

TAG Immobilien AG

Type of Engagement: Annual Review

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Introduction

In 2022, TAG Immobilien AG (“TAG” or the “Company”) issued a EUR 74.5 million green Schuldschein (the “2022 Green Schuldschein”) under the TAG Immobilien AG Sustainable Finance Framework¹ (the “Framework”) to finance and refinance projects aimed at reducing the carbon footprint of its portfolio, contributing to improving the energy performance of buildings in Germany and Poland, and providing positive social impacts. In 2023, TAG engaged Sustainalytics to review the projects financed with proceeds from the 2022 Green Schuldschein and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. Sustainalytics provided a second-party opinion on the Framework in March 2022.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2022 Green Schuldschein based on whether the projects:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
<p>Green Buildings and Energy Efficiency</p>	<p>Green Buildings, defined as the financing or refinancing of buildings which meet regional, national or internationally recognized 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 a reduction of the PED of at least 30% in comparison with the energy performance of the building prior to the refurbishment.

¹ TAG Immobilien AG, “Sustainable Finance Framework”, (2022) at: https://www.tag-ag.com/fileadmin/content/nachhaltigkeit/Sustainable_Finance_Framework_TAG_Immobilien_AG_March_2022.pdf

² Sustainalytics, “Second-Party Opinion, TAG Immobilien AG”, (2022), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/tag-immobilien-ag/tag-immobilien-ag-sustainable-finance-framework-second-party-opinion-\(2022\)/tag-immobilien-ag-sustainable-finance-framework-second-party-opinion-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/tag-immobilien-ag/tag-immobilien-ag-sustainable-finance-framework-second-party-opinion-(2022)/tag-immobilien-ag-sustainable-finance-framework-second-party-opinion-(2022))

	<ul style="list-style-type: none"> 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>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 EPC in compliance with Climate Bonds Initiative's (CBI) established Residential Proxy for Poland of its Low Carbon Buildings Criteria, based on the year of the financing instrument's issuance and duration. Residential buildings built after December 31st, 2020 with a PED at least 10% lower than the threshold for the 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 a reduction of the 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).
Renewable Energy	Expenditures related to the installation and/or operation of new and/or existing onsite solar photovoltaic panels.
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.
Affordable Housing	<p>Affordable Housing is 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-Barrier Housing	<p>Low-barrier housing is 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,

	<p>non-slip flooring, folding shower seat, wheelchair or rollator accessible washbasin;</p> <ul style="list-style-type: none"> 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.
Community Engagement	<p>Expenditures on community engagement projects within TAG's non-profit organization 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 belief.</p>

Table 2: Key Performance Indicators

Use of Proceeds	KPIs
Green Buildings and Energy Efficiency	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Annual renewable energy generation in MWh Annual CO₂ emissions reduced / avoided in tonnes of CO₂ equivalent (to the extent available)
Clean Transportation	<ul style="list-style-type: none"> Number of new charging stations for electric vehicles Number of new electric vehicles for the own fleet
Affordable Housing	<ul style="list-style-type: none"> Number of units financed or refinanced split by regions Number of beneficiaries split by regions
Low-Barrier Housing	<ul style="list-style-type: none"> Number of apartments benefiting from a low-barrier modernization Number of buildings benefiting from a low-barrier modernization
Community Engagement	<ul style="list-style-type: none"> Total donations for the foundation Number of tenants or other beneficiaries supported

Issuer's Responsibility

TAG is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from TAG's Green Schuldschein. The work undertaken as part of this engagement included the collection of documentation from TAG and review of said documentation to assess conformance with the TAG Immobilien AG Sustainable Finance Framework.

Sustainalytics relied on the information and the facts presented by TAG. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by TAG.

Sustainalytics made all efforts to ensure the highest quality and rigour during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the TAG Immobilien AG Sustainable Finance Framework. TAG has disclosed to Sustainalytics that the proceeds from the Green Schuldschein were fully allocated as at 31 May 2023.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2022 Green Schuldschein to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2022 Green Schuldschein to determine if the impact of projects was reported in line with the KPIs outlined in the Framework. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

³ Sustainalytics' limited assurance process includes reviewing the documentation relating to the details of the funded projects, including descriptions of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Impact Reporting

Table 4: Total impact of 2022 Green Schuldschein proceeds in Germany

German Portfolio	Average portfolio PED reduction (kWh/m ² p.a.)	Average portfolio PED reduction (%)	Average portfolio CO ₂ emissions avoided (kgCO ₂ /m ² p.a.)	Average portfolio CO ₂ emissions avoided (%)	CO ₂ total saving (tCO ₂ e)
Three residential units	144.42	71.36	50.73	70.64	219.05

Table 5: Total impact of 2022 Green Schuldschein proceeds in Poland

Polish Portfolio	Average portfolio PED savings, compared to PED requirements of a new building (kWh/m ² per annum)	Average portfolio PED savings, compared to PED requirements of a new building (%)	Average portfolio CO ₂ emissions savings (kgCO ₂ /m ² per annum)	CO ₂ emissions reduction (%)	CO ₂ total saving (tCO ₂ e)
Five residential units	45.54	10.68	17.44	10.68	270

Appendix 2: Allocation Reporting

Table 6: Total allocation of proceeds of the 2022 Green Schuldschein per Use of Proceeds category and location

Use of Proceeds Category	Project description	Amount of assets assigned to the 2022 Green Schuldschein as at 31 May 2023 (EUR)	Allocated amount of proceeds of the 2022 Green Schuldschein (EUR)
Germany Green Buildings and Energy Efficiency	Refurbishments of existing residential units in Germany (3 units)	15,023,624.70	14,500,000.00
	New or existing residential buildings in Poland (5 units)	70,626,839.76	60,000,000.00
Total		85,650,464.46	74,500,000.00

Table 7: Proportion of 2022 Green Schuldschein proceeds used for financing versus refinancing

Type of Financing	Allocation Share 2022 Green Schuldschein	Allocation Share German Portfolio	Allocation Share Polish Portfolio
Financing of New Assets	2.57%	13.20%	0%
Refinancing of Existing Assets	97.43%	86.80%	100%
Total	100%	100%	100%

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