

Talanx AG: Green Bond Allocation and Impact Report

Hannover, May 2022

Management Statement

Jan Wicke, CFO



Dear stakeholders,

In November 2021, Talanx issued its inaugural green bond. The EUR 500mn Tier 2 transaction was the first Green bond by an insurer to be aligned with the EU Taxonomy – based on available screening criteria at that time. The transaction enjoyed a strong reception. The high quality of the orderbook and the significant share of dedicated green investors marked a successful debut for Talanx.

This makes me proud. We at Talanx are on a journey. We are on the way to embedding sustainability in all aspects of our business in operations, in underwriting, and in investment. Our green bond framework is one of many path marks along this way. It enables us to raise the funds to finance and refinance various projects on our sustainability journey. And what is even more important, it enables us to learn and advance in sustainability aspects.

For me, this is a matter close to my heart. I am convinced that there is no alternative to the sustainable way we are pursuing. I am therefore pleased that in the finance function, we are able to make a decisive contribution with the issue of green bonds according to our framework. And these are our framework features:

- Sustainability assessed the framework to be credible and impactful
- The framework is aligned with ICMA Green Bond Principles 2021 and with EU Taxonomy
- The eligible categories for the use of proceeds – renewable energy and green buildings – are aligned with those recognized by the Green Bond Principles 2021
- Sustainability confirmed that the projects meet the use of proceeds criteria and the reporting commitments outlined in the Talanx Green Bond Framework.

The framework stipulates an annual report on output and environmental impact of the portfolio of eligible green projects until allocation is complete. This last point is what this report delivers.

Yours sincerely,
Jan Wicke

Agenda

Talanx at a glance	4
Sustainability at Talanx	6
Talanx green bond in a nutshell	9
Allocation report	12
Impact report	18
Methodological notes	20
Confirmation of external reviewer	22

Talanx at a glance – Strong tradition and strong current group results

<p>Almost 120 years of experience and yet a young, dynamic company</p> 	<p>Headquarters of the Talanx Group is Hannover</p> 	<p>Talanx is active in ~150 countries with ~24,000 employees</p> 	<p>»</p> <table border="1"><tr><td data-bbox="1468 542 1983 728"><p>Gross written premiums (EURbn)</p><hr/><p>45.5</p></td><td data-bbox="1996 542 2442 728"><p>Operating profit (EURbn)</p><hr/><p>2.5</p></td></tr><tr><td data-bbox="1468 799 1983 985"><p>Group net income (EURm)</p><hr/><p>1,011</p></td><td data-bbox="1996 799 2442 985"><p>Solvency 2 CAR</p><hr/><p>~200%</p></td></tr></table>		<p>Gross written premiums (EURbn)</p> <hr/> <p>45.5</p>	<p>Operating profit (EURbn)</p> <hr/> <p>2.5</p>	<p>Group net income (EURm)</p> <hr/> <p>1,011</p>	<p>Solvency 2 CAR</p> <hr/> <p>~200%</p>
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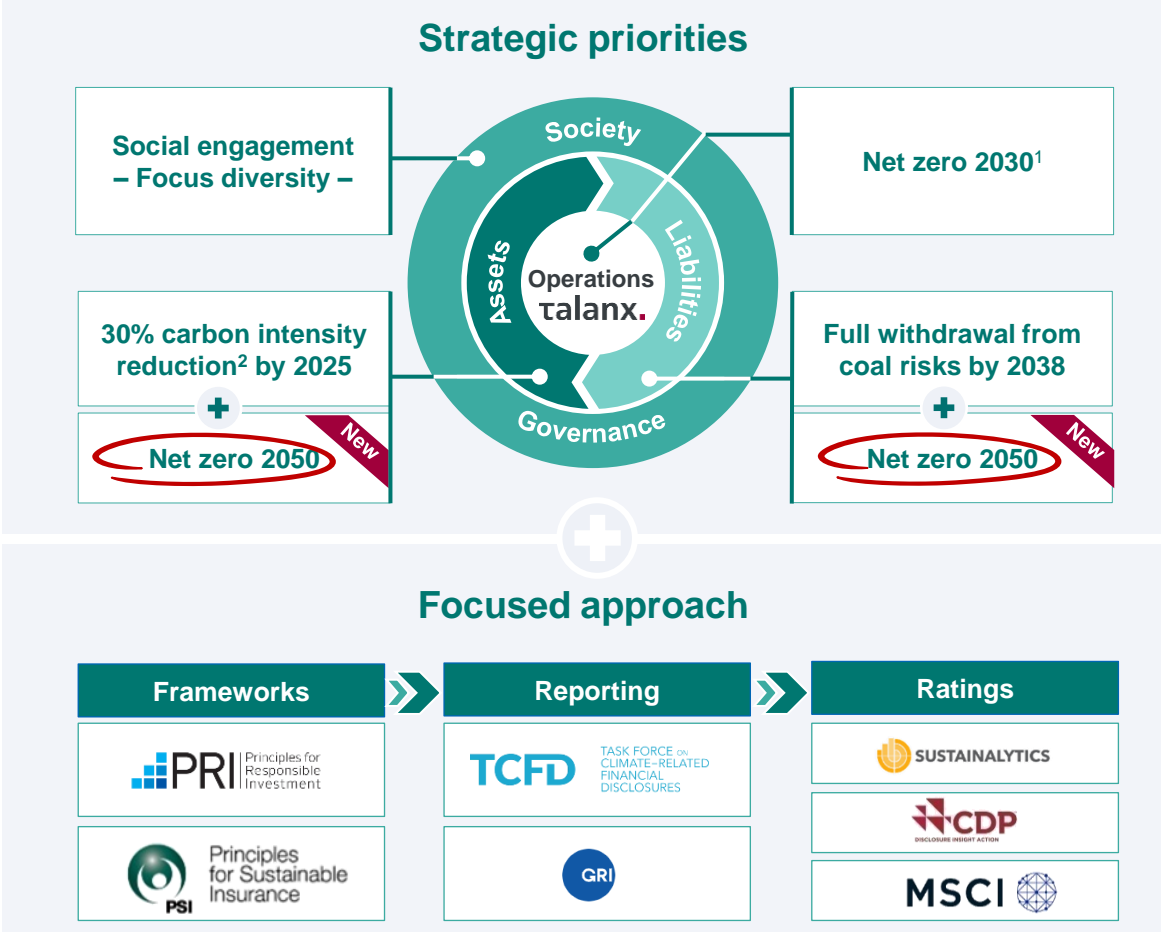
Data as of FY 2021 / 31 December 2021; for further information please see our FY 2021 analyst presentation: https://www.talanx.com/en/investor_relations/reporting/reporting

Agenda

Talanx at a glance	4
Sustainability at Talanx	6
Talanx green bond in a nutshell	9
Allocation report	12
Impact report	18
Methodological notes	20
Confirmation of external reviewer	22

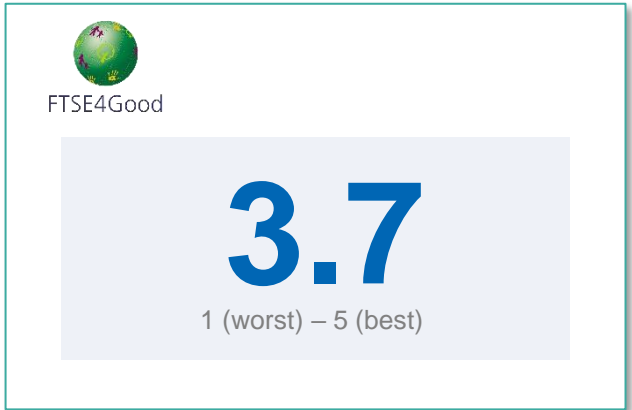
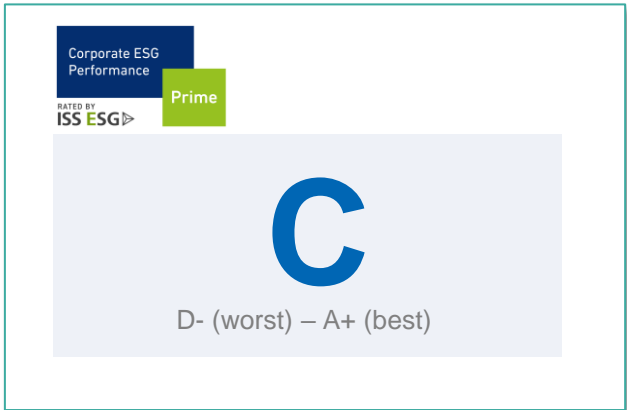
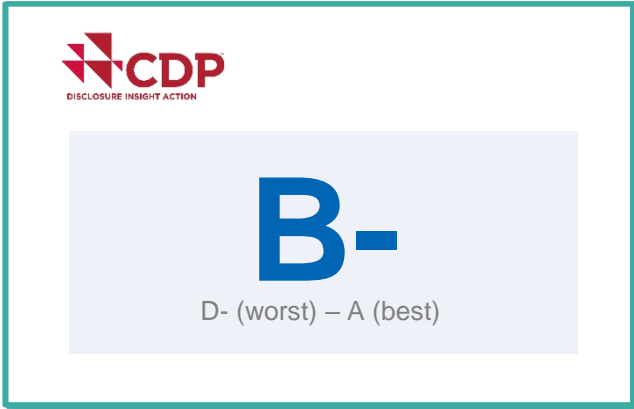
Our Group's strategy is flanked by our sustainability activities

Talanx strategy




1) CO₂ neutral operations in Germany since 2019; 2) Reduction of CO₂ intensity of the liquid non-government portfolio by 30% by the end of 2025 compared to the beginning of 2020

Rating improvements reflect our success in driving change



Note: Figures as of 03/2022; for further information see https://www.talanx.com/en/talanx-group/sustainability/esg_ratings

 = in focus with active management

Agenda

Talanx at a glance	4
Sustainability at Talanx	6
Talanx green bond in a nutshell	9
Allocation report	12
Impact report	18
Methodological notes	20
Confirmation of external reviewer	22

Talanx green bond framework – strong support for sustainability strategy

Green bond framework

Comprehensive green bond framework developed, in line with Talanx sustainability strategy



Second party opinion

Sustainalytics certifies alignment with EU Taxonomy¹ & Green Bond Principles

✓ EU Taxonomy regulation

Compliance with national/EU/ international environmental & social standards² ensures meeting:

- “Do no significant harm” criteria
- Minimum social safeguards

✓ Green Bond Principles

- Use of proceeds
- Process for evaluation & selection
- Management of proceeds
- Reporting
- External reviews

Use of proceeds

Framework incorporates **renewable energy and green buildings**

✓ Use of proceeds

- Renewable energy ✓
- Green buildings ✓

✓ Contributing to

- Talanx sustainability strategy
- EU’s environmental objectives of climate change mitigation
- Overarching climate initiatives

1) As of the time of issuance in November 2021. Alignment on assessed categories; for further information please check second party opinion:

https://www.talanx.com/de/investor_relations/creditor_relations/anleihen/green_bond_framework_agreement; 2) Including the ILO Core Labour Conventions and the UN Guiding Principles on Business and Human Rights

Talanx green bond highlights – 3.5x oversubscription with high quality orderbook

First green bond by insurer aligned with EU Taxonomy

based on screening criteria at time of issuance in November 2021

EUR 500m green bond

maturing in 2032 (1st call)

Full allocation of net proceeds

to eligible projects

1,432,214 tCO₂e GHG emissions avoided within 11 years²

annually avoided GHG emissions per EUR 1m invested: 260 tCO₂e

Investors' allocation by geography¹



Investors' allocation by investor type¹



1) As of 24 November 2021; 2) Based on allocated amount of EUR 500m

Agenda

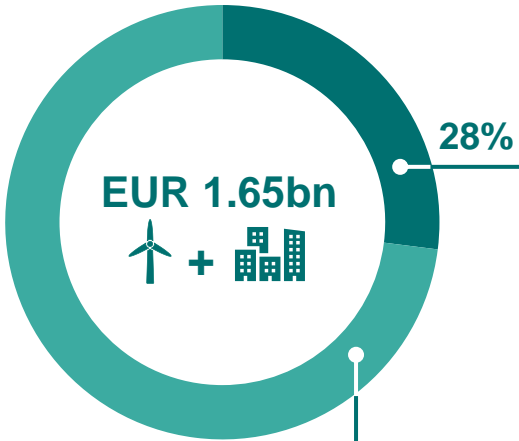
Talanx at a glance	4
Sustainability at Talanx	6
Talanx green bond in a nutshell	9
Allocation report	12
Impact report	18
Methodological notes	20
Confirmation of external reviewer	22

Qualifying green portfolio – geographical area

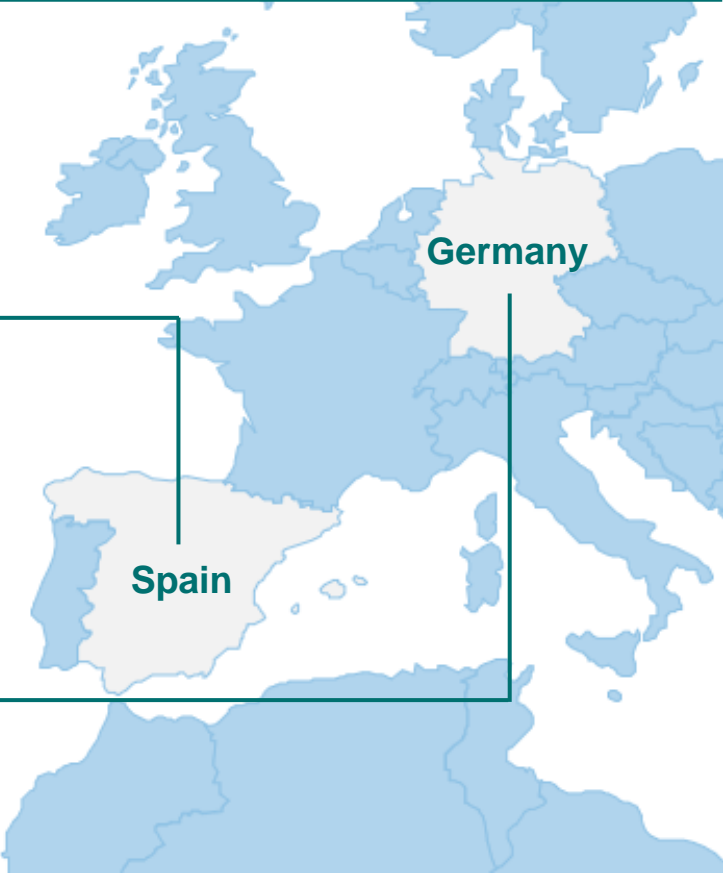
Over EUR 1.65bn¹ eligible assets ensure full allocation of EUR 500m green bond proceeds²



Eligible assets located in Germany and Spain

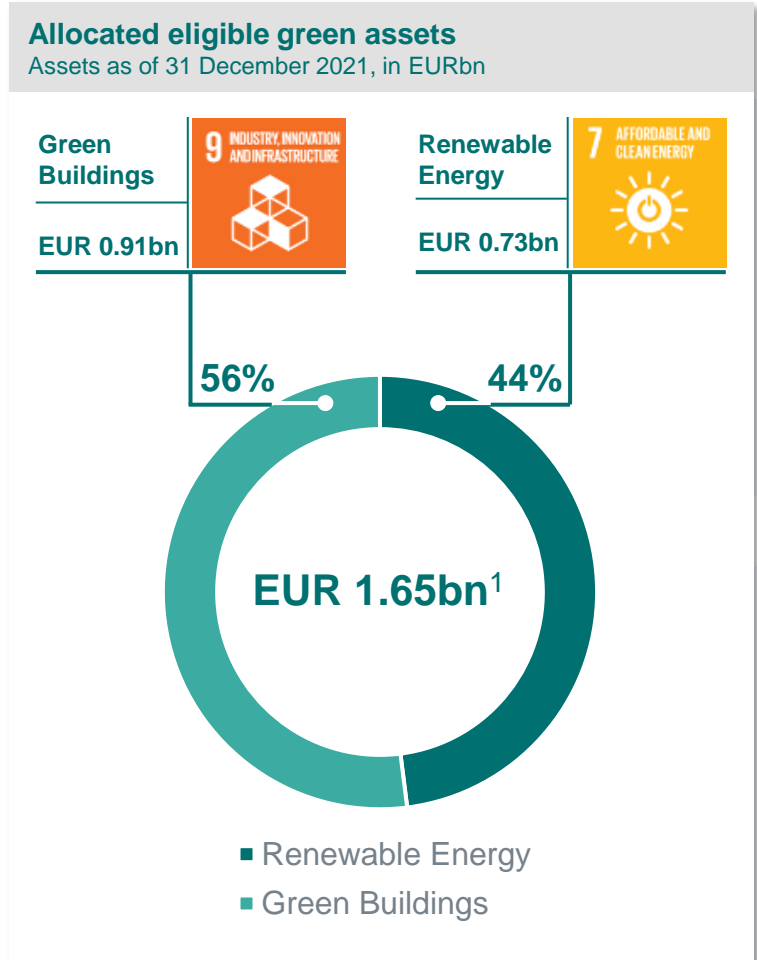


	Germany	Spain
Renewable energy	38%	62%
Green buildings	100%	-



1) Assets as of 31 December 2021, in EURbn; 2) ISIN: XS2411241693, bond description: TALANX 1 3/4 12/01/42

Qualifying green portfolio – overview



SDG7: Affordable and Clean Energy

Eligibility criteria:

The financing, investment in or acquisition of renewable energy projects or related infrastructure in the areas of:

- Solar (PV)
- Concentrated solar power systems
- Onshore and offshore wind energy technologies

This includes activities relating to development, construction, expansion, operation and maintenance.

ICMA Green Bond Principles:

Renewable energy

EU Taxonomy (NACE code): Climate Change Mitigation: 4. Energy (NACE D35.11 and F42.22)



SDG9: Industry, Innovation and Infrastructure

Eligibility criteria:

- The financing of or investment in residential and commercial buildings located in Germany, built prior to 31 December 2020 with an energy performance complying with the EnEV 2014 (i.e. in the top 15% of German building stock)
- In the case of buildings built after 1 January 2021, the primary energy demand (PED) must be at least 10% lower than the threshold for the applicable nearly zero energy building requirement
- Renovation of buildings that have led to a reduction of primary energy demand of at least 30%
- Buildings with an energy certification DGNB “Gold” or better, LEED “Gold” or better, BREEAM “Very Good” or better

ICMA Green Bond Principles:

Green buildings

EU Taxonomy (NACE code): Climate Change Mitigation: 7. Construction and Real Estate Activities (NACE F41.1, F41.2, L68, F41, F43)



1) Thereof EUR 500m green bond proceeds completely allocated for refinancing eligible projects. Figures are based on market values as of 31 December 2021. Values rounded and thus the sums are approximations.

Qualifying green portfolio – deep dive green buildings

100% of buildings with energy certificate¹



Certification type

DGNB - Gold	37%
LEED - Gold	63%



Type of use

Office	80%
Hotel	5%
Logistics	2%
Retail	11%
Residential	2%



Construction

Year of construction	2016 - 2020
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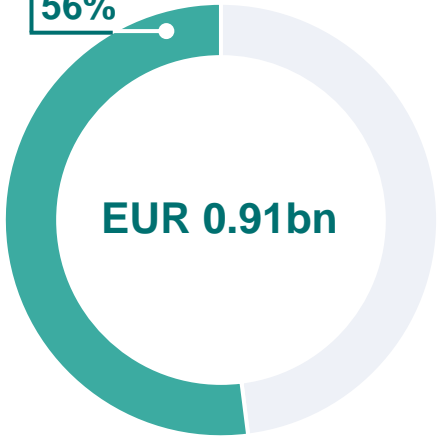
1) Energy certificate ≙ "Energieausweis"

Qualifying green portfolio – green buildings

Green buildings



56%



EUR 0.91bn

- Renewable Energy
- Green Buildings

Example project: “Spree Turm” in Berlin



- Office tower with 20 floors in an exposed area near the Spree in Berlin; construction year 2020; multi tenant building
- Rental space approx. 13.400 m²; flexible floor plans of different sizes; natural ventilation by manually openable windows; cooling via thermal concrete core activation in the floor slabs
- High energy efficiency according to EnEV 2014
- Sustainability certificate: LEED Gold 

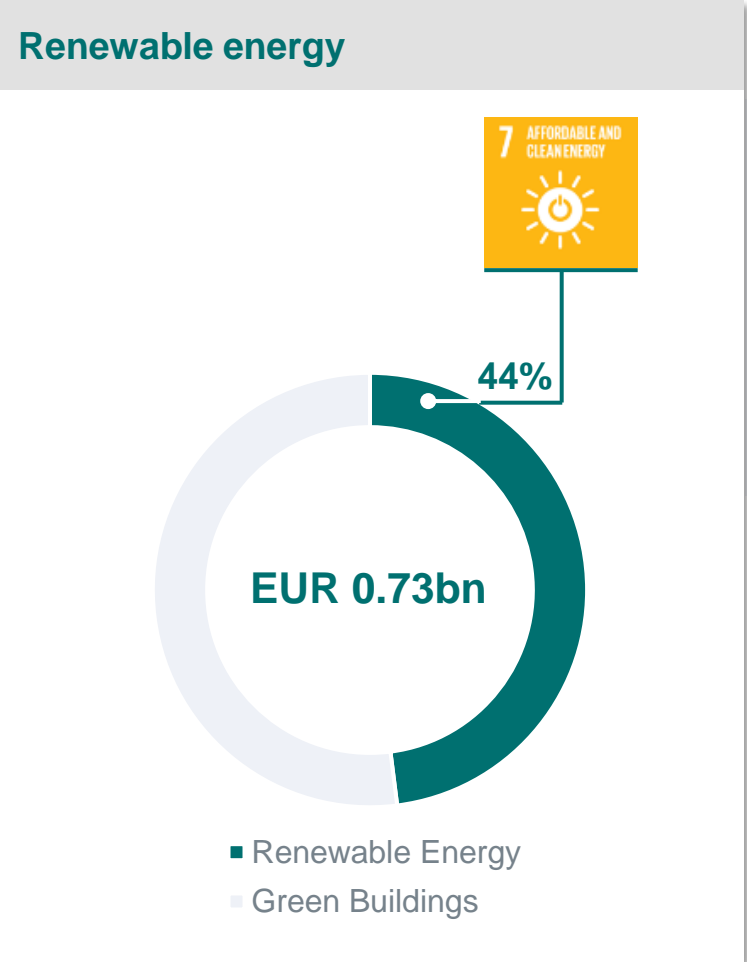
Summary



UNDG	#9 industry, innovation and infrastructure
Eligible green project category	Green buildings
Country	Germany
Investment date	January 2021
Why eligible?	High energy efficiency (EnEV 2014), Sustainability certificate in gold



Qualifying green portfolio – renewable energy



Example project: "Offshore Wind Hohe See"



- Currently largest offshore wind farm project in Germany.
- 87 Siemens turbines with a total output of 610 MW to supply around 710,000 households with green electricity.
- This is the combination of two individual wind farms ("Hohe See" and "Albatros"), both being built in the German North Sea by EnBW.
- Both projects will receive attractive feed-in tariffs under the Renewable Energy Sources Act (EEG) for a period of 20 years.

Summary



UNDG	#7 clean and affordable energy
Eligible green project category	Renewable energy
Country	Germany
Investment date	February 2020
Why eligible?	Offshore wind park



Note: Lookback period regarding renewable energy project financing with maximum of three years.

Agenda

Talanx at a glance	4
Sustainability at Talanx	6
Talanx green bond in a nutshell	9
Allocation report	12
Impact report	18
Methodological notes	20
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Green bond impact report has been calculated in collaboration with ABN Amro

Eligible investment portfolio

GHG emissions avoided p.a. – based on total portfolio EUR 1.65bn (tCO ₂ e) ¹	GHG emissions avoided p.a. – based on allocated amount EUR 500m (tCO ₂ e) ¹	GHG emissions avoided p.a. – based on investment of EUR 1m (tCO ₂ e) ¹	GHG emissions avoided within 11 years – based on allocated amount (tCO ₂ e) ¹	Total energy savings p.a. – based on allocated amount (GWh)	Average lookback period, weighted according to market values (years)
428,322	130,201	260	1,432,214	255	2.1



Renewable energy

Total installed capacity (MW) ¹	Electricity production p.a. (GWh, P50 values) ¹	GHG emissions avoided p.a. (tCO ₂ e) ¹	GHG emissions avoided p.a. (tCO ₂ e) ¹ based on allocated amount	Average portfolio lifetime (years)	Number of projects	Total energy savings p.a. – based on allocated amount (GWh) ¹
357	827	424,547	129,054	23	5	252



Green buildings

EnEV/GEG ²	Year of construction	GHG emissions avoided p.a. (tCO ₂ e) ¹	GHG emissions avoided p.a. based on allocated amount (tCO ₂ e) ¹	Certification Type DGNB/LEED	Number of projects	Total energy savings p.a. – based on allocated amount (GWh) ¹
2014 and after	2016 to 2020	3,775	1,148	100% Gold	11	3

1) Proportionate to Talanx share; 2) EnEV was replaced by Building Energy Act (“Gebäudeenergiegesetz (GEG)”) on 1 November 2020

Agenda

Talanx at a glance	4
Sustainability at Talanx	7
Talanx green bond in a nutshell	11
Allocation report	12
Impact report	18
Methodological notes	20
Confirmation of external reviewer	22

Underlying methodology and assumptions

- The impact of the assets financed or refinanced by the green bond are reported on an aggregate portfolio level.
- Calculations refer to the annual energy consumption and GHG emissions produced and avoided.
- Calculations are based on acknowledged methods and are confirmed by a third party verification.

Renewable energy

- Renewable energy projects are included using their market values in EURm as of 31 December 2021.
- Talanx's share of total project financing was used to derive Talanx's share of the total installed capacity (in MW), annual energy production (in GWh) of the assets etc.
- P50 values for the full year 2021 are used to calculate energy production (in GWh).
- Conversion factors used in the calculations are based the IFI Dataset of Default Grid Factors v.3.1 (last update as of January 2022). The grid factors are regularly updated and are also recommended by the Platform Carbon Accounting Financials (PCAF). The latest documents can be found at: [IFI TWG - List of methodologies | UNFCCC](#)

Green buildings

- Green buildings are included using their market values in EURm as of 31 December 2021.
- Energy savings of the portfolio are determined based on the final energy requirements for electricity and heat per building. These are taken from the energy certificates and determined with the required values of the reference building according to EnEV published by the German Federal Ministry for Economic Affairs and Energy ("Bundesministerium für Wirtschaft und Energie"), respectively Building Energy Act GEG. Accordingly, a saved energy intensity per building can be calculated. Extrapolated to the floor area per building, this results in the annual energy savings at building level, as well as at portfolio level after totalling.
- 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 ("Gebäudeenergiegesetz") published in the Federal Law Gazette 2020 ("Bundesgesetzblatt, Jhg. 2020"). For this purpose, the final energy requirements for heat and electricity of the buildings are multiplied by the respective emission factors according to the GEG. The buildings supplied with district heating are based on the certified emission factors of the respective suppliers. The calculated values are then compared with the required values of the reference building according to EnEV respectively GEG. The resulting differences (outperformance compared to the reference value) are multiplied by the floor area of the buildings concerned, resulting in the CO₂ savings at building level. The annual CO₂ savings at portfolio level result from the subsequent summation of these values.


Agenda

Talanx at a glance	4
Sustainability at Talanx	6
Talanx green bond in a nutshell	9
Allocation report	12
Impact report	18
Methodological notes	20
Confirmation of external reviewer	22

Confirmation of external reviewer

“ Conclusion

Based on the limited assurance procedures conducted,¹ 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.”²



Talanx AG

Type of Engagement: Annual Review
Date: April 26, 2022
Engagement Team:
 Charles Cassaz, charles.cassaz@sustainalytics.com, (+31) 20 205 02 09
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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:

- Met the Use of Proceeds and Eligibility Criteria outlined in the Talanx Green Bond Framework; and
- 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 2022.
² Sustainalytics, "Talanx Green Bond Framework: Second Party Opinion", (2021), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-bonding/established-projects/review/talanx-annual-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).

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Actual Findings

Actual Findings	Error or Exceptions Identified
projects reviewed complied with the Use of Proceeds criteria.	None
projects reviewed sorted on at least one type of Use of Proceeds criteria. ⁴	None

documentation relating to the details of the amounts allocated, and project impact.

finance research and ratings to investors, needs. The work undertaken as part of this employees and review of documentation to

ed by Talanx with respect to the Nominated liable if any of the opinions, findings, or or incomplete data provided by Talanx.

rigor during its assessment process and straight over the assessment of the review.

has come to Sustainalytics' attention that bond projects, funded through proceeds of ceeds and Reporting Criteria outlined in the lytics that the proceeds of the Green Bond

of the projects that have been funded, including ed by the Issuer. The Issuer is responsible for

2

1) 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.
 2) For the full annual review by Sustainalytics, please see: https://www.talanx.com/de/investor_relations/creditor_relations/anneihen/green_bond_framework_agreement

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