



# SUSTAIN- ABILITY REPORT 2016

GROWING CASHFLOWS

**TAG**  
Immobilien AG



Chemnitz (Sachsen)

# SUSTAINABILITY

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This report continues the analyses and considerations from our Sustainability Report for financial year 2015 and takes a special look at our tenants, whose satisfaction is an important yardstick for our work.

Larger housing companies have long borne a high level of social responsibility that extends far beyond property management. Landlords increasingly design not only the pure housing offering, but also everything that goes into making people feel at home: well-kept surroundings, recreational facilities, social assistance offerings, an intact infrastructure, and prospects for the future. For this reason, TAG continues to focus on its regional orientation and active networking and cooperation with stakeholders at its individual locations.

By effectively strengthening our locations and strategically catering to the requirements of the regional market, we create a future-proof home market. This in turn guarantees our shareholders investment security and enables attractive dividends in the medium and long term.

## Strategy

### WE DEVELOP FUTURE-PROOF PROPERTIES

As an active asset management, TAG practices sustainable property development geared toward long-term economic success.

At present, our growth strategy is aimed at optimising our overall portfolio. This means that we focus especially on emerging regions with good yield prospects, for example cities with rapidly growing populations. We also prefer to purchase properties in regions where we can use our existing administrative structure, thereby increasing the efficiency of existing resources.

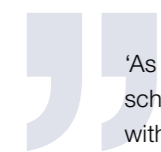
In the 2016 financial year, we bought 1,651 flats – 1,240 of them in Thuringia, where we already manage around 18,000 flats. Our portfolios in Dessau-Rosslau and North-Rhine Westphalia (NRW) also grew. While the NRW portfolios already have a high occupancy rate, the purchased portfolio acquired in the former East Germany with a vacancy of up to 11% offers great development potential which we will optimally exploit.

One of TAG's special competencies is the successful development of such inventory. For example, at the end of 2014, we acquired 625 flats in the Kappel district of Chemnitz with 37,100 sqm of living space. Previously, we had identified a demand for larger family homes in Chemnitz and successfully tested our first layout conversions. The newly acquired portfolio offered the opportunity for a more complex development of larger living space, especially because the district is particularly suitable for families due to its location and infrastructure. The arrangement of the buildings gives rise to spacious courtyards that are perfect for children to play in. So we invested EUR 40,000 in upgrading the playgrounds. We comprehensively renovated and upgraded the building at Usti nad Labem Strasse 303-313 in 2016 to create 66 individual 2- to 7-room flats with up to 130 sqm of living space. Most of the flats have balconies, and there are, for example large, bright eat-in kitchens, spacious bathrooms with a washing machine section or a separate shower cubicle, utility rooms, and even flats with a dressing room or two bathrooms. Two maisonette flats with nearly 130 sqm of living space each are also a new highlight in the prefabricated panel housing estate. One of the two maisonette flats was already let during the renovation. Concurrent with the renovation project, which was largely completed in November 2016, individual flats in other properties were renovated for new lettings, residential areas and stairs were renovated, repairs were carried out, and waste collection sites were refurbished. With the renovation of another apartment block, our efforts in the neighbouring sports club and the establishment of social offerings for children and young people, we are developing a family neighbourhood for the future here.





Chemnitz (Sachsen)



'As a family with 3 children, it wasn't easy for us to find a flat close to schools and kindergartens. Now we have found one where both are within walking distance. The infrastructure here is really very good. We especially like the playgrounds and green spaces behind the block, and our little pug is pretty happy about them, too. When we looked around for a new flat, it was very important to us that the kitchen should have a window and enough space for a dining table, so that the whole family could eat together. We also love the large living room in our flat and the bedroom balcony. It's the flat of our dreams!'

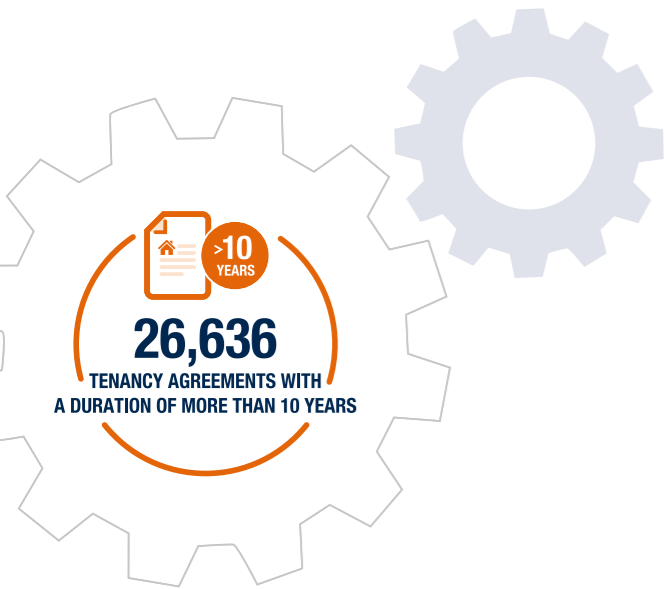
The Unger/Mieniets family, Chemnitz (5-room flat, 121 sqm)

**We use innovative layout adaptations to transform seemingly stereotypical prefabricated flats into individual, contemporary homes, thereby achieving long-term tenancy.**

In the small Saxon town of Döbeln, which has a solid future thanks to its location in the heart of the region, we have raised a property in the town centre to a new level of quality. We turned a mundane prefabricated panel construction building into an attractive multifamily home with spacious 2- to 4-room flats in the middle price segment, which in turn reflects the central location.

With this kind of complex conversion, but also with energy-based refurbishments, for example in Norderstedt and Neu-Brandenburg, we are steadily and sustainably upgrading our properties.

A TU Darmstadt study commissioned by TAG in 2016 shows that just 3% of existing homes in Germany are adequately equipped for the needs of the elderly and disabled. Demographic change and the associated high average age of the population also affects TAG's neighbourhoods. That is why we take care of older target groups in various ways - especially those who need disabled access. On the one hand, we support home adaptations for existing tenants; on the other, we are also building senior-friendly housing in suitable locations. For instance, in 2016, we began to modernise a 'central corridor' building in Hermsdorf, Thuringia to make it fully senior-friendly, and provide disabled access within the building and flats.



## Strategy and Environment

### WE HAVE A PASSION FOR QUALITY AND SERVICE

In the long term, a service mentality towards our tenants, prudent management of our properties, and innovative ideas to improve the quality of living not only contribute to business success, but also to a lasting, positive reputation.

In 2016 we opened our 65th tenant's office in Nordhausen. Regular contact with prospective tenants and our tenants on the premises strengthens trust in us as a landlord and allows for quickly clearing up many everyday issues in one-on-one conversations. This also gives us a visible presence, which facilitates contact with regional networks whose cooperation we in turn need for services and neighbourhood planning.

Our principle of being close to our tenants helps minimise churn, e.g. people moving away because of their age. In many German residential areas, the average age is very high: in the Lusan district of Gera, one of our largest cohesive districts, the average age is over 50; at our Bestensee location, almost a quarter of the residents are pensioners – reason enough to counteract age-driven tenant churn in good time. This is why we are setting up an independent living counselling service at some locations, where tenants can find out about bathroom conversion options and other in-home aids. They receive advice and support from our employees in this, as well as in applying for grants from nursing care insurance companies. We specifically train our employees for this. For example, Lower Saxony's youngest independent living counsellor works at TAG. After three years of training as a property agent, she completed additional training as a certified independent living advisor for seniors and people with disabilities. Since then, the 23-year-old has been working in the Letting department at the Salzgitter site, where she also coordinates our senior citizen relations.



*'One thing is certain for us, we want to stay in our own home as long as we can. I'm still fit. Only my husband has not been able to cope so well since his illness. So we dropped into the Bestensee tenant office to look at TAG's bathroom ideas. The independent living counsellor concluded that our bathroom could be converted. Now we really enjoy using our senior-friendly bathroom every day'.*

Bettina and Peter Schalk, Bestensee

**We help elderly people with improvements to their living conditions – this reduces tenant churn and strengthens our image long-term.**

In 2015, our tenant survey confirmed that a reduction in utility costs is still especially important to tenants – so this topic, too, is also part of our company's service concept. One part of the utility costs that can be relatively easily influenced is waste disposal. Awareness-building about waste separation and modern waste management are very helpful here. In Musterknaben eG, we have found an innovative partner to support us in educating the tenants at various locations and advising us regarding regional waste management. In Gera, for example, we were able to reduce our waste by 5,248 cbm. This lowers our tenants' utility costs while also benefitting the environment.

As part of our process optimisation efforts, we have been working on three other action areas that will secure a better quality of supply on better terms in the long run – also for our tenants.

With our subsidiary Energie Wohnen Service GmbH, we are able to optimise our fuel purchasing, and by having our technical facilities professionally maintained, we reduce energy consumption long-term. Ultimately, the successive modernisation of our heating systems also benefits the environment. The newly founded Multimedia Immobilien GmbH has taken over the basic supply of flats with TV connections, which means that a large proportion of the tenants now receive better service packages for their TV and internet. By having our own TAG Immobilienservice GmbH provide caretaker services, we will be able to ensure better quality standards in the future. In addition, we have expanded the range of services provided by caretakers in many places, e.g. to include stairwell cleaning, garden maintenance and winter road clearance. Caretakers who are continually responsible for 'their territory' also have a lasting influence on tidiness and cleanliness.





## Strategy and Society

### WE PROMOTE QUALITY OF LIFE IN NEIGHBOURHOODS

Stable neighbourhoods, a sense of community, a wide range of leisure activities and social assistance ensure quality of life in our residential areas. That is why we are investing in sustainable neighbourhood development - together with municipalities, clubs and associations.

From numerous conversations with tenants and partners, we sense that there is a growing longing for functioning neighbourhoods and a sense of community. We are increasingly seeing the use of such services, which increases tenant satisfaction and creates a sense of belonging.

Wherever we manage large, cohesive portfolios at a location, we also get involved in neighbourhood management. We start by looking for existing on-site offerings that are worth supporting. If we discover gaps in this respect, we recruit partners and jointly establish recreational and social activities in the district.

For example, we bring older people out of their isolation with 'activity lounges'. We operate these lounges and other communal centres in cooperation with organisations such as the Workers' Welfare Federal Association (Arbeiterwohlfahrt), the Workers' Samaritan Federation (Arbeiter-Samariter-Bund), Caritas, Johanniter Unfallhilfe and Volkssolidarität. We provide the premises free of charge and help finance the project personnel, and our partners organise events and excursions and provide additional advice and services. Increasingly, our events bring different generations together in the lounges, and tenants can get involved with their own ideas and hobbies. If we are able to promote personal initiatives and active neighbourhood assistance, we will have a lasting effect in improving life in the neighbourhoods.

Because quality of life in a residential environment is also determined by infrastructure, outdoor facilities, employment opportunities, etc., we seek contact with other actors on the ground. We work closely with municipal planners and local authorities and get involved in the design of green spaces and play areas. We also coordinate the implementation of social services and leverage synergies for joint projects.

Naturally, we also support culture, sports and education – especially in the immediate neighbourhood, so that our commitment benefits our tenants as directly as possible, and the younger generation in particular will have better prospects for the future.

“Without the lounge, I'd be long gone. I never really felt comfortable in Döbeln because I had no contacts and was lonely. I wanted to go back to the Ruhr, but then I discovered the activity lounge and decided to stay. I like cooking with the others. My kitchen is rather small and cooking for myself isn't much fun'.

Manfred Wallat, TAG tenant from Döbeln

**By working with partners to create recreational and community services in the neighbourhoods, we contribute to the lasting development of the location.**





Ferienprogramm Jumpers Erfurt

## Society

### WE HELP CREATE OPTIONS FOR PEOPLE

Preventing boredom and a lack of options is also part of our service concept. That is why we sought and found a partner that opens up opportunities for children and gives them guidance in their daily lives. We have already set up children's and family centres in Salzgitter and Gera with the 'Jumpers – Jugend mit Perspektive e.V.' association, which offers extensive after-school activities for children, and also provides advice and assistance with school and family problems.

Because the projects are so well received, we are expanding the centre in the Lusan district of Gera, which opened in 2015. As the landlord of around 5,000 prefabricated flats here, we feel a special sense of responsibility. In 2016, a football pitch was opened – and a parents' lounge is currently being created.

In 2016, another Jumpers lounge was opened in the south of Erfurt. Studies by the Institute for Communal Planning and Development had revealed that there was still an unmet need here. Now Jumpers is looking after children in the neighbourhood with two social education workers and two voluntary social service (FSJ) employees. After only a few weeks, about 40 children were regularly coming to the lounge, and since then they have been using the homework help and recreational offerings, making music, being 'roving reporters' and experiencing values such as responsibility, reliability, community and success first hand. The parents are also opening themselves up to the project, and some are now gaining a fresh perspective on their lives and hope for the future. Jumpers also focuses on immigrant children, integrating them into their programme offerings and thus promoting the natural growing together of the young generation. We support Jumpers financially and have 'inspired' many more actors and partners, so that Jumpers is finding more and more supporters.

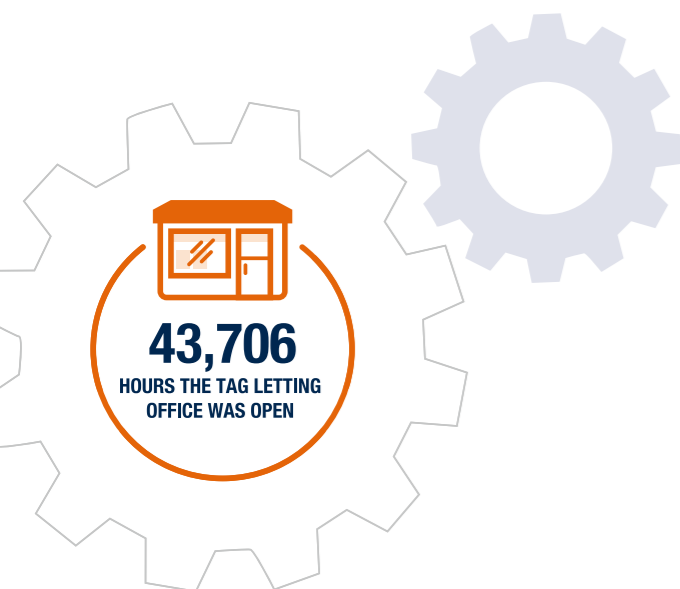
“Every day, we see how grateful the children are for our services here. Their many and spontaneous comments repeatedly confirm this to us. For example, asked about their best holiday, one of our Jumpers children said, the nicest holidays were with Jumpers because we went swimming and then spent the night here! Or when one of the dads built a railway here with the children and spent a lot of time with them, a little boy said, I want a dad like that too! Even a simple 'thank you for the nice trip' on the way back from the swimming pool to our Jumpers lounge shows that the investment in this project is worthwhile'.

Sophia Haufe, social education worker at the Jumpers Children's and Family Centre in Erfurt

**In Jumpers, we have found a very special partner that also shares an important goal with us: to give children and young people prospects so that our society and our locations have a hopeful and worthwhile future.**

Such initiatives also help with the integration of refugees. TAG is committed to the integrated housing of refugee families with a residence permit. In Salzgitter, for example, we rented flats to Syrian families that are near the activity lounge where Germans and immigrants meet to play, do handicrafts, cook and eat together.

A pilot project was launched in Salzgitter in 2016 that promotes the integration of refugees in an even more purposeful and lasting way. To this end, TAG concluded a cooperation agreement with the Jobcenter (local employment agency), Musterknaben eG, and regional protagonists from the Workers' Welfare Federal Association, the Caritas association and Diakonie. The Jobcenter assigns asylum seekers with sufficient knowledge of German or English to this organisation. The trainees are introduced to various areas of work for 16 weeks, gaining basic knowledge in various activities and in handling technical machines. They also receive daily language coaching with a focus on the vocabulary needed for their work. They are to carry out work such as gardening and landscape maintenance, stairwell and building cleaning, janitorial services, household cleaning and caretaking services in the neighbourhood they live in. In this way, they increasingly come into contact with local residents, reducing inhibitions and prejudices. Not only that, the participants learn what order, cleanliness and team spirit mean for people in the neighbourhood. They learn to separate their waste and other routine standards that are part of living in Germany. After three months, further qualifications for the project participants are discussed with the Jobcenter so that they can receive better opportunities in the labour market in the future.



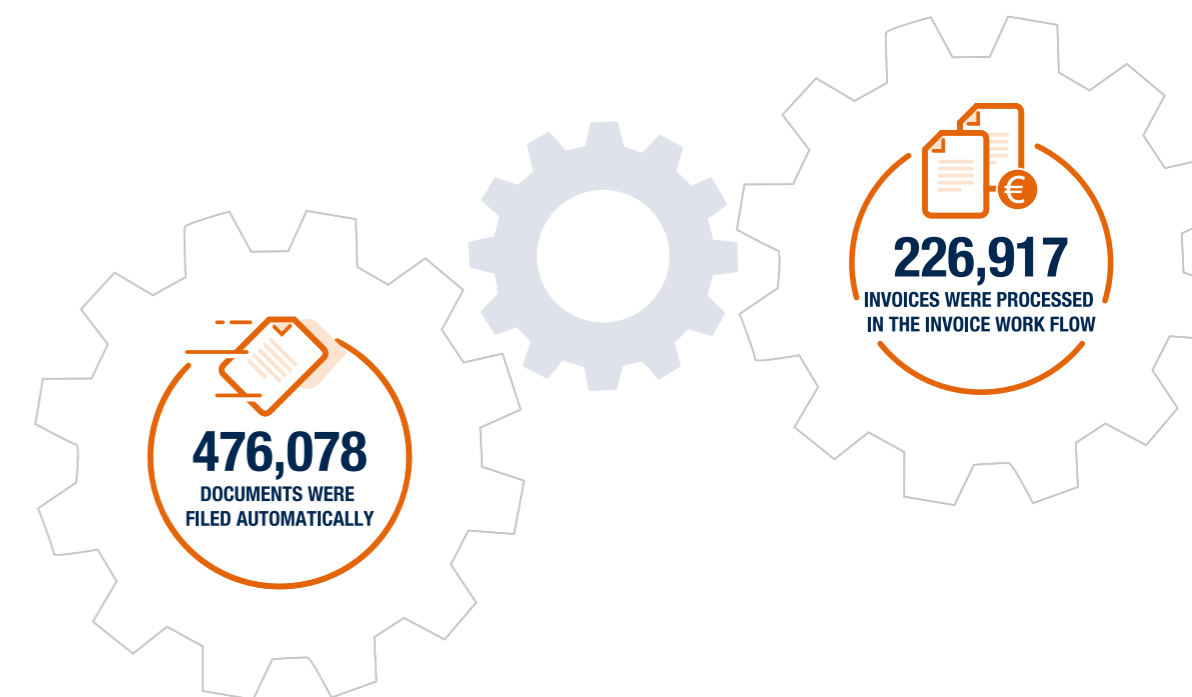
## Process management and Environment

### WE DESIGN FUTURE-ORIENTED BUSINESS PROCESSES

A key pillar of sustainability is long-term business success. We achieve this by managing our properties and locations in a way that increases their value, as well as through farsighted processes and personnel development. Pooling competencies and an efficient use of valuable resources are the focus in our process development. In our quest for sustainable solutions, we keep an eye on trends in markets and technologies.

Our property portfolio is divided into ten regions, each managed by a Head of Real Estate Management. Thanks to this structure and our 65 tenant offices, we are closely connected to the regions. Impetus for portfolio development, service offerings and social commitment come from the specific regional business and are used for sustainable portfolio development at the location.

This in turn provides ideas for our centrally managed strategic property management. Our shared service centres also handle all of our interrelated property management processes, such as customer and vendor accounting, utility invoicing, deposit management and rent increases – across all regions. This gives our organisation process-related advantages, which are especially useful for efficiency.



We have been devoting ourselves for several years now to the topics of process efficiency and digitisation, with our modern, process-supporting software. We now have not only a digital invoice flow, but also digital tenant and property files where all the correspondence we create on the system side is automatically archived. In the past year, we stepped up our efforts to successively fill the files with legacy data. In addition, we also have a trades interface so that we now have a paperless relationship with most trade companies: all processes are run digitally from commissioning to invoicing. Last year we were able to cover further processes, such as the (rental) deposit process and the ticket system.

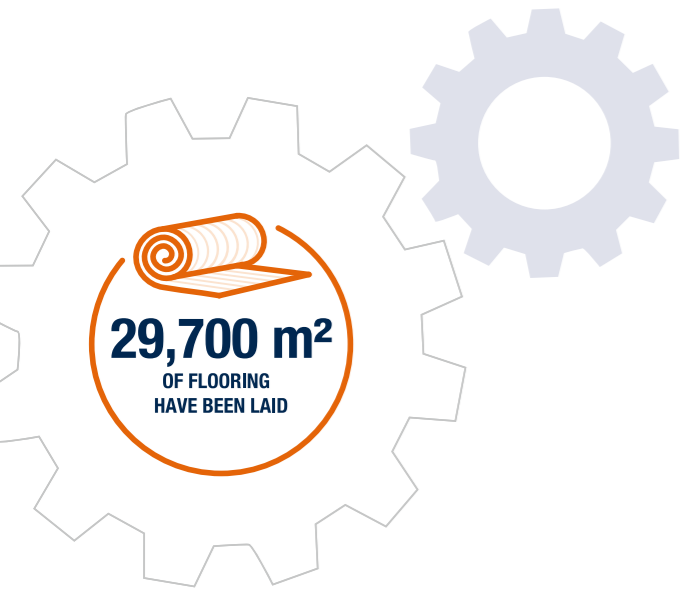
Digitally networking our locations and workflows improves the quality standards and the volume of all processes – from repairs to enquiries from prospective tenants, to receivables management. All processes are documented, stored in the electronic tenant and property files, and can be tracked at any time.

We have pooled our print services so that billing, special mailouts, etc. are mainly processed centrally. In this way, we not only achieve economic impacts, but also protect our environment.

Another focus of our work lies in developing our own property services in order to be independent of third parties regarding price, quality assurance and scheduling.

TAG Handwerkerservice GmbH, the construction services company we founded in 2015, continued to expand successfully in 2016. The company provides painting, electrical installation, heating, plumbing, flooring and drywall services. In 2016, we hired 34 employees in Saxony for this company, and are now able to prepare our flats faster and more efficiently for new lets, while also cushioning the availability peaks of other partners in the market. Providing the staff with work clothes, modern equipment and vehicles also increases motivation.





Caretaker services are now carried out by TAG Immobilienservice GmbH at 67 locations. This has resulted in a noticeably better quality of cleanliness and tidiness in the neighbourhoods. Stairwell cleaning, garden maintenance and winter road clearance are newly introduced services for tenants in many places that have been gratefully accepted. Besides the digitisation of our processes, the work of our subsidiary Energie Wohnen Service GmbH also produces sustained ecological benefits. As a professional service provider, the company is responsible for the complete energy management and supply of TAG properties, as well as other energy-related services. Skilled specialists optimise the supply of heating energy to our properties, which saves energy and maintenance costs in the long term.



*'I have to tell you, I've never experienced anything like TAG. My husband, my daughter and I have been living in one of your properties in Elstal since March. Your customer advisor not only actively and thoughtfully helped us look for a flat and helped us get this dream flat. No, even now she still supports us with advice and assistance. Emails are answered within 24 hours, and contractors also get in touch the same day. I'm always seeing the caretaker wheeling his waste bin around and tidying up'.*

Jennifer Sell, TAG tenant in Wustermark/Elstal

**By optimising processes and working conditions, we achieve a higher quality of service, which motivates our employees and makes for happy tenants.**

## Company and employee matters

### WE WORK AS PART OF A MOTIVATED TEAM

Loyal, dedicated employees form the long-term basis for a successful company. We promote and qualify our employees according to their potential, and offer ideal prospects for development thanks to equal opportunities, flat hierarchies, and a high degree of individual responsibility. Our good career opportunities and a healthy work-life balance give our company a good position in the competition for the best people.

From the outset, the TAG Group exceeded the targets set in 2015 to regulate the proportion of women in companies. On the Management Board, the ratio of men to women is two to one. In the first tier of management below the Management Board, 53% of departmental managers are women and 68% of all team and group leaders are also female.

In 2016, TAG employed 44 apprentices – seven employees were completing dual-degree training programmes in business administration. Once a year, an Apprentice Day is held in which we actively involve all of our apprentices. Last year, for example, a promotional video for training at TAG was created by the apprentices themselves. Our apprentices are usually hired as permanent employees in our teams upon successful completion of their training, as this is how we secure our long-term staff development.

Individual development also means that we develop our employees according to their goals and abilities. We facilitate this by – among other things – allowing for changes in department and location, paying for part-time studies, providing in-house training, and granting educational leave. For example, in 2016, we paid the costs of part-time education for six employees as part of a continuing-education agreement.

In 51 training courses at various locations employees were trained in topics such as the management of residential property, conflict management, communications, and receivables management. In addition, 44 software tutorials were held.



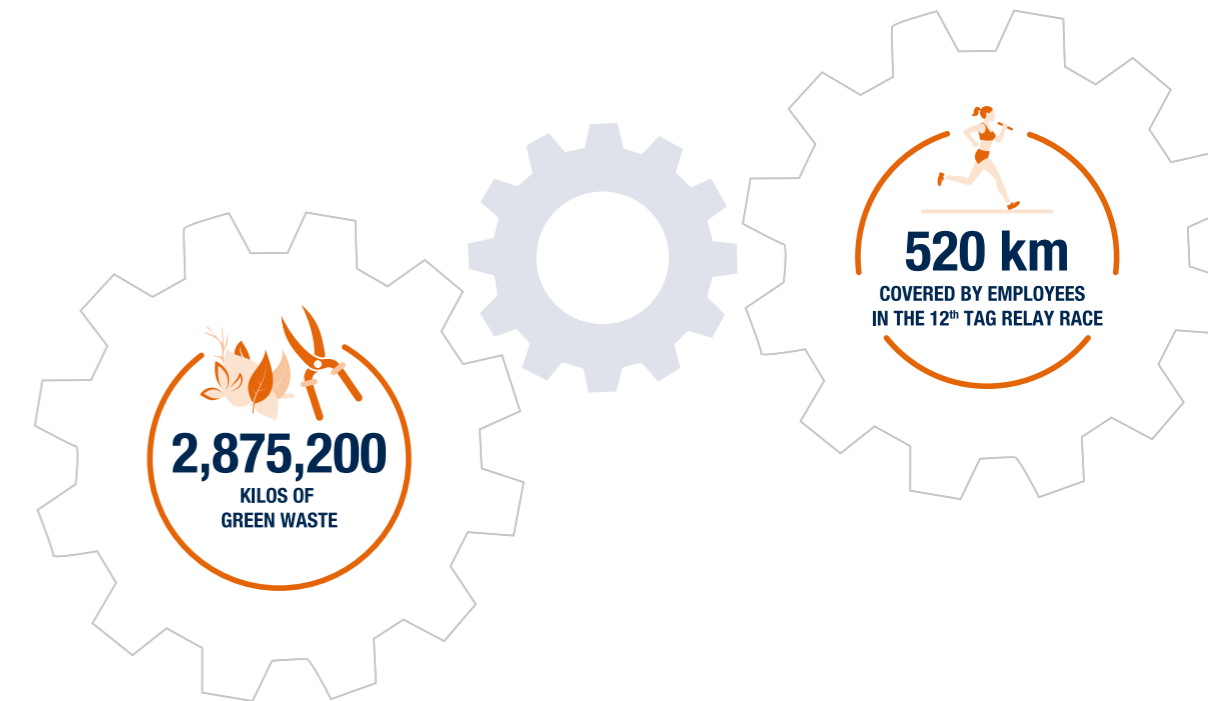
TAG caretaker

Through our Group-wide best practice meetings in many departments, we let our employees actively shape company processes and thus create a starting point for adapting processes to new circumstances at least once a year. Together with the TAG Ideas Workshop, we leverage our employees' innovative potential, thereby creating even greater identification with the company.

We place a high priority on the equal treatment of all employees in the company. In order to ensure that employee rights are safeguarded and their interests are adequately represented, there are eight local works councils which have formed a general works council from among their ranks. The employees are also represented by two employee representatives on the Supervisory Board.

It goes without saying that occupational health and safety are of paramount importance to us, so in 2016 investigations into occupational health and safety, and company medical conditions for employees at various locations were carried out again. This time, ergonomics at the office workplace was also a focus. Employees were once again given a great deal of information on optimally setting up their workstations. In addition, numerous first responders were trained and safety training was conducted.

It is important to us that our employees have a healthy work-life balance, which is why we offer our employees flexible working time models, various part-time options, parental leave for mothers and fathers, as well as home office work in individual cases.



We promote a healthy environment and health, for example, by enabling employees to use company bicycles instead of pool cars. Our employees are encouraged to travel by rail rather than car. This led to a significant increase in rail use in 2016.

A team can only perform well if it feels it belongs together, which is why we not only promote interaction through a culture of open dialogue within the company, but also organise shared highlights. Every year, about 140 employees from across the TAG Group meet for the TAG relay race. We hold our big Christmas party at a different TAG location each year, and at these full-day meetings get to know the work of our colleagues better.

Various social benefits, such as company pensions, Group accident insurance that protects our members worldwide, including when they are not working, and capital accumulation benefits complete the high level of security for our employees.

## OUTLOOK

**Our sustainable business model will continue to be focused on long-term economic success. We remain in active dialogue with our stakeholders to take into account all economic, environmental and social aspects. Important elements of our sustainability concept will continue to be the positive value development of our portfolios, the social and economic strengthening of our locations, economic and environmental effects in process optimisation and digitisation, as well as social responsibility towards our tenants and employees.**