

Anti-Corruption Program

Annex to the Group Anti-Corruption Guidelines

1 Preliminary Remarks

It should be a matter of course for all individuals, managers and employees to abide by the law, meaning that they neither engage in corruption, nor allow themselves to be corrupted. Nevertheless, cases of corruption arise time and again. Whenever these cases are discovered, the employees involved still try to justify their behavior by claiming things such as: "But I did it for the company," "Everyone knows that in our industry, or in this country, nothing happens without a bit of bribery," or "If I look at our organization, it's completely normal, especially in the very top ranks, to accept this kind of invitation or this gift." Statements like these show that, sometimes, the fact that sticking to the law should really be a matter of course does not quite get through to employees, who then claim that the company encourages or tolerates corrupt behavior.

This program aims to provide practical assistance on these issues.

Examples of good practice are designed to provide suggestions for preventative anti-corruption measures. These practical aids should be selected taking into account the size of the organization, its structure and the risks to which it is exposed.

The first section deliberately addresses the management of the organization, because it plays a key role in determining how effectively compliance measures are implemented.

This, and the other sections of the guidelines, are also, however, aimed at individuals who are involved in the development, introduction or implementation of compliance measures within an organization.

2 Tone at the top (stance taken by the top-level management with regard to anti-corruption)

Clear and recognizable stance taken by the top-level management toward the topic of anti-corruption.

Why is This Topic Worth Exploring?

Managers, in particular, should adopt a self-critical approach and ask themselves whether there is a clear, consistent stance on corruption within the company/administration and whether it is communicated in a convincing manner to all employees. The following questions, which are worded from the perspective of the head/owner of an organization, serve to help with this review. They are suitable for self-questioning, but can, and should, also be discussed openly among managers and with employees. The questions can be used irrespective of the size of the organization.

As a Senior Manager, Do I Myself Adopt a Clear, Unambiguous Stance on Corruption?

Do I really systematically refuse to pay bribes in connection with securing a contract for my company? How do I behave in difficult situations, e.g., if the order is particularly important for the company? What do I do if my company is to make payments that are evidently conspicuous, e.g., high consultancy fees to be paid to agents? Do I accept gifts and invitations from business partners myself? How do I deal with other perks such as recreational programs that business partners offer, at their expense, in the context of business meetings, or the use of contacts (making the most of knowing the right people) when it comes to internships or hiring employees?

If you realize that you are not sure where the boundaries lie regarding whether something is legally permissible, you should start by clarifying this boundary. If you realize that in certain situations, you might not behave, or would not behave, in a manner that is clearly and unambiguously in accordance with the law, you have to start by adopting a clear stance for both yourself and your company. One thing is certain: Your employees will pick up on any uncertainty and contradictions in your behavior and will only take any statements you make on the subject of corruption seriously and act accordingly if you practice what you preach.

Does the Entire Management Team Adopt a Uniform and Consistent Stance When It Comes to the Subject of Compliance?

If you look at your management team, would any of them answer the questions set out under 1 differently than you? Why do you think that is?

Seek a confidential discussion to discuss the topic openly with each individual member of the management team. Perhaps some of them also had doubts regarding your attitude? What happens if certain individuals are willing to tolerate corruption? You need to take action! Maybe it will be sufficient for you to issue clear instructions for them to refrain from any form of corruption.

Depending on your risk assessment, you should consider taking further steps, especially in larger organizations, such as increased monitoring of the area concerned. In extreme cases, it may be necessary to dismiss an employee if the risk of a bribery case in the area concerned cannot be reduced in any other way, or if bribery cases have already come to light.

Do You Think That Your Employees Are Aware of Your Stance, and That of the Management Team, With Regard to Corruption? Why Do You Think That Is?

If your answer is, "But of course" or "That goes without saying," you may be mistaken. Consciously or subconsciously, some employees may believe that there are certain "caveats" in your stance on corruption. This can happen even if you have done absolutely nothing wrong, for example, if individual employees are merely looking for reasons to justify their own corruption.

There are numerous tried-and-tested ways in which you can communicate your stance to your employees. Some organizations apply (almost) all of them at the same time to make it more likely that each and every employee will be addressed in the most target group-oriented manner. The size of the organization plays a decisive role when it comes to selecting the measures to be used:

- > Talking to employees in person: The most effective way is to speak to individual employees in confidence. This is the best way for the employees to judge how sincere you are. As employees have the opportunity to ask questions, they cannot use the excuse that you were only paying lip service to the topic of corruption at a later date.
- > Talking to a large group of employees: Alongside one-on-one discussions and to document the negative attitude toward corruption throughout the organization

What is the Most Effective Method?

The most effective (and indispensable) way is to behave in a clear and consistent manner by setting an example. This also means systematically voicing your commitment to preventing corruption in one-on-one discussions and in larger groups. Building on this, you can, and indeed should, require your employees to follow the relevant requirements.

3 How do I Assess my Risk?

Identification and Analysis of Company/Authority-related Risks (Risk Assessment)

Entrepreneurial activity is always associated with risks. Be it the question as to whether new products will prove successful on the market, whether investment decisions ultimately pay off, or how external conditions will develop, a great deal depends on the acceptance of certain risks by the management of the organization. In this respect, the first step is to perform a risk analysis of the organization's activities. These can be roughly divided into the areas of procurement and service provision. The finance division, a key area with regard to corruption and embezzlement from a risk perspective, is seen as a function that provides continuous support to all departments.

The aim cannot be to prevent all conceivable forms of misconduct by employees or third parties acting on behalf of the organization, but rather simply to avoid systematic misconduct.

Failure to perform a risk analysis will generally cast doubt over the effectiveness of the anti-corruption measures taken within the organization. The potential consequences for the organization and its management include not only legal sanctions, but also a loss of reputation among the general public, which has the potential to significantly hinder the organization's commercial success/the effectiveness of its actions.

Risk-minimizing measures include:

- > Multiple control
- > Transparency of decisions
- > Selection of staff in risk areas
- > Period of time for which staff members are deployed in risk areas
- > Organizational implementation of anti-corruption measures
- > Implementation of communication and training measures
- > Regular review of anti-corruption measures
- > Decision to abolish processes that carry potential risks
- > Regulations governing how to deal with benefits
- > Accepting reports of misconduct (whistleblower system)

Why is This Topic Worth Exploring?

This is a topic that nobody, especially managers, likes to deal with. At the very least, accusations made against an employee create work. Scenarios like these cause upsets, the atmosphere in the workplace suffers and if there is "something to the allegation," further trouble with managers, the authorities and employee representative bodies can follow. So it makes sense that this is an area that many would prefer to brush aside. This sort of attitude is exemplified by statements such as "We have a culture of trust," or "I can say hand on heart that this sort of thing doesn't happen in my department." Nevertheless, misconduct happens. In organizations that fail to address circumstances pointing to potential breaches, the message sent out to employees is: "This is something that the management doesn't want to acknowledge." This makes it very easy for employees to conclude: "So breaches are obviously accepted or tolerated. Corruption can't be that bad then."

This is why Vonovia has set up a whistleblowing system to address this issue. Details can be found in KR 36 Whistleblowing.

4 Regular Review of the Anti-Corruption Measures Implemented

If an anti-corruption program featuring various measures implemented within the organization has been established following the performance of a risk analysis, it is also important to consider appropriate control measures to check whether the system is effective. The aim is to ensure that the measures taken are implemented in a sustainable manner, but also to ensure that the right lessons are learned from possible deficits that are discovered in connection with the controls and to improve the overall system accordingly or adapt it to reflect new circumstances.

At Vonovia, these controls are generally carried out by the Internal Audit and Compliance departments. Particular attention is paid to the internal controls in accordance with KR 14 Internal Control System.

5 Establishment of an Organizational Culture That Focuses on Preventing Corruption

A good organization cannot thrive based on “bans” alone; it needs corporate values that are truly understood and put into practice. This process allows guidelines to become convictions that individuals within an organization actually live by. Everyone should therefore ask themselves on a regular basis:

1. Are the expectations of the organization’s management regarding the behavior of employees and managers communicated clearly and in full?
2. Does the behavior of the management of the organization match the expectations communicated by the management regarding the behavior of employees and managers in an exemplary fashion?
3. Does the organization allow employees and managers to meet the expectations regarding behavior that are communicated by the organization’s management?
4. Are employees and managers aware of the consequences of breaching compliance requirements for the organization and for themselves personally?
5. Are the organization’s employees and managers willing to take responsibility for adherence to the compliance requirements communicated by the organization’s management?
6. Are the organization’s employees and managers capable of recognizing existing compliance dilemmas and addressing them in an appropriate manner?
7. Are the organization’s employees and managers capable of addressing their own and others’ misconduct in an appropriate manner?
8. Are compliance breaches sanctioned systematically and consistently?

If honest answers to these questions reveal potential deficits with regard to the compliance culture that the organization is seeking to establish, they should be discussed with the Compliance department in the interests of achieving continuous improvement.