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Sustainable Governance and Responsible Business Practices



GRI 2-10, 2-27, 2-28, 2-29, 3-3

UNGC Principle 1, Principle 2, Principle 4, Principle 5, Principle 10



Disclosure

Opportunities and Risks

Vonovia has been listed on the Deutsche Aktienindex (DAX) since 2015. It became the first residential real estate company to be listed on the EURO STOXX 50 index in 2020, and is currently the only real estate company on the index.

Access to external capital is a fundamental prerequisite for our success. In the 2022 reporting year, the market was characterized by high rates of inflation, rising interest rates, a slowdown in economic growth and indications of a risk of recession. This was also reflected in Vonovia's share price.

ESG criteria is becoming increasingly significant in investment decisions and sustainable financing options. Failure to meet ESG expectations presents risks up to being excluded from an investor's investment portfolio or other access to capital. In contrast, a probably good performance in sustainability issues results in the opportunity of gaining good access to a broad range of financing options. This enables us to continue responding to the challenges facing the housing industry, both now and in the future.

Sustainability, transparency and corporate success are all mutually dependent; integrating sustainability into business and strategy processes in particular is constantly gaining in importance. With the inclusion of digital work and communication processes in the business world, the structured management of information and data is also growing in significance. This issue is particularly relevant for us as we handle sensitive corporate and personal data. It is extremely important that we keep this data safe in order to avoid a loss of reputation and potential legal fees.

HIGHLIGHTS 2022

- > Stability of the business model proven – despite crises and high interest rates
- > Sustainability Performance Index (SPI) at 103%
- > New Sustainable Finance Framework (EU taxonomy-compliant) implemented
- > Seven sustainable bonds amounting to more than € 4 billion and SEK 1.25 billion issued
- > Top ESG ratings defended and expanded – DJSI European member once again
- > Declaration of Respect for Human Rights updated
- > Independent whistleblower hotline in regular operation for employees and stakeholders; additional channel for reporting discrimination incidents set up
- > Further development of training offers for dealing with conflicts of interests and anti-corruption

Transparency is the Foundation of our Business

Trust is the top priority for our customers, the capital market, employees and all other key stakeholders. In order to gain trust and maintain it, we have made reliable and transparent corporate governance the foundation of our business. We adhere to laws, guidelines and regulations and manage our business responsibly and independently in line with the principles of good corporate governance.

If we fail to meet the expectations of our stakeholders in terms of responsible corporate governance, this may lead to risks that could have an impact on our business (e. g., liability risks or potential administration fines) and our reputation.

Although the laws in the markets we serve in Germany, Austria and Sweden already offer a secure framework particularly in terms of labor and social standards – such as the Supply Chain Due Diligence Act – human rights aspects are increasingly moving into the spotlight. This applies, for instance, to risks relating to compliance with labor and social standards on construction sites.

As an active member of society, Vonovia is involved with socio-political processes to form opinion. We want to engage with stakeholders on an equal footing and believe that this dialogue makes a valuable contribution along with what we do as a company. As Germany’s largest residential real estate company, we believe there is an opportunity for us to be heard when the public debate focuses on solution-oriented exchanges regarding housing policy.

In the Sustainable Governance and Responsible Business Practices action area, the two main topics for us are **Governance and Compliance** and **Appeal on the Capital Market**. These are flanked by the topics of **Sustainable Corporate Strategy, Digitalization and Data Security, Human Rights Due Diligence and Supply Chain** and **Contribution to Socio-Political Dialogue**.

Sustainable Corporate Strategy

Sustainable and Long-Term Growth

Vonovia’s business model is based on three pillars: the rental of good-quality, modern living space at fair prices, 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. Like all providers of homes, we face the challenge of countering the social megatrends of climate change, urbanization and demographic change with appropriate strategies and solutions (see → **Vonovia in the Context of Current Trends and Developments**).

In order to keep our business model fit for the future and adapt it to the current challenges, we have been pursuing our 4+2 corporate strategy since our initial listing in 2013. The four pillars – property management, financing, portfolio management and Value-add – are complemented by opportunistic acquisitions and measures for the internationalization of Vonovia. The successful merger with Deutsche Wohnen is the result of the continuation of our sustainable growth strategy. This merger has allowed us to tap into new synergies, harmonize processes and make processes even more efficient. At the same time, managing with integrity, the sustainability of the business model and the extent to which the company is perceived as living up to its social responsibilities are playing an increasingly important role at Vonovia.

More information about our 4+2 strategy is available in our [📄 2022 Annual Report](#).

Vonovia’s corporate strategy has also proven to be robust and resilient in the face of the impact of Russia’s invasion of Ukraine and the coronavirus pandemic. Our digitalization ambitions and measures in particular enabled us to not only keep our business processes running more or less smoothly, but also to develop them further (see → **Digitalization and Data Security**).

We continuously adapt our strategy and focus particularly on highlighting the sustainability aspects. The Sustainable Governance and Responsible Business Practices action area stipulates the guidelines and principles of our corporate governance and compliance and ensures our sustainable and long-term success on the capital market for our future viability.

Since 2021, Vonovia’s remuneration structure for the Management Board and top management levels has been linked to the achievement of sustainability targets. This is a clear expression of the relevance of the strategic direction toward sustainability at Vonovia. The sustainability targets are defined in our sustainability performance index (SPI). The SPI came to 103% in the 2022 reporting year. A detailed

description of our Management System is provided in our [2022 Annual Report](#). Further information is available in the [remuneration report](#).

Elements of Long-term Variable Management Board Remuneration

- > Relative Total Shareholder Return (relative TSR)
- > NTA (Net Tangible Assets) per share
- > Group FFO (Funds from Operations) per share
- > Sustainability Performance Index (SPI)

Management of Opportunities and Risks

Assessing the risk related to sustainability factors is becoming increasingly important in the list of requirements that investors and analysts look at. The recommendations made by the **Task Force on Climate-related Financial Disclosures (TCFD)** are in response to this trend. They serve to highlight the direct and indirect financial risks and opportunities arising from climate change and make them transparent (see [→ Implementation of the TCFD Recommendations](#)).

Vonovia has a comprehensive risk management system in place that enables it to identify, assign weightings to, and manage opportunities and risks relevant to the company. This:

- > Reduces potential threats
- > Secures the future viability of the company
- > Promotes our strategic development
- > Helps us to act sustainably

Vonovia’s risk management system was aligned with the sustainability aspects of the corporate strategy. For risks with an explicit sustainability aspect, not only the impacts on Vonovia (outside-in perspective) are taken into consideration but also any impact these risks may have on the environment and society (inside-out perspective).

For transparency purposes, we explain the risk situation at Vonovia in detail in our Annual Report and provide an up-to-date risk assessment on behalf of the Management Board (see [Current Risk Assessment](#)). We also provide a wide range of information in this sustainability report based on the TCFD framework for disclosing climate-related risks (see [→ Implementation of the TCFD Recommendations](#)).

For the current reporting year, the identified sustainability risks were classed as “green” with one exception. This means that the potential amount of loss is low and the probability of occurrence is very low.

The yellow risk “Unfavorable carbon tax” has been assigned an expected amount of loss of € 40–150 million (2021: € 25–100 million) and is still assessed as having a probability of occurrence of 60–95%. The legislation on the carbon tax introduced by the German government could entail risks for Vonovia with the potential to negatively impact Adjusted EBITDA in the Rental segment. In order to limit this risk, Vonovia has implemented a program for energy-efficient refurbishments within its portfolio and is researching new methods for carbon-reduced energy production (power-heat coupling, sector coupling, etc.).

The Management Board bears full responsibility for risk management. The Head of Controlling reports to the CFO and is responsible for the operational management of the risk management system. Risk Controlling initiates the periodic risk management process and consolidates and validates the reported risks with the assistance of risk owners – managers at the level directly below the Management Board (see [Opportunities and Risks](#)).

Identified Sustainability Risks

- > Unfavorable carbon tax
- > Risk of non-compliance with the climate path
- > Risk of business continuity in disasters/crisis situations
- > Risks resulting from climate change
- > Risks from the design and implementation of business models
- > Procurement price risk in the area of our energy services
- > Procurement risks in relation to the expansion of renewable energy through photovoltaics
- > Risk of breaches of provisions concerning special contractual rights (social charters)
- > Risk of non-compliance with legislation on occupational health and safety management
- > Risk of losing sustainable financing
- > Risks associated with non-compliance with statutory requirements and investor or analyst expectations regarding ongoing sustainability reporting
- > Risk of non-compliance with operator obligations

Governance and Compliance

GRI 2-10, 2-16, 2-23, 2-25, 2-26, 2-27, 3-3, 205-3, 207-1, 207-2, 207-3, 406-1

Our Approach

Our Corporate Governance Principles

Corporate governance covers all of the functions, processes and frameworks, and ensures our company is managed and monitored responsibly and independently. It means the management has clear and functional rules to follow in order to fulfill the company's social responsibilities and its responsibilities toward employees, suppliers and customers. Group-wide guidelines and business principles include our [Business Philosophy](#), our [Code of Conduct](#), the [Business Partner Code](#) and our [Declaration of Respect for Human Rights](#).

We also live up to this responsible attitude with our independent Supervisory Board and our commitment to the principles of the German Corporate Governance Code (GCGC, see [Corporate Governance Declaration](#)). Our Supervisory Board consists exclusively of independent members that are individually recommended and elected. We publish the individual attendance figures for the Supervisory Board meetings in our [Annual Report](#). Comprehensive information regarding corporate governance can be found in the [investor relations website](#). This includes disclosures on shares held in the company by members of our Management and Supervisory Boards. In addition to the GCGC, we are also committed to the principles of the Institute for Corporate Governance of the German housing industry.

That is also why we place such an emphasis on compliance with applicable legislation and tenancy law. Adhering to the legal framework conditions and regulations does not just apply to our own employees but also for the suppliers and service providers we work with (see [Human Rights Due Diligence and Supply Chains](#)).

Compliance Management and Whistleblowing System

The compliance management system (CMS) supports the corporate governance's direction and is intended to prevent employee misconduct and safeguard the company against misconduct. At Vonovia, the CMS is based on three pillars: prevention, detection and response. 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). The CMS is subject to a periodic audit, which was last carried out by an independent auditor (in 2021). An effectiveness review and certification of the CMS is being prepared for 2023.

Strict adherence to compliance rules protects the integrity of employees, customers and business partners, and shields our company from negative influences. This is an indispensable prerequisite for being perceived as a reliable and trustworthy partner.

The Chief Executive Officer (CEO) is responsible for implementation of the CMS. The Chief Compliance Officer reports directly to the Chief Executive Officer. A Compliance Committee comprising the Chief Compliance Officer, Compliance Managers, the external ombudsperson, representatives of the Internal Audit, Risk Management and HR Management departments, the works council and companies outside of Germany regularly updates the system in line with current requirements and is responsible for its ongoing development. In this context, the Chief Compliance Officer acts as a central contact point for compliance-related questions and suspicions. The Chief Compliance Officer has also been appointed Human Rights Officer since January 1, 2023. His activities are supported by the compliance managers and specialists in the individual departments.

CMS is also supported by our web-based whistleblowing hotline. Compliance breaches can be reported in German and English (as well as in four other languages in the future), online and anonymously. The whistleblowing system is open to employees, suppliers, customers and other stakeholders. In addition, a reporting mailbox has also been set up in the HR department to identify potential violations of the General Act on Equal Treatment in particular (Allgemeines Gleichbehandlungsgesetz). The whistleblower report, prepared externally every six months, is included in the compliance report. One of the key performance indicators in this area is the total number of proven cases of corruption in Germany. In the 2022 reporting year, 28 (2021: 45) suspected cases of corruption or compliance issues had been reported and carefully investigated in Germany. No material compliance violations were uncovered. There were no proven cases of corruption. The severity of all reported cases was deter-

mined to be minor. The reported cases can be assigned to the following categories, among others: incidents with tenants, conflicts of interest involving employees, information regarding allegations of fraud (involving commission) relating to employees, but also external persons, notifications of material theft and vehicle break-ins.

No

significant confirmed incidents of corruption or breaches of anti-money laundering regulations in 2022

The CMS and whistleblowing system apply to the entire Group. Deutsche Wohnen also maintains its own legal and compliance department, which is supported by Vonovia's compliance and data protection department under the terms of the agency agreements. Whenever legislation in Austria or Sweden conflicts with Group-wide rules, a different rule is adopted for the subgroup in the form of a national guideline. Responsibility for this lies with the respective managing directors.

Subsequent Events

On March 7, 2023, Vonovia SE received information from the Bochum public prosecutor's office regarding investigations against current and former members on the basis of a search warrant issued by the Local Court of Bochum. According to the information provided, it is suspected that Vonovia SE or selected affiliated companies have suffered damage due to organized and commercial fraud, breaches of trust in the form of anticompetitive agreements in connection with tenders and particularly serious cases of passive and active corruption in business transactions. To what extent tenants have suffered damage due to this is currently being reviewed in the internal investigation that has been launched.

Measures have been taken to clarify the incidents in full. The auditing firm Deloitte has also been engaged to conduct an independent investigation. Initial internal investigations have revealed that the allegations made in the context of the investigations are based exclusively on collusion between the defendants, meaning that existing, otherwise effective control mechanisms can be circumvented. As only completed processes are included in the presentation of the key figures for the respective reporting year, this incident has no relation to the key figures presented for 2021 and 2022 (see → [Key Figures - Governance](#), [Reviewing Taxonomy-eligible Economic Activities for Taxonomy Alignment](#), [Combating Corruption and Bribery](#)).

The internal control system (ICS) comprises the basic principles, procedures and regulations introduced in the company to ensure due, proper and reliable internal and external accounting. It also ensures compliance with the legal provisions that apply to the company. The Internal Audit department regularly audits the functionality of the internal control system and submits reports regarding the internal control system to the Supervisory Board's Audit Committee in the quarterly status reports and the Annual Report. Based on findings from internal or external audits, we make continuous improvements to our internal control system. Another component of our internal control system is regular monitoring, on the basis of which any weak points identified are eliminated. The effectiveness of the internal control system was once more confirmed for the 2022 reporting year. In this regard, we refer to the explanatory information concerning the appropriateness and effectiveness of the ICS in the combined management report (see [Corporate Governance](#)).

Organizational Focus

In order to acknowledge the increasing significance of compliance topics, the existing Compliance office became an independent Compliance department in April 2023 and was moved out of the previous structure (attached to the Legal department). The role of Chief Compliance Officer, reporting directly to the Chief Executive Officer, was created to head the department.

The Management and Supervisory Board offices coordinate the cooperation between the various management committees and organize the flow of information between the Management Board and the Supervisory Board. The Legal department, Management Board and Supervisory Board office work together closely to decide how to implement resolutions taken by the decision-making bodies. The Supervisory Board Audit Committee regularly reviews the Compliance report and Internal Audit's status report (see [Annual Report](#)).

While the Legal department, which is responsible for CMS, is under the direct supervision of the CEO, the Tax department is headed by the CFO.

Integration of New Companies

When we integrate new companies into the structures of the Group, as recently occurred with Deutsche Wohnen, we determine which policies are already in effect and identify any changes that are required in the course of the integration. The responsible managers review our guidelines throughout all Group areas every two years to determine if they have to be updated.

The Compliance Guidelines and other individual guidelines were adapted to the Austrian legal system and published as a national guideline for the Austrian subgroup in the reporting year. During this process, both the Business Partner Code and the Code of Conduct were reviewed and some small changes were made. The new Compliance Guidelines were presented to all BUWOG employees in Austria during an information event in order to raise awareness and clarify our position in this area.

Objectives and Measures

Across the Group, our aim is for full compliance with guidelines, applicable laws, values, corporate governance principles and the code of conduct.

Risk Analysis

The Group-wide (excluding Deutsche Wohnen), web-based compliance risk analysis that was conducted at management level in the 2021 fiscal year had identified potential for improvement in the areas of money laundering prevention and IT security, while performance in the other areas were considered good to very good. One measure resulting from this was the restructuring of the data protection department, which was merged with the central compliance department on January 1, 2022. This serves to simplify internal processes, thus making them easier to safeguard. The next compliance risk analysis is planned for 2023 and will include requirements from the Supply Chain Due Diligence Act.

Training

Regular training courses, planned and implemented by the Compliance and HR departments, form the basis of our work to prevent misconduct. A comprehensive catalog of regular and mandatory training events is already firmly established and has been adapted for the various internal target groups. The procurement department, for which the issue is particularly relevant, receives special training on corruption and criminal law pertaining to corruption, for example. In the reporting year, we extended compliance training by another five new formats that we intend to repeat annually:

- > Mandatory training on dealing with conflicts of interests (for all employees)
- > Mandatory anti-corruption training (for all employees)
- > Training format for the sales department on money laundering (in response to recommendations in the compliance risk analysis)
- > Training to recognize corruption and fraud (for all management levels)
- > Training on completing contracts (for the development area)

Five

new training formats introduced

In the past, we have heard about cases of third parties acting as "intermediaries" between potential tenants and our landlords in order to collect commission for procuring housing. This is not permitted. Vonovia's rental process is standardized and binding in all cases. In order to raise awareness of this among our landlords and to protect potential tenants, we developed the brochure "Fair play in new rentals" in the 2022 reporting year. It was sent with a letter explaining the background to all Vonovia landlords in Germany. The brochure also clarifies how to deal with demands for commission from third parties. It explains which channels can be used to report misconduct and who the correct contact is for questions and reports. We also plan to communicate with Vonovia caretakers about this topic.

Multilingual Whistleblowing System

Over the course of 2023, our whistleblowing system will be made available in up to six more languages to minimize any language barriers.

Tax Compliance

Tax compliance and tax risk management are an important element of our CMS. We remain committed to continuity and transparency in all areas of our business when it comes to our taxes. As a result, the [tax strategy](#) adopted in 2018 is still in effect. We see ourselves as a taxpayer that lives up to its social responsibility in terms of contributing to society financially. Vonovia is committed to the due fulfillment of its tax obligations and has therefore set itself the goals of:

- > Meeting its tax obligations in Germany, Austria, Sweden and the Netherlands as a multinational company with operational subsidiaries
- > Ensuring full compliance with tax compliance regulations
- > Maintaining a tax-compliant culture and organizational structure that ensures that subsidiaries are not misused as vehicles for tax optimization and that no tax havens are used

Our understanding of tax is based on clearly defined responsibility and control processes and a risk management system that comprises the following elements:

- > Regular exchange of information between the CFO and the Head of Tax
- > Regular information to the Supervisory Board on key topics and risks
- > Implementation of an internal tax compliance system (internally and externally audited)
- > Complete documentation of tax-related issues
- > Whistleblowing system

The appropriateness and implementation as well as the effectiveness of our tax compliance management system was subjected to an external audit by the auditor in Germany for selected tax types in 2021 and successfully certified in January 2022. The Austrian subsidiaries were also successfully audited for adequacy in 2020, followed by an effectiveness audit for the period from July 1 to December 31, 2020, at the beginning of 2021. The auditor did not identify any issues. A partial internal assessment of the tax compliance management system in Germany and Austria was performed by the Internal Audit department in the reporting year. The results confirmed the appropriateness and effectiveness of the measures implemented. You can find more information regarding taxes in the [Annual Report](#) and in the Investor Relations section of our [website](#).

Digitalization and Data Security

Digitalization of Internal Processes and in Customer Services

Digitalization offers a lot of opportunities to develop processes further. It is an important topic at Vonovia: Ideas for improvements become digital solutions that make customer services quick and easy for our tenants and optimize our processes. For instance, we have already introduced digital tenant and HR files as well as a digital installation portal. We were recognized as a top digital company by the Süddeutsche Zeitung Institute and Statista for our dedication to digitalization in the reporting year.

Digital applications also help us to manage our portfolio. Internet of things (IoT) technology enables data-based decision making and an effective analysis of the technical status of building infrastructure independent of location. Almost all of the elevator systems in our buildings, for example, send reports to the technology center in real time. The information is then pooled and analyzed there. The central heating systems are also monitored remotely. With the data collected, we notice disruptions sooner and can remedy them quicker. The heating systems can also be managed more efficiently and buildings' carbon emissions lowered. We are currently developing an additional app for remote heating monitoring that is due to be made available in the course of 2023.

We also make the most of the opportunities presented by digitalization when it comes to communicating with our tenants: Our Customer Service department successfully uses systems to automatically categorize customer inquiries and then forward them to the right administrator. This enables us to respond more quickly and more precisely to inquiries. And our customer app "My Vonovia" is continually being developed further. With the app, our tenants can log repair work independently and have access to all documents relevant to their tenancy at Vonovia. This makes our administration processes leaner, which in turn contributes to our sustainability goal due to our decreased use of financial, personnel, time and natural resources.

“My Vonovia” app

**all documents in digital format and
accessible for tenants in one place**

Information Management

One particular focal point of our digital work in the reporting year was on harmonizing the IT systems and structures of Vonovia and Deutsche Wohnen. Duplications were eliminated and IT landscapes were consolidated. A uniform company platform and process landscape is currently in place.

We have made a push to integrate collaborative and digital tools and programs in our everyday work across all areas and opportunities for mobile work. This has enabled us to cut back on business travel, which contributes to our climate protection targets. A works agreement was adopted back in 2019 regarding mobile working, which forms the foundation for further steps and improvements.

It is our aim to advance digitalization further in our company in order to improve the efficiency and standardization of our processes. With all the new opportunities that come from this, the risks also grow – such as potential data protection breaches. We keep a close eye on these and put appropriate measures in place whenever necessary.

Data Security and Data Protection

The long-term protection of personal data is particularly important to Vonovia. We therefore adhere strictly to the applicable provisions of data protection law and take the measures necessary to fully protect data. These include a uniform Group-wide rulebook on data protection and privacy, information security and the internal control system, and a cyber security system to protect company-related data.

Our employees receive regular mandatory data protection training, initially upon joining the company and then every year afterwards. Since 2021, employees have also been able to complete the training independently online from any location. Data protection coordinators track the compulsory training attendance on behalf of the employees in their department to ensure that they complete it. At the beginning of 2023, the Deutsche Wohnen subgroup also introduced this training for employees.

We follow the current recommendations of the Federal Office for Information Security (BSI) and perform weak-spot scans at regular intervals. 99% of our IT systems are ISO 27001-certified through the service provider. We also perform regular data protection audits for providers that process personal data on our behalf. Topics covered by the audit include the procedures and measures implemented to guarantee system resilience and IT disaster recovery plans.

99%

of our IT systems are
ISO 27001-certified

Our package of measures taken in the area of data protection has led us to classify the risks related to inadequate IT security or violations of the General Data Protection Regulation as extremely low within our risk management. Mobile working also does not involve any significant data protection-related risks. Reports regarding misconduct or breaches of data security or data protection can be made at any time via Vonovia's diverse complaint mechanisms. Comprehensive information regarding data protection at Vonovia is publicly available on our [website](#).

Organizational Focus

Vonovia has defined clear responsibilities and contacts for data security and data protection in all relevant Group areas. The Chief Information Officer (CIO) is the most senior party responsible for information technology and also responsible for managing the planning, operation and selection of technology. The IT department has been assigned to the Chief Transformation Officer's (CTO) Management Board function since January 2022. The Compliance and Data Protection department monitors the implementation of the measures in the individual departments and provides advice for any issues relating to data protection. The head of each department is responsible for the security of information and data that is predominantly created, collected, used or processed in their department (data officer). In addition to the data protection officer, there are also data protection coordinators in all departments in Germany and Austria.

The Management Board is provided with information about developments in the area of data protection and information security once a year with the data protection report. In Austria, a status report is provided to the management of BUWOG once a year. The Audit Committee deals with all issues concerning data security on behalf of the Supervisory Board and also receives our data protection report once a year.

Human Rights Due Diligence and Supply Chain

GRI 2-27, 308-1, 308-2, 414-1, 414-2

Our Commitment to Respecting 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.

Due to the Supply Chain Due Diligence Act and the announced European regulation, the way in which supply chains are structured and the due diligence obligations associated with this are of increasing importance to the company. In our Declaration of Respect for Human Rights, we communicate our clear conviction for a pluralistic democratic society and zero tolerance of human rights violations. We adhere to the core labor standards of the International Labour Organization (ILO), the UN Guiding Principles on Business and Human Rights, and the principles of the UN Global Compact, which we committed to in 2020.

Responsibility in the Supply Chain

Value chains are often global and complex – creating transparency in supply chains is a challenge for many companies. Almost all of our direct suppliers are based in the European Union.

Vonovia's business model includes the construction, maintenance and modernization of homes. We are aware of our social responsibility as a company active in this important sector. Our constant aim is to prevent or minimize the risks associated with our business activities.

In terms of human rights, the mining of raw materials and manufacture of construction materials is particularly relevant in our upstream supply chain. Complying with work and social standards on construction sites is also associated with risks. Some trade/construction activities in Germany are carried out by our own technical service – and therefore by our own employees. This lessens dependency on the services of external construction companies and – thanks to the measures established in the company's own business area – the risk of noncompliance with labor and social standards.

We strive for full transparency in our compliance with human rights and all relevant standards along the entire supply chain. Our stakeholders, too, increasingly expect this transparency – from raw material extraction to sales. We therefore oblige external partners and service providers to comply with the following requirements:

- > The Business Partner Code
- > The general terms and conditions of purchasing
- > Vonovia SE's general terms and conditions for building services,
- > Vonovia SE's general terms and conditions for planning services and
- > Individual agreements as part of our structured supplier management

Cooperation with our Suppliers and Supplier Reviews

Our Business Partner Code for contractual relations in Germany and Austria must be signed by all domestic and foreign suppliers before contract completion. In the Business Partner Code, 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 child labor, forced labor and discrimination. The Code is regularly updated. The next update is scheduled to take place in 2023.

BUWOG's (Austria) Business Partner Code was reviewed in the reporting year and adapted with regard to the whistleblower system in particular. Our Swedish subsidiary Victoriahem also has its own Code that is regularly reviewed and adjusted to superordinate requirements. In the first quarter of 2023, Victoriahem reviewed both the Code of Conduct for its own employees and the Supplier Code of Conduct for necessary changes.

The use of sustainable materials and products (see → [Sustainable Materials and Products](#)) in new construction and refurbishment has an impact on the climate and the environment. Raw materials in buildings are valuable resources that can be fed back into a circular economy in various different ways. The entire life cycle of the materials used, including in cooperation with suppliers, should be taken into account for all new construction and conversion projects. We require our partners to take the requirements of our product manual into consideration in order to promote the procurement of sustainable materials. In addition, we have formulated specific environmental criteria in Sweden that all new suppliers that we work with must fulfill. Existing supplier agreements will be updated by 2025 or will come to an end by then.

The Vonovia partner portal also plays a vital role in our sustainable approach to supplier management. The portal serves to log qualifications and check whether suppliers adhere to social and environmental standards and human rights, and is connected to our whistleblowing system. 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. A comparison with the EU sanctions list is performed automatically before the completion of every contract in Germany. In the 2022 reporting year, this requirement was also taken over by Victoriagem and established as part of the supply review. This comparison is also due to be introduced in Austria in 2023. The partner portal for BUWOG Austria went live in November 2022. The first assessment of a significant business partner is planned to take place in 2023. In addition, the BUWOG partner portal will be expanded further in 2023 and business partners added in line with the Group guidelines.

Compliance with the Requirements of the Supply Chain Due Diligence Act

In the reporting year we closely examined the requirements of the Supply Chain Due Diligence Act (LkSG). This also includes reviewing existing guidelines, codes and processes as well as establishing responsibilities. In the course of this process, we updated our [Declaration of Respect for Human Rights](#) and republished it in the form of a Group guideline in January 2023. We will publish the first report on Vonovia’s compliance with human rights due diligence in 2024.

The Chief Compliance Officer was appointed Human Rights Officer as of January 1, 2023, and will report regularly to the Management Board in the future. He will be supported by a committee that brings together due diligence coordinators from relevant departments and meets at least once every quarter. In the reporting year, we looked at how we can plan training sessions in order to further improve awareness of our human rights and environmental due diligence obligations among employees in relevant business areas in the future.

The procurement department, with other departments, organized further workshops in order to determine the human rights risks in different groups of goods. The abstract risk analysis pursuant to LkSG showed priorities in the following areas for ensuring we meet our due diligence obligations:

- > Fair working conditions (appropriate pay and social security)
- > Occupational health and safety
- > Freedom of association
- > Anti-discrimination and equal opportunities
- > Privacy and data protection
- > Demolition and recycling of building materials, chemicals that contain persistent organic hazardous substances, and environmentally correct disposal of waste, and
- > Prohibition of forced labor as well as child labor

A detailed risk analysis will be performed for the supply chain and the company’s own business area in 2023.

Human rights risk analysis

for the company’s own business area and supply chain in progress

Update of the Procurement Department’s Group Guideline

In the reporting year, we revised the Group procurement guidelines to further strengthen compliance with due diligence obligations and internal governance procedures, among others. A new chapter was also added to supplier management in order to establish and implement the requirements of the LkSG. The new guidelines apply throughout the Group and have been in effect since January 1, 2023.

We also started the gradual integration of Deutsche Wohnen’s suppliers into Vonovia’s partner portal in the reporting year. The structures of Vonovia’s central procurement department were transferred to the Deutsche Wohnen subgroup. The procurement department has been assigned to the Chief Transformation Officer’s (CTO) Management Board function since January 1, 2022.

Contribution to Socio-Political Dialogue

GRI 2-24, 2-26, 2-28, 2-29, 415-1

Dialogue with our Stakeholders

Our company is in close contact with numerous, and in terms of their interests, very different stakeholder groups. Their expectations and needs are vitally important to our business and the development of our neighborhoods. We see ourselves as a bridge-builder between various interest groups and put great stock in enabling exchanges between equals. In line with our responsibility as the largest private provider of homes in Europe, we consider ourselves a hub for ideas and thus actively participate in creating the best mutual solutions for living together in our neighborhoods.

Our main tool for exchanges with stakeholders is our Corporate Communications department. It is directly available for stakeholders every day and ensures a uniform internal and external presentation. Communication through social media such as Facebook, Twitter and Instagram has become increasingly important for us in recent years. We use social media widely and specifically to keep our stakeholders informed.

The Public Affairs department maintains connections with politicians and stakeholders. This department is responsible for analyzing who our material stakeholders are, and updating the analysis annually.

Annually updated stakeholder analysis

Decentralized, needs-based communication with various stakeholder groups

In addition, our departments or the local colleagues in the neighborhoods in particular react to specific and target Group-related communication occasions and engage in dialogue with our stakeholders. For instance, the Investor Relations department is responsible for exchanges with shareholders and analysts, while the Procurement department handles communication with suppliers and service providers. This allows us to meet the needs and fulfill the demands of our stakeholders.

Two of the main stakeholder groups are our tenants (see → **Customer Satisfaction and Service Quality**) and those representing their interests, such as tenant associations. Our relationships with these important stakeholder groups goes far beyond just providing homes. As a neighborhood developer, we also plan infrastructure and green spaces and see ourselves as a designer of integrated habitats. We take as many requests and suggestions from tenants, cities and municipal authorities into account as possible when planning our work. We therefore inform them of our plans ahead of time, in addition to inviting them to discuss projects and take an active role in shaping them (see → **Dialogue with Tenants and Participation**).

Other material stakeholder groups include our employees (see → **Appeal as an Employer**), shareholders and analysts (see → **Appeal on the Capital Market**), political parties, suppliers and service providers (see → **Human Rights Due Diligence and Supply Chain**), media and social organizations and social, environmental and climate associations (see → **Integration, Diversity and Social Cohesion**).

We also engage in professional dialogue with other companies, associations, research institutes and universities – regarding housing industry, energy-related and construction-related topics. We look into topics, discuss different points of view and form interest groups. Whenever there are legislative processes, we actively communicate with similarly affected stakeholders. When it comes to specific topics, such as the labor shortage, we find valuable contacts in the chamber of industry and commerce to look for mutually beneficial solutions.

Diligent, regular and constructive dialogue with our stakeholders is important to us. In order to make sure the exchanges remain intact, we perform regular quality control and continually develop our exchange formats.

Selected Memberships in Industry Associations and Initiatives

As a major and responsible player in the field of housing, Vonovia discusses the issue on a regular basis with policy-makers and wider society. In line with our guidelines we are non-partisan when it comes to politics. We therefore do not make any donations to political parties. We are always completely transparent with political and social stakeholders. Business meetings with a political dimension are exclusively coordinated with Corporate Communications, and may only be attended by the authorized individuals defined in the Group guideline. We comply with the lobby register regulations at European level in some state parliaments, where legally required and established, and especially the German Bundestag. Vonovia is not a part of any national or international associations, and does not partner with state institutions.

Non-partisan

No donations to political parties

However, we are active in a number of residential and property management associations, contributing to the strengthening of the property management sector in Germany. In Germany, Vonovia is therefore represented across political parties in the economic forums of the CDU, SPD, FDP and Bündnis 90/Die Grünen political parties. We are also involved in several initiatives aimed at protecting the climate. The merger with Deutsche Wohnen has resulted in more memberships for Vonovia for such engagement, and these will be evaluated over the course of 2023.

Wherever we consider it useful, we take a stand especially with regards to ecological issues relating to housing and discuss these with representatives from the economy, research and politics. We have established a dialogue format for this purpose. We present the political suggestions and demands that result at our own professional conferences. In 2019/2020 we discussed the "Outlook for Climate-neutral Living," in 2022 the focal point was "Perspectives on the Future of Construction" (see → [Sustainable Construction and Refurbishment](#)). We publish our political demands derived from this dialogue and professional conferences in conference brochures available online on the event's websites.

Vonovia's Memberships in the 2022 Reporting Year (Excluding Deutsche Wohnen)

Group-wide:

- > EPRA European Public Real Estate Association
- > UN Global Compact

Germany:

- > AGV Arbeitgeberverband der Deutschen Immobilienwirtschaft e. V.
- > AGW Arbeitsgemeinschaft Großer Wohnungsunternehmen
- > DDIV Dachverband Deutscher Immobilienverwalter e. V.
- > DENEFF - Deutsche Unternehmensinitiative Energieeffizienz
- > Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e. V.
- > Deutsches Aktieninstitut e. V.
- > DIRK Deutscher Investor Relations Verband e. V.
- > GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e. V.
- > Initiative Wohnen.2050 e. V.
- > Initiativkreis Ruhr
- > Institut für Corporate Governance in der deutschen Immobilienwirtschaft e. V.
- > InWIS Forschung und Beratung - Förderverein e. V.
- > KlimaDiskurs. NRW e. V.
- > Open District Hub e. V.
- > Stiftung KlimaWirtschaft (German CEO Alliance for Climate and Economy)
- > Verein der Freunde und Förderer der EBZ School e. V.
- > vhw - Bundesverband für Wohnen und Stadtentwicklung e. V.
- > ZIA Zentraler Immobilien Ausschuss e. V.

Austria:

- > Austrian Prop Tech Initiative (ATPI)
- > buildingSMART Austria
- > Digital Findet Stadt
- > FGW - Forschungsgesellschaft für Wohnen, Bauen und Planen
- > Fiabci - Austria
- > klimaaktiv - Klimaschutzinitiative des österreichischen Bundesministeriums für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie
- > Österreichische Gesellschaft für nachhaltige Immobilienwirtschaft (ÖGNI)
- > Österreichischer Verband der Immobilienwirtschaft
- > respACT - Austrian Business Council for Sustainable Development
- > WIFO - Österreichisches Institut für Wirtschaftsforschung

Sweden:

- > Återbruksnätverket Öst
- > BeBo - Energimyndighetens nätverk för energieffektiva flerbostadshus
- > Fastighetsägarna
- > Linköpingsinitiativet
- > Sveriges Allmännyttas
- > Allmännyttans klimatinitiativ

Appeal on the Capital Market

GRI 3-3

Our Approach

The construction, rental and refurbishment of residential real estate is a capital-intensive business with a long-term focus. Our aim is to bring economic activity hand in hand with environmental benefit, living up to the various expectations of stakeholders. We are committed to both the principles of the social market economy and the imperative of profitability.

Appeal on the capital market is indispensable for the financing of our activities. We want to generate sustainable revenue and value increases and offer our shareholders attractive risk-adjusted rates of return. It is therefore important that we provide our stakeholders with relevant information about our company, our economic performance and our sustainable orientation. We have also established structures that enable us to participate in sustainability ratings. This means we comply with legal requirements, present a true picture of our company and increase trust in the Vonovia brand.

Economic success is the prerequisite for further investments in the fields of environmental and social sustainability. In order to guarantee this success in the future, we rely on a broad mix of financial instruments. This will allow us to hold the interest of different capital market participants like investors, banks and insurance companies while also guaranteeing our access to the capital market. The overall demand for sustainable financial products is increasing and the ESG criteria that form the basis for investment decisions are becoming more significant. We are also issuing new financing instruments to appeal to sustainability-conscious investors and take steps toward achieving our own sustainability targets.

At the same time, the potential loss of this basis for sustainable financing presents a risk for us that could manifest in repayments or reputational damage. The amount of the loss for the company would be high, but we believe the probability of such an event occurring is very low at under 5%.

Nevertheless, we have observed a further drifting apart between capital market expectations and the ongoing stable developments on the residential real estate market in the current reporting year. High inflation rates, rising interest rates, a slowdown in economic growth and the risk of a recession remain matters of concern to investors, as can be seen in the price performance of our share.

Due to the ever-greater significance of certain ESG aspects for the capital market, we will continue to develop our strategy and operations management systems correspondingly. Sustainability criteria are already integrated in Management Board and management remuneration as material non-financial performance indicators through the Sustainability Performance Index (SPI). This also applies to sustainability risks, which are included in Group-wide risk management (see [📄 Current Risk Assessment](#)).

Organizational Focus

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for our capital market activities. The Investor Relations department and the Sustainability/Strategy department report to the CEO. The Corporate Finance and Treasury department, which is responsible for the implementation of our financial instruments, reports to the Chief Financial Officer (CFO). Communication with our stakeholders on the capital market is handled by the Investor Relations (IR) division in consultation with the Management Board. At the same time, the IR department 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. The Sustainability/Strategy department is responsible for our participation in ESG ratings, involving the operating departments in this process.

Objectives and Measures

In line with our target of ensuring the company has good access to the capital market, Vonovia uses a broad range of financing instruments, such as bonds, promissory notes, secured real estate loans, commercial papers, working capital facilities and subsidy loans from the German government-owned development bank Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB). In November 2022, the EIB granted Vonovia an unsecured loan of € 600 million with attractive conditions for the company's multi-year energy-efficient building modernization program. Innovative sources of finance like blockchain-based promissory notes, which we issued for the first time in 2021, round off our range of financing instruments and help to diversify our risk.

Sustainable Bonds

Sustainable bonds play a particularly important role in our financing strategy. After issuing our first green bond in 2021, all seven bonds placed in 2022 – three green bonds and four social bonds – which accounted for a total sum of € 4 billion and SEK 1.25 billion, were designed to be sustainable. Through these bonds, we are fulfilling our aim of serving capital market demand in a targeted manner, as demonstrated by the order books, which have been oversubscribed on multiple occasions.

Sustainable bonds issued in the amount of

€ 4 billion and
SEK
1.25 billion

Oversubscribed multiple times

While the proceeds from the green bonds are primarily invested in our energy modernization program, the social bonds are used to support social projects. This will include, for example, housing for low-income households and agreements for privately financed housing with rents that are at least 15% lower than the standard local comparative rent charges, ensuring access to affordable housing. The proceeds from the social bonds will also be used to create fully accessible housing to meet the needs of an increasingly elderly population. The efficacy of these measures is assessed in the impact report, which is published annually.

Sustainable Finance Framework

The products, processes and strategies of providers of financial products and financial advisers such as banks, asset managers, institutional investors and insurance companies must align with ESG criteria in accordance with the European Union Sustainable Finance Disclosure Regulation (SFDR). Funds are named Article 6, Article 8 and Article 9 funds, for instance, whereby Article 9 denotes the highest fulfillment of sustainability criteria. We have made our Sustainable Finance Framework consistent with the EU taxonomy, which was confirmed by an independent third party in a Second Party Opinion (SPO). This means that all green bonds that we issue under this framework are environmentally sustainable as defined in the EU taxonomy and are thus an Article 9 fund investment option pursuant to the SFDR. We have published our Sustainable Finance Framework, the impact report and further information about our sustainable bond strategy on our [Investor Relations website](#).

Inclusion of External Financiers

The Green Finance Committee coordinates and refines this and other sustainable financing activities. It includes representatives from several different departments and is chaired by the Head of Corporate Finance & Treasury. Individual financiers are included occasionally, for example, in anonymous market soundings to determine certain key figures. Through formats such as investor conferences and roadshows, too, we seek out dialogue – especially on ESG topics – with our shareholders and potential investors. Other communication channels include face-to-face conversations, property tours and participation in conferences for private investors.

After a two-year pause due to the coronavirus pandemic, Vonovia's seventh Capital Markets Day was held in Bochum on September 27, 2022. We took the event, which focused on the environmental aspect of the megatrend of sustainability (which corresponds with the E in ESG), as an opportunity to delve deeper into various topics including, in particular, decarbonization tools, the Energy Center of the Future and the "Internet of Things," with around 50 investors and analysts. Our Capital Markets Day ended with a property tour in Bochum. We visited our laboratory "Energy Center of the Future" and explained our work there researching and testing innovative energy systems to participants.

Once again in 2022, we achieved good to very good results, even managing to improve further in some cases. As such, we continue to be listed on both the renowned Dow Jones Sustainability Index Europe as well as on sustainability indices such as the DAX 50-ESG or the STOXX Global ESG Leaders, to name but a few examples, and have been awarded Prime status by ISS-ESG. In terms of MSCI ESG Ratings, we were promoted to the highest rating category (AAA) in 2022, while at Sustainalytics we remain among the top global performers.

AAA rating

from MSCI ESG

Reporting Standards

We include various reporting formats and standards in our ESG reporting in order to present ourselves as comprehensively and transparently as possible (see → [About This Report](#)). We will be focusing closely on the new European Sustainability Reporting Standards (ESRS) in 2023, which will be mandatory for us – due to the implementation of the Corporate Sustainability Reporting Directive (CSRD) – from the 2024 fiscal year as a European, capital market-oriented company. We are also monitoring the activities of the International Sustainability Standards Board (ISSB) for indications of developments relating to potentially binding reporting standards in English-speaking countries.

Ratings and Indices

Our participation and good performance in a variety of ESG rating systems is evidence of our commitment to sustainability. Our aim is to be represented in all relevant international ESG indices and obtain good to very good results in comparison to our peers. In order to systematically select the ESG ratings relevant to our important investors, our Investor Relations department performs a survey every two years. We use these surveys to check whether we are represented in the ratings that are most important for us and our stakeholders on a regular basis. Our sustainability committee determines which ESG ratings Vonovia will focus on.

The outcomes of certain ratings can be found on our Investor Relations website under [ESG Publications and Downloads](#) and under → [ESG Ratings and Indices](#) in this sustainability report. In 2022, we again had to turn down participation in the GRESB Assessment, which is specific to the real estate sector. Due to changes in the assessment methodology, participation is not possible (or meaningful) for large residential real estate companies like Vonovia since 2020.

For 2023, we have set ourselves the goal of maintaining our consistently high performance in the ESG ratings, including for the integrated Group, and continuing to present our sustainability performance to the capital market in a comprehensive and transparent way. 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.