

# Limited Assurance Report of the Independent Auditor regarding the Non-Financial Group Statement<sup>1</sup>

To the Supervisory Board of Vonovia SE, Bochum

We have performed an independent limited assurance engagement on the non-financial group statement of Vonovia SE, Bochum (further the "Company"), as well as the section of the combined management report that are qualified as part of it through cross reference, "Fundamental Information About the Group", for the period from January 1 to December 31, 2021.

It was not part of our engagement to review references to external websites and information sources.

## Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial group statement in accordance with §§ 315b, 315c in conjunction with §§ 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation“) and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU Taxonomy" of the non-financial group statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the non-financial group statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the non-financial group statement that is free of – intended or unintended – material misstatements.

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<sup>1</sup> Our engagement applied to the German version of the non-financial group statement 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “EU Taxonomy” of the non-financial group statement. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

### **Practitioner’s Responsibility**

It is our responsibility to express a conclusion on the non-financial group statement based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by IAASB.

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the non-financial group statement of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section “EU Taxonomy” of the non-financial group statement. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Vonovia SE
- A risk analysis, including media research, to identify relevant information on Vonovia SE’s sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters

- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data
- Assessment of the overall presentation of the disclosures
- Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU taxonomy
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the non-financial group statement

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

### **Independence and Quality Assurance on the Part of the Auditing Firm**

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

### **Conclusion**

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group statement of Vonovia SE for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “EU Taxonomy” of the non-financial group statement.

## Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board Vonovia SE, Bochum, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Vonovia SE, Bochum, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/bescheinigungen/lib/aab\\_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Düsseldorf, March 16, 2022

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

Stauder  
Wirtschaftsprüfer  
[German Public Auditor]

Brokof  
Wirtschaftsprüferin  
[German Public Auditor]

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# Appendices



Appendix 1  
Non-Financial Group  
Statement for the period  
from January 1 to  
December 31, 2021





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# Non-financial Group Declaration

## Explanatory Information on the Content of the Report and the Framework

The scope and quality of company reporting on sustainability topics continues unabated and continues to evolve into an integrated reporting. Major elements of a sustainable corporate direction can already be found in the risk assessment, but also in the strategy description and the governance report.

Vonovia attaches exceptional importance to a high degree of transparency toward numerous stakeholder groups. We keep pace with the evolving needs of actors on the capital market and are coming ever closer to integrated reporting. With this in mind, the non-financial Group Declaration makes reference to chapters in the management report in which disclosures required here are reported on; this is the case, for example, in the description of the business model and the risk assessment. As such, we are underscoring our understanding of a sustainable business model in which all three dimensions of sustainability (ESG) are embedded within our sustainability strategy. See also the chapter entitled → **Fundamental Information About the Group**.

Vonovia SE's corporate reporting includes a Non-financial Group Declaration, which has its legal basis in Sections 315b, 315c in conjunction with Section 289c to 289e HGB. The framework provided by the Global Reporting Initiative (GRI) for sustainability reporting and the UN Global Compact were taken into account when preparing this declaration. These standards also serve as a guide for the sustainability report. We also use the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which we describe in the section entitled → **Environmental Issues**. The provisions of the delegated act for Regulation (EU) 2020/852, subject to application of Articles 8 and 10 (EU taxonomy), are described for the first time in the → **EU Taxonomy** section of this non-financial Group Declaration.

On September 30, 2021, Vonovia took control of Deutsche Wohnen. Therefore, this is the date of first-time consolidation. The successful takeover of Deutsche Wohnen lays the foundation for tackling the central social and environmental challenges of the housing industry even more effectively and forming a leading European real estate company. The integration process, which will begin in 2022, is scheduled for completion by the start of 2023. The Group-wide integration process encompasses the consolidation of concepts, applied due diligence processes, and goals and events relating to the non-financial topics determined in the Vonovia materiality process pursuant to Section 289c of the German Commercial Code (HGB). See also the chapter entitled → **Fundamental Information About the Group**.

Therefore, Deutsche Wohnen SE is included in the consolidated financial statements and the Non-financial Group Declaration of Vonovia SE for the first time starting October 2021. To this end, an analysis of the non-financial performance indicators and materiality assessments of the two companies was performed. As part of the comparison of → **material sustainability topics** and identified non-financial performance indicators, it was determined that these only diverge slightly from each other.

In the analysis of key performance indicators in this Non-financial Declaration, the Group indicators of Vonovia are decisive in the selection of indicators and their definitions. This also applies to the description of concepts and their implementation. As part of the integration of Deutsche Wohnen, the extent to which an adjustment is required in this regard is being reviewed. Wherever possible, an attempt was made - in order to ensure the comparability of data - to consolidate the key figures of Deutsche Wohnen or to approximate their definition in the disclosures. This is not possible with respect to all key performance indicators, as the company-wide guidelines for calculating key figures will only be implemented in full during the integration process. We refer to any existing differences in the disclosure for the key figure concerned. Prior-year figures have not been adjusted.

The main relevant non-financial performance indicators are reported – together with information on the underlying concepts and objectives – in the individual chapters covering the content in question. These are allocated to the legally mandated aspects – environmental matters, social matters, employee matters, combating corruption and bribery, and observance of human rights. The key figures and the corresponding qualitative disclosures of the Vonovia Group in the section entitled “Taxonomy” also include information provided by Deutsche Wohnen on the EU taxonomy.

Six of the key figures listed in the Non-financial Group Declaration are non-financial governance indicators within the meaning of GAS 20, Paragraph 101 in conjunction with Paragraph 106. These are the key figures that together constitute the Sustainability Performance Index (SPI) since its introduction in 2021. The SPI, which is derived from the material sustainability topics, is a vital instrument in terms of managing our sustainable activities. It represents the leading non-financial performance indicator applicable for the Vonovia Group. Correspondingly, the six sub-indicators – and the related targets for the 2022 fiscal year – are reported in a non-consolidated manner with Deutsche Wohnen. We will report an integrated SPI for the first time in the 2023 fiscal year, following completion of the integration process. For more information, see the chapter entitled → **Management System**. Likewise with respect to the further key performance indicators, the targets outlined apply solely for Vonovia due to the fact that integration has not yet been completed.

The company's activities in Austria and Sweden are also covered by this Non-financial Group Declaration. This initially concerns the qualitative presentation of the non-financial information of the business entities. Due to the ongoing integration of the corresponding processes, the full consolidation of the key performance indicators is still in the implementation phase. With respect to each key performance indicator, we make reference to the degree of KPI integration.

This Non-financial Group Declaration supplements our comprehensive sustainability reporting, which has also already been firmly established, in the form of our dedicated Sustainability Report. The Sustainability Report contains further extensive information on individual non-financial topics as well as further examples of implementation and key figures. The Sustainability Report for the 2021 reporting year will be published in the second quarter of 2022. You will find further supplementary information on the website of the Investor Relations department, as well as access to numerous → **commitments and guidelines**. Sustainability reporting is also complemented by participation in numerous ESG ratings.

Both the Non-financial Group Declaration and the Sustainability Report are → **audited by the auditor of the annual financial statements**. All references to content outside the Non-financial Group Declaration are further information and are not covered by the audit performed by KPMG. An exception to this rule applies to references to further chapters of the management report. These are covered by the audit.

## Sustainability Management at Vonovia

Our business model is integrated into social and ecological change processes. In recent years, we have continuously enhanced our successful strategy, adding sustainability aspects. In the process, we have made considerable headway in terms of embedding sustainability in the company's business processes. With the launch of the SPI in 2021, these are linked to clear and remuneration-relevant targets for the Management Board and senior management (the first tier below the Management Board). The → **non-financial performance indicator SPI** comprises six indicators based on the material topics of Vonovia. These comprise the carbon savings achieved annually in housing stock, the energy efficiency of new buildings, the share of accessible (partial) modernization measures in relation to newly let apartments, the increase in customer and employee satisfaction and diversity in the company's top management team. The SPI achieved an index value of 109% in the reporting year. For a more detailed description of our **sustainable business model**, please refer to the chapter entitled → **Fundamental Information About the Group**.

The Vonovia sustainability ethos illustrates how we understand sustainability at the company. It is published on our [Investor Relations website](#).

At Vonovia, sustainability lies at the very top level of management. The individual responsible for the issue of sustainability is the Chief Executive Officer of Vonovia SE, Rolf Buch. On the part of the Supervisory Board, the Audit Committee, in particular, performs the corresponding control function.

Central coordination of sustainability activities is the responsibility of the Sustainability/Strategy department, which reports directly to the CEO. Its core duties include, in particular, the further development of the sustainability strategy, the definition and monitoring of sustainability objectives, the providing of impetus and the implementation of sustainability projects. It also handles sustainability reporting, which includes not only sustainability reporting within the annual report, but also the preparation of the sustainability report and the management of numerous ESG ratings.

A sustainability committee meets three to four times a year – as required – to discuss the overall strategic direction and to evaluate the company's sustainability performance. The committee comprises the entire Management Board (including the chief representatives), as well as the heads of Sustainability, Corporate Communications, Controlling, Accounting and Investor Relations. This ensures that decisions on the implementation of our sustainability strategy are borne by all relevant divisions and all the way through to local implementation levels.

The operational implementation of sustainability aspects takes place in all relevant departments and in our local neighborhoods in the various regions.

In Austria and Sweden, sustainability coordination is embedded in the relevant staff positions. They coordinate the interaction between the Sustainability/Strategy department and the individual countries, as well as the country-specific sustainability strategies pursued by the Austrian BUWOG companies and the Swedish company Victoriahem (until December 31, 2021 Victoria Park/Hembla). In order to take the development business of the German company BUWOG into account, a coordination function for sustainability has been set up there, too.

## Risk Assessment Based on Sustainability Aspects

The analysis and assessment of risks, taking into account sustainability considerations, plays a major role for Vonovia. With the integration of such sustainability risks in the company's risk management system, which was completed in 2020, we pay such risks due consideration. We not only analyze the risks in relation to business operations (outside-in perspective), but also in relation to the possible impacts on the environment and society (inside-out perspective). We provide information on these risks, as well as on the reconciliation of the Deutsche Wohnen risk assessment, in our → **Opportunities and Risks** report.

In the Non-financial Group Declaration, material risks associated with the Group's own business activities – and business relations or products and services of the Group – which are very likely to occur and which could have very challenging negative effects on non-financial topics must be reported. On the basis of the risk analyses performed separately for Vonovia and Deutsche Wohnen and in the opinion of Vonovia's management, there are **no non-financial risks** that meet the materiality criteria pursuant to Section 289c (3) Nos. 3 and 4 HGB in net terms.

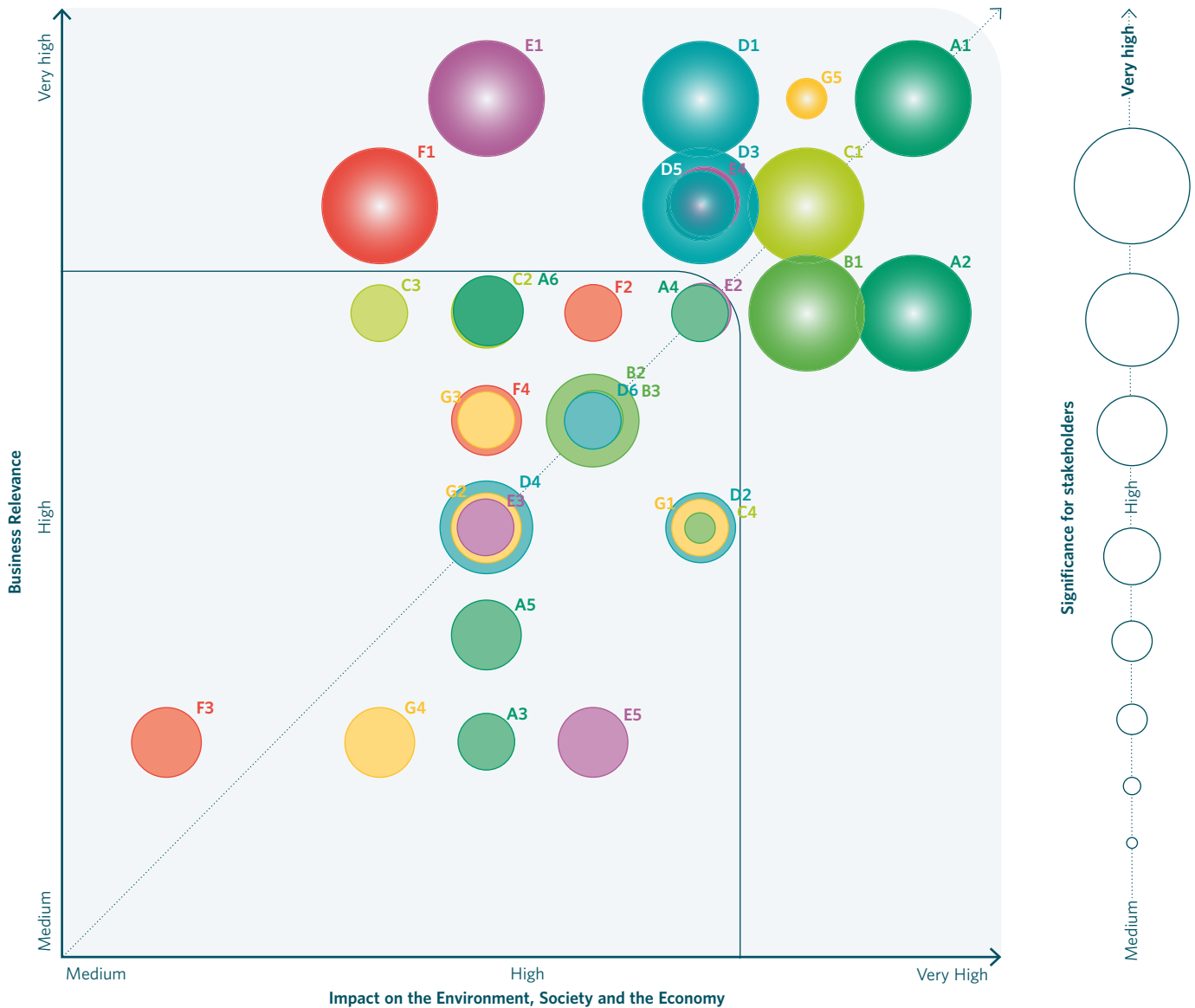
## Key Sustainability Aspects at Vonovia

A home is a basic human need. We meet this basic need by creating new living space and letting existing living space. We do so responsibly and sustainably by paying attention to the environmental footprint of our buildings and by having committed to the goal of climate-neutral housing stock. We also do so by living up to our social responsibility and offering residential units at fair prices for different groups within society. We do so through a governance structure that meets high value benchmarks and that is well suited to being perceived as trustworthy and reliable by our stakeholders.

Vonovia systematically manages the main sustainability topics for the company on the basis of three dimensions: the relevance of social and environmental changes on the business and on value creation (outside-in perspective), the impacts of the business model and company activities on the environment and society (inside-out perspective), and from the viewpoint of our relevant stakeholder groups. The **materiality matrix** that builds on this categorizes eleven material topics – which will be explained in more detail in the subsequent chapters of this Non-financial Group Declaration – and 22 further important sustainability topics within seven areas for action.

The materiality analysis of sustainability topics for Vonovia SE, newly prepared in the previous fiscal year, remains in place unchanged and represents the leading system for the non-financial topics.

# Materiality Matrix



## Action Area A: Environment and Climate

- A1 Carbon reduction in the property portfolio/energy-efficient modernization**
- A2 Renewable energies and energy mix**
- A3 Energy efficiency and carbon reductions in operations
- A4 Innovations for climate and environment
- A5 Water, effluents and waste
- A6 Biodiversity

## Action Area B: Sustainable Construction and Development

- B1 Sustainable construction and refurbishment**
- B2 Sustainable materials and products
- B3 Social and environmental standards in the supply chain

## Action Area C: Society and Contribution to Urban Development

- C1 Community development and contribution to infrastructure modernization**
- C2 Inclusion, diversity and social cohesion
- C3 Involvement and participation
- C4 Shaping political dialogue

## Action Area D: Homes and Customers

- D1 Living at fair prices**
- D2 Contribution to new build projects in metropolitan areas
- D3 Homes that meet people's needs and transformation due to demographic change**
- D4 Maintenance of existing properties
- D5 Customer satisfaction and service quality**
- D6 Dialogue with tenants

## Action Area E: Corporate Culture and Employees

- E1 Attractiveness as an employer**
- E2 Training and personal development
- E3 Fair and appreciative remuneration
- E4 Approach to diversity and equal opportunities**
- E5 Promoting health and safety

## Action Area F: Governance and Responsible Business Practices

- F1 Governance and compliance**
- F2 Stakeholder orientation
- F3 Respect and promotion of human rights
- F4 Information management and data protection

## Action Area G: Future Fitness and Capital Market

- G1 Sustainable and long-term growth**
- G2 Managing opportunities and risks
- G3 Digitalization of processes
- G4 Sustainable relationships with business partners
- G5 Attractiveness on the capital market**

Material topics are defined by their high significance for at least two of the following three dimensions: impact on the business and value creation, impact of the business model on the environment and society, and the perspective of relevant external stakeholder groups. Material topics are marked in bold.

In preparation for the business combination of Vonovia with Deutsche Wohnen, we compared the sustainability analyses of both companies in a first step, assigning the Deutsche Wohnen sustainability topics to those of Vonovia. On account of the similar business models and approaches, we have determined that there is, as expected, significant alignment between the material topics and their evaluation; this means that virtually all material topics of Deutsche Wohnen can be integrated within the structure of Vonovia and reconciled with the material topics of Vonovia. The two material topics of Deutsche Wohnen – “Customer health and safety” and “Transparency and dialog with stakeholders” – dovetail with further important sustainability topics of Vonovia and are described in more detail in the sustainability report. We refer to other relevant differences in the chapters concerned in this Non-financial Group Declaration.

The complete consolidation of concepts, targets and measures within the material non-financial topics identified in the Vonovia materiality process will be achieved as part of the integration process in 2022. For the 2021 fiscal year, Deutsche Wohnen SE is preparing its own non-financial Group declaration, taking into account all material topics of Deutsche Wohnen.

In terms of the direction of its sustainability strategy, Vonovia is also guided by international standards and frameworks, such as the Sustainable Development Goals (SDGs) and the UN Global Compact. As a company with international operations, we aim to contribute to achieving these goals with our business in Germany, Austria and Sweden. To this end, we have identified **eight central SDGs** that guide our actions (see also the SDG policy at [Investor Relations website](#)). We show our progress in terms of achieving these goals, especially in our sustainability report.

## Key SDGs for Vonovia



## Taxonomy

### Background and Objectives of the EU Taxonomy

The EU Commission has set out the “Sustainable Finance” action plan, which seeks to 1) promote sustainable investment, 2) tackle financial risks arising from climate change, resource scarcity, environmental destruction and social problems and 3) boost transparency and long-term focus in the area of financial and economic activity. One concrete measure of the action plan is the introduction of a sustainability taxonomy, which has been established through the Taxonomy Regulation<sup>1</sup>. The EU taxonomy, which came into force midway through 2020, constitutes a classification system for environmentally sustainable economic activities. Starting from the 2021 fiscal year, this gives rise to a reporting obligation for Vonovia with respect to the disclosures required by the EU taxonomy; we are hereby meeting this reporting obligation.

In particular, listed industrial companies must state the following key performance indicators (“KPIs”) in their non-financial Group Declaration<sup>2</sup>: Disclosure of the share of revenue generated with products/services that are associated with economic activities to be classified as environmentally sustainable. In addition, disclosure of the shares of investment (“CapEx”) and operating expenses (“OpEx”) in association with assets or processes that are associated with economic activities to be classified as environmentally sustainable.

Only those economic activities currently outlined in the Annexes to the delegated act on EU taxonomy (Annex I) or for the purpose of adapting to climate change (Annex II)<sup>3</sup> are eligible for taxonomy in the first stage. Further delegated acts to specify additional environmental objectives are expected and will then be taken into consideration accordingly.

<sup>1</sup> Cf. Regulation (EU) 2020/852 (hereinafter referred to as the “EU Taxonomy”).

<sup>2</sup> Cf. Article 8(2) of Regulation (EU) 2020/852 and Delegated Regulation (EU) of July 6, 2021 supplementing Regulation (EU) 2020/852 (hereinafter referred to as the “Delegated Act on Article 8 on the content and presentation of the information to be disclosed”).

<sup>3</sup> Cf. Delegated Regulation (EU) of 4 June 2021 supplementing Regulation (EU) 2020/852 (hereinafter referred to as “Annex I and Annex II of the Delegated Act on the climate targets of the EU taxonomy”).

The performance indicators are ultimately designed to provide information about the share of taxonomy-aligned and therefore sustainable economic activities. A determination of taxonomy eligibility requires that the eligible economic activity concerned 1) makes a significant contribution to the attainment of one or more environmental objectives, 2) does not significantly impair any other environmental objective and 3) is carried out in compliance with the minimum requirements for occupational health and safety and human rights. With respect to the first two steps, the technical evaluation criteria for the individual climate objectives are defined in Annex I and Annex II of the delegated act, observance of which is a prerequisite for classification of an activity as taxonomy-aligned.

The EU taxonomy formulates six environmental objectives:

- > Climate change mitigation
- > Climate change adaptation
- > The sustainable use and protection of water and marine resources
- > The transition to a circular economy
- > Pollution prevention and control
- > The protection and restoration of biodiversity and ecosystems.

The initial reporting obligation with respect to the EU taxonomy for the 2021 fiscal year encompasses the first two environmental objectives, i.e., climate change mitigation and climate change adaptation. On the basis of the relief provisions<sup>4</sup> applicable for the 2021 fiscal year, we disclose taxonomy-eligible and non-taxonomy-eligible economic activities as a share of revenue, CapEx and OpEx. Starting in the 2022 reporting year, entities are required to report on the compliance of economic activities with the EU taxonomy. Starting in the 2023 reporting year, the disclosure of prior-year figures is mandatory.<sup>5</sup>

## Reporting Principles

### Identification and Categorization of Economic Activities Eligible for Taxonomy

Based on Annex I and Annex II of the delegated act on the climate targets of the EU taxonomy, Vonovia has analyzed all activities and determined those that are deemed eligible for taxonomy based on the descriptions in the taxonomy and, where applicable the supplementary NACE codes<sup>6</sup>.

Alongside the letting of housing, our business model includes the development and construction of new rental units for the company's own stocks and for the purpose of sale. Vonovia is also a modern provider of housing-related services, such as energy services, senior-friendly apartment modernization, and caretaker and craftsmanship services.

For our company, we have identified the following activities as being environmentally sustainable and therefore eligible for taxonomy:

- > 4.1 Electricity generation using solar photovoltaic technology<sup>7</sup>
- > 7.1 Construction of new buildings<sup>8</sup>,
- > 7.2. Renovation of existing buildings
- > 7.3 Installation, maintenance and repair of energy efficiency equipment
- > 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- > 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- > 7.6. Installation, maintenance and repair of renewable energy technologies and
- > 7.7 Acquisition and ownership of buildings<sup>9</sup>.

<sup>4</sup> Cf. Article 10(1) of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.

<sup>5</sup> Cf. Article 8(3) of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.

<sup>6</sup> NACE is the European standard classification of productive economic activities. NACE presents the universe of economic activities partitioned in such a way that a NACE code can be associated with a statistical unit carrying them out.

<sup>7</sup> Construction or operation of power plants that generate electricity using photovoltaic (PV) technology (in particular NACE codes D.35.11 and F.42.22).

<sup>8</sup> Development of construction projects for residential and non-residential buildings by combining financial, technical and material resources to realize the construction projects for subsequent sale and construction of entire residential and non-residential buildings for the company's own account to be sold on, or on a fee or contract basis (in particular NACE codes F.41.1 and F.41.2, which also include activities with NACE code F.43).

<sup>9</sup> This includes residential, commercial and nursing care properties.



## Performance Indicators

### Definition and Calculation Method

In order to calculate the taxonomy-eligible shares, we proceeded as follows. Calculation of the performance indicators is based on the accounting and measurement methods of the consolidated financial statements. The consolidated financial statements of Vonovia are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU.

In order to calculate the KPIs reportable in accordance with taxonomy, which are presented as percentages, the taxonomy-eligible net revenue, CapEx and OpEx are determined in relation to total net revenue, total CapEx and total OpEx. The definition of each KPI is based on Annex I of the Delegated Act on Article 8 on the content and presentation of the information to be disclosed.

### Revenue

The taxonomy-eligible net revenue (numerator) comprises amounts that were generated from taxonomy-eligible economic activities (see also the chapter entitled "Categorization of relevant taxonomy-eligible economic activities").

$$\frac{\text{Taxonomy-eligible net revenue}}{\text{Total net revenue}}$$

In the numerator (total net revenue), Group revenue from the income statement is used in the calculation of the taxonomy-eligible revenue. For more details on accounting methods, please refer to the accounting and valuation methods within the Notes to the IFRS consolidated financial statements (Section (B): Profit for the Period, Chapter [B10] Income from property management, Chapter [B11] Profit on the disposal of properties and Chapter [B12] Profit on the disposal of properties (Development).

### CapEx and OpEx

The taxonomy distinguishes between three different types of taxonomy-eligible CapEx and OpEx (numerators):

- > **CapEx/OpEx A**, which relates to assets or processes associated with economic activities that are taxonomy-eligible, or
- > **CapEx/OpEx B**, which is part of a plan to expand taxonomy-aligned economic activities (e.g., through the initiation of a new economic activity) or part of an upgrade plan for the conversion of taxonomy-eligible activities into taxonomy-aligned activities (e.g., through the energy moderniza-

tion of a property classed as investment property ("CapEx Plan"<sup>10</sup>)), or

- > **CapEx/OpEx C**, which relates to the acquisition of products and services from taxonomy-eligible economic activities or individual measures through which the activities are carried out in a low-carbon manner or the emission of greenhouse gases is lowered, and insofar as these measures are implemented and operational within 18 months.

<u>Taxonomy-eligible CapEx</u>	<u>Taxonomy-eligible OpEx</u>
CapEx	OpEx

Pursuant to the EU taxonomy, the numerator of **CapEx** consists of additions to property, plant and equipment and intangible assets (including additions from business combinations) before depreciation and amortization, including depreciation and amortization from remeasurements and impairments, without taking into account changes to fair value. As such, Vonovia incurs costs that are recognized as additions on the basis of IAS 16.73(e) (i) and (iii), IAS 38.118(e) (i), IAS 40.76(a) and (b) and IFRS 16.53(h) pursuant to this definition<sup>11, 12</sup>.

Pursuant to the EU taxonomy, the **OpEx** numerator encompasses direct, non-capitalized costs relating to research and development, building renovation measures, short-term leasing, maintenance and repair, as well as all direct expenses in connection with day-to-day maintenance of property, plant and equipment that are necessary in order to ensure the continuous and effective functionality of these assets. To this extent, this is an addition to the performance indicator of the recognized CapEx values rather than a full presentation of the OpEx of Vonovia, as shown under Section [B] Profit for the Period, Chapter [B15] Cost of Materials in the Notes to the consolidated financial statement. We regard direct costs as those costs that can be clearly and directly attributed to an identified activity, but not to a specific building. Pursuant to the requirements, we include costs for building renovation measures and costs for maintenance and repair when defining the denominator. With respect to direct expenses, costs for maintaining the functionality of property, plant and equipment are included. Expenses for research and development and short-term leasing are usually capitalized and therefore part of CapEx.

<sup>10</sup> The CapEx plan to be published needs to be approved by the management (directly or indirectly by way of delegation) and generally covers a period of five years.

<sup>11</sup> With regard to economic activity 71 New construction, the corresponding properties do not constitute fixed assets but rather are reported within current assets in the real estate inventories (Chapter [D35] Real Estate Inventories), with IAS 2 Inventories being applied as the relevant IFRS standard. As IAS 2 Inventories does not fall within the scope of CapEx as defined by the EU Taxonomy, the real estate inventories do not form part of the denominator.

<sup>12</sup> The numerator used in the CapEx KPI is calculated by analyzing the assets or processes related to the CapEx covered by the numerator to determine their taxonomy-eligible status. With regard to developed land, the CapEx for buildings and land has been included as additions, as economic activity 7.7. cannot be performed without the relevant land. In addition, as the building is one of the key components of a plot of land, the building and the plot of land are considered one and the same legal entity.



The denominator includes direct non-capitalized operating expenses in connection with the day-to-day maintenance of property, plant and equipment that are necessary to maintain the continuous and effective functionality of these assets.

### Supplementary Disclosures

Duplicate counting is avoided by means of direct allocation of the taxonomy-eligible revenue, CapEx and OpEx to a taxonomy-eligible economic activity.

### Shares of Performance Indicators That Are Associated with Taxonomy-eligible and Non-taxonomy-eligible Economic Activities

In order to comply with regulatory requirements for the 2021 fiscal year, Vonovia discloses the following shares in performance Indicators that are associated with taxonomy-eligible and non-taxonomy-eligible economic activities. The key figures shown relate solely to the legally required disclosures pertaining to the first two environmental objectives of climate change mitigation and climate change adaptation.

CapEx for 2021 is heavily influenced by the business combination with Deutsche Wohnen. Deutsche Wohnen is included in three months of OpEx and revenue (October to December).

in %	Share of taxonomy-eligible economic activities	Share of Taxonomy-non-eligible activities
Net Turnover	97	3
CapEx	98	2
OpEx	94	6

The largest share of taxonomy-eligible revenue is attributable to activity 7.7 "Acquisition and ownership of buildings." In addition to these revenues, revenues from 7.1 "Construction of new buildings" and 4.1 "Electricity generation using solar photovoltaic technology" are also eligible for taxonomy. Non-taxonomy-eligible revenues include revenues from management of residential property, energy distribution and multimedia.

The activities 7.7 "Acquisition and ownership of buildings" and 7.2 "Renovation of existing buildings" account for a large share of CapEx. Non-taxonomy-eligible CapEx results chiefly from undeveloped land, technical equipment and goodwill.

The OpEx includes maintenance expenses from the income statement including those that were the internal craftsmen's organization. In order to prevent double counting, the capitalized share already included in CapEx has been deducted. Maintenance expenses for property management, on the other hand, are not eligible for taxonomy.

On February 2, 2022, the European Commission published a second FAQ document addressing questions regarding the interpretation of Article 8 of the EU Taxonomy Regulation. This interpretation guidance came too late in the financial statement preparation process for the Vonovia Group and could not be implemented in the current financial statements. The corresponding comments in the FAQ document could only be taken into account for the second environmental objective, climate change adaptation, when determining the activities eligible for taxonomy. The interpretation issues will be evaluated and implemented in the taxonomy reporting processes for 2022.

### Outlook for the 2022 Reporting Year

As described in the section "Background and Objectives of the EU Taxonomy," relief provisions apply for the 2021 reporting year that only require the disclosures stated above. Further details will be provided for the 2022 reporting year. These include on the one hand the breakdown of KPIs into various activities and, on the other, the additional disclosure of compliance.

The significant CapEx influence of the Deutsche Wohnen acquisition will no longer be reflected in the figures next year. By contrast, the revenue and OpEx will reflect twelve months of Deutsche Wohnen.

## Reporting on Aspects of the Non-financial Group Declaration

The Non-financial Group Declaration sets out the relevant concepts, the accompanying due diligence processes, the results of the concept and the status of implementation of the measures for each material topic.

Ten out of the eleven topics that are material for Vonovia can be allocated to the aspects covered by the German Commercial Code (HGB) in the context of the Non-financial Group Declaration:

- > Environmental issues: Reducing CO<sub>2</sub> in the real estate portfolio & energy-efficient modernization/renewable energies and energy mix/sustainable new construction and refurbishment

- > Social issues: Neighborhood development and contribution to infrastructure/fairly priced housing/homes that meet tenant needs and action in response to demographic change/customer satisfaction and service quality
- > Employee issues: Appeal as an employer/approach to diversity and equal opportunities
- > Combating corruption and bribery: Governance and compliance

“Attractiveness on the capital market” has been identified as an additional material topic for Vonovia. Information on the “Respect for Human Rights” aspect, which is a requirement under the German Commercial Code, is also reported in the Non-financial Group Declaration.

## Environmental Issues

Environmental issues include the following material topics for Vonovia: “Reducing CO<sub>2</sub> in the real estate portfolio/energy-efficient modernization,” “Renewable energies and energy mix,” “Sustainable new construction and refurbishment” (see → **materiality matrix**). The Group guidelines, concepts and processes of Vonovia are decisive in terms of describing the concepts and their implementation. As part of the pending integration of the company Deutsche Wohnen acquired by us, these guidelines, concepts and processes will also be transferred to the acquired business activities.

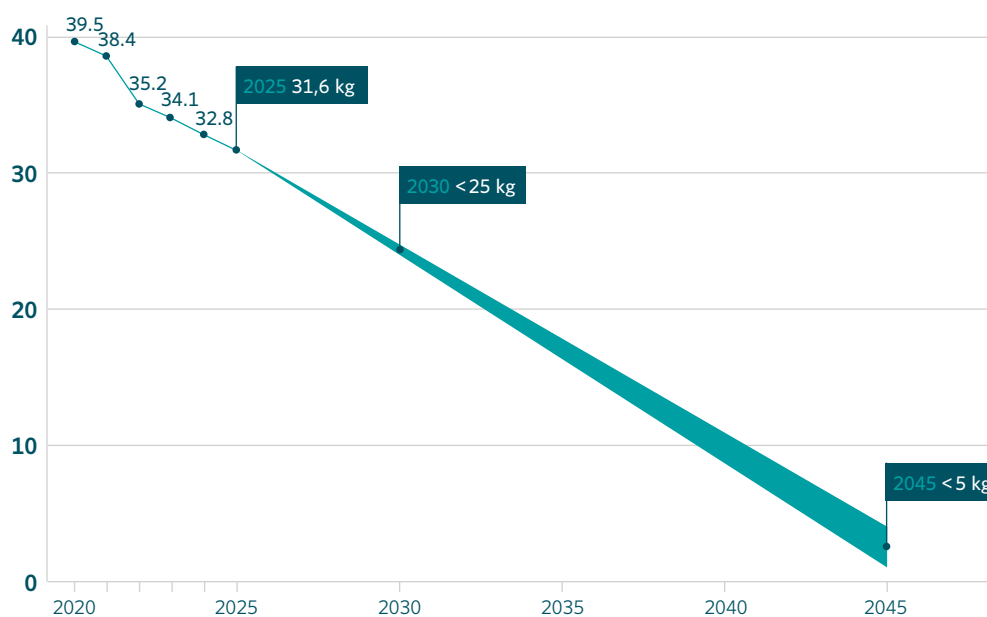
Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

We regard the mitigation of global warming and the protection of natural resources for life on earth as the most important challenge facing society as a whole in our time. Therefore, environmental and climate protection is accorded paramount importance within our sustainability strategy. Vonovia supports targets set at international level, such as the Paris Agreement and the European Union Green Deal, as well as those set at national level, such as the goal set by the German Federal Government this year to achieve climate neutrality by 2045.

As the housing industry market leader in Europe, we aim to be a central driving force behind climate protection. With our own real estate portfolio of 565,334 residential units (including Deutsche Wohnen) and our extensive development activities, we possess significant levers for environmental and climate protection. In this regard, we place CO<sub>2</sub> emissions at the forefront; these arise through the provision of our buildings with heating and hot water (so-called Scope 1 and 2 emissions), with the majority of our portfolio located in Germany. However, we are also paying increasing attention to CO<sub>2</sub> emissions from the upstream value chain and other environmental aspects.

### Vonovia Climate Path: Portfolio Decarbonization Strategy

CO<sub>2</sub> intensity in kg CO<sub>2</sub>e/m<sup>2</sup>a\*



#### The 3 elements of the climate path

- > Continuation of comprehensive energy efficient refurbishment
- > Replacement of conventional heating units with hybrid systems and heat pumps

> Photovoltaic systems on all suitable roofs

> Establishment of a local heating network in the neighborhood with renewable energies
- > Conversion of the energy sector to carbon-free district heating and green electricity

\* Includes scopes 1 & 2 as well as scope 3.3 “Fuel- and energy-related activities upstream”; referring to German building stock without Deutsche Wohnen. Development of the energy sector according to the Agora Energiewende KND 2045 scenario; comparison: CRREM path MFH 1.5° DE 2045 = 5.4 kg/CO<sub>2</sub>/m<sup>2</sup> (July 2021); development of climate path supported by Fraunhofer ISE.

In the reporting year, we further developed our climate strategy and redefined our goal. In light of the new Federal Climate Change Act and the sector targets contained therein, we have set the target of achieving a virtually climate-neutral building portfolio by 2045, with a CO<sub>2</sub> intensity of less than 5 kg of CO<sub>2</sub> equivalents per m<sup>2</sup> of rental area. By 2030, we aim to achieve a CO<sub>2</sub> intensity of less than 25 kg CO<sub>2</sub>e/m<sup>2</sup>. These targets were once again developed through interdisciplinary consultation between various functional departments with the support of science (Fraunhofer ISE) and go further than the recognized 1.5° target pathway of the Carbon Risk Real Estate Monitor (CRREM) for multi-family homes in Germany (as of 07/2021). The Vonovia climate targets are contingent not only on a comprehensive improvement of the building portfolio's energy efficiency through energy efficiency modernization, and an increased share of renewable energies in our neighborhoods but also on a profound transformation of the energy sector. As such, the provision of sufficient volumes of carbon-free district heating and electricity by the energy sector, coupled with a more rapid phase-out of coal, as described in the Coalition Agreement, are fundamental prerequisites for a climate-neutral buildings sector.

With respect to the attainment of our climate target and the targets of the housing sector as a whole, we continue to regard the right subsidy instruments and the removal of legal hurdles as decisive. After all, we believe that for climate-neutral housing to be a success and also remain affordable, there is a need not only for commitments and investments but also for ambitious and long-term partnerships and, in particular, changes in the overall political conditions. As part of the complete implementation of the business combination with Deutsche Wohnen, we will also incorporate the additional building stocks within our climate strategy and objectives.

The development of our climate path is part of our systematic response to the impact of climate change on our business development. In developing this course further, we not only consider the risks – such as those relating to our future business operations due to rising prices for the generation of CO<sub>2</sub> emissions and those relating to our buildings due to the impacts of climate change – but also the opportunities, such as those associated with climate-resilient and exceptionally competitive neighborhoods. The recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) constitute important guidance in this regard.

## Implementation of the TCFD Recommendations at Vonovia

Content of the recommendations	Implementation at Vonovia	Further information
<b>Governance</b>		
Organizational structure of the company regarding climate-related risks and opportunities	<ul style="list-style-type: none"> <li>&gt; The entire Management Board bears responsibility for sustainability and climate protection, as well as climate-related risks and opportunities</li> <li>&gt; Sustainability Committee – comprising the entire Management Board and representatives of the central functional departments Sustainability/Strategy, Controlling, Communication, Investor Relations and Accounting – determines the strategy and targets and monitors progress</li> <li>&gt; The central department Sustainability/Strategy, within the executive division of the CEO, coordinates and drives the measures and their implementation</li> <li>&gt; Climate-related risks are calculated and collated on a half-yearly basis as part of the company-wide risk management process; the process is coordinated by Controlling, with the Management Board taking the final decision on risk assessment</li> <li>&gt; Energy efficiency modernization in the existing portfolio in Germany is the responsibility of the CRO (Regions and Portfolio Management); for Austria, the CDO is responsible, for Sweden, the CEO of Victoriahem</li> <li>&gt; The Value-add unit is responsible for technically implementing and using new technologies</li> <li>&gt; The central non-financial performance indicator Sustainability Performance Index (SPI) includes the carbon intensity of the building portfolio</li> </ul>	<p><b>2021 Annual Report:</b>  <b>The Company Corporate Structure Sustainability Management at Vonovia Management System Environmental Issues Opportunities and Risks</b></p> <p><b>2020 Sustainability Report:</b>  <b>Environment and Climate Management of Opportunities and Risks</b></p>
<b>Strategy</b>		
Actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning	<ul style="list-style-type: none"> <li>&gt; As key drivers of long-term business success, climate protection and CO<sub>2</sub> reduction are fundamental components of the corporate strategy</li> <li>&gt; A binding climate path, taking into account various scenarios, defined in cooperation with the scientific community</li> <li>&gt; An extensive modernization program to increase energy efficiency, as well as the use of neighborhood solutions with renewable energies (fuel switch)</li> <li>&gt; Transitory rather than physical risks currently expected, including through legislation in Germany (CO<sub>2</sub> pricing) and the European Union, as well as through a lack of cost-effectiveness of energy efficiency modernization and the development of renewable energy generation (balance between investments and capacity for passing on costs/affordability for tenants)</li> <li>&gt; Opportunities in particular through decentralized internal energy generation for the supply of heating and the provision of electricity for tenants</li> </ul>	<p><b>2021 Annual Report:</b>  <b>Strategy Sustainability Management at Vonovia Environmental Issues Risk Assessment Based on Sustainability Aspects</b></p> <p><b>2020 Sustainability Report:</b>  <b>Environment and Climate New Construction</b></p>

## Implementation of the TCFD Recommendations at Vonovia

Content of the recommendations	Implementation at Vonovia	Further information
<b>Risk management</b>		
How the organization identifies, assesses, and manages climate-related risks	<ul style="list-style-type: none"> <li>&gt; Climate-related risks form part of the company-wide risk management process; half-yearly evaluation of all risks by the management</li> <li>&gt; In the future, physical risks will be evaluated on the basis of regularly updated risk maps</li> <li>&gt; No material risks currently identified for the Vonovia building portfolio</li> </ul>	<p>2021 Annual Report: <b>Risk Assessment Based on Sustainability Aspects Opportunities and Risks</b></p> <p>2020 Sustainability Report: <b>Management of Opportunities and Risks</b></p>
<b>Metrics and targets</b>		
Metrics and targets used to assess and manage relevant climate-related risks and opportunities	<ul style="list-style-type: none"> <li>&gt; Comprehensive and complete carbon footprint for the building portfolio and business operations in accordance with the GHG Protocol and IW.2050</li> <li>&gt; CO<sub>2</sub>e in the portfolio (in Germany) in 2021: 871,290 metric tons (Scopes 1,2,3*)</li> <li>&gt; Expansion of renewable energies using PV: 510 installations with a nominal output of 18.0 MWp</li> </ul> <p>Targets:</p> <ul style="list-style-type: none"> <li>&gt; Virtually climate-neutral building portfolio by 2045 (&lt; 5 kg CO<sub>2</sub>e per m<sup>2</sup> rental area)</li> <li>&gt; Reduction of CO<sub>2</sub> intensity from current level of 38.4 to less than 25 kg per CO<sub>2</sub>e/m<sup>2</sup> of rental area by 2030</li> <li>&gt; Installation of PV systems with a nominal output of &gt; 200 MWp on 17,000 roofs by 2030</li> <li>&gt; Reduction in average primary energy demand in new buildings to 31 kWh/m<sup>2</sup> by 2025</li> </ul>	<p>2021 Annual Report: <b>Strategy Management System Environmental Issues Forecast Report</b></p> <p>2020 Sustainability Report: <b>Environment and Climate Sustainable Construction and Development Environmental Key Figures</b></p>
* Scope 3.3: "Fuel- and energy-related activities upstream"		

The following **three material topics** contribute to Vonovia's overarching climate strategy:

### Reducing CO<sub>2</sub> in the real estate portfolio/energy-efficient modernization

Energy-efficient refurbishments are a key element of our climate path. Following the initial definition of the target in 2020, concrete implementation work continued in the reporting year. A specially developed tool makes it possible to break down the Group target at the level of regions and neighborhoods – and identify nuanced solutions. In this respect, both environmental/social and economic targets are factored in. Here, the focus is on the urban quarter as a solution level, including for the energy revolution in particular. Many integrated solutions for energy provision with renewable energies and CO<sub>2</sub> optimization can only be implemented in a technically feasible and economically viable way within larger neighborhoods. The innovation clause of the German Buildings Energy Act (GEG), for example, is only applicable to neighborhoods. The energy-efficient modernization measures focus on heat insulation for facades, basement ceilings and attics, the replacement of windows and the installation of new heating boilers. Here, we are increasingly moving the focus away from individual measures, but rather gearing our programs more closely toward the holistic efficiency house notion within the meaning of Federal subsidies for energy-efficient buildings (BEG). In terms of heating modernization, we focus on the

use of hybrid solutions and heat pumps. By the end of 2022, we also aim to have replaced all existing oil heating systems in existing buildings.

When carrying out energy efficiency building refurbishments, we need to consider both the strain on the tenants/residents concerned and the rising costs. Vonovia is committed to using numerous (academically supported) cooperation projects and integrated approaches to find innovative and cost-efficient, effective solutions for energy efficiency and a climate-neutral housing stock.

One example of this sort of approach is the Energiesprong initiative, a serial refurbishment concept that stands for minimal refurbishment times, high residential comfort and an innovative financing model on account of standardization and prefabrication. The aim is to conduct refurbishments to bring buildings to net zero, meaning that they generate as much energy in a year as they consume. The Energiesprong principle is currently being piloted in Bochum and is earmarked for further implementation within the portfolio. Vonovia is also taking part in projects to optimize the operational management of heating systems and the interaction between, for example, system technology, user behavior and structural measures, so as to deliver further ideas for measures that can be implemented at a reasonable cost.

The Portfolio Management department, which reports to the Chief Rental Officer (CRO), is responsible for coordinating

the energy-efficient modernization activities. The urban quarters to be modernized are selected in a targeted manner in cooperation with the regions, and the optimal degree of modernization for each building is defined. The investments for the modernization programs are approved by the Management Board as a whole. Public-sector subsidy programs are being used for many of the modernization measures. Here, Federal subsidies for energy-efficient buildings (BEG) play a particularly crucial role in the investment program.

This allowed a refurbishment rate of 2.3% to be achieved in the reporting year. The year-on-year drop (2020: 2.9%) is, among other things, attributable to the new conditions for subsidies and the adjustments to the internal management system to focus on the neighborhood level, which requires more complex and therefore longer planning. In the year ahead, it is expected that the refurbishment rate will once again exceed 2%.

### Material performance indicator

Category	Unit	2020	2021	Projection for 2022
Refurbishment rate (in Germany)*	%	2.9	2.3	2.0-2.5%

\* Excluding Deutsche Wohnen.

Deutsche Wohnen also calculates and reports on a refurbishment rate; however, the definition of this rate differs from the key figure of Vonovia. The two rates will be merged as part of the integration process.

The CO<sub>2</sub> intensity of the building portfolio represents the central indicator of energy efficiency modernization. It is also an extremely important component of the Sustainability Performance Index (SPI) and therefore of the Corporate Management System. Alongside optimization of building envelopes, the switch to lower-carbon energy sources also

stands at the forefront. As part of our quest to achieve a climate-neutral housing stock in 2045, Vonovia is aiming to have reduced the CO<sub>2</sub> intensity of its housing stock in Germany to below 25 kg CO<sub>2</sub>e/m<sup>2</sup> by 2030. In the reporting year, CO<sub>2</sub> intensity stood at 38.4 kg CO<sub>2</sub>e/m<sup>2</sup> and was therefore approx. 2.8% lower than in the previous year (2020: 39.5 kg CO<sub>2</sub>e/m<sup>2</sup>)<sup>13</sup>. As such, the goal set for the reporting year of a reduction of at least 2% was achieved. In particular, the reduction is based on energy efficiency modernization and an improvement in the CO<sub>2</sub> intensity of district heating.

### Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Carbon intensity of the existing portfolio Vonovia SE (in Germany)*	kg CO <sub>2</sub> e/m <sup>2</sup> living area	39.5**	38.4	Reduction of min. 1.5%***

\* Total portfolio, based on final energy demand from energy performance certificates and related to rental space, in some cases including specific CO<sub>2</sub> factors from district heating suppliers; excluding Deutsche Wohnen.

\*\* Restatement to the Annual Report 2020, see Sustainability Report 2020.

\*\*\* After conversion to the Carnot method for the emission factors of district heating.

CO<sub>2</sub> intensity also represents a key figure at Deutsche Wohnen, whose reporting logic – despite becoming ever more similar in recent years – still differs from that of Vonovia in certain details, especially with respect to conversion factors for energy consumption. It came in at 32 kg CO<sub>2</sub>e/m<sup>2</sup> in the reporting year. Recognition will be fully harmonized during the integration process.

As part of the continuous further development of our CO<sub>2</sub> accounting, we will make a modification in the CO<sub>2</sub> accounting of district heating starting in the 2022 fiscal year, where we will use the Carnot allocation method<sup>14</sup> in the future.

This has the advantage that the allocation of CO<sub>2</sub> emissions between electricity and district heating is based on purely physical considerations, meaning that we can structure our long-term climate strategy and corresponding innovations in a way that is robust against regulatory changes in the long term. Had this method been applied to the building portfolio in the 2021 reporting year, it would have resulted in a theoretical CO<sub>2</sub> intensity of 35.6 kg CO<sub>2</sub>e/m<sup>2</sup>.

<sup>13</sup> The prior-year figure was already corrected in the reporting year due to a change of method, which was shown in the 2020 sustainability report. (CO<sub>2</sub> intensity prior to change of method: 43.9 kg CO<sub>2</sub>e/m<sup>2</sup>)

<sup>14</sup> In addition to the energy quantity, the Carnot method also uses energy quality as a measure for breaking down CO<sub>2</sub> emissions between electricity and heating; the GEG provides for a switch to the Carnot method by no later than 2030.

Energy efficiency modernization measures in Austria are, like overall business operations in Austria, the responsibility of the Chief Development Officer (CDO) under the BUWOG umbrella, where they are led by the Real Estate Management division. Since 2011, BUWOG has been a partner of the “klimaaktiv Pakt” climate protection initiative launched by the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology. Following completion of the first stage of the initiative in 2020, BUWOG has set a new goal as part of “klimaaktiv 2030”, the aim being to achieve a reduction of 55% by 2030, compared to the base year of 2005. The highest share of the CO<sub>2</sub> reduction will be accounted for by modernization and improvements to existing stocks, particularly insulation refurbishment, improvements in the efficiency of heating systems and conversion to renewable energy sources. BUWOG has also had a certified energy management system that is consistent with ISO 50001 standards in place in Austria since 2013/14 and in Germany since 2018. The system is a tool used voluntarily to systematically manage energy performance and improve it continuously. The corresponding establishment of processes that reflect this policy in the company and clear objectives serve to increase energy efficiency, reduce energy consumption and cut energy costs.

In Sweden, virtually all existing Victoriahem buildings are supplied with district heating, the generation of which already produces extremely low CO<sub>2</sub> emissions. Therefore, the road to climate neutrality will primarily be shaped by further decarbonization of heating supply, coupled with ongoing improvements in energy efficiency.

### Renewable Energies and Energy Mix

A further key pillar of our climate strategy is the use and expansion of renewable energy sources. Vonovia is aiming to continuously increase the use and share of renewable energies, for example by expanding the use of hybrid heating systems, heat pumps, solar thermal energy, pellet heating and integrated neighborhood systems. We are also piloting

innovative approaches such as the use of hydrogen technology in combination with electricity from renewable sources.

In 2021, Vonovia hit its target of installing PV panels on 1,000 roof areas. As the overall potential of the suitable roof areas is still considerably higher, we plan to install PV panels on 17,000 roofs by 2030; this equates to an installed output in excess of 200 MWp (compared to 18.0 MWp in 2021). In order to achieve this goal, we are also investing in in-house installation capacities and creating about 100 new jobs. In the long term, i.e., by 2050, we intend to fit all 30,000 suitable roof spaces in the German portfolio with PV panels. Looking ahead, the plan is to use the energy generated directly as landlord-to-tenant electricity in the individual neighborhoods as soon as the overall legal conditions make this commercially feasible. The PV program and other innovative approaches aimed at the CO<sub>2</sub> optimization of the real estate portfolio as part of the neighborhood concept are developed and managed by the Innovation & Business Building department.

Vonovia is offering its customers the opportunity to purchase electricity from renewable energy sources via its own energy distribution company (VESG). By supplying certified green electricity, Vonovia is helping its customers to avoid greenhouse gas emissions. In the mid- to long-term, Vonovia is seeking to decentralize the energy supply to its own neighborhoods using self-supply and tenant electricity concepts. Our objective is to maximize the share of energy we produce ourselves for the benefit of our customers and the environment, and also to use it for our housing-related services, e.g., e-mobility. The purchase of certified green electricity to supply communal areas makes a further contribution to our climate strategy.

All activities relating to renewable energies and energy distribution are organized in the Value-add business area and are managed by a chief representative who reported directly to the CEO of Vonovia until the end of the 2021 fiscal year. This responsibility will move to the Chief Transformation Officer (CTO) with effect from January 1, 2022.

### **Material performance indicator**

Category	Unit	2020	2021	Target for 2022
Number of photovoltaic plants*	number	424	510**	
Installed Output	MWp	15.9	18.0**	24.4***

\* Photovoltaic plants owned by Vonovia at reporting date 31.12.

\*\* Including Deutsche Wohnen.

\*\*\* Target only Germany and excluding Deutsche Wohnen.



## Sustainable New Construction and Refurbishment

Vonovia's new construction activities are helping to create urgently needed new and affordable homes, especially in metropolitan areas. In the reporting year, the integration of the new construction division of Vonovia Technischer Service GmbH – a company focusing on densification and the addition of extra stories to buildings – under the Development business, which operates under the BUWOG brand in Germany, was decided upon and spearheaded. BUWOG focuses on the development of high-quality residential neighborhoods for the company's own portfolio (to hold) and for direct sale (to sell) in Germany and Austria. The activities of the BUWOG development business in Germany and Austria are the responsibility of the Chief Development Officer (CDO), and the individual development projects are approved by the Management Board.

In its new construction and refurbishment projects, Vonovia takes care to ensure optimized energy design and the use of renewable energies. We achieve this, for instance, by using the German efficiency house standard or the new-build criteria of the "Klimaaktiv Pakt" initiative.

The average primary energy demand of newly constructed buildings, in relation to rental area, make up the most important performance indicator. This performance indicator is part of the planning process and must be made transparent as part of all Management Board approvals of new-build and development projects. Our aim is to reduce this significantly in the medium term. The increase in average primary energy demand in 2021 is attributable to projects that were already planned and approved under other framework conditions prior to the setting of our goals. For the same reason, a considerably higher figure is anticipated for 2022; in subsequent years, a considerable reduction is then expected.

### Material performance indicator – SPI

Category	Unit	2020	2021
Average primary energy demand – new construction*	kWh/m <sup>2</sup> p.a.	35.7	38.6

\* Based on energy performance certificates, excluding commercial space and extensions; excluding Deutsche Wohnen (integrated reporting of the indicator will take place from the coming year).

In the reporting year, resource-saving and eco-friendly construction and, in particular, analysis of the entire life cycle came more to the fore. In many projects, various wooden construction methods were planned and used; these result in much lower CO<sub>2</sub> emissions and energy requirements in the manufacture of building materials. As

such, the overall footprint can be reduced effectively. In the future, we will make greater use of increasing systemization, also taking the CO<sub>2</sub> impacts of the upstream chain into account. We will discuss and champion these and other approaches at our "Perspectives on the Future of Construction" conference, which is planned for 2022.

Designing the residential environment and preserving biodiversity are top priorities for us. Numerous buildings feature green spaces that serve as natural habitats for flora and fauna at ground level, on roofs or on facades. In addition to the optical effects, these green spaces also offer a practical added value, for example, by slowing the flow of rainwater into the partially overburdened municipal sewage system and by making a considerable contribution to the microclimate, especially by preventing urban heat islands in built-up areas. Attention is also paid to conserving resources and protecting the environment during the construction phase, too.

## Social Issues

Within the context of the statutory requirements in the Non-financial Group Declaration, social issues include the following material topics: "Neighborhood development and contribution to infrastructure," "Fairly priced housing," "Homes that meet tenant needs and action in response to demographic change" and "Customer satisfaction and service quality" (see → [materiality matrix](#)). The Group guidelines of Vonovia are definitive in terms of describing the concepts and their implementation. As part of the pending integration of the company Deutsche Wohnen acquired by us, we are reviewing the agreements, standards and processes in place at this company with respect to the material topics listed under social issues. Where necessary, we will implement our internal company-wide guidelines. Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

### Neighborhood Development and Contribution to Infrastructure

The **social megatrends of climate change, urbanization and demographic change** set out the scope for change within which the housing industry needs to find services and solutions. Whether climate-neutral building stocks (see Environmental Issues), increasing conglomeration in urban spaces and cities under individually evolving conditions (see Fairly Priced Housing) or an aging society (see Homes that Meet Tenant Needs and Action in Response to Demographic Change), the requirements are becoming increasingly complex and interconnected. Therefore, people's direct residential environment, the neighborhood, is becoming an increasingly prominent area of focus for the housing indus-

try, a trend that is amplified by the impacts of the coronavirus pandemic. Quality of living is being associated more closely with the neighborhood level. People want to feel at home in their environment and identify with their place of residence. What's more, the neighborhood level is also suitable for networked environmental measures.

Thinking and acting in terms of neighborhoods is Vonovia's answer to these crucial megatrends – and our solution approach for the economic, environmental and social (new) development of our urban housing portfolios. With this in mind, Vonovia takes a holistic perspective on neighborhoods and develops infrastructure that is tailored to suit the individual challenges of each neighborhood, that is geared toward the needs of the tenants and that combines structural design, climate protection and services to meet social needs.

Almost 70% of Vonovia's portfolio is located in neighborhood settings; this equates to 586 urban quarters (excluding Deutsche Wohnen). In this context, we understand a quarter – as per the definition of the German Housing and Real Estate Companies (GdW) – as a visually coherent urban development structure that is seen by its residents as a distinct area and that represents an area for action in which the residential real estate company can make a difference and see positive effects. It comprises at least 150 apartments. In addition to the urban quarters, there are unique strategic properties (urban clusters) to which the options for action of the strategy and business model are adaptively applied (see → [The Company](#)).

This neighborhood-based view of the portfolio expands our spectrum of measures for designing our portfolio using networked approaches and new technical capabilities, thereby helping us to create places of shared living with a socially and environmentally viable future. Synergy effects release their potential within the neighborhood approach. As part of the further development of our investment strategy, some 20 neighborhoods in 2022 will be analyzed in terms of

their environmental performance and social megatrends before being extensively prepared.

Vonovia's neighborhoods are designed to comply with clear climate protection requirements. They use innovative concepts to offer a good platform to counter the challenges associated with climate change and reduce CO<sub>2</sub> emissions. Vonovia designs its residential environments and green spaces to strengthen participation and urban community life and to be sustainable from an ecological perspective.

Environmental and social aspects go hand in hand within our neighborhood approach. Vonovia is equally committed to both aspects and to promoting social interaction in the local community. Measures to strengthen shared living only become manageable and effective through the neighborhood approach. This is a process involving city and municipal authorities as well as our tenants in order to jointly develop solutions for the neighborhood. It uses various instruments and cooperation initiatives to achieve this, e.g., by making premises available, establishing services, neighborhood meet-ups and day care centers hand-in-hand with cooperation partners that focus on the greater good.

In 2021, there were 15 neighborhood development projects in the operational implementation stage across Germany comprising approx. 8,600 residential units as part of the neighborhood development investment program. These include various key components, such as energy-efficiency refurbishments, the construction of new homes and measures to design an appealing residential environment – supported by additional social services, urban development aspects and necessary infrastructure measures. These projects generally run for a period spanning several years. Due to lead times and adjustments to internal program logic, the aforementioned new neighborhood approach within the investment strategy cannot yet be presented in reported investment volumes. This relates to expenses connected with the measures in the neighborhood development program in the fiscal year.

### Material performance indicator

Category	Unit	2020	2021	Projection for 2022
Investment volume for community development in Germany (fiscal year)*	in € million	42.3	61.6	117.8

\* Excluding Deutsche Wohnen.

Neighborhood development is also a material topic at Deutsche Wohnen. Here, the program and governance logic differs from the approach taken by Vonovia. The processes and governance logics, from the investment program

through to implementation of the neighborhood development components, will be merged as part of the integration.



Neighborhood development calls for complex teamwork and extensive innovative knowledge of all employees to ensure successful implementation on location. From an organizational standpoint, the challenge of the neighborhood approach lies in reflecting networked thought and action within the organizational structure, facilitating knowledge transfer and establishing the processes necessary for this to happen.

Here, Vonovia follows the approach of providing central support services for local decision-makers and actors and ensuring the transfer of best practice. Thanks to the Neighborhood Academy, an internal training and networking format, employees can be qualified as neighborhood development experts. The Neighborhood Academy not only teaches innovative knowledge, but also focuses on the training of specific skills. At the same time, it enables the systematic sharing of experiences among participants. This is supported by Group-wide, web-assisted knowledge management in the form of the Vonovia Guide.

In order to further spearhead research in the field of neighborhood development and living, Vonovia sponsors a foundation professorship – held by Prof. Dr. Jan Üblacker – at the EBZ Business School University of Applied Sciences in Bochum, thereby firmly embedding the neighborhood perspective in the education of EBZ students.

Neighborhood development is planned and managed on a decentralized basis via the regions. The Chief Rental Officer (CRO) is the Management Board member responsible for the property management business in the North, East, South and West business areas, as well as for customer service and portfolio and tenant management. We are increasingly using our own neighborhood developers for on-site implementation. This allows us to address any specific issues as and when they arise.

The investment and participation formats are also the responsibility of, and are managed by, the regions, just like Vonovia's social commitment. This approach is supplemented, also from a quality assurance perspective, by centrally managed supporting measures via corporate communications.

### Fairly Priced Housing

Vonovia's core business is the provision of housing that meets people's needs. As such, we meet the basic human need for housing. In this context, the needs and life circumstances of our customers – as a reflection of society – differ in all kinds of ways. There are also differences in the situation on individual housing markets. In metropolitan areas, in particular, shortages of available housing often go hand in hand with strong demand. Among other things, these developments unfold against the background of high climate

protection requirements, which are particularly cost-intensive in the buildings sector. This is why, particularly with modernization projects, it is key to bear in mind what individual tenants can actually afford in order not to end up losing customers. After all, one aspect that is of fundamental importance to us is being able to offer our tenants the prospect of being able to stay in their homes in the long term. The fundamental challenge involves being able to provide a supply of housing at fair and transparent prices while at the same time achieving a climate-neutral housing stock.

First and foremost, we achieve this through fair and transparent prices of our housing that are affordable for the various sections of society. By further expanding our core business through letting and new construction, we make a substantial contribution to easing the current situation on housing markets. Our rental prices are based on the usual local rents and – if available – on qualified rent indices. In our view, regulatory interventions in housing markets are necessary and conducive to the achievement of our objectives. When letting, we always observe the applicable country-specific legislation. We will retain our voluntary commitment in Germany to cap the modernization costs passed on to tenants at € 2 per m<sup>2</sup>. In the event that a disproportionately large amount of CO<sub>2</sub> – and therefore further heating costs for tenants – can be saved, it is possible to balance the objectives in favor of the climate-protection measures on a project-by-project basis.

The housing situation in Berlin is particularly fraught: the Act on Rent Controls in the Housing Sector in Berlin ("the Berlin rent freeze"), introduced by the Berlin State Government in 2020, was declared unconstitutional by the German Federal Constitutional Court in the fiscal year under review. As a consequence, a majority of voters in Berlin instructed the Berlin State Government by means of a referendum in fall 2021 to examine demands for socialization of the portfolios of major housing companies in Berlin. This illustrates the urgent need for sufficient and affordable housing in Berlin.

Here at Vonovia, we have therefore sent several signals that we wish to change the situation in Berlin through cooperation between politicians, society and housing companies. In a first step, we waived potential claims for rental back payments arising from the ruling of the German Federal Constitutional Court on the Berlin rent freeze. In concert with Deutsche Wohnen, we have also gone a step further with our "Future and Social Pact for Housing" by selling 14,750 apartments to public housing companies, voluntarily limiting our rental increases for the next five years in Berlin and by committing to build 13,000 new apartments in order to send a clear signal in the effort to combat the housing shortage.

## Material performance indicator

Category	Unit	Vonovia		Deutsche Wohnen
		2020	2021	2021
Average rent per m <sup>2</sup>	€	7.16*	7.38*	7.20

\* Excluding Deutsche Wohnen.

Both in Berlin and in other cities and municipalities, we also offer subsidized and independently financed homes for people on low incomes and are responding to location-specific challenges with services tailored to needs. In Frankfurt am Main, we have agreed with the city on regulations for climate-friendly housing at fair prices. These regulations limit the average increases in existing rents to the level of inflation and – similar to the agreement in Berlin – to one percent for three years. Of new builds, 30% are in the subsidized segment – and Vonovia provides accompanying support to people affected by or threatened with homelessness. For the city of Frankfurt, this is the first agreement of its kind concluded with a private enterprise.

These two agreements, along with the establishment of an independent mediation body in Dresden, demonstrate that Vonovia strives to work in partnership with politicians and society to tackle municipal challenges and that the company takes specific societal and social challenges into account within its planning.

Individual support programs constitute a further supplementary component of our work to enable fairly priced housing. We have, for instance, firmly established our hardship management program. When we receive hardship case pleas, we work with the tenant concerned to find a suitable solution in each case. In the fiscal year under review, we cooperated with the German Tenants' Association and other housing companies to agree on consistent standards – based on the guidelines of charitable organizations – for dealing with hardship cases in the event of modernization work, applying a common guidance framework. As such, we are contributing to greater reliability and transparency in cases of hardship. Also still in place are our special vested rights for people aged over 70 and our active support for people who have fallen into payment difficulties as a result of the coronavirus pandemic. The aim of these measures is always to ensure that people can stay in their homes and that housing remains affordable.

Rent structures and agreements with municipalities are managed in a decentralized manner via the regions. The Chief

Rental Officer (CRO) is the Management Board member responsible for the property management business in the North, East, South and West business areas, as well as for customer service and portfolio and tenant management. The individual measures are planned and coordinated in the Portfolio Management department.

### Homes that Meet Tenant Needs and Action in Response to Demographic Change

Demographic trends and the associated aging of the population are changing the needs of our customers and the related challenges on real estate markets. We adapt our offering in response to these changing and varying housing needs. Our aim is to ensure that our tenants can stay safe and healthy in their homes over the long term. In the event that architectural conditions no longer support independent living, it is important that the barrier to accessing further care services is low.

In Germany, the demand for senior-friendly housing will outstrip supply by around two million by 2035. In an aging society, it is crucial to enable a large number of people to live independently in their own homes for as long as possible. We therefore already design a large share of our newly built apartments to be accessible and/or wheelchair-friendly. More important, however, is the low barrier for equipping and refurbishing apartments for people with impaired mobility.

Homes that are completely barrier-free, according to German industry standard DIN 18040-2, are only necessary in very rare cases. Rather, a small number of measures, such as the fitting of non-slip flooring or flush-to-floor showers, are often sufficient to significantly increase the level of living comfort in old age. We therefore pursue the target of modernizing 30% of newly rented apartments every year so that they meet the demands of an aging society. To this end, we review existing buildings to determine their potential for accessibility. In 2021, 10,000 apartments were (partially) modernized to make them more accessible.

## Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Proportion of accessible (partially) modernized newly rented apartments (in Germany)*	%	30.1	30.0	around 30%

\* Includes both measures in the event of a change of tenant and modernisations at the request of the tenant; Number of new lettings excluding newly constructed living space. Excluding Deutsche Wohnen, Deutsche Wohnen does not calculate this key figure.

As of December 31, 2021, we employed a total of 3,783 people in care service or care home management in the area of Care at Deutsche Wohnen. Retirement and care homes are operated under the brands KATHARINENHOF and PFLEGEN & WOHNEN HAMBURG. These facilities provide full residential care, the aim being to maintain an active lifestyle and residents' independence to the greatest possible extent. Senior citizen-friendly services are also provided within the context of assisted living. With its Care and Assisted Living business segment, Deutsche Wohnen makes a substantial contribution in the area of demographic change.

In addition to structural measures, the social infrastructure in the neighborhood also plays a key role. In addition to special forms of housing, such as senior-friendly apartments, Vonovia also works with cooperation partners that focus on the greater good to offer services and neighborhood meet-ups, for example.

Responsibility for the senior-friendly housing programs lies with the Management Board (CRO). The structure of the refurbishment program is managed centrally and is implemented via the regions.

### Customer Satisfaction and Service Quality

Customer satisfaction is instrumental in the success of a company. For us, this is mainly associated with the question of whether our tenants feel at home in their apartments and residential environments and whether they feel that they are treated fairly by us as their landlord. Here, the quality of customer care and services plays a major role. Our experience tells us that availability, speed and transparency in customer service are pivotal when it comes to living up to expectations.

Our central, multilingual customer service department acts as the first port of call, whereas our caretakers and in-house craftsmen look after the needs of tenants on location. This allows us to ensure fast and reliable service. In 2021, we

considerably increased the telephone availability of our customer services team, thereby significantly reducing waiting times.

In order to further boost flexibility and speed, we are pressing ahead with the digitalization of our service functions. The key channel in this regard is the tenant app, which has already been downloaded more than 250,000 times and is used actively by some 68,000 users. In 2021, we added two new features to the app – the digital lease agreement and the apartment search. As a result, the entire customer journey can now be shown in the app: from searching for an apartment and scheduling viewing appointments through to digital contract drafting, ancillary expense bills and all other topics for existing customers. In the future, the app will be expanded to include additional features such as consumption data that can be read remotely. The systematic implementation of digital solutions also helps the environment and has already enabled us to save more than a million sheets of paper.

Customer satisfaction is measured using a quarterly customer survey and is reflected in the Customer Satisfaction Index (CSI), which is an element used in determining Management Board remuneration as a direct, non-financial control parameter and SPI component. In 2021, Vonovia reached an all-time high in the CSI. This success is further reflected in an award given by analysis institute AktivBo, which Vonovia received in the fiscal year under review as the company with the largest improvement in the service index. The aim is to cement this positive trend on a permanent basis. BUWOG in Austria and Victoriahem in Sweden also carry out regular customer satisfaction surveys.

Looking forward, we aim to introduce a harmonized CSI in Germany, Sweden and Austria in order to be able to compare the results of the individual surveys.

## Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Increase in Customer Satisfaction (Customer Satisfaction Index (CSI) in Germany)*	%	+8.6	+4.5	Same level as the previous year

\* Customer Satisfaction Index (CSI) in glossary, excluding Deutsche Wohnen.

Deutsche Wohnen also conducts an annual tenant survey to measure its customers' satisfaction with their living situation and their satisfaction with Deutsche Wohnen as a landlord, with this survey comprising multiple items. It is, however, not comparable with the Vonovia CSI. Satisfaction with Deutsche Wohnen as a company remained more or less stable between 2020 (82%) and 2021 (81%). The level of satisfaction with tenants' residential units stands at 86% (2020: 88%).

At Vonovia, responsibility for the central customer service center lies with the CRO. While customer satisfaction is assigned to the central customer service center in strategic terms, it affects all customer-facing operating departments and is ensured by each and every Vonovia employee. The design and management of the tenant app and the customer portal are also the responsibility of the central customer service center.

## Employee Issues

Within the context of the statutory requirements in the Non-financial Group Declaration, employee issues include the following material topics: "Appeal as an employer" and "Approach to diversity and equal opportunities" (see → **materiality matrix**). The Group guidelines of Vonovia are definitive in terms of describing the concepts and their implementation. As part of the pending integration of the company Deutsche Wohnen acquired by us, these guidelines, concepts and processes will also be transferred to the acquired business activities. Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

### Appeal as an Employer

Working life and organization were once again largely dominated by the coronavirus pandemic in 2021. Whereas there was a need in the previous year to respond quickly to changing circumstances with flexible working models and employee protection measures, 2021 was shaped by the consolidation and further development of the transformation to flexible and digitalized processes.


The works agreement on mobile working, negotiated between senior management and the works council, remains in place. A corresponding agreement now also exists for Austrian employees. In numerous departments and service areas, it was possible to institute hybrid working models combining on-site working and mobile working.

The company's HR processes support this flexibility through further digitalization of processes. Whereas elements such as the reporting of absences due to illness via an app or the digital recording of working hours in many divisions eased location-independent working in the previous year, 2021 saw the digitalization of further HR processes. This applies, in particular, for the areas of training and talent management, where further IT applications were implemented within Success Factors, making them available for more than 90% of the Group (excluding Deutsche Wohnen). For example, seminars on data protection and the Code of Conduct were held by means of specially developed online formats. All talent processes are now assisted by software, simplifying both executive development and succession planning processes.

The (ongoing) development of existing employees is particularly important for the company, whether in Germany, Austria or Sweden. Needs-based training courses and programs include training sessions and specialist seminars, management development courses and certified qualification schemes. We support the further development of our high-potential candidates through our own Vonovia Academy and our cooperation projects with EBZ Business School in Bochum, which focuses on property management, and other educational institutions. In Austria, we reinstated the apprentice program in 2021. Here, the first four young people have started their apprenticeships at the Vonovia subsidiary BUWOG.


By virtue of the insourcing of numerous tasks along the value chain – from caretaker work and garden maintenance through to the carrying out of maintenance services – and the resulting large number of employees in skilled trade and technical positions, Vonovia is combating the risk of a skills shortage on this labor market by taking a holistic approach to HR planning: targeted recruiting is complemented by

ongoing training and education, talent promotion and extensive social benefits to promote employee loyalty. For example, we are continuing with the harmonization of various company social benefits and employee programs, e.g., by introducing a new employee retirement benefit plan and the leasing of company bikes. Both of these benefits are available to all Vonovia employees in Germany.

In 2021, a new recruitment campaign was launched in order to persuade more people to join Vonovia in skilled trade occupations. Under the title  **“Hand aufs Werk”** this new campaign was launched in 42 German cities through myriad media channels. A total of 1,600 new applications were received during the campaign period (10 weeks) – roughly 65% more than in the comparison period before the campaign.

All these measures are designed to position Vonovia as an attractive, reliable and secure employer. After all, we need well-trained, qualified employees to achieve our mission and pursue our growth strategy. In 2021, there were once again no pandemic-related operational terminations, and there was also no need to introduce short-time work.

The exclusion of operational terminations also applies with respect to the integration process of Deutsche Wohnen SE. Employees of Deutsche Wohnen SE are protected against operational terminations due to the integration process until the end of 2023.

Vonovia is committed to the core labor standards of the International Labour Organization (ILO) in all areas, particularly with regard to  **freedom and rights of association**. Works councils represent all Vonovia employees in Germany and Austria.

## Employee Key Figures

Category	Unit	2020***	2021
Total number of employees*	number	10,622	12,088
of which female	number	2,626	3,414
of which permanent	number	9,669	11,137
Nationalities**	number	76	74
Average age (total)	years	42.5	42.8
People with disabilities**	number	368	344
Total number of trainees**	number	510	561
of which commercial	number	153	185
of which technical trade	number	357	376
Training rate**	%	5.0	4.6

\* Total number of employees by headcount, from 2021 all key figures including Deutsche Wohnen (excluding Care and Assisted Living). The Care and Assisted Living business activity of Deutsche Wohnen SE comprises a further 3,783 employees (see also section Social concerns: needs-based living and action in relation to demographic change).

\*\* Not including Sweden, Germany and Austria taken into account.

\*\*\* Excluding Deutsche Wohnen.

The satisfaction of our employees is a decisive indicator for allowing us to assess our appeal as an employer. In 2021, we conducted a comprehensive survey of employees in Germany, Austria and Switzerland via an external contractor. As such, it was possible to expand on the most recent survey of the entire Group (excluding Deutsche Wohnen), which was conducted in 2019. The survey contains questions on five dimensions that are of particular importance for our company: credibility, respect, fairness, pride and team spirit.

The results of the employee survey bolster the success of the measures taken in the previous year. The Group-wide response rate increased from 72% in 2019 (excluding Sweden) to 82% in 2021. Changes in the employee satisfaction level – which this year became a component of the Group’s key non-financial performance indicator (SPI) – will offer a regular indication of the degree to which Vonovia is an attractive employer. With this in mind, it is planned to repeat the employee satisfaction survey each year.

## Material performance indicator – SPI

Category	Unit	2020	2021	Target for 2022
Increase employee satisfaction*	percentage points	-**	+5***	Same level as the previous year

\* Conducted Group-wide for the first time in 2021; in each case excluding Deutsche Wohnen.

\*\* No survey conducted in 2020, therefore no change compared with previous year.

\*\*\* In relation to the 2019 survey (the time comparison includes Germany and Austria, Sweden did not participate in 2019).

Deutsche Wohnen also conducts surveys to measure employee satisfaction. While the questionnaires fundamentally cover the same ground, they do exhibit different areas of focus. To support comparability with the changes in the employee satisfaction level of Vonovia, the percentage change in the employee satisfaction level at Deutsche Wohnen is reported here. In 2021, this was -2%. This figure already includes integration effects, as the survey was not carried out until after placement of the successful takeover offer. Employees of the Care and Assisted Living business area were not surveyed. Once integration has been completed, employee satisfaction will be measured company-wide.

Another key performance indicator examined by the employee survey is the extent to which employees are satisfied with Vonovia's management of the pandemic so far. Here, 82% of employees stated that they were very satisfied.

### Approach to Diversity and Equal Opportunities

Vonovia's tenants and employees are as diverse as society as a whole. For example, tenants from more than 150 nations rent their homes from Vonovia, with the company itself employing people from more than 70 countries. They represent many different age groups, religions and worldviews, have a variety of physical disabilities and live their lives with a range of gender identities and sexual orientations.

We regard this diversity as a great strength and opportunity, which we support in a targeted manner and whose competitive advantage we aim to harness. By the same token, we regard not being able to meet diversity expectations as a risk for the company, which is why we have included it in our risk catalog. We currently measure this risk as having a low

amount of loss and a very low probability of occurrence (<5%).

Even though we conclude from this figure that we have already achieved considerable equality of opportunity and that we embrace and promote diversity within the company, we continuously institute further measures in this context and/or adapt existing measures to reflect changes in underlying conditions. For example, we are updating our seminars on discriminatory behavior and continue to focus more closely on the integration of foreign skilled workers and displaced persons, as well as a high degree of flexibility in working hours so that all employees can structure their working time to suit their current phase in life. The gradual harmonization of social benefits also aims to ensure corresponding equal rights for all employees. For example, our employee share program and a works agreement on mobile working are now also in place in Austria.

We see the strengthening of women in the company as a special mission, as they – chiefly due to the technical occupations in the field of skilled trades – are considerably underrepresented with a share of 28.2% of the workforce as a whole. The SPI indicator "Proportion of women in leadership roles in the first and second level below the Management Board" clearly illustrates that we take care to proactively promote women and give them opportunities to pursue leadership positions and technical occupations. When setting the target – 29% by 2024 – we were guided by the representation of women in the Group as a whole. In Austria, we were not only awarded the equalitA certification for the internal promotion of women, but also with state certification as a family-friendly company.



## Material performance indicator – SPI

Category	Unit	Vonovia			Deutsche Wohnen 2021
		2021	2022	Target for 2022	
Proportion of women in management positions (first and second levels below the Management Board)	%	25.9*	28.0*	Same level as the previous year**	30.2***

\* Excluding Deutsche Wohnen.  
 \*\* Related to the previous year.  
 \*\*\* Deutsche Wohnen without Care and Assisted Living business activity.

At the top level of management, the diversity concept for the composition of the management and control bodies is set out in detail in the [Corporate Governance Declaration](#).

### Establishment in the Company

At Vonovia, the CEO is responsible for the company's human resources work, which has been established centrally as a shared service within HR management. In 2021, the shared services approach was transformed into an HR business partner model, which is further developed on an ongoing basis.

Austria and Sweden have their own HR departments. Austria reports to the HR department in Germany via dotted-line reporting, whereas Sweden is still not firmly established in the reporting line. Here, monitoring and reporting takes place as and when required. Organizational integration of Deutsche Wohnen is scheduled for January 1, 2023.

The Head of HR discusses developments with the CEO on a regular basis. The objectives and focus of HR work are developed in collaboration with the Management Board and are then cascaded down throughout the organization.

## Combating Corruption and Bribery

Within the context of the statutory requirements in the Non-financial Group Declaration, this aspect includes one material topic: "Governance and compliance" (see [materiality matrix](#)).

### Governance and Compliance

The foundation of our business model is based on reliable, transparent and trustworthy corporate governance, which the company manages and monitors responsibly and independently. Its function as a role model is decisive in terms of building and cementing credibility – and therefore trust among our stakeholders. This also applies with respect to legally compliant conduct. Trust can be built through

reliability if all rules are followed systematically – both those set out by law and, in particular, also those that we impose on ourselves. By contrast, any abuse of trust can damage the reputation and the business success of the company.

As a result, our governance endeavors are geared toward the establishment and implementation of, and systematic compliance with, a transparent and modern system of rules. Group-wide [policies and business principles](#) serve as a framework: Our business philosophy, our Code of Conduct, the Business Partner Code, and our Management Board's Declaration of Respect for Human Rights act as the maxims guiding us in our actions. We live up to this attitude with our [independent Supervisory Board and our commitment to the principles of the German Corporate Governance Code](#).

The compliance management system (CMS) supports the corporate governance's direction and guards the company against misconduct. At Vonovia, the CMS is based on three pillars: prevention, identification and reaction. These pillars are underpinned by an extensive system of measures and processes as part of the compliance program. The basis takes the form of the Compliance Guidelines, which follow the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW PS 980).

In the 2021 fiscal year, we carried out a Group-wide, web-based compliance risk analysis at the level of senior company executives (excluding Deutsche Wohnen). As part of this analysis, information was requested on the topics of active and passive corruption, money laundering, antitrust law, social compliance and IT/data security. The aim of the survey was to systematically evaluate compliance risks, increase comparability between the countries in which Vonovia operates and identify potential areas of focus for further development of the CMS. Potential improvements were stated in the areas of money laundering and IT security, whereas the company was viewed as being well placed or very well placed in the other areas. Social compliance was evaluated as the most secure area. Compliance management identifies a catalog of measures from the findings, including a comparison of material compliance risks with the

Group risk management system and an expansion of the training catalog for compliance-related topics. With a view to enabling the transfer of best practice, the Austrian process for determining beneficial owners will be rolled out to Germany, as the Austrian requirements are more stringent in this regard.

Regular training sessions are the cornerstone for preventing misconduct before it happens. A comprehensive catalog of regular and mandatory training events is already firmly established and has been adapted for the various internal target groups. Procurement, for which the issue is particularly relevant, receives special training on corruption and criminal law pertaining to corruption, for example. As certain compliance seminars could not be held in the previous year due to the coronavirus pandemic, we digitalized and, in some cases, reworked further seminars in the reporting year. For example, the Code of Conduct and data protection seminars, including progress tests, are now available online to all employees in Germany (excluding Deutsche Wohnen). As such, implementation of the corresponding training content is ensured.

The complaints management and whistleblower protection system, expanded in 2021, has now entered regular operation. Bolstered by [Group policies](#) on preventing and tackling corruption, on preventing money laundering, on the whistleblower system and on the compliance guidelines, the [anonymous Whistleblower hotline](#) is not only available to employees, but also to external parties such as customers and business partners, in both German and English. It complements and extends the existing system of the independent ombudsman. The hotline is also integrated within the partner portal for business partners. The externally prepared whistleblower report is included with the company's compliance report.

The Chief Executive Officer (CEO) is responsible for implementation of the CMS. A Compliance Committee comprising the Compliance Officer (Legal department), Compliance Managers, the ombudsperson and representatives of the Internal Audit, Risk Management and HR departments and members of the works council regularly updates the system in line with current requirements and is responsible for its ongoing development. In this context, the Compliance Officer acts as a central contact point within the company for compliance-related questions and suspicions. He reports to the CEO on a regular basis, and also on an ad hoc basis when special cases arise. His activities are supported by the compliance managers and specialists in the individual

departments. The CMS applies to the entire Group (excluding Deutsche Wohnen).

The Supervisory Board regularly receives comprehensive information about compliance issues and corruption along with existing guidelines and processes. The compliance report, which is forwarded to the Audit Committee via the Compliance Officer (following prior consultation with the CEO), provides information about potential breaches, measures and training relating to corruption.

In the 2021 fiscal year, there were individual suspected cases of corruption, which we investigated diligently. None of the cases were confirmed. Furthermore, several other compliance violations or suspected cases were reported, although these can be described as minor in total.

Deutsche Wohnen also reports on breaches in the areas of corruption and bribery. Due to identical definitions, the related key performance indicator can already be regarded on a consolidated basis. As part of the integration process, the Vonovia CMS will be rolled out to Deutsche Wohnen, with existing processes, policies and guidelines adapted accordingly to reflect Group guidelines.

### Material performance indicator

Category	Unit	2020	2021
Total number of proven cases of corruption (in Germany)	number	0	0*

\* Including Deutsche Wohnen (including the Care and Assisted Living business activity).

### Respect for Human Rights

The European legal framework in which Vonovia operates with its business model is strictly regulated and overseen in the markets in Germany, Austria and Sweden. This applies in particular to fundamentally enshrined human rights, to which Vonovia attaches great importance irrespective of the legal framework. Compliance with, and the fostering of, these rights is reflected in our ethos and mission statement.

We regularly scrutinize our guidelines and adapt them to reflect changing underlying conditions. As part of the process of integration of Deutsche Wohnen, we have scheduled an update of our corporate guidelines for the coming year.



Making reference to the National Action Plan (NAP) for human rights in Germany, the Management Board [of Vonovia published a Declaration of Respect for Human Rights](#) in 2020. In this statement, we communicate our clear conviction for a pluralistic democratic society and zero tolerance of human rights violations and our commitment to respect Human Rights in all aspects of our business. We adhere to the core labor standards of the International Labour Organization (ILO) and the principles of the UN Global Compact, which we committed to in 2020.

Vonovia develops and builds homes itself, in particular via the subsidiaries of its BUWOG brand. Compliance with labor and social standards on construction sites is a challenge from a risk/human rights perspective. This challenge is, however, mitigated by the fact that the company performs around one-third of its trade/construction activities in Germany itself via its own technical service. This lessens dependency on external construction companies and therefore this risk, as Vonovia is in a position to exclude service providers and suppliers that do not comply with labor law requirements.

Concrete [cooperation with external partners and contractors](#) is governed by Vonovia through its Business Partner Code, the general terms and conditions of purchasing, the general terms and conditions of Vonovia SE for building services, and individual contractual agreements within the scope of structured supplier management. As such, we ensure compliance with common European standards and regulations, as well as material sustainability criteria, in the area of procurement. The Business Partner Code must be signed prior to the conclusion of a contract. In this document, we set out, among other things, all material requirements necessary for compliance with human rights – from legal conformity and the fulfillment of legal standards for working conditions to an assurance of freedom of association and the exclusion of discrimination. It is updated regularly – most recently in the fourth quarter of 2021 – and applies for contractual relations in Germany and Austria. A corresponding separate Code is in place in Sweden. As part of the regular evaluation of our major suppliers and contractors via our partner portal, we ensure that the criteria stated in the Code are complied with. In the event of incidents and breaches, a structured management of measures is activated, which – once all other means have been exhausted – may result in blocks on orders and termination of contract. In Germany, contractual conclusion is preceded by an automatic check against EU sanctions lists, with the Compliance department informed immediately in the event of a hit. In Austria, the Procurement department reviews all new creditors and regularly reviews existing ones on a half-yearly

basis as part of a compliance check that also includes an inspection of sanctions lists (via KSV1870).

In 2022, we will focus on preparation for implementation of the requirements of the Duty of Care in Supply Chains Act (LkSG), which will be applicable in Germany as of January 1, 2023. This process also includes the review of existing guidelines, codes and processes, e.g., the aforementioned Declaration of Respect for Human Rights. An additional benchmark here will be the applicability of the minimum safeguards criteria of the EU taxonomy.

We also use long-term cooperation in the spirit of partnership to build a close relationship of trust with our contractual partners. This is largely the responsibility of the procurement department and allows any misconduct to be addressed. The procurement department reports to the CFO division of the Management Board with the intention of ensuring a high degree of neutrality and compliance both internally and externally.

## Appeal on the Capital Market

The construction and management of residential real estate is a business with a long-term focus. Our aim in this segment is to bring economic activity hand in hand with environmental benefit, living up to the various expectations of stakeholders. We are committed to the principles of the social market economy and profitability. Economic success is the prerequisite for further investments in environmental and social sustainability. At the same time, we firmly believe that these investments also pay off in terms of our appeal for investors. Growing demand for sustainable financial products and the ever greater establishment of ESG criteria as a basis for investment decisions prove us right.

Communication with our stakeholders on the capital market is handled by the Investor Relations (IR) division in consultation with the Management Board. Transparency is the watchword here. It is important to us to provide relevant information on our company and our economic development, but also on the sustainable direction of Vonovia, thereby providing an accurate picture of Vonovia. We want to generate attractive risk-adjusted rates of return for our investors and achieve sustainable revenue and value increases. This strengthens trust in the Vonovia brand. At the same time, IR acts in an inward-facing way so that the topics communicated to us by capital market actors come to the attention of the right people within the company.

Through formats such as investor conferences and road-shows, we seek out dialog – including and especially on ESG topics – with our shareholders and potential investors. We continue to hold these events during the coronavirus pandemic, albeit mainly in virtual form. Our Annual General Meeting, for instance, was for the second time held virtually in April 2021. Face-to-face conversations, additional road-show dates and the participation in investor conferences represent additional communication channels.

We continue to attach considerable importance to a broad range of financial instruments from which we can select the right product at the right time, e.g., bonds, promissory notes, secured real estate loans, commercial papers, working capital facilities and subsidy loans from KfW and EIB. The portfolio is rounded off with innovative financing sources such as a tokenized promissory note. This enables us to communicate with different capital market actors, such as investors, banks and insurers.

We expanded our portfolio in 2021, for instance, with the issue of a green bond, which systematically supplements and continues our sustainability strategy. Through the success of this additional financing option, we feel strengthened in the continued development of our sustainable projects, especially in terms of the goal of a climate-neutral building portfolio. In 2022, we will revise our [Green Bond Framework](#), taking into account the EU taxonomy, and add social components in order to be able to issue social/sustainability bonds.

In 2021, we achieved excellent results across the board in all ESG ratings relevant for Vonovia and its investors, achieving benchmarks and improving further in some cases. As such, we were able to maintain our membership of the prestigious Dow Jones Sustainability Index Europe and ISS-ESG Prime Status. In the ESG Risk Rating of Sustainalytics, Vonovia was (as of December 9, 2021) one of the top 25 companies in the entire universe evaluated of some 15,000 companies worldwide, as well as one of the top three performers in the real estate sector (of 1,054 companies).

### Material Performance Indicator: Performance in relevant ESG Ratings

Ratings	Vonovia		Deutsche Wohnen 2021
	2020	2021	
Sustainalytics ESG risk rating	7.7	6.7	12.2
MSCI ESG	A	A	AA
CDP Climate Change	B-	B	x*
ISS ESG	C	C	C
S&P Global CSA	57	68	x*

\* Due to the acquisition of Deutsche Wohnen by Vonovia, active participation was dispensed with for the reporting year.

In 2022, we will once again pursue the goal of transparently presenting our sustainability performance to the capital market and achieving consistently strong evaluations in ESG ratings. As well as performing regular checks to see whether we are listed in the relevant indices, we also use the results of the rating process and peer group comparisons to further develop our sustainability measures in a targeted manner.

Within the company, the Sustainability/Strategy department is responsible for actively managing our participation in ESG ratings, involving the operating departments in this process. The Investor Relations department and the Sustainability/Strategy department report to the CEO. Decisions regarding ESG ratings are made in the sustainability committee, which also receives regular information on developments in this area. The Finance & Treasury department, which reports to the Chief Financial Officer (CFO), is responsible for the implementation of our financial instruments.

Appendix 2  
General Engagement  
Terms



# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

#### as of January 1, 2017

#### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

#### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

#### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

#### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

#### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

#### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

#### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

#### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

#### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.