



Sustainability report 2015

GROWING CASHFLOWS

TAG
Immobilien AG



Elmshorn (Schleswig-Holstein)

SUSTAINABILITY REPORT 2015

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Keeping an eye on emerging trends

This TAG Immobilien AG Sustainability Report is based on the recommendations of the GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V. (Federation of German Housing and Real Estate Business) and is a response to the German Sustainability Code.

In this report, we elaborate on our activities for promoting economic, environmental and social sustainability, in the areas of strategy, process management, environment and society.

STRATEGY

Tasks and Objectives

Our job is to secure profitable growth by prudently managing our portfolio and continually increasing the value of our properties. In the pursuit of sustainable business growth, this involves not only sound products, satisfied customers and a professional market presence, but also ecological and civic responsibility. We are prepared for changing tenant structures and the fact that demographic and social change increasingly obliges landlords to take action. That is why we are careful to keep rental prices affordable when making renovations, and to promote stable neighbourhood development by counteracting any trends toward migration and segregation.

We are prepared for trends in the housing market

In 2013 the Federal Institute for Population Research reported an increase in per capita living space requirements to 45sqm. By 2030, a current forecast indicates this will increase to 54sqm in western Germany and 55sqm in the former East Germany. These trends result from the increase in one- and two-person households, senior households and people's rising standards and requirements. The socio-demographic development also calls for long-term concepts that provide appropriate housing to various target groups and guarantee attractive neighbourhood development.

In many places our portfolio contains prefabricated buildings that were initially designed to provide minimum per capita living space with minimal amenities. And yet this form of construction allows for a variety of layout solutions and easy adaptation of the amenities for varying requirements. And so we are developing a wide range of accommodations, depending on location, to effectively counteract the risk of vacancy.

A colourful mix for the future

At university and college locations, we have used suitable properties to develop student housing offerings that are let via our 'TAG studihome' sub-brand.

In neighbourhoods where the infrastructure allows for childcare, education and leisure activities, we develop layout solutions for families. In Chemnitz, for example, 120-sqm 5- and 6-bedroom flats were created by merging far less popular 60sqm 3-bedroom flats. Another practice is to redivide them into 2- and 4-bedroom flats and has led to better rental success.



New floor plan solutions, Chemnitz

A survey we conducted with the TU Darmstadt in 2015 indicated the specific expectations that German seniors have regarding housing and services. For example, half of them complain about a lack of lifts, and only 5% currently live in households equipped for people with disabilities. Half of them indicated that their landlords aren't committed to neighbourhood assistance, and would like to see more leisure activities. Providing senior-friendly offerings is therefore another focus of our work at many locations. However, complete senior-friendly conversions must fit well conceptually within our overall local portfolio and remain affordable when measured against the average local rent.

In 2015, we focused on senior-friendly conversions with integrated care concepts. In Erfurt, for example, we created serviced housing with 72 senior-friendly flats and a care and service concept that is ensured by a local care provider. A concierge service in the lobby provides a sense of security, while common areas provide space for meeting neighbours and leisure activities. In addition, two nursing flats are available for day care. With this project, we respond to people's wish for independent living with flexible service offerings.

In Döbeln too, the service offering was expanded in cooperation with the Workers' Welfare Federal Association (AWO) following the extensive renovation of a senior-friendly building. Other senior-friendly properties were created in Schwerin, Bestensee and Salzgitter.



Senior-appropriate exterior elevator, Schwerin



Barrier-free living, Salzgitter

To minimise age-related tenant turnover, we also want to make it possible for existing tenants to continue living comfortably in their own homes into old age. In Gera and Bestensee, we have established a housing consultation service for seniors with a particular focus on bathroom adaptations. Tenants can find information onsite in specially equipped bathroom showrooms where we showcase such things as higher toilet seats, disabled-access showers or handgrips to improve individual safety in the bathroom and flat. Trained staff and partners advise tenants on conversions and financing options, and accompany the completion of the work.

Expectations regarding amenities in the flats have also increased – which is why we are adding balconies to selected buildings, e.g. in Bestensee, Selbelang and Pessin, and optimising standard floor plans as part of renovation work, to create flat layouts for more individual requirements. For example, in Wittenberg and Cottbus, flats with open kitchens, utility rooms or more spacious bathrooms were created.



Modern facade renovation, Wittenberg

Furnished accommodations are also in increasing demand and therefore now offered in many places. Our 'Wohnen nach Maß' ('Made-to-measure living') concept, which allows new tenants to have their flat individually fitted-out, is still being very well received.

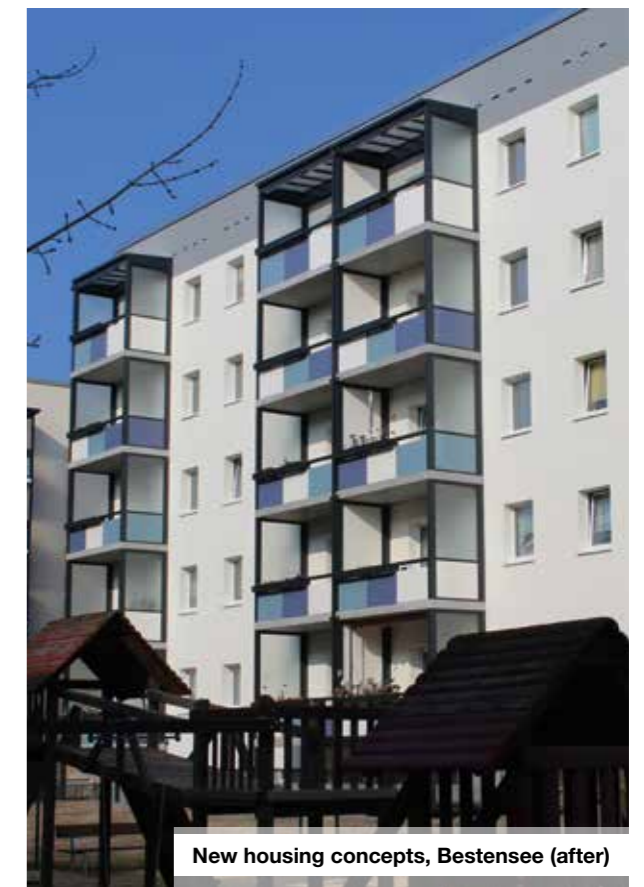
We do not invest in new buildings, but revitalize properties with sustainable concepts that serve the development of the regional market in the long term. For instance, in 2015, we continued to invest in the reconstruction and modernisation of the Munte-Riegel buildings in the Fredenberg district of Salzgitter, to gradually return them to full occupancy. The block of flats at Friedensstraße 3 in Bestensee stood empty for years and its demolition was even considered.



Modernisation, Salzgitter



New housing concepts, Bestensee (before)



New housing concepts, Bestensee (after)

However, we have managed, together with a regional care provider, to develop a housing strategy for seniors that is now being implemented. By the summer of 2016, the first tenants will be able to move into their new flats with balconies, walk-in showers, lifts on all floors and space for accessible parking.

A good home starts right outside the door

The quality of life in a residential environment determines the stability of the tenant base and hence the portfolio's long-term value over time. That is why we seek out interaction and collaboration with local protagonists. In addition to urban planners, policymakers and other market participants, social services increasingly allow us to make important additions to our services. We partner with clubs and social work associations with children and families, and work with them to be able to offer services to our older tenants.

For example, in 2015 we worked with the local authorities in Hermsdorf on a green space concept that we will largely be realising.



In the Fredenberg district of Salzgitter, we have set a signal for the residential district's future by installing a parcours leisure facility that is open to all residents interested in sports. Here, we have created a remarkable attraction that fulfils the need for social activity and health-promotion.



Ongoing dialogue

To adapt to trends early on, we systematically involve our stakeholders in our sustainability processes. We regularly collaborate with TU Darmstadt, commissioning surveys and trend research. A comprehensive survey of TAG tenants was carried out in 2015. It certified that we have significantly improved our services over the past two years. On the other hand, we also received feedback about tenants' expectations of us as a landlord, e.g. that we should pursue efforts to reduce utility costs.

Customer Service



Our employees are also important dialogue partners for the strategic development of TAG. As our interface to the customer, they have a direct line to our tenants and can feel out the trends in the regional markets. Employees contribute their suggestions and observations in our TAG Ideas Workshop, and thus sustainably influence the company's course. This not only enhances the performance of the Group, but also contributes to a sense of identification with the company.



TAG trainees

Well-positioned internally for the future

The principles that govern our sustainable strategy on the outside also determine our actions in-house: committed and satisfied employees who are prepared for the future in terms of capability represent important success potential. Besides, TAG can hold its own as an attractive employer in the general battle for the best people in the labour market. And so in the interests of sustainable business development, we are working on creating the best possible workplace culture and attractive prospects for our employees.

In 2015, we carried out an employee survey for the first time. 95% of the participants were satisfied in the categories of friendliness/helpfulness and respect/trust in their work with colleagues. We also received numerous indications of where we have potential for increasing innovation and efficiency.

In November 2015, we organised a big health day for our employees to provide valuable support for health-conscious living. One new offering that encourages exercise and is also eco-friendly is the company bicycles we have purchased at some locations. To promote a healthy work-life balance, we offer flexible working time models, various part-time options, parental leave for mothers and fathers, as well as home office work in individual cases.

Team spirit and opportunities for dialogue boost motivation. Our TAG relay race held every September contributes to this as does the big Christmas party, which is held at a different team location every year.

We also ensure that our company and its employees have a successful future with training and development. In 2015, TAG hired 38 trainees and eight bachelor of arts students; 143 letting agents, customer advisors and team leaders accepted the offer of communications seminars; and 234 employees participated in Excel training. The in-house employee training by specialist employees is part of our regular business operations and is mainly held to optimise technical and organisational processes.

PROCESS MANAGEMENT

Achieving sustainability by optimising processes

The Management Board has the overall responsibility for sustainable business management. It delegates individual tasks to departmental heads and the heads of property management, depending on the responsibilities. The Supervisory Board monitors the Management Board with respect to management and ensures the implementation of a sustainable business strategy.

One important part of our sustainability strategy is the efficient handling of valuable resources, like working hours and funds. To optimise processes, we are successively developing process manuals in which we record and digitally illustrate operational business processes, such as letting or purchases and sales. In this way, all process participants are involved in the scheduling and process chain. Digital documentation and status updates ensure the quality of workflows, save time, and avoid media disruptions. This not only promotes the quality of service to tenants, but also has beneficial environmental effects, as we use less paper and avoid unnecessary mail-outs. In 2015, the handyman businesses that handle maintenance and repair of our vacant residential units were also integrated into the digital job flow.

Being affiliated with one central print service provider for printing reminders and centralised purchasing for small items conserves energy, material and personnel resources.

A particular focus in 2015 was the optimisation of all handyman processes. First, about 450 framework agreements were signed with regional companies covering both minor repairs and the reconditioning of empty flats. The purchase of building materials is now centralised as well – but via suppliers from the regions, which meant we were able to reduce storage times and transport volume. Second, TAG set up its own pool of handymen with its TAG Handwerkerservice GmbH subsidiary, and hired well-qualified trades and craftspeople in the fields of electrical installations, painting, tiling, heating and plumbing. This makes us independent of the availability of regional companies and allows us to counter any renovation bottlenecks. With our motivated and well-qualified employees, we ensure a continuous supply of craft expertise and have the optimisation of processes in our own hands. With this in mind, for example, in 2015 we bought a spray device that reduces the time it takes to paint walls by about 50%.



ENVIRONMENT

Protecting our environment is a common cause

Our latest tenant survey confirms that 83% of our tenants consider the reduction of utility costs to be an important task for their landlord.

One area where we can reduce utility costs together with tenants is waste disposal. To this end, we have sought competent partners at many places to support us and our tenants in waste management, install waste locks or even undertake comprehensive consultation and control. In Gera, Kassel, Salzgitter, Erfurt and Moers we work successfully with Musterknaben e.G., which even manages a small consulting and training office in Gera on matters of waste disposal. At this location there has clearly been measurable success in reducing residual waste: 420 residual waste pickups were saved in 2015, which now pays off for the tenants in lower overhead costs.

The Eastern Thüringen Waste Management Association honoured TAG's professional commitment with its quality certificate for exemplary waste management. In an explanatory memorandum it states: 'In the association's catchment area, the housing company actively manages the waste collection sites of its own housing portfolio (including container optimisation), ensures orderliness and cleanliness, and advises tenants in various ways on waste prevention and separation'.

We also keep an eye on energy costs and eco-friendly energy sources. Especially during renovations, insulation is planned for the façade, roof and basement, along with glazed windows; and heating systems are reconditioned, as was the case at Am Katzenberg 1 in Erfurt, where a heating station was also installed.





Am Ringsee, before



Am Ringsee, after

Environmental protection is also a focus of our in-house processes. A business contract with Deutsche Bahn has led to more and more employees switching to public transport – especially for long distances. Our company bicycles reduce the use of cars for short trips while promoting exercise. And while company cars are indispensable, we look for energy-saving engine technology when purchasing.

The accelerated digitisation of our administrative processes in 2015, as well as our increasing use of our intranet for documentation and communication, saves environmental resources and eliminates unnecessary postal and transport routes.

SOCIETY

The core values of our actions

Compliance and compliance management are essential prerequisites for a successful and sustainable business. Beyond the business principles, we have clear guidelines for IT, donations, travel and other expenses, mobile phones, use of company and fleet cars, and rules of procedure for internal auditing. Compliance with rules, appreciation and transparency form the basis for talented and motivated employees, who in turn secure our market objectives.

Our corporate culture is based on honest, open and trusting cooperation and promotes innovative, team-oriented cooperation. The company's management sees itself as a model for courageous and prudent action and motivating communication. All employees are required to act in a respectful, responsible, focused and solicitous way when dealing with each other, as well as with tenants and partners.

For a good climate

A good neighbourhood, cultural diversity, and services for people in need ensure the quality of life in our neighbourhoods over the long term. That is why we invest ideas, personnel and financial and material assistance into sustainable neighbourhood development.

This starts with quite traditional measures such as organising tenant parties or participating in neighbourhood festivals, and continues with the sponsorship of cultural facilities, sports clubs and facilities for children, which also ensures attractive recreational opportunities for our tenants.

The TU Darmstadt survey on the housing needs of senior citizens also showed that their expectations of more leisure and advisory services are increasingly directed at landlords. Various offerings for senior citizens have long been part of our service, but since 2015, we have fine-tuned and enriched the concepts with competent partners at many locations. For instance, there are now activity lounges that are open to younger generations as well in Salzgitter, Eisenach, Erfurt, Gera and Döbeln. These offerings have been so well received by the residents that in Salzgitter, the lounge had to be expanded again by 60sqm last year. While it was initially mostly seniors who met here for cooking, crafts and sports, now children come to find a substitute grandmother there who reads to them or helps with homework, and refugees have a place where they are welcome and are integrated into the neighbourhood.

In Gera too, the lounges have been well received for years. There are already 4 activity lounges in our residential buildings, and another is a renovated and expanded meeting place that is actively used by all generations.

In Döbeln, the 'L(i)ebenswert Wohnen' (Li/o/veable living) cross-generational lounge continues to be very popular. Children get help with school and other leisure activities, and young and old enjoy afternoons of crafts and games.



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We usually make the premises available and help finance our partners' staff to ensure that the lounges are staffed and our tenants are given competent advice. For example, we work with Johanniter Unfallhilfe, Caritas, Volkssolidarität, AWO and the Arbeitersamariterbund (Workers' Samaritan Association – ASB).



Perspectives for children

Single parents, families with many children, and families with an immigrant background in particular need extra support. For these people, we have enlisted the support of the Jugend mit Perspektive e.V. (Jumpers) social children's and youth project in two residential areas in Salzgitter and in Gera. Together, we established two unusual children and youth centres in 2015. Its extensive offering of leisure activities and assistance is available to the children every afternoon during the week.



'Jumpers' – Children's perspectives, Gera



'Jumpers', Gera

While in Salzgitter residential space was repurposed, in Gera we transformed vacant commercial premises into spaces for putting on plays, doing homework, cooking, research, playing, and even a small music studio. The lounges have already become a second home for many children and also attract volunteers from the surrounding area. Our on-site employees are proud to open up new vistas for children with this project, as well as provide positive impetus for the future of the neighbourhoods.

Another example of the close links between social engagement and business interests is the development of our family neighbourhood in Chemnitz. Before we began to merge smaller flats into large family flats here, we discussed cooperation options with kindergartens, youth and sports clubs, as well as the neighbourhood management, in order to create an attractive environment for families longterm. In this neighbourhood, many collaborations are planned for the future, and we are successively working on a family-friendly transformation of the surrounding area.

OUTLOOK

We continue to see ourselves as responsible for promoting structures and services that ensure a high quality of work in our company and a high quality of life for our tenants. This is our most important basis for growing as a company and sustainably increasing the value of our properties.