

Limited Assurance Report of the Independent Auditor regarding the non-financial group statement¹

To the Supervisory Board of Vonovia SE, Bochum

We have performed an independent limited assurance engagement on the non-financial group statement as well as the chapter "Fundamental Information About the Group" of the combined management report of Vonovia SE, Bochum (further "Company" or "Vonovia SE") according to § 315b of the German Commercial Code (HGB), for the period from January 1 to December 31, 2020.

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.

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.

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, 2020 has not been prepared, in all material respects, in

¹ Our engagement applied to the German version of the non-financial group statement 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. 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 the sustainability performance of Vonovia SE in the reporting period
- Reviewing the suitability of internally developed Reporting Criteria
- 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
- Assessment of the overall presentation of the disclosures

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, 2020 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of 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). 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 1, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Bornhofen
Wirtschaftsprüfer
[German Public Auditor]

ppa. Auer

Attachments

Non-financial group statement for the period
from January 1 to December 31, 2020

Attachment 1

General Engagement Terms

Attachment 2

Attachments

Attachment 1

Non-financial group

statement for the period

from January 1 to

December 31, 2020

Non-financial Declaration

Changing Overall Conditions – Explanatory Information on the Content of the Report

The last two decades have brought significant changes in the overall economic, ecological and social framework in which companies operate. While, on the one hand, companies have been able to benefit from continued growth, globalization and an increase in resource consumption, they have also, on the other hand, taken an increasingly critical look at their business models with regard to climate protection, how they use resources and their social and ethical responsibility. The concept of a **license to operate** as a basis for viewing business activities in an ecological and social context has become the order of the day. Nowadays, people want to understand the impact that a company's activities have on the environment and on society. Conversely, there is a need for transparency regarding the impact that the demands made by civil society and created by climate change have on a company at the same time. These changing overall conditions are having an increasing impact on financing and investment decisions.

They have also given rise to entirely novel and far-reaching information requirements to support the decision-making process. As a result, corporate reporting no longer focuses exclusively on equity and debt investors, but uses **ESG reporting** (ESG: Environmental, Social, Governance) to respond to the diverse interests of multiple stakeholders today. The large number of references made in this Non-financial Declaration to other chapters of the annual report reflect the ever-increasing integration of sustainable aspects into our business processes.

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 GRI Standards for sustainability reporting and the UN Global Compact was taken into account when preparing this declaration. These standards also serve as a guide for the sustainability report. We have also started to implement the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which we consider to be important. The table below shows how the corresponding content relates to the individual standards.

TCFD – Task Force on Climate-related Financial Disclosures

TCFD elements	Content of the recommendations	Chapter	Page
Governance	Organizational structure of the company regarding climate-related risks and opportunities	<ul style="list-style-type: none"> > The Company > Corporate Structure > Sustainability Management at Vonovia > Management System > Environmental Issues > Latest Sustainability Report 	<ul style="list-style-type: none"> → p. 47 et seq. → p. 48 et seq. → p. 58 → p. 83 et seqq. → p. 61 et seqq.
Strategy	Actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	<ul style="list-style-type: none"> > Strategy > Sustainable Business Model > Materiality Analysis > Environmental Issues > Latest Sustainability Report 	<ul style="list-style-type: none"> → p. 49 et seqq. → p. 57 → p. 59 → p. 61 et seqq.
Risk management	How the organization identifies, assesses, and manages climate-related risks	<ul style="list-style-type: none"> > Risk Assessment Based on Sustainability Aspects > Opportunities and Risks > Latest Sustainability Report 	<ul style="list-style-type: none"> → p. 58 → p. 124 et seqq.
Metrics and targets	Metrics and targets used to assess and manage relevant climate-related risks and opportunities	<ul style="list-style-type: none"> > Strategy > Management System > Environmental Issues > Forecast Report > Latest Sustainability Report 	<ul style="list-style-type: none"> → p. 49 et seqq. → p. 83 et seqq. → p. 61 et seqq. → p. 138 et seqq.

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, which are structured based on the aspects that the company has to report by law. Specifically, these aspects are environmental issues, social issues, employee issues, combating corruption and bribery and respecting human rights. In order to avoid data redundancy, reference is made, where appropriate, to other sections of the management report that contain non-financial information. All references to content outside the Non-financial Declaration are further information and are not covered by the audit performed by KPMG. This limitation does not apply to references to the chapter entitled “Fundamental Information About the Group”. These are covered by the audit. With the exception of the CSI, which is used to measure customer satisfaction, the key figures listed in the Non-financial Declaration are not non-financial performance indicators within the meaning of German Accounting Standard (GAS) 20 paragraph 101 in conjunction with paragraph 106. This is an area in which the company plans to make changes for 2021 with the introduction of the Sustainability Performance Index (SPI), which is addressed in greater detail in the chapter “Management System: non-financial performance indicators”. → p. 87 Further information on the relevant non-financial key performance indicators in accordance with GAS 20 can be found in the chapter on the “Management Model”.

As with other sections of this Annual Report, **reporting in the Non-financial Declaration is also on a consolidated basis**. This means that the company’s activities in Austria and Sweden are also covered by this Non-financial Declaration. This initially concerns the qualitative presentation of the non-financial information of the acquired groups of companies. Due to the ongoing integration of the corresponding processes, the full consolidation of the key performance indicators is still in the implementation phase. We will refer to the extent to which the key figures have been integrated in the following chapters.

This **Non-financial 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 2020 reporting year will be published in the second quarter of 2021.

Both the Non-financial Declaration and the Sustainability Report are **audited** by the auditor of the annual financial statements. → p. 259 et seq.

Sustainable Business Model

Vonovia is part of society. Our business is geared toward providing people with homes as a basic human need. As a sustainable and responsible residential real estate company, Vonovia believes that it has a particular obligation towards its more than one million customers in Germany, Austria and Sweden, but at the same time also towards society, the environment and its shareholders.

Our business model is integrated into social and ecological change processes. Since we went public in 2013, we have been developing our successful strategy further to achieve a high level of sophistication, enhancing it to take account of current megatrends and sustainability aspects. We align our business activities with these changes (for details on social trends and challenges: chapter entitled “Fundamental Information About the Group: Overall Conditions on the Residential Real Estate Market and Societal Megatrends” → p. 46 et seq.).

We know that the decisions we make as a company always have an impact on people and neighborhoods, on the environment and our climate. We weigh these impacts up carefully, particularly when it comes to modernizing buildings and designing neighborhoods. After all, protecting the environment and our climate should go hand-in-hand with our responsibility for safe and good-quality housing at fair prices. This is what **sustainable living** means to us. As a real estate company with a long-term focus, we aim to strike a balance between commercial activity on the one hand, and social responsibility and ecological objectives on the other. We are committed to the principles of the social market economy and profitability. Vonovia takes responsibility as a provider of affordable housing and as a service provider, building contractor and developer as well as in its role as a corporate citizen. For us, sustainability means managing our business activities in a way that generates the greatest possible long-term benefit for society as a whole. This is the principle we want to be measured against and the principle that we want each and every employee to put into practice.

Sustainability is becoming an increasingly firm component of our business processes. Extensive and in-depth information can be found in the chapter entitled “Fundamental Information About the Group”. → p. 46 et seq. This is also where we provide information on the corporate structure of Vonovia SE. → p. 48 et seq.

Risk Assessment Based on Sustainability Aspects

Assessing risk based on sustainability aspects takes the increasing scale of their impact into account and is becoming increasingly important in the list of requirements that investors and analysts look at. This is reflected, by way of example, in the recommendations made by the TCFD, which call upon companies to disclose the direct and indirect financial impact of climate change on their businesses.

Vonovia revised its risk management system again in 2020 to include additional sustainability-related risk aspects in the management system. → p. 124 et seqq.

In the Non-financial Declaration, material risks associated with the corporation's own business activities which are very likely to occur and which could have very challenging negative effects on non-financial topics and, as a result, on the business model must be reported. In the opinion of Vonovia's management, there are **no risks** that meet the materiality criteria pursuant to Section 289c (3) Nos. 3 and 4 HGB in net terms.

Sustainability Management at Vonovia

At Vonovia, sustainability lies at the top level of management: It is the responsibility of Rolf Buch, Chairman of the Management Board.

The new Sustainability/Strategy department was set up in the reporting year to bundle and forge ahead with sustainability-related activities within the Group. These include the further development of the sustainability strategy and roadmap, the definition and monitoring of sustainability objectives and the implementation of sustainability projects. The department is also responsible for driving initiatives and providing impetus. Its remit also includes preparing reports, also in the area of sustainability, and actively processing and participating in ESG ratings. Our understanding of sustainability illustrates Vonovia's approach to sustainability.

🔗 <https://investoren.vonovia.de/en/vonovia-at-a-glance/sustainability>

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 as well as the heads of Sustainability, Corporate Communications, Controlling, Accounting and Business Innovation. This allows us to ensure the systematic implementation of our sustainability strategy in all business areas right down to our local neighborhoods. The operational implementation of sustainability aspects is the responsibility of all relevant departments and the regions. On the Supervisory Board side, the

Audit Committee has a particular responsibility for sustainability.

There are comparable staff functions in Austria and Sweden. 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 companies Victoria Park AB/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.

Materiality Analysis

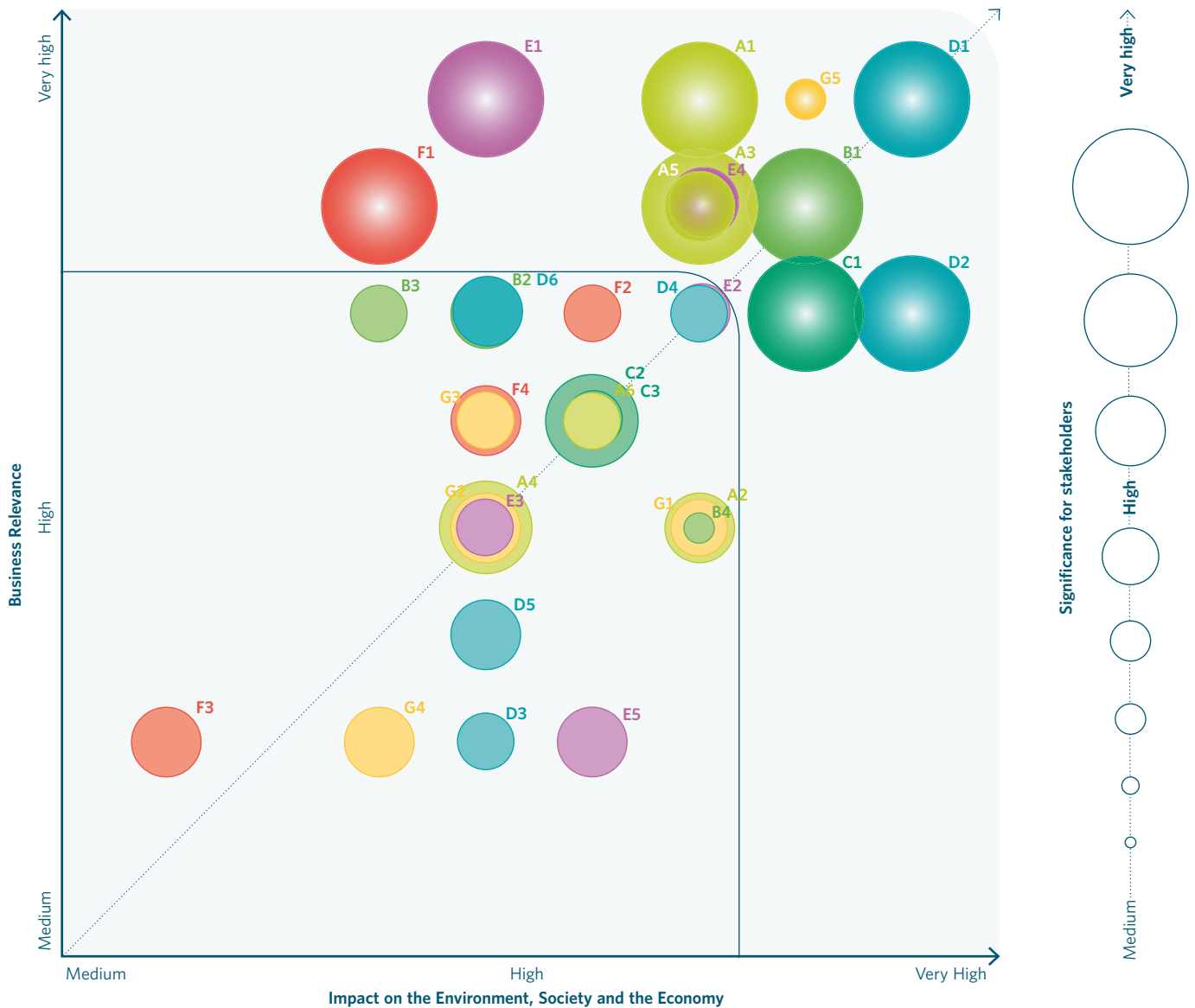
Vonovia addresses the processes of social and ecological change on an ongoing basis and in a structured manner, and analyzes how these changes impact Vonovia's business and its value creation (outside-in perspective). At the same time, our decision-making processes look at the impact that our business model has on the environment and society (inside-out perspective). Taking account of the perspective of our relevant stakeholder groups is a key third dimension when it comes to identifying the sustainability issues that we consider to be material.

We redefined the material topics in 2020 as part of an extensive **materiality analysis**. The materiality matrix that emerged from this process replaces the list of material topics that has been in place since 2017. This new definition was prompted by changing overall social conditions, the mounting importance of climate protection issues and internal changes resulting from the company's internationalization and its new development business activities.

As part of the materiality analysis, internal and external stakeholders reviewed and assigned weightings to **33 selected sustainability topics** in seven areas of activity from three angles – impact on the environment, society and the economy; impact on business relevance; importance for external stakeholders. A total of two in-house workshops were held as part of this process with specialist and management levels as well as with the Management Board. An online survey was also conducted with 142 participants from Germany, Austria and Sweden, and 42 expert interviews were conducted to validate the results. Among others, the survey participants included representatives of the capital market, tenants' associations, employees, business partners, suppliers and service providers of Vonovia as well as representatives from authorities, the world of politics, associations, civil society and academia.

The results were transferred to a **materiality matrix** covering all three dimensions. The process identified eleven topics

Materiality Matrix



Action Area A: Homes and Customers

- A1** Fairly priced housing
- A2** Contribution to new construction in conurbations
- A3** Homes that meet tenant needs and action in response to demographic change
- A4** Maintenance of investment properties
- A5** Customer satisfaction and service quality
- A6** Dialogue with tenants

Action Area B: Society and Contribution to Urban Development

- B1** Neighborhood development and contribution to infrastructure
- B2** Integration, diversity and social cohesion
- B3** Investment and participation
- B4** Participation in political dialogue

Action Area C: Sustainable Construction and Development

- C1** Sustainable new construction and refurbishment
 - C2** Sustainable materials and products
 - C3** Social and environmental standards in the supply chain
- ### Action Area D: Environment and Climate
- D1** Reduction of CO₂ in the real estate portfolio/energy-efficient modernization
 - D2** Renewable energies and energy mix
 - D3** Energy efficiency and CO₂ reduction in business operations
 - D4** Innovations for the climate and environment
 - D5** Water, effluents and waste
 - D6** Biodiversity

Action Area E: Corporate Culture and Employees

- E1** Appeal as an employer
- E2** Training and personal development
- E3** Performance-based and appreciative remuneration
- E4** Approach to diversity and equal opportunity
- E5** Promotion of health and safety

Action Area F: Corporate Governance and Responsible Business Practices

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

Action Area G: Future Viability and Capital Market

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

that are material for Vonovia. These are explained in greater detail in the following chapters of the Non-financial Declaration. The materiality matrix also includes another 22 key topics that are addressed outside the Non-financial Declaration, in particular in the Sustainability Report.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) serve as the framework for action for sustainable development on a global level. The United Nations published the SDGs in 2015 as part of its 2030 Agenda. The 17 main goals, which are broken down into a further 169 targets, address global social, economic and environmental challenges. Achieving the SDGs will require action from all sectors of society, including the corporate sector.

Our sustainability strategy is geared toward international standards and frameworks such as the Sustainable Development Goals.

As a company with international operations, we aim to contribute to achieving these goals with our business in Germany, Austria and Sweden. We have used our materiality analysis to identify priorities in this respect as well. We have identified a total of **eight key SDGs** to which we, at Vonovia, aim to make a particular contribution (see also SDG philosophy under: <https://investoren.vonovia.de/en/vonovia-at-a-glance/sustainability>).

Key SDGs for Vonovia



Reporting on Aspects of the Non-financial Declaration

The Non-financial 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 Declaration:

- > Environmental issues: Reducing CO₂ 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 Declaration.

Environmental Issues

Within the context of the statutory requirements in the Non-financial Declaration, environmental issues include the following material topics for Vonovia: “Reducing CO₂ in the real estate portfolio/energy-efficient modernization,” “Renewable energies and energy mix,” “Sustainable new construction and refurbishment” (see materiality matrix → p. 59).

We believe that achieving the goals set out in the Paris Agreement is one of the greatest challenges of our time. Vonovia is living up to its responsibility in this area and supports both the global objective, and the German government’s long-term objective, of achieving a **virtually climate-neutral housing stock** by 2050. → p. 47

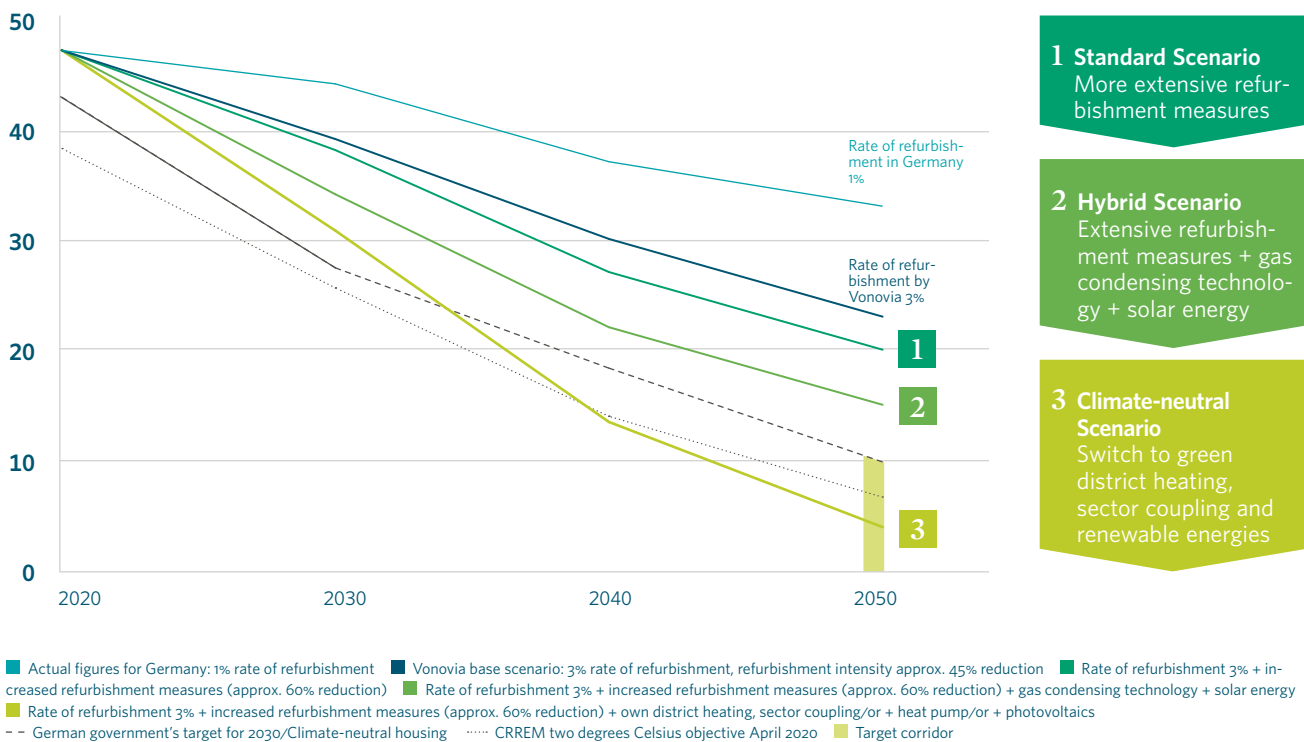
Vonovia contributes to greenhouse gas emissions via the construction and operation of residential buildings. The overwhelming proportion of what are known as Scope 1 & 2 emissions are attributable to existing buildings, most of which are located in Germany. As the housing industry market leader in Germany, we aim to be a central driving force behind climate protection. With a portfolio of around 400,000 apartments in total, we have the potential to

achieve a great deal in terms of protecting our climate. We are aiming to achieve a climate-neutral housing stock by 2050, allowing us to meet the Paris climate protection goals. In order to achieve this objective, Vonovia has developed a climate path as part of an interdisciplinary collaboration between various functional areas and with the support of the scientific community (Fraunhofer ISE). The fact is that the measures pursued to date – energy-efficient building upgrades and moves to replace inefficient heating systems – will not be sufficient in themselves to allow us to achieve this ambitious target. The required reduction in greenhouse gas emissions can only be achieved through a combination of greater energy efficiency, a significant increase in the use of renewable energies and other innovative technologies for decentralized energy generation and storage within neighborhoods.

Vonovia unveiled how it can achieve the objective of a climate-neutral housing stock at the “Outlook for Climate-Neutral Living” conference, an event that involved discussions with representatives from the world of politics, academia and civil society. <https://klimakonferenz.vonovia.de/en> In particular, the right subsidy instruments and the removal of legal hurdles are seen as crucial in fostering effective climate protection in the housing sector. Vonovia plans to

Modeling of Vonovia’s climate paths 2020–2050

CO₂ intensity in kg CO₂e/m²a



Source: Scenario 1–3: Modelling of Vonovia portfolio starting end of 2019, Fraunhofer ISE; aim for 60% or 160 kWh reduction in energy requirements using the following measures: Building shell (windows, insulation), aim for KfW 100–70 standards; energy source change also simulated starting with scenario 2

step up its engagement in this area even further and to actively raise awareness of the energy revolution and how the necessary underlying conditions can be put in place. 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.

The development of our climate path is part of our systematic response to the impact of climate change on our business development.

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

Reducing CO₂ in the Real Estate Portfolio/Energy-efficient Modernization

As a major housing industry player, Vonovia aims to be a central driving force behind climate protection. Energy-efficiency refurbishments remain a key element of our climate strategy. As a result, Vonovia is aiming to maintain a high rate of refurbishment in its portfolio. 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. We pursue a needs-based approach to these measures and take care to choose the optimal degree of modernization for each building in the neighborhood. Looking at things from the perspective of the neighborhood also allows Vonovia to develop integrated solutions with regard to energy supply and CO₂ optimization for entire groups of buildings.

In addition to waning acceptance of energy-efficient modernization among the population and the rent freeze, we are confronted with the conflict between energy-efficient solutions and rising costs; something we are doing our best to navigate through. Vonovia is committed to using numerous (academically supported) cooperation projects and integrated approaches to find cost-efficient and innovative, effective solutions for energy efficiency and a climate-neutral housing stock.

One example of this sort of approach is the Energiesprong initiative, a novel serial refurbishment concept that represents a high level of living comfort, minimal refurbishment times and an innovative financing model. 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. 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-efficiency modernization activities. The properties/neighborhoods 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. This allowed a refurbishment rate of 2.9% to be achieved in the reporting year. The year-on-year drop (2019: 3.7%) is also attributable to the introduction of the rent freeze in Berlin. The refurbishment rate will be slightly lower next year due to the changeover to new subsidy conditions.

Material Performance Indicator

Category	Unit	2019	2020	Projection for 2021
Refurbishment rate (in Germany)	%	3.7	2.9	2.0-2.5%

Going forward, we will manage our energy-efficiency modernization activities taking even greater account of the impact on a building's CO₂ intensity. This means that, as well as optimizing the building shell, we will also be focusing increasingly on switching to lower-CO₂ energy sources. As part of our quest to achieve a climate-neutral housing stock in 2050, Vonovia is aiming to have reduced the CO₂ intensity

of its housing stock in Germany to between 30 and 35 kg CO₂e/m² by 2030. The CO₂ intensity came to 43.9 kg CO₂e/m² in the reporting year, just below our target thanks not only to energy-efficiency modernization activities but also, and among other things, to the purchase of green electricity for general electricity and improved CO₂ intensity in district heating.

Material Performance Indicator

Category	Unit	2019	2020	Target for 2021
Carbon intensity of the existing portfolio (in Germany)*	kg CO ₂ e/ m ² living area	47.2	43.9	Reduction of min. approx. 2%

* Total stock, based on final energy demand from energy performance certificates and related to rental space, partly incl. specific CO₂ factors of district heating suppliers.

Renewable Energies and Energy Mix

Another major lever that can be used to reduce greenhouse gas emissions is the use and expansion of renewable sources of energy. Vonovia is aiming to continuously increase the use and share of renewable energies, for example by expanding the use of hybrid heating systems 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 2019, Vonovia launched the “1,000 roofs” program, which we intend to use to equip at least 1,000 roofs with photovoltaic facilities over the next few years. The overall potential offered by suitable roofs is actually much higher still, meaning that we have the opportunity to expand this activity further in the future. This is also the objective for 2021, when we intend to continue with the scaling of this business area. 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 “1,000 roofs” program and other innovative approaches aimed at the CO₂ optimization of the real estate portfolio as part of the neighborhood concept are developed and managed by the Innovation & Business Building department. → p. 53 et seqq.

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-sufficiency 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 reports directly to the CEO of Vonovia SE.

Material Performance Indicator

Category	Unit	2019	2020
Number of photovoltaic plants*	number	295	424

* Photovoltaic systems owned by Vonovia as of the reporting date Dec. 31.

Sustainable New Construction and Refurbishment

Vonovia’s new construction activities are helping to create urgently needed new and affordable homes, especially in metropolitan areas. New living area is created by various areas and Group companies within Vonovia. In Germany, Vonovia’s technical service (VTS) is responsible for new construction, focusing in particular on densification and the addition of extra stories to buildings. The development business operating under the BUWOG brand 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. This arm was strengthened further by the acquisition of the project developer Bien-Ries. The activities of the BUWOG development business in Germany and Austria are the responsibility of the CDO (Chief Development Officer), and the individual development projects are approved by the Management Board. VTS’s new construction business is assigned to the Value-add Business and is the responsibility of the CEO.

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 since 2011. Specific goals were also developed for the new construction activities and the success of the measures was reviewed as part of a regular monitoring process. The klimaaktiv pakt 2020 initiative was completed successfully and there are plans to continue the activities as part of the “klimaaktiv pakt 2030.”

BUWOG has 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. This reduces greenhouse gas emissions and allows the company to have a positive environmental impact.

In its new construction and refurbishment projects, Vonovia takes care to ensure optimized energy design, the use of renewable energies and environmentally-aware construction methods that conserve resources.

Low-emission construction and energy-efficient operation are also taken into account during the planning and realization phases in the form of life cycle assessments. 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.

The Group-wide strategy for sustainable new construction and refurbishment is being enhanced further as part of Vonovia's sustainability roadmap. As with the existing portfolio, particular attention is being paid to energy efficiency, low greenhouse gas emissions and building sustainability certificates such as those awarded by the German Sustainable Building Council (DGNB) or the Austrian Sustainable Building Council (ÖGNB) and the klimaaktiv climate protection initiative. All decisions made by the Management Board regarding new construction projects are always to be made transparent with regard to the target of efficiency class A/high KfW standards and reviewed to ensure they are consistent with Vonovia's climate and energy efficiency targets. The average primary energy requirements of newly constructed living area make up the most important key performance indicator. Our aim is to reduce this in the medium term. 2021 is initially assumed to bring a marked increase, also due to projects that were already planned and approved based on different overall conditions before we set ourselves this target.

Material Performance Indicator

Category	Unit	2019	2020
Average primary energy requirement - new construction*	kWh/m ² p.a.	-**	35.7

* Based on energy certificates, excluding purely commercial spaces and extensions.
 ** Newly introduced in 2020.

Social Issues

Within the context of the statutory requirements in the Non-financial 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. → p.59

Neighborhood Development and Contribution to Infrastructure

Vonovia offers people a home in its neighborhoods. The company's aim is for them to be able to find a good neighborhood in which they feel comfortable and which brings different generations together. With this aim in mind, Vonovia develops infrastructure that is tailored to suit the individual challenges of each neighborhood, is geared toward the needs of the tenants and combines structural design, climate protection and services to meet social needs. 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 megatrends and reduce CO₂ emissions. Vonovia designs its residential environments and green spaces to strengthen participation and urban community life and to be sustainable from an ecological perspective.

Vonovia attaches a great deal of importance to the development of contiguous groups of buildings, as they offer considerable potential for the company to make its mark in terms of both structural and social measures and for making a contribution to sustainable urban development. More than 70% of Vonovia's portfolio is located in areas that make up neighborhoods. It is precisely in areas like these that Vonovia can shape our tenants' living environments and adapt to the individual challenges associated with a particular neighborhood. Vonovia is equally committed to ecological and social aspects and to promoting social interaction in the local community. 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. With regard to its neighborhood

approach, Vonovia has developed the innovative B2Q (Business to Quartier [the German word for neighborhood]) perspective and introduced a toolbox that is being developed further in the Vonovia Academy. → p. 55

The long-term viability of neighborhood development starts with responsibility for the people in the neighborhoods and is put into practice in Vonovia’s innovative strength – cost-effective, technologically focused, sustainable, climate-friendly and social. Neighborhood development calls for complex teamwork and extensive innovative knowledge of all employees to ensure successful implementation on location. This is why Vonovia has come up with plans for the establishment of a Neighborhood Academy, which aims to transfer specific skill sets and innovative knowledge for successful and forward-looking neighborhood development. The Academy’s program in cooperation with the real estate business school Europäisches Bildungszentrum der Wohnungs- und Immobilienwirtschaft (EBZ), includes modules featuring practical case studies and training content.

Vonovia has also endowed a professorship at the EBZ Business School – University of Applied Sciences in Bochum focusing on the topic of “Neighborhood Development and Living.” Professor Jan Üblacker, a renowned urban sociologist and social scientist, has assumed the professorship endowed by Vonovia, firmly establishing the neighborhood perspective in the curriculum for the EBZ students.

In 2020, there were 14 neighborhood development projects in the operational implementation stage across Germany comprising approx. 8,000 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. The investment volume reported refers to the expenses associated with these measures in the fiscal year under review.

Material Performance Indicator

Category	Unit	2019	2020	Projection for 2021
Investment volume for community development in Germany (fiscal year)	in € million	57.9	42.3	around 85

Vonovia takes both financial and social criteria into account when assessing neighborhoods. This is a process involving city and municipal authorities as well as our tenants in order to jointly develop solutions for the neighborhood.

Neighborhood development is planned and managed on a decentralized basis via the regions. The CRO is the Management Board member responsible for the operating business. 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 meets the basic human need for housing with an offering that is geared toward the individual. As a result, our tenants are at the center of our corporate activities. Vonovia adapts its offering to reflect changing and varying housing requirements to ensure that it responds to different needs and living circumstances.

The fundamental challenge involves safeguarding our supply of housing at fair and transparent prices while at the same time achieving a climate-neutral housing stock. Climate protection is a cost-intensive business, particularly in the building sector. A sensitive approach is required in order to strike a balance between moderate rent increases and climate protection measures, innovations to reduce costs and a suitable funding environment. 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.

In light of the above, a moderate and transparent rent policy is a fundamental prerequisite for Vonovia. We work in collaboration with city and municipal authorities to offer subsidized and independently financed homes for people on low incomes. Our rental prices are based on the usual local rents and – if available – on the qualified rent indices. Regarding modernization measures, the company has entered into a voluntary commitment that caps the modernization costs that can be passed on to tenants at € 2/m².

Material Performance Indicator

Category	Unit	2019	2020
Average rent per m ²	EUR	6.93	7.16

In addition, every tenant has the option of raising hardship case objections. Our hardship management team – which comprises employees working at the headquarters and neighborhood managers working on site – looks at each individual case and works with the tenant to find an individual solution. In addition, Vonovia gives people in Germany aged over 70 special vested rights. The hardship management team is also on hand to support our customers here – the aim always being to ensure that people can stay in their homes and that housing remains affordable.

In the context of the coronavirus pandemic, people who are particularly reliant on the security of their own four walls in uncertain times require special protection. This is another area in which Vonovia has guaranteed that nobody will have to lose their apartment if they encounter difficulties paying their rent due to the coronavirus crisis. In 2020, Vonovia helped customers living in around 1,600 apartments facing these very challenges by providing them with individual solutions.

Rent policy is managed on a decentralized basis via the regions. The CRO is the Management Board member responsible for the operating business. The individual measures are planned and coordinated in the Portfolio Management department.

Material Performance Indicator

Category	Unit	2019	2020	Target for 2021
Proportion of accessible (partially) modernized newly rented apartments (in Germany)*	%	32.9	30.1	around 30%

* Includes both measures in the event of a change of tenant and modernizations at the request of the tenant.

New construction is playing an increasingly important role when it comes to making affordable housing available. This is the only way to respond to the growing demand – particularly in metropolitan areas and in central and urban locations – and take pressure off the housing markets. This is an area in which Vonovia is making a contribution with densification measures and projects to add extra stories to existing buildings. → p. 63 et seq.

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

Our society is changing – and so are our customers. We adapt our offering in response to changing and varying housing needs. This applies in particular with regard to demographic change. Our aim is to ensure that our tenants are safe and healthy in their homes and can plan their long-term future there. This customized offering allows Vonovia to access as broad a customer group as possible.

In Germany, the demand for senior-friendly housing will outstrip the 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. Vonovia is also responding to this shortfall by 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. Vonovia has therefore set itself the target of modernizing 30% of its newly rented apartments every year to meet the demands of an aging society. Existing buildings are reviewed for their potential to be converted to make them more accessible on a regular basis. In 2020, 10,300 apartments were (partially) modernized to make them fully accessible.

This systematic focus on senior-friendly extension and refurbishment is Vonovia's way of responding to the process of demographic change within our society.

In addition to structural measures, the social infrastructure 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

We aim to support our customers as partners on an equal footing. As a result, their needs are at the center of our actions. Our customers' satisfaction with, and appreciation of, our products and services are directly linked to the company's success in the long term. They expect to have an affordable home offering contemporary living standards, which is why proximity to our customers and making it convenient for them to contact us are key elements of our customer service philosophy.

On site, caretakers and our own craftsmen take care of our tenants' concerns. This allows us to ensure fast and reliable service. Our multilingual central customer service center,

which tenants can contact through a number of different channels, is responsible for all queries relating to lease agreements and consumption and ancillary expense bills, for example.

At the same time, we are working to further develop and improve our customer app, implementing a number of additional self-service functions. We are also launching customer satisfaction surveys and individual surveys that are placed through the app in a targeted manner. In 2021, the app will also be expanded to include a new customer group: prospective tenants. They will then be able to search for an apartment, book a viewing appointment and arrange for the conclusion, and also conclude their lease agreement digitally.

In addition to the customer app, the digital customer portal also offers extended availability and a full range of self-service functions that can be accessed around the clock.

This is reflected in the CSI, the Customer Satisfaction Index, and is an element used in determining Management Board remuneration as a direct, non-financial control parameter. The CSI is determined by means of regular customer surveys. In 2020, the CSI for Germany was significantly higher in a year-on-year comparison. BUWOG Group GmbH in Austria also uses an annual customer satisfaction survey as a tool, although it is not consistent with the CSI. Customer satisfaction is a fundamental benchmark for all business processes at Victoria Park AB as well. The aim is to achieve ongoing positive development in the CSI.

Material Performance Indicator

Category	Unit	2019	2020	Target for 2021
Customer Satisfaction Index, CSI (in Germany)*	%	-8.1	+8.6	Same level as the previous year

* Customer Satisfaction Index (CSI) in glossary.

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 Declaration, employee issues include the following material topics: "Appeal as an employer" and "Approach to diversity and equal opportunities" (see materiality matrix → p.59).

Appeal as an Employer

The coronavirus pandemic dominated the 2020 fiscal year, also as far as Vonovia's employee issues are concerned. Protecting our employees was our utmost priority. Appropriate measures were taken early on when the pandemic first broke out, particularly for employees working on construction sites but also in the customer service centers or in administration. Over and above the provision of protective masks and disinfectant in all of our offices, regulations governing building access and workplace usage, the Management Board's appeal to employees to use the German coronavirus alert app and the high level of discipline and responsible and flexible commitment shown by all employees largely helped to prevent the virus from spreading among the workforce. The company rewarded its employees for these efforts at the end of the year by paying a tax-exempt special bonus of € 1,500 per employee in Germany and Austria. The measures taken to protect against the coronavirus were coordinated centrally in a coronavirus task force set up by the Management Board, which reviewed the pandemic situation within the company on a regular basis under the auspices of the Management Board and Supervisory Board office. This shows just how important protecting Vonovia's employees is.

The Group management team and the works council reacted to the changes in the overall conditions very early on in the year and extended the existing works agreement on mobile working. We have made working hours more flexible to allow employees to strike a balance between work and

family life. Works agreements on company holidays, furlough and on measures to combat the coronavirus pandemic were concluded with the co-determination committees, although fortunately we did not have to make use of them.

It has become apparent that the impact of the crisis was cushioned by the considerable mobility shown by our employees and the high level of digitalization. We were able to implement remote working wherever possible. Other digitalization elements, such as options allowing employees to report absences due to illness via an app or record their working hours digitally, have created further benefits in terms of flexibility and allowed Vonovia to continue operating largely without restrictions.

Vonovia's continued economic stability is solidifying its position as a safe employer. More than 1,000 new employees have been hired since the spring of 2020. In addition to this, there are 200 trainees who started their training with us in the summer of this year. This is the largest number of trainees we have ever had at the start of a training year. Vonovia also offered young people working at companies struggling due to the coronavirus crisis the opportunity to continue their training at Vonovia. Promoting young talent and offering them prospects within the company is a key component when it comes to addressing the shortage of workers with the desired skills, a problem that is also relevant for Vonovia. 2020 has shown that Vonovia is a reliable and secure employer, even in uncertain times. After all, we need well-trained, qualified employees to achieve our mission and pursue our growth strategy.

Employee Key Figures

Category	Unit	2019	2020
Total number of employees*	number	10,345	10,622
of which female	number	2,398	2,626
of which permanent	number	9,155	9,669
Number of nationalities**	number	74	76
Average age (total)	number	42.5	42.5
Number of people with disabilities**	number	350	368
Total number of trainees***	number	473	510
of which commercial	number	145	153
of which technical trade	number	328	357
Training rate***	%	4.7	5.0

* Bien Ries included in total number of employees. All other values "except number of trainees and training ratio" excluding Bien Ries.

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

*** Based on Germany only incl. Bien Ries.

As well as offering flexible working options with a high degree of digitalization, the company specifically promotes outstanding specialists and managers, not only to offer

attractive jobs to new hires, but also to ensure that they stay with the company. Therefore, targeted personnel development via further training measures forms a key component

of our HR management strategy – both in Germany and in Austria and 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. Talent management, keeping our top performers within the company and systematic succession planning are key elements of our HR management system. In order to reduce the administrative outlay involved and allow us to better monitor further training measures, we are aiming to take the next step in our digitalization process in 2021 by introducing the IT application Success Factors Talent and Learning. This program also has the potential to support the expansion and organization of online training sessions.

The satisfaction of our employees is a decisive indicator for allowing us to assess our appeal as an employer. In 2019, we conducted a comprehensive survey among our employees from all over Germany in this regard. To ensure that the results of the survey and the opinions expressed by our employees actually translate into improvements, Vonovia has decided to implement a structured bottom-up process: The results of the survey are discussed by the employees together with their direct managers and the team works together to identify the action to be taken. While the coronavirus pandemic slowed this process down, Vonovia has managed to present the feedback in digital format, and managers are gradually working on addressing the issues raised. Overriding measures requiring decisions at Group level are currently still being finalized with the Management Board.

Going forward, the change in the employee satisfaction value will be introduced as a key performance indicator. As a result, the employee survey will be repeated at regular intervals from 2021 onwards, conducted by an external service provider. The aim for 2021 is to achieve a slight increase in employee satisfaction as against the 2019 survey.

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 (see <https://investoren.vonovia.de/en/corporate-governance/compliance-and-policies/attitude>). Works councils represent all Vonovia employees in Germany and Austria.

Approach to Diversity and Equal Opportunities

Appreciation, performance, responsibility and team spirit are at the center of our corporate culture. These are the values that will allow us to rise to the challenges facing our sector and achieve our corporate objectives.

We see the diversity of our workforce – Vonovia employs people from more than 70 different countries – as a huge strength and opportunity that we want to take targeted measures to promote. We employ people from all age groups, genders, various nationalities and cultures and with a whole range of educational backgrounds. We also employ people with varying levels of disability. This diversity has a positive impact in our dealings with customers, too, and gives us a competitive edge.

In 2020, we harmonized various works agreements on special employee benefits in order to strengthen equal opportunities and a sense of solidarity within the company. All areas of the Group in Germany now have access, for example, to the employee share program or tax-free employer grants for capital formation purposes (from 2021). By contrast, there is a need for harmonization in our efforts to expand the annual appraisals system. These appraisals are not yet available to all employees.

At Vonovia, women are significantly underrepresented in the workforce structure, accounting for a share of 24.7%, mainly because of technical occupations in the trades. In order to strengthen diversity and increase its potential supply of specialists, Vonovia promotes employment and promotion opportunities for women – particularly in management – with its systematic succession planning system. We select our employees based on their qualifications and abilities. We make sure that we take active measures to support women and to open up opportunities for them to assume management and technical roles.

In order to attach appropriate weight to the aspect of equal opportunities and diversity throughout the Group, the key figure “Proportion attributable to the underrepresented gender at the first and second levels of management below the Management Board” is being adjusted. Whereas in previous years, the 30% target applied exclusively to the Vonovia SE part of the Group, the new key figure applies to the Group as a whole. The target has also been adjusted to 26%, to be achieved by 2024.

Material Performance Indicator

Category	Unit	2019	2020	Target
Proportion of women in management positions (first and second levels below the Management Board)	%	23.9	25.9	Same level as the previous year

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 (see <https://investoren.vonovia.de/en/corporate-governance/corporate-governance-declaration>).

Establishment in the Company

At Management Board level, the CEO is responsible for the company's human resources work, which has been established centrally as a shared service within HR management. Austria and Sweden have their own HR departments. Austria reports to the HR department in Germany via dotted-line reporting, while Sweden has not been firmly established in the reporting line as it was listed separately until only recently. Rather, reports from Sweden are obtained as and when required.

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 Declaration, this aspect includes one material topic: "Governance and compliance" (see materiality matrix → p.59).

Governance and Compliance

Reliable, transparent and trust-based corporate governance form the foundation stones of our business model. Securing the trust of our customers as well as the trust of our employees and all other key stakeholders is our top priority. This calls for a management level that leads and monitors the company independently and with a sense of responsibility. The "tone from the top" is crucial to establishing our credibility. The same applies to compliance with laws and regulations. Trust can only 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. If trust is abused, on the other hand, this can soon pose a threat to the company's reputation – and as a result to its commercial success.

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 the Declaration of Respect for Human Rights act as the maxims guiding us in our actions. <https://investoren.vonovia.de/en/corporate-governance/compliance-and-policies/attitude>

We are also committed to the principles set out in the German Corporate Governance Code and ensure that our Supervisory Board is independent. <https://investoren.vonovia.de/en/corporate-governance/corporate-governance-declaration/>

A good compliance management system also makes a key contribution to a company's sustainable development and value creation. As a result, the Management Board (CEO) is responsible for the implementation of the Compliance Management System (CMS).

Vonovia's CMS is based on three pillars: the "prevention" and "identification" of and "reaction" to any misconduct. These pillars make up an extensive system of compliance measures and processes as part of the compliance program. Our Compliance Guidelines, which are consistent with the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW PS 980) and also take the implementation principles for the UK Bribery Act 2010 into account, form the basis. The focus of our appropriate and effective CMS is on preventing misconduct. The program, which has already been firmly implemented, is evaluated and enhanced on an ongoing basis. Regular training sessions support our preventative work. Procurement, for which the issue is particularly relevant, receives special training on corruption and criminal law pertaining to corruption.

In 2020, Vonovia focused on establishing a system to prevent and combat corruption: A new anti-corruption policy and a policy designed to protect whistleblowers form the basis for these efforts. The existing system featuring an independent ombudsman is to be supplemented and expanded to include a hotline that allows whistleblowers to remain anonymous. An additional anti-money laundering policy addresses the particular field of money laundering in the real estate sector and also supports efforts to combat

abuse in this area. <https://investoren.vonovia.de/en/corporate-governance/compliance-and-policies/compliance-anti-corruption>

We need supplementary and more in-depth training in order to make the frameworks that have been put in place and the corresponding awareness of corruption issues an even more established part of our corporate culture. The coronavirus pandemic meant that it was not possible to conduct as many of these sessions as we would have liked in 2020. There is potential for improvement here that we intend to exploit in 2021.

The CMS is developed further by the Compliance Committee and is adapted to reflect the latest requirements. The Committee meets several times a year and its members are the compliance officer, compliance managers, the ombudsperson, and representatives from the internal audit, risk management and HR management departments and the works council. The Compliance Officer (from the Legal department) is the central point of contact for compliance matters and suspected cases. 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.

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 2020 fiscal year, there were isolated suspected cases of corruption, which we investigated diligently. None of the cases were confirmed. There were also several other nonmaterial compliance violations or suspected cases. This demonstrates that our established system functions well: Cases are reported and addressed and corresponding consequences ensue.

Material Performance Indicator

Category	Unit	2019	2020
Total number of proven cases of corruption (in Germany)	number	0	0

Respect for Human Rights

With its business model, Vonovia operates within a stringently regulated and controlled legal framework on the

German, Austrian and Swedish markets. These legal frameworks mean that the company has to adhere to manifold binding requirements and place particular emphasis on respect for human rights as an aspect that is protected under constitutional law.

Respect for human rights is an extremely important issue for Vonovia – also independently of the legal framework – and it goes without saying that we not only respect human rights, but also actively promote them, e.g., through our measures to ensure equal opportunities (→ p.67 et seqq.) or promote occupational health and safety. Since, even in highly regulated markets, breaches of labor law requirements can still occur – for example on construction sites – the Management Board published a Declaration of Respect for Human Rights in 2020 (see <https://investoren.vonovia.de/en/corporate-governance/compliance-and-policies/attitude/>). In this statement we clarify Vonovia’s 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 ILO core labor standards and the principles of the UN Global Compact, which we signed up to in the summer of 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.

What is more, all contractual partners have to sign our Business Partner Code (see <https://investoren.vonovia.de/en/corporate-governance/compliance-and-policies/attitude/>) whenever a contract is concluded, in which they undertake to comply with certain sustainability criteria (Sweden has its own code). These criteria include clear expectations regarding integrity, legal compliance and ethical conduct, and stipulate, among other things, that illicit employment must be ruled out, that the legal minimum wage must be paid and that valid regulations on occupational safety and human rights must be observed.

These obligations also apply to third parties – i.e., subcontractors of our contractual partners. 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 Man-

agement Board with the intention of ensuring a high degree of neutrality and compliance both internally and externally. The Vonovia partner portal for service providers and suppliers, which was launched by the procurement department at the end of 2019, serves as another key component of system-supported risk and supplier management. When selecting service providers and suppliers, the procurement department uses the Vonovia partner portal to check that the provider in question has acknowledged its duty to respect human rights as set out in the Business Partner Code. In the event of any irregularities or scenarios in which these obligations are ignored, the cases are documented accordingly and sanctions are normally imposed. These processes use tools such as the blacklist and the SAP-supported storage of contract award and payment blocks.

In the future, the Management Board will review the Declaration of Respect for Human Rights adopted in 2020 at regular intervals and develop it accordingly so as to address changes in those areas of Vonovia that are relevant to human rights.

Appeal on the Capital Market

As a real estate company with a long-term focus, we aim to strike a balance between commercial activity on the one hand, and social responsibility and ecological objectives on the other. We are committed to the principles of the social market economy and profitability. We can only implement our sustainability policy successfully if we are also commercially successful with our business model. We want to increase the value of our company and make ourselves more attractive to investors in the long run, while also contributing to sustainable development in our sphere of influence.

→ p. 36 et seqq. This also makes us attractive to investors, who are attaching increasing importance to sustainability. Access to the capital market is crucial for us in this respect. This also applies to future financing instruments, such as green bonds, which Vonovia is also interested in issuing.

On the capital market, it is becoming increasingly important to take ESG criteria into account when making investment decisions. With its Action Plan for Financing Sustainable Growth, the European Union is picking up on these trends and driving them forward. Failure to meet ESG expectations can sometimes result in a company actually being excluded from an investor's investment portfolio. ESG performance is also reflected primarily in a company's standing in the relevant ratings and benchmarks. As a result, we aim to present our sustainability performance to the capital market in a transparent manner, also by participating in the ESG ratings that are relevant to our investors, and by being awarded consistently good 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.

Vonovia was able to achieve a substantial improvement in a number of ratings in 2020. By way of example, Vonovia climbed to a position in the top percentile of the more than 12,000 companies across the globe that are rated by Sustainalytics, was awarded "Prime" status by ISS-oekom for the first time and was included in the renowned Dow Jones Sustainability Index Europe.

Material Performance Indicator: Performance in Relevant ESG Ratings

Ratings	2019	2020
Sustainalytics ESG risk rating	16.8	7.7
MSCI ESG	A	A
CDP Climate Change	B	B-
ISS-oekom	C-	C
SAM CSA (S&P Global)	23*	57

* Not actively edited.

Target for 2021 and the years to follow: Keeping results at a high level and achieving ongoing improvement.

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 is, in consultation with the Management Board, responsible for capital market communications and dialogue with investors. Regular dialogue is held with capital market participants, also on ESG issues. The annual Capital Markets Day organized by the Investor Relations department (which did not take place in 2020 due to the coronavirus pandemic) serves as an important communication channel for putting individual topics under the spotlight and explaining them in greater detail. Sustainability will be the central topic addressed in 2021. Investor Relations also conducts additional roadshows and organizes face-to-face investor meetings on sustainability. A roadshow on corporate governance issues is usually held once a year with the Chairman of the Supervisory Board.

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.

Attachment 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.