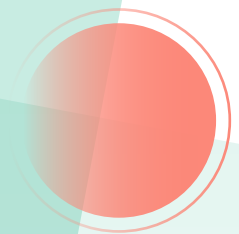


SUSTAINABILITY REPORT // 2018



TAG

Immobilien AG

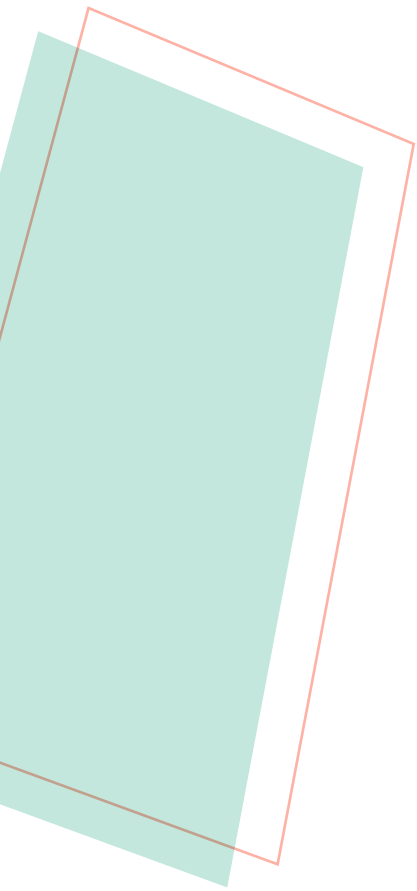




TABLE OF CONTENTS

// Editorial	4
// About this report	6
Reporting standards	6
Content and structure of the report	7
Reporting principles	7
// Overview of TAG Immobilien AG	8
Company profile	8
Stakeholders	15
Sustainability	20
// Levels of sustainability	34
Economics	34
Ecology	44
Social sustainability	60
Progress and outlook	82
// GRI Content Index	86
// EPRA Sustainability Performance Measures	93



EDITORIAL

Dear reader,

Last year, we published our first detailed sustainability report in accordance with the GRI standards, systematically documenting our sustainability strategy, goals and activities for the first time. With this year's report, we continue along this path. Our incentive is not only to inform our stakeholders and other interested parties in a transparent manner, but at the same time to keep urging ourselves to question and highlight all corporate actions with a view to sustainability.

In this spirit, this year's report reveals our efforts to deliver on our promises, set new challenges, and look to the future.

In our last report, for example, we announced a further modernisation of our portfolios. Current best-practice examples show how we turn difficult residential areas into attractive neighbourhoods, at the same time reducing vacancy rates, which in some cases were quite high. This has positive effects both for our tenants and on our business indicators.

Our tenant survey, which we conduct regularly in our neighbourhoods, opens up another perspective on our actions. The suggestions we gain from this serve as a guideline for our local property managers to realise optimisation potential – be it by providing new care and leisure services and facilities, developing the living environment, or renovating stairwells and façades.

A very effective measure which is given priority in our sustainability strategy is the expansion of energy services provided by our subsidiary EWS to our entire portfolio. We have again come one step closer to achieving this goal. In this connection, we upgrade and modernise heating systems, resulting in significant energy and resource savings.

In our quarterly financial reports, in investor meetings, at international conferences and not least at our Annual General Meeting, we provide extensive information on TAG Immobilien AG's business performance.



MARTIN THIEL

CLAUDIA HOYER

DR. HARBOE VAAGT

This Sustainability Report complements these activities with the social and ecological aspects of our business actions, which are inseparably linked to them.

At times, the various sustainability interests seem to be diametrically opposed, but our sustainability commitment should benefit all stakeholders in the long term. Linking the triad of economic, ecological, and social interests, adequately considering all three dimensions and overcoming conflicts of interest – that is our daily challenge as a property owner. In this sense, that which promises success in the long term is sustainable, even if it may mean losses in the short term.

From our perspective, however, loss is not the right term to use. We see it more as an investment: investment of money in existing measures, investment of time in contract negotiations, investment of knowledge in modern techniques, and investment of trust in us as a housing company.

We would like to thank our stakeholders – our tenants, our employees, our shareholders, our cooperation partners – for their trust in us and our actions, and we are doing everything in our power to use this trust appropriately. This sustainability report provides information about our activities. We are, of course, always happy to receive constructive feedback and suggestions on how we can improve further.

We wish you an informative and stimulating read!

//Martin Thiel //Claudia Hoyer //Dr Harboe Vaagt

(102-14)

ABOUT THIS REPORT

This year's Sustainability Report continues on from the statements, results and objectives of the previous year's report. We provide information on our understanding of sustainable corporate management, the key factors influencing the long-term existence of TAG Immobilien AG (TAG), as well as developments and progress, but also challenges on our way to becoming a sustainable company. We once again address significant economic, environmental and social parameters and take stock of the relevant targets. Our reporting is based on a broader data base than in the previous year, in which a detailed Sustainability Report was prepared for the first time, so that an in-depth comparative analysis of individual aspects is possible. (102-46, 102-49, 102-51)

Reporting standards

This Sustainability Report represents TAG's non-financial declaration in accordance with its reporting obligations under Sections 289 et seq. and 315 b of the German Commercial Code (HGB). We apply the Sustainable Reporting Standards (SRS) of the Global Reporting Initiative (GRI)¹. This report has been prepared in accordance with the 'Core' option of the GRI Standards. The GRI has been informed about the application of its standards and the publication of the report, and has confirmed the implementation of the requirements of the GRI Materiality Service.² (102-54)

In addition, we follow the recommendations of the European Public Real Estate Association (EPRA) and its Best Practice Recommendations Guidelines for Sustainability Reporting.³ (102-48)

In the Appendix, we have assigned the reported aspects to the respective standards with page references.

¹The German version of the 2016 GRI Standards was updated in July 2018 and is applied accordingly in this report.

²cf. GRI Content Index from page 86.

³according to the latest figures as of 2017.

⁴The non-financial indicators presented in the Sustainability Report are not relevant for management purposes within the meaning of German Accounting Standard No. 20 (DRS 20).

⁵The Annual Report is available on the TAG website at www.tag-ag.com/en/service/downloads/annual-reports/. (102-45)

Content and structure of the report (102-46, 102-50)

In our Sustainability Report, we provide information about financial and non-financial aspects that are material for TAG's business model.⁴

Unless otherwise stated, the financial information about the company is based on the statements in the Annual Report for 2018. The non-financial information includes ecological and social aspects of our corporate actions.

Reporting principles (102-46)

In its reporting, TAG follows reporting principles in accordance with the GRI standards.

Principle of regularity

TAG's Sustainability Report is published annually. This report refers to data and information for the period from 1 January 2018 to 31 December 2018 and thus directly follows on to the previous year's report, which was published in March 2018. (102-50, 102-51, 102-52)

Principle of comparability and transparency

Like the previous year's report, this year's Sustainability Report provides information based on the GRI standards (SRS, 'Core' option) and the supplementary EPRA recommendations. The conditions for a comparability of the content are therefore met.

The Supervisory Board of TAG reviewed the report, discussed it with the Management Board and approved it. The contents of the report were not reviewed by external auditors. (102-56)

Principle of clear demarcation and consolidation (reporting boundary)

The reporting period is the 2018 financial year (1 January 2018 to 31 December 2018). Unless otherwise stated, all indicators and information provided by TAG in the report refer to this period. In addition, unless otherwise stated, all information in this report relates to the Group as a whole. (For further details and a list of the companies included in the consolidated financial statements, please refer to our Annual Report).⁵ (102-45, 102-50)

Principle of stakeholder inclusiveness/Materiality

We want to ensure transparent and comprehensive reporting for internal and external stakeholder groups. To this end, we have identified the key interest groups for TAG and elaborate on their expectations of TAG.

In internal coordination rounds and based on communication with tenants, and our intensive interaction with shareholders, investors and other stakeholders, we have compiled the key aspects for a sustainable continuation of the company and formulated them in accordance with the GRI materiality criteria.

This year's Sustainability Report thus provides information on the significant economic, ecological and social repercussions of our business activities for us and our stakeholders. (102-46)

OVERVIEW OF TAG IMMOBILIEN AG

TAG Immobilien AG is a listed property company focused on the German residential real estate sector. Our head office is in Hamburg, and we have branches in the Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhine-Ruhr, Rostock and Salzgitter regions.
(102-1, 102-3, 102-4, 102-5)

Founded in 1882 as Eisenbahn Aktiengesellschaft Schaftlach-Gmund-Te-gersee, TAG is today one of the leading residential real estate companies in Germany.

Since 2000, we have been exclusively involved in the real estate sector, and in 2009 we decided to focus on the long-term management of residential properties. We concentrate on the acquisition, development and long-term letting of residential properties, primarily in Northern and Eastern Germany. Through our subsidiaries, we also offer our customers a wide range of services for all aspects of apartment living.
(102-2, 102-6, 102-7)

The majority of TAG shares are held by national and international investors with a long-term investment strategy. The largest individual shareholders as at 31 December 2018 were MFS Massachusetts Financial Services Company, USA (11.4%), Versorgungsanstalt des Bundes und der Länder, Germany (9.9%), The Capital Group Companies, Inc., USA (9.9%) and Flossbach von Storch AG, Germany (9.9%). (102-5)

Company profile

(102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10)

Business model and lines of business (102-2)

The focus of our activities is on providing attractive, affordable housing for broad sections of the population, along with various services for our tenants. In order to manage our portfolios both sustainably and efficiently, TAG's business model is geared to the long-term letting of the Group's own apartments.



This includes portfolio and property management as well as the value-preserving and value-enhancing development of our residential properties and locations. Through the services of our subsidiaries, we improve the supply to our tenants in various housing-related sectors such as heating and multimedia services.

Group structure (102-7)

Our entrepreneurial activities are always based on the premise of managing our residential portfolio efficiently and sustainably from an economic, ecological and societal point of view, while at the same time responding swiftly to changes in the market. Accordingly, TAG's corporate structure is divided into centralised and decentralised functional departments (see chart on Group structure). TAG Immobilien AG acts as the Group's management holding company. The central departments of Group Accounting, Finance, Controlling, Legal Affairs and Taxes as well as Investor Relations, ERP/Data Management and IT, Human Resources and Compliance/Internal Audit and the new Business Development division created in 2018 are assigned to it. Our Strategic Real Estate Management/Marketing department serves as the interface to our local branches, where our Heads of Real Estate Management (LIM) operate. Much like Strategic Real Estate Management/Marketing, Purchasing/Sales, Facility Management Services, Craftsman Services, Central Purchasing, and Shared Service Centers have higher-level operational functions for the branches in the regions.

The latter pool all similar processes, especially those related to accounting, such as accounts receivable and accounts payable, as well as utilities invoicing, rent increases, and deposits.

Thanks to our decentralised organisation, our location managers can consider regional particularities and challenges in their real estate management - and implement individual concepts. The LIMs report directly to the Executive Board and are largely autonomously responsible for developing the real estate portfolio assigned to them. They implement our portfolio strategy by taking measures to upgrade the value of the portfolio, reduce vacancy, and realise rental potential. Flat hierarchies and short decision-making paths empower LIMs to act autonomously within an approved budget. Standardised processes enable them to act efficiently and cost-consciously.

At this time, TAG's locations are assigned to ten regional LIM areas. Customer support, rentals, technical customer support, and receivables management are all handled on a decentralised basis. At the same time, the LIM regions offer our tenants additional services in the form of caretaker, craftsman, multimedia, and energy supply services via subsidiaries.

At 31 December 2018, the TAG Immobilien Group consisted of 75 fully consolidated companies. In the year under review, there were no significant changes with regard to TAG's company size, organisation, ownership structure or supply chain. (102-10)

Customer service and letting (102-2)

As a company in the residential real estate sector, we have a special social responsibility. We create liveable, contemporary, and affordable living space as well as an attractive living environment for our tenants. We attach great importance to the sustainable and active development of our portfolio and always keep the satisfaction of our tenants in mind.

Our regional account managers are responsible for managing the stocks and communicating with our tenants on site. They provide regular and transparent information on all maintenance and modernisation measures, the maintenance of technical facilities, the organisation of outdoor and green area maintenance and house cleaning.

The focus of TAG's operating business is on regular exchanges with tenants and on approaching potential new tenants. New or follow-up letting is a focal point of the work in our branches. In order to avoid or reduce vacancies, our regional landlords advertise vacant apartments and conduct tours with prospective tenants. They are responsible for the conclusion and processing of rental agreements, in conjunction with the flawless handover of the apartment.

Neighbourhood management/development (102-2, 102-15)

Our business activities have an influence on the quality of life of all the people who live in our properties. This entails a special social responsibility. And so, we at TAG make an effort to develop neighbourhoods worth living in, especially in our management of larger, stand-alone residential property portfolios.

Our heads of real estate management (LIMs) decide on a case-by-case basis whether existing structures should be upgraded, or entirely new concepts developed and implemented. Factors such as infrastructure and the supply of services and goods for daily needs are also included in the site analysis, as are social offers and services for our tenants.

We work closely with local partners in implementing our neighbourhood revitalisation measures. By cooperating with third-party providers, we can organise care services or tenant activity meet-ups that go beyond our in-house efforts.

In the 'Social sustainability' section, we go into more detail about our neighbourhood development concepts and present selected real-life examples.

Services and Energy Management (102-2, 102-15)

We offer a broad section of the population modern, affordable living space in neighbourhoods worth living in. Beyond that, we also consider our tenants' further needs and desires. For example, we equip our apartments with multimedia connections and a wide range of TV services. The majority of our households are supplied by our subsidiary Multimedia Immobilien GmbH, founded in 2016.

In addition to social responsibility, TAG also takes responsibility for the environment. We help to save energy and conserve resources. Our subsidiary Energie Wohnen Service GmbH (EWS) ensures a reliable energy supply and efficient energy management for our tenants. By providing regular professional maintenance and successive renewal of heating systems, we reduce energy consumption and hence operating costs in the long term. Our tenants can also download our heating and ventilation guides from the TAG Wohnen website.

We also provide information on how to optimise the heating efficiency of modernised heating systems. Further information on this can be found in the section on 'Ecology'.

Through another TAG subsidiary, we provide real estate services for residential property and for the management of rented residential portfolios on behalf of third parties (COA and third-party management).

By offering these additional services and our systematic focus on service, which is expressed also in the fact that we have our own janitor and craftsman services, we contribute to long-term customer loyalty. In conjunction with the provision of affordable housing for broad sections of the population, this results in high tenant satisfaction and low fluctuation.

TAG-SERVICES

TAG-SERVICES		SERVICED PORTFOLIO
TAG Immobilien Service GmbH	In-house caretaking services, cleaning services, landscaping maintenance (since 2012)	Around 47,000 units (expansion to around 65,000–68,000 units planned for the long-term - around 80% 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 31,000 (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 57,000 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 8,500 units

Housing Market Report Eastern Germany 2018

This year's report on the market situation in the Eastern German regions where we manage property focuses especially on the risk/reward ratio of a residential investment at these locations. As in the two previous years, socio-demographic data was again taken into account, in addition to economic factors, rental and purchase price developments, and the burden of housing costs on households.

The analysis provides us with strategic information on the sites where we need to meet social and ecological challenges with neighbourhood revitalisation measures, and where we can leverage economic potential. Nearly all of the 27 cities surveyed showed an extremely good development, which confirms our business strategy.

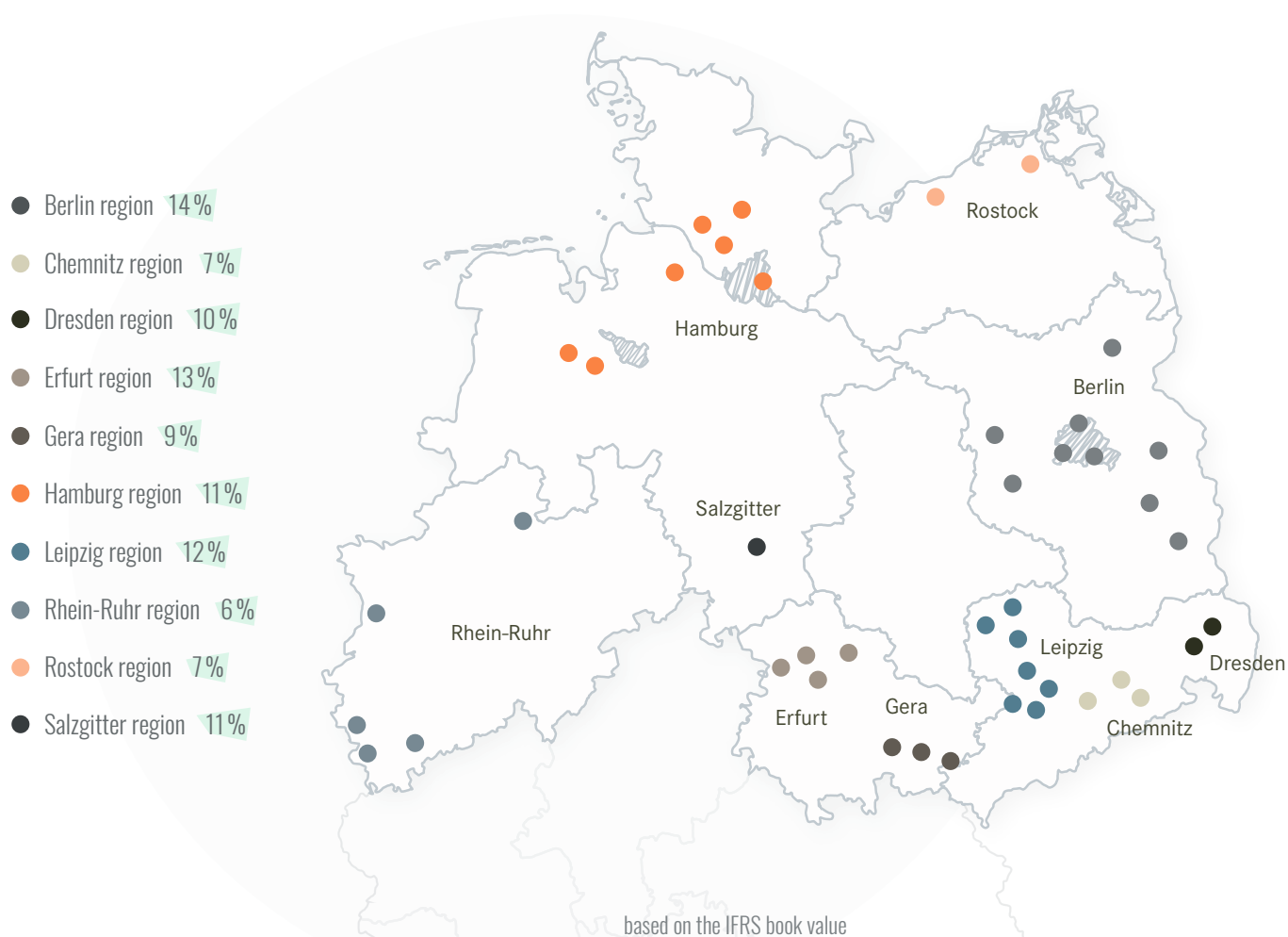
Real estate portfolio – Strategy and locations (102-2, 102-7, 103-2, 102-15)

With our more than 84,000 apartments, we are one of the leading providers of housing in Northern and Eastern Germany. We take our social, ecological and economic responsibility towards prospective tenants and tenants, but also towards investors and future generations, seriously. Sustainable and active portfolio management and development is at the heart of our Group strategy. The aim is to secure our economic success long-term, to keep offering tenants affordable housing, and investors growing cash flows through attractive dividends. In the section entitled 'Marketable residential portfolios and liveable neighbourhoods', we describe our portfolio development and neighbourhood management measures in more detail and discuss examples of best practice.

To further optimise our portfolio, we take advantage of regional growth and return potential as well as selective sales opportunities. We make purchases only in our ten LIM regions, so as to benefit from existing administrative structures and regional expertise. We follow the 'ABBA' strategy: in A-cities, we concentrate on B-locations, and in B-cities, on A-locations. We invest not only in the vicinity of large cities, but deliberately also in medium-sized and small cities with good future prospects. We make purchase decisions based on comprehensive knowledge of the regional markets and many years of real estate expertise. High vacancy is not an exclusion criterion for us. Rather, we use the development potential of such properties to make them attractive again for tenants following our modernisation or neighbourhood revitalisation measures. This acquisition strategy enables us to generate attractive returns.

As at 31 December 2018, TAG's real estate portfolio comprised 84,426 units (including 83,043 residential units and 1,383 commercial units located in the residential complexes). Compared with the end of 2017 (83,140 units, of which 81,726 residential units), the number of apartments has increased by 1,317 units due to purchases.

The regional distribution of our residential portfolios (sorted by IFRS book value) is shown on the map opposite.



Key figures/Indicators for the residential portfolio

PORTFOLIO DATA	31 DEZEMBER 2018	31 DEZEMBER 2017
Units	84,426	83,140
Area in sqm	5,132,860	5,054,778
Real estate volume in EUR millions	4,815.5	4,275.4
Annualised net actual rent in EUR millions p.a. (total)	314.1	303.3
Net actual rent in EUR per sqm (total)	5.39	5.31
Net actual rent in EUR per sqm (residential units)	5.29	5.20
Vacancy in % (total)	5.3	5.8
Vacancy rate in % (residential units)	4.7	4.8
Lfl rental growth in %	2.3	2.0
Lfl rental growth in % (incl. vacancy reduction)	2.6	3.1

(102-7)

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

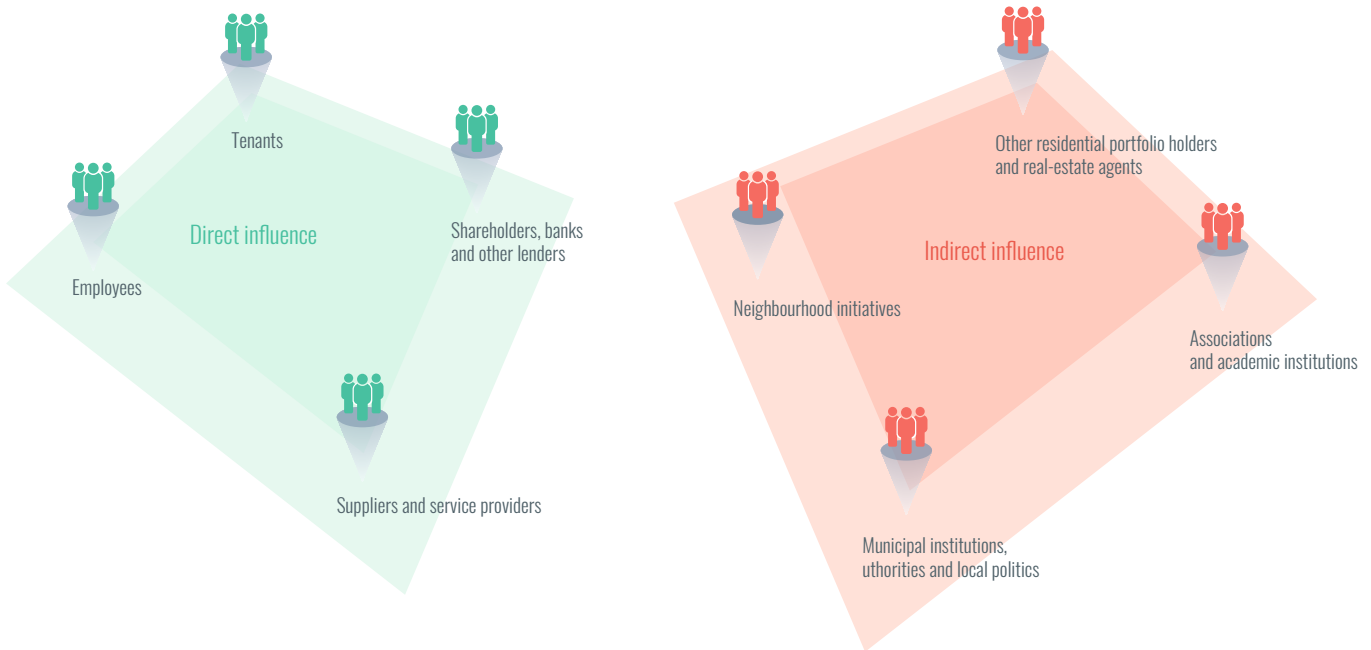
Reference portfolio for environmental reporting

Like the Sustainability Report 2017, we report the ecological indicators for a selected portion of our properties. The successive takeover of the energy supply for our residential buildings by EWS forms the basis of the analysis portfolio. In this year's report, the presentation of ecological aspects is based on the heat consumption data determined for room heating and hot water generation for a total of 895 properties or 22,436 units in 2017.⁶ This corresponds to about 27% of our total portfolio as of 31 December 2017. Compared with the previous year's report, the reference portfolio has thus increased by about 20% of the portfolio or 16,263 units and increases the validity of our ecological reporting.

In addition, heat supply by EWS was expanded to a total of 30,576 units (around 36% of the total 2018 portfolio) as of 31 December 2018. Their consumption data will be evaluated in the Sustainability Report 2019. Our goal is to eventually have EWS supply approx. 90% of our portfolio with energy. In the course of this, we will also further increase the number of housing units included in the analysis.

⁶Deviations from the figure stated in the Sustainability Report 2017 result from recalculations due to changes in portfolio.

STAKEHOLDERS



Stakeholders

As a nationwide company whose dimension makes us relevant for the German housing market, we bear responsibility for numerous stakeholders. We are in regular contact with them, to better understand the specific expectations they have of our business conduct, and to consider them in our entrepreneurial activities. In this way, we enter into long-term partnerships with the various stakeholders. (102-21)

When translating individual stakeholder expectations into specific measures, we distinguish between stakeholder groups with a direct and indirect influence on our business activities.

Stakeholders with a direct influence are our customers (tenants), employees, shareholders, banks and other lenders, suppliers and service providers. In addition, neighbourhood initiatives, local authorities and politicians, associations and academic institutions as well as other residential portfolio holders and real estate agents also have an indirect influence on our business activities and the associated sustainability goals. (102-42)

DIRECT INFLUENCE

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

INDIRECT INFLUENCE

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

(102-40)

Stakeholders who directly influence the achievement of our sustainability targets

Tenants (102-15, 102-43, 102-44)

Our most important stakeholders are the people who live in our properties. Our tenants' concerns, their wishes and demands have a direct influence on our economic success. Planning reliability is crucial. The most important things for our tenants are long-term rental contracts and rents that will remain affordable. They expect TAG to keep their apartments, common areas and outdoor areas in good condition. The tenants of our residential properties are our customers. TAG handles their concerns in a service-oriented and timely manner. The availability of our service staff is an important factor in this. On location in the regions, our customer advisors serve as the tenants' direct contacts. They also maintain regular personal interaction at our 70 tenant offices. In addition, all tenants can contact us by letter, telephone, email or online via our website.

One special service we offer is housing consultation, where our employees record the individual wishes of prospective tenants and existing tenants. This service is aimed in particular at older people and people with special needs. We also support our tenants in dealing with the authorities.

With the new tenant app, we will be offering our customers a mobile application for processing their concerns about rental agreements, conversions, repairs, and many other issues relating to their homes and living environments. Visitors to our website can also get information about their neighbourhood as well as many leisure and sports activities at their place of residence. Our tenants also receive useful information through the regular publication TAG-Wohnjournal, our nationwide magazine for tenants.

Our intensive interaction with tenants also includes a regular tenant and housing satisfaction survey. We evaluate the results together with our LIMs and translate them into concrete measures.

KONTAKTFORM	INHALTE (BEISPIELE)
ON-SITE	<ul style="list-style-type: none"> // Personal contacts in a total of 70 tenant and caretaker offices // Housing consultation in show apartments at selected locations // Support in filling out official forms (e.g. application for rent subsidies) // Display of information brochures and checklists // TAG-owned caretaker services // TAG-owned craftsman services // TAG-owned energy services // TAG-owned multimedia services
TENANT NEWSLETTER	<ul style="list-style-type: none"> // TAG Wohnjournal offers company information, event information, the latest news on the location's development, and helpful housing- and lifestyle-related pointers. // Publication frequency: Annual nationwide (twice a year in the Erfurt and Gera regions, four times a year in Salzgitter)
TAG WOHNEN WEBSITE	<ul style="list-style-type: none"> // Apartment vacancy listings // Contact information // Information on services offered // Information about events in the region
TENANT APP	<ul style="list-style-type: none"> // New tenant app developed, introduction planned for 2019
TENANT MEET-UPS AND OTHER EVENTS	<ul style="list-style-type: none"> // Information events // Sport/exercise and games // Other events, e.g. barbecues, cooking evenings, Christmas parties, excursions
TENANT SURVEYS	<ul style="list-style-type: none"> // Portfolio-wide survey on tenant and housing satisfaction in mid-2018 with more than 16,000 participants // Surveys on various topics across locations or at selected locations every three to five years // Extra survey at year-end 2018 in the LIM area Chemnitz - Döbeln on interest in 'smart home' applications

Employees (102-15, 102-43, 102-44, 103-1)

We strive to ensure that our inventory is always up-to-date and attractive, and that the living environment is one worth living in. We can only deliver this claim through the continuous efforts and dedication of our employees.

As an employer, we meet our employees' expectations of an attractive working environment, a healthy work-life balance, equal opportunity, remuneration commensurate with performance, and a reliable working environment characterised by fair cooperation. Our employees also desire tasks and activities that offer scope for their professional and personal development.

Detailed information on the structure of our workforce and how we involve employees can be found in the 'Social Sustainability' section of this Sustainability Report.

Shareholders, banks and other lenders

(102-15, 102-21, 102-43, 102-44)

As a listed company, we are committed to our shareholders, who place their trust in TAG's business model and invest their capital in our entrepreneurial activities. We are supported in this by external financing, e.g. from our partner banks.

Stable growth, a reliable return on their capital, and transparent communication are important to shareholders and lenders.

We are therefore in regular contact with shareholders and banks, but also with other capital market investors and analysts. We continuously and transparently publish corporate information on our website and, in addition to press releases and quarterly financial reports, provide information at international conferences, roadshows, the Annual General Meeting, and our Bank and Capital Markets Days, which we hosted again in 2018.

Suppliers and service providers (102-15, 102-43, 102-44)

We cooperate with various suppliers and service providers for the care, maintenance and modernisation of our apartments, and to ensure an attractive environment. They share our interest in providing tenants with a safe, clean and contemporary living environment, and in quickly remedying any defects that may arise.

Our craftsmen, commercial and other partners expect a fair business relationship from us in which the interests of both sides are adequately taken into account. So as a rule, we maintain long-term relationships based on trust and fairness.

Stakeholders who indirectly influence the achievement of our sustainability goals

Neighbourhood initiatives

(102-15, 102-43, 102-44)

With regard to our core business, the provision of housing for broad sections of the population, society and the local authorities are interested above all in socially balanced neighbourhoods, a safe and liveable environment, and affordable offers. Meeting these demands while also ensuring the long-term survival of the company is a challenge that we are happy to take up. At our locations and in our larger residential portfolios, we therefore support local initiatives and interest-based groups as well as associations and social institutions as part of our neighbourhood management.

Detailed information on our neighbourhood management measures can be found in the section on 'Social sustainability'.

Municipal institutions, authorities and local politicians (102-15, 102-43, 102-44)

As one of the leading housing companies, we are of special interest to local politicians and urban development authorities. Authorities and policymakers often involve our local employees in real estate-related issues. We work with them to meet the challenge of responding appropriately to social trends and demographic change, and are in regular exchange on these matters. In particular, we lobby for conditions that take into account the interests of our tenants as well as the long-term economic survival of our company.

Associations and academic institutions

(102-15, 102-43, 102-44)

In order to formulate our interests and those of our stakeholders towards policymakers and society, we are in ongoing contact with housing industry initiatives and scientific institutions. In line with our sustainability strategy, our aim is to achieve balanced results.

Other residential portfolio holders and estate agents (102-15, 102-43, 102-44)

The activities of other private and municipal housing companies have an indirect influence on our business activities. We continuously monitor the market and our competitors so that we can respond promptly and appropriately to any opportunities or shifts that arise.

Sustainability (102-15)

Housing is a basic human need. As a large housing company, our actions have a direct and indirect influence on the quality of life of a broad section of the population. Together with other owners of residential real estate and policymakers, we bear a high social, ecological and economic responsibility. We are aware of this responsibility and act accordingly. Due to the long-term nature of our core business – the provision of affordable living space – sustainability is traditionally anchored in our business practices.

Not only our shareholders, but also legislators and other stakeholders want transparent information about our business practices and our strategy and activities in the field of sustainability. Alongside our annual reports and regular quarterly reports, the Sustainability Report complements our reporting, particularly on non-financial aspects. We are thus continuing on the path we embarked on last year, of reporting transparently and comprehensively on our corporate responsibility.

Sustainability strategy (102-15, 102-19, 102-20)

Trends such as an ageing population and urbanisation are causing profound change in the housing industry, as are climate change and technological progress. We address the challenges associated with this and incorporate them into our business strategy.

We are spurred by the high relevance of these trends for society. For this reason, sustainability management enjoys a high priority at TAG and is directly assigned to the Management Board. Sustainability management issues are regularly discussed by the Management Board and the Supervisory Board.

As part of our sustainability strategy, we consider the economic, ecological, and social repercussions of our business activities along the entire value chain. From these, we derive our long-term sustainability targets, which were comprehensively documented for the first time in TAG's Sustainability Report 2017.

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

We define sustainable business development as a holistic concept with positive interrelations and interdependencies: economic stability and solid earnings provide the prerequisites for our ecological and social commitment. Conversely, our ecological and social measures have a positive effect on our business success.

Sustainability issues are handled and coordinated by our centrally managed Strategic Real Estate Management division. It pools the information and need for action in connection with our sustainability goals. It raises awareness of our responsibility and the urgency of corresponding efforts at all levels and in all operating divisions.

The Strategic Real Estate Management team is in regular contact with the specialist departments and collects all department and segment reports relating to our sustainability activities.

We want to increase our level of transparency and, in particular, professionalise sustainability-related data collection and reporting. This is the only way we can measure, check and, if necessary, adjust achievements, progress, but also delays on our way to becoming a sustainable company. This applies above all to ecological and social sustainability data, but also to creating connections between financial and non-financial performance indicators in the business realm.

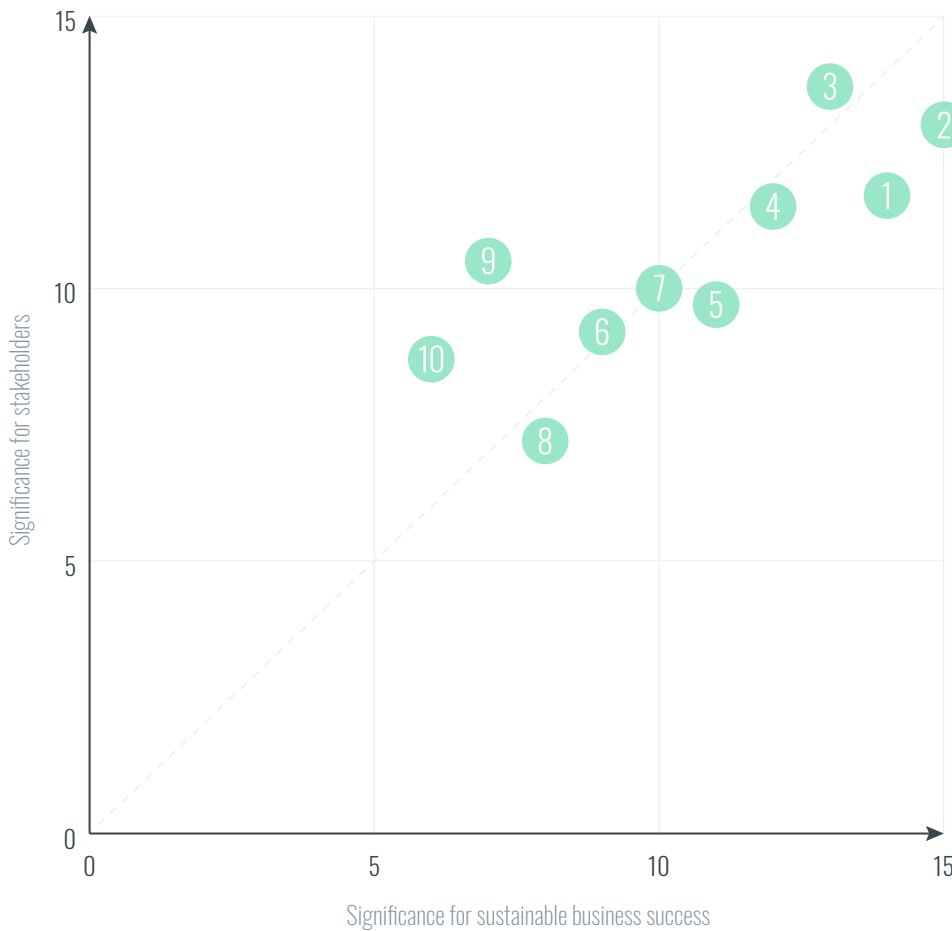
Material topics of our sustainable corporate management (102-47, 103-1)

In 2017, in preparation for our first detailed sustainability report, we analysed our business processes and identified the sustainability aspects that are essential for us and our stakeholders. We have taken into account all aspects required by Section 289 c HGB (German Commercial Code) (environmental, employee and social concerns, respect for human rights, and the fight against corruption and bribery). The assessments that we gained through our ongoing exchange with our stakeholders and in consultations with the specialist departments and the Management Board proved especially informative and relevant to us. We then evaluated the findings, taking into account the particularities of TAG and the 'housing' segment of the real estate industry, and identified the ten key issues for our business activities, then prioritised them according to their significance for stakeholders and our Company. The resulting materiality matrix visualises the result.⁷ (102-46)

The most important issues for our stakeholders and our sustained corporate success are: preserving and developing our residential portfolio; sustainable business development and economic stability at TAG; and the provision of market-oriented residential portfolios at affordable rents for broad sections of the population. We will therefore continue to give priority to these aspects in our corporate and sustainability strategy.

Because they are very heavily interconnected, we consider these issues in our activities according to their respective effect on the other issues.

⁷The horizontal axis represents the significance of the individual topics for our company's sustained success, assessed based on their key economic, ecological and social impacts. The vertical axis summarises the significance of the individual topics for the various stakeholder groups. The rating was based on a weighted 15-point scale in each case, i.e. the higher the value, the greater the importance of the topic. The topics that have high values in both dimensions are the most important.



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)

For example, ongoing measures to maintain the residential portfolio at the requisite level of technology, and good customer service are only possible with well-trained, motivated employees. Nevertheless, we strive to offer widely accepted solutions for diverging interests (e.g. value-enhancing modernisation vs. affordable rents). (102-46)

The fight against corruption and the observance of human rights are just as important for our sustained business success as they are for our stakeholders.

Compliance with rules to prevent corruption is part of an appreciative, transparent, and participatory company culture. The sections on Corporate Governance and Compliance deal with this in more detail. There is no increased risk for child labour in TAG's area of activity, or in the areas of activity of our suppliers and service providers. We provide more detailed explanations on this in the sections on supply chain and our social sustainability activities. (103-1, 103-2, 408-1)

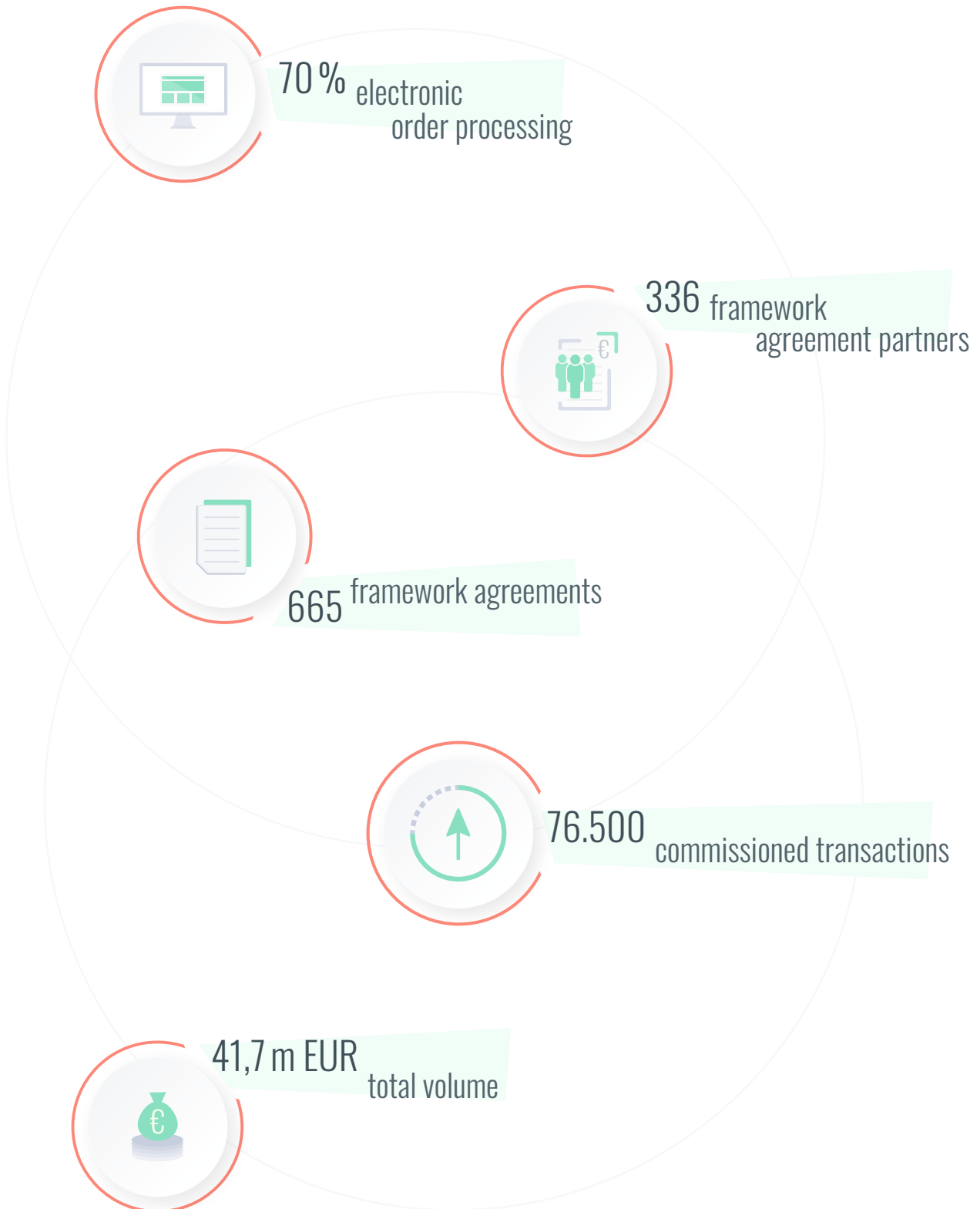
Sustainability in the supply chain (102-9, 103-1, 103-2, 204-1)

An essential part of our core business is the letting, management and development of residential portfolios. Numerous services are offered in-house by TAG employees or by TAG's own service companies (see the section on Services and Energy Management under 'Company profile'). Among other things, TAG Handwerkerservice refurbishes vacant apartments and TAG Immobilien Service provides facility management services. Uniform process and quality standards ensure efficient processes in cooperation with the Group's own service companies.

We involve external service providers and suppliers primarily in construction projects. In the year under review, we cooperated with 336 framework contract partners with whom 665 framework contracts were concluded in the area of renovating vacant housing/small maintenance jobs. Within these framework agreements, around EUR 8.5 m were invested in small-scale maintenance throughout the Group. This corresponds to about 61.5% of the total volume. In the refurbishment of vacant apartments for new tenants, approximately EUR 17.3 m, or 86% of the total volume for 2018, was turned over via framework contract partners. In total, around 76,500 orders with a total order volume of approximately EUR 41.7 m were processed across the Group in 2018. Investments in this area were thus slightly above the previous year's level.

COLLABORATION WITH SUPPLIERS

CONSTRUCTION SERVICES



Cooperation with local partners (103-2)

In maintenance, we prefer to work with local service providers. This reduces travel distances and operating times at our many regional locations, ensures cost efficiency and less environmental pollution. In 25 large-scale regions, we have concluded framework agreements with local partners in important interior finishing trades such as painting, flooring, electrical installation, heating and plumbing, carpentry, tiling, and cleaning.

We manage the data of the framework contract partners as well as the framework contracts in electronic form. The companies are linked to TAG's processes via an Internet-based portal (craftsman interface) that is used to manage the processes. From order placement to payment, all steps are processed digitally, without paper. In 2018, about 70% of the jobs involving framework contract partners in the area of empty flat construction/small maintenance were carried out via our craftsman interface. In addition, TAG Handwerkerservice was integrated into the craftsman interface portal, which will further increase paperless order processing in future.

Supplier selection (103-2)

The selection of contract partners is carried out within the framework of standardised and transparent tendering processes. In addition to the offer price and professional suitability, reliability, quality and regionality are also important decision-making criteria. Sustainable materials and social aspects also play an important role. In our tenders, we do not consider any bidders who have violated the German Posting of Workers Act in the past and were fined for doing so.

We are aware that we cannot completely rule out infringements of statutory labour law standards (e.g. compliance with current collective agreements and the minimum wage), social standards (e.g. human rights, forced labour, child labour) and environmental protection regulations (e.g. no use of environmentally harmful cleaning agents) by our third-party suppliers. However, we did not become aware of any such violations in the 2018 reporting year. (307-1, 408-1, 409-1)



PROCUREMENT MANAGEMENT

01 // purchasing organisation

02 // purchasing processes

03 // suppliers and product group management

04 // purchasing controlling and reporting

05 // sustainability, compliance, risk management

In all contracts with our external suppliers, there are specifications which the suppliers and subcontractors must comply with. In the event of an infringement, cooperation with the respective contract partner is terminated. TAG has made all contact persons at our external suppliers aware of this matter and has instructed TAG employees to immediately report any violations to their supervisors and compliance officers. Supplier and framework agreements are regularly reviewed for necessary additions to sustainability criteria and amended if necessary.

In addition, we drew up a Business Partner Code in the year under review. In this Code, we declare that TAG expects its business partners, too, to conduct themselves in accordance with the rules and in an ethically impeccable manner. The basic principles of cooperation are laid down here. The Code applies to all business partners and their employees and, is component of every business relationship between the TAG Group and its business partners. It is presented to our business partners and published on the TAG website. New contracts are supplemented by a passage on the Code. In addition, the Business Partner Code is integrated in the craftsman interface portal.

Centrally controlled procurement management (103-3)

Supplier relationships and the entire procurement management process are controlled across the Group by the Central Purchasing department. All suppliers are regularly evaluated, and the framework agreements are continuously reviewed.

This central purchasing strategy is an integral part of the corporate strategy. The optimisation of purchasing and company requirements, services, and construction services by bundling quantities and know-how and taking into account the regional requirements of the respective LIM locations generates synergies in procurement management.

Central Purchasing reports to TAG's Management Board. The Central Purchasing team handles the strategic alignment and control of the purchasing processes. In particular, there is close cooperation with the decentralised Real Estate Management teams and with all the other operating divisions, each of whom is involved in the procurement processes at an early stage.

Central Purchasing's tasks include researching the procurement market as well as researching, selecting and evaluating suppliers. The division is responsible for tenders and the conclusion of contracts (the latter in cooperation with the Legal Department), purchasing controlling and reporting, cross-LIM product group management, and group-wide process optimisation. One of the goals currently being put into action is to integrate TAG's sustainability concept even more strongly in procurement management, too.

Governance und Compliance

Corporate Governance

As a listed company, we are in the public eye, and are aware of our role model function. We manage our company with due responsibility and according to ethical principles. The principles summed up under the term 'Corporate Governance' form the framework for our entrepreneurial activities. They stand for responsible corporate management geared to long-term value creation.

TAG's Supervisory Board and Management Board regard corporate governance as an essential prerequisite for sustainable business success, as it strengthens the confidence placed in the Company's management and supervisory bodies by shareholders, lenders, employees, business partners, and the general public. TAG's business management and actions are therefore always based on the premise of safeguarding the interests of our stakeholders, providing transparent reasons for entrepreneurial decisions, and adequately managing risks. (103-2)

TAG's Management Board and Supervisory Board issue an annual statement of conformity with the German Corporate Governance Code (DCGK), most recently in December 2018. We explain the extent to which TAG has complied with the Code, and the reasons for any deviations from the Code. Further information and the Declaration of Conformity are available on TAG's website under the following link.

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

In conjunction with its Statement on Corporate Governance, TAG also presents key elements of its corporate governance structures. In addition to the Declaration of Conformity with the German Corporate Governance Code (DCGK), the TAG website provides more detailed information on the working methods of the Supervisory Board and Management Board and the equal participation of men and women in management 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 managed by a three-member Management Board.

Claudia Hoyer (COO) has been Chief Operating Officer since 1 July 2012 and is responsible for the departments Real Estate Management, Acquisition and Sales, Shared Service Centers, FM Services, Craftsman Services, Central Purchasing, Change Management, Energy Residential Services, Multimedia Real Estate, Business Development, Digitalisation, and Environmental Social Governance (ESG).

Martin Thiel (CFO) has been Chief Financial Officer since 1 April 2014 and is responsible for Group Accounting, Finance and Treasury, Taxes, Controlling, Investor and Public Relations, as well as ERP/Data Management.

Dr Harboe Vaagt (CLO) was appointed to the Management Board effective 1 April 2011. He is responsible for Human Resources, Legal Affairs and Data Protection, Rent Collection involving the courts, IT, Compliance, Internal Audit, and Homeowner Association/Third-party Management.

The responsibilities of the executive board are regulated in detail in the rules of procedure and the business distribution plan.

The executive board is advised and supervised by the six-member Supervisory Board. It reports at regular Supervisory Board meetings and involves the Supervisory Board in due time in decisions of fundamental importance to the company.

The rules governing the composition and term of office of the Supervisory Board are set out in TAG's Articles of Association (Chapter IV Sections 7 et seq.). For the composition of the Supervisory Board, specific objectives and criteria have been specified which are taken into account in the selection of its members (e.g. competence profile, age limit, dealing with potential conflicts of interest, diversity). The efficiency of the Supervisory Board's activities is regularly reviewed. (102-24, Gov-Select)

The Supervisory Board is chaired by Rolf Elgeti, Chairman, and Lothar Lanz, Deputy Chairman. There are four other Supervisory Board members, including two employee representatives.

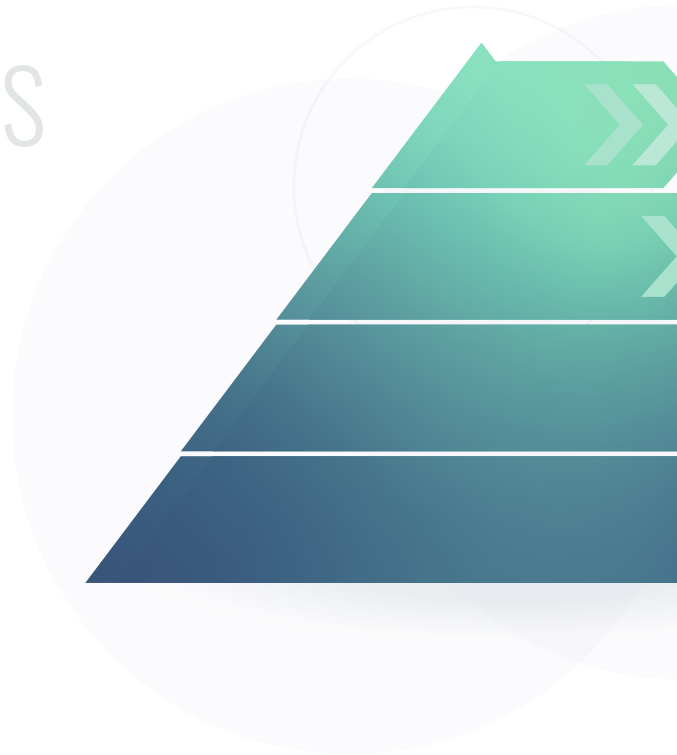
MEMBERS OF THE SUPERVISORY BOARD

Rolf Elgeti	Chairman
Lothar Lanz	Deputy Chairman
Dr Philipp Wagner	
Prof. Dr Kristin Wellner	
Harald Kintzel	Employee representative
Marco Schellenberg	Employee representative

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

The processes and rules for dealing with conflicts of interest prescribed by law and defined in the business regulations apply to the Management and Supervisory Board. (102-25, Gov-Col)

TAG GROUP VALUES



Ethics and Compliance (103-1, 103-2)

Sustainable business success presupposes responsible corporate management 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 shared by all employees of our Group.

These values form the basis for the quality of our products and services – and thus also for the satisfaction of our customers. In this sense, the topic of compliance as a management task holds a significant position in the company.

The term 'compliance' refers to 'compliance with rules' to ensure compliance with all processes and requirements relevant to TAG, such as laws, DCGK recommendations, voluntary commitments, as well as internal guidelines and organisational measures. This is accompanied by an orientation towards social rules as well as moral and ethical values. (102-16)

In our view, ethical and moral business conduct goes far beyond preventing and combating corruption. The compliance programme implemented by the Management Board manages TAG's corporate culture in such a way that it is characterised by 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 Group rules and regulations. Its standards for corporate management go far beyond the statutory requirements. The compliance programme includes TAG's Business Principles, which call for proper and ethically correct conduct. They are known to every employee and can be viewed at any time on the intranet.

The Business Principles form the basis of all internal guidelines and work instructions, which should be seen as complementary specifications. Among other things, they contain general rules on business relationships, non-competition clauses, conflicts of interest, and data protection. The responsibility for this area lies with the Compliance Officer, who reports directly to and is obliged to report to the Management Board. (102-17)

The Compliance Management System consists of three key components: prevention, recognition and reaction. In addition to TAG's Business Principles and guidelines, regular compliance training for TAG employees serves as a preventive measure. Early detection and handling of possible compliance risks are managed by the Group's control mechanisms and risk management within the Compliance department which reports to the Board.

Alongside Risk Management and Internal Audit, Compliance forms part of TAG's internal control system. In an ongoing process that takes into account internal and external changes, Compliance is constantly updated and developed in accordance with the DCGK. Employees have a way to report violations of the law within the company using a protected communication channel.

As a fundamental component of compliance in the company, it is a key business principle that the Management Board and all employees comply with all legal requirements in the day-to-day business. The Management Board and all employees are required to conduct themselves ethically at all times. In particular, they shall refrain from any actions that could damage TAG's reputation or business operations.

We also expect our business partners to conduct themselves in an ethical and legally impeccable manner. To ensure this, a Business Partner Code has been in force for all of TAG's business relationships since December 2018. Explanatory remarks about this Code can be found in the chapter on 'Sustainability in the supply chain'.

Compliance indicators and documentation

The handling of compliance notices, questions and reportable disclosures and violations is governed by the Business Principles.

The majority of reports made to Compliance relate to cash receipts by the customer advisor that are subject to reporting, in particular cash payments by tenants for rent arrears or rent deposits. In addition, there are reports and inquiries regarding, e.g. invitations from business partners to employees or intended apartment rentals to employees. There were no confirmed cases of corruption at TAG in the 2018 reporting year. (205-3)

Compliance is documented via guidelines and work instructions on the TAG intranet. This is also where our employees are informed about company announcements. The Business Principles, IT Policy, and Privacy Statement are distributed to all new employees. In operational areas that are exposed to risk, regular training is given on relevant compliance topics. Special topics are introduced, new developments presented, and the basics refreshed. In the year under review, for example, the focus was on the new General Data Protection Regulations, the Business Partner Code, and the issue of cash receipts. These issues were also the subject of the monthly coordination meetings between LIMs and COO and at regional level. (205-2)

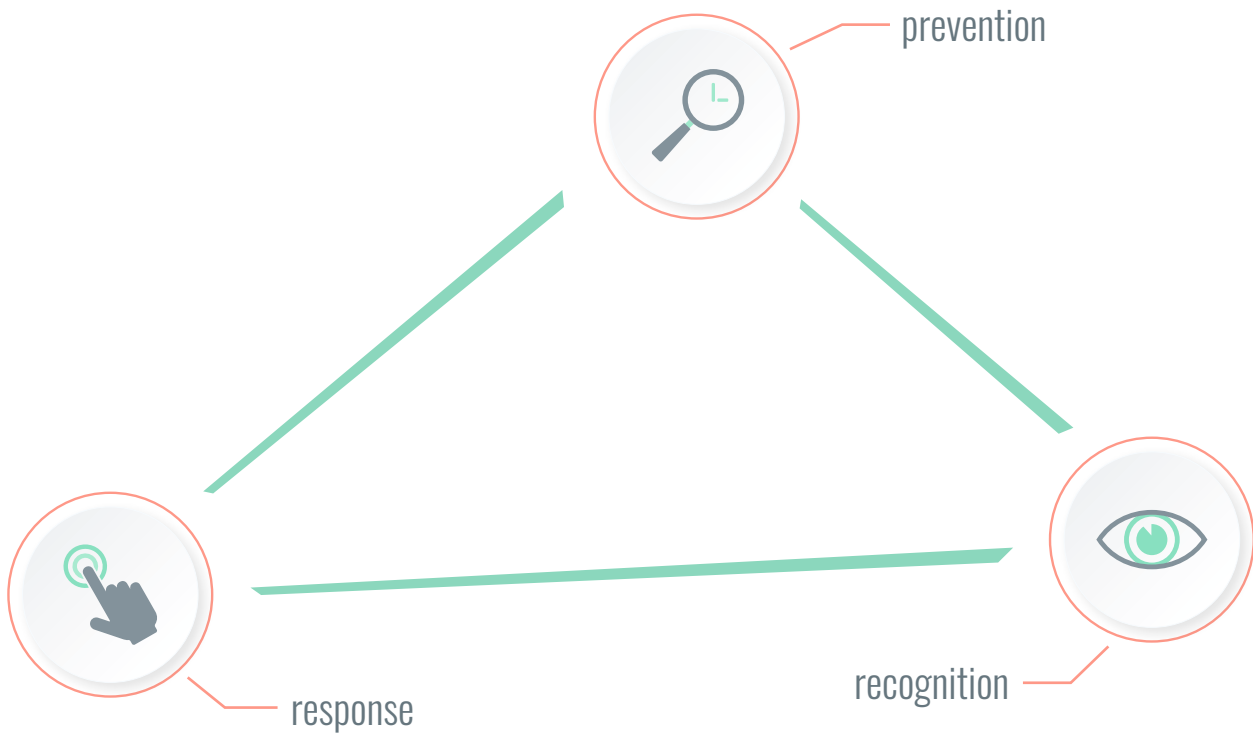
Policy management and control mechanisms

Policy management is used to define detailed guidelines on basic principles, framework conditions and objectives for the proper implementation of standardised processes within the Group. Important guidelines and related objectives 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

*German Commerce Code

**German Stock Corporation Act



Data protection

On 25 May 2018, the European General Data Protection Regulation (GDPR) entered into force. Against the background of this new regulation, the TAG Group's data protection regulations were reviewed and extensively revised. All employees throughout the Group were informed and instructed about the changes. Key elements and principles were already contained in Germany's previous data protection regulation (BDSG) and are already observed by our employees in their daily work. In addition, internal data protection guidelines and the data protection information for our tenants, prospective tenants and other partners were updated, supplementary working aids were created, contracts and other forms were fine-tuned, and the documentation of our data protection management system was expanded.

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

Pursuant to Section 91 (2) AktG, the Management Board of a stock corporation must take appropriate measures to ensure that developments jeopardising the continued existence of the company are identified at an early stage, in particular by setting up a risk monitoring system.

TAG's Management Board has implemented a central risk management system designed to ensure the identification, measurement, control and monitoring of all material risks to the Group. The risk management system comprises the entirety of all organisational regulations and measures for identifying and dealing with risks. We see risk management as a flexible and evolving system.

Possible risks and defined recommendations and procedures for action are documented in a risk manual.

At their joint meetings, TAG's Management Board and Supervisory Board regularly discuss ongoing developments in the risk management system. In the risk management process, all material risks existing in the Group must be identified, evaluated, managed, and monitored in a risk matrix. This approach makes it possible to review risks without ignoring the associated opportunities.

Macroeconomic risks and risks affecting the real estate and financial sectors are regularly analysed with a view to their possible negative implications for TAG. Internal processes are continuously monitored under these aspects and restructured if necessary. In addition, the TAG Group's earnings position is subject to constant controlling by means of target/actual comparisons and variance analyses.

Each year, TAG's Management Board comments in detail on all significant risks of relevance to TAG in the Risk Report, which forms part of the Group management Report. The Group Management Report is an integral part of the TAG Annual Report, published yearly. The last assessment of the risks relevant to the company was made in the Annual Report for the 2018 financial year. According to this, TAG's Management Board is not aware of any risks that could threaten the existence of the company.

LEVELS OF SUSTAINABILITY

When we talk about sustainable corporate management, we mean all activities and measures that we take as part of our business activities to reflect and protect the economic, ecological and social interests of our stakeholders. All three levels must be brought harmonised, so that tenants, shareholders, employees, service providers, and the general public all benefit in the long term.

The three dimensions – social sustainability, which refers to the concerns of employees and our social responsibility towards our tenants; ecological sustainability, which is aimed at conserving energy and resources; and economic sustainability, whose goal is the long-term economic stability of the company – are interrelated and are therefore taken into account in every decision and at all levels of the company. We are increasingly using digital solutions in all areas to meet ever more complex requirements. The idea is to manage the company in such a way that it creates value and stability long-term.

The following chapters focus on these three areas of sustainability. We explain the strategies and measures we use to address the material aspects we have identified, and how we intend to achieve our sustainability targets.

Economy

Material aspects (103-1, 103-2)

Economic stability is a prerequisite for the continued existence of TAG, enabling it to pursue further sustainability goals in the first place. A good business performance is the essential basis for implementing our social and ecological efforts in the long term. Accordingly, 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. (103-3)

SUSTAINABLE BUSINESS MANAGEMENT



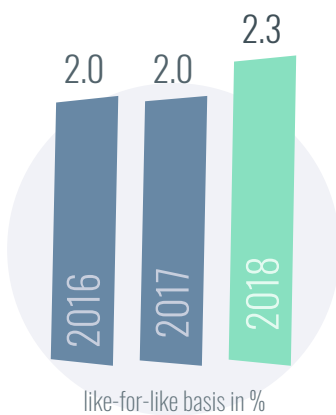
Best Practice

'Smart Home' pilot project launched in Cologne 1 November 2018

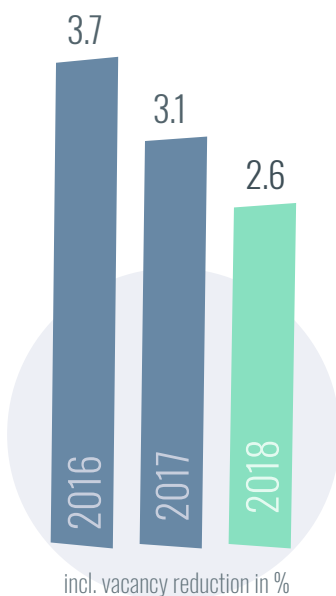
In Cologne, we converted a former commercial property into apartments. Attractive student apartments were created in immediate proximity to the university.

Each apartment was equipped with electronic heating control including window contacts and an electronic door lock. Both can be operated manually or via an app. This equipment was complemented by an integrated 50-Mbit/s Internet connection as well as fitted eat-in kitchens.

On a promotional Open Day, prospective tenants were able to visit the 20 new 1-, 1.5- and 2-bedroom apartments for the first time. TAG's first Smart Home project engendered a great deal of interest. Further Smart Home projects within the TAG Group are already being planned.



RENTAL GROWTH



Indicators of operating performance, and of net assets, financial position, and results of operations

(102-15, 102-7, 201-1)

The success of our efforts is measured by a whole host of indicators. The following section presents the major business results and prospects. These indicators are a regular component of the monthly and quarterly reporting. A detailed presentation is provided in our 2018 Annual Report.

Indicators of operating performance

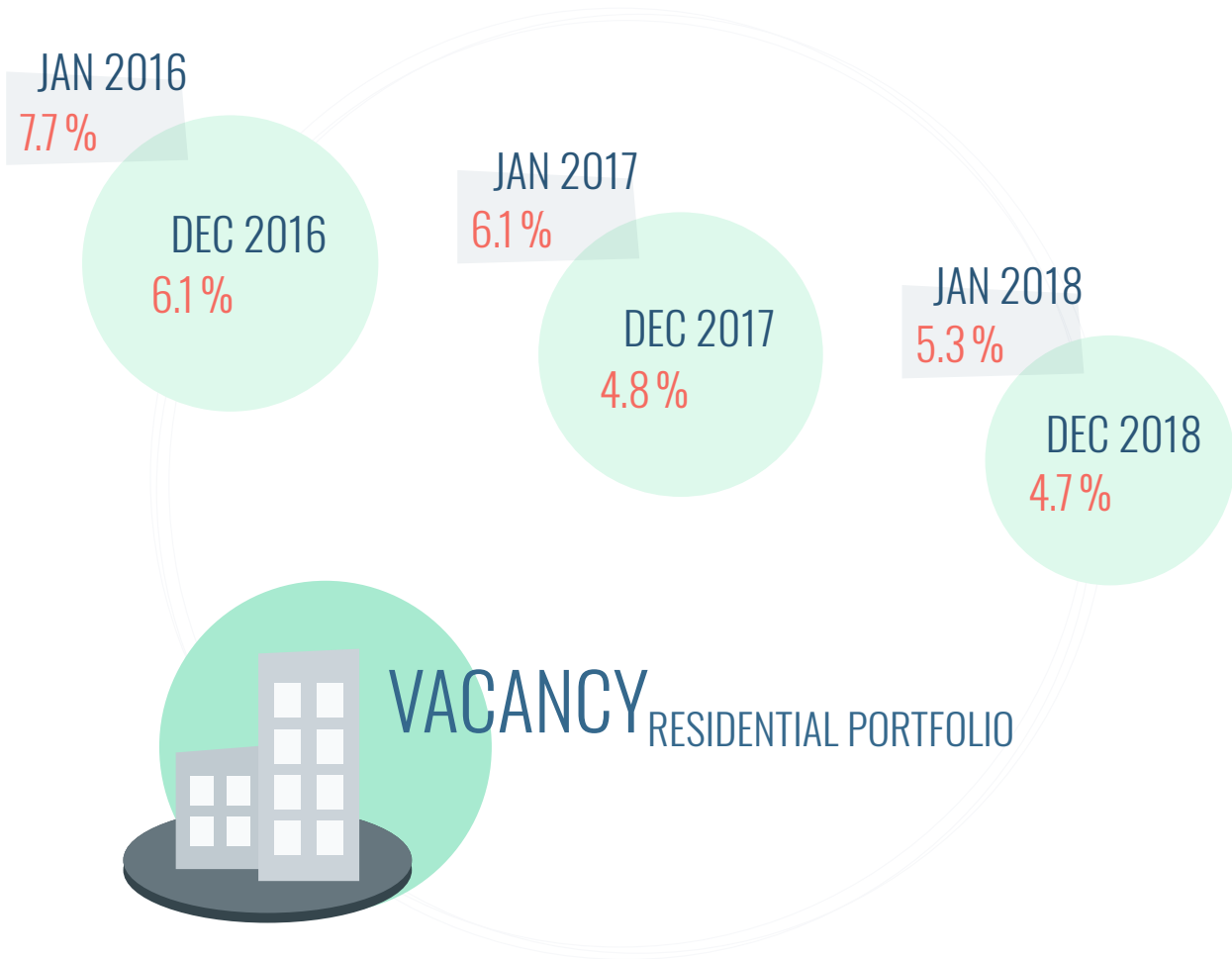
The significant indicators of operating performance, which are regularly calculated and reported to the Management Board, are the development of vacancy and rents. These key indicators are calculated for the overall portfolio as well as for the individual LIM regions and locations.

The following diagram shows the development of vacancy in the Group's residential units in the financial years 2016 to 2018. In the 2018 reporting year, vacancy decreased from 5.3% at the beginning of the year to 4.7% at year-end.

In the overall portfolio, i.e. including the acquisitions made in 2018 and the commercial units in the portfolio, vacancy was 5.3% in December 2018, after 8% at the beginning of the year after 5.8% at the beginning of the year.

Rental growth in the Group's residential units was 2.3% on a like-for-like basis (i.e. excluding the acquisitions and sales of the previous 12 months), after 2.0% in the previous year. Including the effects of vacancy reduction, overall rental growth on a like-for-like basis was 2.6% (3.1% in the 2017 financial year). The diagram on the left shows the development of rental growth in the financial years 2016 to 2018.

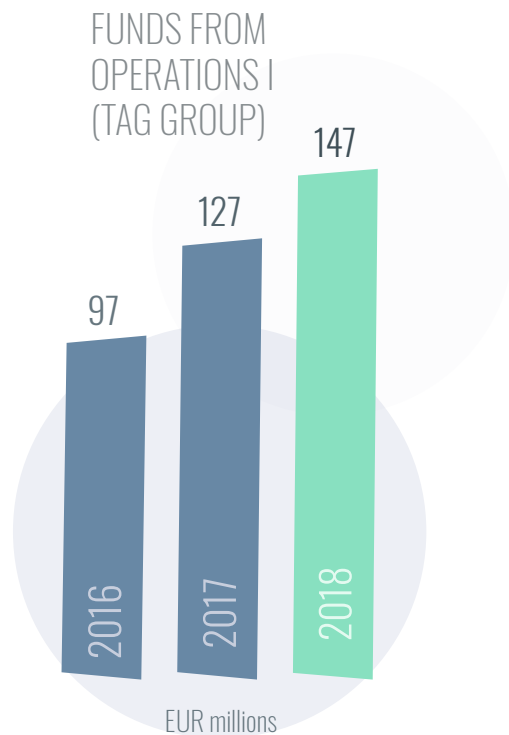
The average rent for residential units in the portfolio rose from EUR 5.20 per sqm to EUR 5.29 per sqm in 2018. The average rental price for new lettings also rose in the 2018 financial year, to EUR 5.60 per sqm after EUR 5.47 per sqm in the previous year in the previous year.



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

Significant financial performance indicators that are regularly calculated and reported to the Management Board, are funds from operations I (FFO I), from which the dividend per share is derived, and net asset value (NAV).

FFO I is calculated based on 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, minus the actual taxes on income. FFO I is also adjusted for proceeds from property sales. This key indicator shows the amount of cash generated that is available for investment, ongoing loan repayments, and dividend payments to shareholders.



Annual Report

TAG's Annual Report 2018 provides further detailed information on the development of the individual key indicators in the consolidated financial statements and the real estate portfolio.

The Annual Report is available online at

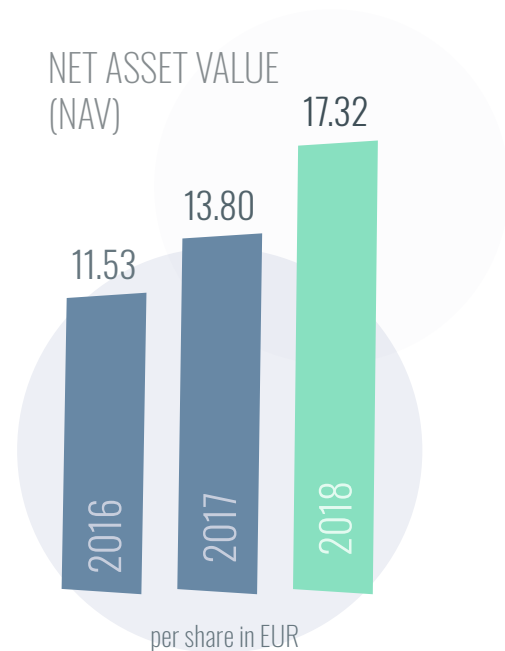
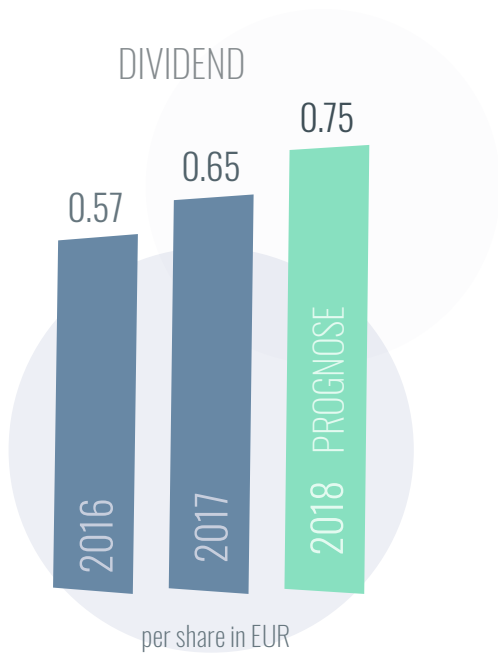
www.tag-ag.com/en/service/downloads/

Besides lower financing costs in the past financial years, the acquisitions we have made and the continuous growth in rents have resulted in a continuously rising FFO I. For the 2019 financial year, we expect FFO I to be between EUR 154 m and EUR 156 m.

FFO I per share has also continuously increased in the past few financial years. After EUR 0.72 per share in 2016, FFO I per share increased to EUR 0.87 in 2017 and to EUR 1.00 in 2018. FFO I is expected to reach EUR 1.06 per share in 2019.

FFO I is TAG's key forecast value. Annual earnings forecasts for the capital market are published primarily on the basis of this indicator (in absolute terms and per share). The annual dividend forecast is derived from this, assuming a pay-out ratio of 75% of FFO I. The dividend paid by TAG to its shareholders has developed as follows:

In the past three financial years, FFO I per share, and thus also the dividend per share, has increased by around 15% year-on-year. For future financial years, following the major refinancing steps of recent financial years, we expect lower FFO growth, which is currently budgeted at 6% for the 2019 financial year. However, higher growth rates may also be possible depending on further acquisitions, which are presumed not included in the planning.



The NAV is calculated in accordance with the Best Practice Recommendations of the European Public Real Estate Association (EPRA). Accordingly, equity as a measure of net assets is adjusted for the effects of deferred income taxes on investment properties and derivative financial instruments, the fair value of the derivatives themselves, and is completed by any hidden reserves in the property, plant and equipment and inventories valued at cost of acquisition or construction. This indicator serves as a measure for the fair value of the company's real estate assets, less financial liabilities and other net assets, assuming long-term ownership of the inventory.

The NAV serves as an important benchmark for assessing the share price on the capital market. The following overview shows the development of NAV over the past three business years.

The increases in the NAV per share in the past financial years resulted not only from the positive operating results, but also from the fact that all the Group's properties are now valued at fair value twice a year, and have regularly shown considerable increases in value.

Best Practice

Increase in financial strength through modernisation of vacant flats Example Brandenburg an der Havel //Tschirchdamm

TAG achieves economic stability – the prerequisite for the company's long-term survival – through high occupancy rates / reduction of vacancy in the portfolio, among other things. One example for this is the modernisation of vacant flats in Brandenburg an der Havel.

As part of the acquisition of a portfolio in February 2017, TAG also acquired 63 flats at Tschirchdamm in the Hohenstücken district. At that time, 38.6 % of the flats were vacant.

In 2018, TAG implemented an extensive modernisation programme to reduce vacancy and enhance the quality of life in the neighbourhood. 19 flats were given new floors and their walls repainted. Bathrooms and kitchens were renovated and updated.

TAG invested a total of EUR 237,300 in the modernisation of the flats. Vacancy was reduced to 5.8 % as a result of these measures, and the associated income from new lettings meant that TAG generated an overall return on capital or return on investment of 36.7 %.

Calculation in TEUR

//Successive income from new rentals	68.7
//Utility costs saved by vacancy reduction	18.3
//Total incremental revenue	87.0
//Total investment	237.3
//Overall return on capital	36.7%
//Return on equity invested	36.7%

Valuation of the real estate portfolio (102-15, 102-7, 103-3)

Our residential portfolio forms the basis of our business activities and is therefore our most important asset. So with a view to portfolio optimisation, our long-term investment strategy focuses on sustainable, active portfolio management and development, as well as moderate, qualitative growth of the portfolios in our ten regions.

On 31 December 2018, TAG's property portfolio comprised 84,426 units (previous year: 83,140) with a fair-value real estate volume of EUR 4.8 bn, compared with EUR 4.3 bn at year-end 2017.

We classify our properties according to their intended use. Our core portfolio consists of 'investment properties', which we keep and let over the medium to long term. Beyond this, we usually earmark a small proportion of our real estate, generally between 1% and 2% of total real estate assets, for sale as part of our normal business activities or as part of a development process. Further information on our portfolio strategy can be found in the 'Company profile' chapter. (103-2)

In the 2018 financial year as in the previous year, the real estate portfolio was revalued as at 30 June and 31 December. We use CBRE GmbH as an external, independent auditor, who carried out the valuation using the discounted cash flow procedure. The valuation is based on information provided to the auditor by TAG (e.g. current rental revenues and vacancy data), and the auditor estimates of the company's situation (e.g. future market rents or discount and capitalisation rates) based on market data. Overall, profits from the property valuation of the past 2018 financial year amounted to EUR 430.0 m after EUR 549.7 m in the previous year. The calculation parameters used in the real estate valuation are published annually in our Notes to the Consolidated Financial Statements.

Preserving assets, developing value (102-15, 102-7, 103-2)

Our core competency in active real estate management is decisive for the company's continued existence and thus in the immediate interests of our stakeholders. Our aim is not only to preserve our property assets, but also to systematically develop them, further reduce vacancy, and achieve a positive business performance through an increase in rental income that is also affordable for our tenants.

We ensure the long-term rentability of our portfolios by investing in them continuously and in line with regional market requirements. In addition, new, marketable residential units are added into the housing market, for example by 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 2018 reporting year, TAG invested a total of EUR 92.4 m in the modernisation and maintenance of its portfolios. So compared with the 2017 financial year (EUR 71.9 m), capital expenditure increased by nearly 30%. At EUR 58.1 m, the share for modernisation is more than 35% higher year-on-year, while the share for maintenance measures increased by almost 20% year-on-year. Expenditures on maintenance in 2018 came to EUR 34.3 m in absolute terms.

Higher expenses for maintenance and modernisation result on the one hand from increased costs for materials and services. On the other hand, however, they predominantly result from the larger number of modernised or refurbished apartments. We are thus responding to a significant interest from our tenants and shareholders in keeping the housing stock in our portfolio up-to-date and at a competitive level that will enable us to reduce vacancy on an ongoing basis.

EUR millions	2018	2017	2016
Maintenance	34,3	29,1	25,0
Modernisation	58,1	42,8	46,5



Outlook

Our stakeholders' needs, as well as the conditions and requirements of the market, have a formative influence on our company's economic stability and future viability. We therefore continuously review our business strategy and adjust it, or our measures, if necessary. Our focus is on optimising our real estate portfolio and sustainably increasing our operating results. Reducing vacancy and realising potential for rent increases will continue to form the basis for organic value increases in the years ahead. In future, digital solutions will contribute even more to our company's efficient organisation and performance. Simultaneously taking into account the expectations of our tenants and employees, but also those of our shareholders and partners, is a challenge we face every day.

By offering a wide range of sizes and types of housing, a good mix of micro-locations, and close, personal tenant care, we can keep generating income and returns from our 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. In order to remain competitive and maintain a high level of service, the qualification and development of our employees as well as securing the next generation of talent through training and development will continue to be a key element of our sustainability strategy in future. (see also 'Social sustainability' chapter.)

GROUP INDICATORS	2018	2017
Rental income	302,2	293,0
Consolidated net profit	488,2	313,7
FFO I per share in EUR	1.00	0.87
FFO I in EUR millions	146.5	127.4
LTV in % incl. outstanding convertible bonds	47.3	52.3
EPRA NAV per share in EUR	17.32	13.80
PORTFOLIO DATA	31. DECEMBER 2018	31. DECEMBER 2017
Units	84,426	83,140
Rentable area in sqm	5,132,860	5,054,778
Real estate volume in EUR millions	4,815.5	4,275.4
Net actual rent in EUR/sqm (total)	5.39	5.31
Net actual rent in EUR/sqm (residential units)	5.29	5.20
Vacancy in % (total)	5.3	5.8
Vacancy in % (residential units)	4.7	4.8
I-f-I rental growth in %	2.3	2.0
I-f-I rental growth in % (incl. vacancy reduction)	2.6	3.1
Acquisitions/sales in units	2,727/1,614	4,946/1,951
Capex (modernisation)	58.1	42.8
Maintenance costs	34.3	29.1
Capex & Maintenance (total)	92.4	71.9

Selected economic key indicators // (102-15, 102-7, 201-1)

Ecology

Material aspects (103-1, 103-2, 103-3)

A responsible treatment of natural resources and the environment is an essential part of the business activities of a property owner like TAG.

Climate protection and the energy transition are tasks for society as a whole, and also affect TAG's business activities. Buildings and homes significantly affect total energy consumption in connection with the use of electricity, room heating and hot water.⁸ Savings potential exists both within TAG's sphere of influence and among our tenants.

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

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 considered in relevant business processes, which include the maintenance and modernisation of our portfolios, procurement processes, waste management, and management of our travel activities and vehicle fleet. We will continue to expand our separate Energy Management line of business, which was established in 2016, thereby creating further opportunities for implementing energy-saving measures and a more efficient use of resources.

⁸ According to the Federal Environment Agency (UBA), 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)

We have defined the following criteria as key environmental indicators and goals in our sustainability reporting:

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

We basically differentiate between energy consumption for our 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 2018), of which we use around 22,000 sqm for our own administrative activities. Given their 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, our reporting on environmental indicators does not differentiate between space used by the company and space used by tenants.

Our tenants' electricity and water consumption is beyond our direct influence, which is why we do not report on it. Electricity contracts are also concluded by our tenants themselves. The electricity supply of the common areas of our properties is not material in relation to the total rentable area and is therefore of secondary importance in terms of consumption, so this is not reported separately either. Effective resource management and technical measures can at best indirectly influence consumption to a certain extent. We report on the energy indicators of our buildings' heat supply within the framework of reference portfolios and primary energy sources, as we have a direct influence here, at least in some cases.

In this report, we describe the measures taken to optimise electricity, heat and water consumption. Reports on environmental sustainability 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 basis, 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 (102-15, 103-2)

TAG encourages the conscious use of electricity, water and heating energy in the daily business routine. This includes avoiding unnecessary water consumption and switching off office equipment and lighting technology when it is not being used for a longer period of time.

To review further possibilities for improving energy efficiency and reducing energy consumption, among other things we performed an energy audit of TAG's office and administrative buildings in 2015.⁹

Based on the energy analysis of building equipment and technology, an energy consumption profile was compiled, and optimisation potential was 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. The energy audit will be repeated in 2019. This will involve analysing the developments, and adapting the catalogue of measures accordingly.

⁹In addition to TAG's administrative buildings, tenant and caretaker offices as well as other company facilities were also taken into account.

Travel management and vehicle fleet (102-15)

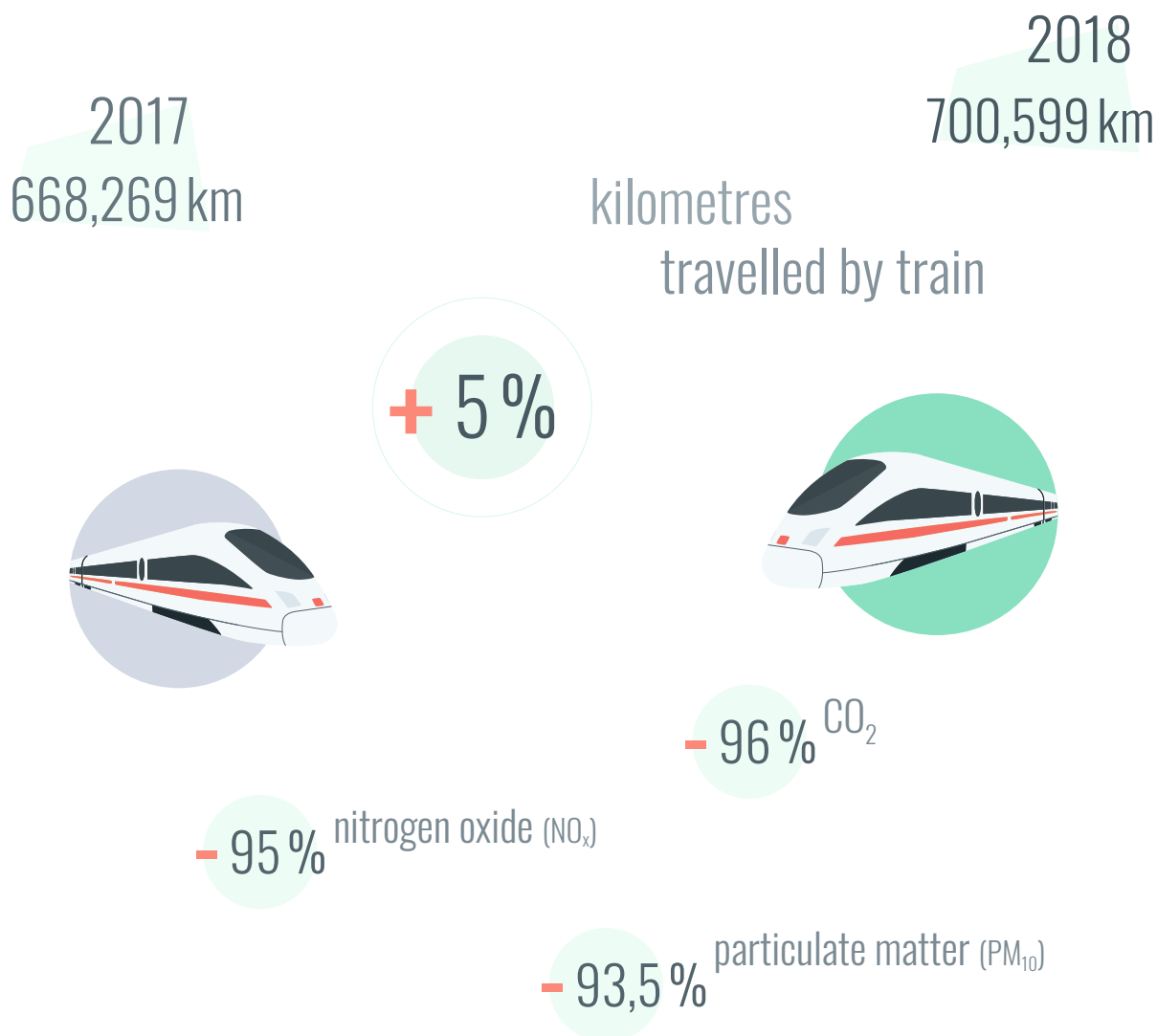
Business travel is required to provide services onsite and speak with tenants and contractors. TAG's central Travel Management department is responsible for making these trips cost-effective and resource-friendly. Business travel is organised and booked centrally, mostly on the basis of framework agreements,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

We want to reduce travel times and resource consumption and therefore increasingly use online conferences and conference calls for internal communication between the various locations or with business partners. In future, it is also planned to communicate more via virtual project rooms in shared chats.

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 280 leased vehicles, of which 192 are pool cars and 88 are company cars assigned to individuals.

For short distances, service bicycles are also available at our larger locations. We are also currently exploring options for using electric vehicles at TAG locations with densely concentrated portfolios. When selecting and using vehicles, strict standards for fuel consumption, vehicle care, and cost consciousness are applied.

Our employees are instructed to travel by train rather than by car whenever possible. Besides the cost and time advantages, environmental criteria play an important role here. Compared to 2017, the number of kilometres travelled by rail increased slightly from 668,269 km to 700,599 km. Compared with using cars, this saved 96.0% of CO₂ emissions, 95.0% of nitrogen oxide and 93.5% 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 72.5% less energy was consumed in 2018 than if cars had been used. CO₂ emissions due to the use of diesel and petrol vehicles increased by 3.8% and 2.6% respectively compared with 2017. (305-3, GHG-Indir-Abs)



FUEL CONSUMPTION

	2017	2018	general factor	2017	2018
Diesel	340,577.48 Liter	353,389.00 Liter	x 2.91 kg CO ₂	991,080.47 kg CO ₂	1,028,361.99 kg CO ₂
Petrol	86,476.97 Liter	84,220.00 Liter	x 2.69 kg CO ₂	232,623.05 kg CO ₂	226,551.80 kg CO ₂
total	427,054.45 Liter	437,609.00 Liter		1,223,703.52 kg CO ₂	1,254,913.79 kg CO ₂

Fuel consumption and CO₂ emissions in kilogram (2017 und 2018) // (102-15, 305-1, GHG-Dir-Abs)

	PEV [L PETROL EQUIVALENT]	CO ₂ [kg]	NO _x [kg]	PM ₁₀ [kg]
Reduction compared to cars 2017	-44,493	-125,039	-321.37	-9.25
	-73,0%	-95.8%	-94.9%	-93.3%
Reduction compared to cars 2018	-45,222	-128,097	-330,44	-9.45
	-72,5%	-96.0%	-95.0%	-93.5%

Reduction in pollutants through use of trains instead of cars 2017, 2018 // (102-15, 305-1,305-3, GHG-Dir-Abs, GHG-Indir-Abs)

Measures and consumption in the portfolio

Maintenance and modernisation (102-15, 103-2)

Ongoing investments enable us to manage our residential portfolios in a resource-conserving manner. To preserve the value of our properties and adapt our properties to tenant and market requirements, we regularly carry out maintenance and modernisation measures (see chapter 'Preserving assets, developing value'). In the process, we prioritise the use of environmentally friendly, durable products and materials, and 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 flats and buildings.

By using high-quality, durable materials, we ensure the long-term functionality of our portfolios' condition and facilities and thus contribute indirectly to resource conservation. We are gradually converting the materials used by our service companies and our service specifications to higher quality materials such as long-life CV floor coverings, or more robust laminate, high-quality sanitary installations, biologically non-hazardous tile material, and low-wear-and-tear fittings with ceramic inserts.

These measures are not only eco-friendly but also economical, and increase our tenants' comfort. For example, when carrying out full renovations of bathrooms, we review whether we can reuse the bathtubs or showers. In electrical installations, TAG gives priority to devices that can be combined with each other. We have firmly anchored environmental friendliness and health compatibility in our specifications for product and material properties.

All cleaning work is carried out in accordance with applicable hygienic standards. Only cleaning agents approved and registered by the Federal Environment 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 (102-15, 103-2, 103-3)

To professionalise energy management and ensure that TAG is fit for the future in this area as well, Energie Wohnen Service GmbH (EWS) was founded in 2016 as TAG's energy subsidiary.

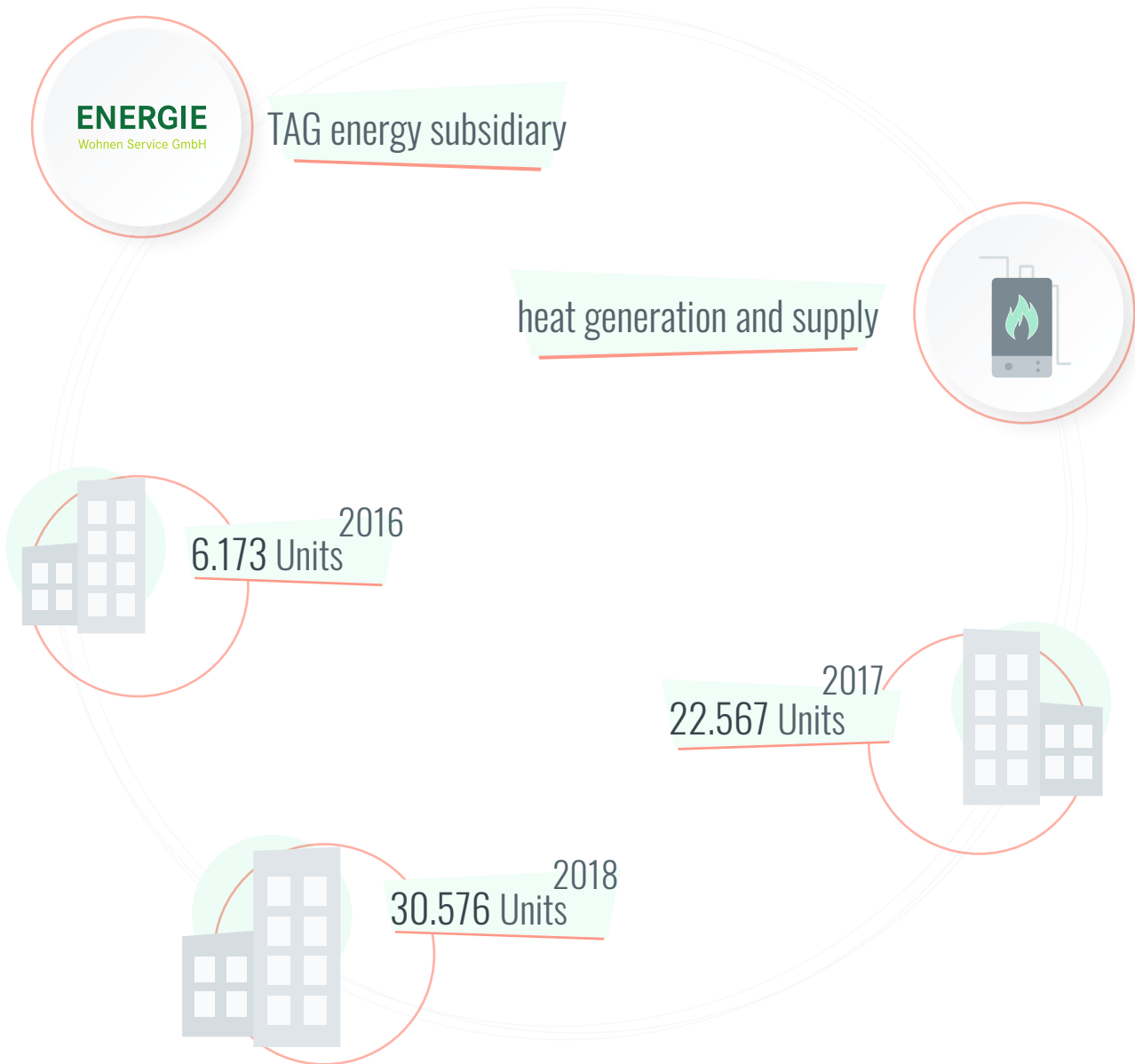
EWS's primary tasks are to generate heat and supply it to the properties in our portfolio, as well as to maintain and modernise the heating systems. It also carries out all regular functional checks and monitors the systems.

In the long term, EWS is to completely cover the energy management and supply of all TAG properties. This integrated management serves to sustainably adjust the future energy utilisation of the buildings. EWS thereby measurably reduces CO₂ emissions and tenants' utility costs.

With 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 climate protection.

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.

HEATING ENERGY SUPPLY



As in the previous year, the focus of our quantitative sustainability reporting is therefore on the heating business, in which EWS operates as a commercial heat supplier. As of 31 December 2018, we had increased the portfolio that is supplied with heating energy and hot water by EWS to 30,576 units and thus to around 36% of TAG's current total residential portfolio (compared with 22,567 units or 27% in 2017 and 6,173 units or 8% in 2016).

For this report, the consumption data from an analysis portfolio of 22,436 units supplied and invoiced by EWS in 2017 was evaluated. This also includes the consumption data of the analysis portfolio examined in the previous year (6,173 units). This means that a first-time comparative analysis can be made in this year's report. We will report on the consumption data for the portfolio that EWS supplied with heating in 2018 in the following year.

Heat consumption in the analysis portfolio 2017 (102-15)

13,310 of the 22,436 units in the 2017 analysis portfolio were heated by EWS with district heating, 8,929 with gas, and 197 with heating oil. The total heated area of the district heating properties is 779,333.3 sqm, while those heated by gas is around 564,108.0 sqm. Heating oil was used to heat 16,678.9 sqm. In total, EWS supplied 1,360,120.2 sqm with heat in 2017.

As a result, the share of the portfolio supplied with district heating in the analysis portfolio has fallen from 87.1% to around 59.3%. By contrast, the share of the portfolio supplied with natural gas increased from 12.9% to 39.8%. Within the energy source mix offered by EWS, natural gas has the lowest emission factors.

The consumption of both district heating and natural gas was reduced by 9.1 kWh/sqm and 15.3 kWh/sqm, respectively, compared with the previous year in terms of rentable area supplied. The consumption including the areas supplied with heating oil was reduced by 13.0 kWh/sqm. The calculated CO₂ emissions (CO₂ equivalents) also decreased by 3.6 kg CO₂ eq/sqm.

Energy savings through systems renewal (102-15)

The renewal of heating systems by EWS was continued in 2018. A total of 124 heating systems were professionally modernised (compared with 109 in the previous year). The total output of the refurbished heating systems is 12,846 kW. Of these, 14 district heating stations with a capacity of 3,965 kW were refurbished, and six heating systems were converted from heating oil to natural gas with a heat output of 995 kW. As part of special projects, a total of nine heating stations were completely rebuilt, amalgamated, or their pipeline systems were completely rebuilt and partly converted to natural gas.

¹⁰For the calculations CO₂ emission factors according to GEMIS (version 4.95) were used

¹¹EWS already achieved savings of 555,700 kWh last year by modernising.

¹²These calculations are based on energy consumption with an average value from the last three billing periods and the forecast annual consumption rate. The calculations for the consumption from district heating systems include the last bill prior to the conversion.

FUEL			2016	2017
District heating	Inventories included	Rentable area (sqm)	311,690.7	779,333.3
		Units	5,378	13,310
	Consumption	(MWh)	36,051.7	83,093.4
		(%)	87.8	59.9
		(kWh/sqm)	115.7	106.6
	CO ₂ emissions	(t CO ₂ eq)	9,409.5	21,687
(kg CO ₂ eq/sqm)		30.2	27.8	
Natural gas	Inventories included	Rentable area (sqm)	45,052.3	564,108.0
		Units	795	8,929
	Consumption	(MWh)	5,013.4	54,139.4
		(%)	12.2	39.0
		(kWh/sqm)	111.3	96.0
	CO ₂ emissions	(t CO ₂ eq)	1,253.4	13,534.9
(kg CO ₂ eq/sqm)		27.8	24.0	
Heating oil	Inventories included	Rentable area (sqm)	-	16,678.9
		Units	-	197
	Consumption	(MWh)	-	1,592.9
		(%)	-	1.1
		(kWh/sqm)	-	95.5
	CO ₂ emissions	(t CO ₂ eq)	-	519.3
(kg CO ₂ eq/sqm)		-	31.1	
Total	Inventories included	Rentable area (sqm)	356,743.0	1,360,120.2
		Units	6,173	22,436
	Consumption	(MWh)	41,065.2	138,825.8
		(%)	100.0	100.0
		(kWh/sqm)	115.1	102.1
	CO ₂ emissions	(t CO ₂ eq)	10,662.9	35,741.5
(kg CO ₂ eq/sqm)		29.9	26.3	

Energy consumption, energy intensity and CO₂ emissions¹⁰ (heat supply) // (302-1, 302-2, 302-3)

The remaining modernised systems will continue to run on natural gas.

Based on the fuel savings through system modernisations, primary consumption, i.e. consumption of the energy sources used, is expected to decrease by a further 132,743 kWh annually from 2019.¹¹ In conjunction with the effects of the switch to natural gas, which is more environmentally friendly than oil, CO₂ emissions will most likely be reduced by 904 tons a year.¹²

Installing highly efficient pumps and energy-saving components as part of the system renovations reduces the primary energy demand for operating current in the refurbished systems by 60%. From 2019, this will result in a further 297,344 kWh of savings. This corresponds to a reduction in CO₂ emissions of 163 tons per year. Thus, significant savings were achieved by our systematic implementation of heating system modernisations.

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

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

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

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

Outlook

With the takeover and expansion of the heating supply, energy management, and installations management in our portfolios by our energy subsidiary EWS, we have also begun to establish and expand our sustainability reporting for this area. We continue to report on a reference portfolio of inventories serviced by EWS. As we gradually expand EWS's services to additional portfolios over the next few years (the long-term plan is to extend them to between 70,000 and 75,000 units or approximately 90% of the total residential portfolio), we will also continuously increase the number of units we include in the reference portfolio. The expansion of the reference portfolio to 30,576 units and thus around 36% of TAG's current total residential portfolio is planned for our reporting in 2019. 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 focusing on further optimising travel management and vehicle use (e.g. trialling the use of electric vehicles as pool vehicles), as well as 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, environmentally 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 to conserving resources. Essential operational business processes were revised, and many individual steps were simplified and digitised. Examples include the switch to an electronic invoicing workflow (see 'Sustainability' chapter, notes on the supply chain), the electronic trades portal for awarding contracts to craftsmen, 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 (holiday requests, etc.). The organisation manual and company guidelines are also stored here.

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



2017 // 6,000 kg
 2018 // 30,000 kg
 Return of
 waste paper
 recycling

Saving and recycling paper (102-15, 301-1)

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

We already process 70% of all craftsmen orders electronically via the trades portal. In 2018, it was used to process some 53,600 paperless orders (54,400 in 2017). Depending on the size of the order, approximately three to twelve pages of paper per job were saved in this way (e.g. for order letters, order confirmations, invoices). Assuming an average consumption of seven pages per job, this results in total paper savings of approximately [375,000] 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.

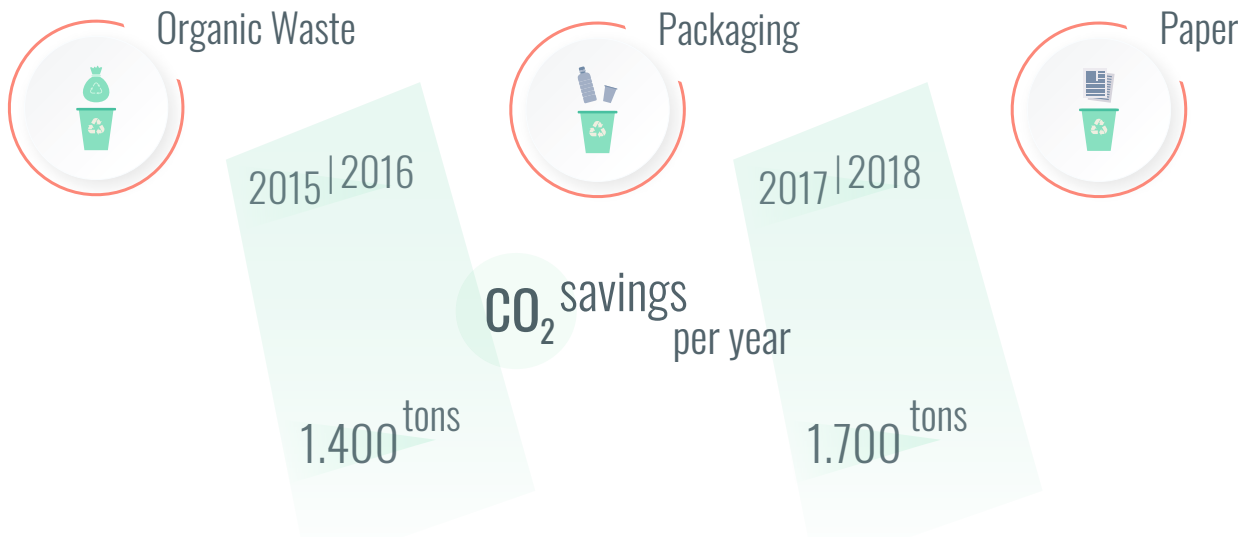
Through other partners, we also guarantee 100% recycling of the waste paper returned. In total, around 30,000 kg of paper were recycled in 2018 (around 6,000 kg in 2017).

In the year under review, we were able to achieve significant paper savings and, above all, significantly increase the recycling volume. In the course of advancing digitisation, we will further expand the paperless and electronic processing of documents and associated communications across the company.

Resource and energy savings in the IT sector

The sustainable and prudent use of IT equipment can have a positive effect on resource consumption. TAG employees have been made aware of this topic. Specifications and guidelines for the use of technical equipment such as PCs, monitors and printers are designed 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).

WASTE MANAGEMENT



Data centres generally have very high energy requirements. By using ‘green’ IT, our data centre in Düsseldorf saves considerable amounts of cooling energy and electricity. For example, up to 70% of the annual cooling energy was saved thanks to the additional connection of a low-energy heat exchanger for cooling. Also, 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.

Measures and consumption in the portfolio (102-15, 103-1, 103-2, 103-3)

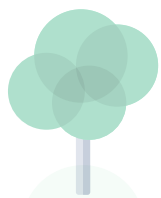
Waste and waste management

Effective waste management makes a significant contribution to the reuse of resources, and helps to achieve 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 for tenants.

At our larger size locations, we have outsourced waste management to external service providers. These include Musterknaben eG in Gera, Salzgitter, Döbeln and Erfurt. As part of joint projects, waste volumes and costs were significantly reduced in 2017 and 2018.

In all, a further 50,000 litres of residual waste per week were saved at all four locations during the period under review, resulting in savings on residual waste costs of around EUR 60,000 compared with 2016. In addition, a total of around 445,000 litres more materials could be collected each week in the packaging, paper and card, and organic waste bins. Effective waste management thereby reduced CO₂ emissions by around 1,700 tons per year in 2017 and 2018.

To strengthen environmental awareness 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 get to 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 build awareness for a cleaner immediate environment and thus a cleaner neighbourhood.



42.200 trees

Care and
inspection

1,5 millions sqm
of landscaping

Garden maintenance (304-2)

Our portfolios are managed based on defined qualitative standards and processes. Maintenance of our green spaces (landscaping) is increasingly tendered and managed by our Central Purchasing department. In the past year, the managed green space increased from around 1.2 m sqm to 1.5 m sqm, mainly at our locations in Erfurt, Gera, Dresden, Chemnitz, Brandenburg an der Havel, Merseburg, Nauen, Lausitz, Görlitz and Salzgitter. The contractually maintained areas form the surroundings of around 41,000 residential units, i.e. about one half of our total residential portfolio.

Framework contracts were also concluded for tree care and inspection, currently for a total of about 42,200 trees (+4.2%). This ensures the preservation of the trees and/or 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 further utilisation.

Outlook

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

Tendering and procurement processes are increasingly controlled via Central Purchasing, which leads to more efficient use of resources and improved quality standards. We are also continuing to work on adding further sustainability aspects to our selection criteria for suppliers, contractual partners and other service providers.

Best Practice

Modernisation saves resources and reduces vacancy Borsdorf near Leipzig

An example for the sustainable development of our portfolios is the modernisation of 16 former residential units on Leipziger Strasse in Borsdorf near Leipzig. Extensive measures enabled us to drastically reduce the vacancy rate while also significantly reducing the emission of pollutants.

In cooperation with EWS, we modernised an approximately 100-year-old residential building with around 875 sqm of residential space. Eight flats in the house were heated decentrally by coal-fired appliances before the modernisation, with coal-fired bathwater heaters used for heating water. A further eight flats were heated using an outdated gas floor heating system. The flats required 18,700 kg of lignite briquettes and around 8,200 cbm of natural gas per year, which corresponds to around 67 tons of CO₂ emissions per year. Due to obsolete technical systems, fully a third of the flats were vacant in 2017.

In the spring of 2018, we began the modernisation measures: A central condensing heating system with centrally heated water was installed.

The water risers and the electrical cables were renewed. Old lead pipes were removed. We modernised the floor plans, merged some flats into maisonettes, and added modern bathrooms and balconies. Staircases were renovated and the outdoor facilities renewed. Completion is scheduled for May 2019.

A total of around EUR 570,000 was invested in conversions and modernisation. Eleven new flats were created and are already fully let. By establishing modern housing standards, TAG managed to achieve full occupancy and conserve resources. Once all the work has been completed, the property will only need 14,500 cbm of natural gas per year, which corresponds to around 29 tons of CO₂ emissions. The elimination of lignite as an energy source also reduces particulate emissions. Overall, the modernisation measures will cut the original pollutant emissions by more than half.

Social Sustainability

Attractive properties and liveable neighbourhoods where our tenants feel at home, as well as motivated and satisfied employees, are the mainstays of our company's success. As part of the 'social sustainability' aspect, they are key elements of our sustainability strategy and are at the heart of our business conduct. (103-2)

Tenant survey 2018 (102-43, 102-44)

In Q3 2018, TAG once again surveyed all tenant households on housing-related issues. Topics included their satisfaction about the flats we offer and our service quality, suggestions for improvements, and interest in housing-related services and offerings, including digital solutions. The survey was carried out together with the Mittweida University of Applied Sciences. The high response rate of over 22.4% shows the great interest in this communication option. Once again, it indicated high levels of satisfaction with TAG's customer, caretaker, and repair service, as well as the living environment and neighbourhood. This confirms us in our efforts to maintain our regional tenant services at a high level and expanding the range of other services offered by our own staff.

A large proportion of our tenants would like to continue to communicate with us and receive information via traditional channels (tenant office, telephone, letter). But electronic media (email, internet contact form, tenant app) are also increasingly being used or are of interest.

Of the neighbourhood offers, the 'Activity Lounges' with diverse events are especially popular; and social counselling is also particularly appreciated. We intend to further increase awareness of these products at various locations. In the case of additional offers, partly in collaboration with partner companies, our tenants are primarily concerned with individual modifications to accommodation and renovation services. The increasing interest in 'smart' technical systems relates both to safety solutions (e.g. home emergency call system) and to systems that help lower costs (e.g. room temperature control).

On the one hand, the results of the survey confirm that we should continue on our chosen path in real estate management. On the other, we have received a lot of input and suggestions for developing and improving our services.

Response rate



22.4%

Marketable residential portfolios and liveable neighbourhoods (102-15, 103-1, 103-2)

Needs-oriented housing and services

Our business activity focuses on modern, needs-oriented homes at affordable rents for every situation in life: from family-friendly homes to flat-shares for students, and senior-friendly apartments. We align our range of housing to the requirements of the regional markets and offer tenant households with varying needs and incomes suitable, sustainable homes. In locations where there is a lack of appropriate housing for specific target groups, we create suitable, individual offerings through targeted renovation measures. In doing so we promote a social mix in our portfolios.

An important concern for us is the provision of disabled-access housing. We take this into account in our planned modernisation measures as well as by supporting our tenants in their desired individual renovation measures. At numerous locations, a wide-range of suitable offers is available and will be successively expanded. In all, around 1,000 of our flats are disabled- or wheelchair-accessible. Approximately 11,800 units or around 14% of our current total residential portfolio is now accessible by lift. On request, our tenants at various locations can avail themselves of additional services and support provided by care services that cooperate with us.

To ensure that housing remains attractive for all ages, we consider our tenants' varying expectations regarding quality of living and additional services. One example is the concierge service that we offer our tenants in Erfurt and Gera. Professionals who cannot accept their packages during the week appreciate this service, as do older residents who can no longer cope with the small details of everyday life on their own.

We also create housing for students in university cities. Our low-cost apartments and flat-shares are well received and are an attractive alternative to dorms for many students.

We ensure traffic safety around our buildings, technical systems, and portfolios in order to avoid health hazards to tenants and third parties, and to prevent damage to property and the environment. For this purpose, TAG has developed a monitoring system to identify traffic safety risks relating to its properties in good time. A key task in real estate management is corrective action through the on-site property management.

Each of our properties is assigned to categories based on their condition or duration of ownership. From this, we derive how often qualified specialists have to carry out and log property inspections. This procedure is complemented by weekly inspections of the residential complexes. If any traffic safety deficiencies are detected, the responsible in-house or third-party service provider sends an ad hoc report to our customer service representatives. We use a processing and monitoring algorithm to ensure that reported defects are quickly and completely rectified. The inspections are carried out according to clearly defined criteria which are documented and included in the quarterly risk reporting.

A service mentality in dealing with our tenants, prospective tenants, service providers, and partners as well as regular personal contact with them on site are our mainstays for long-term, trustful tenant relationships.

We have set up 70 tenant offices (2017: 69) in our neighbourhoods, where our employees can be approached directly. This allows for a quick and individual clarification of questions and concerns about housing, and reinforces mutual trust. Besides, the close contact between our tenants and employees is a source of regular feedback on our tenants' satisfaction with our services and offers.

We receive feedback on this through regular tenant surveys as well, and from our service monitoring, where the quality of service is evaluated.

In addition, in 2018 we further developed our electronic tenant portal and our TAG tenant app in order to offer our tenants another way to contact us and quickly and easily communicate their concerns to us in future.

We also offer extensive housing consultation at selected locations with model fittings (e.g. model bathrooms in different varieties or with everyday aids for seniors) and in some cases even fully equipped show flats. Our specially trained employees advise interested tenants in the selection process and inform them about possible subsidies for renovations.

Main concerns of tenants in the Gera region in 2017/2018

// Bathroom renovation

// Walker/wheelchair garage

// Balcony door renovation

// Handrails in the flats

// Outside/stair railings

Best Practice

TAG housing consultation

We want to provide our tenants with modern, needs-oriented housing and to be a reliable partner under all circumstances in life. We therefore offer extensive housing consultation at selected locations. Trained employees advise and support interested tenants on matters relating to the facilities, refurbishment/retrofitting, and offers of assistance in and aids for everyday life. The Salzgitter, Erfurt, and Gera regions, with their high proportion of senior citizens, are a focus of these consultation and service activities. The aim is to promote self-determined living into old age and to improve the quality of the housing so that older tenants can stay in their own homes and in their familiar surroundings for as long as possible.

The consultation is based on the tenants' questions and personal concerns. In conversation and during visits, our employees record their housing conditions and individual needs in order to assess the options for improving their living environment.

We then develop a concept of how to help the household in question. Measures can range from smaller jobs, such as the installation of handrails in the flat, to larger renovations that make disabled-access living possible.

Our housing consultants also identify additional need of assistance, e.g. for daily housework or care, and take appropriate steps.

We complement these individual measures with a wide range of offers designed to make everyday life easier and more enriching for seniors in general. Examples include our recreational offerings in the 'Activity Lounges' as well as help with filling out forms and dealing with the authorities. We work with local social organisations and societies such as the Caritas (German Caritas Association), the Johanniter-Unfall-Hilfe e.V., and the Arbeiter-Samariter-Bund (Samaritan Federation Germany) to provide special services such as home emergency calls, outpatient services, and patient transport.

Through our housing consultation services, TAG helps people help themselves in residential neighbourhoods and promotes a sense of community and identification in the neighbourhood, and thereby encourages tenants to stay in their home environment for as long as possible.

Example

At the 'Service Living Am Katzenberg', Erfurt, the care company Häusliche Kranken- und Altenpflege Schmid/Möller is based on the premises, providing service from Monday to Friday. Separate contracts for additional care services can also be concluded with the company.

Self-determined living

- // Advice on conversion measures, aids and financing options
- // Bathroom exhibition in Gera and Salzgitter to inform about low door thresholds, higher toilet seats, barrier-free showers and handholds in the bathroom
- // Exhibition of everyday aids such as walkers, floor-ceiling poles, tub lifts, shower seats, etc.
- // Supply of mini garages for walkers
- // Installation of home emergency calls
- // Cooperation with nursing services

Quality of life

- // 'Activity Lounges' in residential neighbourhoods featuring lunches, coffee afternoons, creative days, games afternoons, senior sports, memory training, and birthday parties
- // Fully equipped guest flats for short-term visitors

MEASURES AND SERVICES

Strong neighbourhoods (102-15, 103-2, 203-1, 413-1, Comty-Eng)

Ensuring that people like to spend time in their residential districts, and well-functioning neighbourhoods are important prerequisites for our long-term letting success. A well-maintained residential environment, social assistance, services, an intact infrastructure, and recreational offerings are therefore important components of our sustainable business strategy.

The regional Heads of Real Estate Management (LIMs) 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 public transport links 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 local amenities.

Inside and outside our residential buildings, we strive for good neighbourliness and social solidarity between tenants, as well as a high level of identification by residents with their neighbourhood. Wherever residents feel at home - where outside facilities are well-maintained, and façades are attractively designed - they will pay more attention to ensuring that their facilities are treated with care and damage is avoided.

One focus of our local and social commitment is the establishment and operation of a large number of leisure and family centres in the immediate vicinity of our inventories, where various recreational courses, information events, excursions, and care facilities are offered.

Locally, we work closely with social organisations such as the Arbeiterwohlfahrt (Workers' Welfare Association), the Arbeiter-Samariter-Bund (Samaritan Federation Germany), the Caritas (German Caritas Association), the Johanniter-Unfall-Hilfe e.V., or the Volkssolidarität (People's Solidarity). Our tenants can also contribute their own ideas and get involved. We support a spirit of community in the neighbourhood with our 'Activity Lounges' where different generations come together. We also support our tenants' own personal initiatives and neighbourhood community efforts, and make it easier for refugees to be accepted and integrate in their new environment and into existing communities. An example of this is the Begegnungscafö in Salzgitter, jointly set up by the local council, TAG, and Christliches Jugenddorfwerk (CJD). (102-12)

We support clubs and social initiatives. In 2018 we again contributed actively 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 premises free of charge. One focus of our efforts is youth outreach. TAG supports children's and family centres in Erfurt, Gera and Salzgitter with the 'Jumpers – Jugend mit Perspektive e.V.' association. Jumpers is dedicated to children's welfare, and offers extensive recreational activities for children, including help in dealing with family problems and challenges at school.

Together with our partners Jumpers and the Kranichdamm primary school in Lebenstedt (Salzgitter), we won the Braunschweig Chamber of Industry and Commerce Social Transfer Award for our commitment to the 'Gewaltfrei Lernen' ('Nonviolent Learning') project.

Affordable rents

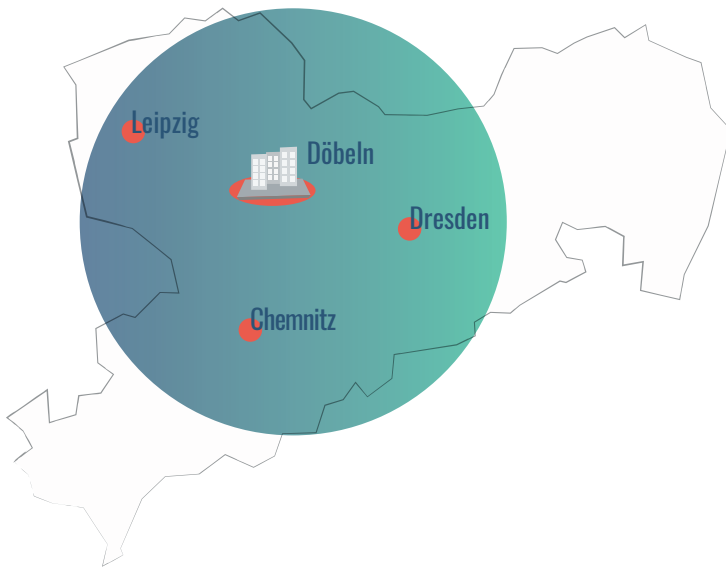
As a provider of housing, TAG is expected by tenants, politicians, and the general public to not only keep its buildings in an up-to-date condition, but also to charge rents that are acceptable to households at all stages of their lives and to broad sections of the population. We therefore create modern, lastingly affordable housing for various target groups. With such measures, we achieve a high level of customer loyalty and low tenant churn in our portfolios.

In the event of modernisations, the benefits and affordability for their respective residents and future target groups are carefully weighed. The costs may not even be added to the rent up to the legally permissible extent.

In new rentals, the average net cold rent in 2018 was EUR 5.60 per sqm per month (2017: EUR 5.47 per sqm) and thus about 5.9% above the average actual rent in the residential portfolio of EUR 5.29 per sqm per month (31 December 2018). So, compared with the previous year, rents have risen moderately again. The reduction in vacancy shows that we have chosen the right balance between market development and affordability of rents. (Information on rental growth and vacancy development can be found in the chapter on 'Economy'.)

Long-term tenant relationships are also an expression of a high degree of tenant loyalty. As at 31 December 2018, around 55% of TAG's leases had a term of more than five years and around 35% a term of more than ten years (not taking into account tenants' moves within our portfolio).

In sum, families, singles, seniors, students, and working couples all find suitable homes with us, which ensures the long-term letting of our flats and a good income base.



Implemented Measures

- // Extensive renovation and modernisation through to complete refurbishment
- // Creation of a variety of floor plans
- // Expansion and reinforcement of social engagement
- // Hosted own 'L(i)ebenswert Wohnen' (Loveable living) tenant lounge
- // Creation of infrastructure through construction of a discount supermarket

Best Practice

Neighbourhood development in Döbeln (Nord)

(413-1, 203-1, Comty-Eng)

The small Saxon town of Döbeln mainly attracts families and middle-aged people from the surrounding villages. While the town centre and East Döbeln have a well-developed infrastructure, Döbeln Nord (North Döbeln) shows potential for development to turn this part of the city into an attractive residential district as well.

In 2017, we presented our extensive, long-term concept for neighbourhood development and explained the measures taken by TAG between 2013 and 2017. These primarily included the extensive renovation and modernisation of many buildings, where the wishes of the tenants were taken into account in order to strengthen the existing tenant structure and reduce vacancy. In addition, new local amenities and neighbourhood lounges were created. Since 2016, we have also been involved in the urban development concept measures for Döbeln Nord, and in the implementation of individual measures. In this connection, in 2018 we handled the project development for re-establishing a supermarket to ensure a good local supply.



In autumn 2018, the residential complex with daytime care facilities was completed in Bayerische Straße.

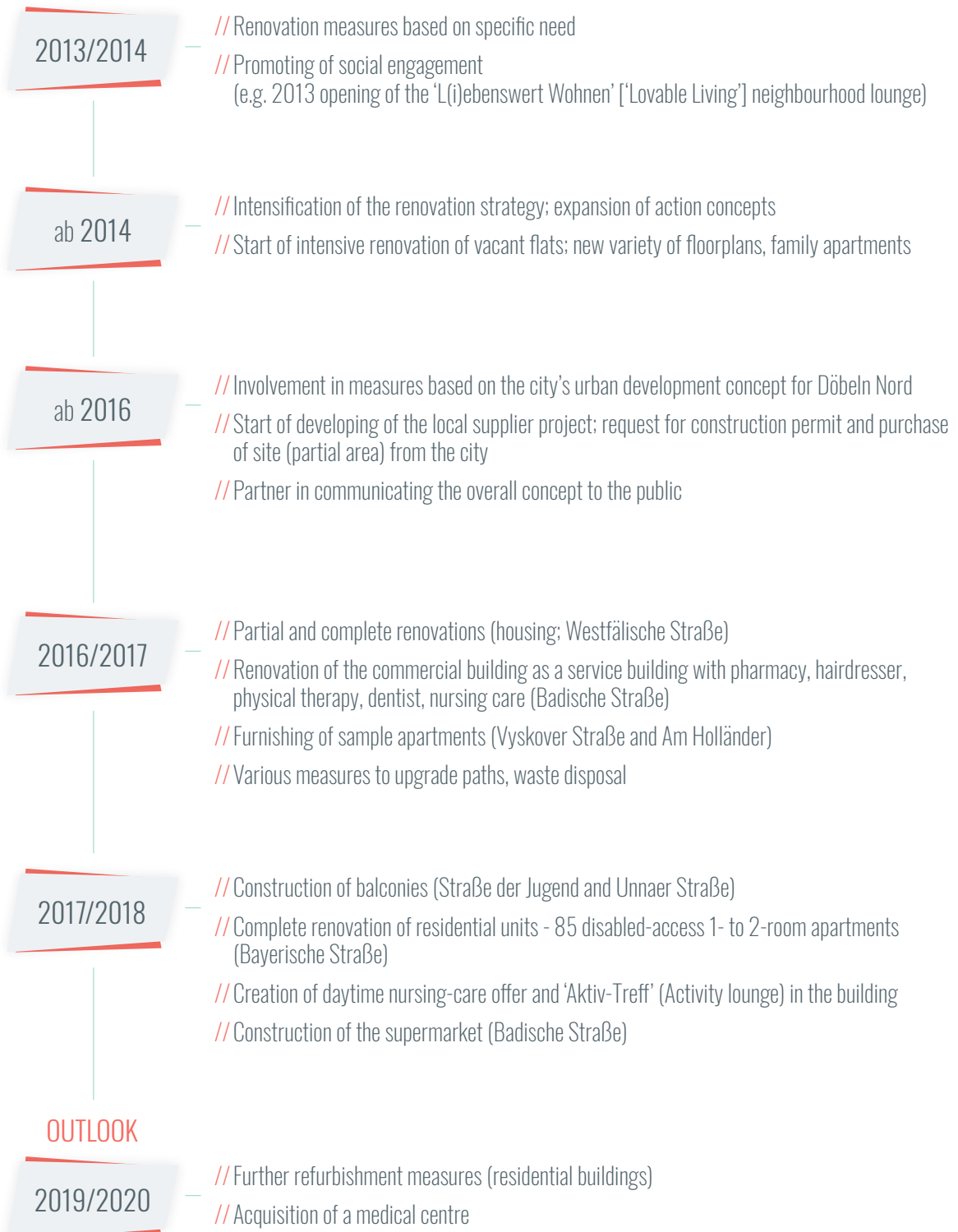
At year-end, 80 % of the 85 fully renovated, disabled-access 1- to 2-bedroom flats had already been let.

We have also started the renovation of the Döblinaweg apartments. By spring/summer 2019, a district with 56 senior-friendly 1- to 2-bedroom flats will be built there. We are also renovating the residential portfolio in the Straße der Jugend, where the district's target group is primarily families. The completion of 40 residential units with 2- to 5-bedroom flats is scheduled for autumn 2019.

Further renovations are planned through 2020, including the renovation of the Am Holländer flats to create a district for families and seniors. Up-to-date, target group-appropriate flats are being created here by combining apartments and adding balconies and lifts.

In order to facilitate future residents' access to important care facilities, it is also planned to attract a medical centre to the site.

TIMELINE OF MEASURES IN DÖBELN NORD (NORTH DÖBELN)





Outlook

A high occupancy rate, significant vacancy reductions, 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 consideration of individual tenant wishes.

Tenant surveys and service monitoring therefore remain important components of our communications strategy. In addition, we will regularly review the extent to which our aid, advisory, and recreational offerings contribute to social cohesion in our neighbourhoods, and will keep expanding them accordingly.

Evaluations planned for future use of the new electronic tenant portal will provide further information on the potential for optimisation of our residential portfolios.

We will also continue to analyse the regional development data that our LIMs report to the Management Board on a monthly basis, and fine-tune ongoing projects and measures as needed. (103-3)

Sustainable HR culture

A corporate culture of appreciation, transparency, and participation (102-15, 103-1, 103-2)

Our employees' experience, competence, loyalty and high level of dedication are crucial to the achievement of our corporate goals and to improving services for our tenants.

TAG aspires to be a reliable and attractive employer. This means that HR 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 defines 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 annual staff appraisals, we conduct employee surveys on in-house collaboration, satisfaction, service quality, and possible optimisation potential at regular intervals. The results of these 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.

We also seek to intensify and further develop active participation at all levels of the company, along with cross-team networking and open communications, through our 'WIR-Kultur' ('WE' Culture) project. In 2018, its work focused on our corporate culture. In numerous large and small project rounds at various locations we jointly debated and discussed what has proven worthwhile in daily collaboration, and which values we will give even greater consideration to within TAG as a modern, sustainable company.

We have developed many ideas and have already begun to implement some of them.

SUSTAINABLE HR CULTURE

OPEN DISCUSSIONS 'WE' CULTURE
INDIVIDUAL SKILLS **COMPETENCE**
 CONSTRUCTIVE AND CROSS-DEPARTMENTAL **DIALOGUE**
FLAT HIERARCHIES **FRIENDLINESS**
 SENSE OF **RESPONSIBILITY**
FAIRNESS COMMITMENT TO INNOVATION
TRUST

For example, additional common rooms and communication rooms were set up for employees. At the same time, we relaunched our intranet to further optimise the flow of information. A continuance of the 'WE' Culture project is planned in 2019, this time with an increased involvement of the customer perspective.

As part of statutory employee 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 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 is involved in the coordination and implementation of these measures at an early stage.

To let our employees share in the company's success, we launched an employee stock-option programme in 2018. The offer of purchasing TAG shares at preferential rates once a year is open to all TAG employees. It has met with a great response so far and will be continued. Being rewarded for their contribution to the company's success increases employees' motivation and loyalty to the company.

Personnel structure and equal opportunities

(102-7, 102-8, 103-1, 103-2, 103-3, 401-1, 405-1, Emp-Turnover, Diversity-Emp)

At year-end 2018, TAG employed a total of 1,105 people besides the Management Board (31 December 2017: 1,051 employees)¹³. In the 2018 reporting year, 195 new employees were hired; as in the previous year, mainly for the Group's caretaker services and operational real estate management. 143 employees left our company in 2018. The average length of service of our employees increased slightly compared to the previous year to an average of 8.8 years in the non-commercial sector and 3.5 years in the commercial sector. The churn rate¹⁴ was 9.2%.

Irrespective of origin, gender, age or physical impairment, all our employees are given equal opportunities. This equal treatment is self-evident to us. On 31 December 2018, 54% of our employees were female, and 46% male. The women's quota for management positions of at least 40% set by the Management Board was exceeded in 2018. The Supervisory Board has set a women's quota of at least 30% for the Management Board, which it has fulfilled for many years.

We rely on a balanced mix of young and experienced colleagues. This ensures the continued existence of the company and contributes to the preservation, expansion, and transfer of knowledge. In 2018, we had 158 employees aged under 30, 578 employees aged between 30 and 50, and 369 employees aged over 50. As in the previous year, the average age of our employees was around 43.

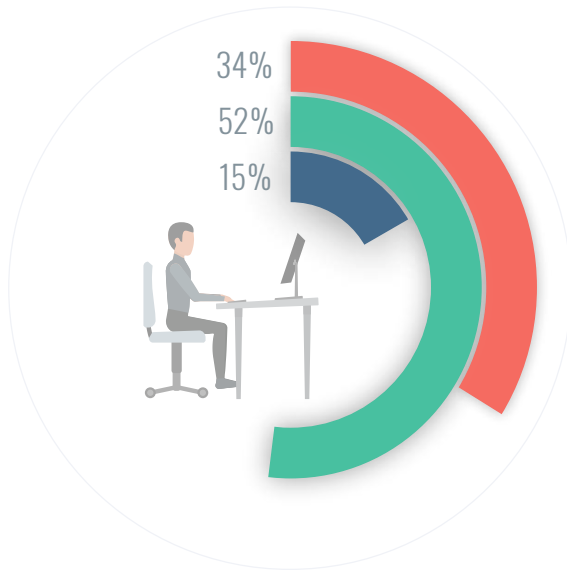
In 2018, TAG employed 36 severely disabled people who work in administration as well as operational real estate management. This corresponds to about 3.3% of all employees (2017: 3.6%).

In 2018, as in previous years, there were no violations of the General Act on Equal Treatment (AGG) at TAG. (406-1)

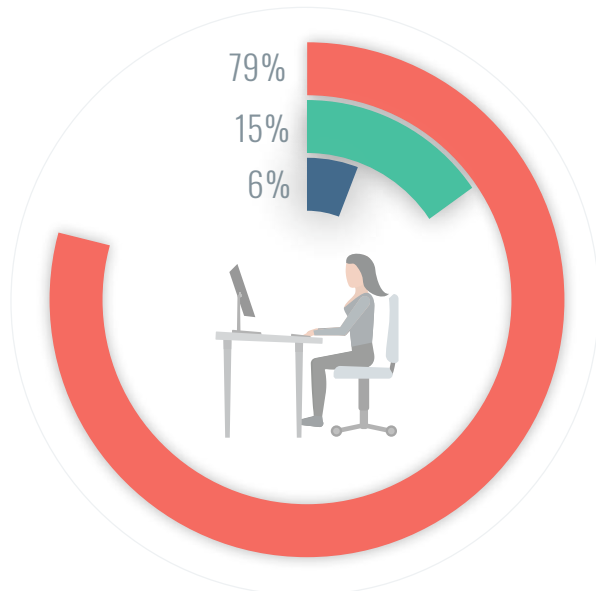
¹³Including apprentices and student assistants

¹⁴Excluding retirements and commercial employees

FORM OF EMPLOYMENT



AGE STRUCTURE



We promote a healthy work-life balance because the success of our company is based on our employees' motivation and commitment. To meet the needs of our staff, we offer various options for part-time work, a temporary reduction of weekly working hours, and home office work.

In addition, every employee can arrange their working hours flexibly, and relocate on request. All these offers guarantee our employees a high degree of flexibility and give them the opportunity to fulfil their tasks and responsibilities at work as well as in their private life.

In 2018 52 employees made use of parental leave, of which 45 are expected to return to work by the end of 2019. In the 2018 reporting year, 25 employees resumed their work after parental leave. (401-3)

Our employees' remuneration is based on performance and market conditions and also depends on the position's 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 remuneration, we offer our employees various benefits, such as company pension plans, group accident insurance, and attractive capital-forming benefits. Of course, these offers apply to all employees regardless of their type of employment relationship. TAG does not employ anyone based on collective agreements. (102-41, 405-2, Diversity-Pay)

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 employees' health and preserving the company's material assets. The relevant regulations (including health and safety information, safety instructions, occupational health and safety, fire safety regulations, requirements for a healthy workplace, etc.) are documented in guidelines and are regularly reviewed, updated, and communicated. Information on occupational health and safety is also provided on the company's intranet. In addition, each employee is briefed on occupational health and safety issues in person once a year.

Due to our excellent experience in connection with their occupational safety and occupational medicine services, we continued our collaboration with TÜV Arbeitsmedizinische Dienste (TÜV AMD occupational health services) in 2018.

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 to keep up the dialogue with employees on this topic. The meetings are regularly attended by the occupational safety specialists, the occupational physician, TAG's safety officers, and the location's works councils. The safety officers at all TAG locations were trained in May 2018 by the external occupational safety specialist appointed to refresh their knowledge.

Besides the in-house HSSE officers, external specialists are also involved in the professional implementation of occupational health and safety. Compared to 2017, the number of safety officers was increased by two to 15. In addition, there are 54 fire safety assistants (2017: 43), six evacuation helpers (no change to 2017) and 72 first responders (2017: 76). All employees working in these areas have completed the appropriate training for these tasks.

¹⁵ As in the previous year, the workplace accidents this year mainly involved travel accidents and minor injuries, e.g. from caretaker activities

OCCUPATIONAL HEALTH



In 2018, no serious occupational safety and health deficiencies were identified during the on-site inspections by external and internal officers. There were no serious occupational accidents (34 accidents 15 at work or an accident rate of 3.1%, mostly in the caretaker service; no work-related deaths). Our employees are not subject to any demonstrably increased risk of illness or injury due to the nature of their work.

We take special protective measures for our field staff: The employees of TAG subsidiaries TAG Immobilien Service GmbH and TAG Handwerkerservice GmbH receive protective workwear consisting of many components. Appropriate protective clothing is also provided for special tasks such as tree cutting with chain saws.

A healthy workplace is a prerequisite for employees' performance and well-being.

To promote this, preventive medical check-ups were once again carried out in 2018, in particular for employees at computer workstations, in collaboration with the TÜV AMD medical teams with whom we have signed a contract. TAG also concluded a works agreement under which employees will receive an allowance for any eyeglasses required for screen work.

In 2018, TAG once again hosted a company-wide Health Day. More than 200 employees made use of various offers on the topic of 'Dealing with Stress in a Healthy Way'. Since autumn 2018, TAG, in collaboration with Barmer Krankenkasse, has also offered all employees a digital health programme designed to help maintain and improve their health. A digital platform allows the use of numerous info clips and applications and practical exercises under guidance, for example to strengthen ocular and back health.

Employee qualification and training

(103-1, 103-2, 103-3, 404-1, 404-2, Emp-Training)

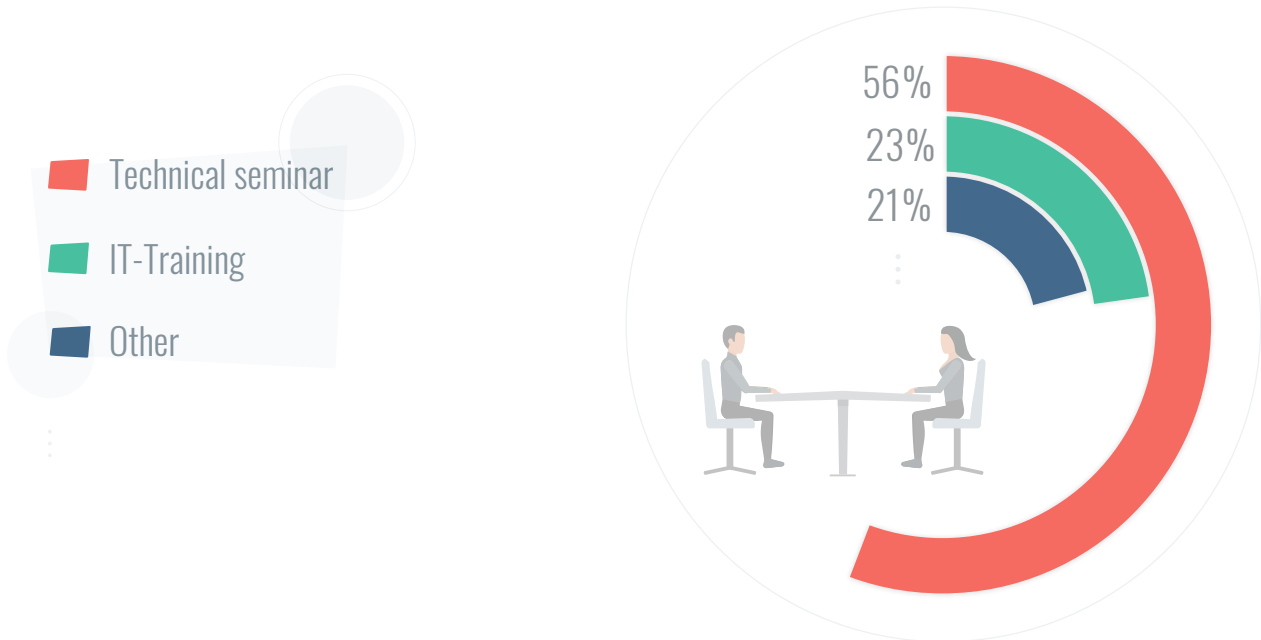
Staff development

Satisfaction and expertise within the workforce are not just a concern for the company management and the employees themselves; shareholders, service providers, our tenants, and other stakeholders also benefit from well-trained employees, because they make a significant contribution to the company's continued existence, to customer satisfaction, and to keeping the quality of our residential portfolios high. We therefore see the development and individual promotion of our employees according to their abilities and goals as an essential component in our sustainable staff development. The 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.

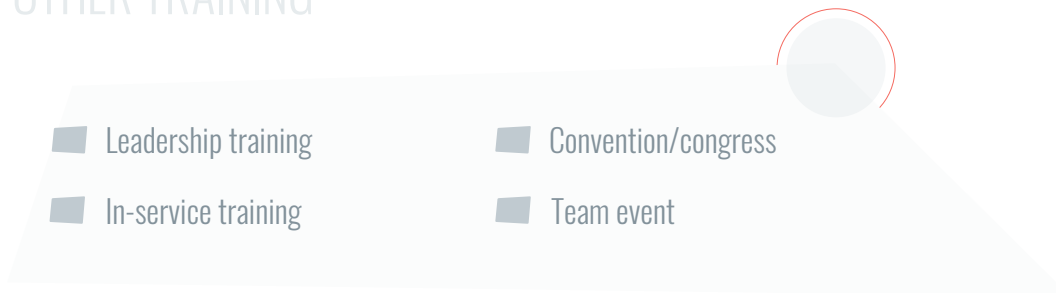
Especially in view of demographic change, emigration, and the chronic shortage of skilled workers, it is increasingly essential to specifically train our employees and keep them at the company. We can offer employees and the company the greatest benefits through individual development opportunities. These are jointly considered in the regular exchange between employees and their supervisors as well as during the annual performance review.

In the 2018 reporting year, our employees spent an average of around nine hours each on further training. This corresponds to approx. 9,900 training hours or 1,400 training days in total.

PARTICIPANTS IN CONTINUING TRAINING OFFERS



OTHER TRAINING



External and in-house training predominantly consisted of specialist seminars and IT courses. For example, key specialist topics in 2018 included traffic safety, operating costs, tenancy law, and customer communications. Our in-house training events also included our proven best-practice meetings which facilitate a Group-wide exchange of expertise and experience, and contribute to the improvement of work processes, as well as various data protection topics.

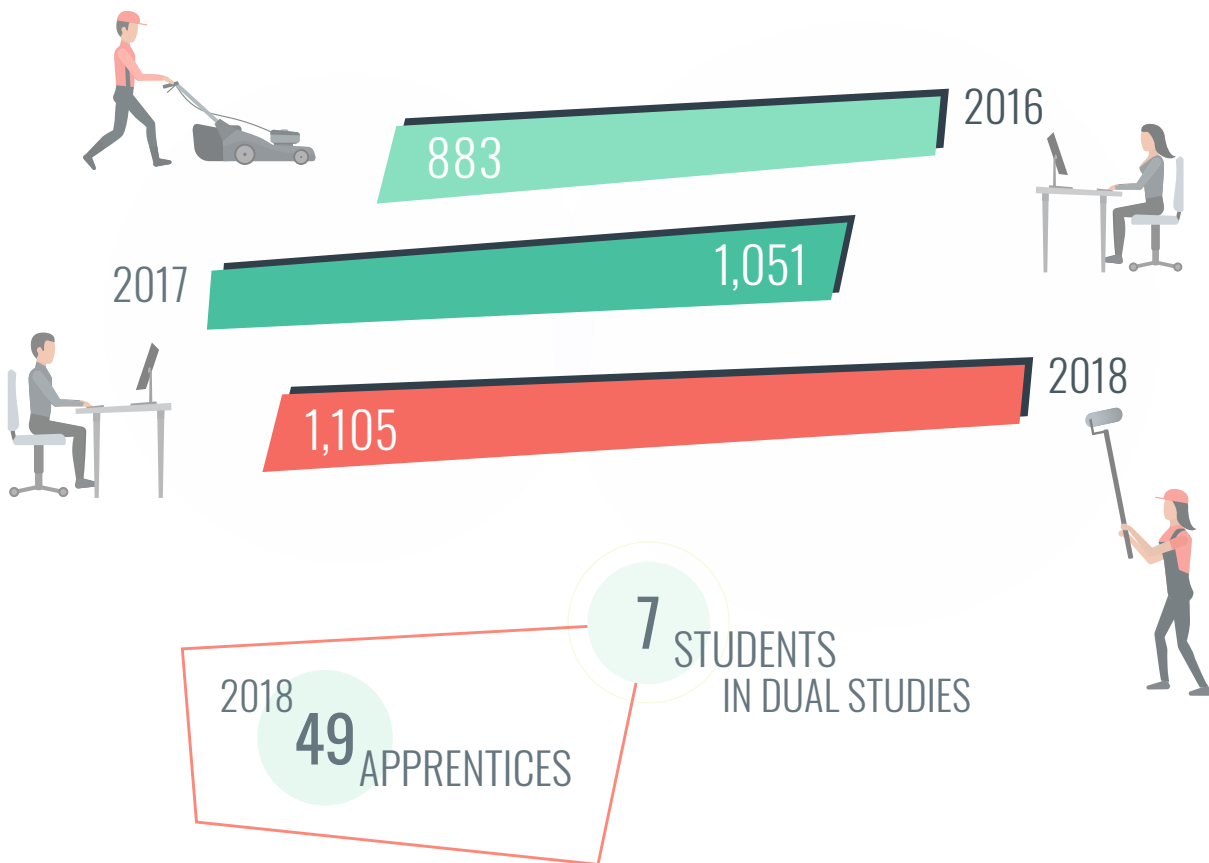
We also promote our employees' after-hours training as instructors, coaches or real estate specialists. For example, in 2018, two of our employees completed a two-year part-time studies course as a certified real estate specialist and five other employees began such a course. In addition, we regularly offer our senior staff management training and coaching.

Vocational training

Ensuring the continued existence of the company requires investments in training the next generation of skilled professionals. We offer recent graduates the opportunity to join our company directly via apprenticeships or a dual-study programme, with the aim of continuing to employ them at our company locations once they have successfully completed their training.

In 2018 we employed a total of 49 apprentices, two more than in the previous year. Ten apprentices started training in 2018. 14 apprentices successfully completed their apprenticeship in the year under review, of whom we were able to hire ten as full-time employees. We currently offer training at various locations for real estate and office clerks, as well as in the trades sector (e.g. system mechanics). Since 2018, we have also been training human resources services consultants and IT specialists at several locations. In addition to traditional vocational training, seven students are currently completing a dual-degree in business administration with a focus on the real estate industry, one of whom began his studies in 2018.

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 are working on the further development of our further training courses to increase our employees' level of qualification. In order to uncover further potential for improving work processes and interdisciplinary and cross-departmental collaboration, we will continue our 'WE' Culture project and put ideas that have already been developed into practice.

Following the focus on the internal company perspective in 2018, the current year will see an even stronger focus on the customer perspective.

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

Beyond this, we plan to further expand the range of preventive health measures offered to our staff.

Progress and outlook

Key action areas and target achievement

Our materiality analysis shows what stakeholders expect of TAG and helps set the course for long-term business success. We need to align the sustainability goals derived from the analysis with our business strategy. In our entrepreneurial activities and in sustainable corporate management, we are always concerned with maintaining a balance between the expectations of our stakeholders and the interests of TAG. There are economic, ecological and social action areas for which we keep developing, coordinating and implementing measures. In doing so, we ensure the development and lasting survival of our company.

The following overview lists key action areas, objectives and planned measures and illustrates the degree to which objectives were achieved (status) in the 2018 reporting year.

SUSTAINABILITY MANAGEMENT (102-15)

FIELDS OF ACTION AND OBJECTIVES	SUBGOALS/KEY MEASURES	STATUS
Sustainability reporting	// Regular reporting on sustainability aspects	↗
	// Expand sustainability-related data collection and reporting	↗
	// Stronger integration of sustainability reporting with TAG's reporting and management system	↗
Corporate governance and sustainable supply chain	// Review supplier contracts/framework agreements for addition of sustainability criteria	☑️→
	// Draw up a Business Partner Code to ensure transparency and compliant conduct in all business relationships (2018)	☑️

ECONOMIC SUSTAINABILITY GOALS (102-15)

FIELDS OF ACTION AND OBJECTIVES	SUBGOALS/KEY MEASURES	STATUS
Ensure the future viability	// Use digitalisation as an opportunity to further improve our efficiency and cash flow strength through new digital processes and services	↗
	// Secure young talent by keeping the training quota high and promoting talent	☑️→
Preserve and increase value	// Investments in existing portfolio (inventory maintenance, secure long-term lettability and demand-driven portfolio development)	☑️→
	// Optimise the portfolio by exploiting regional growth and returns potential as well as selective sales opportunities	↗
Ensure positive earnings development	// Reduce vacancies and realise potential rent increases	☑️→
	// Continuously increase FF0 I per share (from EUR 0.87 in 2017, to EUR 1.00 in 2018, to planned EUR 1.06 in 2019)	☑️→
	// Payment an attractive dividend (after EUR 0.65 per share for 2017, EUR 0.75 per share planned for 2018, and EUR 0.80 per share planned for 2019)	☑️→

☑️ planned ↗ in implementation → ongoing ☑️ achieved

ECOLOGICAL SUSTAINABILITY GOALS (102-15)

FIELDS OF ACTION AND OBJECTIVES	ACTION AREAS AND GOALS	STATUS
Reduce resource consumption and optimisation of use of resources	// Increase use of opportunities opened up by progressive digitalisation to reduce resource consumption, e.g. by digitising further partial processes and expanding paperless communication	➤
	// Linking of TAG Handwerkerservice to the digital craftsman connection portal (2018)	☑
Increase energy efficiency and reduce CO ₂ emissions	// Gradual expansion of supply to further portfolios by the EWS in the years ahead (to approx. 70,000 to 75,000 units or approx. 90% of the total portfolio) and in the course of this, the number of units considered in the reference portfolio	➤
	// Further optimise fuel purchasing and energy management (EWS)	➤
	// Continue successive renewal of the heating systems (EWS)	➤
	// Further optimise travel management and vehicle use e.g. review the use of electric cars at various locations (2018)	➤
	// Enhance awareness among employees and tenants for energy-saving measures and resource conservation	➤
Environmentally friendly portfolio management	// Take sustainability criteria into account when carrying out modernisation measures	➤
	// Strengthen commitment to conserve resources through efficient and responsible use of materials, recycling, and waste reduction in the areas of Facility Management and Waste Management	➤
	// Add sustainability aspects to the selection criteria for suppliers, framework contract partners, and other service providers (2018/2019)	☑

☒ planned ➤ in implementation ➔ ongoing ☑ achieved

Outlook 2019

In the coming reporting year, besides the measures already introduced to optimise the portfolio and promote tenant and employee loyalty, the main focus will be on reviewing the new sustainability measures and instruments. In particular, a sustained optimisation of the portfolio – whether through modernisation and maintenance measures or through targeted purchases and sales – and the continuous expansion of the energy services of our energy company EWS to almost our entire portfolio, are of central importance to us.

SOCIAL SUSTAINABILITY GOALS (102-15)

FIELDS OF ACTION AND OBJECTIVES	SUBGOALS/KEY MEASURES	STATUS
Further increase in tenant satisfaction and tenant loyalty	// Customer-focused service featuring regional and personalised support	☑️➔
	// Continue the service monitoring	☑️➔
	// Regular tenant surveys (every 3 to 5 years, most recently in 2018)	☑️➔
	// Create further communication formats, e.g. electronic tenant portal and tenant app (new concept 2018, expansion 2019)	➔
Ensure employee satisfaction and loyalty	// Continue to develop the further training offers	➔
	// Continue to foster a collegial workplace atmosphere, e.g. within the framework of the 'WE' Culture project (2018/2019)	➔
	// Continue the employee stock-option plan introduced in 2018	☑️➔
	// Establish a range of health measures for employees	☑️➔
Continue social commitment and strengthening our residential neighbourhoods	// Continue neighbourhood development measures, e.g. continue measures taken in Döbeln Nord	➔
	// Continue support of and/or cooperation with local social organisations, and continue and expand our support, counselling and leisure services	➔
	// Regular tenant specials at all locations (events, tenant/children's party, spring cleaning, etc.)	➔

☑️ planned ➔ in implementation ➔ ongoing ☑️ achieved

Beyond this, we are launching a company-wide future project. We intend to press ahead with the implementation of our digitalisation strategy on a broad scale.

In ten sub-projects, TAG employees work with our IT service provider to develop numerous measures to improve and renew our relevant business processes.

We will also examine the recently introduced instruments for their suitability.

The main issue here is the extent to which the respective measures contribute to TAG's long-term business success and whether they perhaps need to be fine-tuned. This concerns the electronic employee portal, the newly designed tenant app, the employee stock option programme, and the new health offers for our employees, as well as our efforts to establish the collection of sustainability data in all processes and to further professionalise the reporting.

GRI CONTENT INDEX¹⁶

(102-55)



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 101: Reporting practice 2016				
GRI 102: General Disclosures 2016				
Organisational Profile				
GRI 102	General Disclosures	102-1	Name of the organisation	8
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	8-12
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, 12-13
GRI 102	General Disclosures	102-7	Scale of the organisation	8, 9, 12, 13, 34, 36-39, 41, 43, 74-75
GRI 102	General Disclosures	102-8	Information on employees and other workers	74-75
GRI 102	General Disclosures	102-9	Supply chain	24-25

¹⁶Der GRI Inhaltsindex bezieht sich auf die 2016 veröffentlichten GRI Standards.

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 102	General Disclosures	102-10	Significant changes to the organisation and its supply chain	9
GRI 102	General Disclosures	102-11	Precautionary principle or approach	33
GRI 102	General Disclosures	102-12	External initiatives	66–67
GRI 102	General Disclosures	102-13	Membership of associations	GB 2018, page 20
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	10–12, 16, 18–21, 33, 36–39, 41, 43, 46–53, 56–57, 62–63, 66–67, 72–73, 83–85
Ethics and integrity				
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behavior	30–33
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	14–19
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

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
Stakeholder engagement				
GRI 102	General Disclosures	102-40	List of stakeholder groups	15
GRI 102	General Disclosures	102-41	Collective bargaining agreements	75
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	15
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	16, 17, 18, 19, 61
GRI 102	General Disclosures	102-44	Key topics and concerns raised	16, 17, 18, 19, 61
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	6-7, 22-23
GRI 102	General Disclosures	102-47	List of material topics	22-23
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	6
GRI 102	General Disclosures	102-52	Reporting cycle	7
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	94
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	86-93
GRI 102	General Disclosures	102-56	External assurance	7
Material and Important Topics				
GRI 201 Economic Performance 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	34
GRI 103	Management Approach 2016	103-2	The management approach and its components	34, 41
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	34, 41
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	36-39, 41, 43

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 203 Indirect Economic Impacts 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	60–61
GRI 103	Management Approach 2016	103-2	The management approach and its components	60–61
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	10
GRI 203	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	66, 68–70
GRI 203	Indirect Economic Impacts	203-2	Significant indirect economic impacts	11
GRI 204 Procurement Practices 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	22–23
GRI 103	Management Approach 2016	103-2	The management approach and its components	24–27
GRI 103	Management Approach 2016	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 2016	103-1	Explanation of the material topic and its boundary	30
GRI 103	Management Approach 2016	103-2	The management approach and its components	30
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	31
GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	32–33
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	32
GRI 301 Materials 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	55
GRI 103	Management Approach 2016	103-2	The management approach and its components	49–50, 54–55
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	49–50, 54–55
GRI 301	Materials	301-1	Materials used by weight or volume	56

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 302 Energy 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	44, 45
GRI 103	Management Approach 2016	103-2	The management approach and its components	44-46, 50-54
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	44-45, 50-51
GRI 302	Energy	302-1	Energy consumption within the organisation	53
GRI 302	Energy	302-2	Energy consumption outside of the organisation	53
GRI 302	Energy	302-3	Energy intensity	53
GRI 304 Biodiversity 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	44-45
GRI 103	Management Approach 2016	103-2	The management approach and its components	44-45
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	44-45
GRI 304	Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	58
GRI 305 Emissions 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	44, 45
GRI 103	Management Approach 2016	103-2	The management approach and its components	44, 45
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	45
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	48, 53
GRI 305	Emissions	305-3	Other indirect (Scope 3) GHG emissions	47, 48
GRI 306 Effluents and Waste 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	45, 57
GRI 103	Management Approach 2016	103-2	The management approach and its components	45, 55, 57
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	45, 57

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 307 Environmental Compliance 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	44-45
GRI 103	Management Approach 2016	103-2	The management approach and its components	26-27
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	44-45
GRI 307	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	26
GRI 401 Employment 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	72-73
GRI 103	Management Approach 2016	103-2	The management approach and its components	72-73
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	74-75
GRI 401	Employment	401-1	New employee hires and employee turnover	74
GRI 401	Employment	401-3	Parental leave	75
GRI 403 Occupational Health and Safety 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	76
GRI 103	Management Approach 2016	103-2	The management approach and its components	76
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	76
GRI 403	Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	76
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	77

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 404 Training and Education 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	78
GRI 103	Management Approach 2016	103-2	The management approach and its components	78
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	78
GRI 404	Training and Education	404-1	Average hours of training per year per employee	78
GRI 404	Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	79
GRI 405 Diversity and Equal Opportunity 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	74
GRI 103	Management Approach 2016	103-2	The management approach and its components	74
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	74
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	74
GRI 405	Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	75
GRI 406 Non-discrimination 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	18
GRI 103	Management Approach 2016	103-2	The management approach and its components	28, 74-75
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	74-75
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	74
GRI 408 Child Labor 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	23
GRI 103	Management Approach 2016	103-2	The management approach and its components	26-27
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	23, 27
GRI 408	Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	23, 26

GRI STANDARD NO.	GRI STANDARD TITLE	NO.	BRIEF DESCRIPTION OF THE INDICATOR	PAGE
GRI 409 Forced or Compulsory Labor 2016				
GRI 103	Management Approach 2016	103-1	Explanation of the material topic and its boundary	22-23
GRI 103	Management Approach 2016	103-2	The management approach and its components	26-27
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	23, 27
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 2016	103-1	Explanation of the material topic and its boundary	62
GRI 103	Management Approach 2016	103-2	The management approach and its components	62, 66
GRI 103	Management Approach 2016	103-3	Evaluation of the management approach	71
GRI 413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	66, 68

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	74-75	
H&S-Emp	Employee health and safety	76-77	
Emp-Training	Training and development	78-80	
Diversity-Emp	Employee gender diversity	74	
Diversity-Pay	Gender pay ratio	74	
Comty-Eng	Community engagement, impact assessments and development programmes	66-70	Without percentage



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The English version of the 2018 sustainability 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

Graphic Cartoon People (title)

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Note

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

(102–53)

