to end homelessness by 2030", at:

<https://www.europarl.europa.eu/news/en/press-room/20201120IPR92124/eu-should-set-goal-to-end-homelessness-by-2030>

⁴⁵ Housing Europe report, "The State of Housing in Europe 2021", at: https://www.stateofhousing.eu/The_State_of_Housing_in_the_EU_2021.pdf

from around 2.5 million units to 1 million units between 2000 and 2018.⁴⁶ According to the EU-SILC survey, one in seven German households live in unaffordable housing and cannot afford alternative housing in their community.⁴⁷ In order to meet underlying demand and ensure a supply of affordable housing, the German government has set a target of creating 350,000 new housing units per year, of which around 80,000 should be social housing.⁴⁸

In Poland, around 33.5% of low income population live in overcrowded dwellings and 26.2% are overburdened by their housing cost.⁴⁹ The social rental housing accounts for only 7.6% of Poland's total housing stock in 2020.⁵⁰ According to Habitat for Humanity, there is a shortage of about 1.5 million affordable houses in Poland.⁵¹ In order to close the gap, the Polish government announced the housing program "Mieszkanie Plus" in 2016 to increase the supply of affordable rental flats for low income individuals and families by direct investment with the use of properties of the State Treasury under the rental housing system.⁵²

Based on the above context, Sustainalytics is of the opinion that TAG's financing in affordable housing is expected to create positive social impact by increasing the availability and accessibility of affordable housing in Germany and Poland, including for aging residents and people with disabilities.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the TAG Immobilien AG Sustainable Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings & Energy Efficiency	11. Sustainable Cities and Communities 9. Industry, Innovation and Infrastructure	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities" – this goal can be supported by i.e. investments into improving efficiency of energy distribution network.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

⁴⁶ OECD Better Policies Series, "Germany Policy Brief- Promoting access to affordable and social housing", at: <https://www.oecd.org/policy-briefs/Germany-plicy-brief-housing.pdf>

⁴⁷ Eurostat, "Housing cost overburden rate by age, sex and poverty status - EU-SILC survey", at: <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

⁴⁸ The Federal Government, "Angela Merkel at the annual meeting of the German Tenants' Association- More housing and affordable rents", at: <https://www.bundesregierung.de/breg-en/news/merkel-mietertag-1638296>

⁴⁹ OECD, "Affordable Housing Database", at: <https://www.compareyourcountry.org/housing/en/1/all/default>

⁵⁰ OECD, "Affordable Housing Database", at: <https://www.compareyourcountry.org/housing/en/3/all/default>

⁵¹ Habitat for Humanity, "The Housing Need in Poland", at: <https://www.habitat.org/where-we-build/poland>

⁵² Government of the Republic of Poland, "Housing Policy in Poland", at: <https://www.gov.pl/web/development-technology/housing-policy-in-poland>

Low Barrier Housing	11. Sustainable Cities and Communities	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
Community Engagement	3. Good Health and WellBeing 4. Quality Education	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

Conclusion

TAG has developed the the TAG Immobilien AG Sustainable Finance Framework under which it may issue sustainability bonds and/or loans, and use the proceeds to finance environmental and social projects in areas such as green buildings and energy efficiency, renewable energy, clean transportation, affordable housing, low-barrier housing, and community engagement. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The TAG Immobilien AG Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the TAG Immobilien AG Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 7, 9, and 11. Additionally, Sustainalytics is of the opinion that TAG has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds until full allocation of proceeds.

Based on the above, Sustainalytics is confident that TAG Immobilien AG is well positioned to issue sustainability bonds and that the TAG Immobilien AG Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), and the Social Bond Principles (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	TAG Immobilien AG
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	TAG Immobilien AG Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 18, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds Green Buildings & Energy Efficiency, Renewable Energy, Clean Transportation, Affordable Housing, Low-Barrier Housing, and Community Engagement are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 7, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): Low-Barrier Housing and Community Engagement |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

TAG Immobilien AG's internal process in evaluating and selecting projects is managed by the Sustainable Financing Committee, comprised of the Company's management board, head of the strategic real estate management department, and head of financing and treasury department. The Committee evaluates all eligible projects and ensures they align with TAG's environmental and social risk policies. Sustainalytics considers the environmental and social risk management processes to be adequate and the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

TAG Immobilien AG's processes for management of proceeds is supervised by the Sustainability Financing Committee in collaborating with the Company's financing and treasury departments. The Company intends to fully allocate proceeds within 24 months post issuance. Pending allocation, unallocated proceeds will be held in cash, or cash equivalents. TAG will use internal reporting systems to track the receipt and use of proceeds. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|---|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

TAG Immobilien AG intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include the total amount of proceeds allocated to eligible assets, remaining balance of any unallocated funds, and the proportion of proceeds used for financing and refinancing. In addition, TAG is committed to reporting on relevant impact metrics. Sustainalytics views TAG Immobilien AG 's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify):
Proportion of Proceeds used for financing versus refinancing | |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): EPC Certifications achieved for relevant properties, Energy performance of relevant properties, Annual renewable |

energy generation in MWh, Number of new charging stations for electric vehicles, number of new electric vehicles for the own fleet, number of units financed and/or refinanced split by regions, number of beneficiaries split by regions, number of apartments benefitting from a low-barrier modernization, number of buildings benefitting from a low-barrier modernization, total donations for the foundation, number of tenants or other beneficiaries supported

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify):
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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