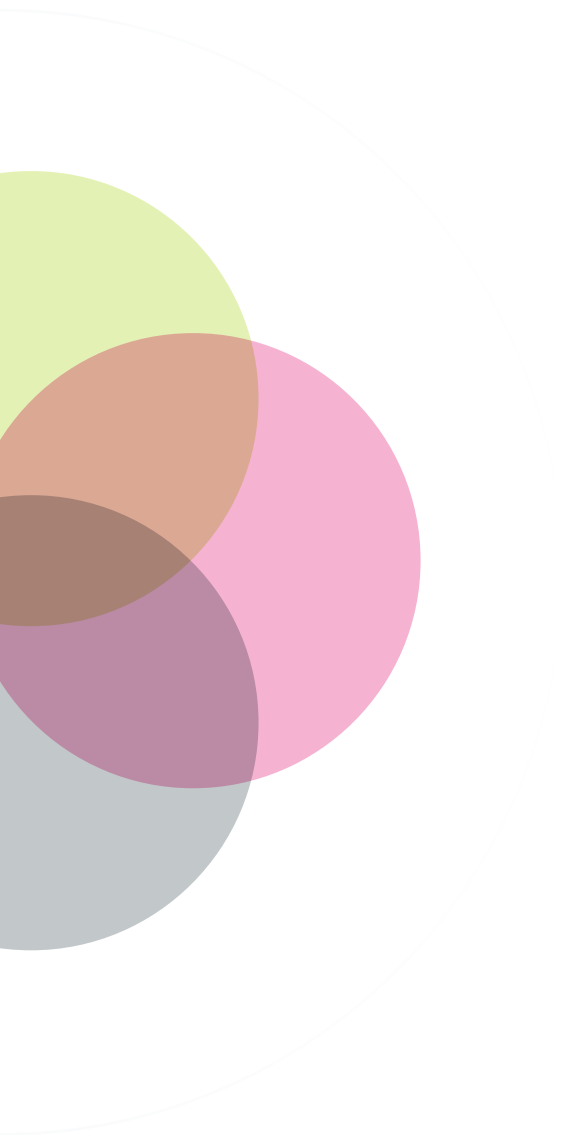


TAG

Immobilien AG



SUSTAINABILITY REPORT // 2017



A graphic consisting of two overlapping circles. The larger, outer circle is light gray and contains the text 'TABLE OF CONTENTS' in a bold, sans-serif font. The smaller, inner circle is a slightly darker shade of gray and is positioned to the left and slightly below the center of the larger circle.

TABLE OF CONTENTS

// Editorial	4
// About this report	6
Content and structure of the report	6
Reporting standards	6
Reporting principles	7
// Overview of TAG Immobilien AG	8
Company profile	8
Stakeholders	14
Sustainability	20
// Levels of sustainability	34
Economics	34
Ecology	44
Social sustainability	60
Progress and outlook	76
// GRI Content Index	80
// EPRA Sustainability Performance Measures	87



EDITORIAL

A topic that can hardly be overestimated

TAG is presenting its first separate Sustainability Report. What is the significance of this event from the company's perspective?

Claudia Hoyer: 'Sustainability has always been an important topic for TAG. Especially in the social sector, we are a role model for the industry, and have reported on it in various publications. The first report according to the GRI standard is nonetheless a milestone, because the system is an incentive for continuous substantiation. What we already realised by way of example and for several projects in the past, is now the benchmark for the whole company.'

Martin Thiel: 'Precisely because, as a listed company, we are observed and appraised quarterly by the capital market, we don't see commercial success and sustainable action as mutually exclusive. While short-term profits can sometimes seem tempting, ultimately, we as holder of residential property portfolios have an obligation to our stakeholders to take decisions that will stand the test of time. It is simply not possible to achieve financial goals over a longer period of time if social and environmental concerns, or employee interests, are not taken into account.'

Which of the three sustainability pillars is the most important for you?

Claudia Hoyer: 'In a housing company, social and economic sustainability are inextricably linked – you can only finance a tenants' lounge if you have earned the money for it first. And you can only generate steady income if the tenants are happy. And it is a fact that tenants are not only professionals and high achievers, but also the elderly, and recipients of state benefits. We create an attractive living environment for these groups as well.'

Dr. Harboe Vaagt: 'Social sustainability is a topic whose importance can hardly be overestimated within the company, as well. For satisfied customers, you need good performance, and this can only be delivered continuously and in the required breadth by dedicated, motivated employees. Which is why we have invested heavily in the qualification and training of our employees in recent years.'



MARTIN THIEL

CLAUDIA HOYER

DR. HARBOE VAAGT

What role does environmental sustainability play?

Martin Thiel: 'Climate change affects us all. For a housing company, the question is how to translate the energy savings required for CO₂ reduction into sensible investments. This starts with modernising the building portfolios and ends with getting tenants motivated. Only a small portion of the energy consumed in our portfolio is directly our responsibility. Still, we try to exert a positive influence with effective resource management, expanding the energy management provided by our subsidiary EWS, and taking targeted technical measures. For example, to reduce the energy used by our own administrative locations, we have considerably reduced the energy consumption of our IT by using 'green' IT.'

TAG intends to further expand its sustainability management. What standards are you planning to apply?

Claudia Hoyer: 'Affordable housing is a major challenge in Germany right now. We plan to continue developing our portfolios with a sense of proportion over the next few years, and make an effective contribution to protecting the climate by, for example, further modernising our portfolio, but without exceeding the budgets of the tenants who live there.'

Dr. Harboe Vaagt: 'In view of the emerging shortage of skilled workers, in the years ahead we will continue to invest more in retaining and recruiting employees, and in establishing up-to-date working conditions. Like every other industry, the housing industry is competing for the best people, and it looks like salaries will no longer be the only currency of persuasion.'

Martin Thiel: 'In the past, sustainability reporting was merely a voluntary 'nice to have' at many companies; now it is becoming mandatory for all major listed companies. Legally compliant reporting is one thing, but actual sustainable action and business conduct is even more important. This has always been our motivator at TAG, and is now being documented, transparently and in detail.'

(102-14)



ABOUT THIS REPORT

With this year's Sustainability Report, we expand our previous reporting and go into more depth. We would like to inform you in even more detail about the material factors that influence TAG's long-term existence, and about our understanding of sustainable corporate governance, as well as specific measures. We address the key parameters from an economic, environmental and social point of view.

In light of the changed reporting requirements¹ on material non-financial aspects, we further developed our reporting and are for the first time publishing a separate Sustainability Report. It also constitutes TAG's non-financial declaration in accordance with its reporting obligations pursuant to sections 289 b et seq., section 315 b of the German Commercial Code (HGB). For the first time, the report uses the standards of the Global Reporting Initiative (GRI) and is also guided by the recommendations of European Public Real Estate Association (EPRA). (102-48, 102-49)

The expansion of our sustainability reporting and the first-time application of the GRI Standards comes with a significant increase in the amount of data and information, as well as changes in the reporting structure compared to our previous reports.

Content and structure of the report

We report on financial and non-financial information that is essential to our business model². Unless otherwise stated, the financial information provided about our company is taken from the Annual Report for the 2017 financial year. The non-financial information is comprised of environmental and social aspects, which are further illustrated with examples of best practice.

Reporting standards

For the first time, TAG is applying the Sustainability Reporting Standards (SRS) of the Global Reporting Initiative (GRI), which were published in October 2016. This report has been prepared in accordance with the GRI Standards: Core option. (102-54)

¹The CSR Directive Implementation Act (Bundestag resolution of 10 March 2017) requires large capital market-oriented corporations to make a non-financial statement on material aspects according to freely selectable frameworks for financial years beginning after 31 Dec 2016. TAG complies with its reporting obligations with the present report.

²The non-financial indicators presented in the Sustainability Report are not relevant to control as defined by German Accounting Standard No. 20 (DRS 20).

³The Annual Report is available on the TAG website at www.tag-ag.com/en/service/downloads/annual-reports/. (102-45)

In addition, provided that the EPRA recommendations give additional information and are not already included in the GRI Standards used, we also consider the Best Practice Recommendations Guidelines for Sustainability Reporting issued by the European Public Real Estate Association (EPRA sBPR).

The overview in the annex to the report illustrates the relevant information and where the two standards have been used.

Reporting principles

In compiling the report, TAG follows the reporting principles stipulated in the GRI Standards.

Principle of regularity

The TAG Sustainability Report is published annually. The present report refers to data and information for the period from 1 January 2017 to 31 December 2017, and thus picks up directly where the previous year's report left off; the latter was published in March 2017 as part of the 2016 Annual Report. (102-50, 102-51, 102-52)

Principle of comparability and transparency

With our first report based on the GRI Standards (SRS, 'Core' option) and the supplementary EPRA recommendations, we create the conditions for comparability with the content of future reports.

The GRI has been notified about the application of the GRI standards and the publication of this report.

TAG's Supervisory Board reviewed the report, discussed it with the Management Board, and acknowledged and approved it. There was no external audit of the report's content. (102-56)

Principle of clear demarcation and consolidation (reporting boundary)

The reporting period is the 2017 financial year (1 January 2017 to 31 December 2017). The key indicators and information about TAG listed in the report refer to this period unless otherwise stated. This report applies to the entire Group of companies. (For further details and a list of the companies included in the consolidated financial statements, please refer to our Annual Report.³) (102-45, 102-50)

Principle of stakeholder orientation/materiality

We want to ensure maximum transparency and comprehensiveness in our reporting for internal and external stakeholders. In this connection, in Chapter 'Stakeholders' we elaborate on TAG's key stakeholder groups and their expectations of TAG.

In in-house consultation rounds, as well as based on tenant communications and our intensive exchange with shareholders, investors and other stakeholders, we have compiled the aspects that are essential to the company's sustainable continued existence, and formulated them in accordance with the GRI materiality criteria. (102-46)

OVERVIEW OF TAG IMMOBILIEN AG

TAG Immobilien AG is a listed property company specialising in the German residential real estate sector, with a focus on Northern and Eastern Germany. Its head office is located in Hamburg, with other locations in the Greater Berlin area and in the regions of Salzgitter, Thuringia/Saxony and North Rhine-Westphalia. Working from these locations, we focus on the acquisition, development and long-term management, as well as the rental of residential real estate. In addition, we offer a large number of services relating to housing at our locations through our subsidiaries. (102-1, 102-2, 102-3, 102-4, 102-5, 102-6)

Founded in 1882 as Eisenbahn Aktiengesellschaft Schaftlach-Gmund-Tegegnsee, the company has been operating exclusively in the real estate sector since 2000 and since 2009 has focused on the long-term maintenance of residential real-estate portfolios. Today, TAG is one of Germany's leading residential real estate companies.

Company profile

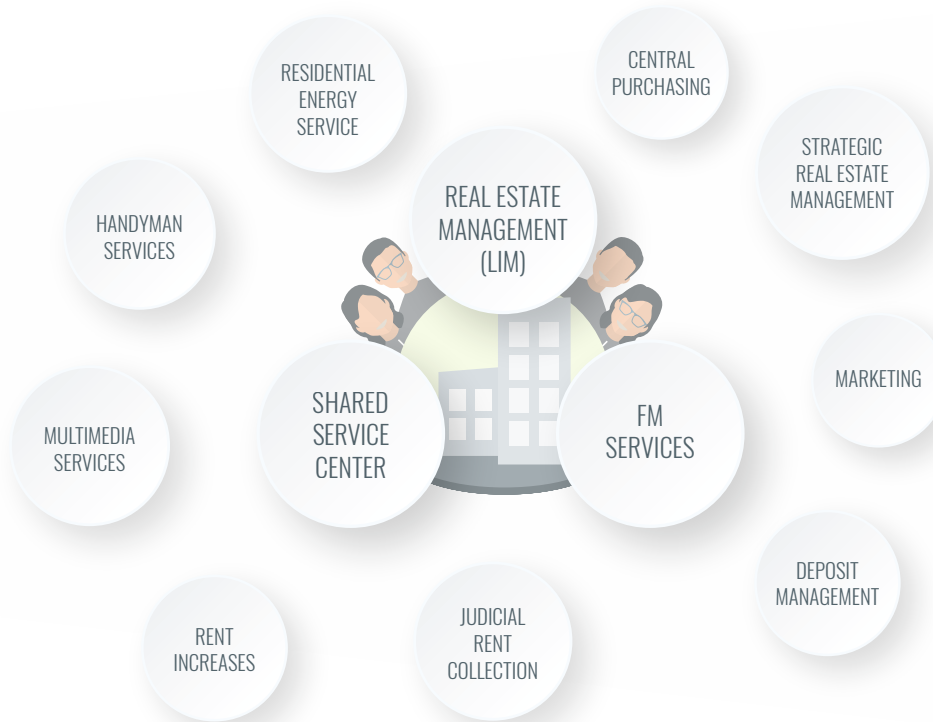
Business model and lines of business (102-2)

The focus of our activities is the provision of attractive, affordable housing for broad sections of the population, as well as various services for our tenants. In order to manage our portfolios sustainably and efficiently, TAG's business model is geared towards the long-term letting of the Group's own flats. This includes portfolio management and administration as well as the value-preserving and value-enhancing development of our residential properties and locations.

Group structure (102-7)

A lean and agile organisational structure allows us to manage our portfolios efficiently from both a commercial and social perspective, and to be able to respond quickly to changes in the market. TAG's corporate structure differentiates between central and decentralised functions (see Group structure chart).

TAG GROUP STRUCTURE



TAG itself functions as a management holding company within the Group. It unites central departments such as Group Accounting, Finance, Controlling, Legal and Tax, Investor Relations, ERP/Data Management, IT, Human Resources and Compliance/Internal Audit. The central Real Estate Management unit serves as an interface to our Heads of Real Estate Management, who operate locally. It comprises the Strategic Real Estate Management/Marketing departments as well as Purchasing and Sales, Facility Management Services, Handyman Services, Central Purchasing and the Shared Service Centre. The latter is a central office that handles all of our similar property management processes, in particular accounting processes, such as customer and vendor accounting, utility invoicing, deposit management and rent increases.

Our decentralised 'LIM' structure (Leiter/in Immobilienmanagement – Head of Real Estate Management) enables the managers of our locations to act in accordance with regional conditions and challenges, and to implement individual concepts. The LIMs report directly to the Management Board and are for the most part autonomously responsible for developing their assigned real estate portfolio.

They ensure uniform implementation of the portfolio strategy with measures aimed, among other things, at upgrading our portfolios, reducing vacancy, and realising rental potential. Flat hierarchies and short decision-making paths facilitate independent action within an approved budget. Standardised processes lead to time and cost savings for TAG. TAG's locations are currently assigned to ten LIM regions. In addition to Customer Service and Letting, the Technical Customer Service and departments are decentrally anchored in the LIM structure. Through subsidiary companies, the LIM regions also offer our tenants additional services in the form of caretaker and handyman services, multimedia and energy supply. (102-7)

As of 31 December 2017, the TAG Immobilien Group consisted of approximately 70 fully consolidated companies. In the year under review, there were no significant changes to the size of the company, the structure of TAG, its ownership, or the supply chain. (102-10)

Customer service and letting (102-2)

Regular dialogue with our tenants and approaching potential new tenants form the core of TAG's operative business. As part of regional customer service, TAG is committed to developing and managing its portfolios, as well as to tenant satisfaction and the resulting tenant loyalty. A transparent communication of maintenance and modernisation measures, the regular maintenance of technical equipment, and the organisation of maintenance for outdoor areas and landscaping, and keeping the buildings clean are just a few examples of the work that customer service representatives do locally. New or successor rentals and the resulting vacancy reduction are the main activities of letting in our regions. Its tasks include advertising vacant apartments, showing the apartments to prospective tenants, and concluding and processing leases, including a smooth handover of the rented flat or commercial space.

Neighbourhood management/development (102-2, 103-3)

When managing larger, stand-alone residential property portfolios within a community, TAG is committed to developing these neighbourhoods. Our Heads of Real Estate Management (LIM) individually decide whether the structures that already exist locally, such as leisure facilities or play-grounds, are merely to be upgraded or whether entirely new concepts are to be developed and implemented. This means that factors such as infrastructure and the supply of services and everyday goods are included in location analysis, as well as social offers for our tenants on the ground. In our neighbourhood renewal measures, we work closely with local partners right from the start. In this way, external providers can go beyond our measures to, for example, operate care services or leisure centres locally.

In Chapter 'Social sustainability', our regional concepts are discussed in more detail and selected 'real-life' examples are presented.

Services and energy management (102-2, 203-2)

We do not just offer our tenants attractive housing and vibrant neighbourhoods, but also address other housing-related needs. These include equipping our homes with modern multimedia connections and a broad television offer, which our subsidiary Multimedia Immobilien GmbH, founded in 2016, offers centrally for many of our residential units.

With a view to providing a well-functioning energy supply for our tenants on the one hand, and ensuring efficiency in the purchase of fuels and in energy management on the other, we founded our subsidiary, Energie Wohnen Service GmbH (EWS). By gradually renewing the heating systems and ensuring their professional maintenance, we are reducing the long-term energy consumption of our residential complexes, and thus our tenants' utility costs. Chapter 'Ecology' contains further information on this.

Through other TAG subsidiaries, we provide real-estate services for homeowner association management and for the management of rented housing portfolios on behalf of third parties.

We see the provision of these additional services and our rigorous focus on service, which is also reflected in our in-house caretaker and handyman services, combined with the provision of affordable housing for large sections of the population, as a hallmark of TAG. These factors contribute to long-term customer loyalty, and, as a result, low tenant fluctuation.

TAG-SERVICES

TAG Immobilien Service GmbH	In-house caretaking services, cleaning services, landscaping maintenance (since 2012)	Around 46,000 units (expansion to around 60,000–65,000 units planned for the long-term - around 75% of the total portfolio)
TAG Handwerkerservice GmbH	Handyman services, incl. modernisation, renovation of vacant flats (since 2015)	5 regions Brandenburg a.d.H., Chemnitz, Döbeln, Dresden, Leipzig
Energie Wohnen Service GmbH	Heat supply, energy management, installation management (since 2016)	Around 23,000 (expansion to around 70,000–75,000 units planned for the long term - around 90% of the total portfolio)
Multimedia Immobilien GmbH	Television and other multimedia services (since 2016)	Around 50,000 units (expansion to around 70,000–75,000 units planned for the long term - around 90% of the total portfolio)
Bauverein zu Hamburg Hausverwaltungsgesellschaft mbH	Homeowner association and third-party management services (since 2001)	Around 8,000 units

Housing Market Report Eastern Germany

For the second year in a row, we have commissioned Wüest Partner Deutschland to analyse Eastern Germany's large and medium-sized cities for us as part of our market report. The demographic and economic development of 27 cities was studied, along with rent and purchase prices, yields, and the burden on households due to housing costs. The positive developments in most of the cities where TAG has portfolios are a further testament to our strategy.

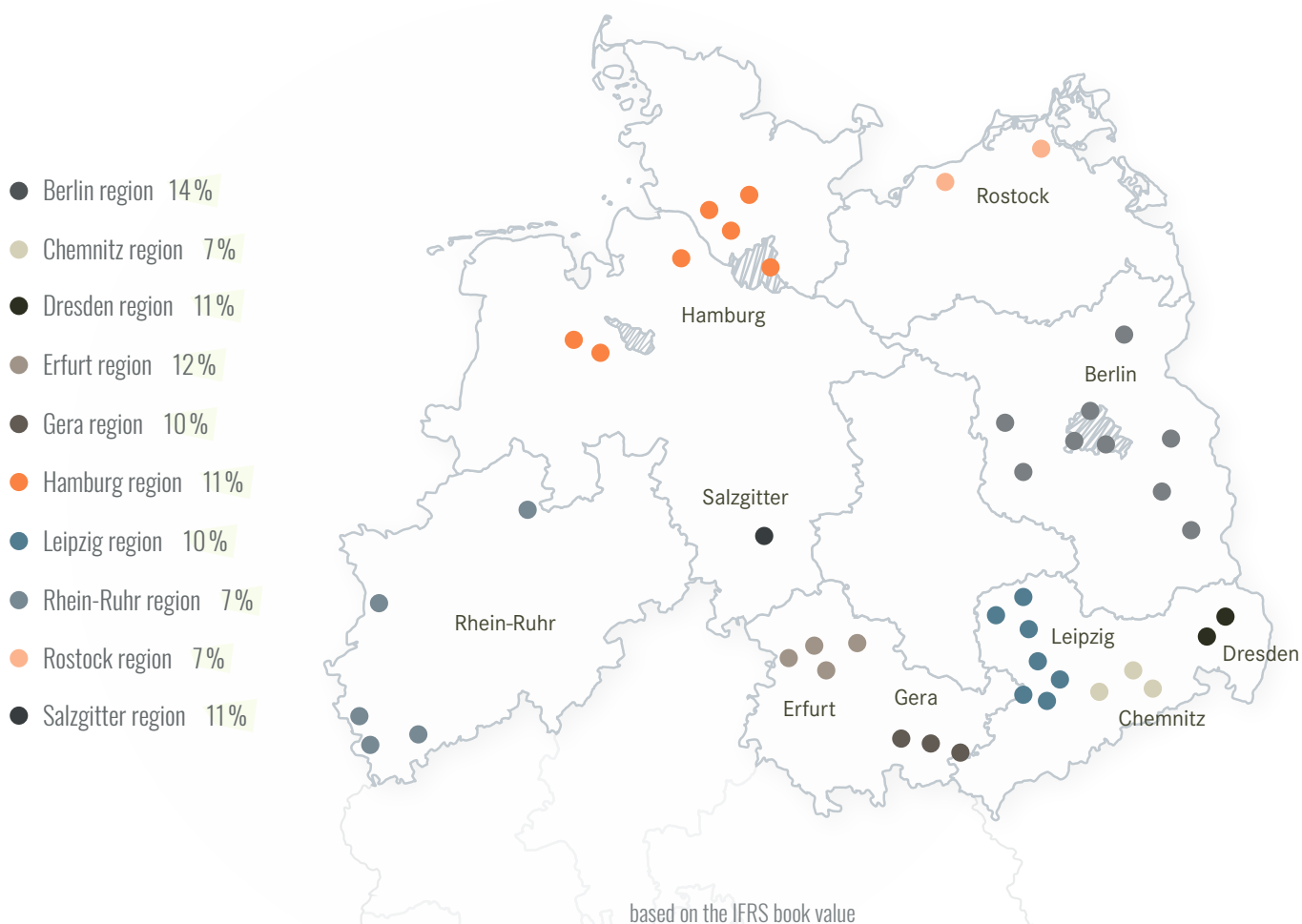
Real estate portfolio – Strategy and locations (102-2, 102-7)

With our approximately 83,000 flats, we are one of the leading providers of flats in northern and eastern Germany. Our Group strategy revolves around sustainable, active portfolio management and development, with the aim of securing our long-term commercial success, offering tenants long-term affordable housing, and investors growing cash flows through attractive dividends. (In Chapter 'Marketable housing portfolios and liveable neighbourhoods', we describe the portfolio development and neighbourhood management measures in more detail and look at best-practice examples).

To further optimise our portfolio, we exploit regional growth and yield potential and selectively seize sales opportunities. We prefer to make purchases in our current ten LIM regions, so as to capitalise on existing administrative structures and regional expertise. We pursue the 'ABBA' strategy, i.e. investing in A locations in B cities, and B locations in A cities. We deliberately invest not only in and around large cities, but also in small and medium-sized towns with good future prospects. We make purchasing decisions based on extensive knowledge of the regional markets, and many years of real-estate expertise. Vacancies are deliberately accepted at the time of acquisition, in order to develop the portfolio in question and to re-let it after renovation and neighbourhood-revival measures. This purchasing strategy allows us to realise attractive returns on purchases. (102-2, 102-7)

As at 31 December 2017, TAG's real-estate portfolio comprised 83,140 units (of which 81,726 were residential units and 1,221 were commercial units in the housing estates). Compared with the end of 2016 (79,754 units, of which 78,279 residential units and 1,248 commercial units located in housing estates), the number of units increased by around 4%, in particular due to acquisitions.

The following map shows the regional distribution of our ten locations (based on the IFRS book value).



Social sustainability

PORTFOLIO DATA	31 DECEMBER 2017	31 DECEMBER 2016
Units	83,140	79,754
Area in sqm	5,054,778	4,878,022
Real estate volume in EUR millions	4,275.4	3,856.6
Annualised net actual rent in EUR millions p.a. (total)	303.3	286.4
Net actual rent in EUR per sqm (total)	5.31	5.23
Net actual rent in EUR per sqm (residential units)	5.20	5.11
Vacancy in % (total)	5.8	6.5
Vacancy rate in % (residential units)	4.8	6.1
Lfl rental growth in %	2.0	2.0
Lfl rental growth in % (incl. vacancy reduction)	3.1	3.7

(102-7)

Further indicators can be found in Chapter 'Economy' starting on page 34, as well as in our Annual Report 2017.

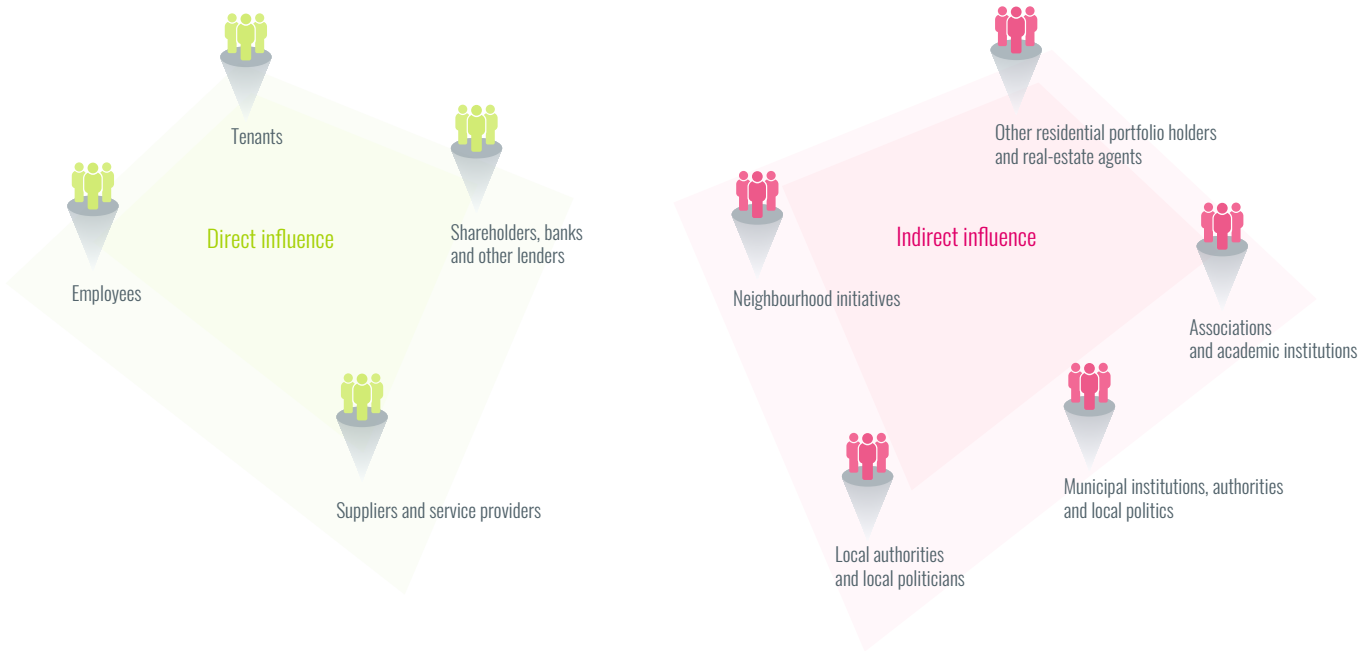
Reference portfolio for environmental reporting

We are initially reporting environmental indicators only for a selected portion of our properties. The gradual takeover of the energy supply of our residential complexes by EWS forms the basis of our analysis portfolio. The presentation of environmental aspects in this Sustainability Report is initially based on the ascertained consumption data for room and water heating at a total of 100 properties and 6,173 units in 2016. This corresponds to around 8% of our total portfolio as at 31 December 2016. As at 31 December 2017, EWS heat supply was extended to a total of 22,626 units (around 27% of the total portfolio). The corresponding consumption will be reported in the following year, as at the time of this year's report no final data was available. With the gradual expansion of the energy supply across the portfolio, we will steadily increase the number of residential units included in the analysis.

Stakeholders

As a large housing company, we answer to a variety of stakeholders. Considering the specific preferences of these stakeholders is crucial to our company's long-term performance and sustainable development. For this reason, we actively involve our stakeholders in our communication processes. This mutual exchange helps us to better understand points of view and interests, identify trends early on, and act in a timely manner. In this way, we enter into partnership with our stakeholders for long-term cooperation. (102-21)

STAKEHOLDERS



INFLUENCE ON THE ACHIEVEMENT OF OUR SUSTAINABILITY GOALS

DIRECT INFLUENCE

Tenants
Employees
Shareholders, banks and other lenders
Suppliers and service providers

INDIRECT INFLUENCE

Neighbourhood initiatives
Local authorities and local politicians
Municipal institutions, authorities and local politics
Associations and academic institutions
Other residential portfolio holders and realestate agents

(102-40)

All considerations are made keeping in mind the applicable legal and industry-specific framework conditions.

Tenants and employees as well as shareholders, banks and other lenders are three of TAG's most important stakeholder groups. Below, we present all the stakeholder groups that are relevant for us, and explain how we take their interests into account in our ongoing business activities.

We differentiate between stakeholders with a direct influence on the achievement of our sustainability goals, and stakeholders with an indirect influence on their achievement. (102-42)

Stakeholders with direct influence on the achievement of our sustainability goals

Tenants

The tenants of our residential properties are our customers, and are therefore the focus of our service-oriented business activities. The reachability of contact persons is of crucial importance. TAG is therefore in regular contact with tenants on-site in the tenant offices, via phone, online via the TAG Wohnen website, and via email. (102-43)

For our tenants, the long-term affordability of rents is very important. They expect TAG to maintain their homes, common areas and outdoor areas in good condition. (102-44)

CONTACT VIA	CONTENT (EXAMPLES)
ON-SITE	<ul style="list-style-type: none"> // Personal contacts in a total of 69 tenant and caretaker offices // Housing advice in show flats at selected locations // Assistance in completing official forms (e.g. applications for rent subsidies) // Display of information brochures and checklists // TAG's own caretaker services // TAG's own handyman services // TAG's own energy services // TAG's own multimedia offerings
TENANT NEWSLETTER	<ul style="list-style-type: none"> // TAG Wohnjournal offers company information, event information, news on site development and useful advices for the home // Frequency of publication: once a year nationwide (twice a year in the Erfurt and Gera regions, and four times a year in Salzgitter)
TAG WOHNEN WEBSITE	<ul style="list-style-type: none"> // Flat vacancies // Contact details // Information about service offers // Information about regional events
TENANT APP	<ul style="list-style-type: none"> // Is being trialled in the Eberswalde and Strausberg regions: information about the residential environment, and contact information for customer care agents and caretakers // Regional expansion of a newly designed app is planned for 2018
TENANT MEETINGS/'ACTIVITY LOUNGES' AND OTHER EVENTS	<ul style="list-style-type: none"> // Information events, sports and games // Barbecues, cooking evenings // Christmas parties, excursions
TENANT SURVEYS	<ul style="list-style-type: none"> // Tenant and home satisfaction survey in 2015 // Surveys on various topics across all locations or at selected locations every three to five years (next survey is planned for 2018)

Employees

Our company can only flourish based on the ongoing performance and commitment of our employees. They are our company's 'engine'. First and foremost, our employees expect us to provide good working conditions, a healthy work-life balance, fair pay, and fair treatment at the workplace. In addition, development opportunities and equal opportunity play an important role in personal development.

Detailed information about our staff structure and the involvement of our employees is provided in Chapter 'Social sustainability' of this Sustainability Report. (102-43, 102-44)

Shareholders, banks and other lenders

Shareholders are the owners of TAG. They identify with our business model and are the foundation for the company's growth, which is supported by financing from our partner banks. Shareholders and lending partners expect us to generate reasonable long-term returns, steady increases in yield, and sustainable business growth.

Our shareholders, the banks, and other protagonists of the capital markets such as potential investors, other lenders, analysts, and the press all depend on TAG to continually provide information. We are in close, regular contact with these target groups through our Investor and Public Relations division. On the TAG website, you will find extensive information on our communication tools in the Investor Relations and Press sections. TAG's Annual and Quarterly Reports also provide extensive information for this stakeholder group. Moreover, we inform our shareholders through various events. In addition to the Annual General Meeting, this meant numerous international conferences and roadshows with banks in the 2017 reporting year. For 2018, we plan to host another Capital Markets Day, and a Bank Day to which we invite our lending banks. (102-21, 102-43, 102-44)

Suppliers and service providers

As a provider of homes and with a view to the necessary ongoing maintenance of our portfolios, TAG depends on reliable service providers and suppliers. Together with our employees, they ensure that defects in flats are quickly rectified, the residential environment is in a safe and clean condition, and that homes are modernised if necessary. Our collaborations with suppliers and service providers are long-term and usually run for several years, so that the processes of cooperation can be established, in the interests of both sides and for the benefit of the tenants.

(102-43, 102-44)

Stakeholders with indirect influence on the achievement of our sustainability goals

Neighbourhood initiatives

It is in the interest of the local communities and residents to have socially healthy, safe neighbourhoods with a good quality of life. From this arises a special responsibility for the landlord. As part of our neighbourhood management and development, we support numerous initiatives by the communities, and interest groups within the population. In addition, we support clubs and social institutions. (Further details are given in Chapter 'Social sustainability'.)

(102-43, 102-44)

Municipal institutions, authorities and local politicians

The public authorities and local politicians often involve our employees on the ground in matters related to the real estate economy. We encourage a close, ongoing dialogue with decision-makers, as this keeps us informed about how the environment of our properties is being developed, and enables us to actively help work on solutions. Being in constant contact with authorities and local politicians is also helpful in creating or improving service offerings for our tenants.

We often help our tenants in difficult situations, and therefore cooperate with job centres and debt counselling centres. This comes into play, for example, in cases where our tenants are dependent on social benefits or can no longer pay their rent due to personal circumstances. We work with the counsellors and our tenants to find solutions. (102-43, 102-44)

Associations and academic institutions

The housing industry in Germany is subject to increasing regulation. With this in mind, it is important to reconcile the legitimate basic need of people for affordable housing, with the legitimate commercial interests of companies – such as TAG – to remain competitive long-term. In this field of tension, associations that act as representatives of our industry, and academic institutions, play important roles. We monitor the field of political regulation and as a large housing company are also involved in ongoing discussions. We take a position in these discussions and always strive for balanced results.

(102-43, 102-44)

Other residential portfolio holders and estate agents

We continually monitor the activities of other privately owned and municipal housing companies, as well as those of estate agents. This market screening provides us with a continuous flow of information, e.g. regarding purchase opportunities and changes in the housing markets, which could give rise to investment or divestments. (102-43, 102-44)

Sustainability (102-19, 102-20)

Housing is a basic human need. Due to the special individual and social importance of having a home, and the long-term nature of the core business itself, sustainability has a long tradition in the housing industry. Large housing companies such as TAG have a special responsibility. We are aware of this responsibility and act accordingly.

Sustainability strategy

As a listed company, we have for years maintained a level of transparency that meets legal requirements and the expectations of our shareholders and other interest groups. Beyond this, we strive to increase transparency regarding our sustainability efforts across the Group. This report is a first step in an ongoing process which we will work on continuously over the next few years.

To comprehensively fulfil our responsibilities as a large housing company, we incorporate sustainability aspects into our corporate strategy across our entire value chain. From the economic, environmental and social aspects of our business conduct and our stakeholders' expectations, we derive our sustainability goals, which are illustrated in the chart on the next page.

We see sustainable corporate development as a comprehensive concept with positive reciprocal effects: A stable business and solid returns create the conditions necessary for our environmental and social efforts. Conversely, our environmental and social measures have a positive effect on our business success.

Sustainability management is given high priority in the TAG Group. It is therefore assigned to the Group Management Board. Sustainability management topics are regularly the subject of deliberations by the Management Board and the Supervisory Board. Sustainability topics are processed and coordinated by the centrally managed Strategic Real Estate Management division.

SUSTAINABILITY GOALS



Economic sustainability goals

- // Ensuring the company's future viability
- // Preservation and enhancement value
- // Ensuring a positive earnings development



Ecological sustainability goals

- // Reduction of resource consumption and optimization of resource use
- // Increase energy efficiency and reduce CO₂ emissions
- // Environmentally friendly portfolio management



Social sustainability goals

- // Further increase in tenant satisfaction and retention
- // Ensuring employee satisfaction and commitment
- // Continue social responsibility efforts and strengthen our residential neighbourhoods

It serves as the point of contact for all of TAG's operating divisions and actively advances the development of TAG's sustainability management, in particular through regular exchange with the departments and by aggregating the segment and departmental reports it receives. (102-19, 102-20)

With the expansion of our sustainability reporting and its adaptation based on the first-time application of the GRI Standards, we are once again reviewing our internal reporting and management system as well as the corresponding corporate processes for their inclusion of sustainability aspects.

In particular, we are working to professionalise our data collection and reporting and to further refine our sustainability goals, to be able to better monitor our progress. This especially applies to environmental and social sustainability data, but also to the linking of financial and non-financial performance indicators in the economic area.

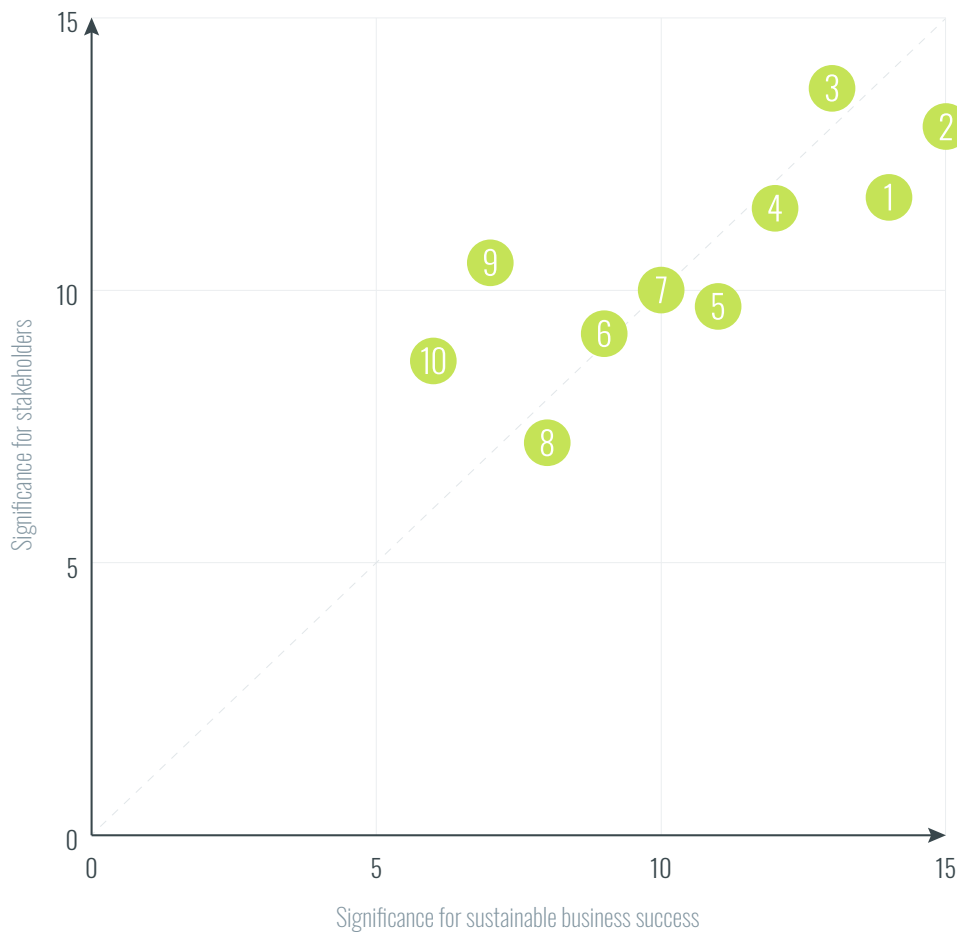
Materiality analysis /criteria /matrix

To determine the relevance and importance of sustainability criteria for our stakeholders and business development, we subjected our business processes to a materiality analysis in 2017. All aspects required in accordance with Section 289 c HGB (environmental, employee and social matters, respect for human rights and the fight against corruption and bribery) were taken into account. Among other things, we paid special attention to the increasing legal requirements for the real estate industry. In particular, the insights, data and information from the ongoing dialogue with our company's stakeholders as well as from discussions between the TAG departments and the TAG Management Board were incorporated into this analysis. Afterwards, and taking into account the specifics of TAG as well as the residential real estate segment, we identified and prioritised the ten material topics that are relevant for our business activity in terms of net assets, financial position and results of operations as well as the impact of our business activities on these aspects, which we then organised into a matrix. (102-46)

The diagram shows that most of our stakeholders consider three topics to be particularly important, and fundamental to sustainable business success.

These three topics are: the long-term preservation and development of the housing portfolio; the sustainable business development and economic stability of TAG; and the provision of housing portfolios in line with market requirements, at affordable rents, for broad sections of the population. We will continue to make these topics a high priority.

Basically, all ten criteria presented in the matrix are extremely important for us.



MATERIALITY MATRIX

- // 1. Sustainable business development and economic stability // 2. Conservation and further development of assets
 // 3. Marketable housing portfolio for broad sections of the population // 4. Liveable neighbourhoods
 // 5. Service quality and customer focus // 6. Company culture of appreciation, transparency, and co-determination
 // 7. Employee qualification and training // 8. Work-life balance and family friendliness
 // 9. Optimisation of energy efficiency // 10. Sustainable resource management

(102-47)

Due to their high degree of cross-linking, the ten key themes are considered according to their respective reciprocal effects with our activities. For instance, ongoing portfolio-preserving measures at the required technical level, and good customer service, are only possible with well-trained, motivated employees.

Human rights-related aspects, including the prevention of child labour, were also taken into account. There is basically no increased risk of child labour in TAG's area of activity or in those of our suppliers and service providers.

On this topic, please refer to our statements on sustainability risks in the supply chain and on social sustainability. (408-1)

The topic of anti-corruption is also very important. It falls under the aspect of appreciative corporate culture, transparency and co-determination and is explained in detail in the section on corporate governance and compliance. (103-1)

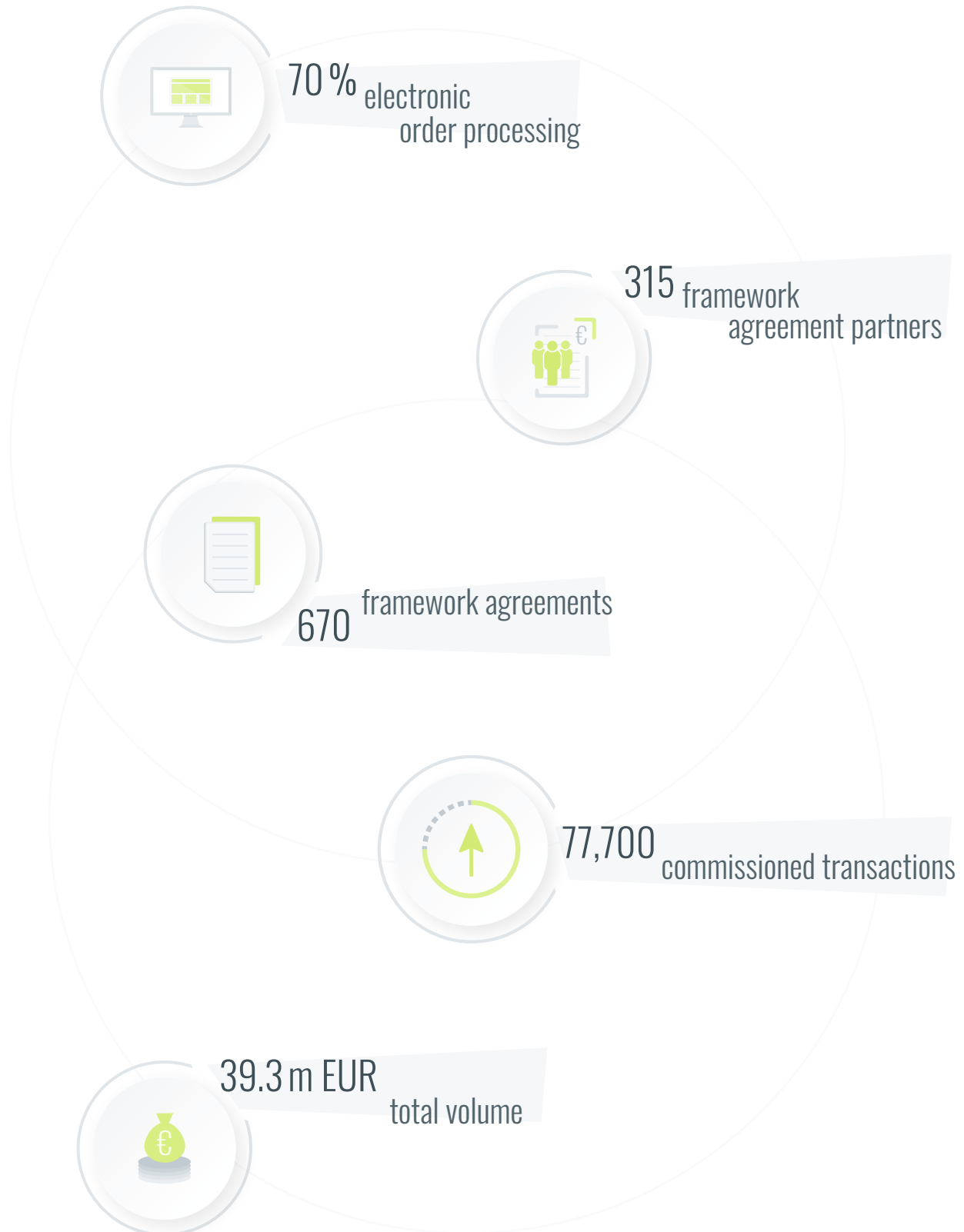
Sustainability in the supply chain (102-9, 103-1, 103-2)

Portfolio management, development and letting entail numerous services. A number of services are provided by TAG's own employees or by the Group's service subsidiaries (see the section on services and energy management in Chapter 'Company profile'). For example, TAG Handwerkerservice renovates vacant flats for new tenants, and TAG Immobilien Service Facility Management provides them with services. With our own service companies, we establish consistent and efficient process and quality standards.

We also work closely with external suppliers and service providers. This applies in particular to construction services and building materials, but also to office services. In the reporting year, we cooperated with 315 framework agreement partners in the field of vacant flat renovation/minor repairs, with whom approximately 670 framework agreements were concluded. Under these framework agreements, around EUR 8.1 m was invested across the Group for minor repairs and maintenance. This corresponds to around 61% of the total volume in 2017. Approximately EUR 16.8 m and thus around 85% of the total volume spent on renovating vacant homes for new tenants in 2017 was paid to framework agreement partners. So in the reporting year 2017, around 77,700 commissioned transactions were recorded in all, with a total volume of around EUR 39.3 m. (204-1)

COLLABORATION WITH SUPPLIERS

CONSTRUCTION SERVICES



Collaboration with local partners (103-2)

In maintenance, we prefer to work with local service providers. This minimises travel distances and operating times and ensures cost efficiency. In 25 metropolitan regions, we have framework agreements in place with local partners for seven important areas of interior work: painting, flooring, electrical installation, heating and plumbing systems, carpentry, tiling, and cleaning.

We manage the data of our framework agreement partners and framework agreements electronically. The firms are linked in to TAG's processes via an online portal (trades interface). This is where the processes are managed, i.e. a paperless, electronic management of processes from order placement to invoicing and the generation of credit notes. Around 70% of maintenance orders in 2017 were transacted via the Group's trades interface.

Supplier selection (103-2, 103-3)

Contract partners are selected through standardised, transparent tendering processes. Besides the price quoted and professional suitability, key criteria for decision-making mainly include reliability, quality and regionality. Sustainable materials and social aspects also play an important role here.

In our tenders, we do not consider bidders who have in the past violated the German Posting of Workers Act and were fined for it.

We are aware that we cannot entirely rule out breaches of legal labour standards (e.g. observance of current collective agreements and the minimum wage), social standards (e.g. human rights, forced labour) and environmental protection regulations (e.g. no use of environmentally harmful cleaning agents) by our external suppliers. We are not aware of any such breaches for the 2017 reporting year. (307-1, 408-1, 409-1)

In all contracts with our external suppliers, there are pertinent provisions that suppliers and subcontractors must comply with. In the event of non-compliance, collaboration with the contracting party in question is terminated. TAG has made all contact partners at our external suppliers aware of this and has instructed TAG employees to immediately report any violations to their supervisor and compliance officer. Supplier or framework contracts are regularly reviewed for any necessary additions to the sustainability criteria, and are amended if necessary.

Centrally controlled procurement management (103-3)

Supplier relations and procurement are managed across the Group by the Central Purchasing department. All suppliers are regularly evaluated, and the framework agreements are reviewed on an ongoing basis.

The procurement strategy is an integral part of the corporate strategy. Synergies in procurement management are generated by optimising the purchasing and business requirements, services, construction work by combining volumes and expertise, and taking into account the regional requirements of the LIM locations.

Central Purchasing reports to the TAG Management Board. The Central Purchasing staff are responsible for the strategic direction and management of the purchasing processes. They collaborate especially closely with decentralised real estate management, as well as with all other operational departments, each of which are involved in procurement processes at an early stage.

Central Purchasing tasks include studying the procurement market as well as researching, selecting and evaluating suppliers. The department is responsible for tenders and contracts (in cooperation with the Legal department), procurement controlling, reporting, product group management across LIMs, and Group-wide process optimisation. The department also focuses on the increased implementation of TAG's sustainability concept in procurement management.

Governance and compliance

Corporate governance

‘Corporate governance’ refers to the principles of a company’s management and generally describes the existing policy framework for managing and supervising a business. It represents the responsible management and supervision of companies with a view to long-term value creation. The TAG Supervisory and Management Boards see it as a key prerequisite for sustainable business success because it strengthens the confidence that shareholders, employees, business partners and the public place in the company’s leadership and management. Respect for the interests of shareholders and employees, transparency and responsibility when making business decisions, and appropriate risk management are key elements of corporate governance at TAG.

Once a year, the Supervisory Board and Management Board of TAG, in accordance with the German Corporate Governance Code (DCGK), issue a statement explaining to what extent the Code has been complied with or why TAG deviates from the Code’s requirements. Further information and the Declaration of Conformance are posted on the TAG website under the following link.

www.tag-ag.com/en/investor-relations/corporate-governance/declaration-of-conformity/

TAG’s Corporate Governance Statement also presents key elements of its corporate governance structures. In addition to the Declaration of Conformance with the DCGK, TAG’s website also provides more detail on the workings of the Supervisory Board and Management Board and the equal opportunities for women and men in leadership positions.

www.tag-ag.com/en/investor-relations/corporate-governance/declaration-of-corporate-management/

Corporate governance

and supervision (102-18, 102-22, Gov-Board)

TAG is run by a three-member Management Board.

Claudia Hoyer (COO) has served as TAG's Chief Operations Officer since 1 July 2012, and is responsible for the areas of property management, acquisition and sales, Central Purchasing, strategic real estate management/marketing, the Shared Service Centre, FM services, Handyman Services, Change Management, business apartments, Residential Energy Service, Multimedia for Properties, Business Development and Environmental Social Governance (ESG).

Martin Thiel CFO has served as Chief Financial Officer since 1 April 2014 and is responsible for the areas of Group Accounting, Financing and Treasury, Taxes, Controlling, Investor & Public Relations, and ERP/Data Management.

Dr Harboe Vaagt (CLO) was appointed to the TAG Immobilien AG Management Board effective 1 April 2011. As Chief Legal Officer, he is responsible for HR, Legal, Judicial rent collection, IT, Compliance, Internal Audit, and Homeowner Association/Third-Party Management.

The responsibilities of the Management Board are laid down in detail in the Rules of Procedure and the distribution of business plan.

The Management Board is advised and supervised by the six-member Supervisory Board. It reports to regular Supervisory Board meetings and involves the Supervisory Board in decisions of fundamental importance to the company, in a timely manner.

The rules concerning the composition and term of office of the Supervisory Board are formulated in TAG's Articles of Association (Chapter IV, sections 7 et seqq.). Specific goals and criteria were specified for the composition of the Supervisory Board, which are taken into account in the selection of its members (including competence profile, age limit, dealing with potential conflicts of interest, diversity). There is a regular review of the efficiency of the Supervisory Board's work. (102-24, Gov-Select)

The Supervisory Board is headed by Chairman Rolf Elgeti and his deputy Lothar Lanz. Four other members sit on the Supervisory Board, including two Employee Representatives.

MEMBERS OF THE SUPERVISORY BOARD

Rolf Elgeti	Chairman
Lothar Lanz	Deputy Chairman
Dr Philipp Wagner	
Dr Hans-Jürgen Ahlbrecht	
Harald Kintzel	Employee Representative
Marco Schellenberg	Employee Representative

In addition, the Supervisory Board forms an Audit and Personnel Committee with three members each.

The Management and Supervisory Boards are subject to the legally prescribed processes and rules for dealing with conflicts of interest as defined in the Rules of Procedure. (102-25, Gov-Col)

TAG GROUP VALUES



Ethics and compliance (102-16, 103-1, 103-2)

Successful and sustainable business requires good corporate governance, and integrity on the part of all employees, based on shared values: compliance with rules, appreciation, commitment and tolerance are TAG's core values which are supported by all employees in our Group. These values form the basis for the quality of our products and services – and thus for our customers' satisfaction. In this spirit, compliance as a management task occupies a significant position in the company. We understand the term 'compliance' to mean obeying the rules that govern all processes and requirements relevant to TAG, such as laws, DCGK recommendations, and voluntary self-commitments, as well as internal guidelines and organisational measures. This goes hand in hand with considering the rules of society, as well as moral and ethical values.

Compliance goes far beyond the prevention of and fight against corruption. The compliance programme implemented by the Management Board guides TAG's corporate culture towards being one of mutual respect, team spirit, openness, and professionalism.

Profitable growth

Solid products // Satisfied customers // Excellent service
// Professional and serious market presence

Highly motivated and high-performing employees

Regulatory compliance // Appreciation // Engagement // Transparency

Compliance Management System and Business Principles (103-3)

TAG's compliance programme ensures compliance with legal requirements and internal regulations. It stipulates requirements for the company's management that go far beyond the statutory requirements. TAG's Business Principles, which call for proper and ethically correct behaviour, are an element of the compliance programme. They are known to every employee and can be accessed on the intranet at all times.

The Business Principles form the basis for all internal guidelines and operating procedures, which are to be observed in addition and as a complement to the Principles. Among other things, they contain rules on business relationships, non-compete obligations, and conflicts of interest, as well as data protection. This area is the responsibility of a Management Board-appointed Compliance Officer who reports directly to the Management Board. (102-17)

The Compliance Management System consists of three main elements: prevention, detection and response. Prevention is covered by the TAG Business Principles and Guidelines, as well as regular compliance training for TAG Employees. The early detection and handling of possible compliance risks

is managed by the Compliance department using the Group's monitoring and risk management mechanisms. Together with Risk Management and Internal Auditing, Compliance forms part of TAG's internal monitoring system. Taking internal and external changes into account, and bearing in mind the DCGK, compliance is updated and developed in an ongoing process. Since 2017, employees have been provided with the option of using a protected communication channel to report legal violations in the company.

As a fundamental component of compliance in the company, it is an essential business principle that the Management Board and all employees comply with all legal provisions in the day-to-day business. The Management Board and all employees are required to always conduct themselves ethically. In particular, it is important to refrain from acts that are likely to damage the reputation and operations of TAG.

Policy management and control mechanisms

Policy management involves the detailed definition of guidelines on the basic principles, frameworks, and objectives for the correct performance of standardised processes in the Group. Key guidelines and objectives associated with them include:

- // Subscription and Competency Directive (Sections 48 to 58 HGB*, Sections 77 et seqq. AktG**) regarding the application of the statutory representation rules across the TAG Group
- // Dual-control principle: applies to all contracts and other documents in connection with TAG's financial liabilities or other obligations
- // IT policy for maintaining IT security
- // Guidelines for tax compliance, data protection, obligations in connection with capital market laws, and donations policy: these serve to ensure compliance with rules within TAG

Compliance indicators and documentation

Rules for handling compliance reports, questions, and notifiable information and violations are set out in the Business Principles.

Most of the reports received by the Compliance department concern notifiable cash receipts by account managers, in particular cash payments from tenants, for back rent or as rental deposits. There are also notifications and questions regarding invitations from business partners to employees, or regarding the intended rental of homes to employees, for example. In the 2017 reporting year, there were no confirmed cases of corruption at TAG. In one suspected case, after an internal investigation by TAG, charges against persons unknown were filed for illegal reimbursement by estate agents. The public prosecutor is currently investigating one employee in connection with charges of bribery or corruption in the course of business. The investigation had not been completed at the time of reporting. (205-3)

* German Commerce Code

** German Stock Corporation Act

Compliance is documented based on guidelines and work instructions published on the TAG intranet. This is also where our employees are informed about company announcements. All new employees are given copies of the Business Principles, IT Policy, and Privacy Policy during the hiring process. The Learning Management System includes regular classroom training for high-risk operational departments. This especially applies at executive level, for example to Heads of Real Estate Management (LIM). (205-2)

Risk management system (102-11, 102-15)

In accordance with Section 91 (2) of the German Stock Corporation Act (AktG), the Management Board of a public limited company is obligated to take suitable measures, in particular to set up a monitoring system, so that developments that jeopardise the continued existence of the company are detected at an early stage.

TAG's Management Board has implemented a central risk management system designed to ensure the identification, quantification, management and monitoring of all material risks to which the Group is exposed. The risk management system covers the entirety of all organisational rules and measures for identifying and handling risks. Risk management is understood as a flexible and evolving system-in-progress. Possible risks and defined recommendations for action or procedures are documented in a risk manual.

The TAG Management and Supervisory Boards regularly discuss updates to the risk management system in their joint meetings. In risk management, the idea is to identify all material risks that exist within the Group, to evaluate them in a risk matrix, manage, and monitor them. This approach makes it possible to review risks without neglecting to consider any arising opportunities.

General economic risks as well as the risks that affect the real estate and financial industry are regularly analysed for their potential negative impacts on TAG. Internal processes are constantly monitored and restructured as needed bearing in mind these considerations. In addition, the TAG Group's results of operations are subject to constant controlling using target-actual comparison and variance analyses.

Every year, the Management Board of TAG comments in detail on all material risks to be taken into account in connection with TAG, in the risk report, which forms part of the Group Management Report. The Group Management Report is part of TAG's Annual Report, published yearly.

At this time, - as of March 2018 - the Management Board is not aware of any risks that could threaten the existence of the Company.



LEVELS OF SUSTAINABILITY

Sustainable business management has three dimensions – social sustainability, which refers to the concerns of employees and corporate social responsibility; ecological sustainability, which is aimed at conserving energy and resources; and economic sustainability, whose goal is the long-term economic stability of the company. The idea behind sustainability is to manage the company in such a way that it creates value and stability in the long term. An interaction of all three areas is indispensable in this process.

The following chapters are dedicated to these three areas of sustainability. Here we explain the strategies and measures we use to achieve and safeguard the material aspects we have established.

Economics

Material aspects (103-1, 103-2)

A good business performance is the basis for the long-term continued existence of TAG and for achieving our sustainability targets. Because anything that is going to be sustainable and ensure a company's lasting social and environmental efforts has to make economic sense. To achieve a good business performance, we strive for high occupancy rates with well-equipped, affordable homes that are in line with the market. The optimal management and targeted development of our portfolios, their expansion through strategic acquisitions, and customer-focused tenant and letting services are the decisive activities for achieving our economic sustainability goals.

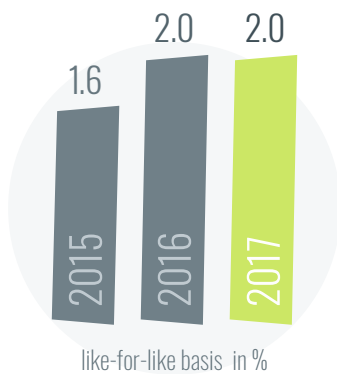
The success of these activities is measured by a variety of indicators. A selection of them is presented in the following chapter. These indicators are included in the monthly and quarterly reports. (103-3)

SUSTAINABLE BUSINESS MANAGEMENT

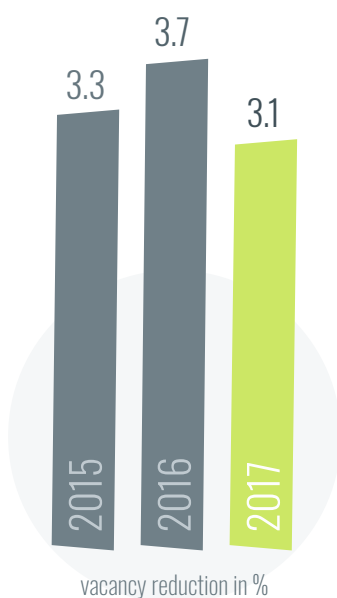


Indicators of operating performance, and of net assets, financial position, and results of operations (102-7, 201-1)

A whole host of economic criteria and indicators determine a positive long-term business performance. In the following section we provide an overview of the economic results and prospects of our business activities. A detailed presentation can be found in our 2017 Annual Report.



RENTAL GROWTH

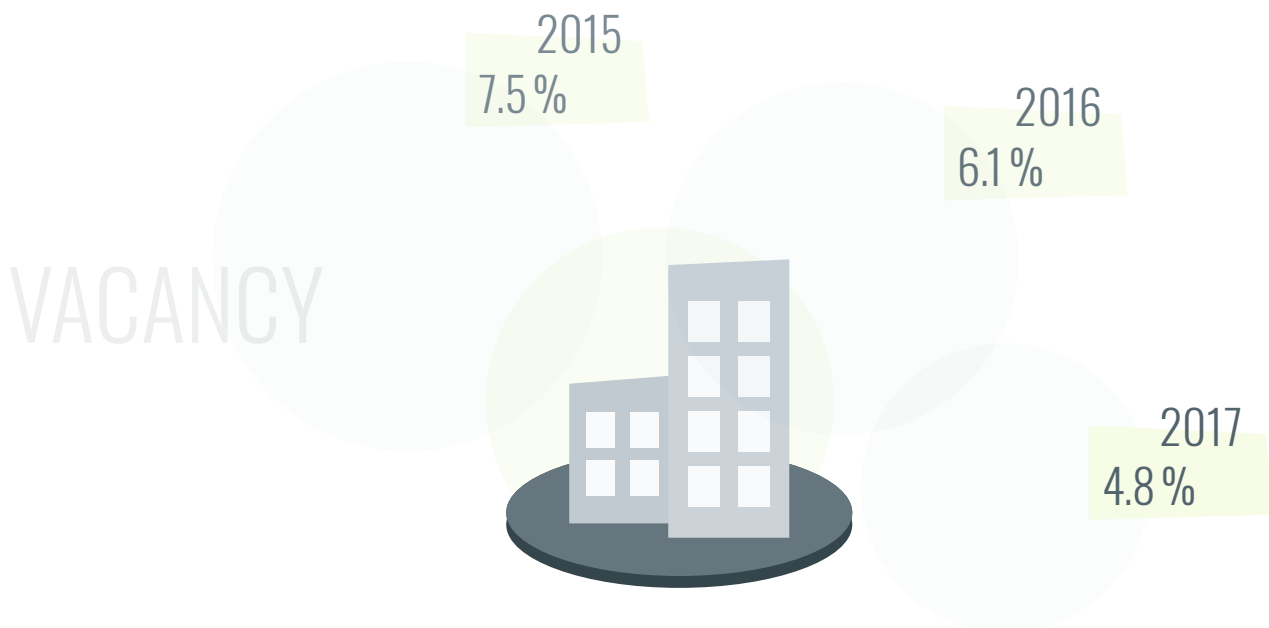


Indicators of operating performance

Significant operational performance indicators that are calculated on a regular basis and reported to the Management Board are the development of rents and vacancy, as well as the budget utilisation of certain cost items. These indicators are calculated across the portfolio, as well as for the individual LIM regions and locations.

As the diagram on the left shows, vacancy in the TAG portfolio's residential units has been significantly reduced over the past three financial years. For instance, in the course of 2017 vacancy decreased from 6.1% at the beginning of the year to 4.8% at year-end. Across the portfolio, vacancy at the end of the year was 5.8%, compared to 6.5% at the beginning of the year.

Rental growth in the Group's residential units – on a like-for-like basis (i.e. excluding the acquisitions and sales of the previous twelve months) – remained at 2.0%, as in the previous year. Including the effects of vacancy reduction, overall rental growth on a like-for-like basis was 3.1% (3.7% in the 2016 financial year). The following diagram shows the development of rental growth over the last three financial years.

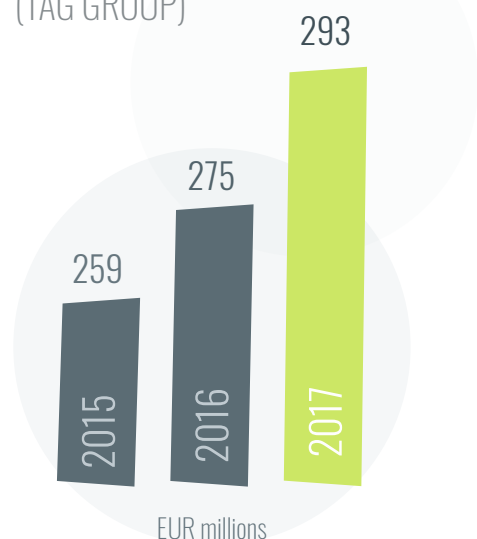


Indicators for the development of net assets, financial position and results of operations over time

TAG's results of operations are essentially determined by continuous revenues from real estate management (net rent), regular operating expenses, and ongoing general administrative expenses (including personnel expenses).

The diagram on the right shows that rental revenues have increased from year to year. This growth is fuelled by the acquisition-related expansion of the real estate portfolio as well as by ongoing rent increases in our existing portfolio. This figure, too, reflects the positive development over time of rental growth and vacancy reduction.

RENTAL INCOME (TAG GROUP)



Annual Report

TAG's Annual Report 2017 provides further detailed information on the individual key indicators in the consolidated financial statements and the real-estate portfolio.

The Annual Report is available online at

www.tag-ag.com/en/service/downloads/annual-reports/

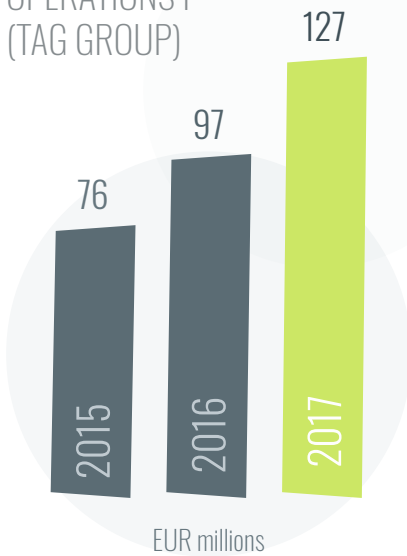
Funds from operations I (FFO I) is one of the key indicators for the Group's management. It is derived from the Group's earnings before taxes (EBT), adjusted for non-cash items, such as evaluation results, depreciation, amortisation (without adjusting for impairment losses on rent receivables), non-cash interest expense and without regularly recurring special effects, and then deducting current tax income. FFO I is also adjusted for proceeds from property sales. The following overview shows FFO I in absolute figures in the years 2015 to 2017.

FFO I has developed very positively over the past few years. This, too, can be attributed to the portfolio growth and associated increase in revenues. In addition, diminishing costs of financing led to a significant increase in FFO I. FFO I is expected to be between EUR 135 m and EUR 137 m for the 2018 financial year.

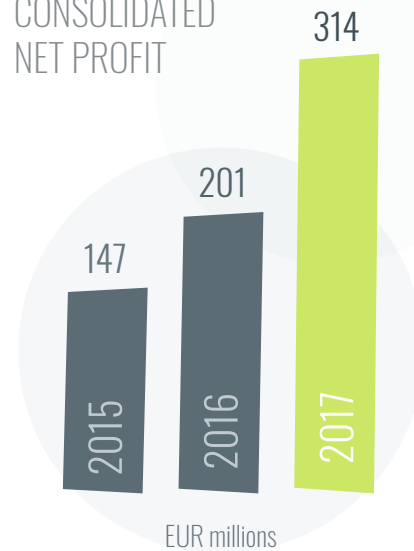
On a per-share basis, FFO I has also continuously increased in the past few financial years. After EUR 0.58 per share in 2014, FFO I per share increased to EUR 0.62 in 2015, to EUR 0.72 in 2016, and to EUR 0.87 in 2017. FFO I per share of EUR 0.93 is planned for the 2018 financial year.

FFO I is TAG's key forecast value. Annual earnings forecasts for the capital market are published primarily based on this indicator (in absolute terms, and per share). Over the past few years, FFO I has regularly increased by around 10% a year, and sometimes even more. From today's perspective, similar growth is expected for future financial years as well.

FUNDS FROM OPERATIONS I (TAG GROUP)



CONSOLIDATED NET PROFIT



By contrast, **consolidated net profit** takes into account all business transactions affecting TAG's consolidated financial statements over the course of the year. Consolidated net profit has also developed well in recent years, as shown in the diagram above.

As part of Group controlling, the development of the **net asset value (NAV)** and the **loan to value (LTV)** ratio is also regularly calculated and reported to the Management Board. These values also developed positively in 2017. At EUR 13.80 (EUR 11.53 in 2016), NAV per share as of 31 December 2017 was significantly higher than the previous year's figure of EUR 11.53. And LTV, too, was reduced from the previous year (57.1%) to 52.3% at the end of 2017.

Our shareholders participate in the company's success through the payment of an attractive dividend.

For the 2016 financial year, a dividend of EUR 0.57 per share was paid out (2015: EUR 0.55), and for the 2017 financial year we plan to pay a dividend, increased once again, of EUR 0.65 per share.

With economically positive results at the real estate and company level, we meet the expectations of our shareholders and financing partners regarding continuous dividend payments and reliable debt servicing.

Other TAG stakeholders also expect a positive earnings development, e.g. our tenants. We can only invest continuously in our homes if the funds required for this purpose are available through continuous rental income.

Best practice example Chemnitz

One prime example of successful vacancy reduction is the LIM region of Chemnitz, where the proportion of vacant flats in the company's portfolio fell from 11.8 % to 9.7 % within twelve months. TAG invested a total of EUR 9.2 m into CAPEX measures in the LIM region. Within the region, the city of Chemnitz showed a particularly positive development. The university city benefits from the general economic upturn, a strong middle class, and capacity for innovation thanks to the large number of academic institutions in the vicinity. This creates good conditions for increasing housing demand. With targeted investments in modernisation (about EUR 2.0 m CAPEX investment volume in 2017), it was possible to make numerous vacant flats attractive again and to make them available to the city of Chemnitz's expanding housing market. As a result, vacancy in the residential units here was reduced from 9.6 % to 6.4 % within a year. To further strengthen the location, besides continuing an already ongoing renovation project in 2018, two further modernisation projects as well as additional vacant flat refurbishments and major renovation measures are planned.

⁴Maintenance expenditure (OPEX) includes all measures required to maintain the capital, i.e. the current value of the property. This mainly includes repairs, containing major repairs (such as roof repairs), as well as investments in the appearance of our residential buildings (such as facade coatings and outdoor facilities).

In contrast, modernisation expenses (CAPEX) include investments that increase the value of a property or generate additional rental income. This includes both extensive renovation measures (floor plan changes, energy refurbishments, balcony extensions, etc.) as well as investments in individual flats, which significantly increases the standard of these homes.

Valuation of the real-estate portfolio (102-7, 103-3)

Our long-term investment strategy focuses on the sustainable, active management and development of our portfolio, as well as on moderate, qualitative growth of the portfolios in our ten regions. (For more information about our portfolio strategy, see Chapter 'Company profile'.) (103-2)

We classify our properties according to their intended use. At the core of our portfolio are investment properties held for the medium to long term. In addition, a small proportion of our real estate is intended for sale in the ordinary course of business or as part of a development process. As at 31 December 2017, this proportion amounts to 1.2%, or around EUR 51.5m, of the total value of the investment properties. Properties the Group uses for itself are reported under property, plant and equipment.

The calculation parameters used in the real estate valuation are published annually in the Notes to our Consolidated Financial Statements.

On 31 December 2017, TAG's real estate portfolio was comprised of 83,140 units with a real estate volume of EUR 4.3 bn. In the reporting year, 4,946 residential units were added to the portfolio through acquisitions. This was offset against sales of 1,951 units. At the end of the reporting year, TAG had an overall vacancy rate of 5.8%, which is even below the previous year's low level.

In the 2017 financial year the real estate portfolio was revalued as at 30 June and 31 December. The appraisal is carried out by CBRE GmbH, an external, independent expert, using the discounted cash flow procedure. The valuation is based on information provided to the appraiser by TAG (e.g. current rental revenues and vacancy data) and the appraiser's assumptions based on the available market data (e.g. future market rentals or discount and capitalisation rates). This external specialist expertise helps reduce risks from an inaccurate valuation of the real estate portfolio, which can directly affect the NAV and LTV key indicators as well as financial covenants for bank loans and bonds.

Preserving assets, developing value (102-7, 103-2)

One of TAG's core competencies is active real estate management with the aim of reducing vacancy and increasing rental income, as well as preserving assets and achieving a positive development in the value of our real estate. We ensure the long-term rental potential of our portfolios by investing in them, continuously and in accordance with regional market requirements. In addition, new marketable residential units are added into the housing market by, e.g. modernising vacant spaces as needed. Ultimately, our measures generate sustainable returns and thus contribute to a long-term increase in the company's value.

In the 2017 reporting year, TAG invested a total of EUR 71.9m in the modernisation and maintenance⁴ of its housing portfolios. Compared with the 2016 financial year (around EUR 71.5m), this reflects an approximately 0.6% rise in expenditure. The share for modernisation (CAPEX) is EUR 42.8m, or around 8% lower than in the previous year, while the share attributable to maintenance measures (OPEX) increased by 16.4% year-on-year. This brings the volume of repair expenditure in 2017 to EUR 29.1m.

The following table shows the development of maintenance/repair and capitalised modernisation expenditure since 2015.

EUR millions	2017	2016	2015
Maintenance and repair	29.1	25.0	25.2
Modernisation	42.8	46.5	40.1

Over the past three years, we have invested an average of EUR 15.2 per sqm of residential area in our real estate portfolio each year. (103-3)



Outlook

To safeguard our company's future viability and economic stability, we continuously align our corporate strategy with the needs of our stakeholders and the requirements of the market. Our focus will continue to be on optimising our real estate portfolio and sustainably increasing our operating results. Vacancy reduction and the realisation of potential for rent increases will continue to form the basis for organic value increases in the years ahead. By offering a wide range of sizes and types of housing, a good mix of micro-locations, and close, personal tenant care, we can continuously generate income and returns on existing assets. We will continue to seize opportunities in the market and invest in our locations so as to expand and develop our residential real estate portfolio. Another important prerequisite for a positive long-term business development is to ensure a high level of qualification among our employees, and the availability of next generation talent through training and promotion (see also Chapter 'Social sustainability').

GROUP INDICATORS	2017	2016
Rental income	293,037	275,193
Consolidated net profit	313,674	200,679
FFO I per share in EUR	0.87	0.72
FFO I in EUR millions	127.4	97.0
LTV in % incl. outstanding convertible bonds	52.3	57.1
EPRA NAV per share in EUR	13.80	11.53
PORTFOLIO DATA	31 DECEMBER 2017	31 DECEMBER 2016
Units	83,140	79,754
Rentable area in sqm	5,054,778	4,878,022
Real estate volume in EUR millions	4,275.4	3,856.6
Net actual rent in EUR/sqm (total)	5.31	5.23
Net actual rent in EUR/sqm (residential units)	5.20	5.11
Vacancy in % (total)	5.8	6.5
Vacancy in % (residential units)	4.8	6.1
I-f-I rental growth in %	2.0	2.0
I-f-I rental growth in % (incl. vacancy reduction)	3.1	3.7
Acquisitions/sales in units	4,946/1,951	1,651/717
Capex (modernisation)	42.8	46.5
Maintenance costs	29.1	25.0
Capex & Maintenance (total)	71.5	71.5

Selected economic key indicators // (102-7, 201-1)

Ecology

Material aspects (103-1, 103-2)

A responsible use of resources and the environment is indispensable for a property owner like TAG.

Climate protection and the energy transition are important influencing factors faced by housing companies. Buildings and homes significantly influence total energy consumption in terms of electricity, room heating and hot water, which presents major challenges for housing companies and hence TAG.

Improved energy standards in buildings, along with an efficient, careful use of resources sustainably help to reduce our energy and resource consumption and thus secure the necessities of life of future generations.⁵

With this in mind, TAG and its stakeholders have defined the optimisation of energy efficiency, energy savings and sustainable resource management as material aspects of sustainable, environmental corporate governance. These topics are already taken into account in relevant business processes, such as the maintenance and modernisation of our portfolios, as well as in the context of procurement processes. In 2016, we started establishing a separate Energy Management line of business, and are thereby creating further opportunities for implementing energy-saving measures and a more efficient use of resources.

⁵According to the Federal Environment Agency, the energy consumption of German households has hardly declined since 1990 and amounts to about one quarter of the total energy consumption in Germany. About three-quarters of the energy consumption in German households goes to heating the homes.

www.umweltbundesamt.de/daten/private-haushalte-konsum/wohnen/energieverbrauch-privater-haushalte

www.umweltbundesamt.de/daten/energie/energieverbrauch-nach-energetraegern-sektoren

Materiality of environmental reporting (102-46, 103-1, 103-2, 103-3)

The defined key environmental indicators and goals of our sustainability reporting are subject to the following criteria:

- // Are the aspects essential for our real estate portfolio and our business?
- // Can TAG directly influence the energy indicators?

We always differentiate between energy consumption for own business activities at TAG's offices (own consumption) and consumption in the real estate portfolio we manage and lease (tenants' consumption).

TAG has a total rentable area of around 5.1m sqm (as at 31 December 2017), of which we use around 22,000 sqm for our own administrative activities. With a share of around 0.4% in TAG's total rentable area, we feel that our own administrative areas have no significant influence on overall energy and water consumption. For this reason, for the environmental indicators in our reporting we do not differentiate between internal areas and those used by tenants.

Our tenants' electricity and water consumption is beyond our direct influence, which is why we do not report on it. Our tenants conclude their own utilities contracts, and their electricity consumption is not within our sphere of influence.

We do not consider the electricity supply of the common areas of our properties to be material in relation to the total rentable area.

Although it is not possible for us to directly influence our tenants' consumption of either water or electricity, effective resource management and technical measures can still be used to indirectly influence consumption to a certain extent. These measures for optimising electricity, heat, and water consumption are described in this report. We report on the energy indicators of our buildings' heat supply in connection with reference portfolios and primary energy sources, as we have a direct influence here in some cases.

Environmental sustainability reports are submitted to the company's management once a year. In addition, important individual topics are included in the ongoing monthly or quarterly reporting. For example, investments in energy management are reviewed on a monthly, and the status of supplier contracts (framework agreements) on a quarterly basis.

Optimising energy efficiency and energy management

Measures and consumption in the offices

Energy saving measures (103-2)

TAG encourages a conscious use of electricity, water and heating energy in the daily business routine. This includes avoiding unnecessary water consumption, and turning off technical equipment and light sources when they are not in use over a longer period.

To review further ways to improve energy efficiency and reduce energy consumption, we among other things performed an energy audit of TAG's office and administrative buildings in 2015. The audit included an energy analysis of technical building equipment, industrial facilities, and technical systems for keeping the business operations up and running.

Based on the analysis, an energy consumption profile was compiled, and relevant areas with potential for optimisation were identified. Among other things, this led to a recommendation of converting to LED lighting, which can lead to annual savings of approximately 33,400 kWh or around EUR 5,700 per year. TAG has started putting the measures into practice.

⁶In addition to TAG's administrative buildings, tenant and caretaker offices as well as other company facilities were also taken into account.

Travel management and fleet

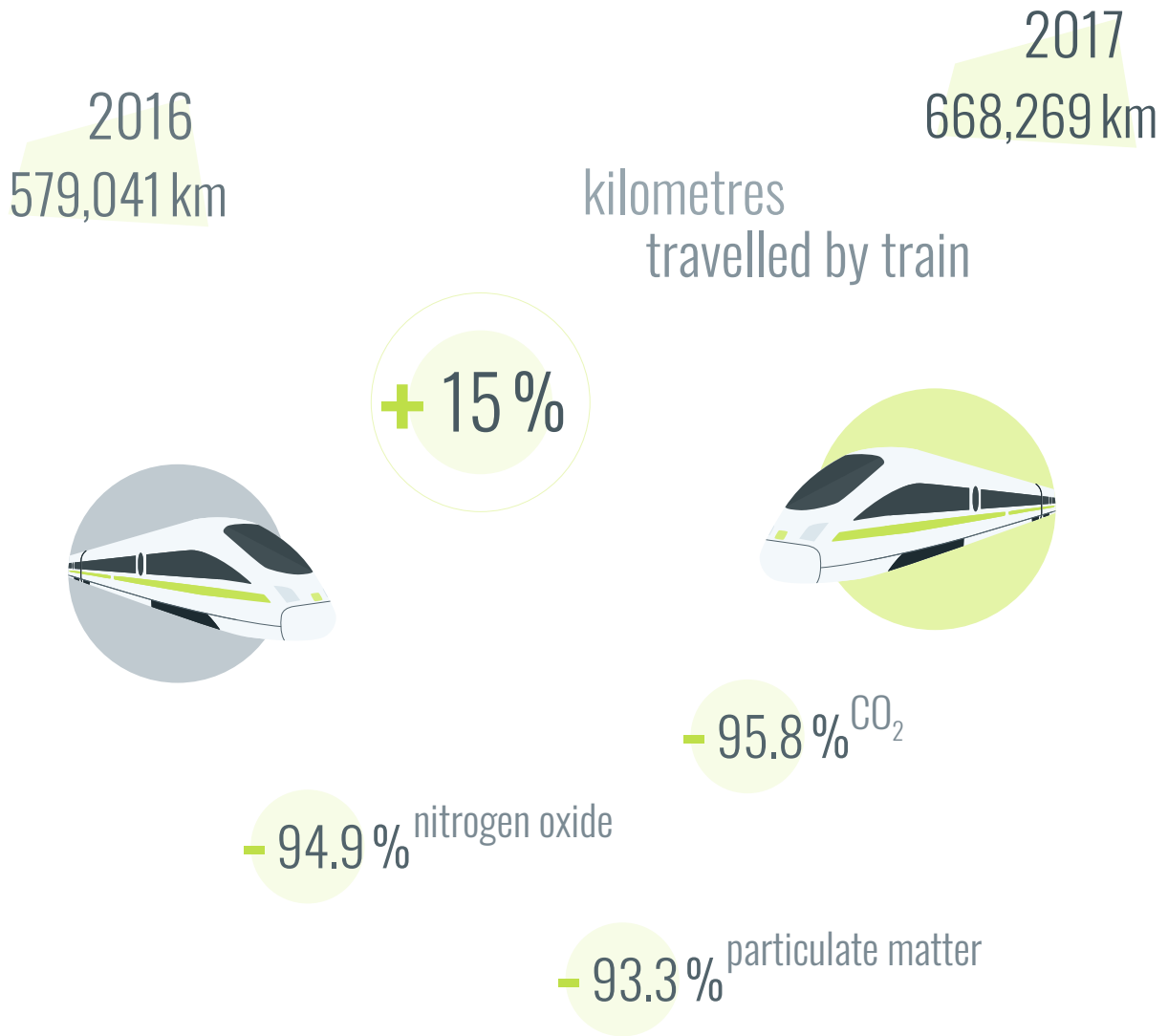
Business travel is required to provide services onsite and speak with tenants and contractors. TAG's central Travel Management department is responsible for making these trips cost-effective and resource-friendly. Business travel is organised and booked centrally, mostly based on framework agreements for corporate discounts, e.g. via the Deutsche Bahn corporate website.

Wherever possible, we use online conferences and conference calls for internal communication between the various locations or with business partners.

We also provide our employees with their own company cars or cars from the company pool for performing their business duties. TAG's company fleet comprises 284 vehicles, of which 205 are pool cars and 79 are company cars assigned to individuals. For short distances, twelve service bicycles are available at our locations. We are also currently exploring options for using electric vehicles at our large TAG locations with densely concentrated portfolios.

When selecting and using vehicles, we apply strict standards for low fuel consumption, vehicle maintenance and cost awareness.

Our employees are instructed to travel by train rather than by car whenever possible. Besides the cost and time advantages, environmental criteria play an increasingly important role here. Compared with 2016, the number of kilometres travelled by train in 2017 was up by around 15% (from 579,041 km to 668,269 km). Compared with using a car, this represents a 95.8% reduction in CO₂, 94.9% in nitrogen oxide and 93.3% in particulate matter emissions during the reporting year. If the final energy consumption, including the upstream chain, is taken into account, the use of train travel meant 73.0% less energy was consumed in 2017 than if cars had been used. Due to the expansion of the business and the associated travel activity, the intensity of rail and car use increased compared to 2016. CO₂ emissions due to the use of diesel and petrol vehicles increased by 21.1% and 18.8% respectively. (305-3, GHG-Indir-Abs)



FUEL CONSUMPTION

	2016	2017	general factor	2016	2017
Diesel	281,318.11 litres	340,577.48 litres	x 2.91 kg CO ₂	818,635.70 kg CO ₂	991,080.47 kg CO ₂
Petrol	72,803.41 litres	86,476.97 litres	x 2.69 kg CO ₂	195,841.17 kg CO ₂	232,623.05 kg CO ₂
total	354,121.52 litres	427,054.45 litres		1,014,476.87 kg CO ₂	1,223,703.52 kg CO ₂

Fuel consumption and CO₂ emissions in kilogram (2016 und 2017) // (305-1, GHG-Dir-Abs)

	PEV [L PETROL EQUIVALENT]	CO ₂ [kg]	NO _x [kg]	PM ₁₀ [kg]
Reduction compared to cars 2016	-38,451	-108,177	-278.26	-7.97
	-72.7%	-95.6%	-94.5%	-92.8%
Reduction compared to cars 2017	-44,493	-125,039	-321.37	-9.25
	-73.0%	-95.8%	-94.9%	-93.3%

Reduction in pollutants through use of trains instead of cars 2016, 2017 // (305-1,305-3, GHG-Dir-Abs, GHG-Indir-Abs)

Measures and consumption in the portfolio

Maintenance, repair and modernisation (103-2)

To preserve the value of our properties and adapt our properties to tenant and market requirements, we carry out maintenance and modernisation measures (see Chapter 'Economy'). In the process, we place a priority on using environmentally friendly and durable products and materials. We also pay attention to their reusability or recyclability. While carrying out modernisation, we also implement a variety of measures to improve the energy efficiency of the apartments and buildings.

By using high quality, durable materials, we ensure a lasting functioning of condition and facilities of our portfolios and indirectly contribute to resource conservation. For example, we are gradually shifting to higher quality materials and service specifications. This is the case, for example, with floor coverings (longlife CV coverings with higher wear surfaces, or more robust laminate), high quality sanitary installations, biologically nonhazardous tile material or low-wear fittings with ceramic inserts. These measures are not only eco-friendly but also make good business sense and increase our tenants' comfort.

For example, when renovating entire bathrooms, the existing bathtubs or showers are reviewed for their suitability for reuse, in order to conserve resources, with a view to their recyclability. In electrical installations, TAG gives priority to devices that can be combined with each other, and in paints, we use materials by manufacturers of modular systems.

All cleaning work is carried out in accordance with applicable hygienic standards and only cleaning agents approved and registered by the Federal Environmental Agency can be used. All service providers are required to dispose of waste in accordance with rules set by the local authorities and environmental protection laws. (103-3)

Energie Wohnen Service GmbH (103-2, 103-3)

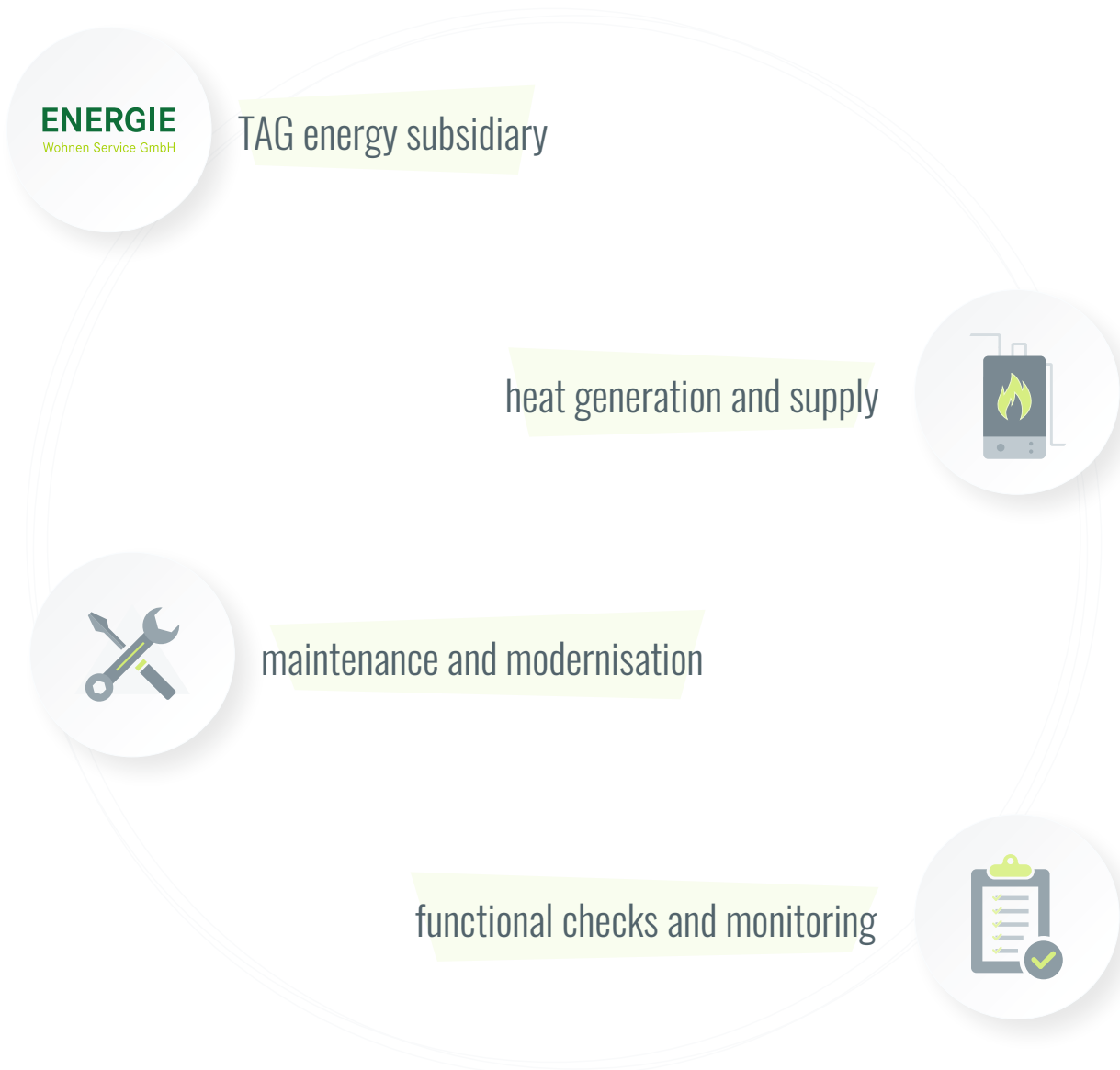
In order to professionalise energy management and future proof TAG in this area as well, Energie Wohnen Service GmbH (EWS) was founded in 2016 as a TAG energy subsidiary.

EWS' primary tasks are to generate heat and supply it to the real estate portfolio, as well as to maintain and modernise the heating systems. It also carries out all regular functional checks and monitors the systems.

EWS has the longterm goal of covering all the energy management and technology requirements for all of TAG's real estate. This integrated management serves to sustainably align the future energy utilisation of the buildings. EWS thereby measurably reduces CO₂ emissions and tenants' utility costs.

By founding EWS, we have professionalised TAG Group's energy management and are striving for additional value creation in the spirit of sustainability. The modernisation of existing heating systems measurably reduces emissions and ensures a sustainable use of resources. Innovative, state-of-the-art technologies are used for energy generation, distribution, and operation. The top priority here is a secure, ecologically sound supply with a high level of availability, and the associated active contribution to achieving the defined climate policy goals.

EWS TASKS



With the expandability of the EWS business model in mind, the advantages of producing heat and electricity with combined heat and power (CHP) plants is also being reviewed for the future. The provision of other energy-related services, such as metering services, issuing energy certificates, or performing legionella tests are also being examined in this context.

For the purposes of our sustainability reporting, we will initially concentrate on the heating business. EWS has operated as a commercial heat supplier since 2016. As of 31 December 2017, EWS supplies 22,626 units, or around 27% of TAG's current total residential portfolio with heating energy and in some cases hot water.

For this report, the consumption data from 2016 of an analysis portfolio of 100 properties or 6,173 units was evaluated. The consumption levels recorded have remained almost constant according to the available preliminary data from 2017. We will report on the consumption data for the portfolios for which EWS took over the heating supply in 2017, in the following year.

Heat consumption analysis portfolio 2016

57 of the 100 properties in the 2016 analysis portfolio were heated by EWS with district heating and 43 with gas. The total heated area of district heating properties is 311,691 sqm, while those heated by gas was 45,052 sqm. In total, EWS supplied around 356,743 sqm with heat in 2016.

Energy savings through systems renewal

EWS professionally modernised 109 heating systems in 2017. As part of a deliberate merging of heating systems, 100 new heating systems were established in total. The total output of the refurbished heating systems is 9,880 kW. Of these, district heating stations with a capacity of 3,700 kW were refurbished and ten heating systems were converted from heating oil to natural gas with a heat output of 818 kW. The remaining modernised systems will continue to run on natural gas.

Based on the fuel savings through system modernisations, primary consumption will decrease by an estimated 563,077 kWh annually from 2018 onwards. As a result, CO₂ emissions will most likely be reduced by 762 tons annually.⁷

By installing highly efficient pumps and energy-saving components as part of the system renovations, the primary energy demand for operating current in the refurbished systems is reduced by 60% per annum (246,300 kWh). By 2018, about 130 tons of CO₂ can be saved through systems renovation.

⁷These calculations are based on energy consumption with an average value from the last three billing periods and the forecast annual utilisation rate. In the calculations for the consumption from district heating systems, the last bill was included before the conversion.

⁸For the calculations CO₂ emission factors according to GEMIS (version 4.95) were used.

FUEL	UNITS	HEAT CONSUMPTION (MWh)	HEAT CONSUMPTION (kWh/sqm)	CO ₂ -EMISSIONS (kg)	CO ₂ -EMISSIONS (kg/sqm)
District heating	5,378	36,051.7	115.67	9,409,502.57	30.19
Gas	795	5,013.4	111.28	1,253,355.56	27.82
Total	6,173	41,065.2	115.11	10,662,858.13	29.89

Energy consumption, energy intensity and CO₂ emissions⁸ (heat supply) // (302-1, 302-2, 302-3)

Indirect measures to optimise the consumption of heat, water and electricity (103-2)

Beyond the measures described above, the consumption of heat, electricity and water in our portfolios is primarily influenced by our tenants' usage behaviour. However, we can indirectly control consumption ourselves through targeted, smaller measures. For example, we influence the heat consumption of our buildings by using improved façade insulation or by renewal of windows and roofs. The installation of motion detectors and the use of energy-saving halogen and LED lamps are examples for measures TAG takes to reduce electricity consumption in the common areas.

When making floorplan changes as part of modernisation measures, any windowless bathrooms are regularly converted into naturally lit bathrooms, further reducing the need for electricity. As for water consumption, we use sanitary fixtures with water-saving features to help tenants save water.

In addition to this, at our onsite tenant offices we actively advise our tenants on energy-saving consumption behaviour and ventilation and provide them with information (brochures, flyers, etc.) on effective usage behaviour.



Outlook

When we started taking over the heating supply, energy management, and installations management in our portfolios through our energy subsidiary EWS, we also began establishing our sustainability reporting for this area. We are initially reporting on a reference portfolio of inventories serviced by EWS. As we gradually expand EWS's services to additional inventories in the years ahead (the long-term plan is to extend them to between 70,000 and 75,000 units or approx. 90% of the total portfolio), we will also continuously increase the number of units we include in the reference portfolio. Other focus areas include the continued optimisation of fuel purchasing and energy management, and the ongoing renewal of heating systems by EWS.

In reducing energy consumption at our offices and by our employees, we are for now focusing on further optimising travel management and vehicle use, as well as on implementing the energy-saving measures proposed in connection with the energy audit.

We are also working on continuing to build awareness about saving energy and conserving resources among our employees and tenants through targeted measures. As part of our portfolio management, we make a contribution to protecting the environment by stepping up our use of modern, eco-friendly technologies and materials, as well as environmentally sound disposal and recycling.

Resource management

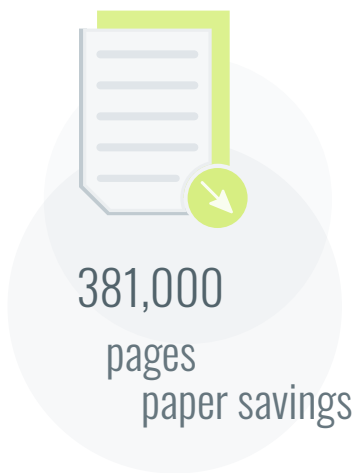
The efficient use of resources in our portfolios and offices is a very important concern to us for environmental as well as economic reasons.
(103-1)

Measures and consumption in the offices (103-2, 103-3)

One important component when practicing resource conservation is digitisation. In the course of optimising our business processes, they were also reviewed and adapted with a view of conserving resource. Essential processes in the business operations were revised, and many individual steps were simplified and digitised. Examples include the switch to an electronic invoicing workflow (see Chapter 'Sustainability', notes on the supply chain), the electronic trades portal for awarding contracts, and the electronic document filing system.

In addition, further internal processes such as approval procedures and various applications are increasingly being handled via the intranet and the HR portal (requests for days off, etc.). The organisation manual and company guidelines are also stored here.

Ultimately, this saves time for the staff and helps conserve resources such as paper, electricity and ink.



Saving and recycling paper (301-1)

We save a lot of paper with digital document management, electronic approval procedures and archiving, as well as paperless order processing.

Thanks to the paperless order processing of around 54,400 orders through the trades portal, paper consumption was significantly reduced (e.g. for order letters, order confirmations, letters of account). Depending on the size of the order, approximately three to twelve pages of paper per job were saved in this way. Assuming an average paper consumption of seven pages per job, this results in a total paper savings of approximately 381,000 pages during the reporting year.

Necessary covering letters (e.g. operating cost invoices and tenant information) are printed out and mailed through a contract partner for reasons of efficiency, and with the aim of further saving resources.

Through other partners, we also guarantee that 100% of the waste paper returned is recycled. In total, around 6,000 kg of paper were recycled.

In the course of advancing digitisation, our goal is to further expand the paperless and electronic processing of documents and associated communications within the company.

Resource and energy savings in the IT sector

A sustainable and prudent use of IT equipment can have a positive effect on resource consumption. TAG employees have been alerted to this topic. Specifications and guidelines for handling technical equipment such as PCs, monitors and printers are intended to increase awareness (for example, multifunction printers are usually used instead of printers for individual workstations, and the resource-saving print settings should be chosen).

Data centres generally have a very high energy requirement. By using 'green' IT, our data centre in Düsseldorf saves considerable amounts of cooling energy and electricity. For example, the additional connection of a low-energy heat exchanger for cooling can save up to 70% of the annual cooling energy. In addition, the number of servers has been reduced through virtualisation, leading to a 50% saving in electricity costs. This also causes less waste heat so less cooling energy is needed.

GARDEN MAINTENANCE



Measures and consumption in the portfolio (103-1,103-2, 103-3)

Waste and waste management

Effective waste management is a significant contributor to resource recycling, and helps to achieve a better utilisation of waste containers and hence lower utility costs for our tenants. For this reason, we are strict about separating waste at our main locations. Clean neighbourhoods also increase the quality of life of their residents. At our larger sites, we have outsourced waste management to external service providers. These include Musterknaben eG in Gera, Salzgitter, Döbeln and Erfurt.

To strengthen environmental consciousness in our neighbourhoods, we regularly organise a joint spring cleaning campaign with tenants at various locations, e.g. (for more information, see Chapter 'Social sustainability'). Participating in joint environmental actions with local protagonists also strengthens a conscious use of resources and sensitises tenants to the topic of environmental protection. In Gera, we enable children from the surrounding kindergartens and schools in the neighbourhood to learn about separating waste in a fun way. During a visit to our premises, they can play a game in which they assign various types of rubbish such as organic waste, plastics, and newspapers to the correct bins using illustrated magnets.

TAG's environmental ideas are important in two ways: they help tomorrow's tenants and their parents separate waste properly and increase awareness for a cleaner immediate environment and thus a cleaner neighbourhood.

Garden maintenance (304-2)

Our portfolios are managed based on defined qualitative standards and processes. Maintenance of our green spaces is increasingly tendered and managed by our Central Purchasing department. This currently affects around 1.2m sqm of green space at our locations in Erfurt, Gera, Dresden, Chemnitz, Brandenburg an der Havel, Merseburg, Nauen, Lausitz, and Görlitz. These form the surroundings of 29,600 residential units (about one third of our total residential portfolio).

Framework contracts have been signed for tree care and inspection as well (currently for a total of about 40,495 trees). This ensures the preservation of the trees and their replacement by replanting. We make the green waste that results from the maintenance of our green areas available to biogas plants and regional farmers for downstream use.



Outlook

To reduce resource consumption, going forward we want to better utilise the opportunities opened up by progressive digitisation. For example, we want to digitise additional sub-processes and further expand paperless communication and order processing.

We are also working to add further sustainability aspects to our selection criteria for suppliers, contractual partners and other service providers.

Best Practice

Example (301-1)

At our locations in Gera, Erfurt, Döbeln and Salzgitter, we work with one of the leading German service providers for waste management, Musterknaben eG. The service provider practices modern waste management. The service package for our locations include the separation and re-sorting of waste and recyclable material and the cleaning of waste sites.

With the aid of state-of-the-art waste locks, it is possible to correctly determine the amount of waste. Through the detection of violations of waste rules, the environmental awareness of the tenants can be heightened via fines or refresher courses in waste separation.

The use of professional service providers in waste management has proven itself. It has already been possible to achieve the waste reduction targets, increasing the volume of recyclable waste, thereby contributing to the environment as well as helping to reduce tenants' utility costs by reducing their waste charges. A further reduction of the volume of waste as well as an increase in recyclable waste is being pursued.

Project results

The first waste management project with Musterknaben eG was launched in Salzgitter in 2013. In the following years, Gera and Döbeln (both in 2014) and Erfurt (2015) followed. In 2016, the four locations collectively saved a total of around 300,000 litres of residual waste and thus residual waste costs of around EUR 900,000 – per week – compared to the start of the project. This saves around EUR 39 per year in waste costs per economic unit.

Another goal is to increase the volume of recyclable waste through targeted waste separation. In 2016, an additional 370,000 litres of packaging materials, paper and cardboard, and organic waste was collected in total – per week.

This effective waste management ultimately led to CO₂ savings of around 1,400 tons per year in 2016. Waste volume and savings in 2017 will be reported in the following year.

Social sustainability

Attractive housing portfolios and liveable neighbourhoods where our tenants feel at home, as well as motivated and satisfied employees, are the key pillars of our company's success. As part of the 'social sustainability' aspect, they are included in the materiality matrix shown in Chapter 'Sustainability' of this report. (103-1)

Marketable housing portfolios and liveable neighbourhoods (103-1, 103-2)

Needs-oriented housing and services

Our entrepreneurial activity focuses on modern, needs-oriented homes at affordable rents for every situation in life: from family-friendly apartments to flat-shares for students and senior citizens' flats. We gear our range of housing to the requirements of the regional markets and offer tenant households with varying needs and incomes a suitable, sustainable home. In locations where there is a lack of appropriate homes for specific target groups, we create suitable, individual housing through targeted renovation measures. At the same time, we promote a social mix in our portfolios, for example by providing more disabled-access offers. Around 1,000 of our homes are already senior-friendly and 13% of the units are accessible by lift. In addition, in university cities, we create housing for students in the form of low-cost apartments and flat-shares, which are well received and are an attractive alternative to dorms for many students.

TAG ensures an increase in the quality of the housing, and its attractiveness across age groups, not only through structural measures, but also with extensive service offerings. One example is the concierge service that we offer to our tenants in Erfurt and Gera. Professionals who cannot accept their packages during the week will appreciate this service as much as older residents who can no longer cope with the small details of everyday life alone. Whether a lock is jammed or a curtain needs to be hung, our concierges are on hand to help.

In our view, good tenant and portfolio management also includes a service mentality in dealing with our tenants, prospective tenants, and business partners – as well as regular personal contact with them on site. We therefore maintain tenant and caretaker offices in many of our neighbourhoods (69 in 2017), which makes us visible, present, and directly approachable. This allows for a quick and individual clarification of questions and concerns about housing, and strengthens mutual trust. The close contact between our tenants and employees also is a source of regular feedback on our tenants' satisfaction with our services and offers. We also receive feedback about this through regular tenant surveys and from our service monitoring, where the quality of service is rated.

Beyond this, we also offer extensive housing consultation at selected locations with model furnishings (e.g. model bathrooms in different variations or with everyday aids for seniors) and sometimes even fully equipped model flats. Our specially trained employees advise interested tenants in the selection process and provide information about possible government subsidies for select modifications.

Strong neighbourhoods (103-2, 203-1, 413-1 Comty-Eng)

Strengthening our locations and ensuring that people like to spend time in their residential neighbourhoods is crucial to our tenants' satisfaction and our long-term letting success. This includes providing a well-maintained residential environment with appealing common areas, social support offers, services, and an intact infrastructure as well as recreational offerings.

The regional Heads of Real Estate Management (LIM) are responsible for local efforts and all neighbourhood-management measures in their region, as well as the associated neighbourhood development. As part of our location-based measures, we focus on strengthening and revitalising existing structures as well as on new joint activities with local municipalities, associations and charities. Our tenants value a well-maintained residential environment with good infrastructure and multi-generational care and recreational facilities. Sufficient parking and good links to public transport are further prerequisites for successful neighbourhood development. In line with our core competencies, we focus on enhancing the residential environment (e.g. green spaces and play areas) and on funding and implementing social support and recreational activities. If necessary, we will also go beyond this, for example through investments and activities to enhance the local amenities.

Inside and outside our residential buildings, we strive for good neighbourliness and social solidarity between tenants, as well as high identification of residents with their neighbourhood. Wherever residents feel at home, the outside facilities are well-maintained, and façades are attractively designed, they will increasingly make sure that the facilities are treated with care and damage is avoided.

One focus of our local and social efforts is to set up and operate a variety of recreation and family centres in the immediate vicinity of our portfolios. Depending on the existing demand and need, diverse recreational courses, information events, excursions and care facilities are offered in facilities we provide free of charge. Locally, we work closely with social organisations such as the Workers' Welfare Federal Association (Arbeiterwohlfahrt), the Workers' Samaritan Federation (Arbeiter-Samariter-Bund), Caritas, Johanniter Unfallhilfe, and Volkssolidarität. Our tenants are also invited to contribute their own ideas and get involved.

We support a spirit of community in the neighbourhood with our 'Aktiv-Treffs' (Activity tenant lounges) where different generations come together. We also promote our tenants' own personal initiatives and neighbourhood support efforts, and make it easier for refugees be accepted and integrate into the new environment and existing communities. (102-12)

To make it easier for older people in particular to actively participate in social life through community activities, we have, for example, set up a modern environment for multi-generational living and common rooms for senior citizens in Hermsdorf (Thuringia), in addition to the 81 senior-friendly homes. Tenants can actively get together there, meet with old acquaintances or make new friends.

On request, their activities there are supported by experienced professionals.

We support clubs and social initiatives. In 2017 we made an active contribution to the preservation of social offers in our neighbourhoods with many individual actions – sometimes in the form of a donation, sometimes through sponsorship of sports and play equipment or by providing a plot of land for a new children's daycare facility. One focus of our efforts is youth outreach. TAG worked with the 'Jumpers – Jugend mit Perspektive e.V.' association to initiate children's and family centres in Erfurt, Gera and Salzgitter. Jumpers is dedicated first and foremost to children's welfare. The association offers extensive recreational activities for children and teenagers, and provide help in dealing with family problems and challenges at school.

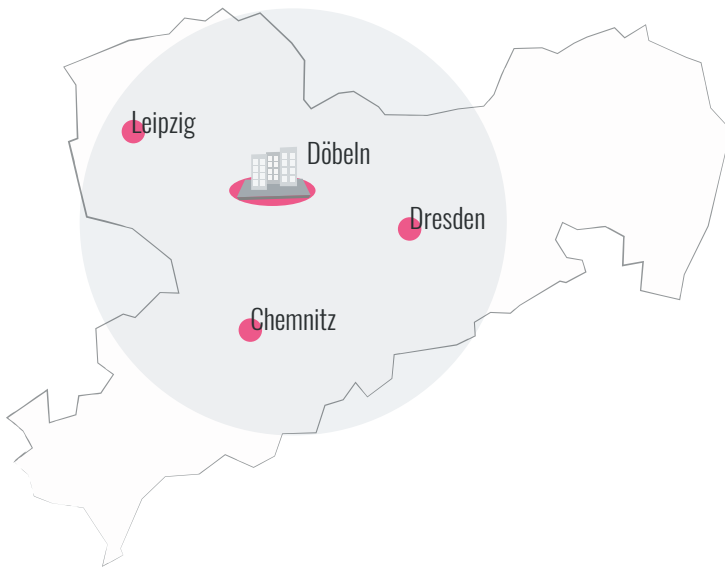
Affordable rents

We offer our tenants long-term affordable housing and modern facilities that appeal to broad target groups. The homes are attractively renovated before move in and individual wishes can also often be taken into account. With such measures, we achieve a high level of customer loyalty and low tenant churn in our portfolios. In the case of modernisations, the benefits and affordability for their respective residents and future target groups are carefully weighed. If necessary, the costs are not allocated to the rent up to the legally permissible extent.

For new lets, the average net rent in 2017 was EUR 5.47 per sqm per month and thus about 5.2% above the average net actual rent in the housing portfolio of EUR 5.20 per sqm per month (31 December 2017). Compared with the previous year, rents have risen moderately. Our positive vacancy reduction shows that we have once again chosen the right balance between market development and the affordability of rents. (Please also refer to our notes on rental growth and vacancy development in Chapter 'Economy'.)

Long-term tenant relationships are also an expression of a high tenant loyalty. As at 31 December 2017, almost 56% of the leases at TAG had a term of more than 5 years, just under 37% had a term of more than 10 years (not taking into account tenants' moves within our portfolio).

As a result, families, singles, seniors, students, and working couples all find suitable homes with us, which ensures sustained rental of our flats and a good income base.



Best Practice

Neighbourhood development in Döbeln (North)

(4 13-1, 203-1, Comty-Eng)

Döbeln is a small Saxon city and mid-size hub with solid future prospects. The town mainly attracts families and middle-aged people from the surrounding villages. Still, the influx is restrained and the average age is above the average for Germany. While the town centre and East Döbeln have a well-developed infrastructure, Döbeln-Nord (North Döbeln) is still lacking in this respect.

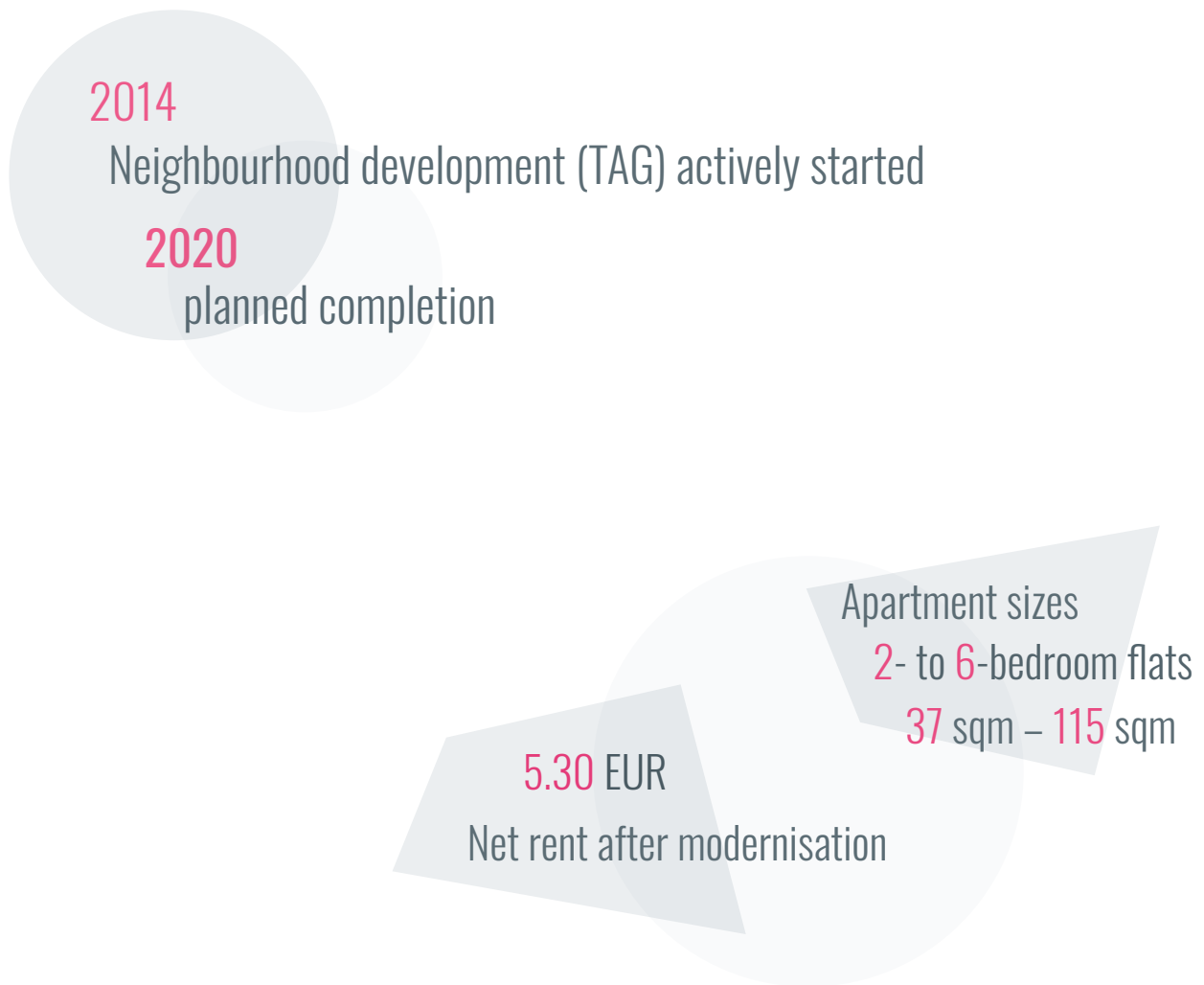
Given the size of the neighbourhood, our concept for developing Döbeln-Nord takes a particularly extensive and long-term approach. The special starting situation, which included above-average vacancy and inadequate infrastructure for healthcare and options for shopping for everyday goods, require a whole series of strategic measures.

Measures over time

In a first step, through the end of 2014, the task at hand was to stabilise the tenant structure and promote social responsibility and interaction in the neighbourhood with targeted redevelopment measures. Here we favoured using and expanding on existing structures.

Implemented measures

- // Extensive renovation/modernisation right through to complete refurbishment
- // Creation of a variety of floor plans
- // Expansion and reinforcement of social efforts
- // Host own 'L(i)ebenswert Wohnen' (Loveable living) tenant lounge
- // Creation of infrastructure by becoming an investor in the construction of a discount supermarket



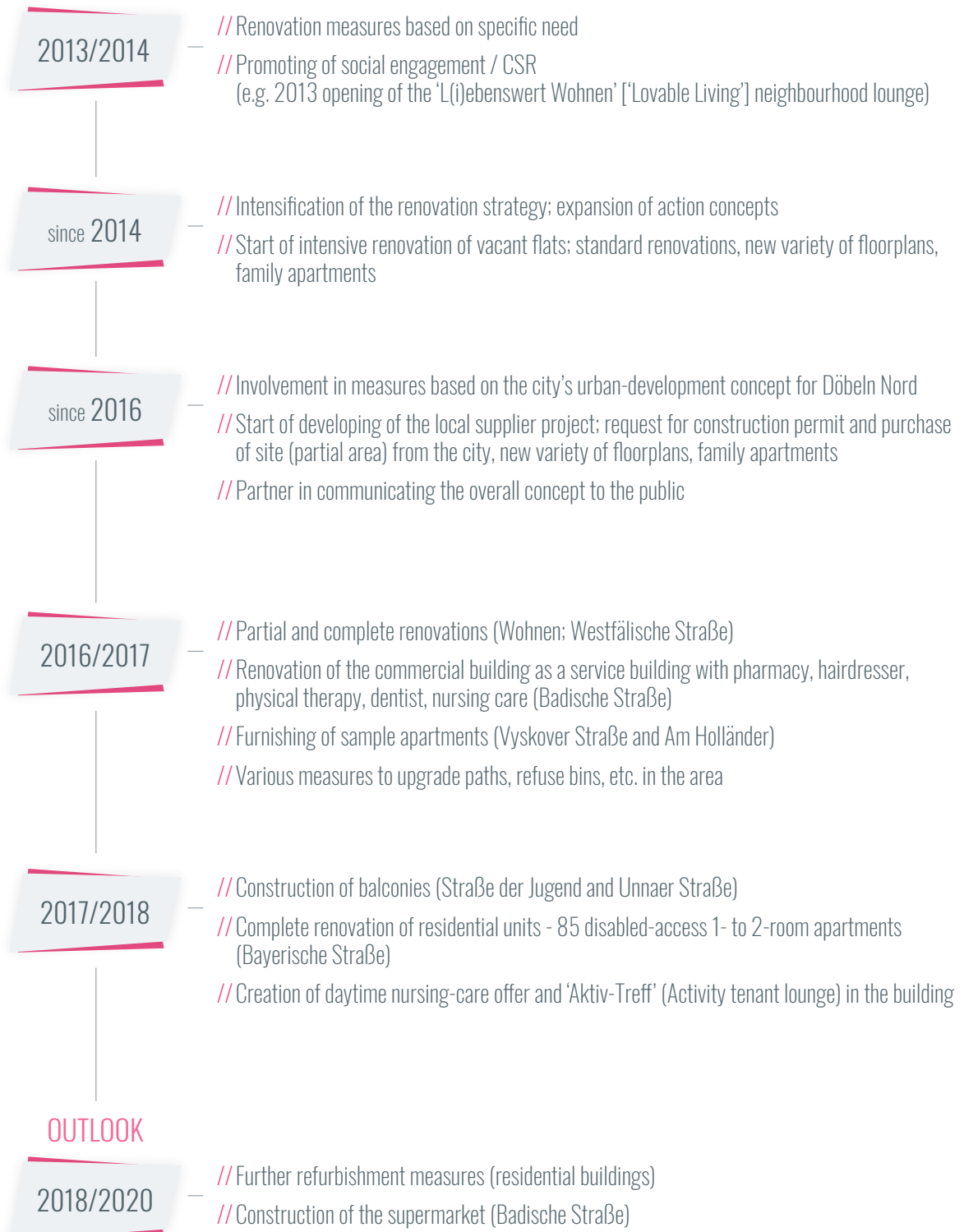
Since the end of 2014, the redevelopment measures have been intensified and a wide variety of new housing offers have been created for various target groups (couples, singles, senior citizens and families). These include new floor plans for family homes as well as the provision of senior-friendly homes and the integration of day-care.

To achieve a broad supply offer in the neighbourhood, we refurbished the existing service buildings in 2016/2017. Now, they house, among other things, a hairdressing salon, medical practices, and a pharmacy.

To improve the supply of goods to the district, since 2016 we have also involved ourselves in measures that are part of the urban development concept for Döbeln-Nord and in implementing individual measures. In this connection, since 2016 we have been implementing project development for the reestablishment of a supermarket. Its construction is planned for 2018.

During this period, further measures such as the construction of balconies and (complete) renovations will also continue.

TIMELINE OF MEASURES IN DÖBELN-NORD (NORTH DÖBELN)



Outlook

A high occupancy rate, significantly lower vacancy, and positive feedback from tenants are an expression of high tenant satisfaction and tenant loyalty. We seek to further increase tenant satisfaction and loyalty through our active, regional property management, intensive local support of tenants, even more target group-specific housing offers, and by considering individual tenant wishes. For example, we want to further increase our service level by creating additional communication formats, such as an online tenants' portal. We also plan to continue conducting regular tenant surveys and service monitoring.

By continuing our help, consultation and recreational offerings, we want to keep contributing to social cohesion in our neighbourhoods while also expanding our collaboration with established local protagonists.

As part of the monthly reporting and the monthly coordination meetings between LIMs and COO, important development data is regularly evaluated at LIM regional level as well, and ongoing projects and measures are fine-tuned if necessary. We are in the process of further standardising the inclusion of sustainability criteria in ongoing assessments. (103-3)

Sustainable HR culture

A corporate culture of appreciation, transparency, and participation (103-1, 103-2)

Our employees' experience, competence, loyalty and high degree of dedication are the cornerstones of our company. Our employees are the basis of our successful actions, goal achievement, and interaction with our tenants. TAG aspires to be a reliable and attractive employer. This means that Human Resource (HR) culture management at TAG plays an important role, as all employees should have the opportunity to contribute their individual skills and actively help shape the future of TAG. A culture of partnership and flat hierarchies define the working atmosphere at TAG. Competence and a sense of responsibility in combination with fairness and friendliness, as well as constructive and cross-departmental dialogue are the essential components of our corporate culture of appreciation.

We assign responsibility to our employees and encourage creative, independent action. In addition to the regular staff reviews, at certain intervals we conduct employee surveys in which in-house collaboration, satisfaction, service quality, and possible optimisation potential are rated. The results of which are incorporated into the joint development of improvement measures, e.g. at the TAG Ideenwerkstatt (ideas Workshop), which was launched several years ago and which enables every employee to actively participate in the company's development.

As part of statutory codetermination, we regularly hold constructive and open talks with our general and regional works councils. The integration of codetermination into business activities is ensured in TAG's workaday routine through a close, personal coordination and cooperation between the works council, the heads of location or department, and the HR department. The works council is informed about planned measures in good time and involved at an early stage in the coordination and implementation of these measures.

SUSTAINABLE HR CULTURE

OPEN DISCUSSIONS

INDIVIDUAL SKILLS **COMPETENCE**

CONSTRUCTIVE AND CROSS-DEPARTMENTAL **DIALOGUE**

FLAT HIERARCHIES **FRIENDLINESS**

SENSE OF **RESPONSIBILITY**

FAIRNESS **CULTURE OF PARTNERSHIP**

TRUST

Personnel structure and equal opportunities

(102-7, 102-8, 103-1, 103-2, 401-1, 405-1, Emp-Turnover, Diversity-Emp)

At year-end 2017, TAG had 1,051 employees⁹ in addition to the Management Board (31 December 2016: 883 employees). In the 2017 reporting year, we hired 274 new employees; especially for our in-house caretaker services (TAG Immobilien Service GmbH, 136 or approx. 50%) and the operative real estate management and administration departments (102 or approx. 37%).

Equal treatment of all employees is very important to us. All employees are given equal opportunities regardless of their background, gender, age and physical disabilities. On 31 December 2017, the proportion of women in the company was around 60%, and in management positions at 40%, the minimum set as a quota by the Management Board. The Supervisory Board has set a women's quota of at least 30% for the Management Board, which it has fulfilled for many years. Equal rights for men and women are a matter of course for us. The adjacent chart shows the age structure of our employees.

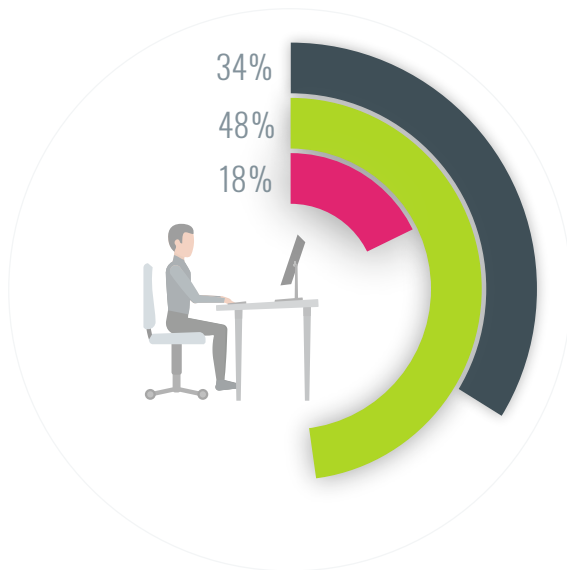
The average age in 2017 was around 43. It is part of our sustainable human resources development to always employ a balanced mix of young and experienced employees at TAG. Experience has shown that this enhances the working atmosphere and is a good basis for knowledge transfer and exchange of experience within TAG. The proportion of disabled employees, who are mainly employed by TAG in the administrative area, was 3.6% in 2017.

In 2017, as in previous years, there were no violations of the General Equal Treatment Act (AGG) at TAG. (103-3, 406-1)

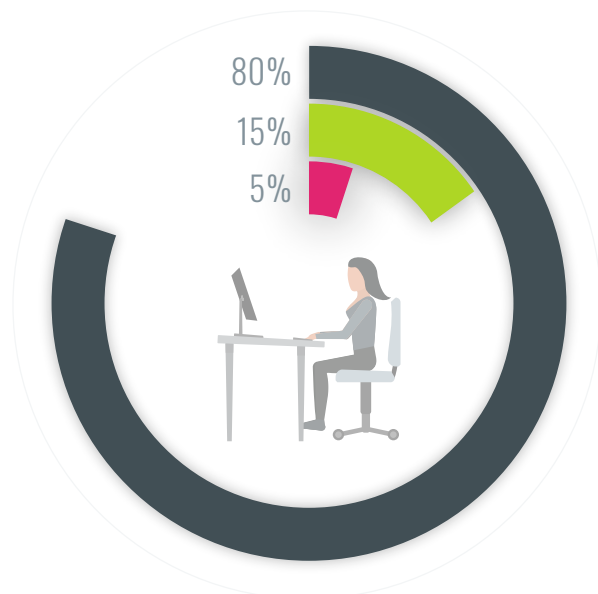
The average length of service at TAG in 2017 was around 8 years for all non-commercial employees including apprentices (primarily administrative and operational real estate management). In the commercial sector (this mainly applies to our newly built caretaker and trade department) average length of service is currently 3.4 years.

⁹Including apprentices and student assistants.

FORM OF EMPLOYMENT



AGE STRUCTURE

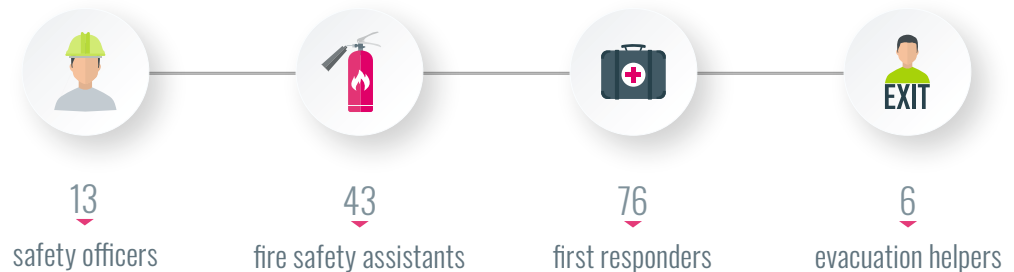


Employee churn at TAG Immobilien AG was 9.0% in 2017 (excluding retirements and commercial employees).

We promote a healthy work-life balance. For example, we offer various options for part-time work, a temporary reduction of weekly working hours, and home office work. In addition, 45 employees made use of parental leave in the reporting year, of which 44 are expected to return to work by the end of 2018. In the 2017 reporting year, 23 employees resumed work after parental leave. Flexible working hours and the ability to relocate also help our employees' work-life balance. (401-3)

Our employees' remuneration is based on performance and market conditions, depending on the position's respective requirements profile and the employee's professional experience and additional qualifications. We pay at least the national minimum wage as a matter of course. In addition to fair compensation, we offer our employees various social benefits, such as company pension plans, group accident insurance and attractive capital-forming benefits. These offers apply to all employees. TAG does not employ anyone based on collective agreements. (102-41, 405-2, Diversity-Pay)

OCCUPATIONAL HEALTH



Occupational health and safety (403-1, 403-2, H&S-Emp)

Ensuring occupational health and safety, fire protection, and first aid in emergencies is a high priority at TAG and its affiliated companies. The focus here is on protecting the health of employees and on preserving of the company's material assets. The relevant regulations (including health and safety information, safety instructions, occupational health and safety and fire safety regulations, requirements for a healthy workplace, etc.) are documented in guidelines and are regularly reviewed, updated, and communicated. Each employee is personally briefed once a year on occupational safety issues. (103-1, 103-2)

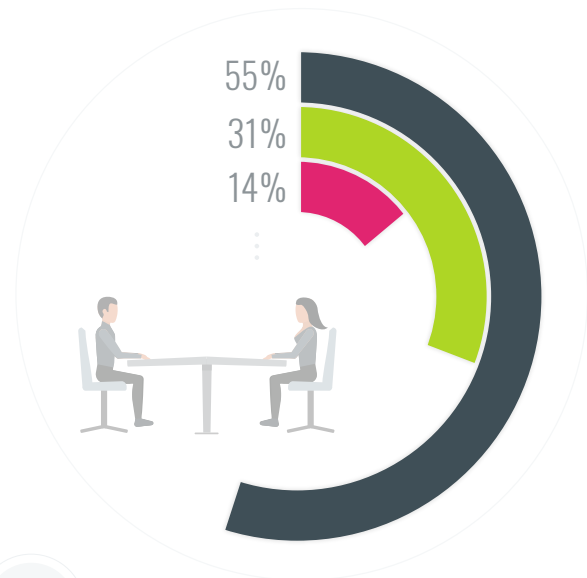
At least four times a year, Occupational Health and Safety Committee meetings are held with the aim of further improving TAG's occupational safety and health system and also continuing dialogue with employees on this topic. The location's works councils also participate in these meetings. (103-3)

Besides the in-house HSSE officers, external specialists are involved in the professional implementation of occupational health and safety. At its locations, TAG has 13 safety officers, 43 fire safety assistants, six evacuation helpers, and 76 first responders. All employees working in these areas have completed the appropriate training for these tasks.

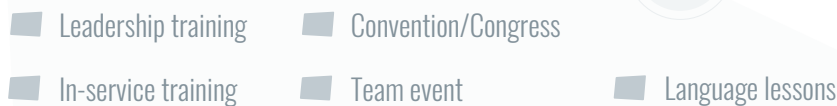
During on-site inspections by external and internal officers, no serious occupational safety and health deficiencies were identified in 2017. There have been no serious occupational accidents (24 accidents¹⁰ at work respectively accident rate of 2.3%, no work-related deaths). Our employees are not subject to any demonstrably increased risk of illness or injury due to the nature of activity.

¹⁰These were predominantly travel accidents and minor injuries, e.g. from caretaker activities.

PARTICIPANTS IN CONTINUING TRAINING OFFERS



OTHER TRAINING



Employee qualification and training

(103-1, 103-2, 404-1, 404-2, Emp-Training)

Staff development

We see the development and individual promotion of our employees according to their abilities and goals as a guiding component of our sustainable staff development policy. Demands in the various occupational fields are changing and our employees can only keep doing their job properly and at a consistently high level if we provide targeted training and coaching measures. Especially bearing demographic change, emigration, and the persistent shortage of skilled workers in mind, it is important for us to specifically qualify our employees and retain them at the company. We can offer employees and the company the greatest benefits through individual development opportunities. These are jointly considered in the regular exchange between employees and their supervisors as well as during the annual performance review.

In the 2017 reporting year, TAG recorded more than 1,000 training days. This corresponds to an average of 8 hours per employee. In all, 1,060 employees took part in internal and external training courses.

The participation rate among male and female employees roughly corresponds to the gender distribution at TAG. External and in-house training predominantly comprised specialist seminars, for example on the subject of traffic safety duties, operating costs, letting, or customer communications. Our in-house training events also include our proven best-practice meetings in many different disciplines, which facilitate a Group-wide exchange of expertise and experience, and contribute to the improvement of work processes.

We also promote our employees – after-hours – training as an instructor, coach or real estate expert. For example, two of our employees completed a two-year part-time studies course as a certified real estate specialist in 2017. In addition, we regularly offer senior staff management training and coaching.

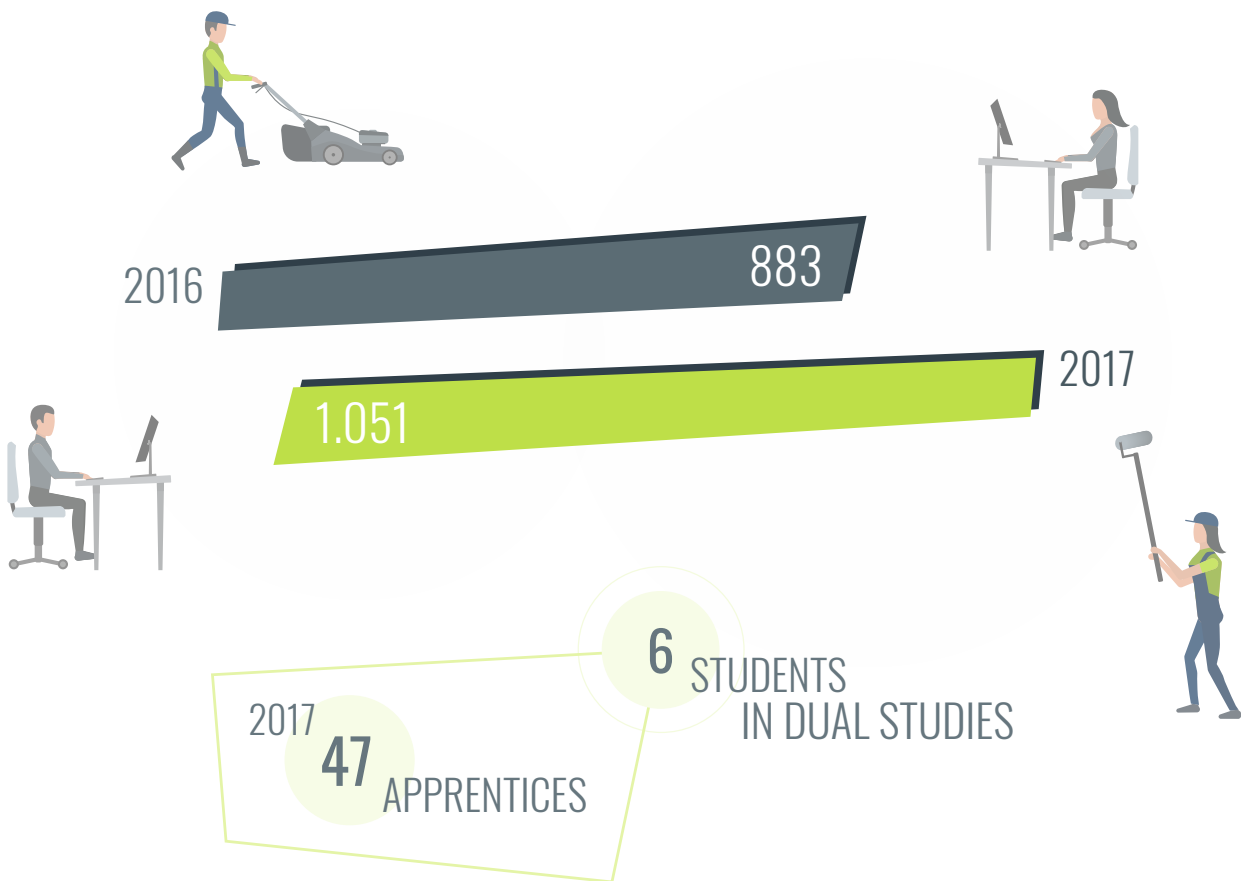
The diagram above gives an overview of our continuing training programmes and how many people participated in the reporting year.

Vocational training

We make it possible for school leavers to join our company directly, through apprenticeships or a dual-study programme. Once they have successfully completed their training, we offer them continued employment at various locations, depending on the circumstances.

In 2017 we employed a total of 47 apprentices, three more than in the previous year. 17 apprentices started training in 2017; another 17 successfully completed their apprenticeship in the reporting year and we hired 12 apprentices as full-time employees. We currently offer training at various locations for real estate and office workers as well as in the trades sector (e.g. system mechanics). For 2018, the inclusion of further apprenticeship professions will be looked into. In addition to traditional vocational training, six students are currently completing a dual-degree in business administration studies with a focus on the real estate industry, two of which started their studies in 2017.

EMPLOYEES AND TRAINING



Outlook

We continue to promote our employees' satisfaction and their identification with TAG and our company goals, first and foremost through good, fair working conditions, attractive social benefits, and individual development opportunities. We work on the further development of the advanced-training offers in order, to secure our employees' high level of qualifications and promote potential. A project for the advancement of collegial interaction has already been initiated with the aim of uncovering further potential for improving work processes and interdisciplinary and interdepartmental cooperation.

The transfer of knowledge and exchange of information is to be further promoted in the company through the regular involvement of employees from all areas of the company.

For 2018, we plan to establish a new TAG employee share scheme, offering employees another opportunity to participate in our shared success. In addition, we want to expand the range of preventative health measures for our staff.

Progress and outlook

Target achievement

A company's future viability is based on sustainable corporate governance. The main economic, environmental and social aspects described above serve as a roadmap for achieving the sustainability targets we have set for the long term. These, in turn, are achieved through selected, coordinated measures which, lastingly implemented, significantly influence the further development of TAG.

The following overview lists the main fields of action, targets, and planned measures and illustrates the degree of goal achievement (status) in the reporting year 2017.

TAG SUSTAINABILITY MANAGEMENT

FIELDS OF ACTION AND OBJECTIVES	SUB-GOALS/KEY MEASURES	STATUS
Sustainability reporting	// Regular reporting on sustainability aspects	➤
	// Expand data collection and sustainability reporting	➤
	// Closer integration of sustainability reporting with TAG's reporting and management system	➤
Corporate governance and sustainable supply chain	// Review of supplier contracts/framework agreements with a view to adding sustainability criteria (2018 or ongoing)	➤

ECONOMIC SUSTAINABILITY GOALS

FIELDS OF ACTION AND OBJECTIVES	SUB-GOALS/KEY MEASURES	STATUS
Ensure the company's future viability	// Use digitalisation as an opportunity to further boost our efficiency and cash flow strength with new, digital processes and services	➤
	// Secure next-generation staff by keeping the apprenticeship rates high and promoting talent	➤
Preserve and create value	// Investments in the portfolio (preservation of portfolios, securing long-term rentability and demand-oriented portfolio development)	☑➔
	// Portfolio optimisation through the utilisation of regional growth and yield potential as well as selective sales opportunities	➤
Ensure a positive earnings development	// Reduce vacancy and realise rent increase potential	☑➔
	// Continuous increase in FFO I per share (from EUR 0.87 in 2017 to EUR 0.93 in 2018)	☑➔
	// Payment of an attractive dividend (EUR 0.65 per share in 2017, and EUR 0.70 per share for 2018)	☑➔

ECOLOGICAL SUSTAINABILITY GOALS

FIELDS OF ACTION AND OBJECTIVES	SUB-GOALS/KEY MEASURES	STATUS
Reduce resource consumption and optimise resource use	// Greater use of the opportunities offered by progressive digitalisation to reduce resource consumption, e.g. digitisation of additional sub-processes and expansion of paperless communication (2018 or ongoing)	➤
Increase energy efficiency and reduce CO ₂ emissions	<p>// Gradually expand the supply of additional portfolios by EWS in the next few years (to approx. 70,000 to 75,000 units or approx. 90% of the total portfolio) and, in the course of this, also continuously increase the number of units considered in the reference portfolio</p> <p>// Continued optimisation of fuel purchasing and energy management by EWS</p> <p>// Continue the gradual renewal of the heating systems by EWS</p> <p>// Further optimise travel management and vehicle use, e.g. test the use of electric cars at various locations (2018)</p> <p>// Further awareness building of employees and tenants for energy-saving measures and resource conservation</p>	<p>➤</p> <p>➤</p> <p>➤</p> <p>➤</p> <p>➤</p>
Environmentally friendly portfolio management	<p>// Implement modernisation measures, always bearing in mind the sustainability criteria</p> <p>// Step up our efforts to conserve resources through efficient, responsible use of materials, recycling and waste reduction in the facility management and waste management departments</p> <p>// Add sustainability aspects to the selection criteria for suppliers, framework contractors, and other service providers (2018/2019)</p>	<p>➤</p> <p>➤</p> <p>☒</p>

☒ planned ➤ in implementation → ongoing ☑ carried out

SOCIAL SUSTAINABILITY GOALS

FIELDS OF ACTION AND OBJECTIVES	SUB-GOALS/KEY MEASURES	STATUS
Further increase in tenant satisfaction and retention	// Customer-oriented service with regional and personal support	➔
	// Continue the service monitoring	➔
	// Regular tenant survey (every 3 to 5 years)	➔
	// Create additional communication formats, e.g. online tenants' portal (2018)	☒
Ensure employee satisfaction and commitment	// Continue developing professional training offers	➔
	// Continue to develop a collegial workplace atmosphere (2018 / ongoing)	➔
	// Introduce an employee share programme (2018)	☒
	// Establish an range of basic health measures for employees	☒
Continue social responsibility efforts and strengthen our residential neighbourhoods	// Continue the neighbourhood development measures, continue measures in Döbeln-Nord (2018 to 2020)	➔
	// Continue to support or collaborate with local social organisations, and continue and expand our own assistance, counselling, and recreational offers	➔
	// Regular tenant events at all locations (events, children's parties, spring cleaning, etc.)	➔

☒ planned ➔ in implementation → ongoing ☒ carried out

Outlook 2018

For the next reporting year, we will continue to focus on the continuous implementation and further development of key measures to achieve the sustainability targets. From an economic perspective, this means the sustainable optimisation of the portfolio - be it through modernisation and maintenance measures or through targeted acquisitions and sales. We will continue to develop our environmental reporting. The basis for this is the extension of the energy services provided by our energy company EWS to nearly our entire portfolio.

This will make it possible for us to record all our CO₂ emissions and hot water and heating energy consumption, and effectively reduce it. In order to maintain employee satisfaction, we are planning the further development of continuing training programmes, the introduction of an employee stock-options programme, and programmes to promote health. Above and beyond this, we will continue our local efforts in our neighbourhoods and the collaboration with local organisations.

GRI CONTENT INDEX¹¹

(102-55)



GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 101: Reporting practice 2016				
GRI 102: General Disclosures 2016				
Organizational Profile				
GRI 102	General Disclosures	102-1	Name of the organization	8
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	8, 10, 11, 12
GRI 102	General Disclosures	102-3	Location of headquarters	8
GRI 102	General Disclosures	102-4	Location of operations	8
GRI 102	General Disclosures	102-5	Ownership and legal form	8
GRI 102	General Disclosures	102-6	Markets served	8
GRI 102	General Disclosures	102-7	Scale of the organization	8, 9, 12, 13, 35-39, 41, 43, 70
GRI 102	General Disclosures	102-8	Information on employees and other workers	70
GRI 102	General Disclosures	102-9	Supply chain	24
GRI 102	General Disclosures	102-10	Significant changes to the organization and its supply chain	9

¹¹The GRI Content Index refers to the GRI Standards published in 2016.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 102	General Disclosures	102-11	Precautionary principle or approach	33
GRI 102	General Disclosures	102-12	External initiatives	63
GRI 102	General Disclosures	102-13	Membership of associations	GB 2017, Seite 22
Strategy				
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	4, 5
GRI 102	General Disclosures	102-15	Key impacts, risks, and opportunities	33
Ethics and integrity				
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behavior	30
GRI 102	General Disclosures	102-17	Mechanisms for advice and concerns about ethics	31
Governance				
GRI 102	General Disclosures	102-18	Governance structure	29
GRI 102	General Disclosures	102-19	Delegating authority	20, 21
GRI 102	General Disclosures	102-20	Executive-level responsibility for economic, environmental and social topics	20, 21
GRI 102	General Disclosures	102-21	Consulting stakeholders on economic, environmental and social topics	14, 17, 18
GRI 102	General Disclosures	102-22	Composition of the highest governance body and its committees	29
GRI 102	General Disclosures	102-24	Nominating and selecting the highest governance body	29
GRI 102	General Disclosures	102-25	Conflicts of interest	29
Stakeholder engagement				
GRI 102	General Disclosures	102-40	List of stakeholder groups	15
GRI 102	General Disclosures	102-41	Collective bargaining agreements	71
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	15

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	16, 17, 18, 19
GRI 102	General Disclosures	102-44	Key topics and concerns raised	16, 17, 18, 19
Reporting Practice				
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	6, 7
GRI 102	General Disclosures	102-46	Defining report content and topic boundaries	7, 22, 45
GRI 102	General Disclosures	102-47	List of material topics	23
GRI 102	General Disclosures	102-48	Restatements of information	6
GRI 102	General Disclosures	102-49	Changes in reporting	6
GRI 102	General Disclosures	102-50	Reporting period	7
GRI 102	General Disclosures	102-51	Date of most recent report	7
GRI 102	General Disclosures	102-52	Reporting cycle	7
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	88
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	6
GRI 102	General Disclosures	102-55	GRI content index	80-86
GRI 102	General Disclosures	102-56	External assurance	7
Material and Important Topics				
GRI 201 Economic Performance 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	34
GRI 103	Management Approach*	103-2	The management approach and its components	34, 41
GRI 103	Management Approach*	103-3	Evaluation of the management approach	34, 41
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	35-41, 43
GRI 203 Indirect Economic Impacts 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	60

*Der Management Approach refers to the Standard GRI 103 Management Approach 2016.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 103	Management Approach*	103-2	The management approach and its components	60
GRI 103	Management Approach*	103-3	Evaluation of the management approach	10
GRI 203	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	62, 64
GRI 203	Indirect Economic Impacts	203-2	Significant indirect economic impacts	11
GRI 204 Procurement Practices 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	23
GRI 103	Management Approach*	103-2	The management approach and its components	24–27
GRI 103	Management Approach*	103-3	Evaluation of the management approach	26, 27
GRI 204	Procurement Practices	204-1	Proportion of spending on local suppliers	24
GRI 205 Anti-corruption 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	30
GRI 103	Management Approach*	103-2	The management approach and its components	30
GRI 103	Management Approach*	103-3	Evaluation of the management approach	31
GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	33
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	32
GRI 301 Materials 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	54
GRI 103	Management Approach*	103-2	The management approach and its components	49, 50, 55
GRI 103	Management Approach*	103-3	Evaluation of the management approach	49, 50, 55
GRI 301	Materials	301-1	Materials used by weight or volume	56, 59
GRI 302 Energy 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	44, 45

*Der Management Approach refers to the Standard GRI 103 Management Approach 2016.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 103	Management Approach*	103-2	The management approach and its components	44, 45, 46, 50,
GRI 103	Management Approach*	103-3	Evaluation of the management approach	45, 50
GRI 302	Energy	302-1	Energy consumption within the organization	53
GRI 302	Energy	302-2	Energy consumption outside of the organization	53
GRI 302	Energy	302-3	Energy intensity	53
GRI 304 Biodiversity 2016				
GRI 304	Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	57
GRI 305 Emissions 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	44, 45
GRI 103	Management Approach*	103-2	The management approach and its components	44, 45
GRI 103	Management Approach*	103-3	Evaluation of the management approach	45
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	48
GRI 305	Emissions	305-3	Other indirect (Scope 3) GHG emissions	47, 48
GRI 306 Effluents and Waste 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	45, 57
GRI 103	Management Approach*	103-2	The management approach and its components	45, 55, 57
GRI 103	Management Approach*	103-3	Evaluation of the management approach	45, 57
GRI 307 Environmental Compliance 2016				
GRI 307	Environmental Compliance	307-1	Explanation of the material topic and its boundaries	26
GRI 401 Employment 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	68
GRI 103	Management Approach*	103-2	The management approach and its components	68
GRI 103	Management Approach*	103-3	Evaluation of the management approach	70

*Der Management Approach refers to the Standard GRI 103 Management Approach 2016.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 401	Employment	401-1	New employee hires and employee turnover	70
GRI 401	Employment	401-3	Parental leave	71
GRI 403 Occupational Health and Safety 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	72
GRI 103	Management Approach*	103-2	The management approach and its components	72
GRI 103	Management Approach*	103-3	Evaluation of the management approach	72
GRI 403	Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	72
GRI 403	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	72
GRI 404 Training and Education 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	73
GRI 103	Management Approach*	103-2	The management approach and its components	73
GRI 103	Management Approach*	103-3	Evaluation of the management approach	73
GRI 404	Training and Education	404-1	Average hours of training per year per employee	73
GRI 404	Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	73
GRI 405 Diversity and Equal Opportunity 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	70
GRI 103	Management Approach*	103-2	The management approach and its components	70
GRI 103	Management Approach*	103-3	Evaluation of the management approach	70
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	70
GRI 405	Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	71

*Der Management Approach refers to the Standard GRI 103 Management Approach 2016.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 406 Non-discrimination 2016				
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	70
GRI 408 Child Labor 2016				
GRI 408	Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	23, 26
GRI 409 Forced or Compulsory Labor 2016				
GRI 409	Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	26
GRI 413 Local Communities 2016				
GRI 103	Management Approach*	103-1	Explanation of the material topic and its boundaries	60
GRI 103	Management Approach*	103-2	The management approach and its components	60, 62
GRI 103	Management Approach*	103-3	Evaluation of the management approach	67
GRI 413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	62, 64

*Der Management Approach refers to the Standard GRI 103 Management Approach 2016.

EPRA SUSTAINABILITY PERFORMANCE MEASURES

CODE	PERFORMANCE INDICATOR	PAGE	ANNOTATION
Gov-Board	Composition of the highest governance body	29	
Gov-Select	Nominating and selecting the highest governance body	29	
Gov-Col	Process for managing conflicts of interest	29	
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	48	
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	47, 48	
Emp-Turnover	Employee turnover and retention	70–71	
H&S-Emp	Employee health and safety	72	
Emp-Training	Training and development	73, 74	
Diversity-Emp	Employee gender diversity	70	
Diversity-Pay	Gender pay ratio	71	
Comty-Eng	Community engagement, impact assessments and development programmes	62, 66	Without percentage



CONTACT

TAG Immobilien AG

Steckelhörn 5

20457 Hamburg

Tel. +49 (0)40 380 32-0

Fax +49 (0)40 380 32-390

info@tag-ag.com

www.tag-ag.com/en

Dominique Mann

Head of Investor & Public Relations

Tel. +49 (0)40 380 32-300

Fax +49 (0)40 380 32-388

ir@tag-ag.com

Verena Schulz

Strategic Real Estate Management

Tel. +49 (0)30 52 00 54-662

Fax +49 (0)30 52 00 54-951

verena.schulz@tag-ag.com

The English version of the 2017 annual report is a translation of the German version.

The German version is legally binding.

Author and Conception

RUECKERCONSULT GmbH

Layout and Typesetting

TAG Immobilien AG // Marketing/Public Relations

Object photo (title)

Steffen Spitzner

Note

In order to improve readability, only the male form is used in the text, nevertheless the information refers to members of both genders.

(102–53)

