

# Combined Management Report

Our strategy allows us to contribute to solving the challenges of the future created by the current megatrends. Our sustainable and robust business model once again formed the basis for positive business development in the pandemic year of 2021. The combined resources of Deutsche Wohnen and Vonovia will make us an even bigger force for addressing the challenges of the future to the benefit of everyone.

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# Fundamental Information About the Group

## Societal Megatrends Defining Overall Conditions on the Residential Real Estate Market

2021 was another year in which the previously unimagined effects of the **coronavirus pandemic** had the world firmly in their grip. This included the well-known negative effects on national economies, as well as far-reaching psychological and sociological impact. People's living and working habits are expected to have changed in the long term as a result of the pandemic, although many long to return to what was previously considered normal. In the midst of the fourth wave of the pandemic, with new mutations of the virus continually emerging, it is difficult to predict what economic, political and social developments will emerge or intensify as a result.

In addition to the coronavirus, 2021 once again saw **extreme weather phenomena** which are believed – so the largely unanimous consensus – to have been caused by **global climate change** driven by the man-made increase in average temperatures. The catastrophe in the Ahr valley is but one example. Weather phenomena such as heat, drought and fire on the one hand and heavy rainfall, flooding, melting glaciers and rising sea levels on the other cause or aggravate negative economic consequences.

As a result, the demands placed on corporate strategies and business models now extend far beyond the need to generate returns. Companies have to demonstrate the **sustainability** of their strategies and business models to the public by setting sustainability goals. At the same time, they also have to present the risks associated with **megatrends**, and with climate change in particular. As a result, companies today have to take into account the most diverse range of stakeholders and what they expect from the company as a social player in terms of information. The shareholder approach is increasingly evolving into a stakeholder approach; companies have to demonstrate their license to operate, as it is often called.

The megatrends that have been evident for some time now, **urbanization and the shortage of housing, climate protection and reducing CO<sub>2</sub>, digitalization and demographic change**, also have to be reassessed in terms of their economic, political and social implications for the company's strategy and business model in connection with the latest developments in the course of the pandemic.

The aim is to preserve the company's agility and innovative strength as key skills to address the challenges of the future in the context of the overall conditions for the housing industry.

**As part of its sustainability strategy, Vonovia has made a clear and explicit commitment to climate protection targets and a virtually carbon-neutral building stock by 2045 as well as to reliable and transparent corporate governance.**

## The Company

Vonovia's **business model** is based on the rental of good-quality, modern and, most importantly, affordable living space, the development and construction of new apartments, both for its own portfolio and for sale to third parties, and the provision of housing-related services. These housing-related services mainly relate to cable TV, energy services, automated meter reading and senior-friendly apartment modernization. This is supported by our caretakers and by our established craftsmen's and residential environment organization.

To date, Vonovia's business model has proven to be robust and largely **resilient** in these times of the coronavirus pandemic. There was no material impact on the net assets, financial position and results of operations. The focal point of Vonovia's work of late has been the quest to successfully maintain its business processes and protect its customers and employees. The already high **level of digitization** inherent in our business processes allowed us to transition almost seamlessly to working from home for back office functions. There were no significant interruptions on our building sites.

Our business model is also **future-fit in the long run**, as it can use sustainable new construction and refurbishment approaches, CO<sub>2</sub> reduction in the real estate portfolio and innovations relating to the energy mix, materials, biodiversity, emissions and waste to contribute to solutions for climate protection objectives.

**Aspects of Sustainability at Vonovia**

<div>E Environmental</div> <div>Contribution to climate protection and reducing CO<sub>2</sub>.</div> <div>           &gt; Environment and climate            &gt; Sustainable construction and development         </div>	<div>S Social</div> <div>Social responsibility for our tenants, customers and employees.</div> <div>           &gt; Society and contribution to urban development            &gt; Homes and customers            &gt; Corporate culture and employees         </div>	<div>G Governance</div> <div>Reliable, transparent and trust-based corporate governance.</div> <div>           &gt; Responsible business practices and governance            &gt; Future fitness and the capital market         </div>
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Our **neighborhoods, the main areas of action** for creating a socially responsible housing industry, are to provide housing that responds to tenants’ needs as part of a process aimed at tenant participation so as to boost customer satisfaction and also contribute to the integration of our increasingly diverse society. In the initial phase of every neighborhood development project, residents are involved in the plans as part of a civic participation process so as to arrive at a shared vision. In addition to the strategic neighborhoods (urban quarters), there are unique strategic properties (urban clusters) to which the action options of the strategy and business model are adaptively applied.

The large number of urban quarters and urban clusters in urban areas allows Vonovia to use its strategy to address the challenges arising from the megatrends. Around 70% of Vonovia’s portfolio (excluding Deutsche Wohnen’s portfolio) is located in contiguous urban quarters, i.e., neighborhoods that generally include more than 150 apartments. At Vonovia, designing homes that offer real quality of life always involves identifying what the relevant social structures need, taking into account the history of these neighborhoods. In 2021, 15 neighborhood development projects were at the operational implementation stage, with two newly built neighborhoods being completed. Intensive work is currently under way to prepare for the operational implementation of a further 20 neighborhood development projects, and additional newly built neighborhoods are in the pipeline.

As well as allowing social projects to be implemented, meeting places to be created, doctors or supermarkets to move into the area and cultural events to be offered, urban quarters offer an ideal platform for the implementation of new and innovative products. The development business is also consistent with the sustainable neighborhood concept.

Vonovia aims to be an attractive employer for its **employees**, ensuring equal opportunities and supporting staff members in their personal and professional development. Trustworthy, reliable and transparent corporate governance will lay the foundation for this.

Vonovia manages a housing stock of around 505,000 **of its own apartments** in almost all of Germany’s attractive cities and regions. It also manages a portfolio of around 38,000 units in Sweden and approximately 22,000 in Austria. The total fair value comes to around € 97.8 billion, with net assets based on the EPRA definition coming to approximately € 51.8 billion (European Public Real Estate Association: EPRA). In addition to its own apartments, Vonovia manages around 71,000 apartments for third parties. This makes Vonovia one of the leading residential real estate companies in Germany, Austria and Sweden, albeit with a low market share of around 2.1% in Germany due to the highly fragmented nature of the market. Vonovia also holds a minority stake in a portfolio previously held by the French railway operator SNCF and in the Dutch company VESTEDA.

**Vonovia's roots** and those of its predecessor companies extend back into the 19th century and lie in not-for-profit housing and housing for factory workers in Germany's Ruhr region. Deutsche Annington and GAGFAH have their roots in housing construction companies that built low-cost homes for workers, salaried employees and civil servants. Many of the housing developments and neighborhoods built in that era were model projects of the time and are now covered by preservation orders. Living in neighborhoods known as "workers' settlements" was about much more than just affordable living space. The residents were colleagues and neighbors; they worked and lived together. The approximately **586 neighborhoods** (excluding Deutsche Wohnen) that the company has today are one of Vonovia's USPs and a focal point of the answers to the megatrends facing us. The story of Vonovia's roots continued in 2021 with the takeover of the Deutsche Wohnen Group. In addition, 2021 saw Vonovia celebrate the **70th anniversary of BUWOG**, which has its roots in Austria. BUWOG was created by the Austrian government as a housing company for civil servants and was eventually privatized. It was in this time that BUWOG evolved into a leading real estate developer in Germany and Austria. The Swedish properties originate from the "Million Program" public housing program of the 1960s and 1970s, the aim of which was to create simple, low-rent homes. A need for modernization and development meant that selected properties in and around Stockholm, Malmö and Gothenburg were ultimately acquired by Victoria Park and Hembla as investors.

The integration of the **Deutsche Wohnen** organization and processes into Vonovia's structures will be the main task facing the company in 2022.

## Corporate Structure

**Vonovia SE**, the parent company of the Vonovia Group, is organized in the legal form of a dualistic European company (SE). Vonovia SE is directed by a Management Board, which is responsible for conducting business and defining the Group's strategy. Implementation occurs in close coordination with the Supervisory Board, which is regularly briefed by the Management Board regarding the development of business, strategy and potential opportunities and risks. The Supervisory Board oversees the activities of the Management Board.

Vonovia SE has its **registered headquarters** in Germany. Since 2017, its registered office has been in Bochum. The head office (principal place of business) is located at Universitätsstrasse 133, 44803 Bochum. In line with the business combination agreement with Deutsche Wohnen, the company will be run from Bochum and Berlin. As of December 31, 2021 736 legal entities/companies (of which 441 in Germany) formed part of the Vonovia Group. A detailed list of Vonovia SE shareholdings is appended to the Notes to the consolidated financial statements.

Vonovia SE performs the function of the **management holding company** for the Group. In this role, it is responsible for determining and pursuing the overall strategy and implementing the company's goals. It also performs property management, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management of the Group.

In order to carry out management functions, Vonovia SE has established a series of **service companies**, particularly for commercial and operational support functions, which are centralized in shared service centers. By pooling the corporate functions on a uniform management platform, Vonovia achieves harmonization, standardization and economies of scale objectives, and the other Group companies thus do not need to perform such functions themselves. This bundling is a prerequisite for the efficient and effective management of a portfolio of more than 565,000 apartments and also provides the basis for the successful digitalization of Vonovia's process chains. The development business is largely managed via **project companies**.

With our **efficient organizational model**, optimized processes, a clear focus on service, and, as a result, on our tenants, and a clear investment strategy focusing on climate protection, we are laying the foundation for a sustainable business while safeguarding our legitimate interests as a private-sector company.

A balanced mix of services provided by the **central service center, regional caretakers working on-site** and our company's own technical and residential environment organization, combined with housing-related services (**Value-add**), ensures that our tenants' concerns can be attended to in a timely, straightforward and reliable manner. This plays a key role in ensuring that our customers feel that they have good support in their environment.

In addition to its successful long-term and modern property management, Vonovia also develops its real estate portfolio through targeted **acquisitions and sales**. The goals associated with new portfolios acquisitions include strengthening its overall regional presence, realizing operational and financial economies of scale and optimizing structures. The integration of acquisitions, as is now on the agenda in 2022 for the processes and organization of Deutsche Wohnen, is based on a tried-and-tested, formalized process.

In addition, Vonovia will be using **new construction and development measures**, densification and vertical expansion to build an increasing number of new apartments in order to meet the rising demand for living space in metropolitan areas in particular. The integration of the development organization operating under the **BUWOG** name has allowed Vonovia to acquire extensive product and process expertise in the field of construction and in the development of residential construction projects. This means that Vonovia has not only a **management platform** but also an end-to-end **development platform** spanning the entire value chain.

The management of the operating business is based on the company's strategic approaches and is conducted via the four **segments** Rental, Value-add, Recurring Sales and Development. The Deutsche Wohnen activities will be allocated to their counterparts at Vonovia as part of the integration process. Details on the management of our business can be found in the chapter on our management system.

### Vonovia's Scalable Organizational Model: Strong Regional Presence and Efficient Central Shared Services

Central	Regional	Shared Services
<b>Portfolio Management</b> <ul style="list-style-type: none"> <li>&gt; Invest program management</li> <li>&gt; Rent calculation &amp; management</li> <li>&gt; Rent performance management</li> </ul>	<b>Asset Management</b> <ul style="list-style-type: none"> <li>&gt; Strategic development of local portfolio</li> <li>&gt; Stakeholder management</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Purchasing</li> <li>&gt; Finance/tax</li> <li>&gt; Accounting</li> <li>&gt; Controlling</li> <li>&gt; Legal</li> <li>&gt; IT</li> <li>&gt; HR</li> <li>&gt; Communication</li> </ul>
<b>Central Property Management</b> <ul style="list-style-type: none"> <li>&gt; 24/7 customer service</li> <li>&gt; Rental contract management</li> <li>&gt; Field service disposition</li> <li>&gt; Property-related accounting services</li> </ul>	<b>Property Management</b> <ul style="list-style-type: none"> <li>&gt; Field services</li> <li>&gt; Caretaker organization</li> <li>&gt; Letting organization</li> </ul>	
	<b>Value-add Management</b> <ul style="list-style-type: none"> <li>&gt; Technical service</li> <li>&gt; Modernization</li> <li>&gt; Residential environment</li> </ul>	
	<b>Development</b> <ul style="list-style-type: none"> <li>&gt; Integrated development platform</li> <li>&gt; Development to sell / to hold</li> </ul>	

## Strategy

### Vonovia's sustainable strategy is accepted and solid

The strategy Vonovia introduced **at the time of its IPO** has reached a high **degree of maturity** and has proven its viability and flexibility. It achieved sustainable improvements in customer satisfaction, addressed new demands and successfully established new business models. This strategy still consists of the four basic approaches: the property management strategy, the financing strategy, the portfolio management strategy and the Value-add strategy. The **two additional approaches**, making acquisitions as and when opportunities present themselves and pursuing internationalization, continue to support and round off the four basic approaches.

Not only the increasingly dynamic development of **mega-trends**, but also the ever louder calls made by various stakeholder groups for a **sustainable business model** mean that the focal points of the company's strategy have to be reviewed on an ongoing basis and, in particular, the **sustainability aspects** of this strategy, which has proven so successful to date, have to be given even greater attention and be enhanced in a targeted manner to ensure **the future viability of Vonovia's strategy** and business model.

The strategy, which will continue to have a **commercially successful business model at its core** in the future as well, explicitly addresses the following sustainability issues:

- > Contribution to climate protection and reducing CO<sub>2</sub> (E)
- > Social responsibility for our tenants, customers and employees (S)
- > Trustworthy, reliable and transparent corporate governance based on the best-practice guidelines set out in the Corporate Governance Code (G).

The strategy also specifically addresses the UN's Sustainable Development Goals (SDGs) as well as the specific ESG targets set by European and national standard setters. With this in mind, Vonovia has defined its own climate path. The integration of sustainability into the strategy is also reflected in the expansion of the management system to include non-financial key figures, in particular in the form of the introduction of the **Sustainability Performance Index** from 2021 onwards.

Vonovia had already set up an **organizational unit** reporting to the CEO to coordinate and promote sustainability aspects in the context of the strategy and the business model, as well as being responsible for external sustainability reporting. A steering group, the Sustainability Committee, has also been set up. It includes the entire Management Board as well as the individuals responsible for sustainability, corporate communications, investor relations, controlling, accounting and business innovation. In order to calibrate its sustainability endeavors correctly, Vonovia had conducted an earlier **materiality analysis** in 2020, which continued to apply unchanged in 2021. This process involved identifying areas for action and developing a sustainability roadmap. In addition, opportunities and risks resulting from the various areas for action are monitored as part of the risk management system.

Solutions for climate protection in the housing industry using innovations and new technologies will be largely implemented in our **neighborhoods** in a cost-effective manner to allow us to continue to design urban, environmentally friendly and affordable housing in a socially responsible manner. Another way in which Vonovia lives up to its social responsibility is via its neighborhood development projects.

In the future, trustworthy, reliable and transparent **governance** will be supplemented to include ESG risk management that also takes the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) into account. In 2021, the company will also be reporting in accordance with the requirements set out in the EU taxonomy for the first time. In the future, all decisions will be evaluated with regard to their impact on sustainability aspects.

### Highly Developed 4+2 Strategy

The 4+2 strategic approaches already in place can be briefly summarized as follows. More detailed information is available in previous management reports.

The **property management strategy** is based on the sophisticated **management platform**, which allows for the efficient management of the portfolio and the successful scaling of the property management business. In this respect, Vonovia makes use of a mix of regional and local services and the Group-wide bundling of services in central service centers. Vonovia also applies this expertise to the property management business in Austria and Sweden in line with the requirement profiles that apply in those markets. The property management strategy is being enhanced, in particular, by digitalization measures in the underlying business

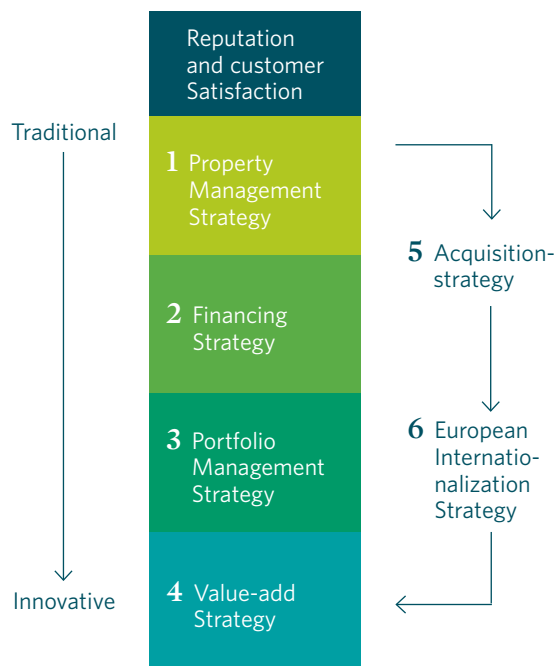
processes and at the customer interface. The tenant app is one of the lighthouse projects in this area.

The **financing strategy** has essentially been implemented in full. Vonovia's debt, measured in terms of the loan-to-value (LTV) ratio, is stable within the target range of 40% to 45%. Thanks to its broad range of equity and debt capital providers and the investment grade ratings awarded to our company by the rating agencies S&P, Moody's and Scope, Vonovia has excellent access to the international debt and equity capital markets. As a result, our current focus is on maintaining these credit ratings, optimizing the financing structure and maturity profile, diversifying our financing sources and financial risk management.

The **portfolio management strategy** focuses on **optimizing the portfolio**. The portfolio is refined in a targeted manner using privatization measures and the sale of non-strategic properties. On the other hand, tactical acquisitions, modernization, new construction and development measures are used to increase the value of the portfolio in a targeted manner. Vonovia invests in its strategic holdings in urban neighborhoods and urban clusters, especially in line with its climate path to promote sustainability and with its innovation strategy. We want to create new homes in our portfolio in the future as part of our densification strategy, using a combination of vertical expansion and new construction on existing land. The portfolio management strategy also includes the activities of the development business on land purchased specifically for this purpose, adding another profitable element to Vonovia's value chain. The development business, operated under the BUWOG brand, includes the construction of owner-occupied apartments for sale to private investors and owner-occupiers as well as the construction of rented apartments to be managed by the company itself.

The **Value-add strategy** supplements our core business to include **customer-oriented services**, e. g., services that are closely related to or influence the rental business. As part of this strategy, we continually evaluate additional innovative service ideas and business models to boost customer satisfaction and add the corresponding activities to our offering. Those areas of the Value-add strategy that have already been established successfully largely include the craftsmen's organization, the residential environment organization, multimedia services, energy services and metering services, and insurance services. The capability of having our own craftsmen's and residential environment

## The 4+2 Pillars of Our Strategy



- 1 Management platform/Austrian client/digitalization
- 2 LTV/financing strategy/financial risk management
- 3 Portfolio management/recurring sales and Non-core Disposals/investment strategy/development and new construction
- 4 Housing and property-related services/business development/digitalization
- 5 Opportunistic acquisition strategy Germany
- 6 Austria/Sweden/France/The Netherlands

organization cover the entire portfolio, in particular the maintenance and modernization services, allows us to make the residential units more attractive in general and help to boost customer satisfaction.

Vonovia pursues **acquisitions** as and when opportunities present themselves. Acquisitions have to be expected to increase in value before they are conducted. Such increases in value are generally assessed in terms of strategic suitability, increases in EBITDA Rental yield per share and a neutral impact on the EPRA NTA per share; these are funded by 50% equity and 50% debt. Furthermore, an acquisition must not pose any risk to the company's stable BBB+ long-term issuer credit rating. Despite the shorter supply of attractive portfolios, Vonovia remains committed to the implementation of its **acquisition strategy**, as there are still opportunities for successful takeovers and integration measures available. Vonovia has been growing in recent years thanks to a large number of acquisitions.

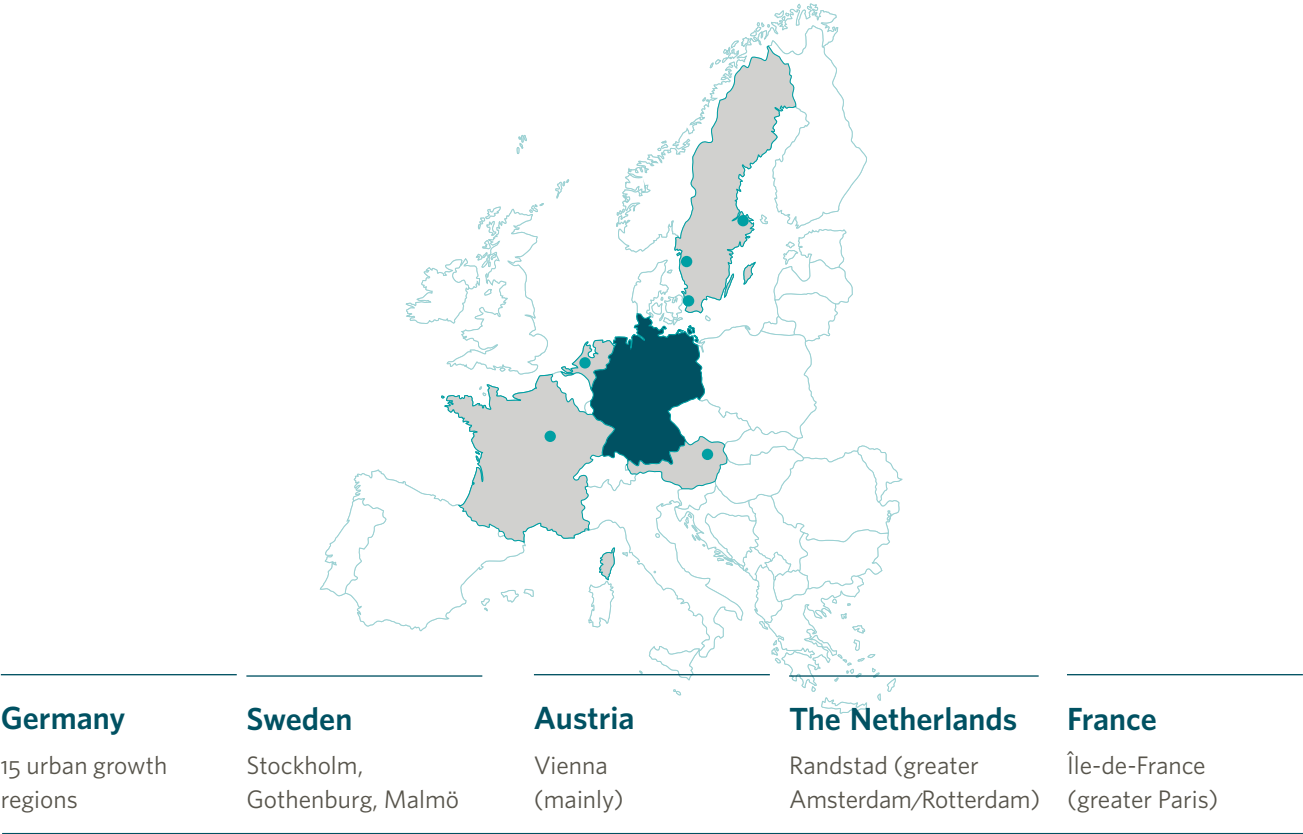


Our scalable operational management system allows us to achieve harmonization and generate economies of scale from the full and swift integration of newly acquired companies and portfolios. Making the most of this competitive advantage and using the expertise that has been built up within our organization over time, we are constantly analyzing portfolios that could constitute potential takeover targets. In accordance with our portfolio management strategy and our Value-add strategy, we do not consider acquisitions to be the only way in which to achieve growth but rather see them as key additional strategic levers that help to strengthen the impact of our core strategies.

Our experience and expertise as a leading real estate company on three European markets (Germany, Sweden and Austria) serves as a reference that allows us to invest as part of our **internationalization strategy** to generate added value by tapping into other European markets. The potential

target markets include those that are not yet as professional as the German real estate market, and those that offer attractive overall conditions in terms of rental market growth and household growth. Any activities on other European markets are performed by making targeted direct investments, such as in Sweden and Austria, but also, as an alternative, via high-profile and reliable joint venture partners in the first instance, which is the approach pursued on the French and Dutch markets. This will involve making contact with European partner companies, corresponding investors or political institutions in order to help accurately assess investment opportunities, cooperation options and opportunities for market entry. Vonovia will pursue its internationalization strategy as and when opportunities present themselves. Our activities on other European markets must not impact on our established business in Germany, Austria and Sweden, and must entail risk potential that can be controlled or limited.

### European Markets





# Vonovia Innovation Platform

## Innovation as a Basis for Solutions

2021 once again showed that the demands resulting from developments in the overall social, ecological, political and technological environment remain and are having an impact on the expectations of various stakeholder groups and thus also on Vonovia's existing business models.

This confirms just how important the strategy defined last year is, namely the quest to forge ahead with innovation and, in doing so, also promote the aspects of customer orientation, sustainability and the future viability of existing business models. Particularly in the context of the energy revolution, Vonovia sees itself as a market player with social responsibility that thinks beyond the boundaries of the pure rental business in seeking to develop innovative solutions.

Vonovia is using its Innovation & Business Building department to advance relevant ideas at all levels of the Group, working closely with various departments in the process. This has allowed the company to implement an innovation ecosystem with stringent processes within the Group, giving Vonovia the capabilities – and allowing it to continue to establish the resources – it needs. A customer and data-centric perspective forms the basis for scaling new products and services.

**Innovation** is a firmly established component of Vonovia's strategy. The large number of neighborhoods in the company's portfolio creates potential to develop future-fit solutions for innovative technologies and new services to respond to the current megatrends. The innovative approaches are not only applied, however, to the neighborhoods (urban quarters), but are also selectively adapted to urban clusters.

## The Innovative Neighborhood of Tomorrow: Networking and Smart Sector Coupling

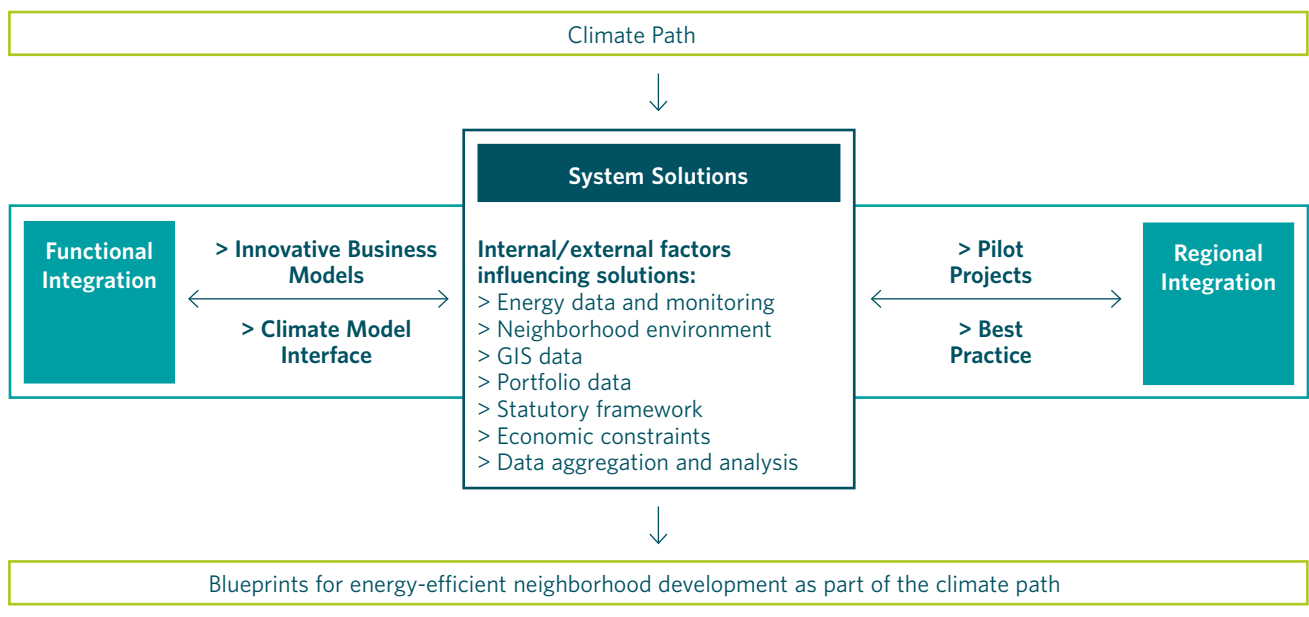
In striving to achieve a virtually climate-neutral building stock by 2045, Vonovia has defined its neighborhoods as a central focal point. Innovation and a holistic view of neighborhoods in terms of social, ecological and economic factors are crucial when it comes to mastering the energy revolution.

As each and every neighborhood is unique, with different local conditions, neighborhoods are evaluated individually in order to implement innovative solutions. This is why a modular system is being developed in which scalable solutions for the coupling of the heat, electricity and mobility sectors can be used in the future in a customized way in different neighborhoods. In addition to the existing solutions, the market is constantly being analyzed to explore new technologies and their scalability so that Vonovia can efficiently achieve the goals set out in its climate path.

Another focal point is decentralized energy supplies featuring the use of renewable energies. Smart generation, storage and consumption play an important role in this process. A milestone was reached with the commissioning of the Energy Center of the Future in Bochum-Weitmar. The innovative research laboratory supplies 81 residential units in the neighborhood using innovative technologies (e.g., electrolyzer, fuel cell, or hydrogen storage facility). The electricity required is also generated locally by the center's own photovoltaic systems. Thanks to the center's initial research results, higher efficiency levels can already be achieved with cold district heating 2.0. This will make the neighborhood self-sufficient in its heating supply in mild winters in the future. The center also features a battery storage system and a hydrogen storage facility.

In addition to the purely technological approach, social components are also included in the innovation process so that added value can be created at all levels. The aim is to create smart networks linking residents with each other and the buildings in the neighborhood.

## Energy-efficient neighborhood development



## Customer-Centric Solutions and Processes

The iterative innovation process within the Group is steered by company-wide innovation management at all stages in the project pipeline to ensure that new ideas meet the needs of our tenants from the design stage until they are ready to go into production. The focus when it comes to generating new ideas is on the “open innovation” approach. In addition to using various tools to identify trends and topics, ideation workshops are also conducted with various stakeholders. This has allowed a large number of new ideas to be generated. The company’s internal innovative strength is bolstered

by start-up scouting and bilateral cooperation initiatives in different areas of the Group.

Among other things, use cases have been put out to tender in cooperation with the local start-up alliance Gründerallianz Ruhr and joint projects have been launched with deep-tech start-ups. In addition to collaborations with external ecosystems, the company also promotes strategic partnerships with universities and research institutions. One example is the Neighborhood Academy, which was established in collaboration with EBZ Business School in Bochum to address hands-on case studies relating to megatrends.

## Start-up Scouting as a Strategic Focal Point of the Innovation Process



## Establish Data Infrastructure for Greater Transparency and Efficiency

In the context of megatrends and technological advances in the building sector, the focus is on advancing data-driven use cases to boost transparency and efficiency. This also creates a basis for developing innovative products and services for our customers. Vonovia sees advanced analytics as a key driver in the development of new business models.

Within this context, Vonovia is systematically developing and expanding its existing data infrastructure to include, for instance, innovative location analytics approaches. As part of the collaboration with Gründerallianz Ruhr, a proof-of-concept phase was launched with two European start-ups in 2021. Points of interest and a large number of freely available data points relating to conditions in more than 500 neighborhoods and their direct surroundings can now be visualized in an interactive map application. This allows empirical knowledge that was previously fragmented at a local level to

be accessed from a central source. It is also expected that extensive use of data will allow Vonovia to provide future customers with clear added value in the form of customized housing options. Within this context, Vonovia is consistently committed to systematically considering all relevant aspects of data protection.

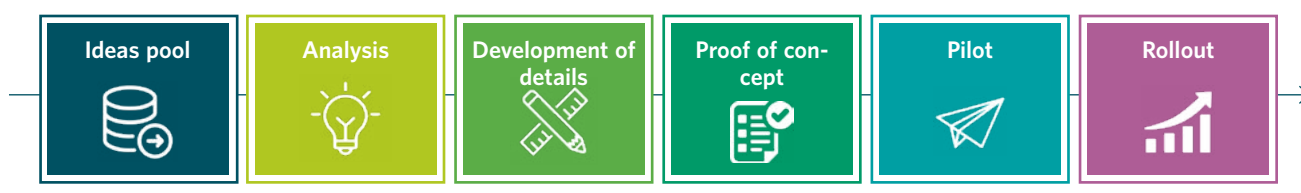
Vonovia has developed the decarbonization tool together with "right.based on science" and "d-fine" in order to define a long-term climate strategy and track its targets accurately. This tool creates a digital inventory of all of Vonovia's buildings and their energy data. A climate path is simulated for each building and can be shown on an aggregated basis

at different spatial levels. Calculating the X-Degree Compatibility indicator allows Vonovia to identify the portfolio's long-term impact on the climate. This produces transparent information on whether each building contributes to Vonovia's climate target.

## Scaling of Innovations

Vonovia can look back on various projects that were implemented successfully in 2021 and progressed from an initial idea to a scalable innovation. This has allowed new business models and services to be established.

### A Strict Innovation Process



The mounting of photovoltaic modules on the thousandth roof laid the foundation for sustainability and the commercial use of renewable energies. The focus now is on scaling the installation of photovoltaic systems to supply entire neighborhoods with sustainable energy. The installation capacities will be increased ten-fold in the medium term, with photovoltaic systems with an output of more than 200 MW<sub>p</sub> being installed on roofs between now and 2030. Up to 100 employees will be hired in the future to work in planning and installation in order to complete this project. Roof inspections are also to be made more efficient using drones to generate digital 3D roof models. What is more, preassembled sub-systems will be used in the future so that photovoltaic modules can be mounted to large roof areas as part of an automated process. In 2021, the installation of all photovoltaic systems was switched over to landlord-to-tenant electricity in order to allow tenants to participate in local electricity generation in the neighborhood by offering direct green electricity, and to allow Vonovia to offer an affordable green electricity product.

As part of the EU Interreg project "Mustbeo" for North-West Europe, the very first energy-efficient refurbishment project based on the Energiesprong principle is being implemented in Bochum. This innovative building upgrade solution is defined as a key component of the climate path as we move towards a portfolio that is as close to carbon-neutral as possible. The project comprises three residential buildings with 24 apartments and 1,164 m<sup>2</sup> of living area. The method uses serial refurbishment to achieve the quick and effective retrofitting of the buildings, which are climate-neutral after refurbishment (net zero standard). The building data is

recorded using 3D scans and insulating facade elements are prefabricated to fit to the millimeter and only have to be assembled on the construction site. Suitable photovoltaic modules are also installed and the heating system is upgraded, including the switch to efficient heat pumps. The focus is also on innovative procurement and recycling processes in line with the sustainability strategy. The technologies already in use are also reviewed on an ongoing basis to identify potential for process optimization. The aim is to ensure a high level of living comfort by keeping refurbishment times to a minimum.

More and more digital technologies are making their way into Vonovia's buildings. Almost all elevators already send information on their operating status to the technical control center in real time. The information on the elevator systems is consolidated and displayed on a digital platform and provides an overview of statistics, reports and operating data. The use of Internet of Things (IoT) technologies, which facilitate data-led decisions and help to analyze the technical condition effectively from any location, play a key role in this process. Another technology involves the remote monitoring of central heating systems in existing buildings, which will be rolled out as standard in 2022. This allows CO<sub>2</sub> emissions from buildings to be reduced through optimized control, while also establishing a significantly improved reporting chain allowing any faults to be resolved more quickly than in the past.

# Non-financial Group Declaration

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

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

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

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

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

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

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

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

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

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

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

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

## Sustainability Management at Vonovia

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

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

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

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

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

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

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

## Risk Assessment Based on Sustainability Aspects

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

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

## Key Sustainability Aspects at Vonovia

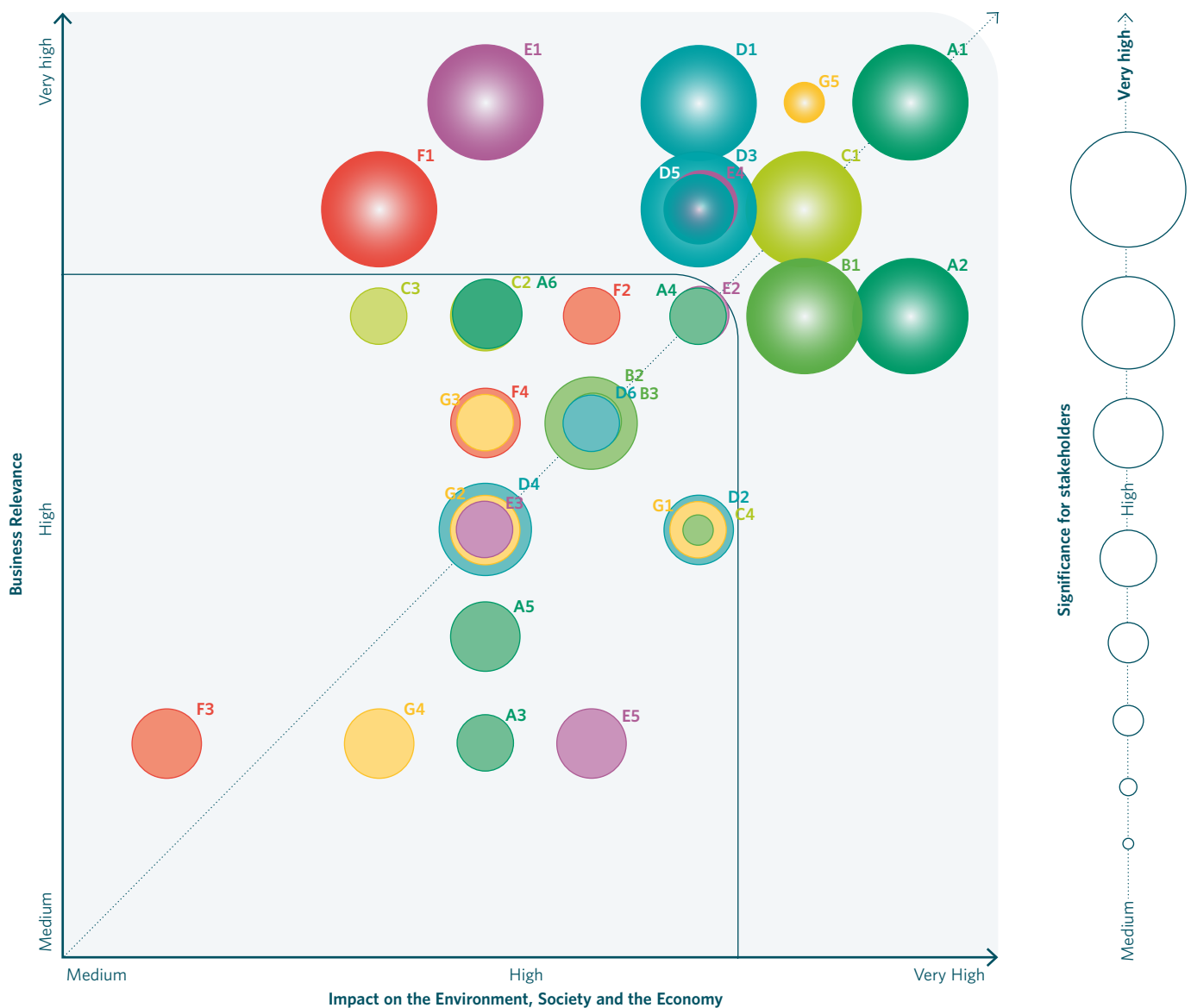
A home is a basic human need. We meet this basic need by creating new living space and letting existing living space. We do so responsibly and sustainably by paying attention to the environmental footprint of our buildings and by having committed to the goal of climate-neutral housing stock. We also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

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

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



## Materiality Matrix



### Action Area A: Environment and Climate

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

### Action Area B: Sustainable Construction and Development

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

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

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

### Action Area D: Homes and Customers

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

### Action area E: Corporate Culture and Employees

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

### Action Area F: Governance and Responsible Business Practices

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

### Action Area G: Future Fitness and Capital Market

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

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



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

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

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

## Key SDGs for Vonovia



## Taxonomy

### Background and Objectives of the EU Taxonomy

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

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

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

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

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

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

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

The EU taxonomy formulates six environmental objectives:

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

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

## Reporting Principles

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

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

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

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

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

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

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

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

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

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

9 This includes residential, commercial and nursing care properties.

## Performance Indicators

### Definition and Calculation Method

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

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

### Revenue

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

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

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

### CapEx and OpEx

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

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

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

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

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

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

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

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

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

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

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

### Supplementary Disclosures

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

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

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

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

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

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

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

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

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

### Outlook for the 2022 Reporting Year

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

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

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

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

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

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

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

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

## Environmental Issues

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

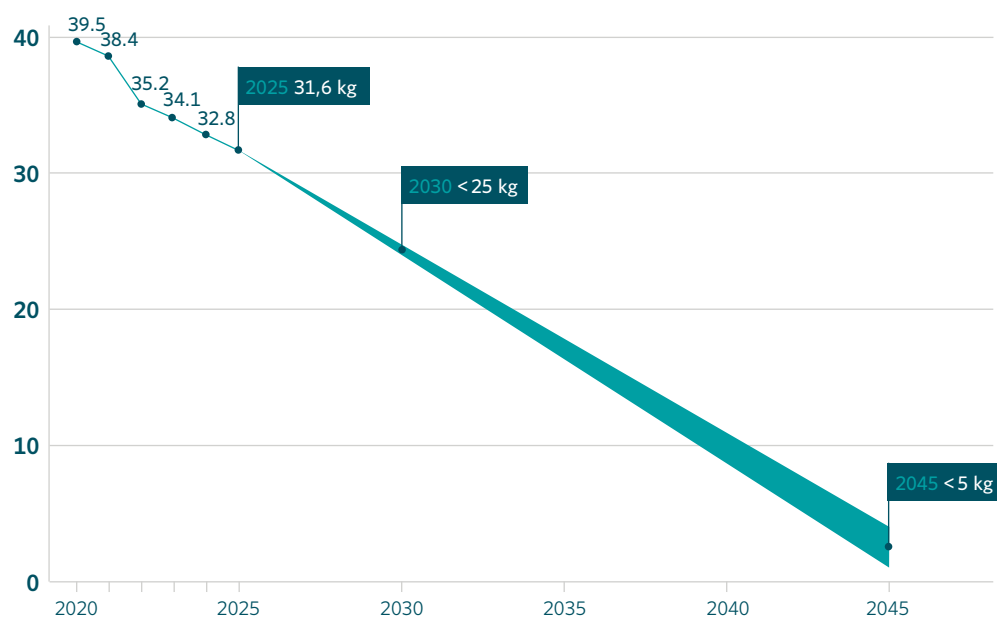
Unless stated otherwise, the concepts presented for the reporting year apply to the Vonovia Group excluding Deutsche Wohnen.

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

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

### Vonovia Climate Path: Portfolio Decarbonization Strategy

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



#### The 3 elements of the climate path

- 1 > Continuation of comprehensive energy efficient refurbishment
- 2 > Replacement of conventional heating units with hybrid systems and heat pumps  
> Photovoltaic systems on all suitable roofs  
> Establishment of a local heating network in the neighborhood with renewable energies
- 3 > Conversion of the energy sector to carbon-free district heating and green electricity

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

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

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

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

## Implementation of the TCFD Recommendations at Vonovia

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



## Implementation of the TCFD Recommendations at Vonovia

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

\* Scope 3.3: "Fuel- and energy-related activities upstream"

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

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

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

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

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

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

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



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

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

### Material performance indicator

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

\* Excluding Deutsche Wohnen.

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

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

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

### Material performance indicator – SPI

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

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

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

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

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

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

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

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

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

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

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

### Renewable Energies and Energy Mix

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

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

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

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

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

### Material performance indicator

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

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

\*\* Including Deutsche Wohnen.

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

## Sustainable New Construction and Refurbishment

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

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

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

### Material performance indicator – SPI

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

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

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

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

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

## Social Issues

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

### Neighborhood Development and Contribution to Infrastructure

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

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

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

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

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

their environmental performance and social megatrends before being extensively prepared.

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

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

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

## Material performance indicator

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

\* Excluding Deutsche Wohnen.

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

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

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

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

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

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

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

### **Fairly Priced Housing**

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

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

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

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

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

## Material performance indicator

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

\* Excluding Deutsche Wohnen.

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

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

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

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

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

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

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

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

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



## Material performance indicator – SPI

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

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

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

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

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

### Customer Satisfaction and Service Quality

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

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

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

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

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

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



## Material performance indicator – SPI

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

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

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

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

## Employee Issues

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

### Appeal as an Employer

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


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

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

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


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

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

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

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

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

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

## Employee Key Figures

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

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

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

\*\*\* Excluding Deutsche Wohnen.

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

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

## Material performance indicator – SPI

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

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

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

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

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

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

### Approach to Diversity and Equal Opportunities

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

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

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

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

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

## Material performance indicator – SPI

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

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

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

### Establishment in the Company

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

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

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

## Combating Corruption and Bribery

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

### Governance and Compliance

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Material performance indicator

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

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


## Respect for Human Rights

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

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

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

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

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

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

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

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

## Appeal on the Capital Market

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

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



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

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

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

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

## Material Performance Indicator: Performance in relevant ESG Ratings

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

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

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

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

# Portfolio Structure

## Portfolio in the Property Management Business

As of December 31, 2021, the Group had a total real estate portfolio comprising 565,334 residential units (2020: 415,688), 168,015 garages and parking spaces (2020: 139,429) and 9,289 commercial units (2020: 6,564). Our locations span 639 cities, towns and municipalities in Germany, Sweden and Austria. 71,173 residential units are

also managed for other owners. Most of the properties in the Group's portfolio are multi-family residences.

In terms of fair value, most of the properties (around 89%) are located in Germany. The Swedish portfolio accounts for around 8% of the fair value, while the share of the Austrian portfolio comes to around 3%. The portfolio is as follows as of December 31, 2021:

### Portfolio and Fair Value by Country

	Portfolio			Fair value*		
	Residential units	Living area (in thou. m <sup>2</sup> )	Vacancy (in %)	(in € million)	(in €/m <sup>2</sup> )	In-place rent multiplier
Vonovia Germany	353,963	22,103	2.2	54,464.5	2,401	28.0
Vonovia Sweden	38,486	2,749	2.3	7,386.0	2,475	20.6
Vonovia Austria	21,518	1,594	5.3	2,932.5	1,674	26.5
<b>Vonovia without Deutsche Wohnen</b>	<b>413,967</b>	<b>26,445</b>	<b>2.4</b>	<b>64,783.0</b>	<b>2,362</b>	<b>26.9</b>
Deutsche Wohnen	151,367	9,084	1.7	27,628.7	2,894	33.5

\* Fair value of the developed land excluding € 5,433.6 million, of which € 636.0 million for undeveloped land and inheritable building rights granted, € 1,194.7 million for assets under construction, € 1,154.4 million for development, € 1,200.1 million for nursing portfolio and € 1,248.4 million for other.

### Rent and Rental Growth by Country

	In-place rent*			Rent increase	
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m <sup>2</sup> )	Organic (in %)	Market rent forecast valuation (in % p. a.)
Vonovia Germany	1,942	1,863	7.19	3.9	1.6
Vonovia Sweden	358	332	10.31	3.2	2.0
Vonovia Austria	110	89	4.89	2.8	1.7
<b>Vonovia without Deutsche Wohnen</b>	<b>2,411</b>	<b>2,284</b>	<b>7.38</b>	<b>3.8</b>	<b>1.7</b>
Deutsche Wohnen	824	772	7.20	1.2**	1.3

\* Shown based on the country-specific definition.

\*\* Deutsche Wohnen like-for-like definition.

As of December 31, 2021, the Group's real estate portfolio across Germany comprised 505,330 residential units, 126,200 garages and parking spaces and 6,558 commercial

units distributed across 485 cities, towns and municipalities. The total living area amounted to 31,187,503 m<sup>2</sup>, with the average apartment size coming in at around 62 m<sup>2</sup>. With a

vacancy rate of 2.1%, an average monthly in-place rent of € 7.19 per m<sup>2</sup> was generated in Germany. The annualized in-place rent for the residential portfolio as of December 31, 2021, came to € 2,635 million for apartments.

In Sweden, the Group's real estate portfolio comprised 38,486 residential units spanning a total living area of 2,748,539 m<sup>2</sup>, 24,952 garages and parking spaces and 2,137 commercial units. With a vacancy rate of 2.3%, the residential portfolio generated annualized in-place rent of € 332 million as of December 31, 2021. The apartments, which average 71 m<sup>2</sup> in size, generate a monthly in-place rent of € 10.31 per m<sup>2</sup> (inclusive). Most of them are located in the Stockholm, Gothenburg and Malmö regions.

In the Austrian portfolio, which is largely located in Vienna, Vonovia achieved an annualized in-place rent of € 89 million as of December 31, 2021, with a vacancy rate of 5.3% in the residential portfolio, which comprises 21,518 units covering total living space of 1,593,540 m<sup>2</sup>. The monthly in-place rent amounted to € 4.89 per m<sup>2</sup> with an average apartment size of around 74 m<sup>2</sup>. The portfolio also comprised 16,863 garages and parking spaces and 594 commercial units.

### Changes in the Portfolio

In the second half of the year, the takeover of Deutsche Wohnen saw Vonovia acquire a portfolio of 154,717 apartments, mainly in the greater Berlin region and in the Dresden, Leipzig and Frankfurt am Main areas. The portfolio was as follows at the time of the takeover:

	Residential units	Living area (in thou. m <sup>2</sup> )	Vacancy (in %)	In-place rent	
				Residential (p. a. in € million)	Residential (in €/m <sup>2</sup> )
Deutsche Wohnen*	154,717	9,303	1.6	782	7.17

\* Shown based on the Deutsche Wohnen definition.

In the course of 2021, properties from the portfolio earmarked for sale were also disposed of in several transactions as part of the implementation of the portfolio management

strategy. At the time of each transfer of possession, benefits and encumbrances, the statistics for the portfolios sold were as follows:

	Residential units	Living area (in thou. m <sup>2</sup> )	Vacancy (in %)	In-place rent*	
				Residential (p. a. in € million)	Residential (in €/m <sup>2</sup> )
Disposal portfolios 2021	696	40.9	11.9	2.3	5.46

\* Shown based on the country-specific definition.

After the reporting date, the benefits and encumbrances relating to the majority of the 14,750 apartments from the "Future and Social Pact for Housing" were transferred to municipal housing companies berlinovo, degewo and HOWOGE in early January 2022. In addition to the acquisi-

tion and sale of larger housing stocks, Vonovia's portfolio changed in 2021 as a result of additions arising from tactical acquisitions, the construction of new apartments and attic extensions on the one hand, and disposals of condominiums

and multi-family residences from the portfolio earmarked for sale on the other.

Vonovia invests in its strategic holdings in particular in line with its climate path to promote sustainability and in line with its innovation strategy. We act on behalf of neighborhoods with the (new) development of our urban portfolios. Against this backdrop, we split our strategic portfolios into

neighborhoods (urban quarters) and solitary properties (urban clusters) to which the options for action available as part of the strategy and business model are applied in an adaptive manner.

Following the implementation of the annual structured reassessment of all potential, as of December 31, 2021, Vonovia's portfolio is as follows:

### Portfolio and Fair Value by Strategy\*

	Portfolio			Fair value**	
	Residential units	Living area (in thou. m <sup>2</sup> )	Vacancy (in %)	(in € million)	(in €/m <sup>2</sup> )
Strategic	328,811	20,406	2.1	50,015.8	2,391
Urban Quarters	239,617	14,740	2.2	35,776.6	2,378
Urban Clusters	89,194	5,666	2.0	14,239.3	2,425
Recurring Sales	24,085	1,609	2.9	4,242.0	2,578
Non-core Disposals	1,067	88	12.3	206.6	1,682
<b>Vonovia Germany</b>	<b>353,963</b>	<b>22,103</b>	<b>2.2</b>	<b>54,464.5</b>	<b>2,401</b>

\* Excl. assets of Deutsche Wohnen.

\*\* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development and other.

### Rent and Rental Growth by Strategy\*

	In-place rent**			Rent increase
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m <sup>2</sup> )	Organic (in %)
Strategic	1,791	1,719	7.18	4.0
Urban Quarters	1,267	1,223	7.07	4.0
Urban Clusters	523	496	7.45	4.2
Recurring Sales	142	137	7.29	2.8
Non-core Disposals	9	7	8.12	3.5
<b>Vonovia Germany</b>	<b>1,942</b>	<b>1,863</b>	<b>7.19</b>	<b>3.9</b>

\* Excl. assets of Deutsche Wohnen.

\*\* Shown based on the country-specific definition.

In order to boost transparency in portfolio presentation, we also break our portfolio in Germany down into **15 regional markets**. The regional market classification is orientated toward the residential real estate market regions in Germany. These markets are core towns/cities and their surroundings, mainly urban areas. Our decision to focus on the regional markets that are particularly relevant to Vonovia is our way of looking ahead to the future and provides an overview of our strategic core portfolio in Germany.

In relation to the fair value of Vonovia, 93% of our German portfolio excluding Deutsche Wohnen is located in 15 regional markets. Only a small part of our strategic stock is located outside of these 15 markets. We have referred to this group as "Other Strategic Locations" (around 7% of the total fair value). Our stocks earmarked for sale from the "Non-core Disposals" and "Recurring Sales" subportfolios in locations that do not include any strategic stocks are shown as "Non-strategic Locations." The fact that our portfolio is spread nationwide makes us more independent of the circumstances prevailing on individual regional markets.

As of December 31, 2021, the German portfolio is as follows,  
broken down into regional markets:

#### Portfolio and Fair Value by Regional Market\*

	Portfolio			Fair value**		
	Residential units	Living area (in thou. m <sup>2</sup> )	Vacancy (in %)	(in € million)	(in €/m <sup>2</sup> )	In-place rent multiplier
Berlin	45,838	2,927	1.2	8,964.6	2,962	34.7
Rhine Main Area	27,103	1,731	1.6	5,605.9	3,182	30.1
Southern Ruhr Area	43,012	2,649	2.9	5,267.0	1,958	24.9
Rhineland	28,846	1,933	2.3	4,963.1	2,502	27.2
Dresden	38,461	2,194	3.3	4,656.1	2,032	26.7
Hamburg	19,647	1,241	1.4	3,611.8	2,833	30.9
Kiel	24,404	1,399	2.1	3,005.5	2,076	25.4
Munich	9,681	636	0.9	2,742.7	4,195	39.1
Stuttgart	13,603	854	1.5	2,551.9	2,934	29.2
Hanover	16,137	1,021	2.1	2,392.3	2,299	27.1
Northern Ruhr Area	24,969	1,540	2.8	2,179.9	1,402	19.2
Bremen	11,830	717	2.9	1,484.2	2,018	27.2
Leipzig	8,915	576	2.3	1,229.6	2,025	26.9
Westphalia	9,451	617	2.3	1,173.3	1,879	23.5
Freiburg	4,036	276	1.0	788.7	2,829	29.3
Other Strategic Locations	26,569	1,689	2.7	3,611.2	2,103	24.4
<b>Total Strategic Locations</b>	<b>352,502</b>	<b>21,998</b>	<b>2.2</b>	<b>54,227.9</b>	<b>2,404</b>	<b>28.1</b>
Non-Strategic Locations	1,461	105	5.4	236.6	1,848	24.9
<b>Vonovia Germany</b>	<b>353,963</b>	<b>22,103</b>	<b>2.2</b>	<b>54,464.5</b>	<b>2,401</b>	<b>28.0</b>

\* Excl. assets of Deutsche Wohnen.

\*\* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development and other.

## Rent and Rental Growth by Regional Market\*

	In-place rent**			Rent increase	
	Total (p. a. in € million)	Residential (p. a. in € million)	Residential (in €/m²)	Organic (in %)	Market rent forecast valuation (in % p. a.)
Berlin	258	245	7.10	8.4	1.8
Rhine Main Area	186	180	8.81	3.1	1.8
Southern Ruhr Area	212	206	6.67	4.1	1.5
Rhineland	183	174	7.70	3.3	1.6
Dresden	175	165	6.46	2.3	1.6
Hamburg	117	112	7.64	2.8	1.6
Kiel	118	113	6.87	4.2	1.6
Munich	70	66	8.76	4.0	1.9
Stuttgart	87	84	8.42	3.4	1.8
Hanover	88	85	7.10	2.5	1.6
Northern Ruhr Area	114	110	6.14	2.4	1.1
Bremen	55	52	6.28	3.1	1.6
Leipzig	46	43	6.38	3.6	1.6
Westphalia	50	49	6.75	3.8	1.5
Freiburg	27	26	7.99	4.1	1.6
Other Strategic Locations	148	143	7.27	3.6	1.5
<b>Total Strategic Locations</b>	<b>1,933</b>	<b>1,855</b>	<b>7.19</b>	<b>3.9</b>	<b>1.6</b>
Non-Strategic Locations	9	8	6.80	2.3	1.5
<b>Vonovia Germany</b>	<b>1,942</b>	<b>1,863</b>	<b>7.19</b>	<b>3.9</b>	<b>1.6</b>

\* Excl. assets of Deutsche Wohnen.

\*\* Shown based on the country-specific definition.

## Portfolio in the Development Business

It is under the strong BUWOG brand that the development business area has become firmly established in Vienna and Berlin and associated with the very highest levels of customer satisfaction for our stakeholders. Residential construction projects are currently also being developed in the Rhine-Main region, Hamburg and Leipzig. Vonovia aims to expand the development business to include other urban areas, particularly now that the new construction business on property that already belongs to the company has also been incorporated into the development segment.

This provides Vonovia with an end-to-end development platform spanning the entire value chain – from the purchase of land to its development, project planning, construction and sale. With its substantial product pipeline of residential construction projects that are currently being built, planned or prepared, Vonovia, with the BUWOG brand, ranks among Germany's leading building contractors and is the most active private building contractor in Austria.

As a major player in the residential real estate segment, Vonovia is able to use its property development expertise to offer targeted solutions in response to current challenges such as the shortage of housing, climate change, integration and cross-generational housing. These challenges can be tackled successfully through long-standing experience, extensive market and sector expertise and intensive, ongoing market analysis, making a valuable contribution to society and to Vonovia.

The acquisition of Deutsche Wohnen SE in the current fiscal year allowed the company to also acquire a substantial and very attractive development pipeline. Its regional distribution across the core regions of Berlin, Dresden/Leipzig, Hamburg, Stuttgart and Munich will facilitate the faster expansion of the development business to cover the whole of Germany. With the skills of the two companies now bundled and the options available for exploiting synergy potential, the challenges facing the residential real estate market can be addressed more quickly and efficiently.



## Development Business Model



### Development Business Model

The Development segment allocates its projects to two different channels:

- > **Development to sell** includes the units that are sold to investors or to future owner-occupiers directly.
- > **Development to hold** refers to those residential construction projects whose apartments will be added to Vonovia's rental portfolio upon their completion. This area also includes Vonovia's pre-existing new construction business, which involves building new residential units on property that already belongs to the company using a serial and modular approach for new construction work. It also includes the Swedish new construction projects on the company's own properties.

### Value Creation and Project Development

Vonovia is the leading residential real estate company in Germany and, together with its subsidiaries in Germany,

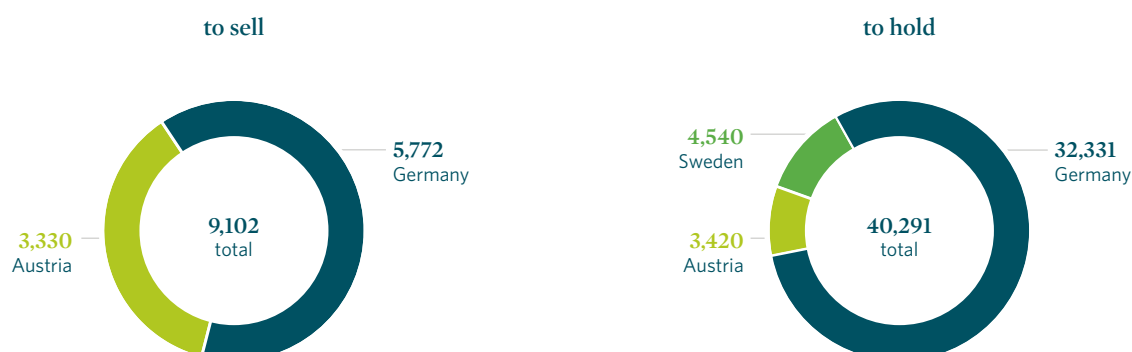
Austria and Sweden, makes a key contribution to alleviating the shortage of housing through its real estate development activities. The strategy of incorporating process steps into the company's own value chain allows Vonovia to provide stringent and targeted support to residential construction projects and to exploit cost synergies with regard to technical solutions and the pooling of procurement volumes. Being able to cover the entire residential property development value chain internally allows the company to generate additional earnings contributions.

These additional earnings contributions can be generated sustainably thanks to Vonovia's extensive development pipeline, which is distributed among Germany, Austria and Sweden.

### Overview of Key Development Figures

In the 2021 fiscal year, the Development segment, with its Development to sell and Development to hold areas, made positive contributions to earnings in Germany, Austria and Sweden, therefore contributing to Vonovia's successful

## Development to Sell and Hold (Number of Units)



## Valuable Contributions to Society and the Group

Development				
1 Akquisition	2 Development	3 Planning	4 Construction	5 Marketing and Sales
<ul style="list-style-type: none"> <li>&gt; Identification of acquisition opportunities</li> <li>&gt; Assessment of development opportunities</li> <li>&gt; Due diligence (legal, tax, technical, environmental, etc.)</li> <li>&gt; Cross-disciplinary acquisition teams</li> <li>&gt; Development of project pipeline, property database</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Design idea</li> <li>&gt; Analysis of market and regulations</li> <li>&gt; District and city representatives, citizens, service providers and other stakeholders</li> <li>&gt; Construction optimization and city development</li> <li>&gt; Coordination of zoning</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Integral planning and cross-disciplinary project teams</li> <li>&gt; Type and product development</li> <li>&gt; Determination of aesthetic, ecological, functional and economic requirements</li> <li>&gt; Detailed project calculation</li> <li>&gt; Professional planning</li> <li>&gt; Coordination of construction approval process</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Preparing for construction</li> <li>&gt; Procurement and awarding of construction contracts</li> <li>&gt; Trade coordination/construction management</li> <li>&gt; Construction</li> <li>&gt; Quality control</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Development of marketing concepts</li> <li>&gt; Sale</li> <li>&gt; Initial rental</li> <li>&gt; Customer service and aftercare</li> </ul>

growth. The following key figures as of December 31, 2021 are still presented without the inclusion of Deutsche Wohnen.

In the **Development to sell** area, the income from disposal of properties came to € 503.7 million, with € 241.1 million attributable to project development in Germany and € 262.6 million attributable to project development in Austria. Income from interim leasing totaling € 3.1 million was also generated. A total of 762 residential units were completed in 2021, 678 in Germany and 84 in Austria.

As of December 31, 2021, there were 9,102 residential units in the “to sell” development portfolio, 2,310 of which related to projects under construction, 2,936 to projects from the short-term pipeline and 3,856 to projects from the medium-term pipeline. The share attributable to project development in Germany came to 5,772 units (898 of which related to projects under construction, 2,486 to projects from the short-term pipeline and 2,388 to projects from the medium-term pipeline). The share attributable to project development in Austria came to 3,330 units (1,412 of which related to projects under construction, 450 to projects from the short-term pipeline and 1,468 to projects from the medium-term pipeline).

In the **Development to hold** area, a fair value of € 362.3 million was realized, with € 296.6 million attributable to Germany, € 44.3 million to Austria and € 21.4 million to Sweden. Income from interim leasing totaling € 1.8 million was generated. A total of 1,373 residential units were completed

in this area with 1,073 in Germany, 126 in Austria and 174 in Sweden.

As of December 31, 2021, there were 40,291 residential units in the “to hold” development portfolio, 3,543 of which related to projects under construction, 4,535 to projects from the short-term pipeline and 32,213 to projects from the medium-term pipeline. The share attributable to Germany came to 32,331 units (2,292 of which related to projects under construction, 4,366 to projects from the short-term pipeline and 25,673 to projects from the medium-term pipeline). The share in Austria came to 3,420 units (1,026 of which related to projects under construction and 2,394 to projects from the medium-term pipeline). The share attributable to Sweden came to 4,540 units (225 of which related to projects under construction, 169 to projects from the short-term pipeline and 4,146 to projects from the medium-term pipeline).

Adjusted EBITDA of € 187.7 million was generated in the **development segment as a whole**. As of December 31, 2021, the total volume of the development portfolio was 49,393 residential units (a total of 5,853 units from projects under construction and a total of 43,540 units from the pipeline).

## Sustainable and Successful Development

Conceptual and technical solutions for the resource-light construction and sustainable operation of neighborhoods make up a key component of the development business model. In line with the three focal issues of urbanization, energy efficiency and demographic change, central aspects of sustainability are already taken into account in the early stages of project development. This includes designing socially diverse neighborhoods that offer housing for all generations, realizing energy-efficient new construction projects for ecologically sustainable operation by buyers, as well as for a carbon-neutral portfolio, and creating barrier-free and fully accessible housing for an aging society with changing housing needs. The use of timber as a renewable raw material plays a central role in this process, for example in the wood-hybrid construction and timber frame construction projects in Berlin and Vienna.

Sustainability is achieved at all stages in the residential real estate value chain – from the selection of building materials that are as ecological and recyclable as possible, to the commissioning of local craftsmen and service providers, and the sustainable operation of the development projects.

Certification is important to ensure that potential improvements can be made back at the planning stage on the basis of criteria for ecological, social and economic sustainability and managed during the construction process. The “MARINA TOWER,” for example, a joint project involving BUWOG and IES Immobilien, was given gold status by the klimaaktiv climate protection initiative and was also awarded the Austrian Sustainable Building Council’s (ÖGNI) gold sustainability certificate. BUWOG’s sustainable activities in Vienna have also been recognized with the Greenpass sustainability certificate for the “Kennedy Garden” project. The “BUWOG NEUMARIEN” new construction project in Berlin-Neukölln was also awarded another gold certification by the German Sustainable Building Council (DGNB). Other major development projects in the planning stages have already been registered for DGNB pre-certification, including the development of the Bayerischer Bahnhof district in Leipzig comprising around 1,300 apartments.

The application and further development of innovative solutions is being driven in collaboration with universities and networks for research and knowledge transfer. These endeavors include the areas of sustainable energy generation, innovative mobility concepts and Smart City, as implemented, for example, in the plans for the “Das Neue Gartenfeld” project.

As part of the cooperation with Open District Hub e. V., an ICT ecosystem is to be developed to support fully integrated and fully automated sector coupling at neighborhood level

while also meeting the needs of the user community. A cooperation project has been launched with the raw materials platform Madaster so that Vonovia can register, document and archive materials used in buildings. This is laying the foundation for the circular use of products and materials in the construction industry.

## Representative Project Development Measures

### Germany

#### Preparatory stages

##### **Bautz district, Hanau**

Located on a former industrial site in the Großauheim district, a residential neighborhood spanning 18 hectares is being created and will feature around 1,400 apartments, a daycare center and commercial facilities to support the residential environment, including local amenities. A park approximately 300 meters long is to run through the neighborhood, combining local recreation opportunities with ecological qualities. The mixed offer of apartments is expected to consist of equal shares of condominiums and rental apartments, some of which will be rent-restricted. The site also features an existing building protected as a historical landmark that will be renovated in line with the requirements that apply to landmarked buildings and then made available for a catering property. The integrated sustainability concept includes car-sharing services and the use of geothermal and solar energy. The neighborhood is scheduled to be completed by 2030.

🔗 <https://www.buwog.de/en/projekt/bautz-quartier>

#### Under construction

##### **BUWOG HELLING HOF, Berlin**

In the 52° Nord neighborhood, 109 residential units with between two and six rooms are being built as part of an additional construction phase. The BUWOG HELLING HOF residential complex consists of three new multi-family residences and a historic brick building that is being refurbished and converted for residential use. Almost all of the apartments have a balcony, a terrace or a private south-facing garden. The scheduled completion in 2023 will mark another milestone in the sustainable neighborhood, which spans around ten hectares. The project’s ecological features include an energy center, green roofs and a 6,000-square-meter landscaped pond, which, based on the model of the “sponge city,” collects rainwater and feeds it into the natural water cycle.

🔗 [www.52grad-nord.de](http://www.52grad-nord.de)

## **BUWOG KILIANSHÖHE, Kilianstädten**

As a district of the Schöneck municipality, Kilianstädten is part of the Großer Frankfurter Bogen (Greater Frankfurt Arc) growth initiative and is situated within 30 minutes of Frankfurt am Main. BUWOG is currently constructing a new neighborhood spanning 6,500 square meters with 82 apartments spread over eight multi-family residences. Different building heights and the fact that the site is located on a slight slope give residents an attractive view of the surrounding meadows. Some of the apartments will be barrier-free. The project will also feature a specially designed outdoor area with play areas for children and space for recreation.

[www.kilianshoehe.de](http://www.kilianshoehe.de)

## **BUWOG SPEICHERBALLETT, Berlin**

A sustainable residential district is being created in Spandau on the banks of the Havel river. During the first phase of construction, two historical warehouses were renovated to house 82 condominiums. Permission was granted to demolish the third historical warehouse. A new building is currently being constructed in its place with a similar cubic volume to the historical property and offering space for 46 condominiums. In addition, HAVELKIESEL will feature another 100 apartments in three buildings with photovoltaic facilities installed on the roofs and systems allowing rainwater to be used for garden irrigation and toilet flushing. 260 rental apartments are also scheduled to have been constructed by 2023.

[www.speicherballett.de](http://www.speicherballett.de)

## **Completed**

## **BUWOG THE VIEW, Berlin**

The architecturally impressive residential complex BUWOG THE VIEW, housing a total of 63 apartments, was built in Berlin-Grünau. The three buildings are located directly on the banks of the River Dahme, and the mix of materials and design used tie in with the maritime theme. The building in the center, made of concrete, timber and aluminum, features what appears to be a floating pier running parallel to the facade. The pier is a hybrid combining private balconies with an access feature at the same time. This building is surrounded by two buildings featuring pointed edges that rise up like a ship's bows, while the facades made of black-glazed timber and reddish weathering steel evoke the shape of ship hulls.

[www.52grad-nord.de](http://www.52grad-nord.de)

## **Austria**

## **Preparatory stages**

## **DECK ZEHN, Vienna**

"DECK ZEHN," which is being built in the immediate vicinity of Vienna's central railway station, offers the perfect environment for all lifestyles. All 229 apartments are equipped with outdoor areas and future residents will be able to enjoy an impressive panoramic view of the city from the rooftop terrace of the eleven-story project. A multifunctional communal terrace, a co-working space and a sauna area offer a state-of-the-art living experience. The project is scheduled for completion at the end of 2023.

[www.deckzehn.buwog.at](http://www.deckzehn.buwog.at)

## **Under construction**

## **The Marks - HELIO TOWER, Vienna**

In Vienna's third district, located in the Neu Marx complex, three high-rise residential buildings known as "The Marks" are under construction on top of an urban three-story base construction. BUWOG is developing the HELIO TOWER, spanning 33 stories, as part of the joint project. The development will include a total of 228 independently financed condominiums and 173 rental apartments as part of Vienna's Housing Construction Initiative, with completion scheduled for the end of 2022.

[www.helio.buwog.com](http://www.helio.buwog.com)

## **Kennedy Garden, Vienna**

Taking inspiration from the Kennedy Bridge named after J.F. Kennedy, BUWOG is building the Kennedy Garden project just a few minutes' walk away. A total of 512 condominiums and rental apartments will be split over six architecturally unique building components in an idyllic green area. The project's selling points include not only ideal public transport connections and proximity to leisure opportunities, but also its innovative sustainable and environmentally friendly focus.

[www.kennedygarden.buwog.at](http://www.kennedygarden.buwog.at)

## **Completed**

## **MARINA TOWER, Vienna**

The project, featuring around 500 premium residential units, enjoys excellent transport connections thanks to its prime location and also offers a whole host of extras for residents and the general public alike. One example is a sustainable mobility concept. A deck has also been used to connect the development to the right bank of the Danube, opening up generous open spaces for public access and also making a key contribution to urban development.

[www.marinatower.at](http://www.marinatower.at)

# Management System

## Management Model

Our management system is based on our → **corporate strategy** and our **sustainable business activities**.

In the 2021 fiscal year, Vonovia conducted its business via the four segments **Rental, Value-add, Recurring Sales** and **Development** up until the first-time consolidation of the Deutsche Wohnen Group. In the fourth quarter of 2021, **Deutsche Wohnen** was added as a fifth segment. This structure will apply until a decision has been made on the future segment structure following the completion of the work to integrate the Deutsche Wohnen business in 2022.

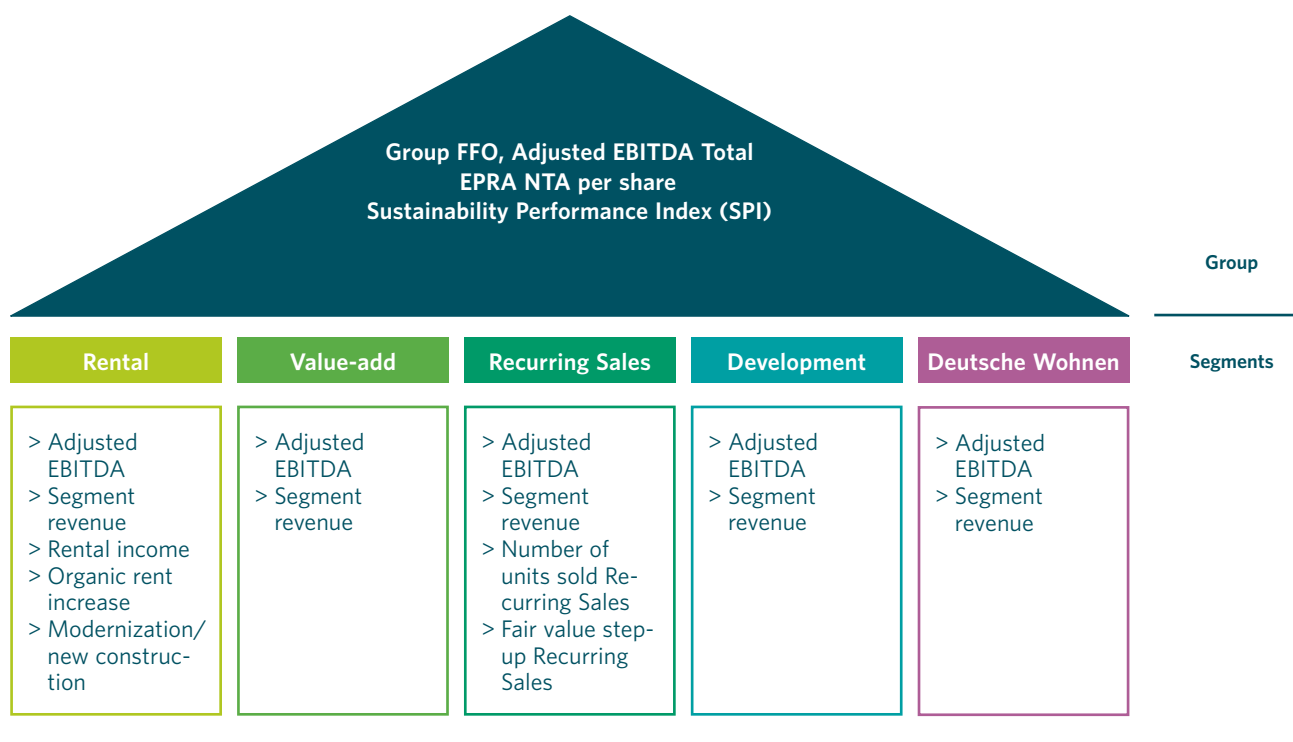
The **Rental segment** combines all of the business activities that are aimed at the value-enhancing management of our own residential real estate. It includes our property management activities in Germany, Austria and Sweden.

The **Value-add segment** bundles all of the housing-related services that we have expanded our core rental business to include. These services include both the maintenance and modernization work on our residential properties and services that are closely related to the rental business. We allocate the activities relating to the craftsmen's and residential environment organization, the condominium administration business, the cable TV business, metering services, energy supplies and our insurance services to the Value-add segment.

The **Recurring Sales segment** includes the regular and sustainable disposals of individual condominiums and single-family houses from our portfolio. It does not include the sale of entire buildings or land (Non-Core Disposals). These properties are only sold as and when the right opportunities present themselves, meaning that the sales do not form part of the Recurring Sales segment. We report these opportunistic sales in the Other column of the segment report.

The **Development segment** includes project development to build new homes. This covers the value chain starting with the purchase of land without any development plan/dedicated purpose and ending with the completion of new buildings and new construction measures on our own properties. These properties are either incorporated into our own portfolio or sold to third parties. The Development segment deals with projects in selected attractive locations. The value creation from the valuation of the properties at market prices will be allocated to the Development segment when these residential properties are incorporated into our own portfolio.

The **Deutsche Wohnen segment** includes all the activities of the Deutsche Wohnen Group (excluding effects from Non-core disposals). In addition to residential property management as its core business, the company's business activities include nursing and assisted living, disposals/acquisitions and new construction/development as additional business areas. The Deutsche Wohnen Group uses these business areas to offer property-related services, such as energy-efficiency property management, the multimedia business and technical facility management, via subsidiaries or strategic shareholdings.



## Performance Indicators

The management system has a modular structure and makes a distinction between performance indicators at Group level (most meaningful performance indicators within the meaning of DRS 20) and those at segment level.

We make a distinction between **financial** and **non-financial performance indicators**.

We have an integrated Group-wide planning and controlling system in place that is based on central performance indicators. Based on the medium-term plans derived from our strategy, which are subject to an annual review and are updated during the year in the event of significant transactions, we prepare a budget for all areas of the Group. In the course of the fiscal year, current business developments are compared with these targets and the current forecasts on a regular basis for all key figures that are relevant to control. The business is then steered accordingly in a targeted manner, with any necessary countermeasures being initiated and tracked.

At **Group level**, **Group FFO**, the **adjusted EBITDA Total**, the **EPRA NTA per share** and the **Sustainability Performance Index** are our most meaningful performance indicators.

At the segment level, we look not only at the adjusted EBITDA, but also at the segment revenue in order to measure not only rental income in the Rental segment but also performance in the Value-add, Development and Recurring Sales segments. The segment revenues generated by all of the segments make up the total segment revenue. Its development over time serves as an additional growth indicator for Vonovia.



Our management system includes the following key figures:

### Financial Performance Indicators

Group FFO is key for managing the sustained operational earnings power of our business. It is calculated as follows:

#### Calculation of Group FFO

	Revenue in the Rental segment
(-)	Expenses for maintenance
(-)	Operating expenses in the Rental segment
=	<b>Adjusted EBITDA Rental</b>
	Revenue in the Value-add segment
	thereof internal revenue
	thereof external revenue
(-)	Operating expenses in the Value-add segment
=	<b>Adjusted EBITDA Value-add</b>
	Revenue in the Recurring Sales segment
(-)	Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for Recurring Sales
=	Adjusted result Recurring Sales
(-)	Selling costs in the Recurring Sales segment
=	Adjusted EBITDA Recurring Sales
	Revenue from the disposal of "Development to sell" properties
(-)	Cost of Development to sell
=	Gross profit Development to sell
	Fair value Development to hold
(-)	Cost of Development to hold
=	Gross profit Development to hold
(+)	Rental revenue Development
(-)	Operating expenses in the Development segment
=	<b>Adjusted EBITDA Development</b>
(+)	<b>Adjusted EBITDA Deutsche Wohnen</b>
<b>Σ</b>	<b>Adjusted EBITDA Total</b>
(-)	FFO interest expense
(-)	Current income taxes FFO
(-)	Consolidation
=	<b>Group FFO</b>

The individual EBITDA figures, after adjustments to reflect effects that do not relate to the period, recur irregularly or are atypical for business operation, form the basis for the operational management of the five segments.

The Adjusted EBITDA Rental reflects the operating profit from residential property management. It can be broken down into three central components: Rental segment revenue, expenses for maintenance and operating expenses in the Rental segment. The latter include all expenses and income that do not relate to expenses for maintenance or rental income in the Rental segment. In addition to the expenses for maintenance, we make large-scale investments in our real estate portfolios, with a distinction being made between capitalized maintenance and value-enhancing investment in modernization and new construction measures for our own portfolio. The total amount of all maintenance, modernization and new construction measures includes the services performed by the Group's own craftsmen's organization, valued at the market price, and any third-party services that have been purchased, including the development activities for the company's own portfolio.

We manage business activities in the Value-add segment using the Adjusted EBITDA Value-add.

We measure the success of the Recurring Sales segment using Adjusted EBITDA Recurring Sales. The Adjusted EBITDA Recurring Sales compares the proceeds generated from the privatization business with the fair values of properties sold and the related costs of sale. In order to disclose profit and revenue in the period in which they are incurred and to report a sales margin, the fair value of properties sold, valued in accordance with IFRS 5, have to be adjusted to reflect realized/unrealized changes in value.

The Development segment is managed via the Adjusted EBITDA Development. In addition to the revenue from the sale of residential properties built in the reporting year to third parties and the associated costs, we also record the fair value that newly constructed properties create for our own portfolio, as well as the associated costs, as a means of measuring the success of the Development segment.

In the Deutsche Wohnen segment, we report all business activities of the Deutsche Wohnen Group for the three months of 2021 in which it belonged to the Group. These include real estate management, the sale of apartments (excluding effects from Non-core disposals, which are presented in the “Other” column of the segment report), Development and the Care business. We measure the success of these business activities via the Adjusted EBITDA Deutsche Wohnen.

The Adjusted EBITDA Total is calculated as the sum total of the Adjusted EBITDA figures for our five segments. It expresses the overall performance of our sustainable operating business before interest, taxes, depreciation and amortization.

As financing is a fundamental component for the success of our business activities, we deduct the current interest expense, adjusted for special circumstances (FFO interest expense), from the Adjusted EBITDA Total. Taking current income taxes and consolidation effects into account, this allows us to calculate Group FFO, the key figure for the sustained earnings power of our business.

When it comes to managing the growth of our company, we also focus on total segment revenue. Total segment revenue includes all income generated by the five segments that contributes to value creation, i.e., that covers costs and makes an earnings contribution.

#### Calculation of Total Segment Revenue

	Rental income
(+)	Other income from property management unless included in the operating expenses in the Rental segment
(+)	Income from disposals Recurring Sales
(+)	Internal revenue Value-add
(+)	Income from the disposal of properties (Development)
(+)	Fair value Development to hold
=	<b>Total Segment Revenue</b>

In addition to our operational earnings power, the value of our property assets and our modernization and new construction measures are decisive for the further development of our company.

The **EPRA Net Tangible Assets (EPRA NTA)** is used to manage the company's value. Our calculations are based on the best practice recommendations of the EPRA (European Public Real Estate Association). The indicator that is relevant from a corporate management perspective is the **EPRA NTA per share**.

#### Calculation of EPRA NTA

	Total equity attributable to Vonovia's shareholders
(+)	Deferred tax in relation to fair value gains of investment properties*
(+)	Fair value of financial instruments**
(-)	Goodwill
(-)	Intangible assets
(+)	Real estate transfer tax*
=	<b>EPRA NTA</b>
(/)	no. of shares as of the reporting date
=	<b>EPRA NTA per share</b>

\* Share for core and hold portfolio.

\*\* Adjusted for effects from cross currency swaps.

An additional non-operational key financial figure, the **loan-to-value ratio (LTV ratio)** is also used for monitoring the degree to which debt is covered by the value of the properties. This key figure helps the real estate sector ensure a sustainable ratio of borrowings to the fair values of our properties.

All of the key financial figures shown here are known as “non-GAAP” measures or **alternative performance measures (APMs)**, i.e., key figures which cannot be taken directly from the figures in the consolidated financial statements according to IFRS. The financial performance indicators can, however, all be reconciled to the closest-possible key figure in the consolidated financial statements.

## Non-Financial Performance Indicators

We also focus on non-financial operating performance indicators as drivers for our key financial figures.

Our business activities are aimed at protecting the environment, ensuring trustworthy, transparent and reliable corporate governance and taking social responsibility for our customers and employees. We aim to make our contribution to climate protection for society with our sustainable new construction and modernization measures, to be a transparent and reliable partner for our stakeholders, to offer our tenants homes at fair prices that meet their needs together with housing-related services and reliable service, and to be an attractive employer for our employees, offering them prospects and paying due attention to diversity and equal opportunities.

In line with this focus, we have introduced the **Sustainability Performance Index** as a key non-financial control parameter. Indicators used in the new Sustainability Performance Index are the carbon savings achieved annually in housing stock, the energy efficiency of new buildings, the share of accessible (partial) modernization measures in relation to newly let apartments, the increase in customer and employee satisfaction and diversity in the company's top management team.

Each component is assigned an individual weighting factor and a defined annual target amount. The individual weighted targets add up to a target of 100% that we aim to achieve every year.

The indicator values for the Sustainability Performance Index for the 2021 fiscal year and the objectives for 2022 relate exclusively to Vonovia, without including Deutsche Wohnen. The calculation of the index will be expanded to include the business activities of Deutsche Wohnen in the course of the coming fiscal year, and these will also be taken into account when future targets are set.

## Sustainability Performance Index (SPI)



The **organic rent increase** refers to the increase in the monthly in-place rent for the residential portfolio that was already held by Vonovia twelve months previously and rented as of the reporting date, plus the increase in rent resulting from the construction of new apartments and the addition of stories to existing properties. The monthly in-place rent per m<sup>2</sup> gives information on the average rental income from the rented properties as of the relevant reporting date.

The **vacancy rate** also shows the proportion of residential units in our own portfolio that are not rented and therefore generate no rental income. It can serve as an early-warning indicator, e.g., to identify non-marketable apartments. The vacancy rate and the average rent are key drivers for the development of our key figures related to the management of rental income. They serve as essential **early warning indicators**.

The **number of units sold** from **Recurring Sales** shows our ongoing efforts in the privatization business. In addition to this, we report the Non-core Disposals.

The **fair value step-up Recurring Sales** represents the difference between the income from the sale of a privatized residential unit and its last recognized fair value. It shows the percentage increase in value for the company on the sale of a unit before further costs of sale.

# Report on Economic Position

## Key Events During the Reporting Period

2021 remained dominated by the coronavirus pandemic, both at work and beyond. Vonovia's business model has, however, proven to be robust and resilient throughout the entire coronavirus pandemic. As the pandemic is still not having any considerable impact on its net assets, financial position and results of operations, Vonovia can also report positive business development in 2021. Customer satisfaction increased further during the pandemic, with the customer satisfaction index (CSI) improving by 1.3 percentage points in the fourth quarter of 2021, putting it 3.2 percentage points higher than the average for the previous year.

The 2021 fiscal year was also largely dominated by the public takeover offer submitted by Vonovia to the shareholders of Deutsche Wohnen SE and the associated financing measures.

Whereas the first takeover offer of June 23, 2021 did not reach the necessary threshold, the second attempt – with an offer of € 53.00 per share submitted on August 23, 2021 – resulted in the acquisition of 87.36% of shares and therefore acquisition of the majority of Deutsche Wohnen SE.

In parallel with the first public takeover offer, Vonovia had acquired 66,057,759 shares in Deutsche Wohnen, or around 18.36% of the share capital and voting rights, by June 30, 2021. This stake was increased to 21.89% by July 21, 2021. By the time the second public takeover offer was made on August 23, 2021 Vonovia had increased its holding in Deutsche Wohnen to 107,967,639 shares or around 29.99%. These shares were purchased via the stock exchange and on the basis of bilateral agreements.

On September 13, 2021 Vonovia announced that it would be waiving all terms and conditions of acceptance for the takeover offer for shares in Deutsche Wohnen. This meant that all the closing conditions – in particular the minimum acceptance threshold – ceased to apply, and the acceptance deadline was extended by two weeks until October 4, 2021. As of September 30, 2021 Vonovia held 50.38% of the share

capital entered in the commercial register on September 30, 2021 (less 3,362,003 shares held by Deutsche Wohnen SE, for which the voting rights cannot be exercised). Thus Vonovia held the majority of the voting rights and had obtained control. At the end of the second tender period, Vonovia ultimately held 87.36% of the shares.

This means that the Deutsche Wohnen Group was included by way of full consolidation in Vonovia's consolidated financial statements for the first time as of September 30, 2021. Due to the close proximity of the acquisition date to the time of preparation of these financial statements, the purchase price allocation can only be made on a provisional basis as of the current reporting date. With its first-time consolidation as of September 30, 2021 the Deutsche Wohnen Group is included in the year-end business figures for a period of three months. This means that any comparison with the previous year is only of limited informational value.

In order to finance the transaction, Vonovia had concluded bridge financing with a banking consortium in a total amount of around € 20 billion. After Vonovia had already placed five bonds with a total volume of € 4 billion with an average interest rate of 0.6875% on June 16, 2021 it placed another bond on September 1, 2021 with a total volume of € 5 billion and an average interest rate of 0.49%.

On December 2, 2021 Vonovia also successfully completed a capital increase with subscription rights on a significant scale of some € 8.1 billion.

These financing measures went hand in hand with a repayment of the bridge financing, which was still valued at € 3,490.0 million as of December 31, 2021.

The rating agencies S&P, Moody's and Scope confirmed their ratings when the takeover was completed. In December 2021, S&P raised its rating outlook for Vonovia from BBB+ "stable" to BBB+ "positive." The Moody's rating is A3 stable and the Scope rating is A- stable.

The Annual General Meeting held on April 16, 2021 resolved to pay a dividend for the 2020 fiscal year in the amount of € 1.69 per share (corresponding to € 1.58 per TERP-adjusted share). As in previous years, shareholders were offered the option of choosing between being paid the dividend in cash or being granted new shares. During the subscription period, shareholders holding a total of 49.18% of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 9,370,028 new shares were issued using the company's authorized capital at a subscription price of € 50.193, i.e., a total amount of € 470,309,815.40. The total amount of the dividend distributed in cash therefore came to € 486,039,719.91.

Based on an agreement reached with the Berlin State Government on the sale of selected portfolios to municipal housing companies in Berlin, the contract with HOWOGE, degewo and berlinovo on the sale of 14,750 residential and commercial units from Vonovia's and Deutsche Wohnen's portfolios was concluded on September 17, 2021. The benefits and encumbrances will be transferred in 2022.

During the 2021 fiscal year, the company once again forged ahead with the digitalization of its entire value chain and took systematic measures to further refine its business model in line with sustainability criteria.

2022 will be dominated by the integration of the Deutsche Wohnen Group.

## Development of the Economy and the Industry

### Germany

The German economy has bounced back despite the ongoing pandemic and supply bottlenecks. According to preliminary calculations by the Federal Statistical Office (Destatis), gross domestic product (GDP), expressed in price-adjusted terms, increased by 2.8% year-on-year in 2021. After a weak winter half-year due to the pandemic, the German government expects the German economic recovery to pick up speed. It estimates a GDP-increase of 3.6% in 2022.

Although almost all sectors of the economy were able to increase their output in 2021, the economy has not yet returned to the pre-crisis level. In the public services sector, the drop in economic output seen in the crisis-ridden year of 2020 was almost offset in 2021. The construction sector was able to hold its own during the pandemic and increase its economic output significantly as against 2019. The negative impact of the pandemic is reflected, in particular, in the segment comprising other service providers, although manufacturing, too, remains below the 2019 level. According

to the Kiel Institute for the World Economy (IfW), GDP will return to the pre-crisis level in the second quarter of 2023.

The ongoing fourth wave of infections, coupled with material and supply bottlenecks, slowed the catch-up process down considerably in the closing quarter of 2021. Once again, services involving personal contact and industry were particularly hard hit. The ifo institute predicts that private consumption will only have grown by 0.4% in 2021. From the spring onwards, the infection figures are likely to decline again in line with the general seasonal trend, and private consumption will start expanding significantly again. After subdued development in 2021, investments will also make a substantial contribution in the current year. Government consumer spending was yet again one of the main factors propping up German economic growth in 2021 (+3.0%). In particular, the state increased its spending on medical measures, e.g., for free lateral flow tests and the procurement of coronavirus vaccines. The IfW expects a slight decrease in government consumption in 2022. Foreign trade recovered in 2021 after plummeting in the previous year. Germany's exports of goods and services abroad were up by 9.4% on 2020. Imports increased by 8.6% at the same time. Looking ahead to 2022, the German government expects imports to grow at a faster rate than exports due to strong domestic demand, with balanced net exports.

The labor market started to mount a marked recovery in the summer. According to the German Federal Employment Agency (Bundesagentur für Arbeit), the unemployment rate fell by 0.2 percentage points year-on-year to 5.7% in 2021. The IfW expects to see an unemployment rate of 5.2% in 2022.

Driven by higher energy prices, the rate of inflation in 2021 climbed to the highest level seen since 1993 and came in at 3.1% year-on-year according to the Federal Statistical Office. In addition to temporary base effects due to lower prices in 2020, effects resulting from the crisis, such as supply bottlenecks and marked price increases in upstream levels of the economy, were increasingly reflected in the consumer price index. The average inflation rate in 2022 is likely to climb further to 3.6% due to these factors. The European Central Bank (ECB) remained on its expansionary monetary policy course until recently, with key interest rates remaining unchanged at 0% for the main refinancing rate.

Over and above the risks associated with the pandemic and the supply bottlenecks for primary products, the direction of fiscal policy in the forecast period remains a source of uncertainty. The coalition agreement of the new German government includes adjustments to the tax and contributions system regarding both public investment and social benefits that are more likely to strain the government budget

than relieve it, thereby stimulating the economy in the short term.

The German residential property market has proven to be very robust during the crisis. According to Helaba, sustained low financing interest rates coupled with the lack of investment alternatives and presumably the appreciation of one's own home due to more people working from home have boosted the demand for residential real estate. There is still excess demand in the residential property market. The empirica price index for condominiums (all years of construction) increased by 13.2% in the fourth quarter of 2021 compared to the same period of the previous year (new construction 12.0%). Apartment rents are once again showing less dynamic development than purchase prices. empirica reports that, across the country, quoted rents were 4.0% higher on average over all years of construction in the fourth quarter of 2021 (new construction 4.4%) than in the same quarter of the previous year. The experts at F+B also identified phases of stagnation or only marginal growth in new contract rents in the course of 2021. The index for net cold rents, excluding ancillary expenses, of the Federal Statistical Office rose by an average of 1.3% in 2021. All in all, the trends were varied. According to the real estate portal Immowelt, quoted rents for existing apartments increased in 69 out of the 80 major German cities analyzed in 2021, although rents are growing at a slower pace than in previous years. Rents in Berlin are on the rise again since the German Federal Constitutional Court declared the rent freeze to be null and void on March 25, 2021. The remaining eleven cities show stagnating or slightly declining quoted rents over the same period. Further price and rent increases are likely to be on the cards for 2022, also because topics such as energy-efficient refurbishment and sustainable construction will determine the future for the residential segment. Not least due to the further widening of the gap between purchase prices and rents, the empirica bubble index for Germany showed a moderate to high risk of a bubble for 338 out of 401 administrative districts and self-governing cities in the fourth quarter of 2021.

According to the German Association of Professional Homeowners (GdW), the situation on Germany's housing markets in attractive conurbations and fast growing regions has developed into a tense market situation. For a long time, the population was growing due to immigration. This process of growth was stopped for the time being in the wake of the coronavirus pandemic. According to initial estimates by the Federal Statistical Office, 83.2 million people were living in Germany at the end of 2021, roughly the same number as at the end of 2020 and 2019. While the increase in the number of deaths was significantly higher than the number of births, the gap was closed by the return to an increase in net migration in 2021. In 2020, net immigration was still on a downward trajectory. In their latest population forecast, the

experts from the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) expect the population to continue to grow, not reaching its peak until 2024. The new government envisions Germany as a modern country of immigration and wants to make entry easier for specialists from non-EU countries, for example. According to the head of the German Federal Employment Agency, Germany needs around 400,000 immigrants a year, many more than in the past, to counter the looming shortage of workers. Due to the conditions created by the coronavirus crisis in 2020, the population as a whole did not increase any further, particularly in large independent cities (2020: -0.1%). The somewhat abrupt suspension of immigration from abroad during the lockdown period suggests that this might be a temporary effect. Increasing suburbanization has, however, already been evident for several years now, with the trend relating to internal migration links between Germany's major cities starting to reverse. Capacity in metropolitan areas to accommodate more people moving into the area is scarce. Demand is shifting towards the areas surrounding cities, also thanks to the improved options for working from home or because of a renewed focus on towards the ideal house with a garden on the outskirts of the city or in the surrounding green belt. As fewer people moved to the country's major cities, the drop in vacancies was another trend that came to a standstill, according to CBRE. Nevertheless, there is still a shortage of housing in Germany's major cities, although construction activity is on the rise. The GdW expects to see around 315,000 completions in 2021, compared to 306,000 in 2020. In view of the expected net migration and the shortage of housing that has built up, however, the GdW believes that around 320,000 apartments will need to be constructed every year. The coalition agreement reached between the parties forming the new German government has set a target of constructing 400,000 new homes every year. In spite of the pandemic, price increases and supply bottlenecks, the German Institute for Economic Research believes that the outlook for the construction industry remains positive.

According to CBRE calculations, the residential real estate investment market in Germany achieved a record result in 2021 with a transaction volume of around € 49.1 billion, up by almost 140% on the previous year. Even leaving Vonovia's takeover of Deutsche Wohnen, the biggest transaction in recent years, out of the equation, the investment volume in 2021 outstripped the figure for 2020 by far. CBRE expects to see dynamic transaction activity in the German residential real estate investment market in 2022.

Political measures that had an impact on the housing industry in 2021 include, for example, the Building Land Mobilization Act (Baulandmobilisierungsgesetz) (e.g., provisions designed to facilitate housing construction, approval requirement for the conversion of rental apart-



ments into condominiums), a law designed to make share deals less attractive and a reform of the rent indices legislation. Rent indices have become compulsory for cities with more than 50,000 inhabitants. Uniform requirements will now apply to the preparation of qualified rent indices from July 2022 onwards. The CO<sub>2</sub> pricing system that has been in force since January 1, 2021 is having an impact on housing costs; the price was increased effective from January 1, 2022. The housing allowance was increased at the same time. Other new developments in 2022 include, for example, the phasing out of KfW Efficiency House 55 subsidy and the surprise provisional suspension of the government funding program for efficient buildings just before the end of January 2022. The German government wants to revise the subsidies and statutory standards for new construction. Refurbishment subsidies were already resumed at the end of February. For the new land tax that will apply from 2025 onwards, property owners will already have to submit a corresponding tax return from July 1, 2022. The new government coalition's plans for the coming years include for example measures to step up the construction of (social) housing, new non-profit housing associations, as well as additional regulatory measures, e.g., lowering the capping limit and extending the observation period for rent indices.

## Sweden

Sweden's economy fared better than expected in 2021: With projected GDP growth of 4.9%, the GDP-level is already higher than it was at the end of 2019 before the pandemic struck. Somewhat weaker international demand, disruptions affecting production and a slight slowdown in consumption on the back of rising energy prices will contribute to more subdued growth in the quarters ahead, according to the SEB Group. This slowdown will, however, only be of a temporary nature. With vaccination rates on the rise and the lifting of measures to contain the virus, private consumption will be a key growth driver, flanked by rising employment and wages. According to the forecast released by the National Institute of Economic Research (NIER), GDP growth will come in at 3.3% at the end of 2022 before dipping to 2.0% in 2023 as the momentum provided by the post-pandemic catch-up process starts to taper off.

Gross fixed asset investment came as a positive surprise with growth of 6.9% in 2021. Favorable financing conditions, the transition towards a greener economy and digitalization are expected to lead to sustained high investment growth in the corporate sector.

Consumption among private households remains the main factor driving the economic recovery. Inflation that is higher than expected is, however, putting pressure on consumption, and the new restrictions to combat the pandemic in force since January 2022 are also likely to reduce consumption in

the service sector in particular. The National Institute of Economic Research (NIER) expects private consumption to increase by 5.2% in 2021 and by 3.9% in 2022. Public consumption expenditure also increased by a substantial 3.4% in 2021, largely in connection with spending on the health-care system and labor market programs due to the pandemic. The NIER expects to see lower growth of 0.8% in 2022.

Rising consumption and growing investment fueled a boom in import demand in 2021. Supply bottlenecks and supply problems, particularly in the automotive industry, are likely the main reasons explaining why exports could not quite keep up with the import momentum. Nevertheless, the demand outlook for the Swedish export industry is looking promising.

The Swedish labor market continued to strengthen last year. Employment grew at a faster rate than the working-age population, and the shortage of workers has been exacerbated further, particularly in manufacturing and services. The NIER expects the unemployment rate to drop from a projected 8.9% in 2021 to 7.5% in 2022.

CPI inflation – the increase in the consumer price index with a fixed interest rate – averaged 2.4% in 2021 according to the NIER. It had, however, climbed to 4.1% by the end of the year, driven primarily by higher electricity prices and the rising cost of clothes and transport services. In 2022, the institute expects inflation to increase further to 2.8% due to higher commodity prices. Furthermore, the Riksbank, Sweden's central bank, is expected to leave the repo rate unchanged at 0% until the end of 2023.

In addition to the global economic risks, the following factors are likely to have a particular impact on the Swedish economy: Political complications following the general election in September 2022 and the lack of predictability surrounding the economic policy pursued by the new government, applying the right sense of proportion in the ongoing fight against the coronavirus, and the underestimation of Swedish inflation risks in an environment of mounting interest rate risks at the same time.

The housing market proved to be strong during the pandemic. While the demand for housing is high, the Swedish National Board of Housing, Building and Planning (Boverket) points to uncertainties on the supply side, for example relating to the pace of construction due to uncertain supply situations for various construction products triggered by the pandemic.

According to the Swedish statistics office SCB, rents increased by an average of 1.4% in 2021, a slightly slower rate than in the previous year (2020: 1.9%). Initial results of the rent negotiations for 2022 published by "Hem & Hyra," the

member magazine published by the Swedish tenants' association ("Hyresgästföreningen"), already point towards a further increase in rents. Prices for condominiums ("Bostadsrätter") climbed by 7% in 2021 (single-family homes by 13%), according to Svensk Mäklarstatistik, Sweden's independent provider of real estate price statistics. While prices for residential property ownership have increased significantly during the pandemic, the price trend changed into a calmer phase in the course of 2021. According to SEB experts, this is because the special conditions that prevailed during the pandemic, e.g., a trend towards individuals focusing heavily on their own home or the trend towards working from home, are gradually tapering off. The result is a return to more normal conditions, as well as trends toward renewed interest in apartments as opposed to single-family homes, and smaller as opposed to larger apartments. SEB experts still expect to see an upward trend with a moderate increase in prices in 2022.

Sweden has witnessed population growth in recent years and the population is set to increase by 900,000 to more than 11 million in the period between 2020 and 2040, according to a current estimate by the Swedish statistics office SCB. The country's population growth in 2021 is likely to have been comparatively low in the wake of the pandemic. As new construction was unable to keep up with population growth for some time, much of the country is facing a housing shortage. While the number of municipalities with a balanced housing market is increasing, 207 out of 290 municipalities reported a shortage of housing in Boverket's residential property market survey for 2021, including almost all of the municipalities in the greater Stockholm, Gothenburg and Malmö regions. In particular, sections of the population that are new to the housing market (e.g., young people), as well as people with disabilities and older people who want, or indeed need, to move, are finding it difficult to meet their housing needs.

Boverket currently estimates that construction work was completed on around 54,000 apartments in 2021 (incl. additions due to conversion work), with the figure for 2022 expected to come to 61,000. While this would be the highest level seen in 30 years, it is only marginally ahead of volume of properties that need to be constructed in the long run. According to Boverket's estimate, around 60,000 new apartments will need to be built every year between now and 2030 to do justice to the expected population growth and reduce the pent-up housing deficit. The country's three main urban areas account for just under three-quarters of the homes that need to be built. There is a risk that the uncertain supply situation for various construction products will put the brakes on residential construction, particularly in 2022, and the decision to phase out investment subsidies for rental apartments and student housing will likely put a damper on the construction of rental apartments.

According to the independent consultancy company Pangea Property Partners, properties worth € 35.0 billion were traded on the Swedish transaction market in 2021, representing a year-on-year increase of more than 90%. In terms of transaction volume, residential properties were the preferred asset class with a share of 31%.

### Austria

The Austrian economy reported strong growth in 2021, with GDP expected to increase by 4.1%, although renewed official restrictions to contain the coronavirus pandemic, ongoing supply bottlenecks and high commodity prices put a damper on the recovery towards the end of the year. At the beginning of 2022, the negative effects of the fourth wave of the coronavirus on tourism, coupled with global supply bottlenecks, remain the factors dominating the Austrian economy. Once these aspects have been resolved, the economy will mount a rapid recovery and grow by 5.2% in 2022, according to calculations by the Austrian Institute of Economic Research (WIFO).

Bolstered by international industrial activity and government subsidy measures, gross fixed capital formation expanded by a considerable 6.4% in 2021 according to the Institute for Advanced Studies (IHS), mainly due to the expansion in equipment (7.3%) and construction (5.5%). Exports benefited from the marked global economic recovery, and domestic export markets presumably expanded by nearly 9% in 2021. The uptick in domestic demand and strong export activity mean that import demand is expected to have increased by 10.4% in 2021. Private consumption increased considerably again last year, growing by an estimated 3.2%, although the renewed measures imposed to contain the high infection rates dealt a blow.

The momentum for further economic development will come primarily from private consumer spending supported by catch-up effects, the positive employment trend and the declining savings rate. This means that the sectors that were affected by official restrictions in 2021 – especially the retail sector and the hotel and food service industries – will experience strong growth, as will other consumer-related services. Once the supply problems have been resolved, investment activity will recover; supported by the ongoing favorable financing conditions, this will provide an impetus for the Austrian economy, especially in 2023. After two years of negative growth contributions, Bank Austria expects foreign trade to make a positive contribution again starting in 2022, particularly through the export of services once the tourism sector has revived.

The economic recovery triggered a rapid improvement in the labor market, with the unemployment rate falling by 1.8 percentage points to an average of 8.1% in 2021. Unemployment

in construction, industry and non-market services is already even lower than it was before the outbreak of the pandemic. The WIFO expects the unemployment rate to drop further to 7.2% in 2022.

Inflation picked up considerable speed in 2021 driven by energy prices and global supply bottlenecks, with HICP inflation expected to come in at 2.7%. According to the forecast released by the Austrian central bank (OeNB), the transfer of higher wholesale gas and electricity prices to end consumers, the introduction of the CO<sub>2</sub> tax beginning July 1, and price increases for raw materials other than energy will lead to an additional increase in inflation to 3.2% in 2022.

In addition to international economic risks such as new waves of infection, prolonged disruption to global supply chains, higher inflation expectations or a blow to China's economic activity due to a property crisis, domestic risks are also largely related to the pandemic.

The 2021 real estate year in Austria was characterized by intense investment pressure and high demand for apartments, single-family homes and land. As a result, the trend towards a significant increase in property prices continued. The values of the current OeNB residential real estate price index on the basis of new and used condominiums and single-family residences show an increase in Austria in the third quarter of 2021 of 10.4% compared to the previous year. Compared to the first quarter of 2021, however, the price momentum weakened somewhat in the second and third quarters. In Vienna, prices increased by 10.2% compared to the prior-year quarter. In the rest of Austria, price developments came to 10.6% during the same period. The deviation of the trend for residential real estate prices from the development of the factors included in the OeNB's fundamental price indicator has accelerated further, suggesting that the residential real estate market is increasingly overheating. According to the consumer price index published by the Austrian statistical office, Statistik Austria, apartment rents in Austria rose by 2.0% year-on-year in 2021, albeit with a dip as the year progressed after increases at the start of the year.

Experts from the real estate service provider RE/MAX expect to see a fundamentally positive real estate year across the country in 2022. The demand for housing is likely to grow at a faster rate than the supply. Ultimately, both the purchase prices for residential properties and new rents agreed for apartments that are not subject to rent restrictions are likely to increase, the former considerably so and the latter at a rate that is slower than the rate of inflation. According to the real estate service provider EHL, a number of new trends are emerging on the residential property market for 2022. The rental sector, for example, is seeing a return to greater demand for apartments with three or four

rooms, not least because the coronavirus crisis, with the trend towards working from home and homeschooling, is pushing tenants to look for at least one extra room. Particular emphasis is, however, being placed on efficient layouts in order to achieve this in the smallest possible space. With rising demand and scarce supply, prices for townhouses and apartment complexes in Austria are also likely to rise in 2022, according to RE/MAX.

Austria's population is growing and the positive trend is expected to continue. The latest population forecast produced by Statistik Austria, suggests that by 2040, the Austrian population will have risen by an estimated 6%, from 8.9 million (2020) to around 9.5 million. The expected population growth is due exclusively to high positive net migration. Bank Austria reports that residential construction activity in Austria has largely addressed the marked increase in the demand for homes in recent years. After a new construction record was set back in 2019 with 78,000 apartments completed, construction activity cooled down somewhat in 2020 (around 73,000 apartments) and is expected to have matched the prior-year level or increased slightly in 2021. Although the OeNB estimates that there was cumulative excess supply of just under 40,000 residential units in 2021, there is still a shortage of housing in some regions or market segments. According to Bank Austria, the gaps are likely to be found primarily in the sector comprising low-cost rental apartments in metropolitan areas. The construction industry is currently confronted with supply bottlenecks and marked increases in the prices of building materials, accompanied by a significant increase in construction prices and construction costs.

According to EHL, residential properties worth € 4.55 billion were traded on the Austrian transaction market in 2021, representing a year-on-year increase of 30%. In terms of transaction volume, residential properties were the preferred asset class with a share of approx. 35%. The experts from EHL expect to see a very active start to the first quarter of 2022.

## Group's Business Development

### Business Development in 2021 – An Overview

The 2021 fiscal year was a successful year for Vonovia despite the ongoing coronavirus pandemic. We were able to expand our market position further by acquiring a majority stake in Deutsche Wohnen. In addition, we continued to be a reliable partner for all of our stakeholders, especially our customers. As in 2020, our business processes again continued virtually unhindered in many areas despite the coronavirus crisis thanks to employees working from home. All in all, the coronavirus pandemic did not have any significant impact on Vonovia's operational and financial performance in 2021 either. We only experienced a low level of rent losses on the whole. Modernization and new construction measures, as well as sales activities, were only slightly affected by the coronavirus restrictions, and the impact was merely temporary. In the 2021 fiscal year, we once again observed stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic.

We invested around € 1.4 billion in total in our own portfolio (including Deutsche Wohnen) for new construction and modernization measures (2020: € 1.3 billion) and around € 0.8 billion for maintenance (2020: € 0.6 billion). We completed 1,373 apartments (2020: 1,442) as part of our new construction measures. We also completed 827 apartments that are intended for sale (2020: 646).

The table below provides an overview of the development of our most recently forecast performance indicators, excluding Deutsche Wohnen, and the target achievement level for these indicators in the 2021 fiscal year. The Group figures for 2021 are also shown including Deutsche Wohnen. When comparing the current Group figures against the previous year, it is important to bear in mind that the figures for 2021 include the Deutsche Wohnen Group, which was consolidated for the first time as of September 30, 2021 together with its earnings contributions for the fourth quarter of 2021.

	2020	Forecast for 2021 in the 2021 Q3 report**	2021**	2021
Total Segment Revenue	€ 4.4 billion	€ 4.9–5.1 billion	€ 4.9 billion	€ 5.2 billion
Adjusted EBITDA Total	€ 1,909.8 million	Around upper end of € 2,055–2,105 million	€ 2,098.5 million	€ 2,269.3 million
Group FFO	€ 1,348.2 million	€ 1,520–1,540 million	€ 1,534.5 million	€ 1,672.0 million
Group FFO per share*	€ 2.23	suspended	€ 1.98	€ 2.15
EPRA NTA per share*	€ 58.78	suspended		€ 66.73
Sustainability Performance Index (SPI)	-	-105%	109%	-

\* Based on the shares carrying dividend rights on the reporting date, prior-year values TERP-adjusted (1.067).

\*\* Excl. Deutsche Wohnen.

The **total segment revenue** came to around € 5.2 billion in 2021, up by 18.5% on the prior-year figure of around € 4.4 billion. This increase was due primarily to income from disposal of properties (development), the additional rental income from Deutsche Wohnen in the fourth quarter of 2021, and organic growth thanks to new construction and modernization in the Vonovia portfolio. In the fourth quarter of 2021, Deutsche Wohnen contributed a volume of around € 0.3 billion to Vonovia's total segment revenue.

The **Adjusted EBITDA Total** came to € 2,269.3 million in 2021, an increase of 18.8% against the 2020 figure of € 1,909.8 million. Deutsche Wohnen contributed to this increase in the

amount of € 170.8 million. With the exception of the Value-add segment, all other segments reported growth in Adjusted EBITDA.

**Group FFO** rose by 24.0% in 2021 to € 1,672.0 million (2020: € 1,348.2 million). This corresponds to a Group FFO per share of € 2.15 (2020: € 2.23). The main factors contributing to the increase in Group FFO were the acquisition of Deutsche Wohnen with Adjusted EBITDA of € 170.8 million, the improved Adjusted EBITDA Rental and the improved Adjusted EBITDA Development. The Adjusted EBITDA Rental increased from € 1,554.2 million in 2020 to € 1,648.0 million in 2021. The Adjusted EBITDA Development increased from

€ 110.9 million in 2020 to € 187.7 million in 2021. The Group FFO interest expense came to € 397.7 million in 2021, up by 4.6% on the prior-year value of € 380.1 million. Current income taxes FFO came in at € 65.2 million in 2021, around 24.4% higher than in the previous year (€ 52.4 million). At € 160.0 million, consolidation effects (excluding the at-equity effect of Deutsche Wohnen from the third quarter of 2021) in 2021 were up by 23.9% on the prior-year value of € 129.1 million. This was largely driven by the increase in gross profit for "Development to hold" from € 62.8 million in 2020 to € 84.9 million in 2021.

The **EPRA NTA per share** came in at € 66.73 in 2021, up by 13.5% on the TERP-adjusted prior-year value of € 58.78. This increase in the net asset value figure was due primarily to the net income from fair value adjustments of investment properties of € 7,393.8 million in 2021 (2020: € 3,719.8 million). The distribution of the cash dividend of € 486.0 million in 2021 had the opposite effect (2020: € 504.6 million).

The **Sustainability Performance Index** (Vonovia excluding Deutsche Wohnen) stood at 109% in 2021, higher than the most recent forecast of 105%. This was helped along in particular by the reduction of CO<sub>2</sub> intensity, the development of the average primary energy requirements of new construction, and the positive development of the customer satisfaction index.

### Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the Group are extremely positive, particularly given the solid financing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financings with a view to both organic and external growth. The ongoing improvements to the property management and development processes, the use of new digital software solutions, the expansion of the Value-add segment, the steady Recurring Sales and a successful development business promote ongoing improvement in profitability.

## Results of Operations

### Overview

The following key figures provide an overview of how Vonovia's results of operations and their drivers developed in 2021. For information on the limited comparative value of the prior-year figures, we refer to the statements in the chapter on → **overall business development** within the Group.

in € million	2020	2021	Change in %
Total Segment Revenue	4,370.0	5,179.9	18.5
Revenue in the Rental segment	2,285.9	2,361.6	3.3
Revenue in the Value-add segment	1,104.6	1,165.8	5.5
Revenue in the Recurring Sales segment	382.4	477.0	24.7
Revenue in the Development segment	597.1	867.8	45.3
Revenue in the Deutsche Wohnen	-	307.7	-
Adjusted EBITDA Total	1,909.8	2,269.3	18.8
Adjusted EBITDA Rental	1,554.2	1,648.0	6.0
Adjusted EBITDA Value-add	152.3	148.8	-2.3
Adjusted EBITDA Recurring Sales	92.4	114.0	23.4
Adjusted EBITDA Development	110.9	187.7	69.3
Adjusted EBITDA Deutsche Wohnen	-	170.8	-
Group FFO	1,348.2	1,672.0	24.0
Monthly in-place rent Vonovia in €/m <sup>2</sup>	7.16	7.33	2.4
Monthly in-place rent Vonovia without Deutsche Wohnen in €/m <sup>2</sup>	7.16	7.38	3.1
Monthly in-place rent Deutsche Wohnen in €/m <sup>2</sup>	-	7.20	-
Average area of own apartments in the reporting period (in thou. m <sup>2</sup> )	26,532	28,784	8.5
Average number of own units (number of units)	414,931	452,868	9.1
Vacancy rate Vonovia (in %)	2.4	2.2	-0.2 pp
Vacancy rate Vonovia without Deutsche Wohnen (in %)	2.4	2.4	-
Vacancy rate Deutsche Wohnen (in %)	-	1.7	-
Maintenance expenses and capitalized maintenance Rental segment (€/m <sup>2</sup> )	22.31	25.18	12.9
thereof expenses for maintenance (€/m <sup>2</sup> )	12.10	12.57	3.9
thereof capitalized maintenance (€/m <sup>2</sup> )	10.21	12.61	23.5
Number of units bought	1,711	155,145	>100
Number of units sold	3,677	6,870	86.8
thereof Recurring Sales	2,442	2,747	12.5
thereof Non-core Disposals	1,235	723	-41.5
thereof Deutsche Wohnen	-	3,400	-
Number of new apartments completed	2,088	2,200	5.4
thereof own apartments	1,442	1,373	-4.8
thereof apartments for sale	646	827	28.0
thereof Deutsche Wohnen	-	-	-
Number of employees (as of December 31)	10,622	15,871	49.4



As of the end of 2021, Vonovia managed a portfolio comprising 565,334 of its own residential units (2020: 415,688), 168,015 garages and parking spaces (2020: 139,429) and 9,289 commercial units (2020: 6,564).

## Total Segment Revenue

in € million	2020	2021	Change in %
Rental income	2,288.5	2,571.9	12.4
Other income from property management unless included in the operating expenses in the Rental segment	50.2	141.7	>100
Income from disposals Recurring Sales	382.4	477.2	24.8
Internal revenue Value-add	1,053.0	1,107.2	5.1
Income from disposal of properties (Development)	297.7	519.6	74.5
Fair value Development to hold	298.2	362.3	21.5
<b>Total Segment Revenue</b>	<b>4,370.0</b>	<b>5,179.9</b>	<b>18.5</b>

In the 2021 fiscal year, **total segment revenue** rose by 18.5% from € 4,370.0 million to € 5,179.9 million. This increase was due primarily to income from disposal of properties (development), the additional rental income from Deutsche Wohnen in the fourth quarter of 2021, and organic growth thanks to new construction and modernization in the Vonovia portfolio. In the fourth quarter of 2021, Deutsche Wohnen contributed a total volume of € 307.7 million to the segment revenue.

The **Adjusted EBITDA Total** rose by € 359.5 million from € 1,909.8 million in the 2020 fiscal year to € 2,269.3 million in 2021. Deutsche Wohnen contributed a volume of € 170.8 million to this figure in the fourth quarter of 2021. The Adjusted EBITDA Rental increased by 6.0% from € 1,554.2 million in 2020 to € 1,648.0 million in 2021. The Adjusted EBITDA Value-add came to € 148.8 million in 2021, 2.3% lower than the prior-year figure of € 152.3 million. The Adjusted EBITDA Recurring Sales came in at € 114.0 million, up by 23.4% on the value of € 92.4 million seen in the previous year. At € 187.7 million, the Adjusted EBITDA Development was up considerably on the prior-year value of € 110.9 million in 2021, primarily due to the global exit of a "Development to sell" project.

**Group FFO** rose by 24.0% from € 1,348.2 million in 2020 to € 1,672.0 million in 2021. € 137.5 million was attributable to Deutsche Wohnen, including acquisition-related FFO interest of € 20.8 million and, on the other hand, the FFO at-equity effects contribution in the amount of € 25.6 million.

## Group FFO

The following key figures provide an overview of the development in Group FFO and other value drivers in the reporting period. The comparison with the previous year is hindered

primarily by Deutsche Wohnen, which was consolidated for the first time as of September 30, 2021.

### Group FFO

in € million	2020	2021	Change in %
Revenue in the Rental segment	2,285.9	2,361.6	3.3
Expenses for maintenance	-321.1	-332.7	3.6
Operating expenses in the Rental segment	-410.6	-380.9	-7.2
<b>Adjusted EBITDA Rental</b>	<b>1,554.2</b>	<b>1,648.0</b>	<b>6.0</b>
Revenue in the Value-add segment	1,104.6	1,165.8	5.5
thereof external revenue	51.6	58.6	13.6
thereof internal revenue	1,053.0	1,107.2	5.1
Operating expenses in the Value-add segment	-952.3	-1,017.0	6.8
<b>Adjusted EBITDA Value-add</b>	<b>152.3</b>	<b>148.8</b>	<b>-2.3</b>
Revenue in the Recurring Sales segment	382.4	477.0	24.7
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment	-274.0	-343.7	25.4
<b>Adjusted result Recurring Sales</b>	<b>108.4</b>	<b>133.3</b>	<b>23.0</b>
Selling costs in the Recurring Sales segment	-16.0	-19.3	20.6
<b>Adjusted EBITDA Recurring Sales</b>	<b>92.4</b>	<b>114.0</b>	<b>23.4</b>
Revenue from disposal of "Development to sell" properties	297.7	503.7	69.2
Cost of Development to sell	-235.9	-367.2	55.7
<b>Gross profit Development to sell</b>	<b>61.8</b>	<b>136.5</b>	<b>&gt;100</b>
Fair value Development to hold	298.2	362.3	21.5
Cost of Development to hold*	-235.4	-277.4	17.8
<b>Gross profit Development to hold</b>	<b>62.8</b>	<b>84.9</b>	<b>35.2</b>
Rental revenue Development	1.2	1.8	50.0
Operating expenses in the Development segment	-14.9	-35.5	>100
<b>Adjusted EBITDA Development</b>	<b>110.9</b>	<b>187.7</b>	<b>69.3</b>
<b>Adjusted EBITDA Deutsche Wohnen</b>	<b>-</b>	<b>170.8</b>	<b>-</b>
<b>Adjusted EBITDA Total</b>	<b>1,909.8</b>	<b>2,269.3</b>	<b>18.8</b>
FFO interest expense	-380.1	-397.7	4.6
Current income taxes FFO	-52.4	-65.2	24.4
Consolidation**	-129.1	-134.4	4.1
<b>Group FFO</b>	<b>1,348.2</b>	<b>1,672.0</b>	<b>24.0</b>

\* Excluding capitalized interest on borrowed capital in 2021 of € 0.9 million (2020: € 0.8 million).

\*\* Thereof intragroup profits in 2021: € (37.8) million (2020: € (33.5) million), gross profit development to hold in 2021: € (84.9) million (2020: € (62.8) million), IFRS 16 effects 2021: € (37.3) million (2020: € (32.8) million), FFO-at-equity effect Deutsche Wohnen 2021: € 25.6 million.

As of the end of 2021, our apartments were virtually fully occupied. The apartment vacancy rate of 2.2% was down slightly on the value of 2.4% seen at the end of 2020. **Rental**

**segment revenue** increased by 3.3% from € 2,285.9 million in 2020 to € 2,361.6 million in 2021, mainly due to organic growth resulting from new construction and modernization.

Of the rental income in the Rental segment in the amount of € 2,361.6 million (2020: € 2,285.9 million), € 1,894.0 million is attributable to rental income in Germany (2020: € 1,845.4 million), € 357.0 million to rental income in Sweden (2020: € 332.5 million) and € 110.6 million to rental income in Austria (2020: € 108.0 million).

The increase in rent in the Rental segment due to market-related factors came to 1.6% (2020: 0.6%). This includes one-off effects of 0.6% due to the Act Governing the Rent Cap for Residential Premises in Berlin (the "rent freeze") becoming invalid. In addition, we were able to increase rent by 1.6% thanks to property value improvements made as part of our modernization program (2020: 1.9%). The corresponding like-for-like rent increase came to 3.2% in the reporting period (2020: 2.5%). If we include the increase in rent due to new construction measures and measures to add extra stories, then we arrive at an **organic increase in rent** totaling 3.8% (2020: 3.1%). The average monthly in-place rent in the Rental segment at the end of December 2021 came to € 7.38 per m<sup>2</sup> compared to € 7.16 per m<sup>2</sup> at the end of December 2020. At the end of 2021, the monthly in-place rent in the German portfolio (excl. Deutsche Wohnen) came to € 7.19 per m<sup>2</sup> (Dec. 31, 2020: € 6.95), with the figure for the Swedish portfolio coming to € 10.31 per m<sup>2</sup> (Dec. 31, 2020: € 10.31) and € 4.89 per m<sup>2</sup> for the Austrian portfolio (Dec. 31, 2020: € 4.79). The rental income from the portfolio in

Sweden reflects inclusive rents, meaning that the amounts contain operating, heating and water supply costs. The rental income from the Austrian property portfolio additionally includes maintenance and improvement contributions (EVB).

Despite the coronavirus pandemic, we were able to continue with our modernization, new construction and maintenance strategy in the 2021 fiscal year. Isolated modernization and new construction measures were affected by slight construction delays due to the pandemic. All in all, the total volume of our maintenance, modernization and new construction activity came to € 2,185.6 million in 2021, 12.9% higher than the previous year's figure of € 1,935.9 million. Deutsche Wohnen contributed a volume of € 234.0 million to this figure in the fourth quarter of 2021. Maintenance measures in the Rental segment came to € 666.4 million in 2021, up by 12.6% on the prior-year value of € 592.0 million. At € 758.6 million, modernization measures were down by 16.5% on the prior-year value of € 908.4 million. The decline in the volume of modernization measures is largely due to significantly lower investing activities in Berlin as a result of the rent freeze and isolated restrictions related to the coronavirus pandemic. At € 526.6 million, new construction in 2021 was up by 20.9% on the prior-year value of € 435.5 million.

## Maintenance, Modernization and New Construction

in € million	2020	2021	Change in %
Expenses for maintenance	321.1	332.7	3.6
Capitalized maintenance	270.9	333.7	23.2
<b>Maintenance measures</b>	<b>592.0</b>	<b>666.4</b>	<b>12.6</b>
Modernization measures	908.4	758.6	-16.5
New construction (to hold)	435.5	526.6	20.9
<b>Modernization and new construction measures</b>	<b>1,343.9</b>	<b>1,285.2</b>	<b>-4.4</b>
Cost of maintenance, modernization and new construction Deutsche Wohnen	-	234.0	-
<b>Total cost of maintenance, modernization and new construction</b>	<b>1,935.9</b>	<b>2,185.6</b>	<b>12.9</b>

In the 2021 fiscal year, operating expenses in the Rental segment were down by 7.2% on the prior-year value for 2020, from € 410.6 million to € 380.9 million. This was partially a result of fewer costs associated with the coronavirus pandemic. All in all, **Adjusted EBITDA Rental** rose by 6.0%, from € 1,554.2 million in 2020 to € 1,648.0 million in 2021.

The **Value-add segment** was slightly impacted by the coronavirus pandemic due to individual construction delays affecting modernization measures. Vonovia's own crafts-

men's organization made a contribution to the segment's stable development overall.

We continued to expand our business activities relating to the provision of cable television to our tenants, residential environment, insurance and metering services, and energy supply services. We supplied a total of around 36,400 households with energy directly as of the end of 2021 (2020: around 23,100).

External revenue from our Value-add activities with our end customers was € 58.8 million in 2021, 13.6% above the prior-year figure of € 51.6 million. Group revenue came to € 1,107.2 million in 2021, an increase of 5.1% as against the prior-year figure of € 1,053.0 million. Overall, this resulted in a 5.5% increase in revenue from the Value-add segment from € 1,104.6 million in 2020 to € 1,165.8 million in 2021. In the 2021 fiscal year, operating expenses in the Value-add segment were up by 6.8% on the figures for 2020, from € 952.3 million to € 1,017.0 million. This was due, in particular, to the use of more third-party services and higher costs associated with the coronavirus pandemic. The **Adjusted EBITDA Value-add** came to € 148.8 million in 2021, 2.3% below the prior-year figure of € 152.3 million.

We continued to pursue our selective sales strategy successfully in the 2021 fiscal year in spite of the pandemic. In the Recurring Sales segment, we report all business activities relating to the sale of single residential units (Privatize).

In the **Recurring Sales segment**, the income from disposal of properties came to € 477.0 million in the 2021 fiscal year, up by 24.7% on the value of € 382.4 million in 2020; € 367.9 million of this amount is attributed to sales in Germany (2020: € 264.2 million) and € 109.1 million to sales in Austria (2020: € 118.2 million). We privatized 2,747 apartments in the 2021 fiscal year (2020: 2,442), thereof 2,280 in Germany (2020: 1,870) and 467 in Austria (2020: 572). Adjusted EBITDA Recurring Sales came in at € 114.0 million in the 2021 fiscal year, up by 23.4% on the value of € 92.4 million seen in 2020. The **fair value step-up** for Recurring Sales came in at 38.8% in 2021, down slightly on the comparative value of 39.6% for 2020.

Outside of the Recurring Sales segment, we made 723 **Non-core Disposals** of residential units as part of our portfolio adjustment measures in the 2021 fiscal year (2020: 1,235) with total proceeds of € 76.4 million (2020: € 203.9 million). At 50.3%, the fair value step-up for Non-core Disposals was significantly higher than for the same period in the previous year (40.1%). The individual sales of land contributed to this increase.

In the 2021 fiscal year, the **Development segment**, with its **Development to sell** and **Development to hold** areas, made positive contributions to earnings in Germany, Austria and Sweden, allowing it to contribute to Vonovia's successful growth. The segment revenue from Development (total of income from the sale of Development to sell properties, fair value from Development to hold and rental income in the Development segment) rose by 45.3% from € 597.1 million in 2020 to € 867.8 million in 2021. This was driven in particular by higher income from disposal of "Development to sell" properties. At € 503.7 million in 2021, it was up considerably on the prior-year value of € 297.7 million.

In the **Development to sell** area, a total of 827 units were completed in the 2021 fiscal year (2020: 646 units), thereof 678 units in Germany (2020: 646 units), 149 units in Austria (2020: 0 units). In 2021, income from the disposal of "Development to sell" properties amounted to € 503.7 million (2020: € 297.7 million), with € 241.1 million attributable to project development in Germany (2020: € 201.0 million) and € 262.6 million to project development in Austria (2020: € 96.7 million). The resulting gross profit for Development to sell came to € 136.5 million (2020: € 61.8 million).

In the **Development to hold** area, a total of 1,373 units (2020: 1,442 units), thereof 1,073 in Germany (2020: 862 units), 126 units in Austria (2020: 383 units) and 174 units in Sweden (2020: 197 units). In the Development to hold area, a fair value of € 362.3 million was achieved in 2021 (2021: € 298.2 million). € 296.6 million of this figure is attributable to project development in Germany (2020: € 157.1 million), € 44.3 million to project development in Austria (2020: € 127.9 million) and € 21.4 million to project development in Sweden (2020: € 13.2 million). The gross profit for Development to hold came to € 84.9 million (2020: € 62.8 million).

Operating expenses Development in 2021 came in at € 35.5 million, up considerably on the prior-year value of € 14.9 million. The increase is due to positive one-off effects in 2020 and higher direct project expenses in 2021. The Adjusted EBITDA for the Development segment amounted to € 187.7 million in the 2021 fiscal year (2021: € 110.9 million).

In the **Deutsche Wohnen segment**, segment revenue in the fourth quarter of 2021 came to € 307.7 million, with € 207.1 million attributable to rental income, € 68.8 million attributable to income from the Care segment and € 16.2 million to income from disposal of properties. Deutsche Wohnen's adjusted EBITDA came to € 170.8 million in the fourth quarter of 2021.

The average monthly in-place rent in the Deutsche Wohnen portfolio came to € 7.20 m<sup>2</sup> at the end of December 2021. In the fourth quarter of 2021, 3,400 residential units were sold from the **Deutsche Wohnen** portfolio.

In the 2021 fiscal year, the primary key figure for the sustained earnings power of **Group FFO** increased by 24.0%, from € 1,348.2 million in 2020 to € 1,672.0 million. This was fueled primarily by the positive development in **Adjusted EBITDA Total**, which rose by 18.8 % in the reporting period from € 1,909.8 million in 2020 to € 2,269.3 million in 2021. Adjusted EBITDA in the Development segment rose from € 110.9 million in 2020 to € 187.7 million in 2021, primarily due to the global exit of a "Development to sell" project. Organic growth pushed the Adjusted EBITDA in the Rental segment up by 6.0%. Adjusted EBITDA in the Recurring Sales segment increased by 24.4%. In the fourth quarter of 2021, Deutsche Wohnen contributed a total of € 137.5 million to Group FFO.

In the 2021 fiscal year, the **non-recurring items** eliminated in the Adjusted EBITDA Total came to € 37.1 million, down 39.7% on the prior-year value of € 61.5 million. In fiscal year 2021, costs for transactions were offset by income resulting

from the valuation of shares in Deutsche Wohnen amounting to € 87.5 million.

The following table gives a detailed list of the non-recurring items:

### Non-recurring Items

in € million	2020	2021	Change in %
Transactions*	24.0	14.1	-41.3
Personnel matters	27.5	1.6	-94.2
Business model optimization	13.9	24.2	74.1
Research & development	-	3.6	-
Refinancing and equity measures	-3.9	-6.4	64.1
<b>Total non-recurring items</b>	<b>61.5</b>	<b>37.1</b>	<b>-39.7</b>

\* Including one-time expenses in connection with acquisitions, such as HR measures relating to the integration process and other follow-up costs.

### Reconciliations

The **financial result** changed from € -435.5 million in 2020 to € -554.9 million in 2021. This was driven primarily by

transaction costs in the amount of € -119.2 million, mainly in connection with the takeover of Deutsche Wohnen in 2021.

FFO interest expense is derived from the financial result as follows:

### Reconciliation of Financial Result/FFO Interest Expense

in € million	2020	2021	Change in %
Interest income	21.9	21.5	-1.8
Interest expense	-411.4	-411.6	0.0
Other financial result excluding income from investments	-46.0	-164.8	>100
<b>Financial result*</b>	<b>-435.5</b>	<b>-554.9</b>	<b>27.4</b>
Adjustments:			
Other financial result excluding income from investments	46.0	164.8	>100
Effects from the valuation of interest rate and currency derivatives	42.4	-20.4	-
Prepayment penalties and commitment interest	6.2	22.7	>100
Effects from the valuation of non-derivative financial instruments	-48.6	-43.3	-10.9
Interest accretion to provisions	6.2	9.8	58.1
Interest income from bond issue	-11.9	-	-100.0
Accrued interest/other effects	-6.0	30.9	-
<b>Net cash interest</b>	<b>-401.2</b>	<b>-390.4</b>	<b>-2.7</b>
Adjustment for IFRS 16 Leases	10.5	10.3	-1.9
Adjustment of income from investments in other real estate companies	2.4	15.7	>100
Adjustment of interest paid due to taxes	23.7	-1.8	-
Adjustment of accrued interest	-15.5	-31.5	>100
<b>Interest expense FFO</b>	<b>-380.1</b>	<b>-397.7</b>	<b>4.6</b>

\* Excluding income from other investments.

The profit for the period in 2021 came to € 2,830.9 million compared with € 3,340.0 million in 2020. Goodwill impairments in the amount of € 3,384.1 million in 2021 were the main factor behind this. This was counteracted by the net income from fair value adjustments of investment properties of € 7,393.8 million in the 2021 fiscal year (2020: € 3,719.8 million).

## Reconciliation of Profit for the Period/Group FFO

in € million	2020	2021	Change in %
<b>Profit for the period</b>	<b>3,340.0</b>	<b>2,830.9</b>	<b>-15.2</b>
Financial result*	435.5	554.9	27.4
Income taxes	1,674.4	2,651.5	58.4
Depreciation and amortization (incl. depreciation on financial assets)	92.3	3,498.2	>100
Net income from fair value adjustments of investment properties	-3,719.8	-7,393.8	98.8
Non-recurring items	61.5	37.1	-39.7
Total period adjustments from assets held for sale	-15.3	-6.0	-60.8
Financial income from investments in other real estate companies	-2.4	-15.7	>100
Other (mainly Non-core Disposals)	-52.7	-10.5	-80.1
Intragroup profits	33.5	37.8	12.8
Gross profit Development to hold	62.8	84.9	35.2
<b>Adjusted EBITDA Total</b>	<b>1,909.8</b>	<b>2,269.3</b>	<b>18.8</b>
Interest expense FFO**	-380.1	-397.7	4.6
Current income taxes FFO	-52.4	-65.2	24.4
Consolidation	-129.1	-134.4	4.1
<b>Group FFO</b>	<b>1,348.2</b>	<b>1,672.0</b>	<b>24.0</b>
Group FFO per share in €***	2.23	2.15	-3.6

\* Excluding income from other investments.

\*\* Including financial income from investments in other real estate companies.

\*\*\* Based on the shares carrying dividend rights on the reporting date December 31, 2020: 565,887,299, December 31, 2021: 776,597,389, prior-year value TERP-adjusted (1.067), 2021 including Q4 result Deutsche Wohnen.

## Assets

### Consolidated Balance Sheet Structure

	Dec. 31, 2020		Dec. 31, 2021	
	in € million	in %	in € million	in %
Non-current assets	60,632.0	97.1	99,544.5	93.6
Current assets	1,785.4	2.9	6,775.8	6.4
<b>Total assets</b>	<b>62,417.4</b>	<b>100.0</b>	<b>106,320.3</b>	<b>100.0</b>
Equity	24,831.8	39.8	36,545.1	34.4
Non-current liabilities	34,669.8	55.5	60,713.2	57.1
Current liabilities	2,915.8	4.7	9,062.0	8.5
<b>Total equity and liabilities</b>	<b>62,417.4</b>	<b>100.0</b>	<b>106,320.3</b>	<b>100.0</b>

Deutsche Wohnen SE was included in Vonovia's consolidated financial statements for the first time as of September 30, 2021 together with its subsidiaries (Deutsche Wohnen Group). As a result, the Group's **total assets** increased considerably by € 43,902.9 million as against December 31, 2020, rising from € 62,417.4 million to € 106,320.3 million. The Deutsche Wohnen Group contributed € 33,388.1 million to this increase.

The main component of non-current assets is the investment properties item, which increased by € 36,028.3 million from € 58,071.8 million to € 94,100.1 million. € 28,181.7 million of this increase was attributable to the first-time inclusion of the Deutsche Wohnen Group and a total of € 7,393.8 million to the property valuation process. Within current assets, real estate inventories increased by € 100.8 million, from € 570.4 million to € 671.2 million. Cash and cash equivalents rose to € 1,432.8 million as against € 613.3 million as of December 31, 2020. There are also time deposits and short-term financial investments in highly liquid money market funds in the amount of € 499.6 million as of December 31, 2021 that are reported as financial assets.

The inclusion of the Deutsche Wohnen Group means that QUARTERBACK Immobilien AG as an associate as well as eleven non-listed financial investments of QUARTERBACK Immobilien AG that were classified as joint ventures were reported in non-current financial assets accounted for using the equity method. The inclusion of the loan to QUARTERBACK Immobilien AG also increased financial assets by a total of € 806.5 million.

The acquisition of the Deutsche Wohnen Group increased the Group's goodwill by € 4.7 billion. The impairment of goodwill of € 3,384.1 million had a counteracting effect. Goodwill and trademark rights comprise 2.7% of the total assets.

Compared with December 31, 2020, assets held for sale increased by € 2,554.5.9 million from € 164.9 million to € 2,719.4 million, mainly due to the sale of properties to municipal housing companies in Berlin.

As of December 31, 2021 the **gross asset value (GAV)** of Vonovia's property assets came to € 98,225.3 million, which corresponds to 92.4% of total assets compared with € 59,207.1 million, or 94.9%, at the end of 2020.

The € 11,713.3 million increase in **total equity** from € 24,831.8 million to € 36,545.1 million results in particular from the profit for the period in the amount of € 2,830.9 million and from the capital increase with subscription rights implemented on December 2, 2021 in the amount of € 8.1 billion. This was offset by the repayment of the hybrid capital of € 1,040.0 million and the cash dividend distribution to the shareholders of Vonovia SE in the amount of € 486.0 million. The acquisition of the Deutsche Wohnen Group increased non-controlling interests by € 2,421.9 million.

The **equity ratio** comes to 34.4%, compared with 39.8% at the end of 2020.

**Liabilities** increased by € 18.3 billion due to the inclusion of the Deutsche Wohnen Group. They increased further by € 32,189.6 million, from € 37,585.6 million to € 69,775.2 million, due partially to bond placements on June 16, 2021 in the amount of € 4.0 billion, and on August 26, 2021 in the amount of € 5.0 billion, as well as the issuance of a green bond in the amount of € 600 million. The amount of non-derivative financial liabilities rose by € 22,944.3 million, from € 24,084.7 million to € 47,029.0 million, with € 17,796.8 million attributable to the increase in non-current non-derivative financial liabilities.

Deferred tax liabilities increased by € 7,734.3 million, also due to the fair value measurement of investment properties. An increase of € 5,409.9 million is also attributable to the first-time consolidation of the Deutsche Wohnen Group.



## Net Assets

Vonovia's net asset value figures are based on the best practice recommendations of the European Public Real Estate Association (EPRA). At the end of 2021, the EPRA

NTA came to € 51,826.1 million, up by 46.0% on the value of € 35,488.6 million seen at the end of 2020. EPRA NTA per share increased from € 58.78 at the end of 2020 (TERP-adjusted) to € 66.73 at the end of 2021.

### EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
<b>Total equity attributable to Vonovia shareholders</b>	<b>23,143.9</b>	<b>33,287.1</b>	<b>43.8</b>
Deferred tax in relation to fair value gains of investment properties*	10,466.7	15,498.3	48.1
Fair value of financial instruments**	54.9	28.6	-47.9
Goodwill as per the IFRS balance sheet	-1,494.7	-2,766.5	85.1
Intangibles as per the IFRS balance sheet	-117.0	-238.8	>100
Real estate transfer tax*	3,434.8	6,017.4	75.2
<b>EPRA NTA</b>	<b>35,488.6</b>	<b>51,826.1</b>	<b>46.0</b>
<b>EPRA NTA per share in €***</b>	<b>58.78</b>	<b>66.73</b>	<b>13.5</b>

\* Proportion of hold portfolio.

\*\* Adjusted for effects from cross currency swaps.

\*\*\* Based on the shares carrying dividend rights on the reporting date December 31, 2020: 565,887,299, December 31, 2021: 776,597,389, prior-year value TERP-adjusted (1.067).

Over a period of five years, Vonovia has continually created value and also increased GAV (gross asset value) every year.

in € million	EPRA NTA	GAV
2021	51,826.1	98,225.3
2020	35,488.6	59,207.1
2019	29,762.2	53,586.3
2018		44,226.9
2017		33,424.9

## Fair Values

Major market developments and valuation parameters that have an impact on the fair values of Vonovia are assessed every quarter. In addition to the revaluations performed during the year, the entire portfolio was revalued at the end of 2021.

As in the previous year, Vonovia's portfolio has shown very positive development. The demand for housing continues to outstrip the supply. The extensive investments made in the energy-efficient modernization of our buildings and improvements to the fittings in our apartments also had a positive impact on rental growth. Since the return expectations of property buyers have dropped further, the increase in market values is ahead of rent developments (yield compression). The positive effects resulting from the high demand, modernization and yield compression have result-

ed in a considerable 14.3% increase in the value of our property portfolio compared with the previous year, after adjustments for acquisitions and sales and excluding currency effects. In addition to the internal valuation, Vonovia's real estate portfolio, excluding Deutsche Wohnen, was also valued by the independent property appraisers CBRE GmbH in Germany and Austria and Savills Sweden AB in Sweden. The market value resulting from the CBRE expert opinion deviates from the internal valuation result by 0.1%. The result from the external valuation was adopted for the Swedish portfolio.

Deutsche Wohnen's portfolio was valued by the independent property appraiser Jones Lang LaSalle SE parallel to the internal valuation. The market value resulting from this external report deviates from the internal valuation result by 0.6%.

Vonovia's project developments for subsequent management within its own portfolio are measured using the cost approach until the construction work is complete. Deutsche Wohnen's project developments were measured by Jones Lang LaSalle SE using the residual value method as of the cut-off date of September 30, 2021. These values were as part of what was still the provisional purchase price allocation reviewed and adopted and were updated to reflect the current reporting date. The values of Deutsche Wohnen's care facilities as of December 31, 2021 were determined externally by W&P Immobilienberatung GmbH and included in the balance sheet.

The Act on Rent Controls in the Housing Sector in Berlin passed by the Berlin House of Representatives was declared unconstitutional and, as a result, null and void by the German Federal Constitutional Court on April 15, 2021. The development then observed in Berlin in the period leading up to December 31, 2021 has been included in the year-end valuation for 2021.

### **Regular Determination of the Fair Values Creates a Transparent Valuation of the Company's Properties**

Calculating and showing the fair values provides a control parameter inside the company and also helps to make the development of the value of our assets transparent to people outside the company.

The fair value of the portfolio of residential properties was determined, in accordance with IAS 40 and IFRS 13, on the basis of the International Valuation Standard Committee's definition of market value.

Vonovia, in principle, measures its portfolio on the basis of the discounted cash flow (DCF) method. Under the DCF methodology, the expected future income and costs of a residential property are forecast and discounted to the date of valuation as the net present value. The income in the DCF model mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses and also sales revenues for an Austrian subportfolio into account. The expected rental income is derived for each location from the latest rent indices and rent tables (including Value AG, Immobilienverband Deutschland [IVD] and the Austrian Economic Chambers [WKÖ]) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development [BBSR], Prognos, Value AG, Federal Statistical Office, Statistics Austria, etc.). The expected sales revenues are derived from historical sale prices as well as market data (e. g., the Austrian Economic Chamber [WKÖ], EHL). On the cost side, maintenance expenses and administrative costs are taken into account. Further cost items are, for example, ground rents, non-allocable ancillary costs, rent losses and, in Austria, selling costs. All cost items are inflated in the reporting period. Modernization measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents. The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential environment. Different cost approaches were used to those for residential properties, and the capitalized interest rates were adjusted to reflect the market specifics.

The recognition and valuation of investment properties are explained in detail in the Notes to the consolidated financial statements (Chapter [D28] Investment Properties).

The fair value of Vonovia's real estate portfolio comprising residential buildings, commercial properties, garages and parking spaces as well as project developments, existing areas with construction potential and land areas with inheritable building rights granted was € 97,845.3 million as of December 31, 2021 (2020: € 58,910 million). The determination of fair values led overall to net income from fair value adjustments of investment properties of € 7,393.8 million (2020: € 3,719.8 million).

## **Financial Position**

### **Cash Flow**

The Group cash flow is as follows:

#### **Key Data from the Statement of Cash Flows**

in € million	2020	2021
Cash flow from operating activities	1,430.5	1,823.9
Cash flow from investing activities	-1,729.9	-19,115.8
Cash flow from financing activities	402.6	18,125.0
Influence of changes in foreign exchange rates	9.4	-2.3
Change in cash and cash equivalents related to assets held for sale	-	-11.3
<b>Net changes in cash and cash equivalents</b>	<b>112.6</b>	<b>819.5</b>
Cash and cash equivalents at the beginning of the period	500.7	613.3
<b>Cash and cash equivalents at the end of the period</b>	<b>613.3</b>	<b>1,432.8</b>

The cash flow from **operating activities** improved from € 1,430.5 million in 2020 to € 1,823.9 million in 2021. This reflects the higher operating result, measured in the Adjusted EBITDA key figures. In addition, the development of working capital had a positive effect on operating cash flow.

The cash flow from **investing activities** shows a payout balance of € 19,115.8 million for 2021 compared with € 1,729.9 million in 2020. Payments for acquisition of investment properties came to € 1,957.1 million in 2021, as against € 1,723.7 million in the previous year. On the other hand,

income from portfolio sales in the amount of € 1,084.8 million was collected (2020: € 587.4 million). Cash flow from investing activities in the current year is dominated by the acquisition of the Deutsche Wohnen Group. Payments for the acquisition of shares in consolidated companies in due consideration of liquid funds came to € 17,122.8 million (2020: € 330.3 million). Payments for the acquisition of other financial assets include an amount of € 499.6 million in connection with short-term investments in financial assets not classified as cash and cash equivalents, as well as the purchase of convertible bonds from Deutsche Wohnen in the amount of € 413.2 million.

The cash flow from **financing activities** includes cash inflows from the cash capital increase in the amount of € 8,080.5 million (2020: € 1,003.0 million). Payments to hybrid capital investors of € 1,040.0 million include the full repayment of the financing previously reported as equity. Payments for regular and unscheduled repayments were made in the amount of € 11,534.0 million (2020: € 3,721.5 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 23,945.3 million (2020: € 4,188.6 million). Payouts for transaction and financing costs amounted to € 374.6 million (2020: € 60.1 million). Interest paid came to € 402.6 million in 2021 (2020: € 409.2 million), with cash paid to shareholders of Vonovia SE and non-controlling interests amounting to € 514.6 million (2020: € 520.8 million).

Net changes in **cash and cash equivalents** came to € 819.5 million.

## Financing

According to the publication dated December 17, 2021 Vonovia's credit rating as awarded by the agency Standard & Poor's is unchanged at **BBB+** with an outlook for the long-term issuer credit rating that has now been lifted from stable to positive and A-2 for the short-term corporate credit rating. At the same time, the credit rating for the issued and unsecured bonds is **BBB+**.

Vonovia received an A- investment grade rating from the rating agency Scope, which was most recently confirmed in a publication dated June 14, 2021.

In addition, Vonovia was awarded an A3 long-term issuer rating with a stable outlook by the rating agency Moody's for the first time on May 31, 2021.

Vonovia SE has launched an **EMTN program** (European medium-term notes program). This program, which was originally launched via Vonovia Finance B.V., allows funds to be raised quickly at any time, without any major administrative outlay, using bond issues. The prospectus for the € 30 billion program, which was most recently supplemented on June 3, 2021 is to be updated annually and approved by the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF).

As of the reporting date of December 31, 2021 Vonovia had placed a total bond volume of € 25.1 billion, € 24.9 billion of which relates to the EMTN program.

Via its Dutch subsidiary Vonovia Finance B.V., Vonovia issued an EMTN bond of € 500.0 million that runs until January 2041 with effect from January 28, 2021. The bond will bear interest at a rate of 1.00% p.a.

Berlin Hyp provided Vonovia Finance B.V. with secured financing of € 200.0 million with a term of ten years, with the agreement signed in December 2020 and the funds disbursed in February 2021.

Deutsche Pfandbriefbank issued Vonovia SE with a promissory note loan of € 100.0 million with a term of two years in March 2021.

On March 24, 2021 Vonovia SE issued a green bond with a total volume of € 600.0 million. The bond will bear interest at a rate of 0.625% and have a term of ten years.

Morgan Stanley, Société Générale and Bank of America provided Vonovia SE with bridge financing of up to € 20,150.0 million originally on August 5, 2021 with a term of up to two years as part of the acquisition of Deutsche Wohnen. It was drawn down in the amount of € 11,450.0 million and still had a value of around € 3,490.0 million as of December 31, 2021. This bridge financing was syndicated with 11 further banks.

Vonovia SE placed bonds with a total volume of € 4,000.0 million on June 16, 2021. The various tranches have terms of 3, 6, 8, 12 and 20 years and an average annual interest rate of 0.6875% p.a.

Vonovia SE placed bonds with a total volume of € 5,000.0 million on September 1, 2021. They have terms of 2, 4, 7, 11 and 30 years and an average annual interest rate of 0.49%.

A secured financing arrangement with bullet repayment worth around € 148.0 million was repaid in October 2021.

A bond in the amount of € 500.0 million issued in 2013 was also repaid in October 2021.

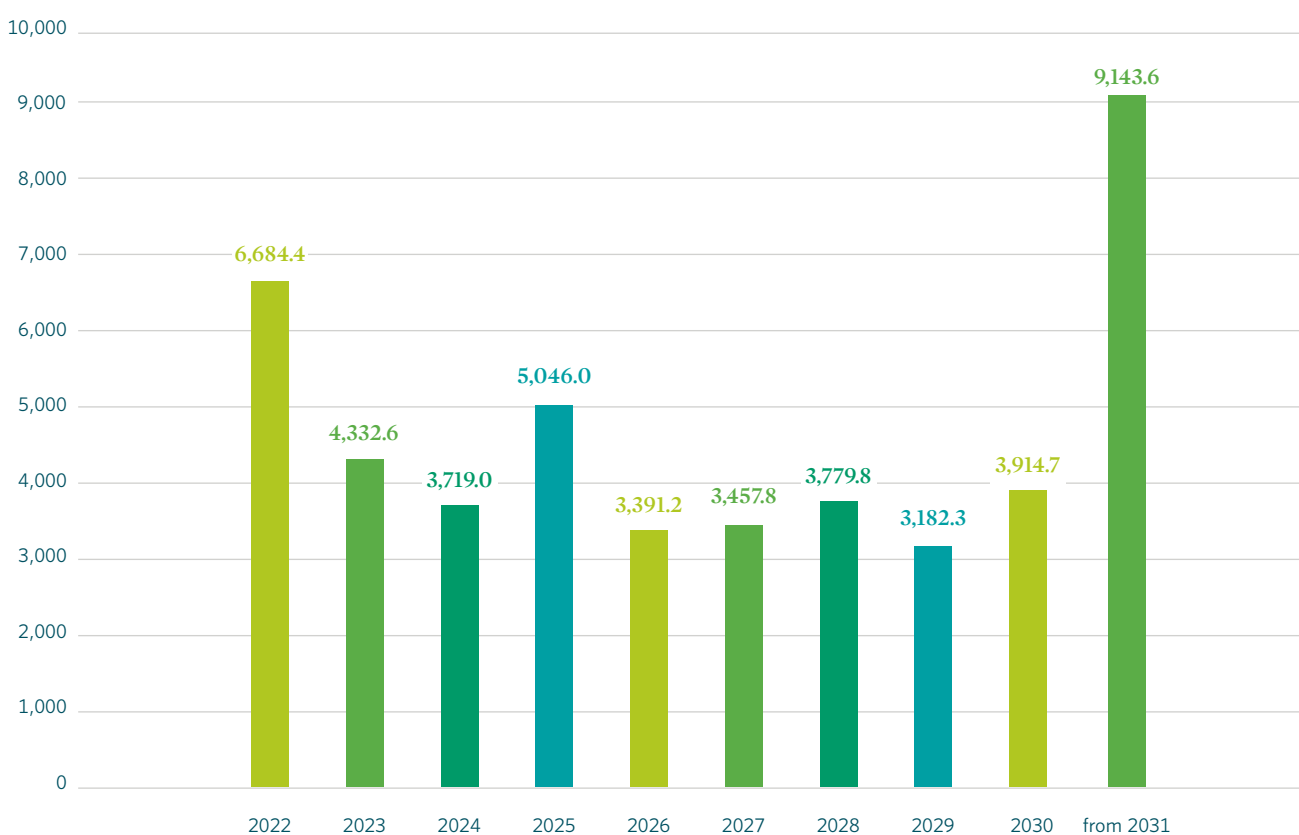
In December 2021, the perpetual hybrid bond raised in 2014 in the amount of € 1,000.0 million, which was reported as equity attributable to Vonovia's hybrid capital investors, was terminated and repaid on the first possible repayment date.

Liabilities amounting to around SEK 2,800.0 million (around € 260.0 million) were repaid as scheduled in the Swedish subgroup in the 2021 fiscal year.

The **debt maturity profile** of Vonovia's financing was as follows as of December 31, 2020:

## Maturity Profile

as of December 31, 2021, in € million (Face values)



In connection with the issue of unsecured bonds by Vonovia Finance B.V., Vonovia has undertaken to comply with the following standard market covenants:

- > Limitations on incurrence of financial indebtedness
- > Maintenance of consolidated coverage ratio
- > Maintenance of total unencumbered assets

The existing structured and secured financing arrangements also require adherence to certain standard market covenants. Any failure to meet the agreed financial covenants could have a negative effect on the liquidity status.

The LTV (loan to value) is as follows as of the reporting date:

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
Non-derivative financial liabilities	24,084.7	47,229.5	96.1
Foreign exchange rate effects	-18.9	-36.1	91.0
Cash and cash equivalents	-613.3	-1,932.4	>100
<b>Net debt</b>	<b>23,452.5</b>	<b>45,261.0</b>	<b>93.0</b>
Sales receivables	-122.3	-69.9	-42.8
<b>Adjusted net debt</b>	<b>23,330.2</b>	<b>45,191.1</b>	<b>93.7</b>
<b>Fair value of the real estate portfolio</b>	<b>58,910.7</b>	<b>97,845.3</b>	<b>66.1</b>
Loans to companies holding immovable property and land	-	1,042.1	-
Shares in other real estate companies	324.8	876.0	>100
<b>Adjusted fair value of the real estate portfolio</b>	<b>59,235.5</b>	<b>99,763.4</b>	<b>68.4</b>
<b>LTV</b>	<b>39.4%</b>	<b>45.3%</b>	<b>5.9 pp</b>

Taking account of the Berlin package sold to various municipal residential real estate companies in the federal state of

Berlin, the pro forma LTV comes to 44.0%. The financial covenants have been fulfilled as of the reporting date.

in € million	Dec. 31, 2020	Dec. 31, 2021	Change in %
Non-derivative financial liabilities	24,084.7	47,229.5	96.1
<b>Total assets</b>	<b>62,417.4</b>	<b>106,320.3</b>	<b>70.3</b>
<b>LTV bond covenants</b>	<b>38.6%</b>	<b>44.4%</b>	<b>5.8 pp</b>

## Economic Development of Vonovia SE

(Reporting on the basis of the German Commercial Code [HGB])

### Fundamental Information

Vonovia SE has been entered in the commercial register of Bochum Local Court under HRB 16879 since 2017. Vonovia SE was established as Deutsche Annington Immobilien GmbH on June 17, 1998, with its registered headquarters in Frankfurt am Main, to serve as an acquisition vehicle for the purchase of residential properties by financial investors. Following further successful acquisitions over the course of time, it now forms the Vonovia Group together with its subsidiaries and is one of the leading German, Austrian and Swedish residential real estate management companies. Following the successful integration of the BUWOG Group, Vonovia also ranks among the leading real estate developers in Germany and is the market leader in Austria.

Vonovia SE performs the function of the management holding company within the Vonovia Group. In this role, it is responsible for determining and pursuing the overall strategy and for implementing this strategy by setting the company's goals. It performs property management, project development, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management. To carry out these management functions, Vonovia SE also maintains service companies to which it has outsourced selected functions, allowing it to realize corresponding harmonization and standardization effects, as well as economies of scale.

The description of the company's net assets, financial position and results of operations is based largely on the reporting of the Vonovia Group. The net assets, financial position and results of operations of Vonovia SE as the management holding company are ultimately determined by the assets of the Group companies and their ability to make sustainable positive contributions to earnings and generate positive cash flows. The company's risk profile is therefore largely the same as the Group's.

The preceding reporting for the Group of Vonovia SE therefore also expresses the company's position.

The Vonovia SE annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) taking into account the supplementary regulations of the German Stock Corporation Act (AktG). As a listed company, Vonovia SE is classed as a large corporation.

The annual and consolidated financial statements as well as the combined management report are published in the Federal Gazette (Bundesanzeiger).

### Development of Business in 2021

Vonovia SE's 2021 fiscal year was also dominated by the coronavirus pandemic. The top priority for Vonovia SE, as the Group parent company, was to implement the coronavirus protection measures for the employees and customers of the Vonovia Group and to maintain its business operations.

The 2021 fiscal year was also dominated by the public takeover offer made to the shareholders of Deutsche Wohnen SE to acquire the majority of its shares as well as related equity and debt capital measures. As a result of the takeover procedure, as well as purchases on the stock market and based on bilateral agreements, Vonovia SE holds 87.6% of the shares in Deutsche Wohnen SE as of December 31, 2021. This means that Vonovia holds a majority stake in, and is the controlling entity of, Deutsche Wohnen SE in accordance with the German Stock Corporation Act (AktG); Deutsche Wohnen SE is a majority-owned dependent company of Vonovia SE.

Vonovia SE increased its total equity by means of a capital increase with subscription rights in the amount of € 8,080.5 million upon entry in the commercial register on December 2, 2021. Vonovia SE also increased its total equity by € 470.3 million by means of a scrip dividend.

In 2021, Vonovia issued bonds in the amount of € 9 billion to finance the public takeover offer.

Vonovia has a BBB+ rating awarded by the rating agency Standard & Poor's, an A3 rating awarded by Moody's and an A- rating awarded by the European rating agency Scope.

Vonovia held its Annual General Meeting as a virtual event on April 16, 2021 due to the pandemic. A virtual Annual General Meeting is once again planned for 2022.

### Results of Operations of Vonovia SE

The company regularly generates **income** from the charging of the services it provides, from income from investments in the form of dividend distributions from Group companies and income from the transfer of profits. Profit-and-loss transfer agreements exist with, among other entities, the service companies, which themselves generate income by charging the real estate companies for the services they have provided.

The income from investments collected is based on the net profit of the subsidiaries that is eligible for distribution, which is, in turn, calculated **based on the accounting standards** set out in the German Commercial Code. The main difference between these standards and the IFRS accounting principles lies in the fact that, under IFRS accounting, the fair value principle has more of an impact than the cost principle does under HGB accounting.

In the consolidated financial statements under IFRS, the properties are remeasured at periodic intervals. Under HGB, the fixed assets are stated at amortized cost, taking depreciation into account. The capitalization regulations in particular also vary.

**Expenses** relate largely to personnel and administrative expenses associated with the management holding function, as well as to losses to be compensated for in connection with profit-and-loss transfer agreements.

The **financial result** is governed by the Group financing and was dominated in 2021 by the financing of the takeover offer to acquire the majority of the shares in Deutsche Wohnen SE.

**Business development in 2021** and, consequently, the result for the year are influenced to a significant degree by special effects relating to the public takeover offer to acquire a majority stake in Deutsche Wohnen SE. These include, in particular, consultancy costs and fees in connection with the financing measures as well as the equity increase. By contrast, the previous year of 2020 saw virtually no significant non-recurring items with regard to operating expenses.

**Revenue** and other operating income fell by € 26.9 million in total. Revenues were down by € 15.2 million, mainly due to lower income from handling business for other companies, and other operating income also fell, primarily due to lower repayment waivers.

Purchased services, as a key component of the **cost of materials**, fell by € 7.0 million due to lower externally purchased services.

**Personnel expenses** came to € 31.3 million in 2021 as against € 38.4 million in 2020 due to lower allocations to the long-term incentive program.

The **other administrative expenses recognized in other operating expenses** come to around € 120 million in the 2021 fiscal year after adjustments to reflect the main special effects relating to the acquisition of the majority stake in Deutsche Wohnen SE, down slightly by around € 2.6 million in a year-on-year comparison.

The **special effects** in other operating expenses amount to around € 303 million. They mainly relate to expenses in connection with the financing measures as well as the capital increase.

**Net financial expenses** rose by € 51.2 million in total. Interest expenses of € 46.1 million due to the increase in debt financing made a considerable contribution to this trend. Net interest expenses vis-à-vis affiliated companies increased by € 5.0 million in total. This means that the increase in net financial expenses is due to volume-related and structural factors.

At € 172.9 million, **income from investments** in the 2021 fiscal year is € 48.6 million lower than in the 2020 fiscal year, when it came to € 221.4 million. Income from investments include € 9.9 million in Deutsche Wohnen SE dividends.

All in all, the net contribution to earnings made by profit and loss transfers fell by € 60.1 million. While the losses assumed fell considerably, by € 43.3 million to € 5.3 million, profit transfers also fell, by € 103.5 million. The prior-year figures were influenced by internal company law measures and special effects.



**Tax expense** in 2021 amounts to € 61.8 million as against € 12.5 million in the previous year, with € 4.6 million of the taxes reported for the fiscal year relating to previous years and € 57.27 million relating to deferred taxes. As the controlling company in a VAT group, Vonovia SE owes the corresponding income taxes.

Vonovia SE closed the 2021 fiscal year with a **net loss** of € 544,825,598.94 (2020: € 53,522,768.55).

After offsetting this loss for the year against the profit carried forward from the previous year of € 43,650,464.69, the Management Board withdrew a further € 1,826,175,134.25 from capital reserves, resulting in a **net profit** for the 2021 fiscal year of € 1,325,000,000.00.

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE as of December 31, 2021 of € 1,325,000,000.00, an amount of € 1,289,151,665.74 on the 776,597,389 shares of the share capital as of December 31, 2021 (corresponding to € 1.66 **per share**) be paid as a dividend to the shareholders, and that the remaining amount of € 35,848,334.26 be carried forward to the new account or be used for other dividends on shares carrying dividend rights at the time of the Annual General Meeting and which go beyond those as of December 31, 2021.

As in the 2018, 2019 and 2020 fiscal years, the dividend for the 2021 fiscal year, payable after the Annual General Meeting in April 2022, will again include the option of a non-cash dividend in shares, to the extent that the Management Board and the Supervisory Board consider this to be in the interests of the company and its shareholders."

## Income Statement

in € million	2020	2021
Revenues	181.3	166.2
Other operating income	51.6	39.8
Cost of purchased services	-80.2	-73.2
Personnel expenses	-38.4	-31.3
Other administrative expenses	-169.7	-497.7
<b>Loss (profit) before financial result and tax</b>	<b>-55.4</b>	<b>-396.2</b>
Income from profit transfer	256.5	153.1
Income from investments	13.5	25.1
Income from other non-current securities and non-current loans	-	18.9
Interest and similar income	22.1	16.1
Expense from the assumption of losses	-48.6	-5.3
Interest and similar expense	-229.1	-294.7
<b>Financial result</b>	<b>14.4</b>	<b>-86.8</b>
Tax	-12.5	-61.8
<b>Net loss</b>	<b>-53.5</b>	<b>-544.8</b>

## Net Assets and Financial Position of Vonovia SE

The company's **asset position** is characterized by the acquisition of a majority stake in Deutsche Wohnen SE, on the one hand due to the increase in shares in affiliated companies and on the other due to the increase in equity and debt capital.

The company's **non-current assets** in the amount of € 39,965.4 million (previous year: € 20,626.5 million) are largely characterized by non-current financial assets in the amount of € 39,936.8 million (previous year: € 20,596.1 million). The **increase in non-current financial assets** in the 2021 fiscal year is due primarily to the increase in shares in affiliated companies of € 18,339.8 million due to the acquisition of shares in Deutsche Wohnen SE and the reclassification of Group financing in the amount of € 989.4 million, particularly in the real estate development segment, due to the long-term provision of financial resources.

The company's intangible assets and tangible fixed assets fell overall due to depreciation and amortization in the normal course of business.

Net current assets (current assets less liabilities, prepaid expenses and deferred income) including cash and cash equivalents are governed by the Group financing structure, in which Vonovia SE assumes the function of the cash pool leader. Net current assets improved by € 1,177.1 million in favor of Vonovia SE in the 2021 fiscal year, with € 799.2 million of this improvement resulting from short-term investments of excess liquidity relating to the financing measures connected to the takeover offer.

The **Group's net lending/borrowing position**, which comprises receivables from and liabilities to affiliated companies as well as company loans resulting from the Group financing activity, developed by a total of € 1,498.5 million in Vonovia SE's favor in 2021.

The issue of bonds in the amount of € 9,600.0 million and the funds borrowed from banks increased Vonovia SE's **debt**

**financing** to € 14,641.1 million as of December 31, 2021 (previous year: € 1,257.7 million).

**Provisions** came to € 193.3 million at the end of the year (previous year: € 167.4 million), with € 84.8 million attributable to provisions for pensions (previous year: € 74.2 million) and € 35.5 million attributable to provisions for income taxes (previous year: € 32.9 million). Other provisions rose by a total of € 12.6 million as against December 31, 2020. The increase is due, on the one hand, to the allocation of a risk provision in connection with the recoverability guarantees vis-à-vis Vonovia Finance B.V., while on the other, the provision for the long-term incentive program was reduced.

**Total equity** increased again in the 2021 fiscal year to € 17,775.2 million due to the offer of the scrip dividend and the capital increase with subscription rights totaling € 8.1 billion. The cash dividend distribution in 2021 and the net loss for the year had the opposite effect of reducing total equity.

## Assets

in € million	Dec. 31, 2020	Dec. 31, 2021	in € million	Dec. 31, 2020	Dec. 31, 2021
<b>Assets</b>			<b>Equity and liabilities</b>		
Financial assets	20,596.1	39,936.8	Equity	10,725.6	17,775.2
Other assets	30.4	28.6	Provisions	167.4	193.3
Receivables from affiliated companies	4,934.2	4,469.6	Loans	-	9,600.0
Other receivables and assets	26.2	67.1	Liabilities to banks	1,257.7	5,041.1
Securities	-	549.2	Liabilities to affiliated companies	13,616.2	12,642.4
Cash and cash equivalents	190.8	356.6	Other liabilities	10.8	155.9
<b>Total assets</b>	<b>25,777.7</b>	<b>45,407.9</b>	<b>Total equity and liabilities</b>	<b>25,777.7</b>	<b>45,407.9</b>

Cash flow from operating activities is characterized by the income and expenses relating to the performance of the management holding functions. Vonovia SE only has appreciable cash flows from investing activities when acquisitions are made. Cash flows from financing activities regularly result from changes in Group financing and from the borrowing/repayment of debt financing following the assumption of the primary Group financing function from Vonovia Finance B.V.

## Employees of Vonovia SE

At the end of the 2021 fiscal year, an average of 160 people were employed at the company (2020: 161), 126 of whom were full-time employees and 34 of whom were part-time.

## Opportunities and Risks for Vonovia SE

The likely development of Vonovia SE in the 2022 fiscal year depends to a considerable extent on the development of the Group as a whole and its opportunity and risk situation. This situation is set out in the Group's opportunity and risk report, meaning that the statements set out there in regard to the opportunity and risk situation of the Group also apply to the annual financial statements of Vonovia SE prepared in accordance with German commercial law, where the risks can have an impact on the valuation of long-term financial assets and on the amount of the results of subsidiaries collected/compensated for.

### **Forecast for Vonovia SE**

Since the company's net assets, financial position and results of operations are determined solely by the ability of the Group companies to make positive earnings contributions and generate positive cash flows in the long term, we refer at this point to the Forecast Report for the Group. The most important financial performance indicator for the annual financial statements of Vonovia SE is the annual result.

The company's result for 2021 is characterized primarily by the special effects from the acquisition and its financing, which played much less of a role in 2020. Without taking these special effects into account, the net loss for 2021 runs into the mid-double-digit millions, on par with the level seen in previous years, in line with the forecast.

The results for the 2022 fiscal year will in turn be characterized by the results of subsidiaries collected/compensated for on the basis of income from investments and profit-and-loss transfer agreements, income from services, personnel and administrative expenses and the financial result.

All in all, we expect the company's result for the 2022 fiscal year to again be on a par with the figure seen in the previous years without special effects.

Vonovia plans to distribute a dividend of € 1.66 per share to the shareholders for the 2021 fiscal year. In principle, this is consistently aligned with the company's established policy of distributing around 70% of its Group FFO, albeit taking into account the contribution made by the Deutsche Wohnen Group for the 2021 fiscal year.

### **Statement of the Management Board on the Economic Situation**

The net assets, financial position and results of operations of the company are extremely positive, particularly given the solid financing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financing with a view to both organic and external growth. The ongoing improvements to the property management processes, the expansion of the Value-add segment, Recurring Sales and a successful development business promote ongoing improvement in profitability. Developments in Germany are complemented by equally positive developments in Sweden and Austria.

# Further Statutory Disclosures

## Corporate Governance

In the corporate governance declaration, we report on the principles of management and corporate governance in accordance with Principle 22 of the German Corporate Governance Code and Section 289f of the German Commercial Code (HGB). The declaration contains the Declaration of Conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The corporate governance declaration has been published at [www.vonovia.de/en](https://www.vonovia.de/en) under Investor Relations and does not form part of the management report.

Corporate governance is the responsible management and supervision of a company.

With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Vonovia SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value.

As a major real estate company, we are aware of the particular significance of our entrepreneurial actions for society at large. As a result, we are also committed to the main aims and principles of the Institute for Corporate Governance of the German housing industry. It supplements the corporate governance principles to include housing-specific aspects and is committed to even greater transparency, an improved image and a more competitive real estate sector.

# Opportunities and Risks

## Risk Management Structure and Instruments

The market environment and the overall statutory/regulatory conditions to which Vonovia is subject are constantly changing. Vonovia is also developing on an ongoing basis with the implementation of the strategy and the associated business activities. This means that new opportunities and risks arise on a regular basis, and that the extent of existing opportunities and risks can change at any time.

As a result, Vonovia has implemented a comprehensive risk management system that ensures that all of the risks that are relevant to the company can be identified, evaluated and managed. This reduces risk potential, secures the company's survival, supports its strategic further development and promotes responsible entrepreneurial action.

**Risks** are defined as possible events or developments that could have a negative impact on the company's expected economic development and, as a result, could lead to a

negative deviation from the short-term plans (budget and forecasts) and the company's medium-term plans (five-year plan).

**Opportunities** are possible events or developments that could have a positive impact on the company's expected economic development.

The risk management system was enhanced in the 2021 fiscal year, with a simulation model being added to calculate the company's risk-bearing capacity. An audit of our risk management system (RMS) was also conducted in accordance with the audit standard "Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Risk Management Systems" (IDW AsS 981) of the Institute of Public Auditors in Germany for the effectiveness period from July 1 to December 31, 2021. The audit was completed successfully in January 2022 and looked at the appropriateness, implementation and effectiveness of Vonovia SE's risk management system.

## 5 Pillars of Risk Management at Vonovia

<b>Management Board</b> (Strategy, Requirements/Goals, Control Environment, Monitoring)				
1 Performance Management	2 Compliance Management	3 Risk Management System	4 Internal Control System	5 Internal Audit
<b>Controlling</b> <ul style="list-style-type: none"> <li>&gt; Budget</li> <li>&gt; Forecast</li> <li>&gt; Results</li> </ul> <hr/> <b>Operational Areas</b> <ul style="list-style-type: none"> <li>&gt; Performance management</li> <li>&gt; Technical integrity</li> </ul>	<b>Compliance Officer</b> <ul style="list-style-type: none"> <li>&gt; Guidelines, regulations</li> <li>&gt; Contracts</li> <li>&gt; Capital market compliance</li> <li>&gt; Data protection</li> </ul> <hr/> <b>Operational Areas</b> <ul style="list-style-type: none"> <li>&gt; Ensuring compliance</li> </ul>	<b>Controlling</b> <ul style="list-style-type: none"> <li>&gt; Risk management process</li> <li>&gt; Risk reporting</li> </ul> <hr/> <b>Operational Areas</b> <ul style="list-style-type: none"> <li>&gt; Risk identification and evaluation</li> <li>&gt; Risk control</li> </ul>	<b>IT</b> <ul style="list-style-type: none"> <li>&gt; Process documentation</li> </ul> <b>Accounting</b> <ul style="list-style-type: none"> <li>&gt; Accounting-based internal control system</li> </ul> <hr/> <b>Operational Areas</b> <ul style="list-style-type: none"> <li>&gt; Documentation of core processes</li> <li>&gt; Control activities</li> <li>&gt; Control self assessment</li> </ul>	<b>Internal Audit</b> <ul style="list-style-type: none"> <li>&gt; Process-oriented audits</li> <li>&gt; Risk-oriented audits</li> </ul> <hr/> <b>Operational Areas</b> <ul style="list-style-type: none"> <li>&gt; Process improvements</li> </ul>

Vonovia's risk management system is based on an integrated five-pillar risk management approach.

### (1) Performance Management

Differentiated and detailed corporate planning and appropriate reporting on deviations between the actual and target operational and financial key figures from Controlling constitute the backbone of the early warning system used at the company. Analyses are made of the business performance compared with the plans approved by the Supervisory Board and the previous year. Furthermore, a forecast is prepared regularly which takes appropriate account of the effect of any potential risks and opportunities on the development of business. Reporting includes detailed monthly controlling reports to the Management Board and the Supervisory Board. The operational business is described in regular reports on key figures, some of which are drawn up on a weekly or daily basis. On the basis of these reports and the deviations that they highlight between the actual and target figures, countermeasures are initiated and implemented and then checked in subsequent reporting periods to ensure they are effective.

### (2) Compliance Management

Compliance means that the company, its bodies and employees act in line with the applicable rules and regulations. For the Management Board, compliance with statutory law and the observance of internal guidelines are the basis of corporate management and culture. Compliance is to ensure the integrity of employees, customers and business partners and avoid possible negative consequences for the company.

The management and monitoring of Vonovia is based on the relevant statutory requirements, the Articles of Association and the rules of procedure for the Supervisory Board and the Management Board. They form the basis for the company's internal rules and guidelines, adherence to which is monitored by a central compliance management system and administered by a guideline management team that forms part of the Legal department.

The guidelines describe clear organizational and monitoring structures with specified responsibilities and appropriately installed checks. The legally compliant behavior of all employees in the business processes is ensured by suitable control procedures and supervision by managers. The company has also put in place a compliance management system based on IDW (Institute of Public Auditors in Germany) standard PS 980 and has appointed a central compliance officer, whose remit focuses on identifying compliance risks, taking suitable measures to avoid and detect these risks and taking appropriate action in response to compliance risks (compliance program).

In terms of specific content, the main features of the compliance management system are Vonovia's Code of Conduct, which focuses on ethical values and statutory requirements and reinforces the personal responsibility of employees, Vonovia's Compliance Guidelines and a Business Partner Code setting out requirements that the company's contractual partners have to meet. An external ombudsman is available to all employees and business partners as a confidant with respect to compliance matters.

### (3) Risk Management System

Vonovia's strategy has a sustainable and long-term focus. As a result, Vonovia pursues a conservative risk strategy in its business activities. This does not mean minimizing risks, but rather promoting entrepreneurial and responsible action and ensuring the necessary transparency with regard to any possible risks.

In the 2021 fiscal year, Vonovia developed its existing risk management system further to feature a simulation model to calculate its risk-bearing capacity. Taking into account the new version of IDW standard AsS 340, a risk aggregation model was created based on Vonovia's five-year plan and the Group's risk-bearing capacity was investigated. Profit for the period and the Group FFO were defined as the values at risk. Several workshops with risk owners were used to quantify the risks to be modeled and analyze the interaction between individual top risks and selected green risks in detail. The outcome of the risk-bearing capacity analysis revealed that there is currently no current threat to Vonovia's survival over the five-year period. The analysis took a particular look at the parameters of non-compliance with rating criteria ("downgrade"), non-compliance with bond covenants ("covenant breach") and the possibility of the company becoming overindebted.

The risk management system supports all employees in their day-to-day work in accordance with Vonovia's mission statement. It ensures the early identification, assessment, management and monitoring of all risks within the Group that exceed the short-term financial risks dealt with by the Performance Management pillar and could pose a risk not only to the company's results of operations and net assets, but also to intangible assets. This means that potential risks which might impair the value and/or development of the company can be identified at an early stage. Early warning indicators that are specific to the environment and the company are taken into account, as are the observations and regional knowledge of our employees.

The operational management of the risk management system falls within the remit of the Head of Controlling, who is responsible for Risk Controlling. He reports to the Chief Financial Officer (CFO). Risk Controlling initiates the software-supported, periodic risk management process and

consolidates and validates the risks reported. It is also responsible for validating the risk management measures and monitoring their implementation. Risk Controlling works with the individual risk owners to define early warning indicators that are used to monitor actual developments with regard to certain risks.

The risk owners are the managers at the level directly below the Management Board. They are responsible for identifying, evaluating, managing, monitoring, documenting and communicating all risks in their sphere of responsibility. They are also responsible for recording and reporting all risks in the company's risk tool based on the defined reporting cycles (generally on a half-yearly or ad hoc basis, insofar as is necessary).

Based on a half-yearly risk inventory taken in the first and third quarters of a fiscal year Risk Controlling prepares a risk report for the Management Board and the Supervisory Board. It also simulates major risk developments and their impact on the corporate plans and objectives. This reporting system ensures that both managers and supervisory bodies are comprehensively informed. In this way, misguided developments can be recognized in good time and counter-action taken at an early stage. Should significant risks occur unexpectedly, they are reported directly to the Management Board and the Supervisory Board on an ad hoc basis.

The risk management system is updated and refined on a regular basis and is also adjusted to reflect changes at the company. The effectiveness of the risk management system is analyzed in regular audits.

In organizational terms, risk management is assigned directly to the Management Board. The Management Board has overall responsibility in this regard. It decides on the organizational structures and workflows of risk management and provision of resources. It approves the documented risk management findings and takes account of them in steering the company. The Audit Committee of the Supervisory Board monitors the effectiveness of the risk management system.

The risk management system looks at all activities in the risk management process, i.e.,

- > Risk identification
- > Risk assessment
- > Risk aggregation
- > Risk control
- > Risk monitoring.

Based on the COSO Framework, a risk space with the following four main **risk categories** has been defined to facilitate **risk identification**: strategy, regulatory environment & overall statutory framework, operating business and financing (including accounting and tax). A structured risk catalog has been assigned to each of these categories.

When it comes to **assessing risk**, a distinction is made between risks with an impact on profit and loss and those affecting the balance sheet. Risks with an impact on profit and loss have a negative effect on the company's sustained earnings power and, as a result, on Group FFO. In general, these risks also have an impact on liquidity. Risks affecting the balance sheet do not impact Group FFO. In particular, these risks can be such that they do not affect liquidity, e.g., because they only impact property values.



If possible, risk assessments are always to be performed in quantitative terms. If this was difficult to achieve or not possible, a qualitative assessment was performed using a

detailed matrix comprising five loss categories. The expected amount of loss is classified to one of five categories:

Category	Class	Description	Impact on profit and loss*	Impact on statement of financial position*
Very high	5	Threatens the company's existence	Possible loss of > € 500 million in Group FFO	Possible balance sheet loss of > € 8,000 million
High	4	Dangerous impact on business development, previous business situation cannot be restored in the medium term	Possible loss of € 250 million to € 500 million in Group FFO	Possible balance sheet loss of € 4,000 million to € 8,000 million
Considerable	3	Temporarily impairs business development	Possible loss of € 100 million to € 250 million in Group FFO	Possible balance sheet loss of € 1,600 million to € 4,000 million
Noticeable	2	Low impact, possibly leaving a mark on business development in one or more years	Possible loss of € 25 million to € 100 million in Group FFO	Possible balance sheet loss of € 400 million to € 1,600 million
Low	1	Minor impact on business development	Possible loss of € 5 million to € 25 million in Group FFO	Possible balance sheet loss of € 80 million to € 400 million

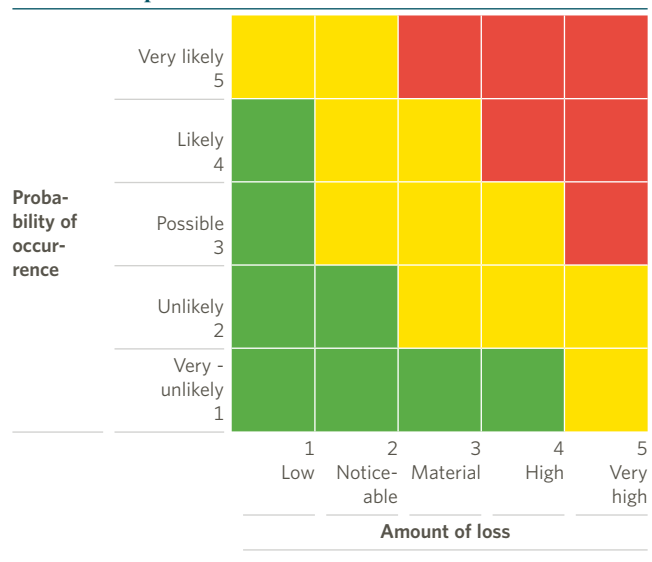
\* Understood as the possible financial loss over five years in accordance with the medium-term planning horizon.

five clusters have been defined for the expected probability of occurrence.

Category	Class	Definition	Probability
Very likely	5	It is to be assumed that the risk will materialize during the observation period.	> 95%
Likely	4	The risk is likely to materialize during the observation period.	60–95%
Possible	3	The risk could materialize during the observation period.	40–59%
Unlikely	2	The risk is unlikely to materialize during the observation period.	5–39%
Very unlikely	1	It is to be assumed that the risk will not materialize during the observation period.	< 5%

The expected amount of loss and the probability of occurrence are classified within the set ranges before action (gross) and after action (net) for each risk, documented in a risk tool and transferred to a heatmap there. Risk reporting is based on the net assessment and the assignment of risks in the net heatmap, comprising five categories for both probability of occurrence and the amount of loss.

### Net Heatmap



The term “top risks” refers to the risks assigned to the red and amber fields. These are reported to the Supervisory Board and published as part of the external reporting process. The risks assigned to the red fields are classified as threatening or endangering the company or its survival. The risks assigned to the amber fields are significant to the company. Red and amber risks are subject to intensive monitoring by the Management Board and the Supervisory Board. The risks assigned to the green fields are less significant to the company.

As part of **risk management**, we focus on material risks, combined with active risk management. If possible and necessary, specific risk management measures are agreed and incorporated into a regular monitoring process to be conducted by Risk Controlling.

Regular **risk monitoring** by Risk Controlling ensures that risk management measures are implemented as planned.

#### (4) Internal Control System

The Internal Control System (ICS) comprises the basic principles, procedures and regulations aimed at supporting the effectiveness and cost-effectiveness of our business activities, ensuring due and proper and reliable internal and external accounting and ensuring compliance with the legal provisions that apply to the company.

All key processes at Vonovia are recorded and documented centrally with the help of a process management software solution. In addition to the relevant process steps, this documentation highlights key risks and controls in the interests of a process-oriented internal control system (ICS). It provides the binding basis for subsequent evaluations, audits and reporting to the executive bodies of Vonovia SE on the effectiveness of the ICS within the meaning of Section 107 (3) sentence 2 of the German Stock Corporation Act (AktG).

Overall responsibility for structuring and implementing the ICS lies with Vonovia's Management Board. The Management Board delegates this responsibility to process and control owners. The Internal Audit department provides support in the further technical development of the ICS in addition to performing its primary audit duties in full. Internal Audit is responsible for providing technical support for the documentation software, with administrative support being provided by IT.

The aim of the accounting-related internal control and risk management system is to ensure due and proper and legally compliant financial reporting pursuant to the relevant regulations. The accounting-related internal control and risk management system is embedded in the overarching Group-wide risk management system.

Organizationally, responsibility for preparing the financial statements lies with the Chief Financial Officer's (CFO) department and, in particular, with the Accounting department. The Accounting department accordingly exercises the authority to lay down guidelines for the application of relevant accounting standards as well as for the content and timing of the steps in the financial statements preparation process.

From the organizational and systems side, the preparation of the financial statements for all companies included in the consolidated financial statements as well as the preparation of the consolidated financial statements themselves are performed in the central shared service centers, which ensures consistent and continual application of accounting principles in a uniform financial statement preparation process. Furthermore, through the shared service center functions it is ensured that both content and organizational changes in the requirements are incorporated in the financial statement preparation process.

The financial statements of the companies included in the consolidated financial statements – with the exception of the companies in Sweden and the investments in France and the Netherlands – are located in an IT SAP environment. They are subject largely to uniform charts of account, accounting guidelines, processes and process controls. The requirement of separation of functions and the dual-review principle are taken appropriate account of with preventive and also subsequent checks. The financial statements of the Deutsche Wohnen Group are managed in a separate IT environment. The subsidiaries of the Deutsche Wohnen Group as well as those in Sweden and the investments in France and the Netherlands report their data as part of a structured IT-based data recording process.

The relevant financial statement data of the individual companies are made available to the SAP consolidation module via an integrated, automated interface with comprehensive validation rules for further processing and preparation of the consolidated financial statements. An authorization concept is in place granting access to the financial statements in line with the respective job profile of the employee.

Newly acquired companies are incorporated into the internal control environment as part of a structured integration process, which includes integration in terms of both IT systems and processes relating to financial statements.

Once the financial statements have been drawn up, the annual and consolidated financial statements, including the consolidated management report, are submitted to the Audit Committee of the Supervisory Board. The Committee then makes a recommendation for the Supervisory Board to adopt or approve them. This examination may include discussion with the auditor and is subject to the auditor's report. The Audit Committee is continually involved in the establishment and refinement of the accounting-related internal control and risk management system.

## **(5) Internal Audit**

The system and control environment, business processes and the internal control system (ICS) are audited on a regular basis by Vonovia's Group Audit department. The annual audit plan is based on a risk-oriented evaluation of all relevant audit areas of the Group (audit universe) and is approved by the Management Board and the Supervisory Board's Audit Committee.

The audits conducted throughout the year focus on assessing the effectiveness of the control and risk management systems, identifying process improvements in order to minimize risks and ensuring the sustainability of Vonovia's business activities. Corresponding special ad hoc audits are also performed in consultation with the Management Board. The internal reports are presented to the Management Board, the individuals responsible for the area reviewed and, in cases involving significant and serious findings, the risk manager and, where relevant, the compliance officer on a regular basis. The Audit Committee receives a quarterly summary of the audit results and measures. The implementation status of the agreed measures is monitored on an ongoing basis after the relevant due dates and is reported to the Management Board and the Audit Committee on a quarterly basis. A follow-up audit is conducted to ensure that any serious findings have been remedied.

## **Current Risk Assessment**

A scheduled risk inventory was performed in both the first and second half of the 2021 fiscal year. The risk report was presented to the Management Board and the Audit Committee. There were no unscheduled ad hoc risk reports in the 2021 fiscal year.

The Deutsche Wohnen Group was consolidated for the first time as of September 30, 2021, meaning that the opportunities and risks associated with the Deutsche Wohnen Group have also passed to Vonovia.

## **Overall Assessment of the Risk Situation**

A total of 108 (2020: 106) individual risks were identified for Vonovia, including Deutsche Wohnen, in the second half of 2021.

An initial review of the risks associated with the Deutsche Wohnen Group in the fourth quarter of 2021 confirmed that the risks arising from the operating business activities pursued by Deutsche Wohnen and Vonovia are fundamentally similar and that this does not give rise to any significant changes in the overall assessment of Vonovia's risk situation. Vonovia's valuation methodology was applied to the Deutsche Wohnen risks. Additional green risks arise, in particular, from the new Care segment (one green risk with an amount of loss of € 5-25 million and a probability of occurrence of 5-39%), from the investment in QUARTERBACK Immobilien AG, which is responsible for large parts of Deutsche Wohnen's project development business (one green risk with an amount of loss of € 25-100 million and a probability of occurrence of 5-39%) as well as from the operating business (two green risks, each with an amount of loss of € 5-25 million and a probability of occurrence of 60-95%). The resulting opportunities and risks will be examined in detail in 2022 as part of the integration process and will be applied to Vonovia's risk management system.

All in all, and based on the current assessment, there were no signs of any risks resulting from the acquisition of Deutsche Wohnen threatening or endangering Vonovia or its survival at the end of 2021. At the time this report was prepared, Vonovia's Management Board had not identified any risks associated with future business development that the company cannot suitably overcome, or which could jeopardize the position of Vonovia SE, a major company included in the scope of consolidation or the Group as a whole in terms of revenue, assets and/or finances.

In the interest of the company's key stakeholders – customers, employees, suppliers, investors and society – Vonovia pursues a conservative strategy that focuses on security and sustainability. In addition, both the business model and the diversified capital market instruments used by Vonovia ensure that we have the greatest possible degree of independence from economic fluctuations.

Six (2020: six) amber risks that are significant to the company and 102 (2020: 100) other green risks were identified. Specifically, the picture that emerges for each risk category is as follows (prior-year figures in brackets):

Risk	Strategy	Operating business	Regulatory environment	Financing	Total
					0 (0)
		1 (2)	2 (3)	3 (1)	6 (6)
	9 (9)	53 (50)	29 (30)	11 (11)	102 (100)
<b>Total</b>	<b>9 (9)</b>	<b>54 (52)</b>	<b>31 (33)</b>	<b>14 (12)</b>	<b>108 (106)</b>

As against 2020, the number of amber risks remained at six. The risk recognized in 2020 of a “long-term lockdown imposed in response to the pandemic” and of the “nationwide introduction of a ‘rent freeze’” were considered obsolete. New risks that arose in 2021 were associated with “amendments to the German Real Estate Transfer Tax Act (Grunderwerbsteuergesetz) due to share deals” and “unfavorable interest rate developments.”

At the end of 2021 (previous years in parentheses), the net risks identified can be summarized as follows:

#### Net risks

Probability of occurrence over the next 5 years (in %)	> 95	60-95	40-59	5-39	< 5
		5 (4)	1 (1)	25 (22)	41 (45)
			1 (1)	15 (13)	6 (4)
				2 (1)	4 (5)
					3 (3)
					2 (3)
Impact on profit and loss	5-25	25-100	100-250	250-500	> 500
Impact on statement of financial position	80-400	400-1,600	1,600-4,000	4,000-8,000	> 8,000
Amount of loss over the next 5 years (in € million)					

In the 2021 fiscal year, we were once again exposed to the coronavirus pandemic, a situation that we were able to address without any significant impact on our corporate

objectives. Due to our experience, gleaned in 2020, of how to handle the pandemic on a day-to-day basis and thanks to a large proportion of our employees being able to work from home, we were able to continue operating throughout 2021. We were also able to provide our craftsmen's, service and construction services on location without encountering any significant restrictions. Thanks to the responsible conduct shown by our employees, there have been no significant restrictions on our operations overall.

Based on our current assessment of the situation, we consider the prospect of a **long-term lockdown imposed due to the coronavirus pandemic**, which was previously included with a potential impact of > € 500 million and a probability of occurrence of <5%, to be extremely unlikely. As a result, the corresponding amber risk no longer applies. We believe that the green risk of another short-term lockdown is possible and expect this risk to involve a low amount of loss.

Based on our current assessment of the situation, we no longer believe that there is a risk of the **nationwide introduction of a rent freeze**.

A new amber risk that is classified as very unlikely, with a <5% probability of occurrence, is the risk with an impact on profit and loss associated with **“amendments to the German Real Estate Transfer Tax Act due to share deals”**. The amendments to the German Real Estate Transfer Tax Act that came into force on July 1, 2021, lowering the participation threshold from 95% to 90% and increasing the observation period from 5 to 10 years, could give rise to a subsequent liability to pay real estate transfer tax. The expected loss amount is currently estimated at >€ 500 million.

The risk associated with **“unfavorable interest rate developments”** which was previously recognized as a green risk with an impact on profit and loss, is now recognized as an amber risk due to the potential probability of occurrence being increased from <5% to 5-39%. The expected loss amount is currently estimated at € 100-250 million.

For the amber risk with an impact on profit and loss associated with a **“deteriorating residential property market situation with regard to apartment sales / buyer behavior,”** the assessment of the expected amount of loss remains unchanged year-on-year at € 100-250 million, and the evaluation of the probability of occurrence is also unchanged at 5-39%.

The assessment of the amber risk with an impact on profit and loss associated with a **“failure to fulfill obligations (from bonds, secured loans, transactions)”** remains unchanged in a year-on-year comparison with a probability of occurrence of <5% and an expected loss amount of >€ 500 million.

The assessment of the loss amount for the amber risk with an impact on profit and loss associated with an **“adverse structure of CO<sub>2</sub> tax”** is unchanged at € 25-100 million, with the expected probability of occurrence 60-95%.

The amount of loss expected in connection with the amber risk with an impact on profit and loss associated with **“unfavorable exchange rate developments,”** which relates to our business activities in Sweden, remains unchanged at € 25-100 million, with a probability of occurrence of 40-59%.

The following overview of the remaining green risks presents the **four main risk categories** of the company in detail. Individual risks are shown as examples for each category:

### Risks Related to Strategy

Overall, nine (2020: nine) risks, none of which have a material impact on Vonovia's business development, have been identified in this risk category. These relate, in particular, to the strategy of making acquisitions when the right opportunities present themselves and the strategy of developing new fields of business and are all green risks.

Vonovia's strategy is described in the Business Model & Strategy section. Based on this strategy, the Management Board has not identified any significant or acutely threatening risks, let alone risks that could pose a threat to the company's survival.

Vonovia has set itself an intensity target equating to a roughly 25% reduction in CO<sub>2</sub> emissions in its German portfolio by 2030 compared to the baseline year, 2019, in order to achieve its climate objectives and meet the associated regulatory requirements. We currently consider the risk of non-compliance to be low and improbable.

In addition, Vonovia could be exposed to risks associated with non-compliance with statutory requirements and investor or analyst expectations regarding its sustainability reporting. We currently assess this risk as being associated with a substantial amount of loss, but believe that it is very unlikely to materialize.

Risks could also arise from a failure to meet stakeholder expectations and statutory requirements with regard to diversity. We currently assess this risk as being associated with a low amount of loss and believe that it is very unlikely to materialize.

### Risks Related to Operating Business

A total of 54 (2020: 52) risks were identified in this risk category. With the exception of the abovementioned amber risk relating to a “deteriorating residential property market situation with regard to apartment sales/buyer behavior,” all risks in this category are green risks that are not of any material significance.

A drop in property values due to market-related factors can result in a reduction in the fair values of Vonovia's portfolio in the context of the fair value measurement process, albeit without this impacting liquidity. We currently assess this risk as being associated with a high amount of loss, but believe that it is very unlikely to materialize. Vonovia counters this risk by ensuring that its portfolio is diversified in terms of location. This reduces its reliance on local market developments. Negative market developments can also have an impact on the opportunities to sell apartments and buildings. Vonovia has established a stringent process for setting sale prices in order to monitor this risk. In addition, sales volumes, prices and margins are reported to the management team on a regular basis so that the company can respond quickly to market developments.

Structural risks, e.g., relating to fire protection, could arise in Vonovia's portfolio due to insufficient information on how the building construction work was executed. At present, we have assigned this risk a low amount of loss of € 5-25 million and a probability of occurrence of 5-39%. Vonovia counters this risk by carrying out regular inspections and checks on its properties, ensuring that any faults identified are rectified immediately, developing and implementing suitable fire protection concepts and implementing any amendments to construction regulations as part of a structured process. This procedure is also incorporated directly into the process for integrating real estate portfolios purchased by Vonovia.

Risks in the Development business can arise throughout the entire developmental cycle of the individual projects. These risks arise, in particular, from higher project costs as well as from changes in market conditions and customer preferences. We currently assess each of these risks as being associated with a significant amount of loss of € 25-100 million and a probability of occurrence of 5-39%. In order to counter these risks, Vonovia has established detailed due diligence measures that it applies whenever it purchases land as well as in its project and contract management activities. Furthermore, we closely monitor market developments. If necessary, Vonovia also has the option of adding apartments that it intended to sell to third parties to its own portfolio.

When it comes to the development of new fields of business in the Value-add segment, risks can arise from the design and implementation of the business models. Procurement prices can also develop differently than expected. At present, we have assigned this procurement price risk in our energy services area a low amount of loss of € 25-100 million and a probability of occurrence of <5%.

Failure to comply with statutory occupational health and safety and occupational safety management provisions could create risks for Vonovia. We currently assess these risks as being associated with a substantial amount of loss but believe that they are very unlikely to materialize.

What is more, crisis situations or catastrophes, such as floods, earthquakes, extreme weather events, etc. could have an impact on our real estate portfolio and require specific crisis management measures. We do not believe that climate change gives rise to any significant direct risks at the moment, e.g., caused by extreme weather conditions such as heavy rain with the potential for floods.

### Risks Related to Regulatory Environment & Overall Statutory Framework

A total of 31 (2020: 33) risks were identified in this risk category. With the exception of the two amber risks mentioned above, "unfavorable exchange rate developments" and "adverse structure of CO<sub>2</sub> tax," none of the risks would have a material impact on Vonovia's business development and are classified as green risks as a result. Based on our current assessment, we have classified the previous amber risk of the "nationwide introduction of a 'rent freeze'" as obsolete.

In addition to the risks associated with the statutory requirements on how rent levels are set, there are a number of risks resulting from possible changes to the other overall statutory conditions that are relevant to our business. Changes to tax provisions, for example, could result in a higher current tax obligation. Similarly, further changes regarding the extent to which operating and ancillary expenses can be passed on could result in higher property management expenses or lower income in our Value-add Business. We do not expect these risks to have a material impact.

The public political debate surrounding housing availability and price trends is translating into efforts to expropriate housing portfolios. We assess this risk as being associated with a low amount of loss and believe that it is very unlikely to materialize.

In order to be able to pick up on potential changes in the overall statutory framework early on, Vonovia is involved in active dialog with policymakers and other stakeholders. Vonovia is also represented in associations and monitors the legislative procedure and recent court decisions on a regular basis.

Breaches of provisions concerning special contractual rights (Social Charters) can come hand-in-hand with risks. While we have assigned a significant amount of loss of € 100-250 million to these risks, we consider them very unlikely to materialize.

Vonovia's stock exchange listing means that it is subject to disclosure obligations. Failure to comply with these obligations is associated with both financial risks and risks of reputational damage. While we have assigned a significant amount of loss of € 100-250 million to these risks, we consider them very unlikely to materialize.

Long-term economic slumps triggered by macroeconomic and geopolitical risks, such as escalating trade conflicts, the economic impact of the coronavirus pandemic or foreign policy conflicts, could have an adverse effect on the overall conditions for Vonovia. We currently assess this risk as being associated with a substantial amount of loss of € 25-100 million, but believe that it is unlikely to materialize.

Breaches of the Code of Conduct, the Anti-Corruption Policy and legal requirements relating to bribery and corruption could entail risks for Vonovia. We currently assess these risks as being associated with a low amount of loss and believe that they are very unlikely to materialize.

Material impact of legal disputes can entail risks for Vonovia. We currently assess these risks as being associated with an amount of loss of € 25-100 million and believe that they are unlikely to materialize. We have also assessed existing risks from legal disputes regarding a property in Nuremberg as being associated with a potential amount of loss of € 5-25 million and believe that it is possible that these risks will materialize.

Failure to comply with working conditions that are required by law, such as minimum wage standards, safety standards, etc. as well as failure to respect human rights in the supply chain could result in risks for Vonovia. We currently assess these risks as being associated with a low amount of loss and believe that they are very unlikely to materialize.



## Risks Related to Financing

Ensuring a balanced and sustainable financing approach focusing on security as well as extensive access to the equity and debt capital markets at all times is extremely important for Vonovia's business development. This orientation is also reflected in the risks identified in relation to financing. The number of risks in the "financing" category rose from 12 at the end of 2020 to 14 at the end of 2021.

In addition to the three amber risks referred to above, namely "failure to fulfill obligations (from bonds, secured loans, transactions)," "unfavorable interest rate developments" and "amendments to the German Real Estate Transfer Tax Act (Grunderwerbsteuergesetz) due to share deals," there are additional green risks relating to financing that are not of any material significance to Vonovia's business development.

Failure to comply with key financial figures or the assessment of our market positioning could result in Vonovia losing its current ratings (S&P: BBB+/Positive; Scope: A-/Stable; Moody's: A3/Stable). Given our financing strategy and the prerequisite that acquisition decisions cannot have any impact on our rating, we believe that this risk is associated with a low amount of loss and is very unlikely to materialize.

Factors such as a significant rating downgrade or a reluctance among institutional investors to invest due to market-related factors, as was the case, for example, during the financial crisis, or a poorer reputation due to the public debate on affordable housing, could result in restricted access to the bond market. We currently assess this risk as being associated with an amount of loss of € 250–500 million, but believe that it is very unlikely to materialize.

Vonovia is also exposed to the risk of losing sustainable financing. Sustainable "green" financing is becoming increasingly relevant. Failure by Vonovia to meet its sustainability targets, for example, could jeopardize the basis for this financing. We currently assess this risk as being associated with an amount of loss of € 25–100 million, but believe that it is very unlikely to materialize.

Vonovia is also exposed to a liquidity risk in its ongoing business activities. We have established extensive liquidity management processes in response to this risk. We currently assess this risk as being associated with a low amount of loss and believe that it is very unlikely to materialize.

Vonovia also has a sufficient working capital facility available at all times and enjoys access to short-term money market securities. This means that, as of the reporting date, Vonovia SE has sufficient cash and cash equivalents and short-term financing options to guarantee the ability to pay of all Group companies at all times

## **Current Assessment of the Main Opportunities**

### Assessment of Opportunities Inherent in the Business Model

In the process of defining its strategy and preparing its short and medium-term plans, Vonovia has identified and addressed earnings potential. The assumptions applied within this context regarding the corporate strategy, economic environment and market-related factors, and the company's operating business are not only associated with risks. Rather, Vonovia's business development can also end up being more favorable than in the assumptions included in the company's plans.

### Strategy-Related Opportunities

The decision to focus our business activities on sustainable and ecological action remains at the core of our corporate strategy. This can give rise to significant opportunities. Vonovia's stated aim is to improve quality of living and significantly reduce the CO<sub>2</sub> emissions originating from our residential properties. Vonovia is using sustainable, ecological building materials and sustainable energy concepts to help conserve scarce resources and make targeted use of renewable energy. Within this context, we see our neighborhoods as a strong link for sector coupling. As a result, we expect opportunities to arise from the targeted digital networking of electricity, heat and mobility. As far as electricity is concerned, we are looking at approaches involving, for example, green electricity generated on a decentralized level. Possible approaches related to heating include, for example, hybrid heating systems and neighborhood heat storage facilities. Mobility concepts include charging stations and wallboxes. Further opportunities are also arising from the ecological transformation of the residential environment, such as the creation of tenant gardens and flower meadows and the installation of insect hotels so as to make a contribution to biodiversity. By focusing our new construction activities on the latest ecological standards in a targeted manner, we can make a further contribution to alleviating



the shortage of housing and improving our ecological footprint and stick to the binding climate path that we made a commitment to in the 2020 fiscal year.

Sociological and economic research data suggests that the population in Germany and parts of Europe will continue to grow as a result of migration. This will result in sustained high demand for affordable housing which cannot be satisfied in full by the expected levels of new construction activity, not even in the medium term. On the one hand, this translates directly into opportunities for the development and new construction business. On the other hand, the housing market will be faced not only with quantitative challenges due to the flow of migrants, but also with challenges relating to integration that Vonovia can counter using its experience of strategic and sustainable neighborhood development. Another key factor in this regard is the demographic change toward an aging society, resulting in what is likely to be a steady increase in the demand for senior-friendly and affordable homes over the coming years. As a result, opportunities could also arise from senior-friendly modernization and investment in new and innovative housing concepts.

The coalition agreement is aiming to increase the amount of affordable housing available both by building new properties and by transforming existing properties in a manner that is as close to climate-neutral as possible. This will not be possible without private-sector investment. Creating a positive investment climate for the residential real estate markets also, however, means making the required ecological construction and modernization measures cost-effective, making additional land available for construction, reducing the amount of red tape and promoting the acceptance of private-sector real estate investors in general, which can, in turn, create opportunities for Vonovia.

Looking at the internationalization strategy, the further regulatory changes in the residential property markets in other European countries, such as France, could give rise to further opportunities provided that the overall conditions are similar and consistent with our acquisition criteria. Other acquisition opportunities in Sweden, Austria and the Netherlands could also have a positive impact on business development.

Making acquisitions within the value chain as and when opportunities present themselves, also with regard to the Value-add Business, could open up additional earnings potential. In the Value-add Business itself, significant opportunities could also arise both from entry into the B2B business and from moves to expand existing business models to

include customer groups outside of Vonovia. They systematic further development of the existing Value-add Business already, however, offers scope for further earnings potential. By way of example, the expansion of our business activities relating to tenant modernization and apartment design request packages and the expansion of “fiber to the home” (FTTH) services, metering services, care and support services for our older tenants and measures to develop residential surroundings could create opportunities.

Our corporate strategy also focuses on our employees' further development and on employee satisfaction. We aim to make use of new HR development concepts and actively shape the recruitment of new staff to fill vacant positions. We are also aiming to increase the proportion of women at the first and second levels of management. All in all, further opportunities could arise for Vonovia due to the advantages associated with diversity and as a result of our increased appeal as an employer.

### Economic Environment and Market-Related Opportunities

The housing industry is being influenced to a considerable degree by a range of social and technological megatrends. According to analyses released by the German Federal Statistical Office, domestic migration from rural areas to the country's large metropolitan areas will continue unchanged. The resulting shortage of housing in urban areas could be exacerbated even further by the effects of migration from global crisis hotspots and the trend toward smaller households. In particular, it is worth noting in this context that the new German government plans to take targeted measures to promote immigration from non-EU countries. The German Federal Employment Agency (Bundesagentur für Arbeit) also expects Germany to require around 400,000 immigrants a year to close the gaps on the labor market resulting from demographic changes. As a result, the Cologne Institute for Economic Research expects to see a shortfall of as much as 308,000 apartments a year in the medium term. This development trend could benefit our existing real estate portfolio, which focuses primarily on small and medium-sized apartments in urban areas. Vonovia is also in a position to counter the increasing shortage of affordable housing through its development and new construction business. The German government coalition agreement has set a target involving the construction of 400,000 new apartments per year. This will not be possible without deregulation measures and the provision of additional land for construction, which could, in turn, create opportunities for Vonovia.

One megatrend that enjoys a particularly prominent position in the coalition agreement is undoubtedly climate protection. This is merely the logical consequence of the process of far-reaching social change that has been ongoing for years now. Within this context, the decision taken very early on to focus on energy-efficiency refurbishments could prove to be advantageous. After all, almost one-third of CO<sub>2</sub> emissions in Germany can currently be attributed to residential property. Aside from this, however, Vonovia also sees itself as a driver of innovation. In the Energy Center of the Future in Bochum-Weitmar, for example, Vonovia is testing experimental technologies for decentralized energy generation. In order to support this process, the "1,000 Roofs" program for decentralized energy generation launched in the 2019 fiscal year was completed successfully in 2021 before being extended until 2050 as the "30,000 Roofs" program. Sustained increased environmental awareness could therefore result in the Vonovia brand taking on increasingly positive connotations in the future and in greater demand for Vonovia's energy-efficient apartments.

### Opportunities Arising From the Operating Business

The megatrend of digitalization is also having an impact on the real estate sector, as is reflected not least in the establishment of a new Management Board division for digitalization and innovation as of January 1, 2022. This is why Vonovia will continue to make systematic investments in testing and expanding new technologies in the future, too, e.g., in the areas of "artificial intelligence" or "robotics." We expect the systematic rollout of these and other technologies within the company, for example aimed at "predictive maintenance," "home automation," "process automation" and "building information system," and at the interface with our customers, to create additional opportunities.

"Predictive maintenance," for example, could allow damage to elevators or heating units to be prevented before it arises. Smart home systems could allow tenants to consciously manage their energy costs. What is more, digital communication platforms can help to improve dialogue with tenants. Vonovia's tenant app is a good example. The response to the app remains very positive and it is used extensively. Acquisition opportunities at all stages in the value chain to enable the further implementation of digital solutions within Vonovia's processes, but also at the various interfaces, could open up further earnings potential in this area.

Digitalization could also, however, open up further opportunities outside of Vonovia. The digitalization of public administration could promote the much-called-for streamlining of administrative and, in particular, approval processes, with a positive impact, for example, on Vonovia's development/new construction business thanks to the quicker approval of building applications.

In recent years, Vonovia has expanded its business activities to include attractive markets in other European countries. Within the context of these efforts, 2021 was characterized primarily by a consolidation phase, as is reflected most clearly in the future consolidation of the Swedish business under the new "Victoriahem" brand umbrella. The continuation of this strategy could give rise to further growth opportunities in Sweden, Austria, France and the Netherlands as well as in other European countries.

We also see the potential acquisition of larger portfolios in Germany, as well as the targeted small-scale "tactical" acquisitions of single or multiple buildings in specific locations and targeted measures in the residential environment as an opportunity to improve the nature and quality of whole residential districts and thus increase the appeal of our apartments for our customers and the value of our residential properties.

Vonovia manages its housing portfolios throughout Germany using standardized systems and processes. As a result, the acquisition of further residential real estate portfolios offers the opportunity to generate additional value through economies of scale on the property management side by reducing the costs per residential unit. This strategy is also reflected in the acquisition of Deutsche Wohnen, which we expect to generate synergies in the amount of € 105 million. The same applies to the corresponding transfer of expertise from the property management segment, the Value-add segment and the new construction and development segment to other European target markets. Vonovia also believes that opportunities could arise, in particular, from the fact that new construction and the development business can be made more efficient and more cost-effective by using modular construction, series construction or other innovative construction methods.

Our own craftsmen's organization is responsible for repair and maintenance services for our residential properties. We are aiming to continually increase the proportion of building and apartment optimizing services we provide ourselves via our craftsmen's organization as well as new building construction and reduce the proportion of third-party services that we need to purchase. In particular due to the shortage of workers with the desired skills and the availability of corresponding capacities, we intend to extend the scope of these services to cover all kinds of technical work and thus bring added value from these services to Vonovia. This is being supported by corresponding HR management concepts.

At the end of 2021 we had supplied around 330,000 households with a direct cable TV signal. Our subsidiary DMSG has also been developed into a full-service telecommunications provider that will continue to forge ahead with the expansion of fiber optics in Vonovia's properties. This will allow us to offer our tenants various different Internet products. We plan to continue to expand our business significantly to include various telecommunications services.

The expansion of smart submetering, the radio-based recording of heating costs, is progressing as planned. By the end of 2021, the retrofitting of more than 220,000 apartments had been commissioned. We plan to further expand these business activities in our portfolio over the next few years.

In the 2021 fiscal year, we further expanded our offering in the field of energy supplies, i.e., the distribution of electricity and gas. The market response to this remains positive. In the 2021 fiscal year, 32,000 private electricity customers were supplied with 42.1 GWh of electricity, with 4,400 private gas customers receiving 22.3 GWh of gas.

## Financial Opportunities

Vonovia has benefited from extremely favorable conditions on the capital and banking markets in recent years, allowing it to establish a financing foundation that is stable in the long run. This gives Vonovia the opportunity to access relatively advantageous (re)financing options, even in market environments that may be more disadvantageous in the future. This is evident, in particular, from the fact that Vonovia had no problems refinancing the acquisition of Deutsche Wohnen via the equity and debt capital markets despite inflation rates being at an all-time high and despite the associated debate on the need to hike key interest rates in the future.

Together with the diversification strategy for liquidity procurement that we have been pursuing for many years now, we also have the opportunity to optimize the structure and conditions of our financial liabilities on an ongoing basis.

The strengthening of our market share in urban areas within our target markets could also have a positive impact on how our investors and ratings agencies assess our risks, resulting in a further improvement in our attractive financing conditions.

Our investments in affordable homes are associated with a cash flow that is largely independent of economic factors. The resulting stability allows us to service our financial liabilities with a relative degree of certainty, even in times of economic or political crisis. This is evident, in particular, from the fact that our rent default rate, which was already low to begin with, has not increased to any significant degree, even in the second year of the coronavirus pandemic.

# Forecast Report

## Business Outlook

### Comparison of the Previous Forecasts With the Results From 2021

All in all, the 2021 fiscal year was very successful for Vonovia despite the ongoing coronavirus pandemic. By continuing with our crisis management approach, we were able to successfully meet the challenges posed by the coronavirus crisis. Segment revenue increased in all of our operating segments.

In addition, we used the successful takeover and acquisition of a majority stake in Deutsche Wohnen to further enhance our market position. Deutsche Wohnen was consolidated for the first time as of September 30, 2021, meaning that all opportunities and risks associated with the Deutsche Wohnen Group have also passed to Vonovia. The integration process has been launched successfully. The Deutsche Wohnen segment is included in the earnings contributions for the fourth quarter of 2021 for the first time. The Deutsche Wohnen integration process will potentially involve making decisions on a new segment structure in the 2022 fiscal year.

The coronavirus pandemic had no noteworthy impact on the Rental segment. In the Value-add segment, our modernization activities were only restricted to a slight degree by the coronavirus crisis. In the Recurring Sales segment, there were a few isolated delays in apartment viewings. The Development segment performed well thanks to successful project developments and completions. The **total segment**

**revenue** came to around € 5.2 billion (incl. Deutsche Wohnen) in 2021, up by 18.5% on the prior-year figure of around € 4.4 billion. Excluding Deutsche Wohnen, total segment revenue came to around € 4.9 billion in 2021, up by around 11% on the prior-year figure, putting it at the lower end of the most recent forecast range of between € 4.9–5.1 billion.

**Adjusted EBITDA Total** rose by 18.8% from € 1,909.8 million to € 2,269.3 million (incl. Deutsche Wohnen). Excluding Deutsche Wohnen, Adjusted EBITDA came to € 2,098.5 million. The latest forecast range was between € 2,055 million and € 2,105 million. With the exception of the Value-add segment, all other segments reported growth in Adjusted EBITDA. The increase in adjusted EBITDA Rental was driven primarily by organic growth resulting from new construction and modernization measures. In addition, Adjusted EBITDA in the Development segment rose from € 110.9 million in 2020 to € 187.7 million in 2021, primarily due to the global exit of a “Development to sell” project. **Group FFO** rose by 24.0% from € 1,348.2 million in 2020 to € 1,672.0 million in 2021 (incl. Deutsche Wohnen). Excluding Deutsche Wohnen, Group FFO came to € 1,534.5million, falling within the most recent forecast range of between € 1,520 million and € 1,540 million.

The **EPRA NTA per share** came in at € 66.73 in 2021, up by 13.5% on the TERP-adjusted prior-year value of € 58.78. This includes effects from fair value adjustments of investment properties in the amount of € 7.4 billion in total (2020: € 3.7 billion). The distribution of the cash dividend of € 486.0 million in 2021 had the opposite effect (2020: € 504.6 million). Excluding further market-related changes in value, the EPRA NTA per share was originally expected to increase moderately. From Vonovia's perspective, it is not possible to arrive at a valid forecast of market-related changes in value, which is why no EPRA NTA per share including market-related changes in value was forecast for 2021 (and the figure is not being forecast for 2022 either) and there will be no comparison with the value achieved in 2021.

In 2021, our **Sustainability Performance Index** (excluding Deutsche Wohnen) came to 109%, higher than our most recent forecast of 105% and the original forecast of around 100%. This was helped along in particular by the reduction of CO<sub>2</sub> intensity, the development of the average primary energy requirements of new construction, and the positive development of the customer satisfaction index.

### Forecast for the 2022 Fiscal Year

Our forecast for the 2022 fiscal year is based on determined and updated corporate planning for the Vonovia Group as a whole, and considers current business developments, the acquisition of Deutsche Wohnen, possible opportunities and risks, and the expected impacts of the coronavirus pandemic. It also includes the key overall macroeconomic developments and the economic factors that are relevant to the real estate industry and our corporate strategy. Further information is provided in the sections entitled → **Development of the Economy and the Industry** and → **Fundamental Information About the Group**. Beyond this, the Group's further development remains exposed to general opportunities and risks (see chapter on → **Opportunities and Risks**).

The forecast was based on the accounting principles used in the consolidated financial statements, with the adjustments described elsewhere in the management report being made. The forecast does not take account of any larger acquisitions of real estate portfolios.

We continue to expect that the coronavirus pandemic will not have a significant impact on the key operational and financial figures of any of the operating segments and therefore will have no noteworthy impact on future business development. We are currently observing stable demand for rental apartments and no negative impact on market values as a result of the coronavirus pandemic.

We expect total segment revenue to increase further in 2022. We also expect to see a marked increase in Adjusted EBITDA Total, with the Deutsche Wohnen operating segment contributing the biggest increase in absolute terms in 2022 (compared to the Q4 contribution in 2021) as it will be making a contribution for a full year. The EBITDA contribution for the Rental segment is expected to be on par with the previous year's level. We predict weak growth for Value-add and Recurring Sales. Given the strong result in the 2021 fiscal year, mainly due to a major global exit of a "Development to sell" project, we expect to see a slight decline in the Development segment. We also expect to see a marked increase in Group FFO. In addition, we expect the value of our company to increase further in 2022 and predict a slight increase in EPRA NTA per share, leaving any further market-related changes in value out of the equation.

Based on the individual weighted targets and the values planned for the 2022 fiscal year in each case, we predict a total value of around 100% for the Sustainability Performance Index (excluding Deutsche Wohnen).

The table below provides an overview of the development of our forecast performance indicators excluding Deutsche Wohnen, their target achievement level in the 2021 fiscal year, the Group figures for 2021 as well as a forecast for the 2022 fiscal year.

	Actual 2020	Forecast for 2021	Forecast for 2021 in the 2021 Q3 Report***	Actual 2021***	Actual 2021	Forecast for 2022
Total Segment Revenue	€ 4.4 billion	€ 4.9-5.1 billion	€ 4.9-5.1 billion	€ 4.9 billion	€ 5.2 billion	€ 6.2-6.4 billion
Adjusted EBITDA Total	€ 1,909.8 million	€ 1,975-2,025 million	Around upper end of € 2,055-2,105 million	€ 2,098.5 million	€ 2,269.3 million	€ 2.75-2.85 billion
Group FFO*	€ 1,348.2 million	€ 1,415-1,465 million	€ 1,520-1,540 million	€ 1,534.5 million	€ 1,672.0 million	€ 2.0-2.1 billion
Group FFO per share**	€ 2.23	suspended	suspended	€ 1.98	€ 2.15	suspended
EPRA NTA per share**	€ 58.78	suspended	suspended	-	€ 66.73	suspended
Sustainability Performance Index (SPI)***	-	-100%	-105%	109%	-	-100%
Rental income rental Segment/Deutsche Wohnen	€ 2,285.9 million	€ 2.3-2.4 billion	€ 2.3-2.4 billion	€ 2,361.6 million	€ 2,568.7 million	€ 3.1-3.2 billion
Organic rent growth (eop)	3.1%	Increase of -3.0-3.8%****	Increase of -3.8%	3.8%	3.8%	Increase of -3.3%
Modernization and new construction	€ 1,343.9 million	€ 1.3-1.6 billion	€ 1.3-1.6 billion	€ 1,285.2 million	€ 1,398.3 million	€ 2.1-2.5 billion
Number of units sold Recurring Sales/Deutsche Wohnen core	2,442	-2,500	-2,800	2,747	2,748	-3,000
Fair value step-up Recurring Sales/Deutsche Wohnen core	39.6%	-30%	>35%	38.8%	38.8%	-30%

\* Comparable Group FFO 2021 based on a new definition for 2022 without elimination of IFRS 16 effect: € 1,709.3 million.

\*\* Based on the shares carrying dividend rights on the reporting date, prior-year value TERP-adjusted (1.067), excluding real estate transfer tax and taking into account the total deferred taxes on investment properties of Deutsche Wohnen in the amount of € 5,880 million (previously only 50% included), this results in an EPRA NTA per share 2021 of € 62.77.

\*\*\* Excluding Deutsche Wohnen.

\*\*\*\* Depending on whether or not the Act on Rent Controls in the Housing Sector in Berlin (MietenWoG Bln) is found to be constitutional at the end of 2021, we expect rent increases at the upper/lower end of the forecast.

Bochum, Germany, March 10, 2022

The Management Board



Rolf Buch  
(CEO)



Arnd Fittkau  
(CRO)



Philip Grosse  
(CFO)



Daniel Riedl  
(CDO)



Helene von Roeder  
(CTO)

