



SUSTAINABLE FINANCE FRAMEWORK

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Company Overview

TAG is a Hamburg-based real estate company which is active in Germany and Poland. Our business is separated in the "Rental" segment, which includes TAG's main business of renting residential real estate units in Germany, the "Services" segment, which includes the business activities attributable to TAG's German internal service companies, and the "Business activities in Poland" as a third segment.

Our business model is primarily based on the long-term renting of residential real estate units. In Germany, we hold a diversified portfolio of residential real estate which is situated largely in attractive locations in Northern Germany (Hamburg and Salzgitter region), the Berlin region, other states in former Eastern Germany, and North Rhine-Westphalia (Rhine-Ruhr region). Overall, we held and managed around 87,600 residential units in Germany as of 31 December 2021. We consider ourselves a specialist for affordable housing which appeals to large sections of the population. In our view, our residential real estate holdings in Germany constitute a solid and attractive portfolio which generates a strong rental income.

We expanded our business operations to Poland in November 2019 through the acquisition of Vantage, which was closed in January 2020. As of 31 December 2021, TAG managed circa 500 residential units in Poland and had a contractually secured project pipeline for the construction of approximately 12,100 additional units in Wroclaw, Poznan, Lodz, Gdansk and Krakow. TAG further strengthened its operations in Poland through the acquisition of ROBYG in December 2021, which is expected to close on 31 March 2022. Our strategy in Poland focuses on newly constructed residential units in large cities with favourable population trends, proximity to universities, and a well-developed infrastructure. As of 31 December 2021, ROBYG owned a secured pipeline of about 25,200 residential units, including circa 4,500 presold units, with a focus on projects in Warsaw and Gdansk and additional projects in Wroclaw and Poznan.

Sustainable action forms the basis of our business strategy – it is the prerequisite for the secure future of our Company.

Our commitment to sustainability

Housing is a basic need. As a large housing company, we are aware of our corporate responsibility. We know that our actions have an impact on society, the environment and the economy.

The provision of affordable housing has always been our core business. In this respect, sustainability is traditionally anchored in our business activities.

Since 2012, sustainability management at TAG has been directly assigned to the Management Board. In each reporting year, sustainability topics are regularly the subject of consultations between the Management Board and the Supervisory Board.

TAG understands sustainable corporate development as a holistic system that enables positive interactions. Our sustainability strategy therefore takes into account recent developments such as demographic change, climate change, and technological progress. We include all economic, ecological and social impacts of our actions across the value chain, or the entire life cycle of a property. Various ESG guidelines, in which we specify our requirements and goals, also contribute to this. Our intensified sustainability communications also serve to increase the importance of considering the effects of our actions across the entire life cycle of the properties.

In practice, however, external factors can lead to conflicts in achieving our sustainability goals. We intend to continue tackling these challenges in the future. One of the biggest challenges at present is affordable yet climate-friendly housing. To ensure this, we will continue to develop our portfolios with a sense of proportion. We believe that housing should be affordable for all our tenants. Through efficient modernisation, we make an effective contribution to climate protection on the one hand, while not exceeding the budgets of our tenants on the other, supporting the philosophy of a Just Transition.

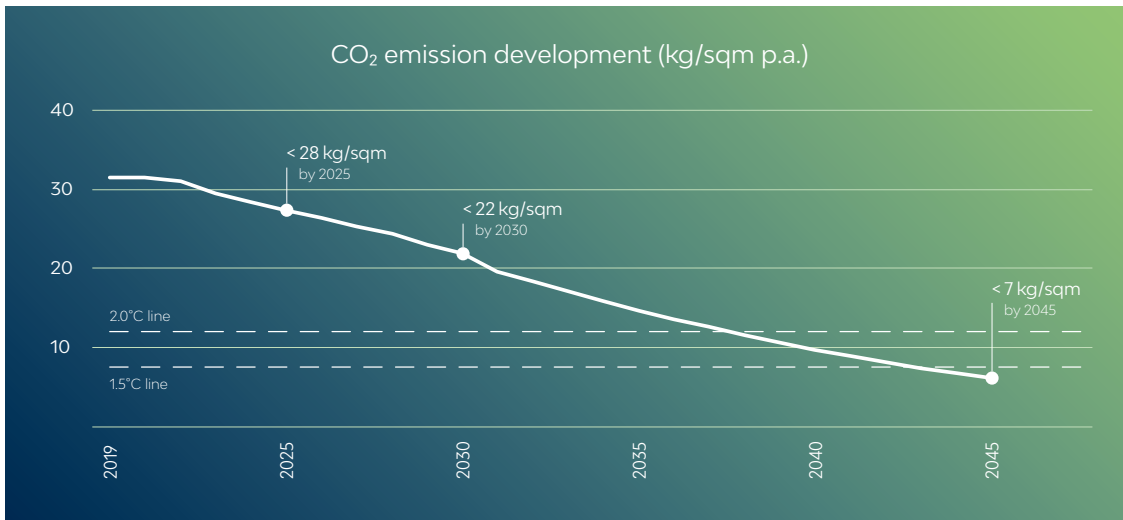
The results of our sustainability activities are published annually in a Sustainability Report prepared in accordance with the global standards of the Global Reporting Initiative (GRI), which also includes our progress in putting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into practice.

Developing our portfolio responsibly

Our residential portfolio is the foundation of our business activities, which makes it our most important asset. A sustainable management and development of our portfolio is an essential part of our business activities. This includes a responsible use of resources, and climate protection.

With our entry into the residential real estate market in Poland, we are now active in the new-build sector as well. Since 2020, our business model has therefore covered the entire lifecycle of a property. This entails additional challenges relating to climate and environmental protection, as well as in the supply chain. At the same time, however, it also opens up new opportunities for us to plan buildings sustainably and to incorporate climate protection and resource conservation at an early stage.

In the long-term, we want to develop and manage a nearly climate-neutral portfolio. To this end, we have developed a comprehensive decarbonisation strategy for our German portfolio. In this strategy, we are building on measures we are already implementing, such as the refurbishment of building shells and heating systems, and developing a viable model for the future. Our aim is to get to a climate neutral portfolio in Germany by 2045, reaching CO₂ emissions below 7 kg of CO₂/sqm p.a. from a baseline for the year 2019 (last available data) of 31.9 kg of CO₂/sqm p.a.



For our portfolio in Poland, we will start working on a decarbonisation strategy in due course after the integration process regarding our current platforms in Poland is finished.

As part of our decarbonisation strategy, we are working on practical solutions to ensure that rents remain affordable in the long term, otherwise there is a risk that climate protection in existing buildings will lose acceptance among broad sections of the population. This would also reduce the opportunities for building owners to implement energy-efficient modernisation measures.

Digitalisation offers another way to save energy and is also part of our decarbonisation strategy. Smart Home solutions in buildings, for example, can interconnect building technology and household appliances. Flexible mobility concepts in neighbourhoods also create opportunities to protect the environment. Mobility solutions such as car sharing and shuttle buses with electric drives can reduce air pollution.

Key components of our sustainable, ecological way of managing the Company are optimising energy efficiency, reducing emissions, and sustainable resource management. In optimising our portfolio, we are striving for a nearly climate-neutral building stock in the long term. We achieve this through a number of different means, including lowering energy consumption through refurbishments, promoting responsible use and economical consumption of water and electricity on part of our tenants, and addressing sustainability across the entire life cycle from the building design, the management of suppliers and selection of our building materials.

Our responsibility to society

Primarily due to demographic, social and ecological change, ensuring that the demand for affordable and needs-driven as well as climate-friendly housing is simultaneously met has become a task for society as a whole. As a housing company, we are prepared for the changes that have been forecasted.

Statistical surveys indicate that the demographic situation on the housing market will continue to change. By 2035, the number of people over the age of 64 in Germany, where the largest part of our portfolio is located, will have increased by around 4.8 million. To ensure that this elderly population can continue to participate in social life, many of our locations will require new housing concepts. The need for innovative mobility and care concepts is also increasing. A modern infrastructure of this kind, which reduces greenhouse gases, is also indispensable in view of climate change.

Increasing urbanisation is gradually leading to population growth in many cities and thus also to an increased housing shortage. Even now, affordable housing is already a scarce commodity. Four out of ten households currently spend more than 30 % of their net income on rent.

In this challenging environment, because we are a provider of attractive, affordable housing for broad sections of the population, we take responsibility towards society and in particular towards TAG's tenants and their living conditions. We work to promote neighbourly communities and create recreational activities for all generations. We offer our tenants social support and invest in properties and neighbourhoods worth living in. Additionally, in 2020 we established the non-profit TAG Miteinander Stiftung (TAG Together Foundation). Under the aegis of the foundation, we pool our social activities to improve the living conditions in our neighbourhoods in an even more targeted way. With the foundation, we want to contribute to people living in good conditions, enjoying a community spirit, and treating each other as good neighbours. Our efforts focus on supporting children and young people, families and senior citizens, as well as people in need who have fallen on hard times through no fault of their own.

Our commitment to the implementation of the Sustainable Development Goals

At TAG, we consider it part of our corporate responsibility to contribute to the implementation of the United Nations' Sustainable Development Goals (SDGs). This is because we are convinced that business plays a leading role in shaping a sustainable future.

In 2020, we identified the SDGs relevant to TAG. We have derived these from our key topics and focus areas. We also looked at the areas in which we can make the greatest contribution, now and in the future. We have identified the following SDGs:



SDG 5 Gender Equality

Material topics: Work-life balance, family-friendliness, and diversity

More than 50 % of the workforce at TAG are women, including in management positions. Salaries are influenced exclusively by the requirements profile for the position, professional experience, and any additional qualifications. We promote a healthy work-life balance, among other things through flexible working time models and the option of working from home. Around one third of the employees on parental leave at TAG are male (since we started evaluating this in 2019).



SDG 7 Affordable and Clean Energy

Material topic: Optimising energy efficiency and emissions

We are continuously working to improve our energy efficiency and reduce emissions. To this end, we carry out energy-efficiency refurbishments in existing properties, take sustainability criteria into account in new construction, and use Smart Home solutions to increase energy efficiency.



SDG 10 Reduced Inequality

Material topics: Liveable neighbourhoods, customer focus, and service quality

We place a particular focus on supporting children and teens as well as the elderly, especially those from economically weaker sections of the population. We sponsor a wide range of recreational activities and offer social assistance. We also take the needs of senior citizens into account in our new construction or renovations, for example by reducing barriers in our housing. The non-discriminatory allocation of housing is laid down in our anti-discrimination guideline. We also participate in a programme for the integration of the long-term unemployed.



SDG 11 Sustainable Cities and Communities

Material topic: Marketable portfolio development for broad sections of the population, including reasonable rents

Housing is a basic need. Our core business is to provide affordable housing for broad sections of the population. In our neighbourhoods, we pay attention to a healthy social mixing and actively contribute to a good quality of life. To this end, we support local initiatives, associations, and social institutions.



SDG 13 Climate Action

Material topics: Optimising energy efficiency and emissions, sustainable resource management

We use resources sparingly, both in the renovation of existing properties and in new construction. This also applies within the company. We apply environmental criteria when selecting suppliers. We are also currently developing a decarbonisation strategy to further reduce CO₂ emissions. In our neighbourhoods, we promote biodiversity in the outdoor areas.



SDG 17 Partnerships for the Goals

Material topics: Liveable neighbourhoods, dialogue with tenants, municipalities, and other stakeholders

We work with various social institutions, neighbourhood initiatives and other associations to support our tenants in their everyday lives. Beyond this, we are in continuous dialogue with cities and municipalities. TAG is also a multiple winner of the Social Transfer Award given out by the Braunschweig Chamber of Commerce and Industry.

Sustainable Finance Framework

As part of our commitment to sustainability, TAG has designed this Sustainable Finance Framework under which Green, Social and Sustainability instruments can be issued to finance or refinance eligible green and/or social assets and projects. Such instruments could include bonds (including private placements), commercial paper, loans, promissory notes (Schuldscheindarlehen) and any other Green, Social and Sustainability finance instruments (Sustainable Financing instruments).

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, TAG has prepared this Sustainable Finance Framework in accordance with the International Capital Market Association's¹ (ICMA) Green Bond Principles (GBP) 2021, Social Bond Principles (SBP) 2021, and Sustainability Bond Guidelines (SBG) 2021, as well as the Loan Market Association's² (LMA) Green Loan Principles (GLP) 2021 and Social Loan Principles (SLP) 2021. These are voluntary guidelines which recommend transparency and disclosure and promote integrity in the development of the Sustainable Finance market by clarifying the approach for issuing Green, Social and Sustainability instruments. Moreover, the Framework takes into consideration, on a best effort basis, the requirements of the EU Taxonomy Regulation and technical criteria as well as the EU Taxonomy Climate Delegated Act, where relevant and feasible.

Our Sustainable Finance Framework is presented through the following key pillars:

1. **Use of Proceeds**
2. **Process for Project Evaluation and Selection**
3. **Management of Proceeds**
4. **Reporting**
5. **External review**

We may review this Framework from time to time to align with industry best market practices and future market developments and expectations. Any updated version of this Framework will be published on our website and reviewed by a Second Party Opinion Provider.

Use of Proceeds



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

TAG 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.

¹ICMA Principles



²LMA Principles

Green Projects




ICMA GBP	Eligible Assets	Contribution to EU Environmental Objectives	Targeted UN SDGs
<p>Green Buildings, Energy Efficiency</p>	<p>Green Buildings, defined as the financing or refinancing of buildings which meet regional, national or internationally recognised regulations, standards or certifications:</p> <p>1. For properties in Germany, eligible Green Buildings shall meet at least one of the following eligibility criteria:</p> <ul style="list-style-type: none"> → New, existing or refurbished residential buildings which fulfil a minimum Energy Performance Certificate (EPC) Rating A or B. → Residential buildings built after December 31st, 2020 with a Primary Energy Demand (PED) at least 10 % lower than the threshold for the Nearly-Zero-Energy-Buildings (NZEB) Standard criteria for Germany. → Refurbishments of existing buildings where the renovation meets the applicable requirements for major renovations of the EU’s Energy Performance of Buildings Directive. → 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. → Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment, including but not limited to the installation of smart meters, window upgrades, insulation measures and heating installations (excluding any investment in fossil fuel powered equipment). <p>2. For properties in Poland, eligible Green Buildings shall meet at least one of the following eligibility criteria:</p> <ul style="list-style-type: none"> → 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 Criteria³, based on year of the financing instrument’s issuance and duration⁴. → Residential buildings built after December 31st, 2020 with a Primary Energy Demand (PED) at least 10 % lower than the threshold for the Nearly-Zero-Energy-Building (NZEB) Standard criteria for Poland. → Refurbishments of existing buildings where the renovation meets the applicable requirements for major renovations of the EU’s Energy Performance of Buildings Directive. → 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. → Individual renovation measures consisting of installation, maintenance or repair of energy efficiency equipment, including but not limited to the installation of smart meters, window upgrades, insulation measures and heating installations (excluding any investment in fossil fuel powered equipment). 	<p>Article 10 Substantial Contribution to Climate Change Mitigation</p>	 



³Climate Bonds Initiative Low Carbon Buildings Criteria are available on the CBI website at Buildings | Climate Bonds Initiative

⁴Please refer to the Appendix for detail including an illustrative trajectory of the eligible energy efficiency hurdles.

ICMA GBP	Eligible Assets	Contribution to EU Environmental Objectives	Targeted UN SDGs
Renewable Energy	Expenditures related to the installation and/or operation of new and/or existing onsite solar photovoltaic panels.	Article 10 Substantial Contribution to Climate Change Mitigation	
Clean Transportation	Expenditures related to the installation of charging infrastructure for electric vehicles (excluding any expenditures for the respective parking lots) and expenditures (i.e. purchase prices) for electric vehicles for the own fleet.	Article 10 Substantial Contribution to Climate Change Mitigation	

Social Projects

ICMA GBP	Eligible Assets	Target Population	Targeted UN SDGs
Affordable Housing	<p>Affordable Housing, defined as the financing or refinancing of buildings that are qualified under the following eligibility criteria, including the refurbishment, maintenance and modernization of such building units:</p> <ul style="list-style-type: none"> → Housing units that meet the “rent costs requirements” under the scheme for “Kosten der Unterkunft und Heizung” (KDU-Richtlinien) according to regulations in German social code law (“Sozialgesetzbuch”). → Housing units which are let at a discount of at least 15 % to the local customary comparable rent (“Ortsuebliche Vergleichsmiete”) according to sec. 558 BGB and a net actual rent (i.e. rent without service charges) of less than EUR 6.00/sqm. 	Low-income groups in Germany, including unemployed people and welfare recipients.	 
Low-Barrier Housing	<p>Low-barrier housing, defined as housing units that have been refurbished to remove barriers and meet the challenges for vulnerable populations. Expenditures include:</p> <ul style="list-style-type: none"> → Low-barrier equipment in bathrooms and other rooms within the apartment, e.g. floor level shower, walk in bath, non-slip flooring, folding shower seat, wheelchair or rollator accessible washbasin; → Needs-based modernizations of apartments, and measures in communal areas, e.g. widening entrances to buildings or using separate parking areas to ensure that tenants can safely park their walkers as well as similar equipment; → Low barrier electrical systems; → Door widening for wheelchair users. 	People with disabilities and aging populations.	

ICMA GBP	Eligible Assets	Target Population	Targeted UN SDGs
Community Engagement	Expenditures on community engagement projects within TAG's non-profit organisation TAG Miteinander-Stiftung. This Foundation pursues exclusively and directly charitable purposes within the meaning of the section "privileged purposes" of German tax law (sec. 51 ff. Abgabenordnung), in particular the improvement of living conditions and the social and cultural environment through the promotion of youth and elderly care, sports, education and training as well as the support of people in need, regardless of origin, descent and beliefs of the people.	Children, young people and the elderly, people in need	 

Process for project evaluation and selection

TAG has established a Sustainable Financing Committee to oversee the process of evaluating and selecting Eligible Assets following each respective issuance. This Committee consists of TAG's management board, the head of the strategic real estate management department, in which TAG's 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 TAG's overall sustainability strategy and environmental and social risk policies. TAG uses 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 recognised environmental and social standards and specific company policies around environmental risks and business conduct.

Management of proceeds

The net proceeds will be managed by TAG's financing and treasury department together with the Sustainable Financing Committee in a portfolio approach. TAG intends to allocate the net proceeds of each Green, Social or Sustainability instrument issued in relation to this Framework to a portfolio of Eligible Assets selected in accordance with the use of proceeds criteria and project evaluation and selection process described above.

TAG will strive to achieve a level of allocation for the portfolio of Eligible Assets which matches or exceeds the balance of an amount equal to the net proceeds from its outstanding Green, Social, or Sustainability Instruments. TAG will track the receipt and use of proceeds via our internal reporting systems to ensure proceeds are allocated in accordance with the Sustainable Finance Framework.

In the case where a project no longer meets the Eligibility Criteria detailed in this Framework or any future revisions of this Framework, the funds will be allocated to other Eligible Assets as soon as reasonably practicable. Payment of principal and interest will be made from our general account and not be linked to the performance of the Eligible Assets.

Any unallocated proceeds will be earmarked and held as cash or cash-equivalents pending investment in Eligible Assets.

Reporting

Following the issuance of any Green, Social or Sustainability instruments, TAG intends to produce annually and at least until the full allocation of the net proceeds of the issuance an external Allocation and Impact Report. This Report will be made publicly available and published on TAG's website.

The Report will provide an update on the following metrics on the allocation of proceeds:

- The total amount of proceeds allocated to Eligible Assets
- The remaining balance of any unallocated funds
- The proportion of proceeds used for financing versus refinancing

The Report will also include relevant environmental and social indicators associated with the Eligibility Criteria. Such indicators may include, but are not limited to:

- **Green Buildings:**
 - EPC certifications achieved for relevant properties
 - Energy performance (kWh/sqm p.a.) of relevant properties
 - Annual CO₂ emissions reduced/avoided in tonnes of CO₂ equivalent (to the extent available)

- **Renewable Energy:**
 - Annual renewable energy generation in MWh
 - Annual CO₂ emissions reduced / avoided in tonnes of CO₂ equivalent (to the extent available)

- **Clean Transportation:**
 - Number of new charging stations for electric vehicles
 - Number of new electric vehicles for the own fleet

- **Affordable Housing:**
 - Number of units financed and/or refinanced split by regions
 - Number of beneficiaries split by regions

- **Low-Barrier Housing:**
 - Number of apartments benefiting from a low-barrier modernisation
 - Number of buildings benefiting from a low-barrier modernisation

- **Community Engagement:**
 - Total donations for the foundation
 - Number of tenants or other beneficiaries supported

External review

Pre-issuance verification

Sustainalytics was appointed as an independent third party to provide a Second Party Opinion on TAG's Sustainable Finance Framework and its alignment with ICMA and LMA Principles. This Second Party Opinion will be made available alongside this Framework on TAG's website.

Post issuance verification

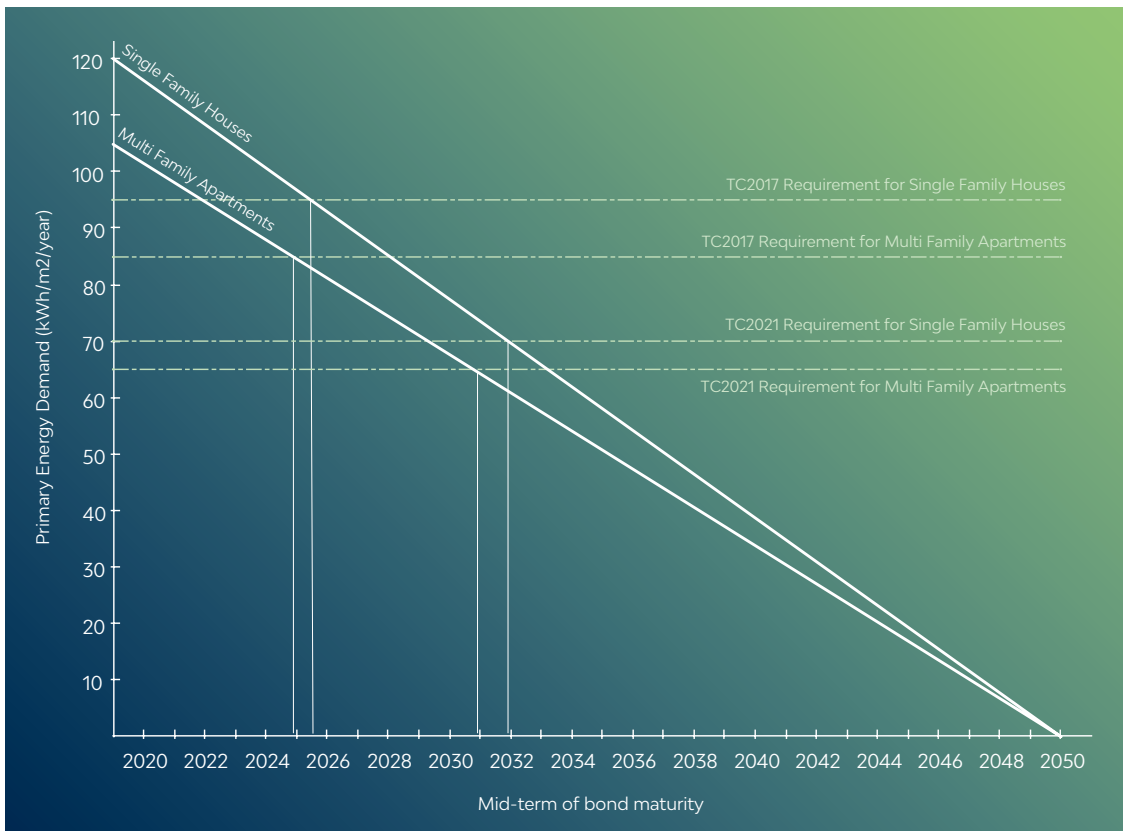
The tracking and allocation of funds post issuance will be verified both internally by TAG and by an independent external third-party auditor annually and until full allocation, and in case of any material changes. TAG commits to an external verification of the indicators and data used to report on environmental and social benefits of the Eligible Assets.

Appendix

Low Carbon Buildings Criteria under the Climate Bonds Standard

The Eligibility Criteria for eligible Green Buildings in Poland is derived from the Climate Bonds Initiative's (CBI) Low Carbon Buildings Criteria for residential buildings in Poland⁵.

As per this Criteria, residential buildings in Poland are aligned to the Eligibility Criteria if their Primary Energy Demand (kWh per square meter per year) lies below an established hurdle rate. This hurdle rate is established from a trajectory towards zero kWh/m²/year in 2050 defined by the 2019 baselines of 120 kWh/m²/year for single family houses and 105 kWh/m²/year for multi family apartments, and decreases based on the tenor of any bonds or other Sustainable Instruments issued under this Framework.



TAG commits to meeting the respective hurdle rates defined by the trajectories of the Low Carbon Buildings Criteria for any Eligible Assets under the relevant Eligibility Criteria outlined in this Framework. Relevant metrics around the Primary Energy Demand of our units falling under this criteria will be included in our Allocation and Impact reporting, as outlined in the section on Reporting above.

⁵Climate Bonds Initiative Low Carbon Buildings Criteria are available on the CBI website at Buildings | Climate Bonds Initiative

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Layout and Typesetting

TAG Immobilien AG · Marketing & Public Relations

Photo credits

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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.