

Talanx AG

Type of Engagement: Annual Review

Date: April 26, 2022

Engagement Team:

Charles Cassaz, charles.cassaz@sustainalytics.com, (+31) 20 205 02 09

Sumaiya Waheed, Sumaiya.Waheed@morningstar.com

Introduction

In November 2021, Talanx AG (“Talanx” or the “Issuer” or the “Company”) issued a Green Bond¹ under the Talanx Green Bond Framework (the “Framework”) aimed at financing and refinancing renewable energy assets, including solar and wind capacity, and green buildings in Spain and Germany. In October 2021, Sustainalytics provided a Second-Party Opinion on the Framework.² In April 2022, Talanx engaged Sustainalytics to review the projects funded³ through the issued Green Bond and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Talanx Green Bond Framework.

Evaluation Criteria

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

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Talanx Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Talanx Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Financing, investment in or acquisition of activities relating to development, construction, expansion, operation and maintenance of <ul style="list-style-type: none"> • Solar (PV) • Concentrated solar power systems (CSP) generating large majority of electricity (>85%) from solar energy sources • Onshore and offshore wind energy technologies 	<ul style="list-style-type: none"> • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other forms of energy) • Installed renewable energy capacity in MW • Annual GHG emissions reduced/avoided, in tonnes of CO₂ equivalent
Green Buildings	The financing or refinancing ⁴ of or investment in <ul style="list-style-type: none"> • Residential and commercial buildings located in Germany, built before 31 December 2020 with an energy performance 	<ul style="list-style-type: none"> • Eligible Green Projects, their year of construction and their environmental classification including the classification level where applicable

¹ Green Bond of EUR 500 million with first call in 2032.

² Sustainalytics, “Talanx Green Bond Framework Second-Party Opinion”, (2021), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/talanx-group/talanx-green-bond-framework-second-party-opinion-\(2021\)/talanx-green-bond-framework-second-party-opinion](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/talanx-group/talanx-green-bond-framework-second-party-opinion-(2021)/talanx-green-bond-framework-second-party-opinion)

³ For the purpose of this report the word “funded” shall be defined as the allocation of a corresponding amount equivalent to the proceeds of the Talanx Green Bond.

⁴ FW defines Financing as assets/investments made in the year of issuance. Refinancing is defined as assets/investments with a maximum lookback period of three years (with the exception of the Eligible Green Projects in the “green buildings” category).

	<p>complying with the EnEV 2014 (i.e., in the top 15% of German building stock)</p> <ul style="list-style-type: none"> • Residential and commercial buildings built after 1st January 2021, where the primary energy demand is at least 10% lower than the threshold for the applicable Nearly Zero Energy Building requirement • Renovation of buildings which achieve a primary energy demand improvement of at least 30% compared to the previous state of the building pre-renovation. 	<ul style="list-style-type: none"> • Estimated energy savings and CO₂ emissions avoided by the Eligible Green Projects in comparison to government regulations and/or reference buildings
--	--	---

Issuing Entity’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Talanx’s Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Talanx employees and review of documentation to confirm the conformance with the Talanx Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by Talanx with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Talanx.

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

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Talanx’s Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Talanx Green Bond Framework. Talanx has disclosed to Sustainalytics that the proceeds of the Green Bond were fully allocated as of December 31st, 2021.

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green Bond to determine if projects aligned with the Use of Proceeds Criteria outlined in the Talanx Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the Green Bond to determine if impact of projects was reported in line with the KPIs outlined in the Talanx Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1 and 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria. ⁶	None

⁶ Sustainalytics notes that Talanx reported on all the KPIs defined in the Framework.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria

In November 2021, Talanx issued a Green Bond with a total nominal value of EUR 500 million, with first call in 2032. The proceeds were fully allocated by 31st December 2021 through eligible assets worth over EUR 1.65 billion. Of the total allocation, 44% of net proceeds were used to refinance renewable energy projects, while 56% were used to refinance green building projects. The table below provides a detailed breakdown of the allocation of net proceeds by category.

Category	Asset types	Signed amount ⁷ (million EUR)	% of total signed amount	Allocated amount ⁸	Number of projects	Geographical location of the projects
Renewable Energy	Offshore wind	276.8	17%	84.1	1	Germany
	Solar power	455.2	28%	138.4	4	Spain
Total Renewable Energy		732	44%	222	5	
Green Buildings	Buildings built before 31-12-2020	912.9	56%	278	11	Germany
Total Green Buildings		913	56%	278	11	
Total Portfolio of Eligible Projects		1,65	100%	500	16	
Issued Bond Volume (in million EUR)						500
Net Bond Proceeds Allocation (in million EUR)						500
Total unallocated amount (in million EUR)						0.00

Appendix 2: Impact Reporting by Eligibility Criteria

Renewable Energy				
Total installed capacity (MW)*	Annual electricity production (GWh)*	Annual CO ₂ e savings (tonnes)	Annual GHG emissions avoided (tCO ₂ e) * based on allocated amount	Annual total energy savings based on allocated amount (GWh)*
357	827	424,547	129,054	252
Green Building				
Average annual CO ₂ e savings ⁹ (tonnes)	Average annual kWh savings	Annual GHG emissions avoided based on allocated amount (tCO ₂ e) *	Certification Type	Annual total energy savings ¹⁰ based on allocated amount (GWh)*
3,775	10,550,391	1,148	DNGB 'Gold' (37% of total) LEED 'Gold' (63% of total)	3
Total				

⁷ Amount legally committed by the Issuer for the project, a portfolio of projects or component that is/are eligible for green bond financing

⁸ Amount of green bond proceeds that has been allocated for disbursements to the project/portfolio.

⁹ CO₂ savings of the portfolio are determined based on the final energy requirements of the building and the emission factors according to the Building Energy Act GEG Bundesgesetzblatt, Jhg. 2020

¹⁰ Energy savings of the portfolio are determined based on the final energy requirements for electricity and heat per building

Annual GHG emissions avoided based on total portfolio EUR 1.65 billion (tCO ₂ e) *	Annual GHG emissions avoided (tCO ₂ e) * based on allocated amount	Annual GHG emissions avoided based on investment of EUR 1 million (tCO ₂ e) *	Annual total energy savings based on allocated amount (GWh)*	GHG emissions avoided within 11 years based on EUR 500 million allocated (tCO ₂ e) *
428,322	130,201	260	255	1,432,214

* Proportionate to Talanx share

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

