Combined Management Report

Still on Track Despite Difficult Overall Conditions in the Real Estate Sector

Strategy Split Into Six Key Value Drivers and Refined Further

Adjustments to Capital Structure and Capital Allocation

Fundamental Information About the Group

Challenging overall conditions for the residential real estate sector in 2023

Overall conditions for the residential real estate sector remained challenging in 2023. The gap between demand for, and the supply of, housing has widened further, with sociological and demographic factors having a particular impact on housing demand. This means that up to 400,000 new residential units will have to be built every year over the next 20 years to meet demand. Although this is also what policymakers are striving to achieve, the number of completions is likely to remain well below the target figure in the coming years, as it did in 2023 with a figure of around 242,000 apartments. As a result, the current completion level will only exacerbate the shortage of housing, meaning that upward pressure on rents will persist.

The supply side has been confronted with an ongoing rise in construction costs over the last few years. Driven by the uptick in general inflation over the past two years to as much as 8.8%, i.e., beyond the level of around 6% witnessed back in the early 1990s in the wake of German reunification, the construction cost index rose from a baseline of 100 in 2015 to around 160 in 2023. The increase in construction costs was also exacerbated by increasing regulation, with political uncertainty and bureaucratic obstacles also hindering faster implementation of investment projects.

The higher construction costs are compounded by the rise in interest rates. Coming in at over 3% in 2023, the 10-year swap rate had risen to a level last seen around twelve years ago.

Upward trends in interest rates and inflation, macroeconomic volatility and less reliable supply chains led to increased costs of capital and therefore higher yield requirements, with an additional dampening effect on investment behavior. This led to mounting pressure on property values, significantly restricting transaction activity on the real estate market, although Vonovia was largely able to buck this trend.

These overall conditions triggered increased pressure on profitability and fair values in the real estate sector, with increased capital discipline the only feasible response. Vonovia strengthened its internal financing power, exercised cost discipline and made changes to its investment approach. At the same time, it did not pursue any further acquisitions and offered housing stocks for sale or inclusion in joint venture structures.

The capital market response to these measures has proved to be encouragingly positive, allowing us to secure our investment grade rating while also fueling a visible recovery in our share price in the last few months of 2023.

With the key megatrends facing us – urbanization, demographic change and sustainability – remaining unchanged, and in light of the current overall conditions, Vonovia elaborated the key value drivers of its strategy and business model in greater detail and analyzed them with regard to the current overall situation in order to define clear options for action.

The merger with the Deutsche Wohnen Group was completed successfully in 2023 and the planned synergy potential was realized by making joint use of the management and development platform and leveraging harmonization effects and economies of scale together. The principles of good corporate governance are being upheld within this context with a view to the Deutsche Wohnen Group's independent status. This is also ensured by corresponding contractual agreements.

The Company

Vonovia's business model is based on the provision and rental of good-quality and, most importantly, affordable living space at the right time, as well as the management of these properties. An established in-house craftsmen's, residential neighborhood and caretaker organization, coupled with extensive back-office functions, support us in our management and further development of our housing stocks.

Vonovia continues to develop its real estate portfolio through active portfolio management. In addition to acquisition, sale and modernization, this also includes building new apartments for our own portfolio and for sale to third parties.

Aspects of Sustainability at Vonovia

E Environmental	S Social	G Governance
Contribution to climate protection and reducing CO_2 in both the housing stock and new construction.	Responsibility towards tenants and society through fair prices, housing that meets people's needs and future-fit neighborhood development. Attractive and fair working environment for our diverse workforce.	Sustainable governance and responsible business practices with reliable compliance.

The business model is rounded off by the housing-related services we offer. The focus here is on offering cable TV, energy supply services for electricity and heating, as well as automated meter reading.

This business model is based on a highly **digitalized management platform** and a similarly highly digitalized development platform allowing all stages in the value chain to be managed. These two platforms are the two most important intangible assets within the business model. Another intangible asset is customer loyalty, fostered through the Value-add business.

The aim is to make the business model future-fit in the long run by using sustainable new construction and refurbishment approaches and CO_2 reduction in the real estate portfolio through innovations to contribute to solutions for the **current climate protection objectives.**

Vonovia focuses on the ESG aspects of sustainability, namely climate protection and the environment (E) by contributing to a reduction in carbon emissions; society (S) by acting responsibly towards all stakeholders; and governance (G) through sustainable, reliable and responsible corporate management. The concept of the neighborhood remains an overarching principle.

Around 75% of the real estate portfolio is located in contiguous urban quarters, i.e., neighborhoods that generally include more than 150 apartments. 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. Neighborhoods are a key implementation level for the initiatives aimed at climate protection. The development business is also consistent with the sustainable neighborhood concept.

This means that Vonovia's business model makes a positive contribution to the pressing socio-political challenges of housing shortages and climate protection.

Vonovia aims to be an attractive employer for its employees, ensuring equal opportunities and supporting staff members in their personal and professional development.

Vonovia manages a **housing stock** of around 485,000 of its own apartments in almost all of Germany's attractive cities and regions. It also manages a portfolio of around 40,000 units in Sweden and approximately 21,000 in Austria.

The total fair value comes to around € 83.9 billion, with net assets based on the EPRA definition coming to approximately € 38.1 billion (European Public Real Estate Association: EPRA). In addition to its own apartments, Vonovia manages around 71,400 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 2.0% in Germany due to the highly fragmented nature of the market.

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. This applies to Germany, and also to Austria and Sweden. Consequently, today's strategic direction is consistent with the company's roots.

Even back then, the aim was to provide good-quality, modern and affordable homes, in some cases using innovative concepts. 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 what were known as "workers' settlements" was about much more than just affordable living space. It was also about living in a social network with one's colleagues and their families. The approximately 780 neighborhoods (including 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.

Via the non-profit company GEHAG, which was established in 1924, the Group has properties that are exceptional examples of architectural history from the Bauhaus and expressionist movements. These included new housing concepts that helped to shape the idea of a neighborhood and were even listed as UNESCO world heritage sites. Examples include the "Hufeisensiedlung", "Wohnstadt Carl Legien", "Weiße Stadt" and "Ringsiedlung Siemensstadt" developments.

The real estate development business and the property management business in Austria operate under the established BUWOG name. In Sweden, Vonovia operates under the name Victoriahem.

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. The strategy is implemented 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. Sine 2017, its registered office is located in Bochum. The head office (principal place of business) is located at Universitätsstraße 133, 44803 Bochum.

As of December 31, 2023, 631 legal entities/companies (of which 426 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 overarching property management, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as the risk management system of the Group. There is also a central function responsible for sustainability issues within Vonovia SE; it coordinates these matters for the Group as a whole.

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 and development 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 545,000 apartments and the successful implementation of real estate development projects. The platforms also serve as the basis for the successful digitalization of the process chains.

With our **efficient organizational model**, optimized processes, a clear focus on service, and, as a result, on our customers, 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, Vonovia will be using new construction and development measures, densification and vertical expansion to build new apartments in order to meet the rising demand for living space in metropolitan areas in particular. The development organization operating under the BUWOG name gives Vonovia 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 development business is largely managed via project companies.

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.

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

Central	Regional	Shared Services
Portfolio Management > Invest program management > Rent calculation & management > Rent performance management	**Asset Management** > Strategic development of local portfolio > Stakeholder management	> Purchasing > Finance/tax > Accounting > Controlling > Legal > IT > HR > Communication
Central Property Management > 24/7 customer service > Rental contract management > Field service disposition > Property-related accounting services	**Property Management** > Field services > Caretaker organization > Letting organization	
	Value-add Management > Technical service > Modernization > Residential environment	
	Development > Integrated development platform > Development to sell/to hold	

Our Strategy

Successful strategy refined to reflect changes in overall conditions

The strategy established at the time of the IPO with its four pillars has proved effective, supporting Vonovia's business and growth path over the past few years. The overall conditions have changed since the IPO, which has implications for corporate management.

Whereas only a few years back, the shareholder value perspective was the main focus, nowadays, a company's actions have to focus on all of its stakeholders. All corporate stakeholders have had to deal with significant changes in the recent past. Explicit examples of such stakeholder groups include tenants/customers, employees, banks, investors, suppliers, as well as society at large and our natural environment.

Not only the increasingly dynamic development of **megatrends**, but also the ever louder calls made by various stakeholder groups for a **sustainable business model** and the complex overall conditions we are faced with at present mean that the focal points of the company's strategy have to be reviewed on an ongoing basis and its various components analyzed. The cornerstones of our sustainable strategy are:

> Contribution to climate protection and reducing CO_2 (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).

Vonovia has an **organizational unit** reporting to the CEO to analyze, coordinate and drive the company's strategy and, as a result, explicitly sustainability aspects in the context of the strategy and the business model, on an ongoing basis. A steering group, the Sustainability Committee, has also been set up. It includes the entire Management Board as well as the individuals responsible for strategy & sustainability, corporate communications, investor relations, controlling, accounting and business innovation.

In order to calibrate its sustainability endeavors correctly, Vonovia conducts a regular **materiality analysis** or reviews this analysis to define areas for action and develop a sustainability roadmap based on the results. The materiality analysis is currently being reviewed in light of the requirements of the CSRD Directive.

The megatrends of demographic change, urbanization/shortage of housing, and climate protection/sustainability remain the basic framework underpinning the strategy.

In view of the challenging conditions for the residential real estate sector since the start of 2022, the Management Board has broken down the strategy and its pillars into key value drivers. This has not resulted in any changes to our mission statement. People remain at the center of everything we do, and we are committed to living up to this responsibility. Decisions are always made looking at the overall context of customer centricity, employee satisfaction and sustainability with a view to the future.

The key strategic value drivers

The following aspects have been elaborated as the **key value drivers** of our business:

1. The highly efficient management platform
2. The optimized capital structure and advantageous costs of capital
3. Investment focused on megatrends
4. The Value-add business as a way to create value
5. The value contribution made by the Development business
6. The efficient capital allocation

(1) The **scalable management platform** featuring highly digitalized processes, allows for the optimized management of around 500,000 residential units, organized in five business units with 24 regional business areas and 90 regions. This system is directly associated with a clear reduction in fixed costs and, at the same time, ensures consistent service quality to guarantee customer satisfaction.

Further advances in digitalization will also open up additional efficiency potential in the future, both with regard to processes and in the use of building master data and dynamic building data. The "digital twin" allows buildings to be broken down and mapped in digital form for further use throughout the company.

The range of further processing options for digital building data includes enhanced service for customers, tailored descriptions of sustainable investment measures and predictive maintenance, particularly for heating units and elevators.

(2) An **optimized capital structure** and, as a result, advantageous cost of capital secure the Group's equity and debt financing in the long run, thereby supporting the capital-

intensive business of a residential real estate company in the long run to ensure risk-adjusted yields.

The primary objective of strengthening the company's internal financing provides the basis for investments to address the challenges arising from the megatrends. Maintaining an investment grade rating remains a key objective. The company opts for debt or equity financing depending on the opportunities that arise under the prevailing equity or debt capital market conditions.

(3) When it comes to making **investments based on megatrends,** a distinction has to be made between

> investments in new construction to ease the shortage of apartments,
> investments to optimize existing properties through modernization and senior-friendly refurbishment,
> Investments in climate protection to reduce CO_2 and in neighborhood projects to promote tenant satisfaction.

All of these investments have to take account of the new return criteria.

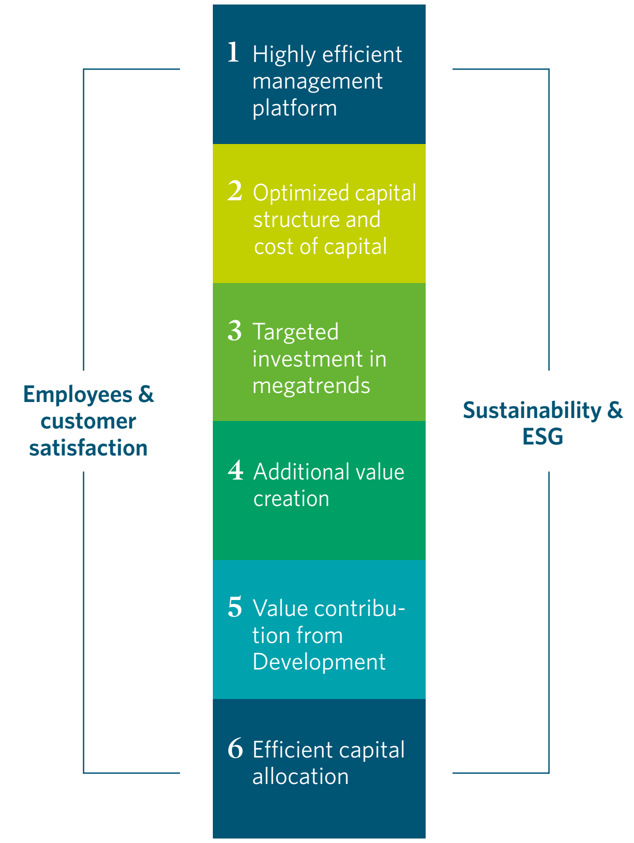
(4) The **value-add business** gives Vonovia the expertise to perform technical construction services, modernization measures and residential environment services. Vonovia uses standardized processes to ensure availability while maintaining a consistently high level of quality throughout the Group.

The Value-add business, our "neighborhood workshop," generates added value for the company by bundling multi-utility services. The aim of the neighborhood workshop is to create an integrated system of housing-related infrastructure services. This includes the ongoing establishment of additional services to complement conventional rental services, the further development and expansion of the existing main product lines, multimedia, energy supply and meter reading technology services, as well as the further implementation of IoT systems, for example for elevator and heating unit monitoring. Further innovations are in the development stages and will be offered once they have been reviewed for their marketability.

(5) The **Development business** is aimed directly at alleviating the shortage of housing through the targeted expansion of the company's own portfolio, as well as the direct generation of income from business with third parties.

The product range includes the sale of individual condominiums and the sale of projects to investors (to sell) on the one

The Value Drivers of Our Strategy



hand, and the construction of rental apartments for Vonovia's own portfolio as well as the construction of new properties on existing land held in the portfolio (to hold) on the other. The Development business is also geared towards the concept of the neighborhood and sustainability aspects.

Efficient project implementation based on the development platform along the entire value chain guarantees the value contribution made by the Development business. The value chain ranges from the acquisition of land to build on to project development, planning, realization and marketing.

The Development business also has to consider greater obstacles to returns and the challenges of efficient capital commitment.

The Development business is managed from five locations in Germany, from Vienna, Austria, and Malmö, Sweden.

(6) Another key value driver is **efficient capital allocation**. Given the current return requirements based on the increased cost of capital, strengthening the proportion of

equity and focusing on internal financing has been identified as a key value driver that optimizes the opportunities for return-oriented sustainable investments. Decisions on the actual capital allocation are made based on the return and Vonovia's internal financing power.

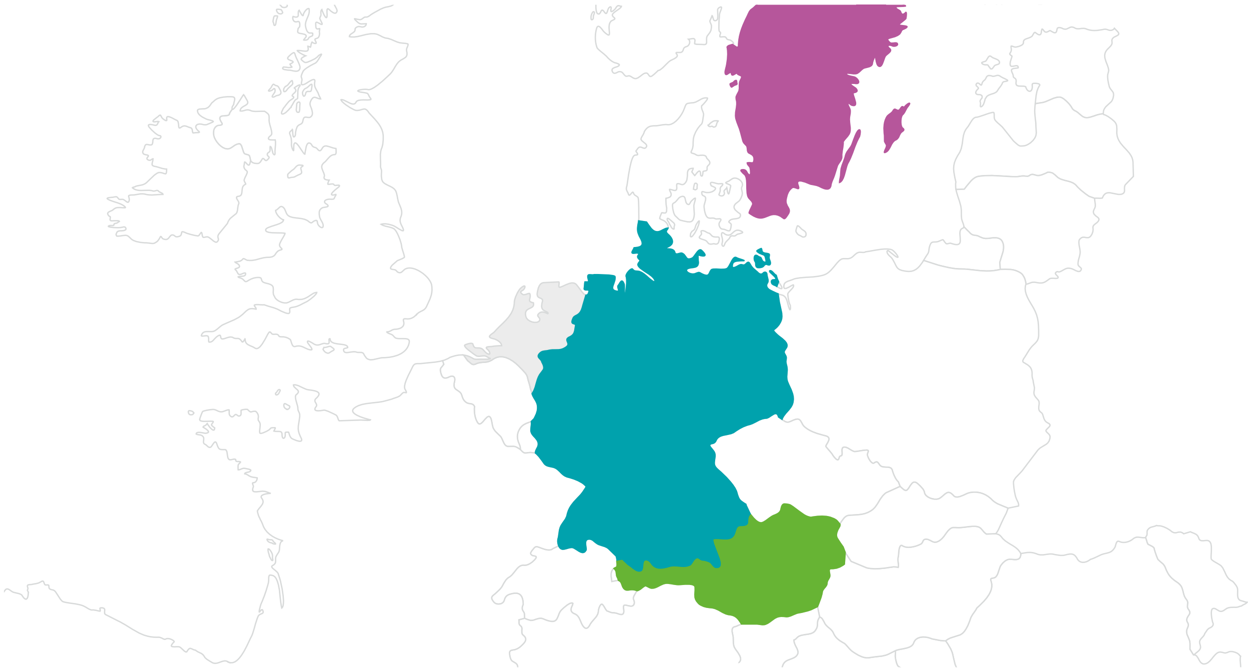
In the period following the IPO, capital allocation focused on external growth through acquisitions and economies of scale given the favorable prevailing capital market conditions.

Due to the current capital market conditions, which are dominated by inflation and rising interest rates, as well as the resulting higher cost of capital, Vonovia is in the process of streamlining its portfolio through sales and the establishment of joint venture structures. The aim is to create an optimized capital structure and sustainable internal financing.

The next phase will be characterized by dynamic portfolio management. What is more, each business activity will have to generate adequate returns and cash surpluses in the interests of efficient capital allocation.

The **nursing care activities** performed under the Deutsche Wohnen umbrella were subjected to a strategic analysis as part of the merger, with the outcome that these activities will no longer be part of Deutsche Wohnen's strategy and, as a result, will no longer be part of Vonovia's strategy either. In the Group reporting, the nursing care activities are shown as discontinued/abandoned operations.

European Markets



Germany	Sweden	Austria
15 urban growth regions	Stockholm, Gothenburg, Malmö	Vienna (mainly)

Non-financial Group Declaration

Explanatory Information on the Content of the Report and the Framework

Vonovia SE (hereinafter referred to as Vonovia) is continuing on its path towards more integrated reporting on the company's sustainability topics. Before reporting switches over to the framework set out in the European Sustainability Reporting Standards (ESRS) for the 2024 fiscal year, the report for the 2023 fiscal year is being published for the last time in accordance with the requirements set out in the Non-financial Reporting Directive (NFRD, Directive 2014/95/EU) in the form of this Non-financial Group Declaration. It has its legal basis in Sections 315b, 315c in conjunction with Section 289c to 289e HGB.

When preparing this report, we use the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which we describe in the section entitled → **Environmental Issues** and take into account the Global Reporting Initiative (GRI) framework for sustainability reporting in particular when it comes to describing the material topics and management approaches. Explanatory information on the provisions of the delegated act for Regulation (EU) 2020/852, subject to application of Articles 8 and 10 (EU taxonomy), is provided in the → **EU Taxonomy Regulation** section of this Non-financial Group Declaration.

The integrated approach taken by the Non-financial Group Declaration reflects our understanding of sustainability, which is also a key component of our corporate strategy and business processes. Consequently, information on sustainability is not limited to the Non-financial Group Declaration, but can be found throughout this annual report, such as in the description of our business model, in the risk assessment or in our corporate governance structure. Corresponding references point to chapters in the management report in which the required disclosures are reported. 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 → **Fundamental Information About the Group**).

The merger with Deutsche Wohnen SE (hereinafter referred to as Deutsche Wohnen) had been completed by the beginning of the 2023 fiscal year. Since this date, Vonovia and Deutsche Wohnen have been operating using joint systems and structures (see → **Fundamental Information About the Group**). Deutsche Wohnen is therefore fully included in the consolidated financial statements and the Non-financial Group Declaration of Vonovia. Deutsche Wohnen will not be issuing its own non-financial declaration for the 2023 fiscal year, as it is exercising its rights under the simplifying provision for CSR reporting pursuant to Sections 289b (2) and 315b (2) HGB.

The company's activities in Austria and Sweden are also covered by this Non-financial Group Declaration. This includes a full qualitative presentation of the non-financial information of the business entities. Due to the ongoing integration of the corresponding processes, the Group-wide consolidation of a few 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.

One exception is the independent Care segment, which was integrated into the Group as a whole by the Deutsche Wohnen subgroup. This segment was classified as a discontinued operation at the end of 2023 as a result of a strategic review (see → **Management System**). We provide content on this segment as part of the corresponding material topic (see Social Issues: Homes That Meet People's Needs and Demographic Change). The key figures presented in this Non-financial Group Declaration are largely collected and presented excluding the Care segment. This is based on materiality aspects (particularly with regard to the environment), processes that are not consistently established and definitions of key figures with a focus on the real estate sector. The presentation of the key figures in the context of the EU Taxonomy Regulation matches the disclosures in the Notes.

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 issues, social issues, employee issues, combating corruption and bribery, and observance of human rights.

Six of the key figures listed in the Non-financial Group Declaration are non-financial performance 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, and in terms of the remuneration for, our sustainable activities. The SPI represents the leading non-financial performance indicator for the Vonovia Group (see → **Management System**).

Sustainability reporting for the reporting year is supplemented by other formats outside of this management report:

> Relevant key figures and data on the individual non-financial aspects for the fiscal year will be presented in an ESG Factbook, which is scheduled for publication in the second quarter of 2024.
> We will also once again be publishing a report in accordance with the requirements of the Sustainable Best Practice Recommendations (sBPR) of the European Public Real Estate Association (EPRA) and a reconciliation of our reporting to the Real Estate Sustainability Accounting Standard of the Sustainability Accounting Standards Board (SASB).
> On our Group website (**www.vonovia.com**), which was revamped in the reporting year, you can find further information on our sustainability strategy and topics – such as commitments and guidelines – as well as examples of implementation.
> The final aspect of sustainability reporting is participation in numerous ESG ratings.

The Non-financial Group Declaration is subjected to a separate limited assurance → **audit** conducted by PwC GmbH Wirtschaftsprüfungsgesellschaft, Essen, in accordance with ISAE 3000. All references to content outside the Non-financial Group Declaration are further information and are not covered by the audit performed by the auditor of the annual financial statements. 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 Understanding of Sustainability

Our business model – the development and rental of high-quality, modern and affordable living space – means that our relationship with social and environmental change processes is one of great interdependence. Sustainability is thus a key component of our corporate strategy. In recent years, we have made great progress in integrating **sustainability into the company's business processes**. Vonovia's understanding of sustainability is published on our Group website.

With the launch of the non-financial performance indicator SPI in 2021, the strategy is linked to clear and remuneration-relevant targets for the Management Board and senior management (the first tier below the Management Board).

The **SPI** comprises six sub-indicators based on the material topics of Vonovia. They include:

> The CO_2 intensity of our housing stock
> Energy efficiency of new buildings
> The proportion of accessible (partially) modernized newly let apartments
> Increased customer satisfaction
> Increased employee satisfaction
> The proportion of women in top management

The SPI for Vonovia achieved an index value of 111% in the reporting year (see → **Report on Economic Position**). For a more detailed description of our **sustainable business model**, please refer to the chapter entitled Fundamental Information About the Group.

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), the UN Global Compact and the United Nations Guiding Principles on Business and Human Rights. 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 on our **Group website**).

Key SDGs for Vonovia

Sustainability Organization

At Vonovia, sustainability lies at the very top level of management. The individual responsible for the issue of sustainability is the Chief Executive Officer. On the part of the Supervisory Board, the Strategy, Finance and Sustainability Committee, as well as the Audit Committee (for reporting) perform the corresponding control function.

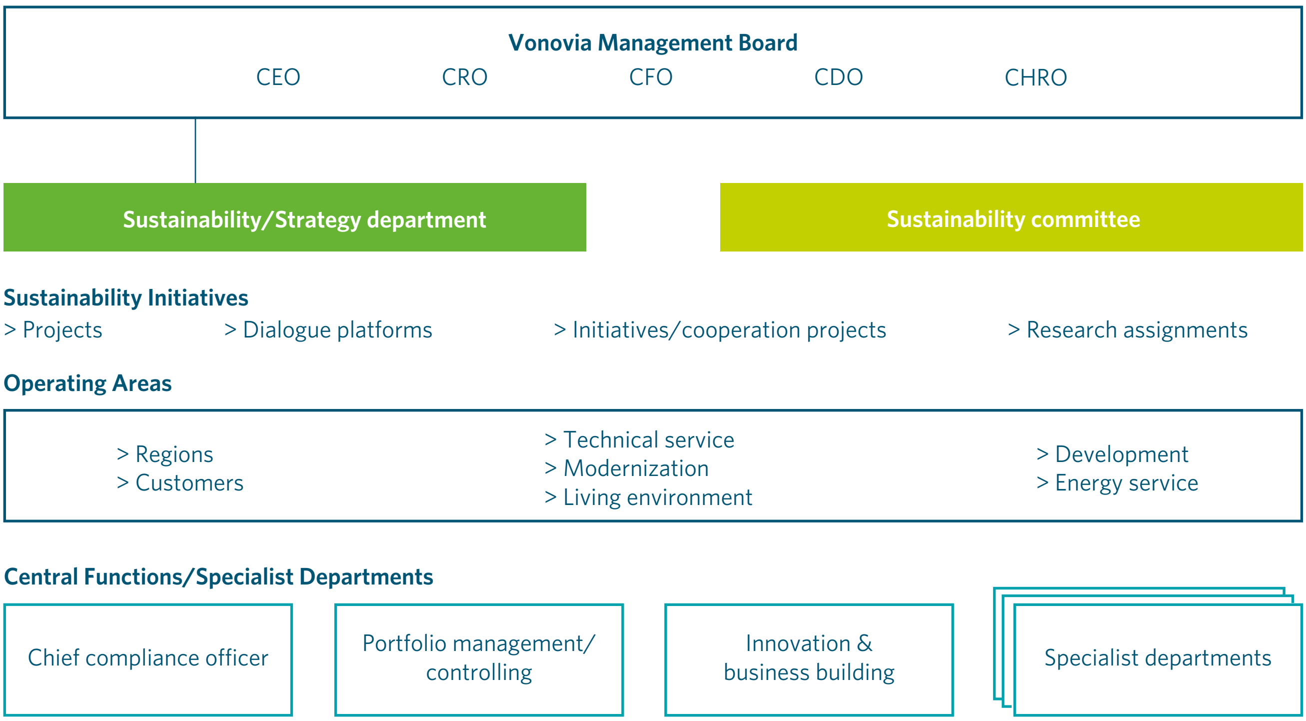
Central coordination of sustainability activities is the responsibility of the Sustainability/Strategy department. Its core duties include, in particular, the further development of the sustainability strategy, the definition and monitoring of sustainability targets, the providing of impetus and the 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 ESG Factbook 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 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.

Sustainability in Vonovia's Organizational Model



Risk Assessment Based on Sustainability Aspects

The analysis and assessment of risks, taking into account sustainability considerations, have become a key component of risk management for Vonovia. 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 in our → **Risks and Opportunities 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 and in the opinion of Vonovia's management, there are **no non-financial risks** subject to a reporting requirement that meet the materiality criteria pursuant to Section 289c (3) Nos. 3 and 4 HGB following application of the net method and taking risk mitigation measures into consideration.

Key Materiality 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 virtually climate-neutral housing stock by 2045 (see → **Environmental Issues**), but also by living up to our social responsibility and offering residential units at fair prices for all different groups within society. We do so through a governance structure that meets high value benchmarks and that is suited to being perceived as trustworthy and reliable by our stakeholders.

Vonovia systematically manages the main sustainability topics for the company based on the **double materiality** concept on the basis of two dimensions:

> The relevance of social and environmental changes on the business and on value creation (outside-in perspective)
> The impact of the business model and company activities on the environment, society and the economy (inside-out perspective)

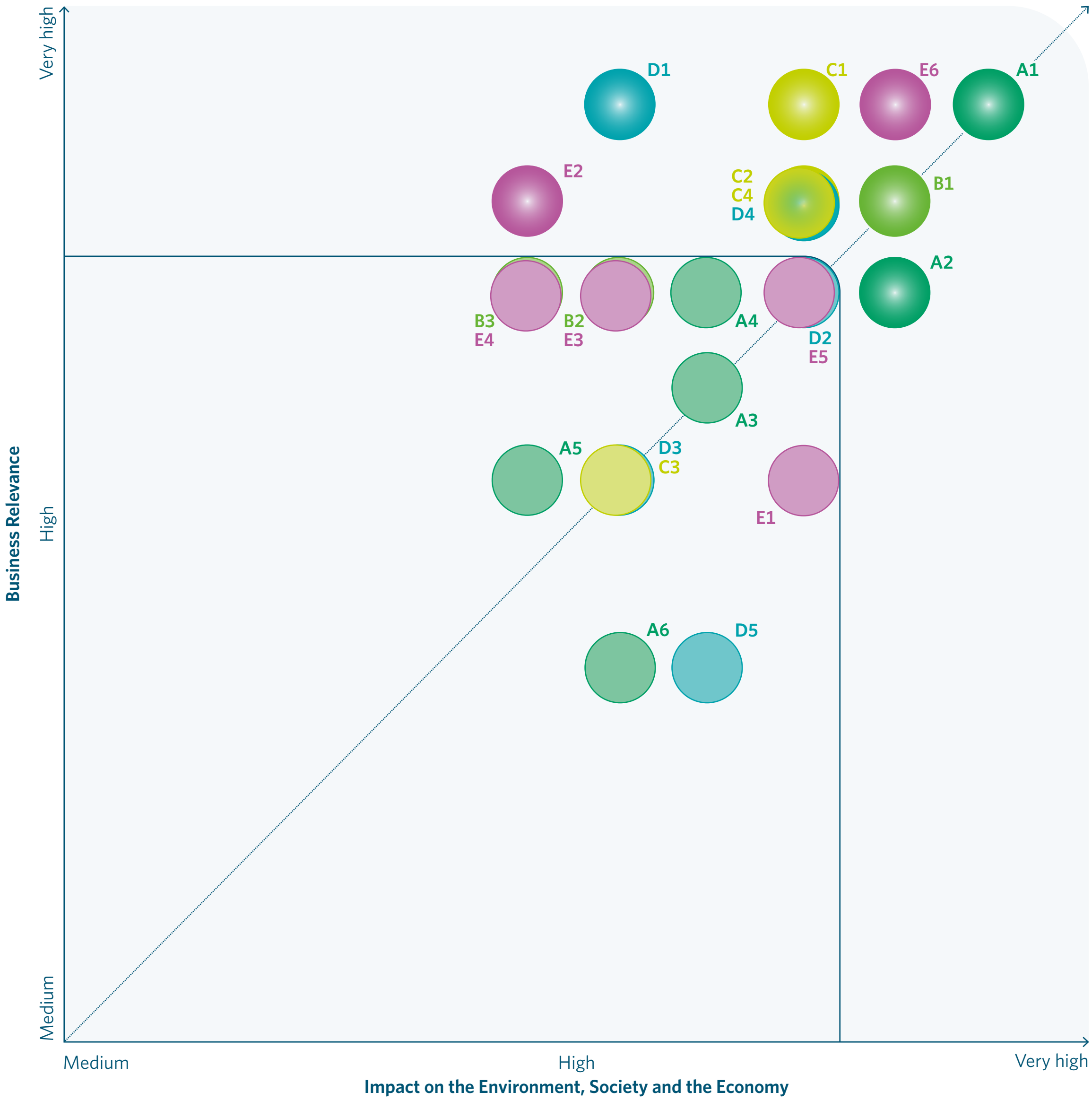
We consider the perspectives of all of our relevant stakeholder groups in the materiality analysis.

The **materiality matrix**, which builds on this, categorizes (1) ten topics that have been identified as material – which will be explained in more detail in the subsequent chapters of this Non-financial Group Declaration – and (2) 14 further important sustainability topics within five areas for action.

In the 2023 reporting year, we once again performed a critical review of all topics against the backdrop of integration and consolidated reporting, as well as new regulations and changes in general conditions. This did not result in any changes as against the prior year's assessment.

The materiality analysis of sustainability topics that is presented here applies to the entire Group and represents the leading system for the non-financial topics.

Materiality Matrix



Action Area A: Environment and Climate

A1 CO_2 reduction in the housing portfolio
A2 Sustainable construction and refurbishment
A3 Sustainable materials and products
A4 Protecting biodiversity
A5 Water, effluents and waste
A6 Resource and climate protection in business operations

Action Area B: Society and Contribution to Urban Development

B1 Neighborhood development and contribution to infrastructure
B2 Inclusion, diversity and social cohesion
B3 Dialogue with tenants and participation

Action Area C: Homes and Customers

C1 Living at fair prices
C2 Homes that meet people's needs and demographic change
C3 Maintenance for health and safety
C4 Customer satisfaction and service quality

Action Area D: Corporate Culture and Employees

D1 Appeal as an employer
D2 Training and personal development
D3 Remuneration and flexible working models
D4 Diversity and equal opportunities
D5 Promoting health and safety

Action Area E: Sustainable Governance and Responsible Business Practices

E1 Sustainable corporate strategy
E2 Governance and compliance
E3 Digitalization and data security
E4 Human rights due diligence and supply chain
E5 Contribution to socio-political dialogue
E6 Appeal on the capital market

Material topics are defined by their high significance for the following dimensions: impact on the business and value creation, and impact of the business model on the environment, society and the economy.
Material topics are marked in bold.

EU Taxonomy Regulation

Identification and Categorization of Economic Activities Eligible for Taxonomy

In accordance with the EU Taxonomy Regulation, we disclose the share of our taxonomy-eligible and taxonomy-aligned turnover, capital expenditure and operating expenses.

Vonovia has identified taxonomy-eligible activities under EU environmental objective 1 (climate change mitigation, CCM) in its business model. Some of these activities would also be taxonomy-eligible under EU environmental objective 4 (transition to a circular economy, CE). In order to avoid double counting, Vonovia allocates these in full to EU environmental objective 1. With regard to EU environmental objective 2 (climate change adaptation, CCA), we do not report any taxonomy-eligible activities, because we do not generate any turnover from eligible activities and do not allocate any separate CapEx (or OpEx) to this EU environmental objective in order to prevent double counting.

The new EU environmental objectives result, to a small extent, in additional taxonomy eligibility for Vonovia under EU environmental objective 4. EU environmental objectives 3 (sustainable use and protection of water and marine resources, WTR), 5 (pollution prevention and control, PPC) and 6 (protection and restoration of biodiversity and ecosystems, BIO) do not result in any further taxonomy eligibility. Accordingly, we have identified the following activities as being taxonomy-eligible:

EU Taxonomy Criteria		Activities undertaken by Vonovia	Turnover	Capital Expenditures	Operating Expenses
CCM 7.1/CE 3.1	Construction of new buildings	Turnover from Development to sell	☑		
CCM 7.2/CE 3.2	Renovation of existing buildings	Investments for energy modernizations (7.2), Investments for refurbishments without energy-related effects (e.g., vacant apartment renovation) (3.2)		☑	
CCM 7.3	Installation, maintenance and repair of energy efficiency equipment	Investments for measures that are not covered by 7.2 (e.g., heating modernization, insulation, window replacement)		☑	
CCM 7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Investments for charging stations and wallboxes		☑	
CCM 7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	Investments for metering technology and smart metering		☑	
CCM 7.6	Installation, maintenance and repair of renewable energy technologies	Investments for photovoltaic facilities		☑	
CCM 7.7	Acquisition and ownership of buildings	Turnover from rental income and recurring sales, investments for acquisitions, Development to hold and capitalized internal expenses without energy-related effects (e.g., major maintenance measures and vacant apartment renovations), operating expenses for non-capitalized maintenance (e.g., minor maintenance)	☑	☑	☑
CCM 4.1	Electricity generation using solar photovoltaic technology	Turnover from the sale of self-generated electricity to tenants and/or feed-in to the grid	☑		
CCM 3.3	Manufacture of low carbon technologies for transport	Investments for fleet		☑	
CE 1.2	Manufacture of electrical and electronic equipment	Investments for IT hardware equipment and other electronic operating and business equipment		☑	

As in the previous year, turnover from the condominium administration business, energy sales from energy trading activities, and multimedia are not taxonomy-eligible. The Care segment is no longer reported under turnover for the 2023 fiscal year, but rather separately as a discontinued operation.

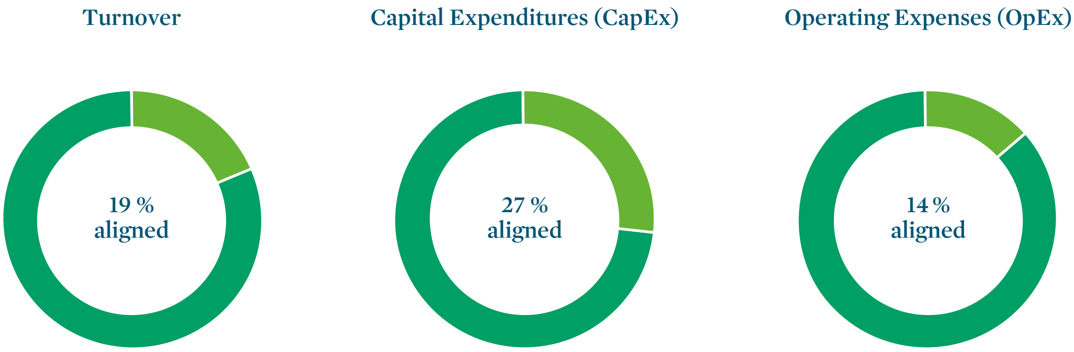
Vonovia is not affected by any economic activities related to energy generation from fossil gas or nuclear energy. As a result, Vonovia does not submit the specific reporting forms for these activities.

Procedure for Determining Taxonomy Alignment

At Group level, the following key figures are obtained from the taxonomy-aligned shares of turnover, capital expenditure and operating expenses for the 2023 reporting year, reported under EU environmental objective 1 (climate change mitigation) as in the previous year.

The largest share of taxonomy-aligned turnover can be attributed to rental income from taxonomy-aligned buildings (activity 7.7). A large share of taxonomy-aligned capital expenditure is accounted for by the renovation of existing buildings (7.2) and investments in the portfolio and Development to hold (7.7 Acquisition and ownership of buildings), in particular.

Taxonomy-aligned Shares of Vonovia's Business Activities



Review of Substantial Contribution

The obligation to review taxonomy alignment for the 2023 reporting year extends exclusively to activities relating to EU environmental objectives 1 and 2.

Turnover associated with **new construction (activity 7.1)** is deemed taxonomy-aligned if the relevant buildings have a primary energy demand that is at least 10% below the national standard for nearly zero-energy buildings. Vonovia checks compliance by obtaining an energy performance certificate for each building. The relevant buildings undergo the thermal integrity and airtightness test. Where required to do so, Vonovia determines the global warming potential for each phase of the building life cycle (for buildings with an area of > 5,000 sqm) using a model calculation of life cycle emissions based on emission factors that have been determined for different types of construction.

Turnover generated from the **acquisition and ownership of buildings (activity 7.7)** is deemed taxonomy-aligned if the buildings constructed before December 31, 2020, have been assigned energy efficiency class A (or better) or, alternatively, are among the top 15 percent of regional or national housing stock in terms of primary energy demand in operation. Vonovia checks compliance by obtaining an energy performance certificate for each building. We base our assessment of the top 15 percent on relevant threshold values for primary energy demand for Germany, Austria and Sweden, which were determined in a recent benchmark study. For buildings constructed after December 31, 2020, the same criteria for substantial contribution to climate change mitigation apply as for new construction (activity 7.1).

Turnover from **electricity generation using solar photovoltaic technology (activity 4.1)** is treated as a direct climate change mitigation measure in the EU Taxonomy Regulation.

In accordance with Vonovia's business model, the **relevant criteria** for determining taxonomy-aligned capital expenditure stem from activities 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7:

At Vonovia, capital expenditure associated with the **renovation of existing buildings (activity 7.2)** always relates to energy-efficient modernization. Vonovia verifies the required 30% reduction in primary energy demand through energy-efficiency assessments or based on energy certificates. Capital expenditure as part of energy-efficient modernization projects is allocated to activity 7.2. Capital expenditure on heating modernization, charging stations and wall boxes, metering technology and smart metering, and photovoltaic systems is generally treated as a direct climate protection measure and is allocated to activities 7.3, 7.4, 7.5, and 7.6.

Activity **7.7 "Acquisition and ownership of buildings"** includes capital expenditure from acquisitions, Development to hold, investments not including energy efficiency measures (e.g., vacant apartment renovations) or other internal expenses that can be capitalized. These qualify as taxonomy-aligned if the building-related technical valuation criteria are met.

The relevant criteria for determining **taxonomy-aligned operating expenses** stem from activity 7.7. This is non-capitalized maintenance (usually minor maintenance). In addition to maintenance services provided by third parties, this also includes services provided internally by the company's own craftsmen's organization.

Capital expenditure on the fleet (3.3) is not subject to any detailed alignment review. Vonovia's fleet is gradually being switched to alternative drive systems; at present, only a small number of vehicles meet the required threshold for CO_2 emissions. Capital expenditure in connection with the purchase of electrical and electronic goods (1.2) is not subject to any mandatory alignment review in the 2023 reporting year.

Assessing Significant Harm on One or Several EU Environmental Objectives ("Do No Significant Harm")

In order to avoid significantly compromising **adaptation to the effects of climate change** (EU environmental objective 2), the EU taxonomy requires that a robust climate risk and vulnerability assessment be carried out for all taxonomy-aligned economic activities. Vonovia uses an IT tool to identify and evaluate physical climate risks for the Group-wide portfolio on a continuous basis using the prescribed climate scenarios (RCP2.6, RCP4.5 and RCP8.5) (see **Environmental Issues**). The risk assessment is based on scenario RCP4.5, which, according to the United Nations (UNEP Emissions Gap Report 2023), represents the probable increase in the global average temperature that will result from the national contributions to climate change mitigation that have currently been defined and implemented. In this scenario, no material risk has been identified for any of the climate-related hazards up to 2045. Therefore, no adaptation plan is required in accordance with the EU Taxonomy Regulation. As part of the neighborhood strategy, potential adaptations are to be defined at portfolio level in the future and subsequently implemented individually for the properties or neighborhoods for which there are material risks at the corresponding level.

With regard to the **sustainable use and protection of water and marine resources** (EU environmental objective 3), no criteria need to be assessed for the taxonomy-eligible economic activities for residential building units.

The requirements for **transitioning to a circular economy** (EU environmental objective 4) are set out in the German Circular Economy Act (KrWG)/national legislation, and are passed on to business partners by Vonovia through the Business Partner Code and the General Terms and Conditions of Contract for Construction Services, as well as being included in framework agreements with waste disposal companies. This ensures that the requirements are implemented for each project. The selected building and construction technology strengthens resource efficiency, adaptability and dismantling capacity, taking into account the requirements set out in the ISO 20887 standard. The photovoltaic systems installed by Vonovia also meet the requirements for preventing significant harm to EU environmental objective 4 on account of their design and service life.

In order to avoid and prevent **environmental pollution** (EU environmental objective 5), compliance with certain EU directives must be ensured (Appendix C to Annex 1 to the Supplement to EU Regulation 2020/852). Compliance with statutory requirements is defined in Vonovia's Business Partner Code that all subcontractors and suppliers have to sign. Vonovia has established a toxic materials management system to ensure the safe handling of toxic materials. Among other measures, safety fact sheets and operating instructions are kept for affected products and the company's own employees are trained on how to handle these products correctly from an occupational safety perspective. Substances of very high concern (SVHC) cannot generally be found in the construction materials used. If these substances are identified in very small quantities in individual cases, Vonovia looks into options for replacing them on an ongoing basis.

Vonovia's economic activities do not significantly harm the achievement of EU environmental objective 6 (**protection and restoration of biodiversity and ecosystems**), as Vonovia only builds in designated areas and with a building permit.

Compliance with Minimum Standards at Group Level ("Minimum Social Safeguards")

We are committed to our human rights due diligence obligations and align our conduct with internationally recognized frameworks such as the OECD Guidelines for Multinational Enterprises, the ILO Core Labour Standards and the UN Guiding Principles on Business and Human Rights.

Vonovia adopts a Group-wide approach to meeting minimum safeguards that address the issues of corruption and bribery, fair competition and taxation in addition to respect for human rights: Comprehensive procedures forming part of the compliance management system, including Group-wide guidelines and complaints mechanisms, have been put in place to prevent and uncover violations (see → **Combating Corruption and Bribery**).
A due diligence process to avoid scenarios in which business activities have negative impacts on people and the environment forms the core of compliance with the minimum safeguards. Taking the OECD Guidelines as a basis, Vonovia has implemented all of the recommended due diligence steps. In the reporting year, we conducted a human rights and environmental risk analysis for our own business area and the supply chain. Further information on the implementation of human rights due diligence at Vonovia can be found in the section → **Respect for Human Rights**.

Performance Indicators

Definition and Calculation Method

In order to determine the key figures (KPIs) that are to be reported, the taxonomy-eligible and taxonomy-aligned net turnover, capital expenditure and operating expenses are calculated as a share of the total net turnover, capital expenditure and operating expenses that are to be taken into account in accordance with EU taxonomy requirements. Duplicate counting is avoided by means of direct allocation of the taxonomy-eligible or taxonomy-aligned turnover, capital expenditure and operating expenses to a taxonomy-eligible or taxonomy-aligned economic activity.

Turnover

The Group's consolidated turnover is taken into account in the denominator (total net turnover). This comprises turnover from property management, income from the sale of properties, income from the disposal of properties held for sale and turnover from the disposal of real estate inventories. For more details on accounting methods, please refer to the accounting and valuation methods within the Notes to the IFRS consolidated financial statements → **[B10] Revenue from Property Management**, → **[B11] Profit on the Disposal of Properties** and → **[B12] Profit on Disposal of Real Estate Inventories**. Taxonomy-aligned net turnover (numerator) is comprised of amounts generated through taxonomy-aligned economic activities.

Rental income from the Rental segment accounts for the largest share of taxonomy-aligned turnover (€ 705 million). In this case, compliance is assessed on a building-by-building basis taking into account the technical criteria for activity 7.7. Turnover from completed residential properties for our own use (Development to hold) has been reported under turnover for 7.7 based on the completion date. The increase is due to a larger proportion of aligned buildings. A further approx. € 226 million of aligned turnover under activity 7.7 is based on the sale of aligned investment properties.

The turnover from the Development to sell segment (€ 250 million), which is shown under activity 7.1, is based on the proceeds from the disposal of new builds. These decline due to the current market situation. The taxonomy-aligned share within activity 7.1, however, rose from 60.2 percent to 70.7 percent. The turnover for activity 4.1 (€ 1.9 million) is generated by the feed-in tariff paid for supplying electricity to the grid as well as the direct sale of electricity to tenants. Total turnover → **[C23] Segment Reporting** is down by € 2,886 million year-on-year. In particular, the portfolio sold to the federal state of Berlin (Berlin deal) had increased total turnover in the 2022 fiscal year, reducing overall alignment.

Completed residential property for our own portfolio (Development to hold) is shown in the consolidated financial statements as capital expenditure under 7.7. No turnover is gained from this. The internal turnover of the Value-add companies, e.g., services provided by craftsmen, is eliminated in the course of Group consolidation and is therefore not taken into account in taxonomy-eligible turnover. If the services provided internally are larger projects, e.g., energy-efficient modernization measures, they are capitalized and shown as capital expenditure (CapEx).

Capital Expenditure

In accordance with the EU taxonomy, the denominator for capital expenditure (CapEx) is composed of additions to property, plant and equipment and intangible assets. For accounting details, please refer to chapters → **[D26] Intangible Assets**, → **[D27] Property, Plant and Equipment** and **[D28] Investment Properties** in the Notes to the IFRS consolidated financial statements. The individual additions and capitalized modernization costs were taken into account when calculating the denominator.

For projects lasting several years in the areas 7.2, 7.3 or 7.7, the capitalized amount for the relevant reporting year is reported as taxonomy-eligible and, provided the relevant criteria are met, taxonomy-aligned capital expenditure. For activities 7.4, 7.5 and 7.6, the capital expenditure is shown in the year of asset capitalization. When it comes to capital expenditure, the EU Taxonomy Regulation makes a distinction between different categories of capital expenditure.

Due to Vonovia's business model, it largely invests (activity 7.2 and 7.7) in assets or processes associated with economic activities that are taxonomy-aligned (category A). It also makes investments (activity 7.3–7.6) relating to individual measures through which the target activities are carried out in a low-carbon manner or the emission of greenhouse gases is lowered (category C). Capital expenditure for the fleet (3.3) and for the purchase of electrical and electronic goods (1.2) also constitutes taxonomy-eligible capital expenditure under category C.

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.

Capital expenditure in the context of Vonovia's capitalized internal expenses is reviewed for taxonomy alignment and allocated to 7.2, 7.3 or 7.7 depending on the type of investment. In order to avoid duplicate counting of capital expenditure, the items are allocated to just one activity in each case. Taxonomy alignment is assessed for each building or project. In addition to capitalized internal expenses, the addition of other property, such as Development to hold additions or other acquisitions of investment properties, is reported under 7.7.

With regard to economic activity 7.1, the corresponding properties do not constitute fixed assets but rather are reported within current assets in the real estate inventories (see → **[D36] Real Estate Inventories**) or receivables, and are therefore not included in the denominator of the key figure for taxonomy-relevant capital expenditure.

The taxonomy-aligned capital expenditure (numerator) comprises additions to investment properties (€ 285 million). These comprise aligned Development to hold additions (€ 141 million/7.7), capitalized modernization measures (€ 97 million, with € 95 million in 7.2 and € 2 million in 7.7), additions of purchased real estate (€ 36 million/7.7) and aligned individual measures pursuant to activity 7.3 (€ 11 million). Additions relating to property, plant and equipment came to € 36 million in total. These relate to photovoltaic technology (€ 30 million/7.6), metering technology (€ 5 million/7.5) and charging stations (€ 1 million/7.4). There was an addition to right-of-use assets (€ 5 million) for metering technology (€ 3 million/7.5) and heating systems (€ 2 million/7.3). There were no additions resulting from business combinations during this reporting year.

Compared to the previous year, CapEx fell significantly overall (from € 2,483 million to € 1,203 million). The aligned share fell from € 774 million to € 326 million. This can be traced back to the overall reduction in the investment strategy due to the tense interest rate situation. A large number of development projects were sold as opposed to added to the company's own portfolio. This means that the aligned share of additions to investment properties (7.7) fell from € 443 million to € 141 million. The capitalization of modernization measures (7.2) also fell accordingly from € 239 million to € 97 million. There was also a downward trend in the area of heating modernization (7.3) from € 80 million to € 11 million. By contrast, there was a significant increase from € 6 million to € 30 million in activity 7.6 due to a strong commitment to the expansion of photovoltaic systems.

We have issued green bonds on the capital market based on the **Vonovia Sustainable Finance Framework 2022**. 2023 also saw us take out a green loan. The proceeds from these issues are used exclusively to (re)finance real estate that has been confirmed to be green. We use a portfolio-based approach, which means that funds cannot be allocated to specific properties. As a result, it was not possible to make adjustments for the taxonomy-aligned capital expenditure financed using these bonds or debentures, or corresponding turnover from environmentally sustainable buildings for the purposes of reporting the taxonomy-aligned performance indicators.

Operating Expenses

The operating expenses (OpEx) denominator is an addition to the performance indicator of the recognized capital expenditure values rather than a full presentation of the operating expenses of Vonovia, as shown under → **[B15] Cost of Materials** in the Notes to the consolidated financial statements.

Pursuant to the requirements, we include expenses for upkeep and repair (maintenance) when defining the denominator. At Vonovia, maintenance measures are mainly carried out by the internal craftsmen's organization, which is why we also include these items (technicians' and administrative costs) in the denominator. Duplicate counting is avoided due to the fact that capitalized shares, as capital expenditure, reduce maintenance costs accordingly. As a result, the denominator reflects the non-capitalized maintenance expenses. These maintenance costs and, in particular, the personnel costs associated with the company's own staff cannot be allocated separately to the individual buildings when posting expenses. In addition, the operating expenses incurred for the individual activities 7.2 to 7.7 cannot be attributed individually. Vonovia thus allocates all maintenance costs to activity 7.7. To determine the taxonomy-aligned data, we use an allocation factor for maintenance expenses based on the area of the building (in sqm). This share is multiplied by the taxonomy-eligible operating expenses to calculate the numerator. The non-taxonomy-eligible shares, e.g., condominium administration maintenance expenses, are not taken into account. The share of green sqm in relation to the total area is 14.6%. The increase as against the previous year (12.9%) is due to a higher proportion of taxonomy-aligned buildings.

In this case, operating expenses are comprised of € 534 million for maintenance (see → **[B15] Cost of Materials**), less € 385 million for the capitalized share and € 267 million from our own craftsmen's organization. € 17 million of the maintenance expenses is attributable to condominium administration. This activity is not taxonomy-eligible. As a result, the numerator is calculated as 14.6% of € 396 million.

EU Taxonomy Regulation Reporting Forms

Turnover

				Substantial contribution criteria					
	Code(s)	Turnover	Proportion of Turnover, year 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
Economic Activities		€ million	%	Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)*									
Construction of new buildings	CCM 7.1	250	4.1	Y	N/EL	N/EL	–	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	931	15.3	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Electricity generation using solar photovoltaic technology	CCM 4.1	2	0.0	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1,184	19.4	19.4	0.0	–	–	–	–
of which Enabling		0	0.0	0	0	–	–	–	–
of which Transitional		0	0.0	0	0				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL***	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Construction of new buildings	CCM 7.1/CE 3.1	104	1.7	EL	N/EL	N/EL	EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	4,650	76.3	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,753	78.0	78.0	0	0	0	0	0
A. Turnover of Taxonomy eligible activities (A1.+A2)		5,937	97.4	97.4	0	0	0	0	0
B. Taxonomy-non-eligible activities									
Turnover of Taxonomy-non-eligible activities		159	2.6						
Total		**6,096**	**100.0**						

* With regard to EU environmental objectives 3 to 6, the disclosure obligation for the 2023 reporting year extends exclusively to taxonomy eligibility.
** "Y": Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant EU environmental objective; "N": No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant EU environmental objective; "N/EL": Taxonomy-non-eligible activity for the relevant EU environmental objective.
*** "EL": Taxonomy-eligible activity for the relevant EU environmental objective; "N/EL": Taxonomy-non-eligible activity for the relevant EU environmental objective.

DNSH criteria ("Does Not Significantly Harm")								Category	
Climate change mitiga-tion	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safeguards	Proportion of Taxono-my aligned (A.1.) or eligible (A.2.) Turn-over, year 2022	Category en-abling activity	Category transi-tional activity
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Y	Y	Y	Y	Y	Y	Y	3.9		
Y	Y	Y	Y	Y	Y	Y	6.6		
Y	Y	Y	Y	Y	Y	Y	0.0		
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**10.6**		
Y	Y	Y	Y	Y	Y	Y	0.0	E	
Y	Y	Y	Y	Y	Y	Y	0.0		T
							2.6		
							82.5		
							85.1		
							95.7		

CapEx

Economic Activities	Code(s)	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
				Substantial contribution criteria					
		€ million	%	Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)*									
Renovation of existing buildings	CCM 7.2	95	7.9	Y	N/EL	N/EL	–	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	13	1.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	1	0.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	8	0.7	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	30	2.5	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	179	14.9	Y	N/EL	N/EL	N/EL	N/EL	N/EL
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**326**	**27.1**	**27.1**	**0.0**	**–**	**–**	**–**	**–**
of which Enabling		52	4.4	4.4	0	–	–	–	–
of which Transitional		95	7.9	7.9	0				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL***	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Renovation of existing buildings	CCM 7.2/CE 3.2	187	15.6	EL	N/EL	N/EL	EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0	0.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0	0.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0	0.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	577	47.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of low carbon technologies for transport	CCM 3.3	26	2.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of electrical and electronic equipment	CE 1.2	8	0.6	N/EL	N/EL	N/EL	EL	N/EL	N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**798**	**66.3**	**65.7**	**0**	**0**	**0.6**	**0**	**0**
A. CapEx of Taxonomy eligible activities (A1.+A2)		**1,124**	**93.4**	**92.8**	**0**	**0**	**0.6**	**0**	**0**
B. Taxonomy-non-eligible activities									
CapEx of Taxonomy-non-eligible activities		**79**	**6.6**						
Total		**1,203**	**100.0**						

* With regard to EU environmental objectives 3 to 6, the disclosure obligation for the 2023 reporting year extends exclusively to taxonomy eligibility.
** "Y": Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant EU environmental objective; "N": No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant EU environmental objective; "N/EL": Taxonomy-non-eligible activity for the relevant EU environmental objective.
*** "EL": Taxonomy-eligible activity for the relevant EU environmental objective; "N/EL": Taxonomy-non-eligible activity for the relevant EU environmental objective.

DNSH criteria ("Does Not Significantly Harm")								Category	
Climate change mitiga-tion	Climate change ad-aptation	Water and marine re-sources	Circular economy	Pollution	Biodiversity and eco-systems	Minimum safeguards	Proportion of Taxono-my aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category en-abling activity	Category transi-tional activity
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Y	Y	Y	Y	Y	Y	Y	9.6		T
Y	Y	Y	Y	Y	Y	Y	3.2	E	
Y	Y	Y	Y	Y	Y	Y	0.0	E	
Y	Y	Y	Y	Y	Y	Y	0.3	E	
Y	Y	Y	Y	Y	Y	Y	0.2	E	
Y	Y	Y	Y	Y	Y	Y	17.9		
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**31.2**		
Y	Y	Y	Y	Y	Y	Y	3.7	E	
Y	Y	Y	Y	Y	Y	Y	9.6		T
							10.3		
							0.0		
							0.0		
							0.0		
							0.0		
							54.7		
							–		
							–		
							65		
							96.2		

OpEx

Economic Activities	Code(s)	OpEx	Proportion of OpEx, year 2023	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
		€ million	%	Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)*									
Acquisition and ownership of buildings	CCM 7.7	58	14.0	Y	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		58	14.0	14.0	0.0	–	–	–	–
of which Enabling		0	0.0	0	0	–	–	–	–
of which Transitional		0	0.0	0	0				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL***	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Acquisition and ownership of buildings	CCM 7.7	338	81.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		338	81.9	81.9	0	0	0	0	0
A. OpEx of Taxonomy eligible activities (A1.+A2)		396	96.0	96.0	0	0	0	0	0
B. Taxonomy-non-eligible activities									
OpEx of Taxonomy-non-eligible activities		17	4.0						
Total		**412**	**100.0**						

* With regard to EU environmental objectives 3 to 6, the disclosure obligation for the 2023 reporting year extends exclusively to taxonomy eligibility.
** "Y": Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant EU environmental objective; "N": No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant EU environmental objective; "N/EL": Taxonomy-non-eligible activity for the relevant EU environmental objective.
*** "EL": Taxonomy-eligible activity for the relevant EU environmental objective; "N/EL": Taxonomy-non-eligible activity for the relevant EU environmental objective.

DNSH criteria ("Does Not Significantly Harm")								Category	
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022	Category enabling activity	Category transitional activity
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Y	Y	Y	Y	Y	Y	Y	12.3		
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**12.3**		
Y	Y	Y	Y	Y	Y	Y	0.0	E	
Y	Y	Y	Y	Y	Y	Y	0.0		T
							82.9		
							82.9		
							95.3		

Proportion of turnover/Total turnover

	Aligned per objective	Eligible per objective
CCM	19%	97%
CCA	0%	0%
WTR	0%	0%
CE	–	6%
PPC	0%	0%
BIO	0%	0%

Proportion of CapEx/Total CapEx

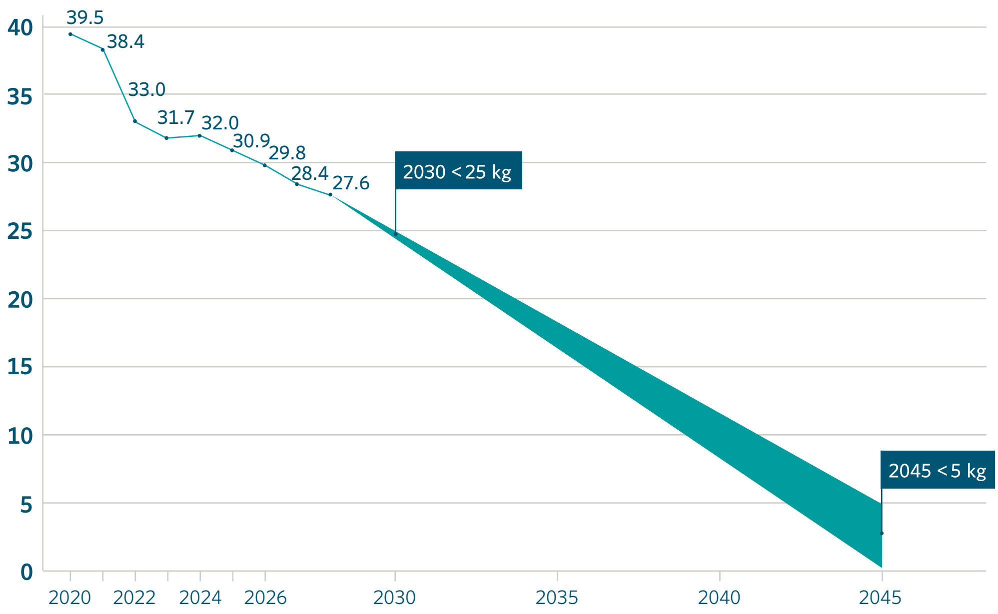
	Aligned per objective	Eligible per objective
CCM	27%	93%
CCA	0%	0%
WTR	0%	0%
CE	–	24%
PPC	0%	0%
BIO	0%	0%

Proportion of OpEx/Total OpEx

	Aligned per objective	Eligible per objective
CCM	14%	96%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Vonovia Climate Path: Strategy for Decarbonizing the Housing Stock

CO_2 intensity in kg CO_2e/m^2a*



The 3 elements of the climate path

1
> Increase energy efficiency through **energetic renovation**

2
> **Replace conventional heating** with heat pumps
> **PV** on all suitable roofs
> Increase **district heating** and own local **heating networks** powered with renewable energy

3
> **Transformation of the energy sector** towards carbon-free district heating and green electricity

* Includes Scopes 1 and 2 as well as Scope 3.3 "Fuel- and energy-related activities upstream"; referring to German building stock. Development of energy sector according to Scenario Agora Energiewende KNDE 20245; For comparison: CRREM pathway MFH 1.5° DE 2045=4kg CO_2e/sqm per year (07/2021); Climate pathway development supported by Fraunhofer ISE.

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.

Nine out of the ten topics that are material for Vonovia can be allocated to the aspects required under the German Commercial Code (HGB) in the context of the Non-financial Group Declaration:

> Environmental issues: Reducing CO_2 in the real estate portfolio, sustainable new construction and refurbishment
> Social issues: Neighborhood development and contribution to infrastructure, fairly priced housing, homes that meet tenant needs and demographic change, customer satisfaction and service quality
> Employee issues: Appeal as an employer, diversity and equal opportunities
> Combating corruption and bribery: Governance and Compliance

"Appeal 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 (HGB), is also reported in the Non-financial Group Declaration.

Environmental Issues

Environmental issues include the following material topics for Vonovia: "Reducing CO_2 in the real estate portfolio" and "Sustainable new construction and refurbishment" (see → **Materiality Matrix**).

The mitigation of global warming and the protection of natural resources for life on earth are some of the most important challenges facing society as a whole in our time. As such, environmental and climate protection is accorded paramount importance within our sustainability strategy. 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 to achieve climate neutrality by 2045, are of high significance for Vonovia in this regard.

As Europe's housing industry market leader with our own real estate portfolio of 545,919 residential units and our development activities, we possess significant levers for protecting the environmental and climate. Here, our main concern is greenhouse gas emissions that can be largely influenced directly in connection with supplying our buildings with heat and warm water, known as Scope 1 and 2 emissions. Greenhouse gas emissions from the upstream value chain (Scope 3 emissions) and other environmental aspects are also relevant for us, meaning that we are increasingly collecting data on them.

Vonovia has set itself the target of achieving a **virtually greenhouse gas-neutral housing stock by 2045, with carbon intensity of less than 5 kg of CO_2 equivalents per sqm** of rental area (in terms of Scope 1, 2 and 3.3). By 2030, our housing stock in Germany is to have a CO_2 intensity of less than 25 kg CO_2e per sqm. Binding interim targets have been defined for the next five years so that we can achieve this goal.

We had our climate pathway's compatibility with the Paris Agreement target calculated using the XDC model from right.based on science in 2022. The XDC model converts CO_2 emissions based on our climate pathway into a number of degrees that shows by how much the earth's temperature would increase if the entire world's climate performance were identical to that of Vonovia. The 1.5° target path of the Carbon Risk Real Estate Monitor (CRREM) for multifamily residences in Germany (as of July 2021) was used as a benchmark. This calculation revealed that, taking into account long-term sales that are already planned and Recurring Sales, **Vonovia's climate pathway is compatible with global warming of 1.4° Celsius**.

Defining and implementing the climate pathway is part of our systematic way of tackling climate change – with regard to both Vonovia's contribution to mitigating climate change and the effects of climate change on our company's economic development. In continuing to develop and implement our climate pathway, we maintain an overview of the risks, e.g., those resulting from future increases in prices for causing greenhouse gas emissions or the impact of climate change on our buildings, as well as the opportunities, e.g., in the form of climate-resilient and particularly competitive neighborhoods. The recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) constitute important guidance in this regard.

Since 2022, Vonovia has been using an IT tool in accordance with EU taxonomy requirements in order to analyze the **physical risks** associated with climate change. This tool enables physical climate risks to be identified and evaluated for the Group-wide portfolio on a continuous basis using the prescribed climate scenarios (RCP2.6, RCP4.5 and RCP8.5).

This climate risk tool covers Vonovia's portfolio and development projects in Germany, Austria and Sweden and allows material negative impacts on our business activities due to the effects of climate change to be analyzed at portfolio and property level. The climate risks examined using this tool are heat, drought, increases in precipitation, wind and storms, snow loads and flooding. Depending on the granularity of the available data source, we measure climate risks at the building or neighborhood level and are able to identify the climate risks for each building in the portfolio and, as a result, its vulnerability.

The risk assessment at company level is based on scenario RCP4.5, which, according to the United Nations (UNEP Emissions Gap Report 2023), represents an increase of around 2 to 3 degrees Celsius in the global average temperature that will result from the national contributions to climate change mitigation that have currently been defined and implemented. In this scenario, no material risk at portfolio level has been identified for any of the climate-related hazards up to 2045.

Relevant risks could arise at the level of individual neighborhoods or buildings. As part of Vonovia's modernization strategy, potential adaptations are to be defined at portfolio level in the future and then implemented individually for the properties or neighborhoods concerned. **Adaptation measures** include, in particular, insulating buildings and replacing windows to provide protection against heat and cold, creating shade using blinds and shutters, and installing suitable equipment designed to handle the infiltration and absorption of larger amounts of precipitation. In the future, the individual findings from the climate risk analysis will be incorporated into the specific neighborhood profiles that provide the guidelines for managing and developing a neighborhood.

Implementation of the TCFD Recommendations at Vonovia

Content of the Recommendations	Implementation at Vonovia	Additional Information
Governance		
Organizational structure of the company regarding climate-related risks and opportunities	> The entire Management Board bears responsibility for sustainability and climate protection, as well as climate-related risks and opportunities. > In its Strategy, Finance and Sustainability Committee, the Supervisory Board addresses climate protection and relevant risks and opportunities, among other topics. > The 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. > The central department Sustainability/Strategy, within the executive division of the CEO, coordinates and spearheads the development and implementation of relevant measures. > 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 the risk assessment. > Energy efficiency modernization and the expansion of renewable energies for heating and powering 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. > The non-financial performance indicator used in the management system is the Sustainability Performance Index (SPI). It includes the carbon intensity of the housing stock in Germany and the average primary energy consumption for development projects.	**2023 Annual Report:** **→ The Company** **→ Corporate Structure** **→ Sustainability Management at Vonovia** **→ Management System** **→ Environmental Issues** **→ Opportunities and Risks** **2022 Sustainability Report:** **Environment and Climate** **Management of Opportunities and Risks**
Strategy		
Actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	> As key drivers of long-term business success, climate protection and CO_2 reduction are fundamental components of the corporate strategy. > A binding climate pathway, taking into account various scenarios, defined in cooperation with the scientific community. > The climate pathway and scenarios for the portfolio are stored in the decarbonization tool. > An extensive modernization program to increase energy efficiency, as well as the use of heat pumps and connections to heating networks (fuel switch). > No material physical risks currently determined; transitory risks including through legislation in Germany (CO_2 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 in the current regulatory framework (balance between investments and capacity for passing on costs/affordability for tenants). > Opportunities can be found, in particular, in optimization at neighborhood level and our own decentralized energy generation for supplying heat and providing tenants with electricity from renewable energy sources, especially photovoltaics.	**2023 Annual Report:** **→ Strategy** **→ Sustainability Management at Vonovia** **→ Environmental Issues** **→ Risk Assessment Based on Sustainability Aspects** **2022 Sustainability Report:** **Environment and Climate** **New Construction and Conversions**
Risk Management		
How the organization identifies, assesses, and manages climate-related risks	> Climate-related risks form part of the company-wide risk management process; half-yearly evaluation of all risks by the management. > Physical risks are analyzed in a separate climate risk tool using various IPCC scenarios. Material risks are addressed in the further development of the neighborhoods and in the planning for development projects, and appropriate potential adaptations are defined and implemented. > The climate risk analysis performed using the climate risk tool does not indicate any material physical risks for Vonovia's housing stock.	**2023 Annual Report:** **→ Environmental Issues** **→ Risk Assessment Based on Sustainability Aspects** **→ Opportunities and Risks** **2022 Sustainability Report:** **Management of Opportunities and Risks**
Metrics and Targets		
Metrics and targets used to assess and manage relevant climate-related risks and opportunities	> Extensive data on greenhouse gas emissions based on the GHG emission protocol > GHG emissions in the portfolio (in Germany) in 2023: 973,255 metric tons of CO_2e (Scopes 1, 2, 3*). > Expansion of renewable energies using photovoltaics (PV): 1,353 installations with a nominal output of 53.1 MWp Targets: > Virtually greenhouse gas-neutral housing stock by 2045 (<5 kg CO_2e per sqm rental area). > Reduction of CO_2 intensity to less than 25 kg CO_2e per sqm of rental area by 2030 in Germany. > Installation of photovoltaic systems with a nominal output of around 300 MWp by 2026. > Reduction in average primary energy consumption in completed new buildings to 27 kWh per sqm by 2025.	**2023 Annual Report:** **→ Strategy** **→ Management System** **→ Environmental Issues** **2022 Sustainability Report:** **Environment and Climate** **Sustainable Construction and Development** **Environmental Key Figures**

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

CO_2 Reduction in the Real Estate Portfolio

The CO_2 intensity of the building portfolio represents the central indicator of our climate performance management. It is also an extremely important component of the Sustainability Performance Index (SPI) and therefore of the Management System and the renumeration paid to senior management. In the reporting year, the CO_2 intensity for our housing stock in Germany was 31.7 kg CO_2e per sqm of rental area, down by around 3.9% year-on-year (2022: 33.0 kg CO_2e per sqm). In addition to the modernization measures implemented in the reporting year despite the lower investment volume, this development can also be traced back to numerous energy certificate updates. As the economic conditions remain challenging, for example the increased cost of capital and construction costs and the uncertain subsidy conditions, we have nevertheless kept the medium-term targets of our climate pathway unchanged. For 2024, this equates to a figure that is roughly on a par with the previous year. If, however, we manage to implement our reduction levers successfully, we are confident that we will once again report figures that are below those set out in our climate pathway.

Material performance indicator - SPI

Category	Unit	2022	2023	Target for 2024
Carbon intensity of the housing stock Vonovia SE (in Germany)*	kg CO_2e/ m^2 rental area	33.0	31.7	roughly same level as the previous year

* Total portfolio excl. Care segment, based on final energy figures from energy performance certificates, in some cases including specific CO_2 factors from district heating suppliers.

The transformation plan for our housing stock, our climate pathway, consists of three levers:

1. Saving energy through energy-efficient modernization of the building envelope

2. Increasing the share of renewable energies in the neighborhood

3. Fundamental transformation of the energy sector

In order to operationalize this transformation plan, Vonovia uses the decarbonization tool (DCT), which maps its housing stock with all of the relevant ecological and economic characteristics. The DCT provides an overall plan showing how the housing stock needs to be modernized in detail in order to meet the Group's overall target and the time frame in which this must be done. Individual solution plans are identified for all buildings which are then set out in more specific detail in the plans for energy-efficient modernization and the energy concepts.

In doing so, we adopt a holistic view at neighborhood level, examining both the modernization of the building envelope (insulation of facades, basement ceilings and attics, and replacement of windows) and the conversion of the energy supply to climate-friendly systems in their wider context. We believe that many integrated solutions for energy provision with renewable energies and CO_2 optimization can often be implemented in a more technically feasible and economically viable way within larger neighborhoods. Our approach is shaped by the concept of sequential development. This means that, depending on the efficiency class and existing energy supply, the measures to enhance the individual buildings and advance towards the 2045 targets set in the climate pathway are staggered in some cases. When it comes to the specific implementation process, tailored and economically viable concepts are developed for scalable solutions that focus on linking the heat, electricity and mobility sectors.

Public-sector subsidy programs are being used for many of the modernization measures in order to minimize the costs for our tenants. Here, federal subsidies for energy-efficient buildings (BEG) play a particularly crucial role. Planning in the real estate sector involves long timescales and is complex, especially in a neighborhood context. Uncertainty surrounding the continuation of subsidy programs that have been initiated, or surrounding the structure of programs that have been announced, is currently making it much more difficult for us to plan.

We achieved an overall refurbishment rate of 1.2% in the reporting year. The year-on-year decline (2022: 1.8% excluding Deutsche Wohnen) can be traced back to the fact that the 2023 investment volume was lower owing to the sharp rise in the cost of capital. Nevertheless, we exceeded our target corridor of between 0.3% and 0.8%. This was due to numerous modernization projects implemented by Deutsche Wohnen that had already been commenced before the reporting year and were completed in 2023. Looking ahead to 2024, we expect the refurbishment rate to be roughly on the same level as 2023.

Material performance indicator

Category	Unit	2022	2023	Target for 2024
Refurbishment rate (in Germany)*	%	1.8	1.2	same level as the previous year

* Change of the calculation basis to completions per calendar year, corresponding correction of the figure for 2022. 2023 actual incl. Deutsche Wohnen (excl. Care segment).

In order to make energy-efficient building refurbishment even more cost-effective in the medium and long term, we continued to forge ahead further with serial refurbishment in the reporting year. Following on from a pilot project implemented in Bochum in 2022, another refurbishment project based on the Energiesprong principle was carried out in the reporting year. In Witten, four and, for the first time, eight-story apartment buildings including six to 24 apartments were fitted with prefabricated, glass-faced facade elements featuring a honeycomb structure that allows solar radiation to be used to generate heat. Heat is also generated by a highly efficient heat pump powered by green electricity generated by photovoltaics on the roof and facades. The windows have integrated blinds and allow for living area ventilation. Overall, the project will upgrade the buildings from energy efficiency class E to A+ after the refurbishment. The project is cost-neutral for tenants in the medium and long term. Preparations for further serial refurbishment projects are currently underway.

Since as early as 2022, we have been accelerating the electrification of heat generation through our heat pump initiative, a key component in our quest to implement our climate pathway. Based on a pilot batch of 50 heating networks involving 108 buildings in Dortmund, primarily implemented in the reporting year, key challenges related to use of the technology in apartment buildings were identified and addressed with relevant stakeholders. In addition to the installation of the air-to-water heat pumps, the focus was also on replacing radiators wherever this was necessary in order to further reduce the supply temperature to enable efficient heat pump operation. The measure will reduce the carbon emissions from the 50 heating networks by 40%. The findings will be used to expand the initiative to cover other regions.

Another aspect of implementing the climate pathway is increasing energy generation from renewable sources. Vonovia continued the program it had launched back in 2021 to expand electricity generation using photovoltaics in the reporting year. The focus is on ensuring that the electricity generated is used directly in the neighborhood – to supply our tenants and to operate heat pumps. The installation of these systems is therefore also closely interlinked with the heat pump initiative and the modernization program.

At the end of the reporting year, Vonovia owned 1,353 photovoltaic systems with an installed output of 53.1 MWp. This outstripped the target of 43.3 MWp by far (+22.6%). Starting in 2024, the pace of PV expansion is to be accelerated significantly again: Instead of our original plan of having around 280 MWp of installed capacity by 2030, we are aiming to install around 300 MWp of capacity by the end of 2026. We are aiming for additional capacity of 80 MWp in the 2024 fiscal year. In the long term, we intend to fit all suitable roof spaces in the German portfolio with PV panels by 2050.

Material performance indicator

Category	Unit	2022	2023	Target for 2024
Number of photovoltaic plants*	number	527	1,353	
Installed output	MWp	19.1	53.1	133.1

* Photovoltaic systems (feed-in points) owned by the Group as of Dec. 31; adjustment of the figures for FY 2022 (exclusion of six contracting systems in Austria).

The reporting year saw Vonovia set up an integrated system for housing-related infrastructure services under the “Quartierwerk“ umbrella. This encompasses activities relating to renewable energies and energy sales, as well as metering services, multimedia and the Internet of Things (IoT).

Vonovia is offering its customers the opportunity to purchase electricity from renewable energy sources via its own energy distribution company (VESG). By providing green energy that has been generated or certified in the neighborhood, we are supplying 45,000 households with around 50 GWh of low-cost electricity and helping them to reduce greenhouse gas emissions. 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.

Vonovia is also forging ahead with digitalization in the field of heat supply. In the reporting year, more than 1,450 gas-fired heating systems had already been connected to a digital solution developed in collaboration with the start-up Othermo, which detects heating system failures in real time and supports optimized adjustments to the system technology. This system offers the potential to save around 15% in energy and CO_2, with direct benefits for tenants.

The energy innovation team, which is part of the Innovation & Business Building department, actively works to help ensure that climate pathway targets are met by analyzing and testing innovative technologies. Projects in the reporting year focused on the introduction of a simulation tool that allows even complex energy systems and flows in the neighborhood to be mapped in various configurations in a short space of time. This allows the technical and commercial design of new technologies to be analyzed directly in detail, allowing for faster and better decisions in the context of specific neighborhood development. Preparations were also under way for a pilot project for the selection and introduction of an energy management system in the reporting year. The aim is to make a central technical system operational for efficient operational control and optimization as well as flexible marketing of electricity generation from photovoltaics. The energy management system is designed to control energy flows, especially electricity flows, at portfolio level and also prepare forecasts of electricity demand and electricity production depending on user behavior and weather data in order to make optimum use of the spot market for surplus or required electricity. The pilot projects will start at the beginning of 2024. Vonovia is also partnering in two funded research projects. The EU-funded Neutralpath project in Dresden is looking into how the district heating supply temperature can be reduced and the formation of legionella prevented at the same time. Seven different technological systems are being tested are part of the project. The ReFaTEk project is researching what is known as the energy clinker, a technology in which the facade is to serve as an additional heat source for a heat pump via a brine pipeline in the clinker.

A further key lever for our climate pathway is the supply of sufficient quantities of CO_2-free district heating and electricity by the energy sector. This requires the energy sector to implement the targets set by policymakers for phasing out coal and increasing the share of renewable energies in energy or electricity generation. We consider the mandatory municipal heating planning process to be an important step towards this goal. This can provide long-term planning security with respect to the availability of district heating within the municipalities. The German Heat Planning Act (Wärmeplanungsgesetz) also features mandatory targets for the decarbonization of heating networks. One good example in practice is the Bochum heat transition project that Vonovia is involved in. One key element of this project involves adopting an integrated view of heat and electricity generation that takes all stakeholders in the municipality into account. District heating is always an important lever for us where it is economically viable to connect additional properties to a district heating network while making consistent progress in decarbonizing heat generation by public utilities companies. As a result, Vonovia is examining the decarbonization strategies of the most important district heating providers and, based on these conclusions, drawing up potential courses of action for incorporating them into its long-term neighborhood strategy.

The Portfolio Management department, which reports to the Chief Rental Officer (CRO), is responsible for coordinating the energy-efficient modernization activities. The neighborhoods and buildings to be modernized are selected in a targeted manner in cooperation with the regions, and the optimal degree of modernization and modernization roadmap for each building is defined. The investments for the modernization programs and PV expansion are approved by the Management Board. The newly established "Quartierwerk" unit is also part of the Chief Rental Officer's (CRO) executive division, meaning that it is closely linked to the management of the portfolio. Innovation & Business Building with the energy innovation team falls under the CEO's executive division.

In Austria, energy efficiency modernization measures are, just 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. As part of this initiative, BUWOG has defined the goal of achieving a reduction in greenhouse gas emissions of 55% and an increase in energy efficiency of 35% by 2030 compared to the baseline year of 2005. Both targets are likely to be met ahead of time. The highest share of the CO_2 reduction will be accounted for by modernization and improvements to existing stocks, particularly energy-efficient refurbishment, improvements in the efficiency of heating systems and conversion to more environmentally-friendly energy sources, in particular district heating. Furthermore, all oil heating systems are to be replaced by 2030, five years earlier than required by law. BUWOG has had a certified energy management system that is consistent with ISO 50001 standards in place in Austria since 2013/2014 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. The regular review audit was completed successfully in the reporting year.

In Sweden, around 90% of existing Victoriahem buildings are supplied with district heating, the generation of which already produces extremely low CO_2 emissions. Therefore, the road to climate neutrality at Victoriahem will primarily be shaped by further decarbonization of heating supply, coupled with ongoing improvements in energy efficiency. Heat pumps are also being installed in selected buildings during modernization work to support the heat supply and make it more flexible. The aim is to reduce energy consumption (electricity and heat) by 30% per sqm by 2030 compared to 2015. The current reduction level is around 25%. In 2022, Victoriahem also joined the Swedish housing association's "Allmännyttans klimatinitiativ", which aims to achieve an energy supply that does not feature any fossil fuels by 2030.

Sustainable Construction and Refurbishment

Vonovia's new construction activities are helping to create urgently needed new and affordable homes, especially in metropolitan areas. The development business operating under the BUWOG brand is active in both the development of attractive, sustainable and diverse residential neighborhoods in Germany and Austria, and the densification of buildings as part of the development of existing neighborhoods. 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.

By taking a holistic neighborhood-based approach to developments, we bring together planning expertise and construction. Our focus is on the development of large, inner-city properties in major cities (known as **brownfield projects**) that require a whole range of requirements to be taken into account. This allows us to create additional homes and avoid additional sealing, for example by converting sealed industrial areas into state-of-the-art residential neighborhoods. Our approach is complemented by our Building Information Management (BIM) strategy, which allows us to identify effective measures on the basis of data from across the entire life cycle of our neighborhoods. This reflects our commitment to long-term sustainability, which takes a close look at every stage of a building's life – from finding plots of land through to handing over the keys and demolition – in order to minimize its emissions, the impact it has on the environment and the amount of resources that it consumes.

The average primary energy demand of newly constructed buildings, in relation to rental area, is the most important **non-financial performance indicator** in development. This performance indicator is part of the Sustainability Performance Index (SPI) and planning process and must be made transparent as part of all Management Board approvals of new-build and development projects. In 2023, the average primary energy demand was 25.3 kWh per sqm per year, down considerably on that of the previous year as planned. We anticipate higher primary energy demand for 2024 due to a number of projects resulting from the merger with Deutsche Wohnen.

Material performance indicator - SPI

Category	Unit	2022	2023	Target for 2024
Average primary energy demand – new construction*	kWh/m² p. a.	37.7	25.3	33.7

* Based on energy performance certificates, excluding commercial projects and extensions.

In the reporting year, BUWOG prepared a sustainability strategy for development that is to be implemented starting in 2024. Guides, specifications and tools have been developed in 14 topic areas to address the full range of sustainability aspects in new construction. These include optimized heat supply in the neighborhood, the use of ecological building materials and designs for open spaces. The strategy is based on the use of the German efficiency house standard or the basic criteria of Austria's "klimaaktiv" initiative.

Numerous results from the previous year's "Perspectives on the Future of Construction" dialogue process, in which Vonovia had, among other things, made a commitment to give greater consideration to life cycle assessments and to increase the use of sustainable building materials and the recyclability of constructions, were also incorporated into the elaboration of the Development sustainability strategy. The reporting year saw BUWOG become a member of the Timber Construction Coalition (Koalition für Holzbau), an initiative that brings together academics, planners, architects and project developers with the aim of improving acceptance of, and overall conditions for, timber construction in Germany. Timber construction is already playing an increasingly important role at Vonovia: with the "Hygge Höfe" residential neighborhood that is currently under construction, BUWOG is in the process of building a timber construction neighborhood in Berlin-Kaulsdorf, featuring 166 residential units using an innovative timber hybrid construction method. The method saves around 64% in CO_2 compared to conventional concrete construction. The method also involves unsealing the soil: A site that was previously fully sealed will be largely unsealed and landscaped as part of the neighborhood development plans.

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. We also take care to conserve resources and protect the environment during construction. We also take the neighborhood criteria of the DGNB (German Sustainable Building Council) for biodiversity (ENV2.4) and water cycle systems (ENV2.2) into consideration and already meet these standards in various neighborhoods.

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 people's needs and demographic change" and "Customer satisfaction and service quality" (see → **Materiality Matrix**).

Neighborhood Development and Contribution to Infrastructure

The social megatrends of climate change, urbanization and demographic change continue to determine the framework conditions within which housing providers must develop their services and solutions. Whether it is climate-neutral housing stock (see → **Environmental Issues**), the provision of sufficient affordable housing in large metropolitan areas (see → **Fairly Priced Housing**) or services for an aging society (see → **Homes that Meet Tenant Needs and Demographic Change**) – the requirements are wide-ranging and call for integrated solutions.

Thinking and acting in terms of neighborhoods is our answer to these crucial megatrends – it is also the approach we adopt to find solutions for the economic, environmental and social development of our urban housing portfolios, which are largely located in urban quarters. We understand a neighborhood– as per the definition of the Association of 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 (see → **Portfolio Structure**).

This neighborhood-based, holistic view of the portfolio expands our spectrum of measures for designing our portfolio using networked approaches and new technical capabilities, thereby helping us to develop places of shared living with a socially and environmentally viable future. This is particularly evident in the further development of heat supply, where we are moving away from looking only at individual buildings (wherever possible) and generating synergies via integrated heating networks in order to find the most ecologically and economically viable solution. This process sees us work with stakeholders on location to develop the right concepts. Our neighborhood developments are designed to comply with clear climate protection requirements (see → **Environmental Issues**).

Environmental and social aspects go hand in hand as part of the 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, local stakeholders and our tenants in order to jointly develop solutions for the neighborhood. We use a range of participatory processes, instruments and cooperation initiatives to achieve this, e.g., by making premises available, establishing services, neighborhood meet-ups and day care centers hand in hand with cooperation partners that focus on the greater good. With our "freiRaum" concept, we also offer free, low-threshold locations for local initiatives and groups to allow people to get involved in social events in our neighborhoods. These flexible neighborhood space concepts are already in place in Dresden, Bremen and Hamburg and are designed to serve as a blueprint for the establishment of more central meeting spaces in various Vonovia neighborhoods.

The investment program for neighborhood development defines the scope for operational implementation of Vonovia's neighborhood approach. In 2023, **17 neighborhood developments across Germany, accounting for around 9,500 residential units**, were involved in this program, which is set to run for a period of several years. In response to the gloomy investment climate, we are currently taking a more differentiated approach to our neighborhood development measures, and dividing packages of measures into smaller chunks. For example, we are adapting modernization measures to take account of the limited investment opportunities and reflect demand, without losing sight of the neighborhood as a management level. Our urban quarters are also reaping increasing benefits from further measures from other Vonovia programs (modernization/heating replacement/photovoltaics).

Nevertheless, we are trying to forge ahead with our plans for further multi-year neighborhood developments and are sticking to our commitment to our long-term goal of using modernization measures to optimize all urban quarters in the portfolio in line with our binding climate pathway.

Material performance indicator

Category	Unit	2022	2023	Projection for 2024
Investment volume for neighborhood development in Germany (fiscal year)*	in € million	78.5	28.3	14.9

* 2022 excl. Deutsche Wohnen, from 2023 incl. Deutsche Wohnen (excl. Care segment).

Due to the deterioration in the investment climate and resulting adjustments to this specific investment program, we were only able to use part of the € 62.8 million that had been earmarked for investment in neighborhood developments in Germany for the 2023 fiscal year in full. Depending on how interest rates developed, we also expect a reduced investment volume for this part of the program in 2024 as well.

For us, neighborhood development also means being an **active driver of the infrastructure transition**. By way of example, we are taking targeted measures to upgrade our neighborhoods by establishing key local amenities, building playgrounds and designing green spaces and communal areas. We are also supporting the expansion of the fiber optic network in order to boost digital networking.

One key component is **promoting state-of-the-art mobility concepts**. Our measures support the mobility transition towards lower-emission and less car-heavy mobility in our neighborhoods. When designing new construction projects, we pay attention to good public transport connections, focus increasingly on bicycle parking spaces and consider providing charging facilities for electric mobility from the planning stages.

While the options available to us are more limited in our existing buildings, we want to make an important contribution to greener mobility here, too – e.g., by installing charging infrastructure for electric vehicles. With this aim in mind, we are planning to install 100 neighborhood charging stations in our existing neighborhood in 2024. Car and bike sharing services (including for electric vehicles) round off our offering. We are also working on ideas for similar concepts in Sweden.

In order to do an even better job of integrating affordable and sustainable mobility into our neighborhoods, we are placing particular emphasis on strengthening cycling-related services. We are aiming to gradually connect our neighborhoods to municipal cycle path networks and are seeing increasing demand among our customers for bicycle-related mobility solutions. With the establishment of the Group's own start-up NEARBYK (**https://nearbyk.de**) in 2023, we are offering e-bikes for purchase or hire as well as service points for bike repairs and maintenance. We will be testing this new service for a period of around 16 months, initially at three locations in Essen, Dresden and Bremen. Freely accessible repair stations and the rental of cargo bikes round off our range of services in selected other neighborhoods.

Thanks to the Neighborhood Academy, an internal training and networking format, Vonovia employees are trained as neighborhood development experts, promoting the skills required for a holistic neighborhood approach among our own workforce.

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 as well as for customer service and portfolio 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.

Living at Fair Prices

As a responsible company, we are committed to providing affordable 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 situations on individual housing markets. In metropolitan areas, in particular, shortages of available housing often go hand in hand with strong demand.

This already high demand resulting from the megatrend of urbanization is exacerbated further by the ongoing influx of refugees due to Russia's war of aggression on Ukraine. This is corroborated by an investment environment that remains unfavorable due to increased construction and land costs, a volatile subsidy landscape, a lack of skilled labor and rapidly rising interest rates – meaning that the construction of new apartments for more affordable segments is not commercially viable at present.

These developments continue to unfold against the background of high climate protection requirements, the fulfillment of which is particularly cost-intensive in the buildings sector. Particularly with regard to modernization, it is therefore important to balance the economic and ecological perspectives without losing sight of what our tenants and those searching for an apartment can actually afford. The significantly higher energy costs associated with the energy crisis are putting further pressure on housing costs for many people.

For us, it is of fundamental importance to be able to offer long-term housing prospects to as many people as possible. The fundamental challenge involves being able to provide a **broad supply of housing at fair and transparent prices, while at the same time achieving a virtually climate-neutral housing stock**, even in a more challenging environment.

As development activities throughout Germany are currently not at a level that is able to alleviate the pressure on demand due to the unfavorable investment environment, our core business – providing homes – is extremely important from a social perspective. Our rental prices are based on the usual local rents and – if available – on qualified rent indices. Rents are only adjusted in line with the statutory parameters. Nevertheless, the average rent including ancillary expenses in our portfolio remains below 30% of the average disposable household income in Germany. We are in favor of regulatory intervention in the housing markets, as we believe that it helps to ensure social balance and creates a stable business environment as a result. When letting, we always observe the applicable country-specific legislation.

In Sweden, rents are generally set as part of a binding, consensual process involving negotiations between tenants' associations and landlords. This means that prices are fixed. Increases tend to occur annually and after modernization to a higher standard. All of our apartments in Sweden are price-controlled.

Material performance indicator

Category	Unit	2022	2023
Average rent	€/m²	7.49	7.74

When passing on modernization costs, we are always mindful to ensure that the burden placed on our tenants is socially just, and offer individual solutions as part of our social management system. That said, reasonable compromises must be made in favor of additional climate change mitigation measures. In the 2023 reporting year, an **average of €1.32 per sqm in modernization costs was passed on**.

In numerous cities and municipalities, we also offer subsidized – in Germany around 38,000 of our homes are currently price-controlled – and independently financed homes for people on low incomes and are responding to location-specific challenges with services tailored to people's needs. The supplementary voluntary agreements that we conclude with municipal authorities include, for example, provisions governing fair rental conditions, the construction of new apartments or the strengthening of municipal housing construction companies and joint neighborhood development. The fundamental concept on which all agreements are based is Vonovia's desire to work in partnership with politicians and society to tackle municipal challenges and that the company takes specific societal and social challenges present within cities into account within its planning.

Individual support programs constitute a further supplementary component of our work to enable fairly priced housing. The aim is to ensure that the people living in our homes have a safety net so that they can stay in their homes for a long time and housing remains affordable for them. We support them in this matter and offer personalized assistance to all tenants who are actively working with us to find a solution. These forms of assistance range from deferring rent and allowing payment to be made in installments, to offering help with housing allowance applications and other dealings with the authorities, relocation assistance and other practical forms of help.

As part of our **established social management system**, we apply uniform standards to hardship cases in the event of modernization work and follow guidelines based on those of charitable associations. These standards and guidelines were agreed with the Tenants' Association and other residential real estate companies in 2021. 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.

Energy costs, and heating costs in particular, have shown very dynamic development over the past two years. The heating index published for 2022 estimates that the annual year-on-year increase in costs for consumers in Germany came to 81%. Households with gas-fired heating systems were particularly hard hit. This means that many tenants are worried about high additional heating costs and ancillary expenses. Even though we are generally not the energy supplier ourselves, but rather only pass on the costs charged by the energy providers concerned, we consider it our responsibility to support our tenants. With this in mind, we have developed a comprehensive package of measures to counteract the increase in costs caused by the energy crisis and inflation to the extent that we have the power to do so. These include reducing the nighttime temperature in our properties by one degree Celsius to save energy. Energy-saving tips help with claiming government benefits and individual solutions when tenants find themselves unable to cover energy costs. We provide our tenants with information in various languages, also on our website, about ways of saving energy (see **https://www.vonovia.de/en/mein-zuhause/saving-energy**).

Energy prices have also risen dramatically in Sweden since the start of Russia's war of aggression against Ukraine. Due to the Swedish model of rents that already include ancillary costs, however, tenants only have to bear the price effect associated with electricity themselves, while landlords' ancillary costs are on the rise due to the higher heat supply costs. This also, however, provides incentives for energy-efficient building refurbishment at the same time. We did not identify any critical changes affecting rental or for tenants due to energy prices in the reporting year.

People who are homeless or at risk of becoming homeless are a particularly vulnerable group in society when it comes to housing. Vonovia therefore makes this target group a key focus of its social commitment efforts. As such, we continued to engage in a number of projects and measures in this area in the reporting year. We pursue the **"Housing First"** approach that ensures that homeless people are provided with a standard tenancy agreement with all of the normal rights and obligations, regardless of any mental or physical health conditions that they might have. It is only after this that they are offered help in order to get some stability into their lives. Vonovia provides homes for this purpose across Germany as part of numerous cooperative initiatives.

Rent structures and agreements with municipalities are managed in a decentralized manner via the regions. The individual measures are planned and coordinated in the Portfolio Management department.

Homes That Meet People's Needs and Demographic Change

Our aging society, a result of demographic change, means that our customers' needs are changing, too. This poses new challenges for the real estate market. The demand for senior-friendly housing is expected to outstrip supply in Germany by around two million by 2035.

We are adapting our offering in response to these changing housing needs. Our aim is to ensure that our tenants can stay safe, healthy and independent in their homes over the long term. We want to keep existing customer groups in our properties for as long as possible and attract new ones.

We are already planning to make a large share of our newly built apartments 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. New leases in particular offer us a good window of opportunity to carry out appropriate renovation measures without inconveniencing tenants with construction work.

We therefore aim to modernize around 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. Due to the limited investment opportunities available, we were only able to (partially) modernize around 6,550 apartments (or 17.5% of newly let apartments) in 2023 to make them fully accessible. We have, however, clearly outstripped our original 2022 forecast of around ten percent for 2023. As far as 2024 is concerned, we expect to be able to return to the original level of around 30%.

The modernization program relates to the German portfolio – there are no equivalent programs in Austria or Sweden, although making homes more accessible is also a consideration there under the relevant building regulations.

Material performance indicator - SPI

Category	Unit	2022	2023	Target for 2024
Proportion of accessible (partially) modernized newly rented apartments (in Germany)*	%	32.4	17.5	≈30

* Includes both measures in the event of a change of tenant and modernizations at the request of the tenant; number of new lettings bases on like-for-like analysis excluding newly constructed living space. Excl. Care segment.

The Care segment comprises Deutsche Wohnen's nursing care and nursing care properties business segments. As of December 31, 2023, we employed a total of 3,825 people in care service or care home management within this segment. Care business operations are based on an independent system and process landscape. 39 retirement and care homes are operated under the brands KATHARINENHOF and PFLEGEN & Wohnen HAMBURG, 38 of which are owned by Deutsche Wohnen. There are also an additional 33 nursing care properties run by other agencies. The nursing care activities are currently being subjected to a strategic review and market tests by the Management Board of Deutsche Wohnen (see → **Care and Assisted Living**).

These facilities provide full residential care, the aim being to maintain an active lifestyle and residents' independence to the greatest possible extent. Demand remained at a consistently high level in the reporting year. Senior citizen-friendly services are also provided within the context of assisted living. With its Care segment, Deutsche Wohnen makes a substantial contribution to addressing demographic change.

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

Responsibility for the senior-friendly housing programs lies with the Management Board (CRO). The structure of the renovation 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 neighborhoods and whether they feel that they are treated fairly by us as their landlord.

The challenge facing Vonovia lies in achieving high levels of customer satisfaction and service quality against the backdrop of a large residential portfolio, low vacancy rates – and, as a result, strong demand for homes – and a wide variety of customers with a whole range of different concerns. This requires a good deal of availability and speed, as well as employees who have been trained accordingly. This is both an opportunity and a risk, as the quality of customer care and services plays a central role. Our experience shows that accessibility, speed and transparency in service are decisive factors for achieving customer satisfaction.

Our central, multilingual customer service department acts as the first port of call, whereas our caretakers and craftsmen look after the needs of tenants on location. This allows us to ensure fast and reliable service. We run our own customer service centers in Essen, Dresden, and Berlin. Our employees undergo continuing professional development thanks to a centralized knowledge and training management program. Regular dialogue formats ensure performance and quality. The aim is to be able to guarantee the same level of quality for the entire portfolio in Germany. Our customers can reach our staff of more than 1,100 employees through a variety of channels.

In addition to personal contact, the **digitalization of our services that address customer concerns** is an important field for us in order to make accessibility even faster, more convenient, and flexible. This is why we are continuing to expand self-service functions such as our "My Vonovia" and "DeuWo Digital" tenant apps. Together, the two apps have already been downloaded more than 745,000 times and are actively used by around 215,000 users. We can use the apps to map the full customer journey: from the apartment search process, including arranging viewing appointments, to the digital conclusion of contracts and all other issues affecting existing customers, such as ancillary expense bills, through to the concerns of customers moving out of our properties and former customers. In Austria, the BUWOG customer app was added to the app landscape in 2023.

All of our tenants also have access to our whistleblower and complaints channels (see → **Combating Corruption and Bribery**).

Customer satisfaction is measured using a quarterly customer survey and is reflected in the **Customer Satisfaction Index (CSI).** It is incorporated into the Management Board's remuneration as a direct non-financial indicator and component. In the 2023 fiscal year, the customer survey was extended to the Deutsche Wohnen portfolio (excluding the Care segment). The aim is to consolidate the high level achieved in recent years in the long run within this broader framework. 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	2022	2023	Target for 2024
Increase in customer satisfaction (Customer Satisfaction Index (CSI) in Germany)*	%	+1.3	-3.2	slightly above previous year's level

* Customer Satisfaction Index (CSI) in glossary, 2022 excl. Deutsche Wohnen, from 2023 incl. Deutsche Wohnen (excl. Care segment).

At Vonovia, responsibility for customer service center lies with the CRO. While customer satisfaction is assigned to the 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 apps are also the responsibility of customer service.

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 "Diversity and equal opportunities" (see → **Materiality Matrix**).

Appeal as an Employer

Over the coming years, it is estimated that the number of employees leaving the workforce will exceed the number that can be recruited after completing school by around 400,000. We have to have a robust long-term HR strategy in place to counter risks relating to the availability of skilled staff, which is also a real one for Vonovia – particularly with regard to the blue-collar occupations that are being hit particularly hard by the shortage of skilled workers, for example in landscape gardening and electrical installation. This strategy involves using **levers related to recruitment, talent management and measures of employee retention** and, going forward, to is create even stronger, smart links between these aspects using state-of-the-art elements related to **corporate culture**.

Vonovia is also committed to an insourcing strategy. By tapping into the synergy potential created as a result – e.g., by employing specialists in our own business areas such as property management, modernization or green space maintenance – we aim to reduce our reliance on external service providers to a minimum and ensure consistently high levels of quality in the process. This creates a huge opportunity for our business success – at the same time, it creates greater responsibility for a much broader and more diverse workforce, which is why the ongoing further development of an HR strategy that is fit for the future is so important to us.

We are also using the annual employee satisfaction survey and the internal reorganization initiated in the reporting year with the appointment of Ruth Werhahn as the new Management Board member responsible for Human Resources (CHRO) to provide key impetus that will allow us to meet the diverse needs and demands of our employees in an even more targeted manner going forward, and to offer them an attractive job by creating the best possible overall conditions for their work at Vonovia. As we progress on the path towards our target, issues relating to the further development of our corporate culture, human capital development and remuneration, in particular, are to be given even more strategic emphasis in the future.

As Europe's biggest residential real estate company, we are particularly reliant on filling our vacancies with individuals from the available applicant pools who meet our requirements and match the relevant skill profiles. This is why our comprehensive package of measures for successful **recruitment** continues to focus on the further development of our application and recruitment process, our training concept, the recruitment of specialists from abroad, and the targeted further training of technical skilled workers and auxiliary staff. In 2023, we launched a revamp of our employer branding strategy and our image as an employer, and conducted broad-based analyses using industry benchmarks and stakeholder interviews in order to further develop our employer brand in a targeted manner. The first set of focal topics are to be elaborated and corresponding target group-oriented measures developed in the coming year.

Following an initial successful recognition process for the initiative to recruit skilled workers from Colombia, which was launched back in 2021, a total of 17 new colleagues are now working for Vonovia in electrical installation and landscape gardening in Kiel, Lübeck and Berlin. Another 26 electronics technicians were recruited from Colombia as part of another round during the reporting year. The new employees will support the expansion of photovoltaic systems within Vonovia's technical service in the future.

Our HR strategy focuses on the entire HR process, from recruitment to the point at which employees leave the company: People have complex and varied reasons for leaving. As a result, we want to better understand why our employees ultimately decide to leave Vonovia. With this goal in mind, we have also been carrying out extensive qualitative staff turnover analyses since this fiscal year over and above our established quantitative analyses. We want to be able to use this information to identify even more targeted retention measures in the future.

With regard to **traineeship programs,** we were able to achieve our goal from the previous reporting year of keeping the number of trainees at a consistently high level in 2023 and increasing the number of trainees further from 617 in 2022 to 632 trainees, a new record for Vonovia. This value corresponds to a training rate of 5.3% (for Germany), above the average value of 4.4% for large companies with more than 500 employees calculated in the government's 2021 Vocational Training Report (Berufsbildungsbericht). To support and create ideal training conditions at Vonovia, we are expanding our training opportunities in 2024, following the merger with Deutsche Wohnen, to include a Berlin-based initial and further training center focusing on vocational training in the trades. Once completed, the building will be equipped in line with state-of-the-art technical and digital standards, and is to serve as a blueprint for the opening of further training sites based on the same model. In 2021, apprenticeship training was newly implemented at our subsidiary BUWOG in Austria, with the very first cohort completing their training in the reporting year. In Sweden, particular emphasis is placed on local recruiting and targeted outreach measures – in schools and within the neighborhood, for example, with 821 young people taking up temporary employment during their vacation (62 of whom at Victoriahem itself) in the reporting year. These activities were expanded to include other vacation periods in some regions in 2023 due to the positive response.

Retaining existing employees is the third key lever in our human resources strategy, and also helps us shape a modern and attractive corporate culture. In this context, Vonovia seeks to continually improve from within and to individually promote the potential and talents that our employees have to offer – this applies both to our employees and to our senior management. The Vonovia Academy is our central element when it comes to **developing** our staff and creating a professional and respectful corporate culture in the long run. By way of example, some of the suggestions made in the employee survey were incorporated into direct measures to design new courses and digital learning formats to expand the Vonovia Academy's offering. This means that we are developing our employees' skills and knowledge in an even more targeted way with a view to specific roles, functions and requirements in the workforce (e.g., learning formats for junior controllers). Further, we have expanded our offer by including new development packages and formats. On-demand and e-learning services, such as specialized digital training courses for managers and employees, for example change consultation sessions, are designed to make further training and additional qualification at Vonovia an even more flexible and personalized experience in the future. This regular short format allows managers to discuss ideas and receive advice from professional coaches on specific aspects and challenges associated with change processes. As part of the merger with Deutsche Wohnen, which was formally completed in January 2023, over 900 employees were also integrated through team-based onboarding processes and were able to take part in process and system training sessions through the Vonovia Academy.

As part of the extensive development program for managers that was rolled out in 2023, core competencies covering all aspects of good leadership and basic knowledge on innovation topics (e.g., on integrating sustainable action into one's own area of responsibility) are to be taught in line with the new leadership philosophy. At our Swedish subsidiary Victoriahem, the fourth cohort will complete the leadership talent development program in the first quarter of 2024. This program aims to prepare tomorrow's managers, using candidates from the existing employee pool, for their future leadership roles.

The **satisfaction of our employees** is a key concern and thus a decisive indicator for allowing us to assess our appeal as an employer. Since the 2021 reporting year, changes in the employee satisfaction level have been a component of the Group's key non-financial performance indicator (SPI) and offer a regular indication of the degree to which Vonovia is an attractive employer. The change in survey service provider in the current reporting year came hand-in-hand with a comprehensive revamp of the questionnaire, the aim being to consolidate and clarify the questions, while the questions themselves were tailored even more specifically to suit specific employee groups – for example, for commercial and technical employees. This is directly and positively reflected in a higher participation rate, which, at 84%, has reached a record level compared to all previous surveys and sends out a signal for us as to just how willing our employees are to engage in dialogue. After a year-on-year decline of eight percentage points (-8 pp) for the first time in the past reporting period with regard to an overarching question on general employee satisfaction, the satisfaction score rose again by one percentage point (+1 pp) compared to the last full survey in 2021 and by as much as nine percentage points (+9 pp) compared to the last interim survey in 2022 (excluding Deutsche Wohnen, Care segment and SYNVIA). With regard to the external benchmark prepared by the software service provider Qualtrics, Vonovia outperforms its peers (all Qualtrics companies in Germany) by three percentage points (+3 pp). The current survey now also includes all Deutsche Wohnen employees (including SYNVIA, excluding the Care segment) for the first time. This year's result means that we have already exceeded our target for 2023 ahead of schedule, which is why we are planning to achieve a result for 2024 that is at least slightly below the previous year's figure and remains within the target corridor of our five-year plan in the medium term. In 2023, BUWOG also received the Leading Employer Award in Austria and ranks among the top 1% of Austrian employers among the 87,000 companies included in the evaluation.

We value feedback from our employees and are aware of the huge importance of co-determination, and opportunities to have one's say, for employee loyalty to our company. Following the successful completion of the division-specific evaluation workshops initiated in the reporting year with the involvement of the first and second levels of management below the Management Board, 2024 will focus on the intensive processing and development of targeted follow-up measures.

Material performance indicator - SPI

Category	Unit	2022*	2023**	Target for 2024
Increase employee satisfaction	percentage points	-8.0	+9.0	slightly below last year's level

* Excl. Deutsche Wohnen.
** Incl. Deutsche Wohnen, Austria and Sweden. Excl. Care segment.

2023 was characterized by sustained high inflation and an associated rise in the cost of living. At the start of the 2023 calendar year, our employees at Vonovia saw a significant increase in their salaries thanks to combined regulations regarding a compensatory inflation bonus totaling up to € 3,000 paid out over 24 months and an income-based pay rise. The majority of Vonovia's and Deutsche Wohnen's workforce in Germany are eligible for these benefits. During this process, we focused on income groups that are particularly strongly affected by rising prices. We are using both additional benefits to recognize our employees' good performance.

The company's HR processes also support workplace flexibility through mobile working, made possible thanks to a works agreement, and the gradual expansion and further development of digital processes at Vonovia. These include a wide range of functionalities that are already firmly established, such as reporting absences due to illness via an app or digital banking of working hours, allowing employees in many of the company's departments to work from a location of their choosing. In order to further develop future collaboration in modern working environments, Vonovia recently launched the "New Work @ Vonovia" project, which focuses on the corporate headquarters in Bochum and aims to offer our employees an attractive working environment that meets their individual needs. The initiative comprises four focal topics that will be used to develop further measures as part of a step-by-step process: structuring various working models, state-of-the-art workplace design, digital tools and technologies, and training concepts for managers and employees alike.

As of December 31, 2023, Vonovia employed a workforce of 15,802 (December 31, 2022: 15,915) as well as 1,017 apprentices (December 31, 2022: 926). Of these, 3,825 employees and 385 trainees belong to the Care segment and 52 employees to SYNVIA. This is not shown in the table below. Further information on the Care segment can be found in the section → **"Homes That Meet People's Needs and Demographic Change".**

Employee Key Figures*

Category	Unit	2022	2023
Total number of employees	number	12,063	11,925
of which female	number	3,404	3,455
of which permanent	number	11,180	10,692
Nationalities**	number	84	87
Average age (total)	years	43.8***	44.3
People with disabilities**	number	346	358
Total number of trainees**	number	617	632
of which commercial	number	215	190
of which technical trade	number	402	442
Training rate**	%	5.1	5.3

* Total number of employees by headcount, incl. Deutsche Wohnen (excl. Care segment and SYNVIA). The Care segment comprises a further 3,825 employees and 385 apprentices – 52 employees are accounted for SYNVIA.
** Not including Sweden. Germany and Austria taken into account.
*** Change in the calculation method in the year 2023 and therefore adjustment of the 2022 value from 43.3 to 43.8.

Diversity and Equal Opportunities

Our workforce at Vonovia is as diverse and international as our tenants: While people from over 145 nations have found a home in our apartments and neighborhoods, our Group as a whole employs people from over 85 different countries. They represent many different age groups, religions and world views, have a variety of physical disabilities, come from varying socio-economic backgrounds, 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 potential and competitive advantages we aim to harness. If, on the other hand, we fail to adequately meet the growing diversity demands of our increasingly diverse workforce, we risk falling behind in the competition for skilled workers and not being able to retain existing employees in the long term. As a result, we have incorporated this risk into our risk management system and review it at regular intervals in the context of current developments. We currently measure the risk of not meeting diversity requirements as having only a low potential 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 implement further initiatives in this context and/or adapt existing measures to reflect changes in underlying conditions. For example, we are updating our seminars on discriminatory behavior (e.g., our mandatory sessions on the Code of Conduct & the German General Act on Equal Treatment, AGG) and continue to focus more closely on the integration of foreign skilled workers and displaced persons with our process to recruit specialists from Colombia, as well as a high degree of flexibility in working hours (also using a flex-time model/digital working hours account) so that all employees can structure their working time to suit their current phase in life. Since this year, a new e-learning session on “Recognizing and reducing prejudices and stereotypes” has been available to all employees free of charge. In order to also more firmly anchor the issue of diversity at the strategic level of the company in the future, a comprehensive range of management development courses – focusing, for example, on the topic of “unconscious bias” – was rolled out in 2023, and the topic of diversity was firmly established in the management roadmap as a key sub-criterion.

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 29% of the workforce as a whole (excluding SYNVIA). The SPI indicator “Proportion of women in leadership roles in the first and second level below the Management Board” and our objective of increasing this figure to 30% by 2026 illustrate that we take care to proactively promote women at the management level and give them opportunities to pursue leadership positions and technical occupations. When setting the target – 30% by 2026 – we were guided by the representation of women in the Group as a whole. In Austria, we were awarded the equalitA certification for the internal promotion of women in 2021 and it remains valid to this day. BUWOG has also held state certification as a family-friendly company since 2017, being most recently recertified in the 2023 reporting year.

At the top level of management, the diversity concept for the composition of the management and control bodies is set out in detail in the corporate governance declaration. In addition, until further notice, all new appointments at the first and second management levels below the Management Board will have to be approved by the Chief Human Resources Officer as a mandatory requirement.

The gradual harmonization of social or non-salary benefits aims to ensure corresponding equal rights for all employees. For example, our employee stock ownership plan (ESOP) and a works agreement on mobile working are also in place in Austria. Following the introduction of a new, standardized company pension scheme in 2021, this offer is also available to all Vonovia employees in Germany (including Deutsche Wohnen, excluding SYNVIA and the Care segment). Reconciling one's family life and professional life is another important issue at BUWOG in Austria, which offers its employees a variety of ways to achieve work-life balance. In 2023, BUWOG successfully achieved recertification as a family-friendly company by the Austrian Federal Ministry for Labor, Family and Youth.

Material performance indicator - SPI

Category	Unit	2022	2023	Target for 2024
Proportion of women in management positions (first and second levels below the Management Board)*	%	25.1	24.2	29.1

* Excl. Care segment and SYNVIA.

Establishment in the Company

The new Chief Human Resources Officer (CHRO) role created in the reporting year has been responsible, since October 1, 2023, for Vonovia's human resources work. The latter has been established centrally as a shared service within the HR department. In 2021, the shared services approach was transformed into an HR business partner model, which is further developed on an ongoing basis. Since the 2023 reporting year, this has also included the Deutsche Wohnen subgroup.

Austria and Sweden have their own HR departments. Austria reports to the HR department in Germany in functional terms, whereas Sweden is still not firmly established in the reporting line. Here, monitoring and reporting takes place as and when required. The Head of HR discusses developments with the CHRO 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. As a result, our governance endeavors are geared toward the establishment and implementation of, and systematic compliance with, a transparent and modern system of rules. Group-wide policies and business principles serve as a framework: Our **Business Philosophy**, our **Code of Conduct**, the **Business Partner Code** and the **Declaration of Respect for Human Rights** act as the maxims guiding us in our actions. We live up to this attitude with our independent Supervisory Board and our commitment to the principles of the German Corporate Governance Code.

In order to acknowledge the increasing significance of compliance topics, the existing Compliance office became an independent Compliance and Data Protection department in April 2023. The role of Chief Compliance Officer, reporting directly to the Chief Executive Officer at least once a month, was created to head the department. In the reporting year, preparations were also made to establish an additional decentralized compliance structure from 2024. In relevant business areas, individual employees are being trained as local contacts for compliance issues in order to be able to answer initial questions directly on location and provide quick and straightforward support. The Compliance and Data Protection department is training the local contacts, providing technical advice and is maintaining constant contact with them.

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, 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 is carried out by an external auditor. Preparations were made in the reporting year for the external CMS certification, which will be completed in 2024.

The Chief Executive Officer (CEO) is responsible for implementation of the CMS. A Compliance Committee comprising the Chief Compliance Officer, compliance managers, the ombudsperson, representatives of the Internal Audit, Risk Management and HR Management departments, the works council and companies outside of Germany meets on a quarterly basis and updates the system in line with current requirements. In this context, the Chief Compliance Officer acts as a central contact point within the company for compliance-related questions and suspicions. The Chief Compliance Officer's activities are supported by the compliance managers and specialists in the individual departments. The Supervisory Board receives comprehensive information about compliance issues and corruption along with existing guidelines and processes on a quarterly basis. The compliance report, which is forwarded to the Audit Committee via the Chief Compliance Officer (following prior consultation with the CEO), provides information about potential breaches, measures and compliance training, as well as relevant data protection issues.

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. Deutsche Wohnen already had its own established CMS for the Care segment, including a data protection concept that was tailored to, and appropriate for, this business area, which is why the decision was made to keep it in place. This also applies to the Care segment's own whistleblower channel. Access to Vonovia's whistleblower system was also expanded by setting up an additional category for the Care segment.

Regular Group-wide 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. The compliance training program includes mandatory training on topics such as data protection, dealing with conflicts of interest, and combating corruption. The sessions are aimed at all employees with annual refreshers. The target group-specific training sessions are also run every year: The procurement department, for which the issue is particularly relevant, receives special training on corruption and criminal law pertaining to corruption, for example. Sales employees take part in anti-money laundering training, while employees in Development receive special training on concluding sales contracts. Another mandatory training course for the entire management level is dedicated to the topic of corruption and detecting fraud.

In the 2023 fiscal year, we once again carried out a compliance risk analysis at the level of senior company executives in Germany. As part of this analysis, information was requested on the topics of active and passive corruption, money laundering, social compliance and IT/data security. In order to meet the requirements under the German Supply Chain Due Diligence Act, the analysis and evaluation of human rights and environmental risks in the company's own business area was also incorporated into the survey. These results are also being incorporated into the update of the Declaration of Respect for Human Rights. The aim of the survey was to systematically evaluate compliance risks and identify potential areas of focus for further development of the CMS. The compliance management team decided to implement a number of measures on the basis of their responses to the survey: Going forward, the frequency of the compliance risk analysis will be adjusted from every two years to every year, and will also include Austria and Sweden on a regular basis. In the reporting year, preparations were also made for the introduction of annual compliance self-assessments in the individual departments within the Group starting in 2024.

The reporting year saw an update to the **Business Partner Code**, in which Vonovia sets out clear expectations of its business partners, including with regard to respecting human rights and protecting the environment. We expect our business partners to subject their own business partners at all stages in their supply chain to the obligation to comply with the same standards and principles. The Group-wide Guidelines on the Whistleblower System and the Group-wide Guidelines on Approval Thresholds and Decision-Making Powers were also updated. In the 2024 fiscal year, the Anti-Money Laundering Guidelines will also be reviewed to identify any need for updates, and further preventive measures will be implemented in this area. Furthermore, process digitalization continued in the reporting year and preparations were made to introduce a fully digital file management system as of 2024.

Vonovia has a comprehensive system in place for complaints management and protecting whistleblowers that is also intended to meet the requirements of the Whistleblower Protection Act (Hinweisgeberschutzgesetz), which came into force in the reporting year. The anonymous whistleblower portal is available not only to employees, but also to external groups, such as customers and business partners. In the reporting year, six additional languages were added in addition to German and English. The portal complements and extends the existing system of the independent ombudsperson and has been integrated into the Vonovia partner portal. The whistleblower report, prepared externally every six months, is included with the company's compliance report. Information on potential cases of discrimination within Vonovia's own business area can not only be submitted anonymously via the whistleblowing system, but can also be reported via a separate reporting mailbox in the HR department so that any potential violations of the German General Act on Equal Treatment can be recorded. In Germany, this covers four European anti-discrimination directives that have been issued since 2000. Suspected cases of discrimination in the process involved in initiating tenancies can be reported via the anonymous whistleblower portal, to the independent ombudsperson or directly to the Compliance and Data Protection department.

Material performance indicator

Category	Unit	2022	2023
Total number of proven cases of corruption (in Germany)*	number	0**	0**

* A case of corruption is considered proven if a court conviction has taken place. Suspected cases of corruption under investigation during the reporting period are not included.
** Excl. Care segment.

In the 2023 reporting year, 29 suspected cases of corruption or compliance issues in Germany and Austria had been reported via the anonymous whistleblower portal and carefully investigated. The severity of all reported cases was determined 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. One report involved a possible violation of human rights within Vonovia's own business area, which was not confirmed. In Sweden, seven reports were received via the various reporting channels in the reporting year. None of the suspected cases in Germany, Austria or Sweden led to a court conviction. There were no proven cases of corruption, including in the Care segment.

This currently (up to the editorial deadline) also applies to the suspected cases in connection with the search conducted by the public prosecutor's office. As reported, on March 7, 2023, Vonovia was informed by the public prosecutor's office in Bochum during the course of necessary search measures connected to an ongoing investigation that former and, at that time, current technical employees were being investigated on suspicion of corruption. The persons under suspicion may also have caused damage for Vonovia by overriding and circumventing controls and compliance policies.

Vonovia continues to cooperate fully with the work of the investigating authorities. The auditing firm Deloitte and the law firm Hengeler Mueller have been commissioned to perform a forensic assessment of all the facts of the case.

It is currently not possible to arrive at any conclusive assessment regarding the amount of any damages. For 2022, it is estimated to come to a maximum of 1% of the order volume awarded by Vonovia. At the most, this amounts to a low single-digit million amount. Given that only fully completed proceedings are presented under material performance indicator "Total number of confirmed cases of corruption (in Germany)" in the reporting year in question, this incident has no impact on the key figures reported.

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 overall conditions. 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**, which applies throughout the Group, 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), the UN Guiding Principles on Business and Human Rights, and the principles of the UN Global Compact, which we committed to in 2020. Our Code of Conduct also takes account of our stance regarding respect for human rights.

Vonovia's business model includes the construction, maintenance and modernization of homes. From a human rights perspective, compliance with labor and social standards on construction sites in the course of these activities is of particular relevance. Some trade/construction activities in Germany are carried out by the company's own technical service – and therefore by its own employees. This lessens both 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.

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 (available on the **Vonovia website**) within the scope of structured supplier management. 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 child labor, forced labor and discrimination. It is updated regularly – most recently in 2023 – and applies for contractual relations in Germany and Austria. A corresponding separate Business Partner Code is in place in Sweden and was also updated in the reporting year. Restructuring measures meant that the procurement department was assigned to the Chief Financial Officer's division in the reporting year.

As part of the regular evaluation of our major suppliers and contractors via our partner portal, we strive to ensure that the criteria stated in the Business Partner 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 or termination of contract. 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. 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). The procurement department in Austria also implemented a partner portal for suppliers and service providers in the reporting year. The portal is based on its German counterpart and has been adapted to reflect national standards.

Furthermore, we addressed the requirements of the Supply Chain Due Diligence Act, which has been applicable in Germany since January 1, 2023. In the reporting year, we completed a comprehensive risk analysis for our own business area and for our supply chain to identify priority risk areas and develop corresponding measures. We describe our approach to risk analysis and the risk areas in our Declaration of Respect for Human Rights. We have also implemented regular online training courses for employees who come into contact with human rights or environmental risks as part of their work within Vonovia's own business area or along the supply chain. We also conducted specific workshops for our procurement employees in relevant business areas in order to further improve awareness of our human rights and environmental due diligence obligations. We initiated a comprehensive supplier survey to further boost transparency regarding activities in the supply chain and dialogue with our business partners.

The Chief Compliance Officer is also our company's Human Rights Officer and reports to the Management Board at least once a month. He is supported by a committee that brings together due diligence coordinators from relevant departments, namely Procurement, Compliance and Data Protection, Sustainability/Strategy and HR. The committee convened four times in the reporting year and discussed the ongoing fulfillment of Vonovia's human rights and environmental due diligence obligations. Vonovia has set up various procedures to allow potential abuses (such as human rights violations, environmental pollution, other unlawful actions) to be reported by both internal and external parties (see → **Combating Corruption and Bribery**). We conduct in-depth investigations into indications of human rights violations within our own business area or in the supply chain that come to our attention via the various reporting channels. No reports of breaches of our human rights due diligence obligations were confirmed in the reporting year.

Appeal on the Capital Market

Inflation, interest rates and views on possible recession scenarios continued to dominate the international capital markets in 2023. Following a marked drop in inflation, given that interest rates have now peaked, at least according to capital market assessments, and in light of the prospect of initial rate cuts in 2024, sentiment brightened considerably and led to broad-based price increases, particularly at the end of the year. Vonovia's shares also benefited from the improved macroeconomic environment, gaining 29.6% over the course of the year. All in all, we nevertheless observed a widening gap between capital market expectations on the one hand, and ongoing robust development on the residential real estate market on the other (see → **Vonovia SE 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. It is important to us to provide relevant information on our company and our economic development as well as 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.

We are committed to both the principles of the social market economy and the imperative of 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. This is substantiated by the growing demand for sustainable financial products and the ever greater establishment of ESG criteria as a basis for investment decisions.

In line with the targets we have set, Vonovia uses a broad mix of financial instruments, like bonds, promissory notes, secured real estate loans, commercial papers, working capital facilities and loans from development banks like the German government-owned development bank Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB), in order to secure good access to the capital market. Our sustainable bonds, seven of which we placed successfully on the capital market in 2022, meet the demand for both green and social bonds – and play a crucial role in our financing strategy. In 2023, we also raised equity by selling minority interests. These joint ventures have given us access to equity in a manner that is much more cost-effective than implementing capital increases via the stock exchange.

The European Union Sustainable Finance Disclosure Regulation (SFDR) is aimed at providers of financial products and financial advisers such as banks, asset managers, institutional investors and insurance companies. Under the SFDR, these groups are required to align their products, processes and strategies with ESG guidelines. We have made our Sustainable Finance Framework – which has applied since February 2022 – consistent with the EU taxonomy, which was confirmed by an independent third party in a Second Party Opinion (SPO). All green bonds that we issue under this framework are environmentally sustainable as defined in the EU taxonomy (environmental objective 1 – climate change mitigation).

With our **Sustainable Finance Framework**, we have also laid the foundation for the definition and selection of social assets in the real estate sector on the Swedish market. The eligible properties are located in "particularly vulnerable," "high-risk" and "vulnerable" areas identified by the Swedish police, in which Vonovia has also launched initiatives to promote integration and reduce unemployment among its tenants. The criteria we selected in this context have already been adopted by at least three other issuers on the market.

We have published our Sustainable Finance Framework, the annual impact report evaluating the effectiveness of our measures and further information about our sustainable financing strategy on our **Group website**.

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). The Head of Corporate Finance and Treasury chairs the Sustainable Finance Committee, which comprises representatives from several different departments and is responsible for managing and further developing our sustainable financing activities. The Sustainability/Strategy department is responsible for our participation in ESG ratings, involving the operating departments in this process.

Involving our stakeholders on the capital market is handled by the Investor Relations (IR) division in close consultation with the Management Board. Transparency is the watchword here. Through formats such as investor conferences and roadshows, we seek out dialogue – including and especially on ESG topics – with our shareholders and potential investors. Face-to-face conversations, additional property tours and the participation in conferences for private investors represent additional communication channels.

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.

Sustainability ratings and indices serve as valuable indicators of our sustainability performance and key sources of information for the capital market to help with investment decisions. As a result, they are a top priority at Vonovia. The Sustainability Committee decides which ESG ratings we actively use (see → **Sustainability Management at Vonovia**).

The 2023 rating results were influenced, in particular, by their consolidated application for the integrated Group for the very first time – for example through an improved carbon footprint – as well as by the suspected case of bribery involving individual (former) employees in March 2023, which also involved Vonovia's business premises being searched (see → **Combating Corruption and Bribery**). The latter, for example, resulted in an MSCI downgrade. Nevertheless, we once again achieved **good to very good results in all ESG ratings relevant for Vonovia and its investors in 2023.** As such, we continue to be listed on the renowned Dow Jones Sustainability Index Europe (despite the lower number of points in the corresponding S&P rating due to increased requirements and the restructured questionnaire), 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. Sustainalytics has assigned us to the lowest risk category and we rank among the top 100 performers of all companies analysed by Sustainalytics (> 15,000 companies worldwide, as of December 31, 2023).

Material Performance Indicator: Performance in relevant ESG Ratings*

Ratings	2022	2023
Sustainalytics ESG risk rating	6.7	7.6
MSCI ESG	AAA	A
CDP Climate Change	B	A-
ISS ESG	C	C
S&P Global CSA	71	63

* 2022 excl. Deutsche Wohnen, from 2023 incl. Deutsche Wohnen (excl. Care segment and SYNVIA).

For 2024, we have set ourselves the goal of maintaining our consistently high performance in the relevant ESG ratings 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.

Portfolio Structure

Portfolio in the Property Management Business

As of December 31, 2023, the Group had a **total real estate portfolio comprising** 545,919 residential units (2022: 548,524), 164,330 garages and parking spaces (2022: 164,330) and 8,691 commercial units (2022: 8,838). Our locations span 616 cities, towns and municipalities in Germany, Sweden and Austria. 71,424 residential units are also managed for other owners. Most of the properties in the Group's portfolio are multifamily homes.

In terms of fair value, around 89% of the real estate portfolio is 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, 2023:

Portfolio and Fair Value by Country

	Portfolio			Fair value*		
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/m²)	In-place rent multiplier**
Vonovia Germany	485,074	29,830	1.7	70,618.1	2,297	25.1
Vonovia Sweden	39,629	2,826	3.7	6,402.5	2,088	17.9
Vonovia Austria	21,216	1,560	4.4	2,771.6	1,612	22.5
Vonovia total	**545,919**	**34,215**	**2.0**	**79,792.2**	**2,246**	**24.2**

* Fair value of the developed land excluding € 4,135.4 million, of which € 494.5 million for undeveloped land and inheritable building rights granted, € 226.0 million for assets under construction, € 2,104.2 million for development, € 936.9 million for care portfolio and € 373.8 million for other.
** Shown based on the country-specific definition (see glossary Monthly In-place Rent).

Rent and Rental Growth by Country

	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.)**
Vonovia Germany	2,811	2,681	7.63	3.5	2.1
Vonovia Sweden	358	332	10.18	4.9	2.2
Vonovia Austria	123	98	5.47	7.7	1.7
Vonovia total	**3,292**	**3,111**	**7.74**	**3.8**	**2.1**

* Shown based on the country-specific definition (see glossary Monthly In-place Rent).
** 10-year horizon higher (see chapter on fair values in the management report).

As of December 31, 2023, the Group's **real estate portfolio across Germany** comprised 485,074 residential units, 122,330 garages and parking spaces and 5,981 commercial units distributed across 465 cities, towns and municipalities. The total living area amounted to 29,830,046 m², with the average apartment size coming in at around 61 m². With a vacancy rate of 1.7%, an average monthly in-place rent of € 7.63 per m² was generated in Germany. The annualized in-place rent for the residential portfolio as of December 31, 2023, came to € 2,681 million for apartments.

In **Sweden**, the Group's real estate portfolio comprised 39,629 residential units spanning a total living area of 2,825,617 m², 25,459 garages and parking spaces and 2,115 commercial units. With a vacancy rate of 3.7%, the residential portfolio generated annualized in-place rent of € 332 million as of December 31, 2023. The apartments, which average 71 m² in size, generate monthly in-place rent of € 10.18 per m² (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 € 98 million as of December 31, 2023, with a vacancy rate of 4.4% in the residential portfolio, which comprises 21,216 units covering total living space of 1,559,542 m². The monthly in-place rent amounted to € 5.47 per m² with an average apartment size of around 74 m². The portfolio also comprised 16,541 garages and parking spaces and 595 commercial units.

Changes in the Portfolio

There were no major acquisitions in the course of 2023.

Properties from the portfolio earmarked for sale were 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:

				In-place rent*	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	Residential (p. a. in € million)	Residential (in €/m²)
Disposal portfolios 2023	2,111	139.3	1.9	17.0	11.43

* Shown based on the country-specific definition (see glossary: monthly in-place rent).

Vonovia continues to develop its portfolio dynamically. In addition to the sale of larger housing stocks, Vonovia's portfolio changed primarily in 2023 as a result of the construction of new apartments and attic extensions on the one hand, and disposals of condominiums and multifamily homes 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.

The lion's share of the portfolio in Germany consists of neighborhoods that we have classified as **urban quarters**. The remaining existing buildings largely comprise smaller clusters of buildings and solitary properties that we have grouped together as **urban clusters**. Even though, unlike urban quarters, urban clusters do not relate to entire neighborhoods, they are also managed using the same long-term asset and property management approaches based on our operating platform.

Following the implementation of the annual structured reassessment of all potential, as of December 31, 2023, Vonovia's portfolio is as follows:

Portfolio and Fair Value by Strategy

	Portfolio			Fair value*	
	Residential units	Living area (in thou. m²)	Vacancy (in %)	(in € million)	(in €/m²)
Strategic	420,604	25,720	1.6	59,807.8	2,280
Urban Quarters	339,941	20,591	1.5	48,927.4	2,334
Urban Clusters	80,663	5,129	1.8	10,880.4	2,064
Recurring Sales	26,996	1,850	2.5	4,383.0	2,322
MFH Sales	22,421	1,420	1.1	4,778.0	3,230
Non Core	15,053	840	4.3	1,649.4	1,452
Vonovia Germany	**485,074**	**29,830**	**1.7**	**70,618.1**	**2,297**

* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development, Care portfolio 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 €/m²)	Organic (in %)
Strategic	2,380	2,298	7.57	3.6
Urban Quarters	1,897	1,837	7.56	3.7
Urban Clusters	483	460	7.63	3.5
Recurring Sales	169	163	7.51	2.6
MFH Sales	165	156	9.28	2.5
Non Core	97	65	6.71	2.8
Vonovia Germany	**2,811**	**2,681**	**7.63**	**3.5**

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, 95% of our German portfolio is located in 15 regional markets. Only a small part of our strategic portfolios is located outside of these 15 markets. We have referred to this group as "Other strategic locations". Our stocks earmarked for sale from the "Recurring Sales"; "MFH Sales" and "Non Core"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, 2023, 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. m²)	Vacancy (in %)	(in € million)	(in €/m²)	In-place rent multiplier
Berlin	143,057	8,562	0.8	23,881.0	2,704	29.4
Rhine Main Area	36,528	2,306	2.4	6,610.7	2,794	25.1
Southern Ruhr Area	42,972	2,654	2.5	5,168.6	1,917	22.8
Rhineland	31,578	2,074	1.8	5,045.8	2,367	24.0
Dresden	44,899	2,600	2.3	5,031.5	1,834	22.6
Hamburg	20,108	1,257	1.1	3,229.2	2,505	25.8
Hanover	22,077	1,391	2.0	2,886.6	2,002	22.4
Kiel	25,299	1,455	1.9	2,774.6	1,855	21.1
Munich	10,523	682	1.3	2,743.7	3,884	33.9
Stuttgart	13,323	838	1.6	2,249.5	2,637	24.9
Northern Ruhr Area	24,383	1,503	2.2	2,044.6	1,347	17.4
Leipzig	14,245	936	2.2	1,890.6	1,873	23.6
Bremen	11,714	712	1.6	1,439.3	1,971	24.6
Westphalia	9,435	617	2.0	1,091.3	1,750	20.5
Freiburg	4,033	275	0.5	727.1	2,621	25.5
Other strategic locations	27,515	1,746	2.8	3,394.9	1,909	21.5
Total strategic locations	**481,689**	**29,607**	**1.7**	**70,209.1**	**2,303**	**25.2**
Non-strategic locations	3,385	223	3.3	409.0	1,649	18.1
Vonovia Germany	**485,074**	**29,830**	**1.7**	**70,618.1**	**2,297**	**25.1**

* Fair value of the developed land excluding undeveloped land and inheritable building rights granted, assets under construction, development, Care portfolio 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	813	774	7.60	3.9	2.3
Rhine Main Area	263	253	9.34	2.8	2.2
Southern Ruhr Area	226	220	7.11	4.3	1.8
Rhineland	210	200	8.19	2.7	2.1
Dresden	222	208	6.82	2.8	2.1
Hamburg	125	120	8.07	2.9	2.1
Hanover	129	121	7.42	3.2	2.0
Kiel	132	126	7.40	4.6	2.0
Munich	81	77	9.53	6.0	2.3
Stuttgart	90	88	8.88	3.7	2.2
Northern Ruhr Area	118	114	6.45	2.7	1.6
Leipzig	80	73	6.65	2.9	2.0
Bremen	59	56	6.67	2.9	2.0
Westphalia	53	52	7.18	4.0	2.0
Freiburg	29	28	8.46	2.9	2.0
Other strategic locations	158	152	7.50	2.9	2.0
Total strategic locations	**2,788**	**2,663**	**7.63**	**3.5**	**2.1**
Non-strategic locations	23	18	7.07	2.0	1.9
Vonovia Germany	**2,811**	**2,681**	**7.63**	**3.5**	**2.1**

* 10-year horizon higher (see chapter on fair values in the management report).

Portfolio in the Development Business

Vonovia Development Under the BUWOG Brand Name

It is under the **BUWOG brand** that Vonovia's Development business area has become firmly established, primarily in Vienna and Berlin.

The **regional distribution** of the development activities covers the whole of Germany with a focus on the Berlin, Rhine-Main, Dresden/Leipzig, Hamburg, Stuttgart and Munich regions. The focal region in Austria is Vienna.

BUWOG provides Vonovia with a **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 seeks 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. The development business allows Vonovia to provide answers to the challenges resulting from **megatrends.**

In the 2022 fiscal year, Deutsche Wohnen's development activities were integrated into BUWOG's structures on the basis of an agency agreement. Deutsche Wohnen's motivation was to benefit from BUWOG's development platform and expertise in particular, as well as leveraging harmonization effects and economies of scale.

With the skills of the two companies now bundled and the options available for exploiting synergy potential on both sides, the challenges facing the residential real estate market in terms of new construction can be mastered more quickly and efficiently.

Development Business Model

to sell

> Mixed sell/hold projects
> Pure sell projects

↓

Condominiums for

> Private customers
> Institutional customers

to hold

> Mixed hold/sell projects
> Pure hold projects

> Independently financed
> Subsidized

↓

New rental apartments for

> Regions

> Existing markets > Target markets > Opportunistic markets

Sustainable and Successful Development

Development Business Model

As part of the strategic analysis, Vonovia's development activities were considered to make an important value contribution and the development business was identified as a key **value driver**.

The **range of products** for value creation ranges from the sale of individual new-build condominiums in the context of development projects to new construction projects on land purchased, and land already held, for the company's own portfolio and global sales of large-scale projects to investors.

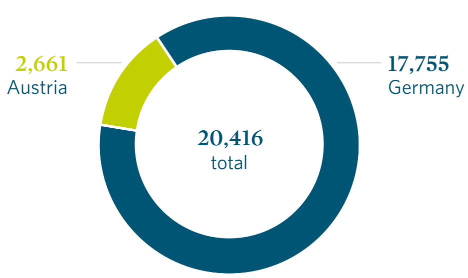
Conceptual and technical solutions for the resource-light construction and sustainable operation of neighborhoods make up a key component of the development business model. In line with the three focal issues of urbanization, energy efficiency and demographic change, central aspects of sustainability 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.

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

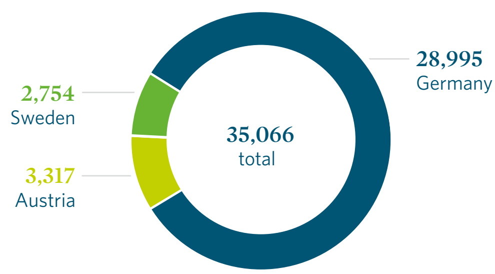
Certification is important to ensure that potential improvements can be made back at the planning stage on the basis of criteria for ecological, social and economic sustainability and managed during the construction process.

Development to Sell and Hold (Number of Residential Units)*

to sell



to hold



* Development to sell incl. existing projects; Development to hold incl. pipeline projects.

Valuable Contributions to Society and the Group

Development

1 Acquisition	2 Development	3 Planning	4 Construction	5 Marketing and sales
> Identification of acquisition opportunities > Assessment of development opportunities > Due diligence (legal, tax, technical, environmental, etc.) > Cross-disciplinary acquisition teams > Development of project pipeline, property database	> Design idea > Analysis of market and regulations > District and city representatives, citizens, service providers and other stakeholders > Construction optimization and city development > Coordination of zoning	> Integral planning and cross-disciplinary project teams > Type and product development > Determination of aesthetic, ecological, functional and economic requirements > Detailed project calculation > Professional planning > Coordination of construction approval process	> Preparing for construction > Procurement and awarding of construction contracts > Trade coordination/construction management > Construction > Quality control	> Development of marketing concepts > Sale > Initial rental > Customer service and aftercare

Value Creation and Project Development

Real estate development activities can be tackled successfully through long-standing experience, extensive **market and sector expertise** and intensive, ongoing market analysis, making a valuable contribution to value creation, sustainability and to alleviating the shortage of housing.

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 real estate development value chain internally makes the company more efficient and, as a result, more profitable.

In the Development segment, we make a distinction between two different areas:

> **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.

The prevailing conditions in the residential real estate sector, which are characterized by rising construction costs and higher interest rates, are changing the demands that real estate development projects have to meet in terms of profitability and financing. With this in mind, projects are analyzed with regard to their **allocation** to the two different areas of development, and are reallocated if necessary.

Based on these profitability criteria and internal financing requirements, the Potsdam-Krampnitz project was partially reallocated from the "to hold" portfolio to the "to sell" portfolio in 2023. This reallocation involves a total of 859 units and a project volume of € 481.6 million.

Development Overview

As of December 31, 2023, the **total volume** of the development portfolio was 55,482 residential units (a total of 6,979 units from projects under construction and a total of 48,503 units from the pipeline).

As of December 31, 2023, there were 20,416 residential units in the **"to sell" development portfolio**, 4,998 of which related to projects under construction, 1,173 to projects from the short-term pipeline and 14,245 to projects from the medium-term pipeline. The share attributable to project development in Germany came to 17,755 units (4,998 of which related to projects under construction, 600 to projects from the short-term pipeline and 12,157 to projects from the medium-term pipeline). 6,343 units were attributable to Deutsche Wohnen. The share attributable to project development in Austria came to 2,661 units (573 units from the short-term pipeline and 2,088 from the medium-term pipeline).

As of December 31, 2023, there were 35,066 residential units in the **"Development to hold" portfolio**, 1,981 of which related to projects under construction, 253 to projects from the short-term pipeline and 32,832 to projects from the medium-term pipeline. The share attributable to Germany came to 28,995 units (1,981 units under construction, 253 units from the short-term pipeline and 26,761 units from the medium-term pipeline). The share in Austria came to 3,317 units (3,317 units from the medium-term pipeline). The share in Sweden came to 2,754 units (2,754 units from the medium-term pipeline).

A total of 1,309 residential units were completed in this area with 839 in Germany, 296 in Austria and 174 in Sweden.

Management System

Management Model

The management system tools are geared towards implementing the strategy through our sustainable business activities.

The 2023 fiscal year saw Vonovia break down the strategy that had been in place since the IPO further into its key value drivers. Against the backdrop of the current overall conditions, this process was accompanied by systematic improvements in the capital structure. The new value driver approach is set out and explained in detail under → **"Fundamental Information About the Group"**.

At the same time, the Deutsche Wohnen Management Board subjected the nursing care activities to a strategic review. The outcome of this process is that the nursing care activities will no longer form part of the corporate strategy going forward and are to be sold. Towards the end of the 2023 fiscal year, the nursing care activities were subjected to a market test and were then reported from the fourth quarter of 2023 onwards as discontinued operations for the purposes of Group reporting. This means that the Care management segment has been abolished. Details can be found in the Notes under → **[A2] Adjustment to Prior-year Figures**.

Consequently, Vonovia will manage its business via the **four segments:** Rental, Value-add, Recurring Sales and Development.

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.

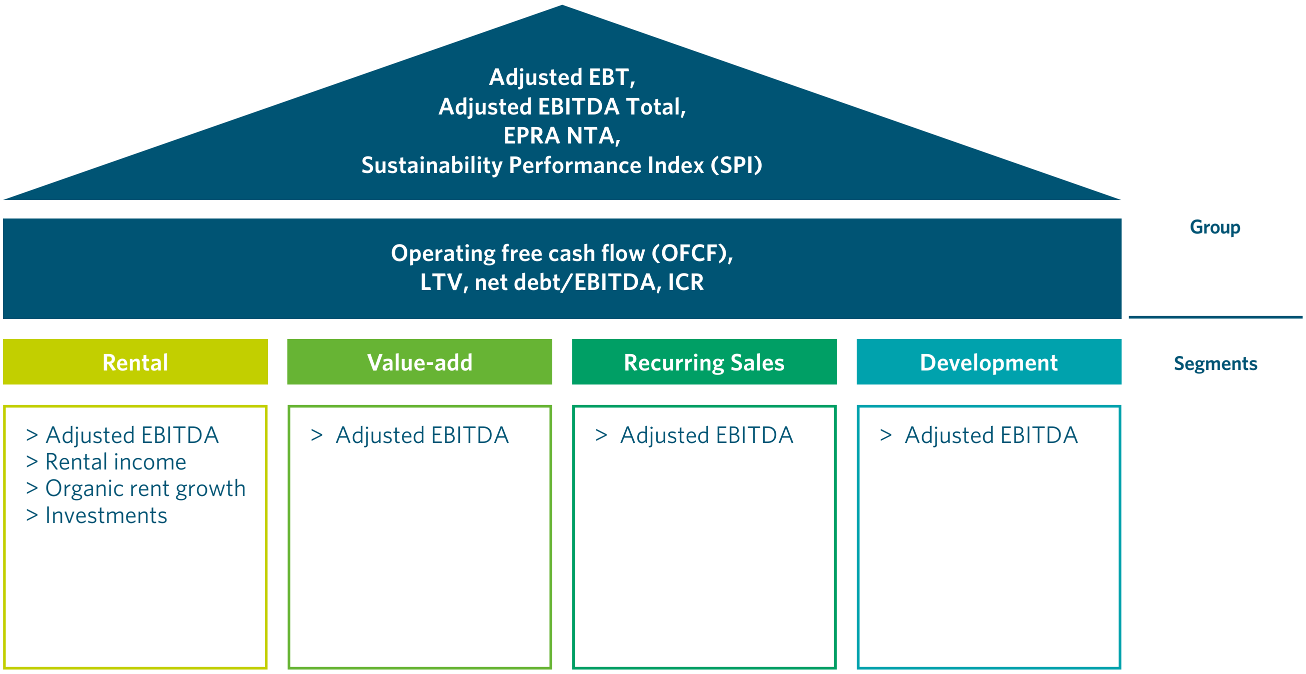
Sales of entire buildings, plots of land or larger portfolios that are not part of the strategically relevant portfolio (MFH Sales/Non Core) are pursued as and when opportunities arise, meaning that they are not part of the Recurring Sales segment. We report these opportunistic sales in the Other column 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, to completion and sale (to sell) or integration into Vonovia's own portfolio (to hold). The Development segment deals with projects in selected attractive locations.

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 economic 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.

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

2024 Management System



The future focus of the company's business activities on the key value drivers logically requires an adjustment to the management system, as the previous management system no longer provides the required degree of **relevant management information, in the interests of return-oriented and, at the same time, cash flow-oriented management,** or the necessary transparency in the current environment.

Our 2024 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.

As a result, with a view to the future management of the company, the Management Board has designed the following management system structure.

Performance Indicators at Group Level as of 2024

Going forward, the IFRS profit for the period will be reconciled to **earnings before taxes (EBT)**, as taxes do not form part of operating value added.

This EBT will be adjusted to reflect **special effects** based on the definition that has applied to date (effects that do not relate to the period, recur irregularly or are atypical for business operations). The net financial result is also adjusted to reflect non-cash and actuarial valuation effects that recur irregularly. The further adjustments to reflect the effects of IAS 40 measurement, write-downs, other (Non Core/Other result), net income from non-current financial assets accounted for using the equity method and effects from residential properties held for sale produce the Group's **Adjusted EBT** and, taking into account minority interests, adjusted EBT after minority interests. Adjusted EBT will be the **leading indicator of profitability**.

The adjusted net financial result, interim profits and depreciation and amortization will be added to the Adjusted EBT to produce the **Adjusted EBITDA Total** as a reconciliation to the total segment results.

Calculation of Adjusted EBT/Adjusted EBITDA

	Profit for the period according to IFRS consolidated financial statements
(+)	Income taxes according to consolidated income statement
=	**Earnings before tax (EBT) according to consolidated income statement**
(+/-)	Non-recurring items
(+/-)	Net income from fair value adjustments of investment properties
(+)	Non-scheduled depreciation/value-adjustments
(+/-)	Valuation effects and special effects in the financial result
(+/-)	Net income from investments accounted for using the equity method
(+/-)	Earnings contribution from non-core/other sales
(+/-)	Period adjustments from assets held for sale
=	**Adjusted earnings before taxes of the group (Adjusted EBT)**
/	Number of the weighted average shares carrying dividend rights
=	**Adjusted EBT per share**
	Adjusted EBT
(+)	Straight-line depreciation
(+/-)	Adjusted net financial result
(+/-)	Intragroup profit/losses
=	**Adjusted EBITDA Total**

The Adjusted EBT will be used as a basis for a reconciliation to the **operating free cash flow (OFCF)** as the **leading indicator of internal financing.** Depreciation and amortization will be added to Adjusted EBT, and the liquidity contribution made by the Recurring Sales segment, as well as the change in working capital, will be taken into account. Capitalized maintenance and dividend payments made to parties outside of the Group, as well as income tax paid, are subtracted from this figure. This operating free cash flow is a measure of the Group's operational capacity to generate cash surpluses and, as a result, of its internal financing power.

Calculation of Operating Free Cash-Flow

	Adjusted earnings before taxes of the group (Adjusted EBT)
(+)	Straight-line depreciation
(+/-)	Change in net current assets (working capital) according to the cash flow statement (adjusted for special payment effects)
(+)	Carrying amount of recurring sales assets sold
(-)	Capitalized maintenace
(-)	Dividends and payouts to non-controlling shareholders (minorities)
(-)	Income tax payments according to cash flow statement (w/o taxes on non-core sales)
=	**Operating Free Cash-Flow**

The contribution made by **discontinued operations** will be presented separately.

Other Key Figures at Group Level

At the level of the Group as a whole, the **EPRA Net Tangible Assets (EPRA NTA)** per share and the **Sustainability Performance Index (SPI)** are our most meaningful performance indicators.

The **EPRA Net Tangible Assets (EPRA NTA)** is used to review how the company's value is developing. Our calculations are based on the best practice recommendations of the EPRA (European Public Real Estate Association).

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
=	**EPRA NTA**
/	Number of shares carrying dividend rights on the reporting date
=	**EPRA NTA per share**

* Share for hold portfolio.
** Adjusted for effects from cross currency swaps.

In addition to our key financial figures, we also focus on non-financial operating performance indicators.

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.

Sustainability Performance Index (SPI)

CO_2 intensity in the housing stock →	Sustainability Performance Index
Sustainable and energy-efficient new construction →	
Homes that are (partially) modernized to make them fully accessible →	
Increase in customer satisfaction →	
Increase in employee satisfaction →	
Diversity in the management team →	

In line with this focus, we had already introduced the **Sustainability Performance Index** as a key non-financial control parameter back in the 2021 fiscal year. Indicators used in the new Sustainability Performance Index are the carbon intensity of the 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 proportion of female managers in the company's top management team.

Each component is assigned an individual factor and a defined annual target amount. The weighted targets add up to a target of 100% that we aim to achieve every year. In the reporting on the levels of the individual indicators within the Non-financial Group Declaration, the business activities of Deutsche Wohnen are included (excluding the Care segment), unless otherwise stated.

Other non-operating financial key figures include the **loan-to-value (LTV)** ratio, which is used for monitoring the degree to which debt is covered by the value of the properties, the **net debt/EBITDA** ratio, which is used for monitoring the degree to which debt is covered by our sustained operating result and the **Interest Coverage Ratio (ICR)** , which expresses the extent to which interest is covered by our sustained operating result.

Performance Indicators at Segment Level

The main key performance indicator at segment level remains **Adjusted EBITDA**. The Adjusted EBITDA Total reported at Group level is calculated, in turn, as the sum total of the Adjusted EBITDA figures for our segments. This means that Adjusted EBITDA forms the basis for the operational management of the four continuing segments after adjustments to reflect effects that do not relate to the period, recur irregularly or are atypical for business operations.

Calculation of Adjusted EBITDA

	Revenue in the Rental segment
(-)	Expenses for maintenance
(-)	Operating expenses in the Rental segment
=	**Adjusted EBITDA Rental**
	Revenue in the Value-add segment
	thereof external revenue
	thereof internal revenue
(-)	Operating expenses in the Value-add segment
=	**Adjusted EBITDA Value-add**
	Revenue in the Recurring Sales segment
(-)	Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment
=	Adjusted result in the Recurring Sales segment
(-)	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
(-)	Operating expenses in the Development segment
=	**Adjusted EBITDA Development**
Σ	**Adjusted EBITDA Total (continuing operations)**

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.

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^2 gives information on the average rental income from the portfolio as of the relevant reporting date.

In addition to our operational earnings power, **investments (modernization and new construction work)** are decisive for the further development of our company.

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, has to be adjusted to reflect realized/unrealized changes in value.

The **Adjusted EBITDA Development** includes the gross profit from the development activities of "to sell" projects (income from sold development projects less production costs) less the operating expenses from the Development segment.

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

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, or can be taken directly from the IFRS consolidated financial statements in the reconciliation.

Performance Indicators for 2023

The previous management system was continued until the end of the fourth quarter of 2023 as presented in the 2022 Annual Report.

Group FFO

Group FFO was still the key figure used for managing the sustained operational earnings power of our business in 2023. In the future, it will replaced by Adjusted EBT.

Calculation of Group FFO

	Adjusted EBITDA Total (continuing operations)
(-)	FFO interest expense
(-)	Current income taxes FFO
(-/+)	Intragroup profit/losses
=	**Group FFO**

Segment Level

The performance indicators at segment level, as presented in the 2024 management system, also already applied to 2023.

The Sustainability Performance Index and the EPRA NTA per share also applied at Group level in 2023.

At the end of the fourth quarter of 2023, the presentation of Development to hold was adjusted within the Development segment. Details are set out in the Notes under Adjustment to Prior-year Figures. In the future, all earnings contributions made by Development to hold will be recognized in the valuation results, i.e., outside of Adjusted EBITDA. This brings the management approach into the IFRS standard governing the measurement of investment properties (IAS 40).

Report on Economic Position

Key Events During the Reporting Period

The **2023 fiscal year** was characterized by **challenging overall conditions** in the residential real estate sector. On the one hand, the ongoing shortage of housing pushed rents up, while on the other, it proved impossible to close the macroeconomic supply gap due to restrained new construction activity. There was a very low volume of transactions on the market in 2023, not including Vonovia's transactions.

Higher interest rates and inflation also had clear effects on the assessment of business models and the valuation of assets, in particular holdings measured at fair value and goodwill.

In the 2023 fiscal year, total value adjustments of around € 10.7 billion were recognized for investment properties at Vonovia. The value of the investment properties as of December 31, 2023, adjusted to reflect investments, amounts to around € 81.1 billion. As impairment losses were recognized on goodwill and trademark rights in the fiscal year, only the Value-add cash generating unit still reported goodwill in the amount of € 1.4 billion as of December 31, 2023.

As a result, the **capital structure and capital allocation** were the main focal points of the management system due to the changes in return requirements and the interest rate environment. Strengthening the company's internal financing was another priority issue.

Despite the sluggish **transaction market**, Vonovia successfully strengthened its capital structure in the 2023 fiscal year with two joint ventures and two block transactions.

As per a publication dated April 26, 2023, Vonovia, through an investment vehicle that is advised and managed by Apollo Capital Management L.P., agreed to a direct minority stake of 34.5%, or an indirect participation of 27.6%, in a selected Südewo portfolio comprising around 21,000 residential units in the German federal state of Baden-Württemberg. The investment vehicle is financed by holding companies, insurers and other long-term investors that are advised and managed by Apollo Capital Management L.P. The net consideration amounted to around € 1.0 billion. The transaction was closed in the second quarter of 2023.

In the fourth quarter (contract signed on October 27, 2023), Vonovia also reached an agreement with an investment vehicle that is advised and managed by Apollo Capital Management L.P. in respect of an equity holding of approx. 30% in a selected portfolio comprising around 31,000 residential units in northern Germany. The investment vehicle is financed by holding companies, insurers and other long-term investors that are advised and managed by Apollo Capital Management L.P. The net consideration amounted to around € 1.0 billion. The transaction was closed on December 31, 2023.

On May 4, 2023, Vonovia and Deutsche Wohnen reached an agreement with funds managed by CBRE Investment Management on the sale of five properties in Berlin, Munich and Frankfurt with a total of 1,350 apartments and a purchase price of around € 560 million. The properties were three newly constructed properties belonging to the company's old stock and two new construction projects that were in the final phase of construction. The share deal component was closed on May 31, 2023.

On November 3, 2023, another transaction was announced as an asset deal involving Vonovia and Deutsche Wohnen together with funds managed by CBRE Investment Management regarding new construction projects with a volume of € 357 million. The transaction had not yet been completed by December 31, 2023.

Transactions in the other sales categories were also implemented successfully. One transaction particularly worthy of mention is that announced on October 7, 2023 between the City of Dresden and Vonovia relating to a total of 1,213 apartments. The package also includes undeveloped land measuring roughly twelve hectares. This total price amounts to € 87.8 million. The transaction is expected to be closed in the course of 2024.

In the first quarter of 2023, Vonovia had sold its 10% stake in the French company Vesta SAS for a net amount of € 95.7 million, marking its withdrawal from the French market.

As part of a strategic review of the Care segment, the Management Board of Deutsche Wohnen decided to discontinue and sell these operations. Endeavors to sell the Care segment have since begun and it is expected to have been sold before December 2024. Accordingly, the majority of the Care segment is presented as discontinued operations.

The high demand for residential real estate, positive rental price development and synergies realized as part of the merger with Deutsche Wohnen promoted positive development in our core Rental business in the 2023 fiscal year.

As of December 31, 2023, Vonovia's portfolio was virtually fully occupied with a vacancy rate of 2.0%. The Customer Satisfaction Index (CSI) was 0.4 percentage points below the value seen in the previous year in the fourth quarter of 2023. Looking at the average for the year as a whole, customer satisfaction was down by 2.4 percentage points year-on-year.

The sustained high customer satisfaction values in the 2023 fiscal year confirmed our efforts in property management and, together with the low vacancy rate, provided a solid foundation for our business. At the same time, this means stable positive cash flows in the long run and, as a result, a stable basis for the income from our real estate portfolio.

The other business segments were negatively affected by higher interest rates in the reporting period and by inflation, in particular by the marked uptick in construction costs.

Higher return requirements meant that investment projects had to be reanalyzed, reassessed accordingly and reprioritized. As a result, restraint was exercised with plans to launch new projects in particular. Requirements related to the company's capital structure and internal financing were also, however, key aspects influencing decisions. In this respect, transactions with a focus on reducing the leverage ratio were successfully realized in 2023.

The higher return requirements, primarily due to higher interest rates, also had an impact on potential transaction partners and translated into lower sales in the Recurring Sales segment and with regard to projects in the development to sell area.

The Adjusted EBITDA Total (continuing operations) came to € 2,583.8 million, a drop of 0.9% as against the prior-year figure of € 2,606.1 million. At € 2,401.7 million, Adjusted EBITDA in the Rental segment was up by 6.5% on the previous year's figure of € 2,254.3 million, while Adjusted EBITDA in the other segments fell by 16.7% for Value-add, 53.1% for Recurring Sales and 85.3% for Development.

The Annual General Meeting held on May 17, 2023, resolved to pay a dividend for the 2022 fiscal year in the amount of € 0.85 per 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 44.87% of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 18,795,001 new shares were issued using the company's authorized capital for a total of € 303,539,266.15. The total amount of the dividend distributed in cash therefore came to € 372,933,231.30.

The Annual General Meeting also voted on the election of eight Supervisory Board members. Dr. Daniela Gerd tom Markotten was elected as a new Supervisory Board member. As planned, the size of the Supervisory Board was reduced from twelve to ten members. The Supervisory Board elected Clara-Christina Streit as its Chair at its inaugural meeting.

Effective October 1, 2023, Ruth Werhahn assumed responsibility for Vonovia's new HR executive division and is now a member of the Management Board of Vonovia SE.

As reported, on March 7, 2023, Vonovia was informed by the public prosecutor's office in Bochum during the course of necessary search measures connected to an ongoing investigation that former and, at that time, current technical employees were being investigated on suspicion of corruption. The persons under suspicion may also have caused damage for Vonovia by overriding and circumventing controls and compliance policies.

Vonovia continues to cooperate fully with the work of the investigating authorities. The auditing firm Deloitte and the law firm Hengeler Mueller have been commissioned to perform a forensic assessment of all the facts of the case. It is not currently possible to arrive at any conclusive assessment regarding the amount of any damages. For 2022, it is estimated to come to a maximum of 1% of the order volume awarded by Vonovia. At the most, this amounts to a low single-digit million amount.

Development of the Economy and the Industry

According to the European Commission, the European economy has lost momentum following its robust expansion in the years following the pandemic in 2021 and 2022 and against the backdrop of the high cost of living, weak foreign demand and tighter monetary policy. In its fall forecast, the Commission expects GDP growth of 0.6% in the EU and in the eurozone for 2023. Economic activity is expected to recover slightly in the future as consumption picks up thanks to a continued robust labor market, sustained wage growth and a further slowdown in inflation. In light of the challenging underlying conditions, the Federal Statistical Office (Destatis) estimates that the German economy shrank by 0.3% in terms of gross domestic product (GDP) in 2023 compared to the previous year. According to Destatis, this meant that the recovery from the deep slump in the coronavirus year 2020 was not sustained. According to the National Institute of Economic Research (NIER), gross domestic product in Sweden is estimated to have fallen by 0.2% in 2023. The Swedish economy is running below capacity and the output gap is likely to widen in 2024. According to the Institute of Economic Research, Austrian GDP is expected to have contracted by 0.8%. The economy is being adversely affected by lower real incomes due to inflation and a global industrial downturn. For 2024, GDP growth of 0.9% is forecast for Germany (IfW Kiel), 1.0% for Sweden (National Institute of Economic Research, NIER) and 0.9% for Austria (Institute of Economic Research, WIFO).

According to the German Federal Employment Agency, the German labor market also felt the impact of the weak economy. Unemployment and underemployment (excluding short-time work) increased year-on-year. However, employment also increased slightly at the same time. The unemployment rate based on the total civilian labor force rose by 0.4 percentage points to 5.7% on average in 2023. The NIER estimates the unemployment rate in Sweden at 7.7% in 2023, which is approx. 0.2 percentage points more than in the previous year. According to national calculations by the Austrian Public Employment Service (AMS), the unemployment rate in Austria was 6.4% and thus 0.1 percentage points higher than in the previous year. Based on respective national definitions, the average unemployment rate expected in 2024 is 5.8% for Germany (IfW Kiel), 8.4% in Sweden (NIER) and 6.4% in Austria (WIFO).

Inflation weakened again in 2023, following a noticeable increase in 2022 due to pressure associated with the prices of energy, food and other raw materials. Measured against the respective national Consumer Price Indexes (CPI), the average inflation rate was likely 5.9% in Germany, 8.5% in Sweden and 7.8% in Austria, based on figures from the national statistical offices. It is expected that the price spikes will continue to tail off in 2024 and that inflation will be lower. Among other things, the declining price trends in energy, food and consumer staples are cited as price dampeners for Germany, with lower energy and raw material prices for Sweden and lower fuel prices for Austria. Based on respective national definitions, a CPI increase of 2.3% is expected for Germany (IfW Kiel), 2.9% for Sweden (National Institute of Economic Research) and 4.0% for Austria (WIFO).

In a quest to make a timely return to its 2% medium-term inflation target, the European Central Bank (ECB) raised key rates further in several steps in 2023, most recently to 4.50% in September 2023. According to the IfW Kiel, the cycle of interest rate hikes has probably come to an end. High inflation also prompted the Swedish Riksbank to take further steps to lift its policy rate starting at the beginning of the year, most recently raising it to 4.00% in September 2023. According to the National Institute of Economic Research, the policy rate could fall again from summer 2024. In this overall environment, interest rates for construction in Germany, Sweden and Austria were higher on average in 2023 than in the previous year. In Germany, there were signs of a slight decline in interest rates for construction at the end of the year.

The interest rate environment is having an adverse impact on the real estate markets. The residential property markets had already begun to cool down in the course of 2022 and the residential investment market is dominated by price adjustment processes and low transaction figures. Despite this, according to Savills, the underlying conditions on the housing market in Germany are very attractive from an investor's perspective. The correction in prices caused by interest rates in the past year is being counteracted by a further short-term increase in supply shortages. The situation on the rental apartment market is likely to continue to tighten from the tenant perspective, and most owners can expect further rental growth. According to bulwiengesa, demand in this area is also growing due to the shift of potential buyers into the rental market. Quoted rents continued to increase across Germany; empirica reports that they were 5.7% higher on average over all years of construction in the fourth quarter of 2023 (new construction 5.6%) than in the same quarter of the previous year. According to DB Research, new contract rents are expected to grow by around 5% in the current year, and rents for existing contracts by around 2.2%. According to data supplied by SCB, rents in Sweden rose by an average of 4.1% in 2023. The initial data on rent negotiations for 2024 from "Hem & Hyra," the member magazine published by the Swedish tenants' association ("Hyresgästföreningen"), point towards a further sharp rise in rents. In Austria, rents (including newly let apartments) increased in 2023 compared to the previous year by 7.9% according to the Austrian statistical office. According to RE/MAX, rents not subject to rent restrictions are likely to continue to rise in 2024 due to demand.

The pace of purchase price growth cooled noticeably in Germany, Sweden and Austria in 2022. The trend towards declining prices in Germany generally continued in 2023. The empirica price index for condominiums (all years of construction) was 5.5% lower in the fourth quarter of 2023 compared to the same period of the previous year. In the new construction segment, the price index was up by 0.2% year-on-year in the fourth quarter of 2023 thanks to a slight increase from the mid-point of the year onwards. DB Research assumes that the market adjustment will soon be complete. According to Svensk Mäklarstatistik, prices for tenant-owned apartments (Bostadsrätter) in Sweden were 1.4% higher in December 2023 compared with the same month of the previous year. However, after a noticeable recovery at the start of 2023, prices began to fall again in the last quarter of the year. Swedbank's experts expect residential real estate prices to bottom out in the first half of 2024. The values of the current residential real estate price index of the Austrian central bank (OeNB) on the basis of new and used condominiums and single-family residences show a decrease in Austria in the third quarter of 2023 of 2.9% compared with the previous year. Measured in terms of quarter-on-quarter increases, residential property prices fell by around 2% in the fourth quarter of 2022. In the first to third quarters of 2023, the decline was then much more moderate at between -0.2% and -0.4%. According to RE/MAX, the price trend for residential property in Austria will initially take a downward trajectory in 2024.

The size of the population in Germany, Sweden and Austria is estimated to have risen again in 2023 and is expected to increase further. There is still a shortage of apartments in many large cities and urban areas. Construction activity, however, is expected to drop. The current mix of high construction prices and increased interest rates is having a noticeable impact. The GdW estimates that only 242,000 apartments will have been completed in Germany in 2023, compared to 295,000 in 2022. This figure could fall to 214,000 in 2024. The German federal government had set itself the goal of building 400,000 new apartments per year in Germany. According to JLL, the declining volume of new construction in years to come will further increase the excess demand on the rental apartment markets in particular. Boverket estimates that around 67,000 apartments will have to be built every year in Sweden until 2030. In 2023, only around 60,000 apartments are expected to have been completed. According to Boverket's calculations, completions will fall to around 40,000 apartments in 2024 and around 25,000 apartments in 2025. This means that the additional annual need will not be met. According to the OeNB, Austria is witnessing the end of a pronounced residential construction cycle. According to Bank Austria, residential construction activity there has addressed the marked increase in the demand for homes in recent years. The volume of residential construction will shrink significantly in 2023 and 2024. Although the expected new construction activity should largely meet demand in terms of volume, Bank Austria says it remains to be seen whether demand will be met in all segments, especially in the affordable housing segment.

Residential construction is in a difficult phase in all three countries due to the combination of higher interest rates, less favorable financing conditions and increased construction costs. In Germany, the government had also reduced new construction subsidies, and it imposed more stringent new construction standards at the start of 2023. In addition, there is uncertainty surrounding housing policy after the 2021 supplementary budget was declared unlawful at the end of 2023, requiring the renegotiation of the 2024 budget. Investment subsidies for rental apartments in Sweden were discontinued as of the end of 2022. In the current circumstances, new construction developments are barely viable in commercial terms.

The German residential investment market was cautious in 2023. According to CBRE, the transaction volume amounted to € 5.7 billion, 59% lower than in the previous year and the lowest transaction volume since 2011. The main reasons given for this weak development are the difference in price expectations between buyers and sellers, as well as the uncertainties following the German Buildings Energy Act (GEG) and the associated loss of investor confidence. According to CBRE, prime yields in the top seven cities have risen by almost 80 basis points to 3.34% since the end of 2022. CBRE expects the residential transaction market to pick up in 2024 with an investment volume of around € 8 billion. The drivers for this include the ongoing portfolio adjustments of listed real estate companies and the refinancing gap of late-cycle investors. According to Colliers, properties worth € 7.8 billion were traded across all segments on the Swedish transaction market in 2023, representing a year-on-year decrease of approx. 59%. In terms of transaction volume, residential properties were the second-largest asset class after logistics properties with a share of 23% (2022: 28%). According to CBRE, the Austrian real estate investment market saw a transaction volume of approximately € 2.9 billion across all segments in the 2023 fiscal year, down by around one-third on the previous year. The share of the residential segment stood at only 9%.

Housing policy developments in 2023 and at the start of 2024 in Germany included changes to the GEG, in which the permissible primary energy level for new construction was tightened at the start of 2023. On January 1, 2024, an amendment came into force aimed at increasing the proportion of renewable energies in heating systems and at reducing emissions. Reforms were also made to the Federal Funding for Efficient Buildings (BEG): Since the beginning of 2023, new conditions have applied for refurbishments to achieve energy-efficiency building standards as well as for individual measures. Since March 1, 2023, funding guidelines have been available for climate-friendly new construction, with loans available on more favorable terms for environmentally friendly buildings that meet the KfW Efficiency House 40 standard. However, the funding had been used up by December 2023. Applications should be possible again after the 2024 budget is in force. The new BEG – Individual Measures Directive also came into force on January 1, 2024. This directive promotes the replacement of fossil fuel heating systems with climate-friendly ones by subsidizing investment costs. A law on the division of CO_2 costs between landlord and tenant came into force on January 1, 2023, and the costs per ton of CO_2 emitted increased from the start of 2024. The straight-line rate for the depreciation of residential buildings was increased from 2% to 3% as of January 1, 2023 and applies to residential buildings completed from January 2023. A proposed declining balance depreciation for new residential construction as part of the German Growth Opportunities Act has been postponed for now. An agreement reached in December on the reform of the EU Buildings Directive provides for, among other things, the reduction of energy consumption in residential buildings. The EU is waiving the obligation to refurbish poorly insulated private residential buildings. The agreement still has to be formally approved by the respective EU institutions. At the end of June 2023, an expert commission convened by the Berlin Senate came to the conclusion that the socialization of major residential real estate companies is possible from a legal perspective. The Berlin State Government is now examining a framework socialization act. In Austria, indicative rents were increased as of April 1, 2023, with category-based rents being increased effective July 1, 2023. From 2024, a rent cap will apply that limits the increase in indicative rents, category-based rents and rents for non-profit apartments. This does not include unrestricted rental agreements.

Group's Business Development

Business Development in 2023 – An Overview

All in all, our operating business developed in line with our expectations in the 2023 fiscal year. High demand for homes and rising rents supported the operational basis of our business, the core Rental segment.

We invested a total of around € 0.8 billion (2022: € 1.4 billion) in our own portfolio for new construction and modernization measures in the 2023 fiscal year, and around € 0.7 billion (2022: € 0.9 billion) in maintenance. We completed 1,309 apartments (2022: 2,071) as part of our new construction measures. We also completed 1,116 apartments that are intended for sale (2022: 1,678).

The table below provides an overview of the development of our most recently forecast performance indicators for 2023 and the target achievement level for these indicators including discontinued operations in the 2023 fiscal year.

	2022	Forecast for 2023 in the 2023 Q3 report*	2023
Total Segment Revenue (incl. discontinued operations)	€ 6,256.9 million	moderately below previous year	€ 5,638.1 million
Adjusted EBITDA Total (incl. discontinued operations)	**€2,763.1 million**	**lower end of € 2.6–2.85 billion**	**€2,652.4 million**
Group FFO (incl. discontinued operations)	**€ 2,035.6 million**	**mid-point of € 1.75–1.95 billion**	**€ 1,847.1 million**
Group FFO per share (incl. discontinued operations)**	€ 2.58	mid-point of € 2.15–2.39	€ 2.29
EPRA NTA per share* **	**€ 57.48**	**suspended**	**€ 46.82**
Sustainability Performance Index (SPI)******	**103%**	**105–110%**	**111%**

* As reported incl. Care segment and gross profit of Development to hold.
** Based on the weighted average number of shares carrying dividend rights.
*** Based on the shares carrying dividend rights on the reporting date.
****2022 excluding Deutsche Wohnen. 2023 including Deutsche Wohnen (excluding Care segment and SYNVIA).

The sale of the Care business activities has since been initiated and the Management Board of Deutsche Wohnen expects this segment to be sold before December 2024. Accordingly, the majority of the Care segment is presented as discontinued operations. A small part of the Care segment, with a business volume of around € 23 million in segment revenue, was transferred to the Rental segment. Specifically, this relates to rental income for 25 properties operated by third parties.

In addition, at the end of the fourth quarter of 2023, the presentation of contributions to earnings made by the Development to hold sales channel was adjusted within the Development segment. In the future, all earnings contributions made by Development to hold will be recognized in the valuation results, i.e., outside of segment revenue and Adjusted EBITDA.

The previous year's figures were adjusted accordingly.

The key performance indicators for the continuing operations are therefore as follows.

	2022*	2023
Total Segment Revenue (continuing operations)	€ 5,566.2 million	€ 5,151.1 million
Adjusted EBITDA Total (continuing operations)	**€2,606.1 million**	**€2,583.8 million**
Group FFO (continuing operations)	**€ 1,981.6 million**	**€ 1,801.6 million**
Group FFO per share (continuing operations)**	€ 2.51	€ 2.23
EPRA NTA per share* **	**€ 57.48**	**€ 46.82**
Sustainability Performance Index (SPI)** **	**103%**	**111%**

* Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.
** Based on the weighted average number of shares carrying dividend rights.
*** Based on the shares carrying dividend rights on the reporting date.
****2022 excluding Deutsche Wohnen. 2023 including Deutsche Wohnen (excluding Care segment and SYNVIA).

In the 2023 fiscal year, **total segment revenue (continuing operations)** came to € 5,151.1 million, down by 7.5% on the value for the previous year (€ 5,566.2 million). This decline was due primarily to lower sales in the Recurring Sales segment and lower proceeds from the sale of real estate inventories due to volume-related aspects.

The **Adjusted EBITDA Total (continuing operations)** amounted to € 2,583.8 million in the 2023 fiscal year (2022: € 2,606.1 million). With the exception of the Rental segment, all other segments reported a drop in Adjusted EBITDA due to market conditions. Adjusted EBITDA Rental rose by 6.5%, from € 2,254.3 million in 2022 to € 2,401.7 million in 2023. The Adjusted EBITDA in the Value-add segment came to € 105.5 million in 2023, 16.7% below the prior-year figure of € 126.7 million. The Adjusted EBITDA Recurring Sales fell from € 135.1 million in 2022 to € 63.4 million in 2023. The Adjusted EBITDA Development came to € 13.2 million 2023, down considerably on the prior-year figure of € 90.0 million.

Group FFO **(continuing operations)** amounted to € 1,801.6 million in the 2023 financial year (2022: € 1,981.6 million). This corresponds to a Group FFO per share of € 2.23 (2022: € 2.51). The Group FFO interest expense came to € 619.6 million in 2023, up by 25.8% on the prior-year value of € 492.6 million. Current income taxes FFO came in at € 180.3 million in 2023, 32.0% higher than in the previous year (€ 136.6 million). At € 17.7 million, intragroup losses in 2023 were up on the prior-year value of € 4.7 million.

The **EPRA NTA per share** in 2023 came in at € 46.82, down by 18.5% on the prior-year value of € 57.48. The development in the net asset value figure was due primarily to the net income from fair value adjustments of investment properties of € -10,651.2 million in 2023 (2022: € -1,177.6 million). The distribution of the cash dividend of € 372.9 million in 2023 (2022: € 672.4 million) and the issue of new shares as part of the scrip dividend also had an impact on this key figure.

The **Sustainability Performance Index** stood at 111% in the 2023 fiscal year (2022: 103%). This was helped along in particular by the reduction of CO_2 intensity, the development of the average primary energy requirements of new construction and (partial) modernization measures to make apartments fully accessible, and high levels of employee satisfaction.

Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the Group are stable, particularly given the solid financing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financings. The ongoing improvements to the property management processes and the use of new digital software solutions 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 the 2023 fiscal year.

in € million	2022*	2023	Change in %
Total Segment Revenue (continuing operations)*	5,566.2	5,151.1	-7.5
Revenue in the Rental segment	3,186.7	3,253.4	2.1
Revenue in the Value-add segment	1,272.0	1,224.7	-3.7
Revenue in the Recurring Sales segment	543.4	319.3	-41.2
Revenue in the Development segment*	564.1	353.7	-37.3
Total Segment Revenue from discontinued operations	256.8	266.8	3.9
Adjusted EBITDA Total (continuing operations)*	2,606.1	2,583.8	-0.9
Adjusted EBITDA Rental	2,254.3	2,401.7	6.5
Adjusted EBITDA Value-add	126.7	105.5	-16.7
Adjusted EBITDA Recurring Sales	135.1	63.4	-53.1
Adjusted EBITDA Development*	90.0	13.2	-85.3
Adjusted EBITDA from discontinued operations	63.8	53.9	-15.5
Group FFO (continuing operations)	1,981.6	1,801.6	-9.1
Monthly in-place rent in €/m²	7.49	7.74	3.3
Average area of own apartments in the reporting period (in thou. m²)	34,525	34,349	-0.5
Average number of own units (number of units)	550,342	547,905	-0.4
Vacancy rate (in %)	2.0	2.0	-
Maintenance expenses and capitalized maintenance (€/m²)	24.81	21.03	-15.2
thereof expenses for maintenance (€/m²)	12.86	12.41	-3.5
thereof capitalized maintenance (€/m²)	11.95	8.62	-27.9
Number of units bought	969	63	-93.5
Number of units sold	19,760	3,838	-80.6
thereof Recurring Sales	2,710	1,590	-41.3
thereof Non Core/other	17,050	2,248	-86.8
Number of new apartments completed	3,749	2,425	29.4
thereof own apartments	2,071	1,309	-36.8
thereof apartments for sale	1,678	1,116	-33.5
Number of employees (as of December 31)	12,117	11,977	-1.2

* Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.

In the 2023 fiscal year, **total segment revenue (continuing operations)** came to € 5,151.1 million, down by 7.5% on the value for the previous year (€ 5,566.2 million). This decline was due primarily to lower sales in the Recurring Sales segment and lower proceeds from the sale of real estate inventories due to volume-related aspects.

Total Segment Revenue

in € million	2022*	2023	Change in %
Rental income	3,191.4	3,259.6	2.1
Other income from property management unless included in the operating expenses in the Rental segment	118.2	129.8	9.8
Income from disposals Recurring Sales	515.8	314.8	-39.0
Internal revenue Value-add	1,152.4	1,093.8	-5.1
Income from disposal of properties	588.4	353.1	-40.0
Total Segment Revenue (continuing operations)	**5,566.2**	**5,151.1**	**-7.5**

* Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.

The following key figures provide an overview of the development in Group FFO and other value drivers in the reporting period.

Group FFO

in € million	2022*	2023	Change in %
Revenue in the Rental segment	3,186.7	3,253.4	2.1
Expenses for maintenance	-443.9	-426.2	-4.0
Operating expenses in the Rental segment	-488.5	-425.5	-12.9
Adjusted EBITDA Rental	**2,254.3**	**2,401.7**	**6.5**
Revenue in the Value-add segment	1,272.0	1,224.7	-3.7
thereof external revenue	119.6	130.9	9.4
thereof internal revenue	1,152.4	1,093.8	-5.1
Operating expenses in the Value-add segment	-1,145.3	-1,119.2	-2.3
Adjusted EBITDA Value-add	**126.7**	**105.5**	**-16.7**
Revenue in the Recurring Sales segment	543.4	319.3	-41.2
Fair value of properties sold adjusted to reflect effects not relating to the period from assets held for sale in the Recurring Sales segment	-391.6	-239.4	-38.9
Adjusted result Recurring Sales	**151.8**	**79.9**	**-47.4**
Selling costs in the Recurring Sales segment	-16.7	-16.5	-1.2
Adjusted EBITDA Recurring Sales	**135.1**	**63.4**	**-53.1**
Revenue from disposal of Development to sell properties	560.6	348.6	-37.8
Cost of Development to sell	-440.4	-300.9	-31.7
Gross profit Development to sell	**120.2**	**47.7**	**-60.3**
Rental revenue Development	3.5	5.1	45.7
Operating expenses in the Development segment	-33.7	-39.6	17.5
Adjusted EBITDA Development*	**90.0**	**13.2**	**-85.3**
Adjusted EBITDA Total (continuing operations)*	**2,606.1**	**2,583.8**	**-0.9**
FFO interest expense*	-492.6	-619.6	25.8
Current income taxes FFO	-136.6	-180.3	32.0
Intragroup losses*	4.7	17.7	>100
Group FFO (continuing operations)*	**1,981.6**	**1,801.6**	**-9.1**
Group FFO per share (continuing operations) in € **	2.51	2.23	-11.1
Group FFO after non-controlling interests	**1,895.0**	**1,717.8**	**-9.4**
Group FFO after non-controlling interests per share in € **	2.40	2.13	-11.4
Group FFO (discontinued operations)	**54.0**	**45.5**	**-15.7**

* Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.
** Based on the weighted average number of shares carrying dividend rights.

At the end of 2023, Vonovia managed a portfolio comprising 545,919 of its own residential units (2022: 548,524), 164,330 garages and parking spaces (2022: 164,330) and 8,691 commercial units (2022: 8,838). 71,424 residential units (2022: 72,779) were also managed for other owners.

Details on Results of Operations by Segment

Rental Segment

The **Rental segment** showed positive development overall in the 2023 fiscal year. At the end of 2023, the portfolio had a vacancy rate of 2.0% (end of 2022: 2.0%), meaning that it was nearly fully occupied.

In the 2023 financial year, **Rental** segment revenue increased by 2.1% to € 3,253.4 million (2022: € 3,186.7 million). Of the segment revenue in the Rental segment in the 2023 reporting period, € 2,790.1 million is attributable to rental income in Germany (2022: € 2,717.9 million), € 341.6 million to rental income in Sweden (2022: € 354.5 million) and € 121.7 million to rental income in Austria (2022: € 114.3 million).

Organic rent growth (twelve-month rolling) totaled 3.8% (3.3% as of December 31, 2022). The current rent increase due to market-related factors came to 2.3% (1.0% as of December 31, 2022) and the increase from property value improvements translated into a further 1.0% (1.6% as of December 31, 2022). All in all, this produced a like-for-like rent increase of 3.3% (2.6% as of December 31, 2022). New construction measures and measures to add extra stories also contributed 0.5% (0.7% as of December 31, 2022) to organic rent growth.

The average monthly **in-place rent** within the Rental segment at the end of 2023 came to € 7.74 per sqm compared to € 7.49 per sqm as of December 31, 2022. The monthly in-place rent in the German portfolio at the end of December 2023 came to € 7.63 per sqm (December 31, 2022: € 7.40 per sqm), with a figure of € 10.18 per sqm (December 31, 2022: € 9.73 per sqm) for the Swedish portfolio and € 5.47 per sqm for the Austrian portfolio (December 31, 2022: € 5.18 per sqm). The rental income from the portfolio in Sweden reflects all-inclusive rents, meaning that the amounts contain operating, heating and water supply costs.

We adapted our **modernization, new construction and maintenance strategy** to reflect the current overall financial conditions in the 2023 fiscal year. The overview below provides details on maintenance, modernization and new construction.

Maintenance, Modernization and New Construction

in € million	2022*	2023	Change in %
Expenses for maintenance	443.9	426.2	-4.0
Capitalized maintenance	412.6	296.3	-28.2
Maintenance measures	**856.5**	**722.5**	**-15.6**
Modernization measures	837.4	470.8	-43.8
New construction (to hold)	572.4	291.2	-49.1
Modernization and new construction measures	**1,409.8**	**762.0**	**-45.9**
Total cost of maintenance, modernization and new construction	**2,266.3**	**1,484.5**	**-34.5**

* Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.

Operating expenses in the Rental segment in the 2023 fiscal year were down by 12.9% on the figures for the prior year, from € 488.5 million to € 425.5 million. This is due primarily to synergies achieved and positive one-off effects as part of the integration of Deutsche Wohnen. All in all, the **Adjusted EBITDA Rental** came to € 2,401.7 million in the 2023 fiscal year, up by 6.5% on the prior-year value of € 2,254.3 million.

Value-add Segment

Developments in the Value-add segment were dominated by the new overall conditions for our own craftsmen's organization. The reduced volume of modernization work, general price increases for construction services and materials, as well as productivity losses due to smaller-scale investments and increased costs due to a change to new technology (switch from gas heating to heat pumps) had a negative impact on economic development. Energy sales, on the other hand, developed positively.

In the Value-add segment, income totaled € 1,224.7 million in the 2023 fiscal year, down by 3.7% on the prior-year figure of € 1,272.0 million. External revenue from our Value-add activities with our end customers rose by 9.4% from € 119.6 million in 2022 to € 130.9 million in 2023. This was due primarily to higher revenue from energy sales. Group revenue fell by 5.1% in the 2023 fiscal year from € 1,152.4 million in 2022 to € 1,093.8 million. This is mainly due to the reduced volume of modernization measures in 2023.

In the 2023 fiscal year, operating expenses in the Value-add segment were down by 2.3% on the figures for the prior year, from € 1,145.3 million to € 1,119.2 million.

The Adjusted EBITDA Value-add came to € 105.5 million in the 2023 fiscal year, 16.7% below the prior-year figure of € 126.7 million.

Recurring Sales Segment

In the Recurring Sales segment, income from the disposal of properties in the 2023 fiscal year was down to € 319.3 million, 41.2% lower than the 2022 value of € 543.4 million due to volume-related factors, with 1,590 units sold (2022: 2,710), 1,201 of which were in Germany (2022: 2,293) and 389 of which were located in Austria (2022: 417). Income of € 214.6 million is attributable to sales in Germany (2022: € 430.8 million) and € 104.7 million to sales in Austria (2022: € 112.6 million).

The fair value step-up came in at 33.4% in the 2023 fiscal year, down on the prior-year value of 38.8%. This was due primarily to lower step-ups for sales in Germany.

Selling costs in the Recurring Sales segment came in at € 16.5 million in 2023, almost on a par with the previous year.

Adjusted EBITDA Recurring Sales came in at € 63.4 million in the 2023 fiscal year, down significantly on the value of € 135.1 million seen in the prior year.

In the 2023 fiscal year, 2,248 residential units from the Non Core/Other portfolio (2022: 17,050) were sold as part of our portfolio adjustment measures, with proceeds totaling € 553.7 million (2022: € 2,726.8 million). At 1.1% in 2023, the fair value step-up for Non Core/Other was lower than for the previous year at 1.7%.

Development Segment

Economic development in the Development segment was hit primarily by the increased construction costs and interest rates in the reporting period.

In the Development to sell area, a total of 1,116 units were completed in the 2023 fiscal year (2022: 1,678 units), 760 in Germany (2022: 484) and 356 in Austria (2022: 1,194 units). Income from the disposal of development properties to sell came to € 348.6 million in the 2023 fiscal year (2022: € 560.6 million), with € 296.7 million attributable to project development in Germany (2022: € 257.1 million) and € 51.9 million attributable to project development in Austria (2022: € 303.5 million). The prior-year figures included a global exit (Gäblerstrasse). The resulting gross profit from Development to sell came to € 47.7 million in the 2023 financial year with a margin of 13.7% (2022: € 120.2 million, margin 21.4%).

Development operating expenses came to € 39.6 million in the 2023 fiscal year, 17.5% above the prior-year value of € 33.7 million mainly due to non-capitalizable property development expenses.

The Adjusted EBITDA for the Development segment amounted to € 13.2 million in the 2023 reporting period (2022: € 90.0 million).

In the Development to hold area, a total of 1,309 units were completed in 2023 (2022: 2,071 units), 839 in Germany (2022: 1,338 units), 296 in Austria (2022: 592 units) and 174 in Sweden (2022: 141 units).

Group FFO

Group FFO was down by 9.1% on the previous year's value of € 1,981.6 million to € 1,801.6 million in the 2023 fiscal year. This was due first and foremost to higher interest expense. The Group FFO interest expense came to € 619.6 million in 2023, up by 25.8% on the prior-year value of € 492.6 million. Current income taxes FFO came in at € 180.3 million in 2023, 32.0% higher than in the previous year (€ 136.6 million). At € 17.7 million, intragroup losses in 2023 were up on the prior-year value of € 4.7 million.

The **Adjusted EBITDA Total (continuing operations)** amounted to € 2,583.8 million in the 2023 fiscal year (2022: € 2,606.1 million).

In the 2023 fiscal year, the **non-recurring items** eliminated in the Adjusted EBITDA Total (continuing operations) came to € 147.9 million (2022: € 127.4 million). The change is mainly attributable to positive non-recurring items in the previous year, as well as higher expenses for pre-retirement part-time work arrangements and one-off effects linked to the Südewo transaction in the 2023 reporting period.

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

Non-recurring Items

in € million	2022**	2023	Change in %
Transactions*	113.1	70.0	-38.1
Personnel matters	-3.1	35.1	–
Business model optimization	12.2	34.9	>100
Research & development	4.2	6.8	61.9
Refinancing and equity measures	1.0	1.1	10.0
Total non-recurring items	**127.4**	**147.9**	**16.1**

* Including one-time expenses in connection with acquisitions, such as HR measures relating to the integration process and other follow-up costs.
** Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.

Reconciliations

The **financial result** (excluding income from other investments) changed from € -262.3 million in the 2022 fiscal year to € -454.9 million in 2023.

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

Reconciliation of Financial Result/FFO Interest Expense

in € million	2022*	2023	Change in %
Interest income	115.5	227.8	97.2
Interest expense	-366.9	-810.2	>100
Other financial result excluding income from investments	-10.9	127.5	–
Financial result**	**-262.3**	**-454.9**	**73.4**
Adjustments:			
Other financial result excluding income from investments	10.9	-127.5	–
Effects from the valuation of interest rate and currency derivatives	-152.5	52.4	–
Prepayment penalties and commitment interest	12.6	8.9	-29.4
Effects from the valuation of non-derivative financial instruments	-77.8	-12.8	-83.5
Interest accretion to provisions	6.4	22.0	>100
Accrued interest/other effects	-38.6	-138.8	>100
Net cash interest	**-501.3**	**-650.7**	**29.8**
Adjustment for IFRS 16 Leases	12.2	14.5	18.9
Adjustment of income from investments in other real estate companies	7.9	5.8	-26.6
Adjustment of interest paid due to taxes	-0.7	–	-100.0
Adjustment of accrued interest	-10.7	10.8	–
Interest expense FFO	**-492.6**	**-619.6**	**25.8**

* Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.
** Excluding income from other investments.

In the 2023 financial year, the **profit for the period** came to € -6,756.2 million (2022: € -669.4 million). This is mainly due to the result from the valuation of investment properties totaling € -10,651.2 million (2022: € 1,177.6 million).

The reconciliation of profit for the period to Group FFO is shown below:

Reconciliation of Profit for the Period/Group FFO

in € million	2022**	2023	Change in %
Profit for the period	**-669.4**	**-6,756.2**	**>100**
Profit from discontinued operations	94.6	148.1	56.6
Profit from continuing operations	**-574.8**	**-6,608.1**	**>100**
Financial result*	262.3	454.9	73.4
Income taxes	-29.8	-2,577.1	>100
Depreciation and amortization (incl. depreciation on financial assets/inventory assets)	1,204.3	444.4	-63.1
Net income from investments accounted for using the equity method	436.6	75.7	-82.7
Net income from fair value adjustments of investment properties	1,177.6	10,651.2	>100
Non-recurring items	127.4	147.9	16.1
Total period adjustments from assets held for sale	52.3	6.3	-88.0
Income from investments in other real estate companies	-7.9	-5.8	-26.6
Other	-37.2	12.1	–
Intragroup losses	-4.7	-17.7	>100
Adjusted EBITDA Total (continuing operations)**	**2,606.1**	**2,583.8**	**-0.9**
Interest expense FFO***	-492.6	-619.6	25.8
Current income taxes FFO	-136.6	-180.3	32.0
Intragroup losses	4.7	17.7	>100
Group FFO (continuing operations)**	**1,981.6**	**1,801.6**	**-9.1**
Group FFO per share (continuing operations) in €****	2.51	2.23	-11.1
Group FFO after non-controlling interests	**1,895.0**	**1,717.8**	**-9.4**
Group FFO after non-controlling interests per share in €****	2.40	2.13	-11.4

* Excluding income from other investments.
** Previous year's values (2022) adjusted to current key figure and segment definition -> [A2] Adjustment to Prior-year Figures.
*** Incl. financial income from investments in other real estate companies.
****Based on the weighted average number of shares carrying dividend rights.

In the 2024 financial year, Group FFO will be replaced by **Adjusted EBT** as the key performance indicator. The reconciliation from Adjusted EBITDA Total (continuing operations) is shown below.

Reconciliation of Adjusted EBITDA Total/Adjusted EBT

in € million	2022	2023	Change in %
Adjusted EBITDA Total (continuing operations)	**2,606.1**	**2,583.8**	**-0.9**
Adjusted net financial result	-486.0	-625.1	28.6
Intragroup losses	4.7	17.7	>100
Straight-line depreciation*	-127.5	-110.2	-13.6
Adjusted EBT	**1,997.3**	**1,866.2**	**-6.6**
Adjusted EBT per share**	2.53	2.31	-8.6

* Depreciation on concessions/property rights/licenses, self-developed software, self-used real estate, technical equipment and machinery, as well as other equipment/operating and business equipment.
** Based on the weighted average number of shares carrying dividend rights.

The **Operating Free Cash Flow (OFCF)** is as follows:

Reconciliation of Adjusted EBT/Operating Free Cash-Flow

in € million	2022	2023	Change in %
Adjusted EBT	**1,997.3**	**1,866.2**	**-6.6**
Straight-line depreciation	127.5	110.2	-13.6
Change in net current assets (working capital) according to the cash flow statement (adjusted for special payment effects)	-106.6	-340.2	>100
Carrying amount of recurring sales assets sold	391.6	239.4	-38.9
Capitalized maintenace	-412.6	-296.3	-28.2
Dividends and payouts to non-controlling shareholders (minorities)	-41.7	-40.5	-2.9
Income tax payments according to cash flow statement (w/o taxes on Non Core sales)	-134.1	-124.0	-7.6
Operating Free Cash-Flow	**1,821.4**	**1,414.8**	**-22.3**

Assets

Consolidated Balance Sheet Structure

Consolidated Balance Sheet Structure

	Dec. 31, 2022		Dec. 31, 2023	
	in € million	in %	in € million	in %
Non-current assets	96,037.9	94.7	85,121.4	92.5
Current assets	5,351.7	5.3	6,874.5	7.5
Total assets	**101,389.6**	**100.0**	**91,995.9**	**100.0**
Equity	34,438.8	34.0	29,944.6	32.5
Non-current liabilities	61,474.9	60.6	56,912.4	61.9
Current liabilities	5,475.9	5.4	5,138.9	5.6
Total equity and liabilities	**101,389.6**	**100.0**	**91,995.9**	**100.0**

The Group's **total assets** dropped by € 9,393.7 million as against December 31, 2022, falling from € 101,389.6 million to € 91,995.9 million.

The main development in **non-current assets** is the decline in investment properties of € 11,179.8 million on account of the write-down performed. The disposal of the non-current equity investments in the French residential portfolio is reflected in non-current financial assets.

Goodwill and the trademark rights for the Development segment were written off in full in the combined amount of € 204.8 million. Goodwill comprises 1.5% of the total assets.

The transaction executed on April 26, 2023 with **Apollo** Capital Management L.P. on the sale of a 27.6% stake in the Südewo residential portfolio in Baden-Württemberg resulted in a **call option** on these shares, which is measured at € 374.0 million and has been recognized outside profit or loss as an asset. As of December 31, 2023, the option was remeasured as of the reporting date, resulting in a value of € 464.0 million. The adjustment in the amount of € 90.0 million was recognized affecting net income.

Similarly, the transaction concluded on October 27, 2023, again with Apollo Capital Management L.P., regarding the sale of a stake of around 30% in a portfolio of apartments in northern Germany, results in a call option on these shares. They were recognized, without affecting net income, in the amount of € 374.0 million as of December 31, 2023.

Current assets increased by € 1,522.8 million from € 5,351.7 million to € 6,874.5 million. This is due primarily to the recognition of the assets attributable to the Care segment, as a **discontinued operation**, in the amount of € 770.1 million. There were also changes in trade receivables, which rose by € 432.2 million, mainly due to higher receivables from the sale of land, real estate inventories and rent receivables.

As of December 31, 2023, the **gross asset value (GAV)** of Vonovia's property assets came to € 84,545.1 million. This corresponds to 91.9% of total assets, compared to € 95,125.5 million or 93.8% at the end of 2022.

Equity fell by € 4,494.2 million, from € 34,438.8 million to € 29,944.6 million, mainly due to the loss for the period of € -6,756.2 million. Other comprehensive income came to € -106.6 million.

The **equity ratio** as of December 31, 2023 was 32.5% compared to 34.0% at the end of 2022.

Liabilities dropped by € 4,899.5 million from € 66,950.8 million to € 62,051.3 million. The amount of non-current non-derivative financial liabilities fell by € 1,633.2 million from € 41,269.7 million to € 39,636.5 million, and non-derivative financial liabilities fell by € 529.4 million from € 3,790.0 million to € 3,260.6 million.

Deferred tax liabilities fell by € 2,899.2 million, in particular due to the negative valuation result.

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 2023, **EPRA NTA** came to € 38,140.9 million, down by 16.6% on the value of € 45,744.5 million seen at the end of 2022. EPRA NTA per share developed from € 57.48 at the end of 2022 to € 46.82 at the end of 2023.

EPRA Net Tangible Assets (EPRA NTA)

in € million	Dec. 31, 2022	Dec. 31, 2023	Change in %
Total equity attributable to Vonovia shareholders	**31,331.5**	**25,682.7**	**-18.0**
Deferred tax in relation to fair value gains of investment properties*	16,190.0	13,895.3	-14.2
Fair value of financial instruments**	-117.5	-13.4	-88.6
Goodwill	-1,529.9	-1,391.7	-9.0
Intangible assets	-129.6	-32.0	-75.3
EPRA NTA	**45,744.5**	**38,140.9**	**-16.6**
EPRA NTA per share in €* **	**57.48**	**46.82**	**-18.5**

* Proportion of hold portfolio.
** 2022 adjusted for effects from cross currency swaps.
*** EPRA NTA per share based on the shares carrying dividend rights on the reporting date.

Over a five-year observation period, Vonovia's property assets showed the following development based on the EPRA NTA and the GAV (gross asset value):

in € million	EPRA NTA	GAV
2023	38,140.9	84,545.1
2022	45,744.5	95,125.5
2021	48,640.8	98,225.3
2020	35,488.6	59,207.1
2019	29,762.2	53,586.3

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 2023.

The demand for housing continues to outstrip the supply, which had a positive impact on rent development in 2023. Our assessment is that this trend will continue in the coming years. Based on market data, we therefore assume an average increase in market rents of 2.7% over the next ten years in the valuation of the portfolio. The **market values** of our properties are also being helped along by the investments made in the energy-efficient modernization of our buildings and improvements to the fittings in our apartments. These positive effects were more than **offset** by the ongoing rise in return expectations among property buyers. Overall, the fair value of our real estate portfolio was lower than in the previous year and, after adjustments for acquisitions and sales, and excluding currency effects, changed by −10.8%.

In addition to the internal valuation, Vonovia's residential real estate portfolio was also valued by the **independent property appraisers** CBRE GmbH, Jones Lang LaSalle SE and Savills Sweden AB. The market value resulting from the external report was consistent with the internal valuation result.

Vonovia's project developments for subsequent management within its own portfolio are measured at **acquisition and production costs** until the construction work is complete as the fair value cannot be reliably calculated on a continuing basis particularly in the current environment. This is subject to a review of the values applied if triggering events occur. The fair value for the nursing care properties was calculated by the external appraiser W&P Immobilienberatung GmbH using a DCF method.

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, current inclusive rent in Sweden, 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 Chamber [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.). In Sweden, rents and rent increases are defined as part of negotiations with the Swedish tenants' association ("Hyresgästföreningen") and are reflected accordingly in the valuation model. The expected sales revenues in Austria 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. In the Swedish valuation, further expenses to be borne by the owner are also taken into account in the DCF model due to the inclusive rents that are a special feature of this market. 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 are 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 (see →[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, as well as nursing care facilities, was € 83,927.7 million as of December 31, 2023 (2022: € 94,694.5 million). Net income from fair value adjustments of investment properties in the income statement comes to € -10,651.2 million (2022: € -1,177.6 million).

Financial Position

Cash Flow

The Group cash flow is as follows:

Key Data from the Statement of Cash Flows

in € million	2022 (adjusted)	2023
Cash flow from operating activities	2,084.3	1,901.2
Cash flow from investing activities	938.2	-825.9
Cash flow from financing activities	-3,145.1	-961.0
Influence of changes in foreign exchange rates	-7.8	2.1
Net changes in cash and cash equivalents	**-130.4**	**116.4**
Cash and cash equivalents at the beginning of the period	1,432.8	1,302.4
Cash and cash equivalents at the end of the period (incl. discontinued operations)	**1,302.4**	**1,418.8**
Cash and cash equivalents of discontinued operations	–	44.4
Cash and cash equivalents at the end of the period	**1,302.4**	**1,374.4**

The cash flow from **operating activities** came to € 1,901.2 million in 2023, compared with € 2,084.3 million in 2022.

The cash flow from **investing activities** shows a payout balance of € -825.9 million for 2023. Payments for the acquisition of investment properties came to € -1,103.7 million (2022: € -2,475.5 million). On the other hand, income from portfolio sales in the amount of € 588.4 million was collected (2022: € 3,033.6 million). The prior-year figure was influenced to a considerable degree by the sale of residential and commercial units to public housing companies in Berlin.

The cash flow from **financing activities** of € -961.0 million (2022: € -3,145.1 million) includes payments for regular and unscheduled repayments on financial liabilities in the amount of € -6,191.2 million (2022: € -8,540.1 million) and, on the other hand, proceeds from issuing financial liabilities in the amount of € 4,310.3 million (2022: € 6,802.7 million). It also includes € 2,091.6 million (2022: € – million) in proceeds from disposals of shares in consolidated companies, with around € 1.0 billion each resulting from the sale of shares as part of the Südewo transaction and in the Northern Germany portfolio. The transaction costs incurred are already included in this disclosure. Payouts for other transaction and financing costs amounted to € -1.9 million (2022: € -65.2 million). Interest payments amounted to € -719.3 million (2022: € -541.0 million).

Net changes in **cash and cash equivalents** came to € 116.4 million.

Financing

According to the publication dated September 5, 2023, Vonovia's credit **rating** as awarded by the agency Standard & Poor's is unchanged at BBB+ with a stable outlook for the long-term issuer credit rating and A-2 for the short-term issuer credit rating. At the same time, the credit rating for the issued and unsecured bonds is BBB+.

In an announcement dated February 1, 2024, the rating agency Moody's confirmed Vonovia's rating of Baa1 with a stable outlook.

Vonovia received an A- investment grade rating from the rating agency Scope, although the outlook was changed from stable to negative in a publication dated June 29, 2023.

Vonovia SE has launched an **EMTN** (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 effort, using bond issues. The prospectus for the € 40 billion program, which was published on March 24, 2023, 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, 2023, Vonovia had placed a total bond volume of € 22.8 billion, € 22.7 billion of which relates to the EMTN program. Deutsche Wohnen bonds worth a further € 1.8 billion were also assumed.

In January 2023, Vonovia implemented an open market repurchase to buy back bonds maturing in 2028, 2029 and 2033; an amount of € 53.6 million was bought back early within this context. A bond in the amount of € 403.4 million was repaid as planned in April 2023.

Deutsche Wohnen repaid secured financing in the amount of € 281.8 million as scheduled in March 2023.

Vonovia repaid promissory note loans of € 120.0 million as scheduled in March 2023.

In March 2023, Vonovia took out secured financing with Berlin Hyp in the amount of € 550.0 million with a maturity of ten years. The financing was disbursed in April 2023.

On April 2023, Vonovia took out unsecured financing with Caixabank in the amount of € 150.0 million with a maturity of five years. The financing was disbursed in April 2023.

June 2023 saw Vonovia repay a secured financing arrangement in the amount of € 75.9 million on the final maturity date.

Vonovia also reached an agreement on secured financing of € 125.0 million with NordLB in June 2023, with disbursement in August 2023.

In June 2023, Vonovia concluded a secured financing agreement with a volume of € 130.0 million with UniCredit. A disbursement was made in the third quarter of 2023.

Another agreement on secured financing of € 175.0 million was reached with Berliner Sparkasse in July 2023, and was disbursed in the same month.

In July and September 2023, two bonds in the amount of € 391.6 million and € 351.9 million, respectively, were repaid as planned.

As part of its ongoing efforts to be proactive in managing its financial liabilities, Vonovia successfully completed a cash offer for a number of bonds. Out of the total nominal value offered by the bond investors amounting to approximately € 1.25 billion, Vonovia accepted the buyback of a nominal value of € 1.0 billion for a total value of € 892.0 million in July 2023. This corresponds to a discount of around 11%.

In September 2023, Vonovia took out an unsecured loan with UniCredit, BNP Paribas, JP Morgan and Société Générale in the amount of € 600.0 million with a maturity of two years.

The first installment of € 450.0 million from the unsecured loan taken out in 2022 with the European Investment Bank (EIB), in a total amount of € 600.0 million, was disbursed in September 2023.

Vonovia applied for an extension of the Revolving Facility (RCF) in the amount of € 3,000.0 million by two years until 2026, and the application was approved by the bank in September 2023.

In December 2023, the U.S. dollar corporate bond worth € 185.0 million was repaid as planned.

In December 2023, another secured financing arrangement worth € 462.0 million was repaid early.

In December 2023, another bond worth € 876.4 million was repaid as planned.

In December 2023, Vonovia SE concluded a ten-year secured financing arrangement with BayernLB for € 110.0 million, which was disbursed in the same month.

A secured financing agreement with Ärzteversorgung Westfalen Lippe for an amount of € 120.0 million with a term of 15 years was signed in December 2023 and disbursed in the same month.

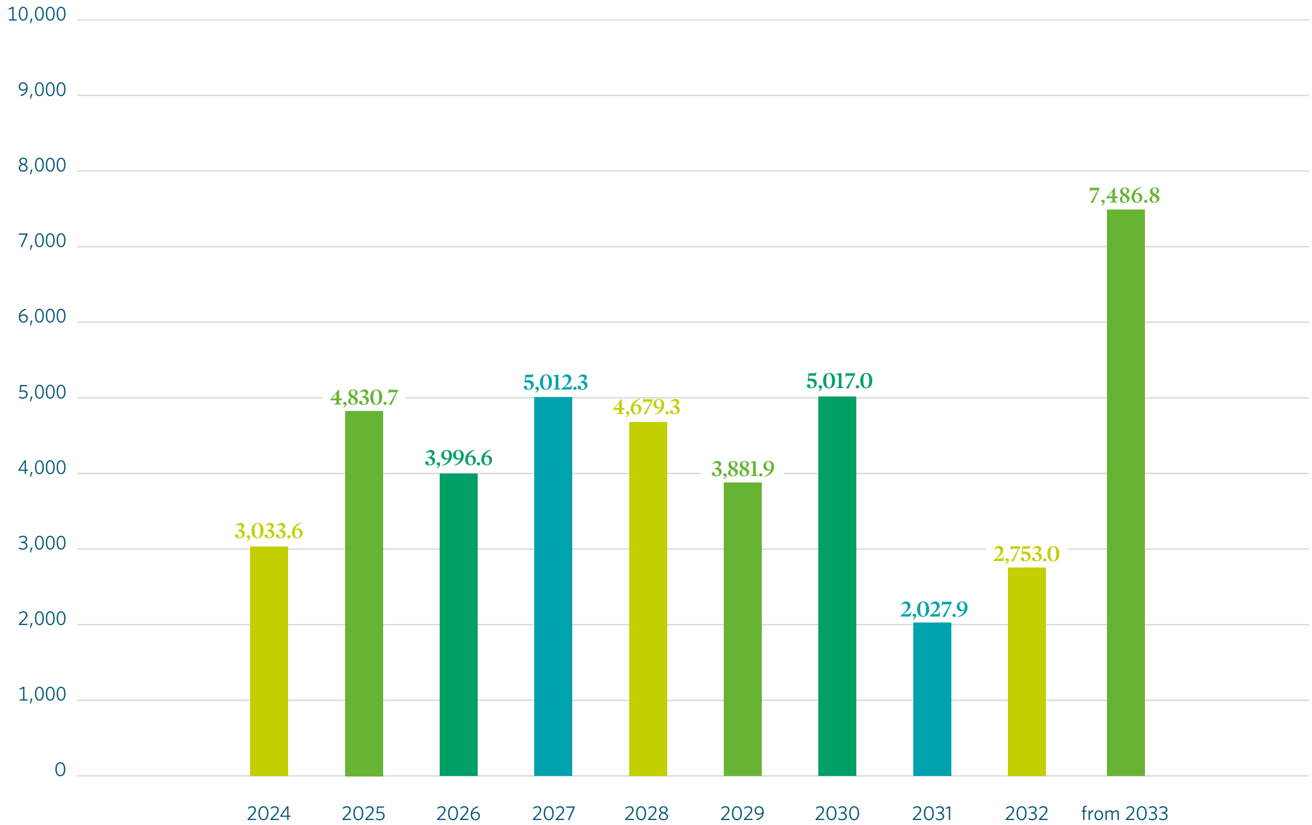
Also in December 2023, a secured financing agreement with NordLB for an amount of € 50.0 million with a term of ten years was signed and again disbursed in the same month.

A secured financing agreement for € 150.0 million was signed with Ergo in December 2023, and will be disbursed over the coming year.

The **debt maturity profile** of Vonovia's financing was as follows as of December 31, 2023:

Maturity Profile

as of December 31, 2023, in € million (face values)



The key debt ratios are as follows as of the reporting date (calculated based on the definitions used in the financing documentation):

in € million	Dec. 31, 2022***	Dec. 31, 2023	Change in %
Non-derivative financial liabilities	45,059.7	42,933.0	-4.7
Foreign exchange rate effects	-50.0	–	-100.0
Cash and cash equivalents*	-1,302.4	-1,737.1	33.4
Net debt	**43,707.3**	**41,195.9**	**-5.7**
Sales receivables	-387.2	-895.2	>100
Adjusted net debt	**43,320.1**	**40,300.7**	**-7.0**
Fair value of the real estate portfolio	**94,694.5**	**83,927.7**	**-11.4**
Loans to companies holding immovable property and land	809.8	814.3	0.6
Shares in other real estate companies	547.4	479.5	-12.4
Adjusted fair value of the real estate portfolio	**96,051.7**	**85,221.5**	**-11.3**
LTV	**45.1%**	**47.3%**	**2.2 pp**
Net debt**	43,690.9	42,758.4	-2.1
Adjusted EBITDA total	2,763.3	2,583.8	-6.5
Net debt/EBITDA multiple	**15.8x**	**16.5x**	**0.7x**

* Incl. term deposits not classified as cash equivalents.
** Average over five quarters.
*** Previous year's values (2022) as reported.

In connection with the issue of unsecured bonds and financing, as well as structured secured financing, Vonovia has undertaken to comply with the following standard market covenants:

in € million	Threshold	Dec. 31, 2022	Dec. 31, 2023	Change in %
Total financial debt/		45,059.7	42,933.0	-4.7
Total assets		101,389.6	91,995.9	-9.3
LTV	**< 60.0%**	**44.4%**	**46.7%**	**2.2 pp**
Secured debt/		12,583.0	12,930.1	2.8
Total assets		101,389.6	91,995.9	-9.3
Secured LTV	**< 45.0%**	**12.4%**	**14.1%**	**1.6 pp**
LTM Adjusted EBITDA*/		2,763.1	2,583.8	-6.5
LTM Net Cash Interest		502.6	650.7	29.5
ICR	**> 1.8x**	**5.5x**	**4.0x**	**-1.5x**
Unencumbered assets/		51,051.1	47,296.5	-7.4
Unsecured debt		32,476.7	30,002.9	-7.6
Unencumbered assets	**> 125.0%**	**157.2%**	**157.6%**	**0.4 pp**

* As reported in 2022.

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 financial covenants (calculation based on the definitions in the financing documentation) have been fulfilled as of the reporting date.

Economic Development of Vonovia SE

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

Foundation

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 its initial listing in 2013 and 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 Austria. Deutsche Wohnen SE and its subsidiaries have also been part of the Vonovia Group since September 2021.

Vonovia SE performs the function of the **management holding company** within the Vonovia Group. In this function, it is responsible for determining and pursuing the overall strategy and implementing it in the form of 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 electronic business register.

Business Development in 2023 – An Overview

The residential real estate sector is currently faced with **complex overall conditions** characterized by high demand for housing and homes that are in short supply due to an insufficient number of real estate development projects. Demand is being driven to a considerable degree by migration and sociological aspects, while supply is being influenced primarily by higher construction costs and interest rates.

Also in light of the current overall conditions, the successful **strategy** defined at the time of the company's IPO has been analyzed to identify the key value drivers and define a more targeted management system.

In the 2023 fiscal year, the foundation was laid for the merger of **Vonovia Finance B.V.**, Amsterdam, Netherlands, with Vonovia SE on a cross-border basis effective January 1, 2024. This merger was completed upon entry in the Bochum Commercial Register on January 23, 2024.

The **operating** rental business of Vonovia SE and its subsidiaries went largely as planned, and proved successful, in the 2023 fiscal year. The results reported by the Development, Value-add and Recurring Sales segments were hit by the overall conditions described earlier, and fell short of expectations.

The **nursing care activities performed under the Deutsche Wohnen umbrella** were subjected to a strategic analysis as part of the merger, with the outcome that these activities will no longer be part of Deutsche Wohnen's strategy and, as a result, will no longer be part of Vonovia's strategy either. In the Group reporting, the nursing care activities are shown as discontinued/abandoned operations.

The 2023 fiscal year was also dominated by refinancing measures in response to falling market values and rising interest rates. These refinancing measures were characterized by income from **block sales** and from key **joint venture agreements.**

Vonovia was able to maintain its **investment grade rating** awarded by the rating agencies S&P and Moody's. S&P confirmed the company's BBB+/A-2 rating, with a stable outlook, in a notification dated November 20, 2023. In an announcement dated November 16, 2023, Moody's awarded Vonovia an unchanged rating of Baa1 with a stable outlook.

As a result of the rise in interest rates and increased volatility on the stock market, there was a further increase in the cost of capital, meaning that impairment losses needed to be taken on shares in affiliated companies.

The Annual General Meeting held on May 17, 2023, resolved to pay a dividend for the 2022 fiscal year in the amount of € 0.85 per share. During the subscription period, shareholders holding a total of 44.87% of the shares carrying dividend rights opted for the scrip dividend instead of the cash dividend. As a result, 18,795,001 new shares were issued using the company's authorized capital for a total of € 303,539,266.15. The total amount of the dividend distributed in cash therefore came to € 372,933,231.30.

The Annual General Meeting also voted on the election of eight Supervisory Board members. Dr. Daniela Gerd tom Markotten was elected as a new Supervisory Board member. As planned, the size of the Supervisory Board was reduced from twelve to ten members. The Supervisory Board elected Clara-Christina Streit as its Chair at its inaugural meeting.

Effective October 1, 2023, Ruth Werhahn assumed responsibility for Vonovia's new HR executive division and is now a member of the Management Board of Vonovia SE. Helene von Roeder had previously left Vonovia with effect from June 30, 2023 at her own request.

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 characterized by group financing, impairment losses on non-current financial assets and the result from profit-and-loss transfer agreements.

The **development of business in 2023** and, as a result, the annual result are once again influenced to a very considerable degree by special effects resulting from impairment losses and the reversal of impairment losses on non-current financial assets, expenses linked to the integration process and, with the opposite effect, book gains, meaning that Vonovia closed 2023 with a **net loss for the year of € 2.0 billion**.

Impairment losses on the shares in Deutsche Wohnen SE were reversed in the amount of € 375.8 million following hefty impairment losses of € 8.9 billion in the previous year. Impairment losses of € 484.1 million had to be recognized on shares in other non-current financial assets.

Losses from loss transfers also had an impact of € 1.8 billion. The losses in the subsidiaries mainly resulted from value adjustments on shares in affiliated companies.

Business development was also shaped by the assumption of the activities performed by Vonovia Finance B.V. in anticipation of the planned merger, which shifted debt financing volumes from Vonovia Finance B.V. to Vonovia SE, with a knock-on effect on the financial result.

The 2023 fiscal year was also characterized by the **completion of the process to integrate** Deutsche Wohnen's processes and systems into the Vonovia platform.

In order to provide the profit of € 750.0 million, the Management Board withdrew € 2,754.1 million from the company's capital reserves, which were worth € 2,898.0 million as of December 31, 2023.

The previous year had also been characterized by expenses for impairment losses on shares, as well as integration costs.

Revenue increased by € 55.9 million from € 178.3 million in 2022 to € 234.2 million as a result of the higher fees charged under agency agreements due to the incorporation of the Deutsche Wohnen Group into Vonovia's system and process platform.

Other operating income increased by € 406.0 million in 2023, primarily due to the reversal of impairment losses on the shares in Deutsche Wohnen and book gains from the early repayment of bonds as part of a public buyback offer.

Purchased services, as a key component of the **cost of materials**, increased by € 45.2 million, largely in line with the higher fees charged due to an increase in internally purchased services in the context of the integration of the Deutsche Wohnen Group.

Personnel expenses fell in 2023 by € 6.3 million due to lower additions to retirement benefits and, with the opposite effect, higher remuneration for the long-term incentive program.

Other operating expenses fell by € 14.6 million, due predominantly to lower financing costs and lower impairment losses on receivables. On the other hand, consultancy expenses were higher in connection with the integration of Deutsche Wohnen's processes and systems.

Net financial expenses fell from € 9,375.7 million to € 776.7 million. In the previous year, the main driver had been the impairment losses on the shares in Deutsche Wohnen. Net interest expenses increased by € 25.1 million as a result of the transfer of financing volumes from Vonovia Finance B.V. to Vonovia SE. The balance of interest with affiliated companies came to € 92.9 million as against € 120.9 million in the previous year. Net interest expenses paid to third parties rose by € 53.1 million to € 169.1 million.

Income from investments in the 2023 fiscal year is in negative territory at € 1,538.9 million, € 758.9 million lower than the prior year's figure. This figure was impacted significantly by the result from profit and loss transfers in the amount of € -1,569.9 million, which is also influenced primarily by impairment losses on investment carrying amounts and book losses.

Whereas Vonovia reported tax income of € 9.1 million in 2022, it reported **tax expenses** of € 59.7 million in 2023. Tax expenses in the year include deferred tax expense of € 25.3 million as tax expense of € 15.2 million for previous years.

Vonovia SE closed the 2023 fiscal year with a **net loss** of **€ 2,027,621,705.47** (2022: € 10,239,681,551.72). After offsetting this loss for the year against the profit carried forward from the previous year of € 23,527,502.55, the Management Board withdrew € 2,754,094,202.92 from capital reserves, resulting in a **net profit** for the 2023 fiscal year of **€ 750,000,000.00**.

The Management Board and the Supervisory Board propose to the Annual General Meeting that, of the profit of Vonovia SE for the 2023 fiscal year of € 750,000,000.00, an amount of **€ 733,180,498.20** on the 814,644,998 shares of the share capital as of December 31, 2023 (corresponding to **€ 0.90 per share**) be paid as a **dividend** to the shareholders, and that the remaining amount of € 16,819,501.80 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 of the share capital as of December 31, 2023.

As in the previous fiscal years, including 2022, the dividend for the 2023 fiscal year, payable after the Annual General Meeting in May 2024, 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	2022	2023
Revenues	178.3	234.2
Other operating income	90.1	496.2
Cost of purchased services	-82.2	-127.4
Personnel expenses	-44.5	-38.3
Amortization and impairment of intangible assets and depreciation and impairment of property, plant and equipment	-20.5	-17.5
Other operating expenses	-214.1	-199.5
Loss (profit) before financial result and tax	**-92.9**	**347.7**
Income from profit transfer	110.8	213.2
Income from investments	29.9	30.9
Write-down of financial assets	-9,112.6	-484.1
Income from other non-current securities and non-current loans	45.4	140.3
Interest and similar income	43.7	194.3
Expense from the assumption of losses	-920.8	-1,783.0
Interest and similar expense	-352.3	-627.2
Financial result	**-10,155.9**	**-2,315.6**
Tax	9.1	-59.7
Net loss	**-10,239.7**	**-2,027.6**

Net Assets and Financial Position of Vonovia SE

The company's **asset position** is characterized by the **net lending/borrowing position** of € 9.6 billion in favor of Group companies, **debt financing** of € 18.1 billion and **shares in affiliated companies** of € 31.9 billion. **Total equity** amounts to € 4.5 billion.

The company's **non-current assets** in the amount of € 35,308.5 million (December 31, 2022: € 33,994.7 million) are largely characterized by non-current financial assets in the amount of € 35,278.2 million (December 31, 2022: € 33,969.0 million).

The company's intangible assets and tangible fixed assets increased slightly in the normal course of business.

Shares in affiliated companies increased by € 1,824 million in the context of joint venture agreements; by contrast, loans to Group companies fell by € 494.5 million.

Net liabilities comprising bonds, bank loans and liquidity increased by € 4,127.0 million due to the shift in volumes from Vonovia Finance B.V. 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 € 2,520.1 million in favor of Vonovia's Group companies in 2023.

On January 4, 2022, **Deutsche Wohnen** extended a loan to Vonovia SE in the amount of € 1,450 million in line with the arm's length principle. It had a value of **€ 320 million** as of December 31, 2023.

Provisions came to € 223.3 million at the end of the year (December 31, 2022: € 192.5 million), with € 101.4 million attributable to provisions for pensions (December 31, 2022: € 98.3 million) and € 54.2 million attributable to tax provisions (December 31, 2022: € 38.5 million). The € 11.9 million increase in other provisions was mainly due to the pre-retirement part-time work program and outstanding invoices.

Total equity had fallen significantly by € 2,400.6 million by the end of the fiscal year due to the net loss for the year and the cash dividend that was paid out.

Assets

in € million	Dec. 31, 2022	Dec. 31, 2023	in € million	Dec. 31, 2022	Dec. 31, 2023
Assets			Equity and liabilities		
Financial assets	33,969.0	35,278.2	Equity	6,863.2	4,462.6
Other assets	25.7	30.3	Provisions	192.5	223.3
Receivables from affiliated companies	1,685.3	1,226.9	Loans	13,351.4	12,977.6
Other receivables and assets	83.4	79.3	Liabilities to banks	3,186.4	5,010.5
Securities	200.0	–	Liabilities to affiliated companies	12,599.3	14,166.5
Cash and cash equivalents	532.8	696.5	Other liabilities	303.4	470.7
Total assets	**36,496.2**	**37,311.2**	**Total equity and liabilities**	**36,496.2**	**37,311.2**

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 in the context of the Group financing function.

Employees of Vonovia SE

In the 2023 fiscal year, an average of **159 employees** (2022: 160) were employed at the company, 125 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 2023 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 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 2023** is influenced to a significant degree by special effects due to impairment losses, and the reversal of impairment losses, recognized on investments and shares in affiliated companies, expenses related to joint venture agreements and book gains in the context of the public bond buyback offer. The expenses incurred in connection with the integration measures also had a negative impact on Vonovia SE's annual result.

Without taking these special effects into account, the net loss for 2023 runs into the mid-double-digit millions, in line with the company's forecast.

The results for the **2024 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 to report a net loss in the mid-double-digit million range in the 2024 fiscal year, excluding special effects.

Statement of the Management Board on the Economic Situation

The net assets, financial position and results of operations of the company are 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 value-adding development business promote ongoing improvements in profitability and enterprise value. 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 23 of the German Corporate Governance Code and Section 289 et seq. 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, which is not included in the audit conducted by the auditor of the annual financial statements pursuant to Section 317 (2) (6) HGB, has been published on the **Investor Relations website** 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.

The Management Board has looked at the appropriateness of the internal control system that has been set up and has evaluated its effectiveness. Within this context, the Management Board verified, also based on discussions with the Internal Audit department, that the technical and organizational safeguards put in place for control purposes are suitable for the purposes of ensuring that the company is protected from material damage resulting from financial losses, fraudulent acts or mismanagement in all key matters. Among other things, the standards set out in the German Corporate Governance Code, based on the most recent publications from 2022, serve as the benchmark here. Ultimately, the Management Board has no reason to believe that the internal control system is not appropriate and effective in all key aspects.

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. Any weak points identified in the internal control system on the basis of the investigations against individuals who are largely former employees, of which Vonovia was notified on March 7, 2023, will also be eliminated in a timely manner. Initial internal investigations have, however, revealed that the allegations made in the context of the investigations are based primarily on collusion between the defendants, meaning that existing, otherwise effective control mechanisms can be circumvented.*

* The content of this and the previous paragraph – in particular the statement on the appropriateness and effectiveness of the internal control system – does not form part of the statutory audit of the annual and consolidated financial statements, meaning that it has not been audited.

Subscribed Capital and Shares

The share capital of Vonovia SE as of December 31, 2023 amounted to € 814.6 million (previous year: € 795.8 million), divided into 814,644,998 no-par-value shares with a notional interest in the share capital of € 1.00 per share. All shares carry the same rights and obligations. Each share grants one vote at the Annual General Meeting and is decisive for the share held by shareholders in the company's profits. The rights and obligations of the shareholders result in detail from the provisions of the German Stock Corporation Act (AktG), in particular from Article 9 (1c) (ii) of the SE Regulation in conjunction with Sections 12, 53a et seq., 118 et seq. and 186 AktG. There are no shares with special rights conferring powers of control.

Shareholdings in the Capital Exceeding 10.0% of the Voting Rights

Pursuant to Section 33 (1) of the German Securities Trading Act (WpHG), shareholders who exceed or fall below the threshold of 10.0% of the voting rights of a listed company, among other criteria, must notify the company and the German Federal Financial Supervisory Authority (BaFin) without delay. These notifications are published by Vonovia SE in accordance with Section 40 WpHG. Direct or indirect shareholdings in the share capital of Vonovia SE that exceed the threshold of 10.0% of the voting rights have been reported by Norges Bank, which has its registered headquarters in Oslo. As of December 31, 2023, Norges Bank had a direct shareholding of 14.6%.

Authority of the Management Board to Issue or Repurchase Shares

At the Annual General Meeting on April 29, 2022, a resolution was passed to cancel the 2021 authorized capital and create new 2022 authorized capital in the amount of € 233,000,000.00; pursuant to the resolution, the Management Board is authorized, in accordance with Article 5 of the Articles of Association, to raise equity once or multiple times until 2027 by issuing up to 233,000,000 new shares (2022 authorized capital). On June 9, 2023, the Management Board made use of this authorization, with the consent of the Supervisory Board, to issue 18,795,001 shares in return for the contribution of dividend entitlements (scrip dividend) and increased the share capital by € 18.7 million to € 814.6 million, resulting in remaining 2022 authorized capital of € 214.2 million. In order to serve the authorization, passed by the Annual General Meeting of April 16, 2021, to issue convertible bonds, bonds carrying option rights, participating rights, and participating bonds, "2021 conditional capital" was created. On the basis of the resolution of this Annual General Meeting, the share capital is conditionally increased by up to € 282,943,649.00 through the issuing of 282,943,649 new no-par-value registered shares carrying dividend rights. The conditional capital increase shall only be carried out to the extent that the owner (i.e., creditor) of the debt instruments stipulated in the capital increase resolution on 2021 conditional capital is entitled to demand conversion in shares and that the instruments are served in this manner instead of cash payment.

The authority to acquire own shares arises from Article 9 (1) (c) (ii) SE Regulation in conjunction with Sections 71 et seq. AktG and, as of the reporting date, from the authorization passed by the Annual General Meeting on April 29, 2022. The Management Board is authorized, with the approval of the Supervisory Board, until April 28, 2027 to acquire and use own shares in the company up to a total of 10% of the share capital of the company existing at the time of the resolution or – if this value is lower – at the time the authorization is exercised, in accordance with the conditions granted, while observing the principle of equal treatment (Article 9 (1c) (ii) of the SE Regulation in conjunction with Section 53a AktG). The shares acquired on the basis of this authorization, together with other shares in the company that it has already acquired and still holds or that are attributable to it in accordance with Sections 71a et seq. AktG, may at no time exceed 10% of the respective share capital of the company.

Appointment and Removal from Office of Members of the Management Board and Amendments to the Articles of Association

Members of the Management Board are appointed and removed from office by the Supervisory Board in accordance with Art. 9 (1), Art. 39 (2) SE Regulation and Sections 84 and 85 AktG. The Supervisory Board appoints members of the Management Board for a maximum period of six years in accordance with the Articles of Association of Vonovia SE. Reappointment or extension of the term of office, in each case for a maximum of six years, is permissible. The Articles of Association of Vonovia SE further stipulate in Section 8 (1) that the Management Board shall consist of at least two members. It may appoint a member of the Management Board as Chairperson of the Management Board and a Deputy Chairperson. Pursuant to Art. 59 of the SE Regulation, the Annual General Meeting adopts resolutions on amendments to the Articles of Association. In accordance with Art. 17 (4) of the Articles of Association, amendments to the Articles of Association require a majority of two thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast, unless mandatory statutory provisions require a different majority.

Change of Control Clauses and Compensation Agreements in the Event of a Takeover Bid

The main agreements of Vonovia SE that are subject to a change of control relate primarily to financing agreements. In the event of a change of control, these provide for the right of termination and early repayment on the part of the lender, as is customary. Under certain circumstances, a change of control would have an impact on the bonds, promissory note loans and mortgages issued by Vonovia SE and on the existing credit lines and loan agreements concluded by Vonovia SE or Group companies with banks. The relevant terms and conditions comprise standard market agreements that grant the creditors the right of early termination or conversion in the event of a change of control pursuant to these terms and conditions. The employment contracts of the members of the Management Board also contain provisions in the event of a change of control. In the event of early termination of duties due to a change of control, the members of the Management Board are entitled to benefits.

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 adapting to this environment by developing its strategy and, within this context, its business activities on an ongoing basis. Vonovia also reacts to ESG influences from a wide variety of stakeholders by adjusting its corresponding ESG targets. These changes mean that additional 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 (and to the environment and society at large) 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). Any deviations from the company's ESG objectives also pose risks to its economic development.

Opportunities are defined as possible events or developments that could have a positive impact on the company's expected economic development and, as a result, could lead to a positive deviation from the short-term plans (budget and forecasts) and the company's medium-term plans (five-year plan). Deviations from the company's ESG objec-

5 Pillars of Risk Management at Vonovia

Management Board
(Strategy, Requirements/Goals, Control Environment, Monitoring)

1 Performance Management	2 Compliance Management	3 Risk Management System	4 Internal Control System	5 Internal Audit
Controlling > Budget > Forecast > Results	**Compliance Officer** > Guidelines, regulations > Contracts > Capital market compliance > Data protection	**Controlling** > Risk management process > Risk reporting	**IT** > Process documentation **Accounting** > Accounting-based internal control system	**Internal Audit** > Process-oriented audits > Risk-oriented audits
Operational Areas > Performance management > Technical integrity	**Operational Areas** > Ensuring compliance	**Operational Areas** > Risk identification and evaluation > Risk control	**Operational Areas** > Documentation of core processes > Control activities > Control self-assessment	**Operational Areas** > Process improvements

tives can also give rise to opportunities. Opportunities are not quantified for internal management purposes.

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

(1) Performance Management

Detailed corporate planning and appropriate reporting on deviations in the 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, forecasts are prepared regularly which take appropriate account of the effect of any potential risks and opportunities on the development of business.

Reporting includes detailed monthly controlling reports for 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 (and for the environment and society at large).

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, the Chief 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). This individual also acts as the company's human rights officer.

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 ombudsperson is available to all employees and business partners as a confidant with respect to compliance matters. The system also features an anonymous whistleblower hotline in six languages. The hotline is available not only to employees, but also to external groups, such as customers and business partners.

(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.

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.

The risk management system explicitly includes sustainability risks. These are assessed both in terms of their impact on Vonovia (outside-in perspective) and also – in line with the concept of ESG due diligence – in terms of their impact on the environment and society (inside-out perspective). This means that potential risks which might impair the value and/or development of the company, or the environment and society, can be identified at an early stage. The risk management system takes account of early warning indicators that are specific to the environment and the company, as well as the observations and regional knowledge of our employees.

In organizational terms, risk management is assigned directly to the Management Board. It has overall responsibility and decides on the organizational structures and workflows of risk management and provision of resources. The operational management of the risk management system falls within the remit of the Head of Controlling, who is responsible for Risk Controlling. The Head of Controlling 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.

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. The Management Board approves the documented risk management findings, takes account of them in steering the company and reports them to the Supervisory Board. The Audit Committee of the Supervisory Board monitors the effectiveness of the risk management system.

Should significant risks, i.e., risks with a considerable impact on economic development (risks entailing possible losses in Group FFO of more than € 40 million or a possible balance sheet loss of more than € 600 million) occur unexpectedly, they are reported directly to the Management Board and the Supervisory Board on an ad hoc basis.

As part of the process involved in preparing the annual financial statements, the risks identified in the third quarter are reviewed by Risk Controlling to ensure they are up-to-date and – if necessary – updated, with newly identified risks being added. New risks can arise in the context of the budget and five-year planning process. These are coordinated and evaluated bilaterally between Risk Controlling and the responsible risk owners as part of the planning process.

Vonovia's risk management system includes a simulation model to calculate the company's risk-bearing capacity. As part of this analysis, risk management evaluates the interdependencies between major risks on an annual or ad hoc basis and defines the parameters for risk aggregation. A Monte Carlo simulation model based on the statistical distribution functions relevant to the risks is used to determine the company's overall risk position. The resulting overall risk position is compared to the company's risk-bearing capacity with regard to insolvency and overindebtedness. Extreme scenarios for selected major risks are also simulated as part of the corporate planning process. The effects on the company's performance indicators, as well as key figures related to financing, are always taken into account here. The results of the simulations are discussed with the Management Board. Planning and risk management are managed by the same area within Controlling.

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.

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

> Risk identification,
> Risk assessment,
> Risk aggregation,
> Risk control and
> 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 and 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 Adjusted EBITDA in the individual segments and Group FFO (Adjusted EBT in the future). In general, these risks also have an impact on liquidity. Risks affecting the balance sheet do not impact Group FFO, but they certainly do impact the assets and, in general, also profit for the period and the EPRA NTA. These risks can also not affect liquidity, e.g., because they only impact property values.

If possible, risk assessments are always to be performed in quantitative terms. As a general rule, the risk assessment should always be based on a worst-case scenario. If this is difficult or impossible to achieve, a qualitative assessment is to be performed using a detailed matrix. 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 > € 750 million in Group FFO	Possible balance sheet loss of > € 12,000 million
High	4	Dangerous impact on business development, previous business situation cannot be restored in the medium term	Possible loss of € 375 million to € 750 million in Group FFO	Possible balance sheet loss of € 6,000 million to € 12,000 million
Consid-erable	3	Temporarily impairs business development	Possible loss of € 150 million to € 375 million in Group FFO	Possible balance sheet loss of € 2,400 million to € 6,000 million
Noticeable	2	Low impact, possibly leaving a mark on business development in one or more years	Possible loss of € 40 million to € 150 million in Group FFO	Possible balance sheet loss of € 600 million to € 2,400 million
Low	1	Minor impact on business development	Possible loss of € 5 million to € 40 million in Group FFO	Possible balance sheet loss of € 80 million to € 600 million

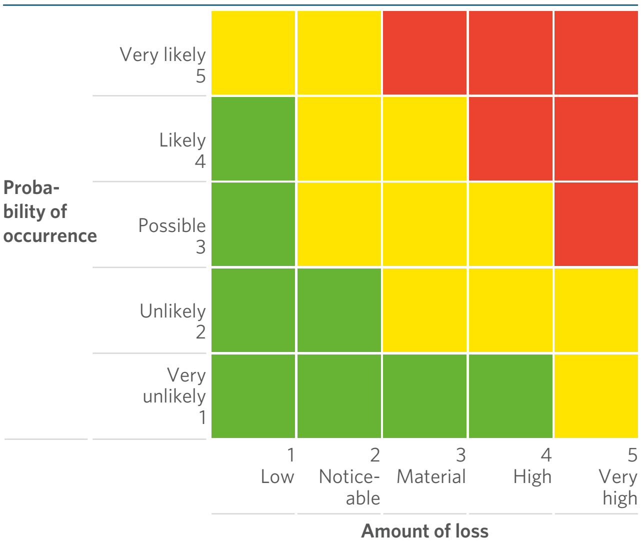
* Understood as the possible financial loss over five years in accordance with the medium-term planning horizon.

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 current risk assessment.

As part of an active **risk control** process, the focus is on the major (red and amber) risks. Any necessary specific risk management measures were 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 department of the Chief Financial Officer (CFO) and, in particular, with the Accounting department. The Accounting department 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 individual service companies, the operating nursing care companies the companies in Sweden and the investment in 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 corresponding service companies of the Deutsche Wohnen Group as well as those in Sweden and the investment in the Netherlands, as well as the operating nursing care companies, 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, Risk and Compliance Committee of the Supervisory Board. The Audit, Risk and Compliance 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, Risk and Compliance 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. In organizational terms, Group Audit reports to the Chief Executive Officer (CEO). 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, Risk and Compliance 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, Risk and Compliance 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, Risk and Compliance 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 2023 fiscal year. The risk report was presented to the Management Board and the Audit Committee. The risk inventory for the second half of the year was adjusted/updated at the end of 2023. There were no unscheduled ad hoc risk reports in the 2023 fiscal year or up until the time at which the balance sheet was prepared.

Overall Assessment of the Risk Situation

A total of 118 (2022: 107) individual risks were identified for Vonovia at the end of 2023.

All in all, and based on the current assessment, there were no signs of any risks threatening or endangering Vonovia or its survival at the end of 2023. 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.

The outcome of the risk-bearing capacity analysis performed in 2023 revealed that there is no current threat to Vonovia's survival over the five-year period. This means that there is no change as against the risk assessment performed at the end of 2022 overall.

The risks to be modeled were quantified and the interaction between individual top risks and selected green risks analyzed in detail at the end of 2023.

10 (2022: 11) amber risks to the company and 108 (2022: 96) 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
Red					0 (0)
Amber		3 (4)	2(2)	5 (5)	10 (11)
Green	10 (9)	56 (51)	31 (27)	11 (9)	108 (96)
Total	**10 (9)**	**59 (55)**	**33 (29)**	**16 (14)**	**118 (107)**

Risks Related to Operating Business

In the operating business, we identified the three amber risks (2022: four) explained below at the end of 2023.

The residential properties held in the Rental segment are subject to a regular valuation process. Details can be found in the notes to the consolidated financial statements in chapter → **[D28] Investment Properties**. Changing overall conditions on the real estate and capital markets mean that future market developments, such as inflation and a further increase in interest rates, could reduce the value of the properties further. Lower property values would push up the company's loan-to-value ratio (LTV), which could have a negative impact on its ability to raise capital. The balance sheet operating risk **"future market development leads to a drop in property values,"** which was already classed as an amber risk in 2022, was once again classified as an amber risk in 2023 with an expected amount of loss of € 2,400–6,000 million (2022: >€ 12,000 million) and an expected probability of occurrence of 5–39% (2022: 5–39%). In order to limit risk, Vonovia is committed to maintaining the current diversification of its portfolio.

The development in the supply of, and demand for, residential properties has a significant influence on the home prices that can be achieved and, as a result, a direct impact on both Adjusted EBITDA in the Recurring Sales segment and the success of Non Core sales. A decline in real estate prices was recorded in the 2023 fiscal year. A scenario in which interest rates were to remain permanently high and/or increase further could lead to buyers no longer being able to finance the home prices asked for on the market. This could reduce demand and result in lower home prices, which could represent a risk with an impact on profit and loss for the Recurring Sales segment. The amber operating risk with an impact on profit and loss **"deteriorating residential property market situation with regard to apartment sales/buyer behavior"** was assessed, at the end of the reporting period, as having an expected amount of loss of € 375–750 million (2022: € 375–750 million) and an expected probability of occurrence of 5–39% (2022: 5–39%). In order to limit and monitor risk, regular reporting on sales volumes and prices and regular monitoring of target prices and sales volume targets by the portfolio controlling team has been implemented alongside a process for identifying ideal prices.

As regards the sale of our development projects, we have identified a risk that the sale and letting of newly built apartments will become more difficult to achieve, particularly as a result of significantly increased construction costs and, as a result, considerably higher sale prices or rents. We have adjusted our plans for investments in new builds accordingly. The operating risk with an impact on profit and loss **"Development sale risk,"** which was classified as an amber risk in 2022, was downgraded in terms of its potential amount of loss to € 150-375 million at the end of 2023 as opposed to the original level of € 375–750 million The expected probability of occurrence was assessed as being 40–59% (2022: 40-59%). In order to be able to respond to market changes early on, in-depth market studies and analyses are prepared at regular intervals and are analyzed in connection with reports prepared by renowned real estate experts. Any market changes that are identified are taken into account when analyzing the real estate portfolio, meaning that they have a significant impact on sales planning.

Russia's war of aggression on Ukraine once again had an impact on the energy and construction materials markets in 2023. Rising energy costs also translated into higher costs for construction materials and led to bottlenecks in the procurement of construction materials in a large number of places. This has resulted in deteriorating overall conditions for construction and modernization projects in our Development and Value-add segments, with negative knock-on effects on Adjusted EBITDA in the segments. We have adjusted our investment strategy accordingly and expect the increase in costs to slow as of 2024. The operating risk with an impact on profit and loss **"Higher construction costs than planned due to increases in the price of construction materials & services, as well as supply bottlenecks,"** which was classified as an amber risk in 2022, was downgraded to green in 2023 and evaluated as having an expected probability of occurrence of 5–39% (2022: 60–95%). The expected amount of loss was evaluated at € 40–150 million (2022: € 40–150 million). In order to limit this risk, Vonovia monitors the market systematically while simultaneously developing alternatives, e.g., revising specifications and using standardization to reduce material usage. In addition, critical materials are secured early on and, where appropriate, stored where possible.

Risks Related to Regulatory Environment & Overall Statutory Framework

Changes in the regulatory environment and in the overall statutory framework could give rise to risks for all of Vonovia's business segments. At present, 2 (2022: 2) key amber risks have been identified.

In Germany, the regulations governing the handling and identification of toxic materials are to be tightened up through a specific amendment to the German Hazardous Substances Ordinance (Gefahrstoffverordnung). Any amendment will have an impact on all of Vonovia's technical processes (including small-scale repairs, vacant apartment refurbishment, major maintenance measures, modernization). Regarding the process involved in the refurbishment of vacant apartments, an initial rough quantification has been carried out, although this process has still to be completed for all of the other technical processes. The risk associated with an **"Amendment to the Hazardous Substances Ordinance"** was therefore subjected to a qualitative assessment as an initial step, and was found to be associated with a significant loss amount and a probability of occurrence of 60–95%. A project involving all of the specialist departments involved has been launched to ensure the definitive quantitative assessment of this risk in relation to all of Vonovia's technical processes in 2024. A final assessment of the risk will depend on the specific content of the proposed legislation.

Changes to, or the application of, legal provisions that are beyond Vonovia's control, and inadequate documentation of management decisions can lead to legal disputes and give rise to the risk of material implications. The total number of legal disputes ongoing at Vonovia is small. In addition to cases related to the core Rental business, such as announced modernization projects or the appropriateness of ancillary expense bills, these include other operating, labor law and corporate law disputes, some of which are material, particularly in connection with transactions. At the end of the 2023 reporting period, the amber risk with an impact on profit and loss associated with "Material impact of legal disputes" was assessed as having an expected loss amount of € 150–375 million (2022: € 40–150 million) and an expected probability of occurrence of 5–39% (2022: 5–39%). The increased amount of loss in 2023 as against the prior-year assessment is due to the additional inclusion of a legal dispute with a social insurance provider. In a quest to limit this risk, internal and external experts are analyzing the individual scenarios and the current situation on an ongoing basis, and the Legal department is involved in all key management decisions.

The two amber regulatory risks identified in 2022, namely "unfavorable carbon tax" and "unfavorable exchange rate developments" were downgraded to green in 2023.

The risk associated with an "unfavorable carbon tax" has changed to a "substantial increase in the CO_2 price". As the expected increase in the CO_2 price is now largely reflected in the company's updated plans, the assessment of the probability of occurrence was reduced from 60–95% to 40–59%, and the assessment of the potential amount of loss was reduced from € 40–150 million to € 5–40 million.

The risk "unfavorable exchange rate developments" was downgraded from amber to green given what is already a weak Swedish krona. With an unchanged potential amount of loss of € 40–150 million, the expected probability of occurrence of a further negative trend was reduced from 40–59% to 5-39%.

Risks Related to Financing

With regard to financing, we identified the five amber risks (2022: five) explained below at the end of 2023.

Restricted access to the bond market and a poorer rating could give rise to refinancing risks for Vonovia, meaning that too little liquidity might be available temporarily.

Vonovia implemented extensive refinancing measures successfully in the 2023 fiscal year. Ratings also met the company's expectations. Details can be found in the chapter → The Company and Its Shares in the management report. The financing risk with an impact on profit and loss classified as amber in 2022, "restricted access to the bond market" was consolidated with the risk formerly assessed as a green risk, "loss of the BBB+ (S&P) or A3 (Moody's) rating," in 2023 to create a new amber risk with an impact on profit and loss, "higher refinancing costs due to changes in risk profile." At the end of the reporting period, we expect the loss associated with this risk to amount to € 375–750 million and assess the expected probability of occurrence as 5–39%. The higher probability of occurrence reflects developments on the real estate market, which has come under pressure due to supply problems, inflation and the associated higher refinancing interest rates. In 2022, the risk "restricted access to the bond market" was still assessed with a potential amount of loss of >€ 750 million and an expected probability of occurrence of <5%. In 2022, the risk "loss of the BBB+ (S&P) or A3 (Moody's) rating" was assessed with a potential amount of loss of € 25-100 million and an expected probability of occurrence of <5%.

The active and timely management of refinancing maturities allows Vonovia to ensure a balanced maturity profile so as to avoid cluster risks. Vonovia continues to use all financing instruments that are used as standard on the market and has the internal expertise to place these instruments. This prevents any one-sided reliance on specific types of financing. Being awarded an investment-grade rating is the very top priority in all strategic decisions. As a result, we remain in close dialog with our rating agencies. In the very unlikely event that refinancing via the capital market is temporarily impossible, Vonovia can resort to existing available credit lines.

A further increase in capital market interest rates could give rise to risks for Vonovia's growth and result in planned investments being cut back, suspended or canceled completely. In addition, an increasing interest burden due to unfavorable interest rate developments could translate into lower growth or even a drop in Group FFO. As the updated interest rates have been taken into account for planning purposes, the financing risk with an impact on profit and loss classified as amber "unfavorable interest rate developments" was downgraded in 2023 in terms of the expected amount of loss to € 375–750 million based on the latest assessment (2022: >€ 750 million). The expected probability of occurrence remained unchanged at 5–39%. As well as diversifying debt capital instruments and maintaining a balanced maturity profile, risks are limited by ensuring a long-term average maturity/fixed-interest period of around six years. Debt reduction by freeing up liquidity is another measure used to limit risk.

Vonovia is obliged to report certain key figures and adhere to certain covenants in connection with bonds, secured loans and transactions. If these covenants are not adhered to or these reporting obligations are not fulfilled on time, Vonovia could be subject to payment obligations and additional negative effects on earnings could result from new financing arrangements. The amber financial risk with an impact on profit and loss associated with a "**failure to fulfill obligations (from bonds, secured loans, transactions)**" was assessed, at the end of the 2023 reporting period, as having an expected amount of loss of >€ 750 million (2022: >€ 750 million) and an expected probability of occurrence of <5% (2022: <5%). In order to counter this risk, Vonovia has implemented standardized processes for monitoring and managing its obligations.

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 five to ten years, could give rise to a subsequent liability to pay real estate transfer tax. The amber risk with an impact on profit and loss associated with an **"amendment to the German Real Estate Transfer Tax Act due to share deals"** was assessed, at the end of the reporting period, as having an expected amount of loss of >€ 750 million (2022: >€ 750 million) and an expected probability of occurrence of <5% (2022: <5%). In addition to monitoring court decisions and legislation on an ongoing basis, Vonovia also limits this risk by raising awareness among decision-makers in the context of share deals. This ensures the involvement of the internal Tax department, which then helps monitor the acquisition process.

Goodwill arose in the context of acquisitions in the past because the purchase price exceeded the value of the assets acquired less all liabilities. **Goodwill** is subjected to regular impairment testing, at least once a year. This involves comparing the recoverable amount with the carrying amount of the group of cash-generating units (CGUs). The recoverable amount of the group of CGUs is either its value in use or fair value less costs of sale, whichever is higher. If the carrying amount of a CGU is higher than the recoverable amount, impairment losses need to be recognized. This can have an impact on our covenants. At present, we consider this amber risk affecting the balance sheet to have an expected amount of loss of € 600–2,400 million (2022: € 600–2,400 million) and a probability of occurrence of 40–59% (2022: 40–59%). In order to counter this risk, an ongoing performance reporting system has been implemented to identify and monitor deviations from our plans. This allows us to take any corrective action required to be able to stick to our plans. Within this context, a dedicated synergy monitoring process also ensures that planned synergies from acquisition projects are actually leveraged.

At the end of 2023 (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	1 (2)	0 (2)	1 (0)		
	40-59	6 (2)	1 (2)	1 (0)	0 (1)	
	5-39	28(24)	8 (9)	2(0)	3 (1)	0 (2)
	<5	43 (40)	11 (10)	6 (5)	5 (4)	2 (3)
Impact on profit and loss		5–40	40–150	150–375	375–750	>750
Impact on statement of financial position		80–600	600–2,400	2,400–6,000	6,000–12,000	>12,000
Qualitative		very low	low	medium	high	very high
		Amount of loss over the next 5 years (in € million)				

Sustainability Risks

In addition to the amber risks set out above, Vonovia also reports on selected green risks that relate explicitly to sustainability in order to reflect the growing importance of this risk consideration:

Environmental Risks

The need to consider climate-related aspects is playing an increasingly important role in Vonovia's business model and strategy, in line with the mounting importance of climate issues in society at large. The resulting climate transition risks describe the effects that can arise for companies due to the process of transformation towards a sustainable economic system. Vonovia has set itself an intensity target equating to a roughly 35% reduction in GHG emissions in its German portfolio by 2030 compared to 2021, in order to achieve its climate objectives and meet the associated regulatory requirements. We are sticking to this climate target despite limited investments in modernization and new construction over the coming year. As a result, we continue to consider the **"risk of non-compliance with our climate path"** to be associated with a low (2022: low) amount of loss and consider its materialization to be improbable (2022: improbable).

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. These physical climate risks can be traced back to longer-term shifts in overall climatic conditions. We have assessed the corresponding "risk of business continuity in disasters/crisis situations" as being associated with an amount of loss of € 5–40 million (2022: € 5–40 million) and a probability of occurrence of 5–39% (2022: 5–39%). To allow us to analyze and assess potential long-term implications of climate change (i.e., those extending beyond the usual risk management observation period of five years), we have developed a climate risk tool that maps the internationally recognized climate change scenarios developed by the Intergovernmental Panel on Climate Change (IPCC).

Transition risks and physical climate risks could potentially have a negative impact on the Group's net assets, financial position and results of operations and could make the estimates used in an accounting context less certain. We do not believe that climate change gives rise to any significant direct risks (2022: also no significant direct risks) for the period covered by the risk management system at the moment, e.g., caused by extreme weather conditions such as heavy rain with the potential for floods. Based on our current knowledge of future developments, this will not have any impact on Vonovia's balance sheet. This relates, among other things, to the fair values of investment properties, useful lives and the value of assets and provisions for environmental risks, for which no significant need for adjustment emerges (see → Environmental Issues).

When it comes to the development of new and sustainable fields of business in the Value-add segment – particularly with regard to renewable energies – 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" an amount of loss of € 40–150 million (2022: € 40–150 million) and a probability of occurrence of <5% (2022: <5%). With regard to the planned "expansion of renewable energies using photovoltaic systems," we have assessed the related risks as having a low (2022: low) amount of loss and a probability of occurrence of 5–39% (2022: 5–39%).

Social Risks

As a result of its insourcing strategy, qualified specialists are in high demand at Vonovia, particularly in comparison with its peers in the sector. Inability to fill vacant positions could lead to a lack of growth, restricted quality and lower levels of customer satisfaction, as well as rising costs due to the need to use subcontractors. Thanks to effective strategies for recruitment and staff retention, we assess the risk associated with a "shortage of skilled workers" as having a potential amount of loss of € 5–40 million (2022: low) and believe that this risk is unlikely (2022: unlikely) to materialize.

Failure to comply with statutory occupational health and safety and occupational safety management provisions could have a long-term impact for Vonovia and its employees. We currently assess these risks as being associated with a considerable (2022: considerable) amount of loss but believe that they are very unlikely (2022: very unlikely) to materialize.

Similarly, we have also assessed the risk associated with "hazardous materials", which includes, in particular, potential health risks for tenants, employees and third parties due to the improper use or disposal of hazardous materials (e.g., asbestos), as having a low (2022: low) potential amount of loss thanks to the clearly defined processes and requirements, and consider this risk unlikely (2022: unlikely) to materialize.

"Risks associated with breaches of provisions concerning special contractual rights (Social Charters)", which are related to tenant protection and, as a result, to the aim of providing "homes at fair prices", have been assessed as having a substantial potential amount of loss of € 150–375 million (2022: € 150–375 million), although we believe these risks are very unlikely (2022: very unlikely) to materialize.

The annual financial burden for tenants (in the form of ancillary expenses) could increase significantly due to external factors, such as price increases and changes in overall conditions. Reliable market forecasts are virtually impossible due to the ongoing war in Ukraine. In light of the measures already taken, we now believe that the risk associated with "rising energy costs" is unlikely (2022: very likely) to materialize, and have predicted a low (2022: low) amount of loss.

Governance Risks

On March 7, 2023, investigators seized documents from Vonovia premises; they were acting on the suspicion of problematic procedures in the awarding of contracts to subcontractors, to the detriment of Vonovia. Although the final results of the investigations are not yet available, Vonovia assumes that its compliance management system is functioning and effective. As a result, there is no change in the assessment of the risk associated with "bribery and corruption" in a year-on-year comparison. The probability of occurrence (very unlikely) and the amount of loss (low) remain unchanged.

Vonovia is exposed to the "risk of losing the basis for 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. At present, we have assigned this risk an amount of loss of € 150-375 million (2022: € 375–

750 million) and a probability of occurrence of <5% (2022: <5%).

In addition, Vonovia could be exposed to risks **associated with non-compliance with statutory requirements and investor or analyst expectations regarding ongoing sustainability reporting**. We currently assess this risk as being associated with a noticeable (2022: noticeable) amount of loss, but believe that it is very unlikely (2022: very unlikely) to materialize.

Current Assessment of the Main Opportunities

Assessment of Opportunities Inherent in the Business Model

Vonovia has identified earnings potential as part of the strategy it has defined and its medium-term planning. The assumptions applied within this context regarding the economic environment and market-related factors, and the company's operating business, are associated with potential for deviations. These deviations do not necessarily have to be negative (risks). Favorable business developments (opportunities) that deviate from the company's plans are also a possibility. Besides the economic opportunities, opportunities also arise from primary sustainability objectives that extend beyond the initiatives included in the company's plans.

Strategy-related Opportunities

Renting out contemporary and affordable housing in the long run, creating new homes, improving our customers' quality of living and significantly reducing the greenhouse gas emissions originating from our properties are at the core of Vonovia's corporate strategy. Our business model is designed to take into account the megatrends that are relevant to us (urbanization/shortage of housing, demographic change, climate protection) and the exploitation of economies of scale. By managing larger contiguous stocks, we can not only manage the homes we offer in a particularly cost-effective manner, but can also make an effective contribution to social tasks – first and foremost by reducing the shortage of homes in conurbations and achieving the climate transition. If social pressure to find solutions to social challenges continues to mount, the overall conditions for implementing our business model could also improve further.

According to the Federal Climate Change Act (Klimaschutzgesetz), Germany is aiming to be greenhouse gas-neutral by 2045. We can, and indeed want, to make a significant contribution to improving greenhouse gas emissions by building new homes in line with the latest energy and material standards, and by energy-efficient modernization. We made a commitment to a **climate path** that will enable us to achieve virtually greenhouse gas-neutral management of our portfolio by 2045. Homes with positive energy concepts not only protect the climate, but also reduce heating costs. This makes them more attractive to our customers. What is more, the improved structural specifications increase property values. If we make faster progress than planned on our climate path, this could have a knock-on positive impact on earnings and value development.

Low-emission refurbishment and new construction measures entail substantial investment. In this respect, we benefit from the fact that optimizing the energy efficiency of our portfolio has been at the core of our climate strategy since as long ago as 2017. Since then, our modernization/refurbishment rate has consistently outstripped the German average. In order to keep costs at a minimum, we make use of **innovations** (e.g., Energiesprong) and focus on tried-and-tested urban quarter approaches in the implementation process. We reduce construction times and conserve resources through efficient construction methods and the use of sustainable, ecological building materials. Should the overall economic conditions (interest rates, subsidy conditions, construction prices) improve, we could make even greater use of the opportunities open to us in the area of low-emission refurbishment and new construction, with a positive impact on rental income.

As we transition towards climate-neutral neighborhoods offering real quality of life, we expect opportunities to arise for us from the targeted digital networking of electricity, heat and mobility. Our company is in an excellent position, with its contiguous portfolios, to successfully implement what is known as **sector coupling**. We are cooperating with relevant research institutions and implementing successful pilot projects within this context. The concept of a networked supply to the neighborhood could be implemented on a larger scale more quickly than expected. This would then have positive implications for long-term earnings development.

Relevant opportunities are also arising for us from the expansion of **renewable energies**; this refers to the direct sale of green electricity to our tenants, as well as the production (and sale) of electricity from renewable sources at our properties. With this in mind, we are forging ahead with the expansion of photovoltaics programs and the sale of electricity to tenants (tenant electricity), among other things. Photovoltaics systems can be connected to the heat supply (heat pumps). The implementation of concepts for energy self-generation could be realized faster than planned with a corresponding positive impact on the earnings situation. The Power Purchase Agreement concluded between Vonovia and RWE Supply & Trading enables alternative ways of generating and purchasing energy and opens up further growth potential. The Power Purchase Agreements (PPA) has initially been concluded for a term of one year. The electricity will come from the Wust-Fischbeck onshore wind farm near Stendal. This makes Vonovia one of the first residential real estate companies to conclude a PPA for green electricity. Green electricity has been supplied since January 2024. The electricity is generated by ten wind turbines.

Research data on projected demographic trends suggest that **population growth** will continue both in Germany and in parts of Europe over the coming years. Immigration is a key growth driver. This means that demand for affordable housing will remain high or even continue to grow. As things stand at present, the fundamental need for housing is unlikely to be met in full by general new construction measures, either in the short or medium term. This translates directly into opportunities for us for the rental, development and new construction business.

Demographic change towards an aging society continues, and is increasingly leaving its mark. Demand for senior-friendly and affordable homes is expected to increase further over the coming years. As a result, opportunities could arise from senior-friendly modernization of our apartments and investment in new and innovative housing concepts. This is expected to come hand-in-hand with further rental growth.

In a quest to master the current social challenges, policymakers are also seeking to improve **overall conditions on the housing market**. The coalition agreement concluded by the current German government promised initiatives to both significantly increase the supply of affordable homes through new construction and transform existing properties in a manner that is as climate-neutral as possible. Implementation of these projects is currently stalling – with a marked adverse effect on the housing markets (drop in new construction, growing shortage of housing). As soon as short-term solutions can be found to address this problem in terms of improved subsidy conditions and price developments, corresponding opportunities will also emerge for us.

The **capital required** to solve the challenges facing the housing industry cannot be raised without private sector involvement. As a result, policymakers are increasingly being called upon to create an investment climate that encourages long-term equity and debt capital providers to make substantial investments in the residential real estate markets. A positive investment climate also means making the necessary ecological construction and modernization measures commercially viable, making additional land available for construction, cutting back on red tape and generally promoting acceptance of private-sector real estate investors. The increasing acceptance of long-term investors for projects in the German residential construction sector is likely to open up further development opportunities for Vonovia.

With our management platform, we pursue an efficient business model that is scalable at all times. This also makes it suitable for managing new portfolios that we add to our portfolio through **acquisitions**. Vonovia pursues acquisitions as and when opportunities present themselves in light of the current opportunities for returns and financing. If overall conditions improve, there is an opportunity for us to have a positive impact on our business development by resuming acquisitions.

Levels of satisfaction among our customers are closely linked to the performance and motivation of our **employees** working in customer service. 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 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, namely higher levels of production and lower staff turnover rates.

Economic Environment and Market-related Opportunities

The housing industry is being influenced to a considerable degree by social trends. One key trend involves the influx of people from rural regions to urban areas. The infrastructure in urban areas is well developed, with extensive healthcare services available. People do not have to travel far to work and can enjoy varied leisure activities. According to analyses released by the German Federal Statistical Office, **domestic migration to the country's large metropolitan areas** will continue unchanged over the next few years. The current slowdown in construction activity is likely to result in an even greater imbalance between the supply of and demand for housing in conurbations. 350,000 to 400,000 new residential units will have to be built every year over the next twenty years. The shortage of housing in urban areas could be exacerbated further by the effects of migration from global crisis hotspots and the trend toward smaller households.

In response to the shortage of (skilled) workers, the German government has set itself the goal of promoting immigration from non-EU countries specifically. The German Federal Employment Agency (Bundesagentur für Arbeit) expects Germany to require around 400,000 immigrants a year to close the gaps on the labor market resulting from demographic changes. According to the Cologne Institute for

Economic Research, this would translate into a potential shortfall of as much as 308,000 apartments a year in the medium term.

Our company can reap considerable benefits from these trends: With our existing real estate portfolio, we focus primarily on small and medium-sized apartments in urban areas. This means that we offer the right homes in the right places. Vonovia is also in a position to counter the increasing shortage of affordable housing through our development and new construction business (to sell and to hold). This is subject to the proviso that the overall economic and political conditions and the investment environment improve. This will not be possible without deregulation measures and the provision of additional land for construction, which could, in turn, create opportunities for Vonovia.

Opportunities Arising from the Operating Business

Vonovia manages its housing portfolios throughout Germany using standardized systems and processes. Our **management platform** has been improved as part of a step-by-step process in recent years and is now highly efficient: The vacancy rate is very low. Property management costs per residential unit have been reduced considerably over the years. Customer satisfaction has risen significantly over the same period. Together with the range of housing-related services and active neighborhood management, we offer our customers a service package that is extremely competitive on the housing market.

We have our own craftsman's organization (VTS), which provides repair, maintenance and servicing for some of our residential properties. We purchase additional craftsman's services. 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 over the coming years. Due to the shortage of workers with the desired skills and the availability of corresponding capacities, we also 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.

This also includes the operationalization and rapid implementation of our PV and tenant electricity capacities, for which we are establishing the corresponding staff resources to ensure that the required expertise is available. The company's own tenant electricity and heat pump tariffs and the considerable roof areas available could open up operational earnings opportunities for the company and make a relevant contribution to the energy and climate transition.

The **Value-add Business** offers our customers services that are closely related to the rental business. Opportunities associated with additional earnings potential could also arise here at all stages in the value chain – be it through the company's development of its own innovative services or through the acquisition of start-ups or other companies. In the Value-add Business, promising opportunities could arise both from entry into the B2B business and from moves to expand existing business models to include customer groups outside of Vonovia.

In tandem with our moves to expand our existing housing-related services (also by way of potential third-party business), we believe that digitalization offers the potential to further increase customer loyalty to our business model, e.g., through customer loyalty programs, communication platforms or networking.

Digitalization opens up considerable development opportunities for the real estate industry and, as a result, also for Vonovia – in terms of both technology and process optimization. We are still making systematic investments in testing and expanding new technologies. Two of the areas we are focusing on are articifical intelligence and robotics.

We expect opportunities to arise from the systematic roll-out of concepts such as predictive maintenance, process automation, building information modeling (digital modeling of real estate projects), home automation (setting up smart information systems and interfaces at the level of the customer) and a closer digital connection to the customer. One key component for the implementation of our digital strategy is the digital twin. In the future, it will mirror each of our buildings with all its various systems, enabling optimum management.

Predictive maintenance, for example, could allow potential damage to elevators or heating units to be recognized and prevented in a timely manner in the future. Smart home systems allow tenants to consciously manage their energy costs. Digital communication platforms have the potential to improve dialog with tenants, but also to support loyalty to the company and links within the neighborhood. These opportunities for the company's operating business resulting from digitalization should also have an impact on and through customer satisfaction. Targeted acquisitions and collaboration initiatives with suitable start-ups 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 and expertise potential for the company.

One factor that Vonovia cannot control itself, but which is important for successful and, most importantly, efficient project implementation, is the digitalization of public administration. The streamlining of administrative processes could accelerate, and have a positive impact on, Vonovia's development and new construction business by allowing building permits to be approved faster.

Financial Opportunities

Vonovia has benefited from good conditions on the capital and banking market in recent years to establish a very stable capital structure. We now have a broad range of financing instruments that are balanced and stable in the long term. This is reflected in a consistently high credit rating. The latest bond issues show that our company still has good opportunities available to it, even in a difficult capital market environment, to successfully realize upcoming **(re)financing measures** or to raise necessary liquidity. During this phase, we are responding to the continued high level of trust placed in us by investors by paying particular attention to cost discipline and a forward-looking capital structure policy. Together with the diversification strategy for liquidity procurement that we have been pursuing for many years now, we still have the opportunity in the current capital market environment to optimize the structure and conditions of our financial liabilities.

Rising inflation and interest rates recently forced us to reassess the profitability of our investments. Ongoing pursuit of our sustainability targets remained non-negotiable during this process. As a result, we are currently focusing more on financing using our own funds **(internal financing)**. In order to generate the necessary funds, we are continuing with the program involving the sale of selected portfolios, as announced. We are also tapping into new sources of financing. These include private equity joint ventures in which long-term investors acquire minority stakes in selected portfolios, with Vonovia retaining a buy-back option for these properties. More intensive sales efforts for our development projects will also have a positive effect on our internal financing power. All in all, stronger internal financing potential could allow for investment decisions, where appropriate opportunities arise, to boost the company's overall profitability or to allow it to pursue more sustainability initiatives and earnings potential.

By strengthening the proportion of equity and focusing on internal financing, we have achieved optimum capital allocation. This is a significant value driver that opens up opportunities for return-oriented sustainable investment.

Strengthening of financial position, boosting the profitability of our (sustainability) investments and expanding our market share in urban areas could have a positive impact on how our investors and **ratings** agencies assess us, resulting in a further improvement in our attractive financing options.

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 year dominated by Russia's war of aggression against Ukraine and supply chain disruption that was 2022.

Forecast Report

Business Outlook for 2024

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.

Our forecast for the 2024 fiscal year is based on determined and updated corporate planning for the Vonovia Group as a whole and considers current business developments as well as possible opportunities and risks. 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 → **Opportunities and Risks**).

We expect the price increases on the construction and commodity markets, in particular, continue to have a moderate impact on Vonovia and our customers. While these will have a direct impact on ancillary expenses, they will also have an indirect effect on all areas of the economy due to general price increases. We also expect prices for construction materials to remain high, which will affect our construction projects as well. Unchanged high interest rates and inflation continue to create increased volatility on the equity and debt capital markets. We therefore assess the overall economic situation and developments on an ongoing basis, particularly with regard to the return requirements for investment and divestment decisions.

The EBITDA contribution for our core Rental business is expected to more or less match the previous year's level. In a year-on-year comparison, organic rent increases and associated higher rental income will be offset by higher rent losses stemming from sales resulting in a smaller portfolio. As far as the Value-add segment is concerned, we expect to see a pronounced increase in Adjusted EBITDA in 2024, mainly as a result of us ramping our investment activity back up. We also predict a marked increase in the EBITDA contribution for our Development segment thanks to higher demand for new condominiums. Depending on how the demand for existing apartments develops going forward, we expect Adjusted EBITDA in the Recurring Sales segment to be up slightly year-on-year. The Care segment was reported as a discontinued operation at the end of the 2023 fiscal year and is therefore no longer included in the 2024 forecast. At Group level, we therefore expect to see an Adjusted EBITDA Total that is roughly on a par with the previous year overall.

The rise in interest rates over the last two years is resulting in a marked increase in borrowing costs and the associated adjusted net financial result. Based on stable depreciation and amortization, we therefore expect Adjusted EBT to be slightly below the previous year's level.

Due in particular to heavier investment in our existing portfolio, we expect our investment activity to increase in 2024. In addition, we expect the value of our company to increase further and, as a result, predict a slight increase in EPRA NTA per share, leaving any further market-related changes in property value out of the equation.

The values for the individual weighted targets for the 2024 fiscal year produce a standardized forecast of 100% for the Sustainability Performance Index.

The table below provides an overview of the development of our forecast performance indicators and the target achievement level for these indicators in the 2023 fiscal year.

	Actual 2022	Forecast for 2023	Forecast for 2023 in the 2023 Q3 Report***	Actual 2023
Total segment revenue (incl. discontinued operations)	€ 6.3 billion	€ 6.4–7.2 billion	moderately below previous year	€5,638.1 million
Adjusted EBITDA total (incl. discontinued operations)	**€2,763.1 million**	**€ 2.6–2.85 billion**	**lower end of € 2.6–2.85 billion**	**€2,652.4 million**
Group FFO (incl. discontinued operations)	**€ 2,035.6 million**	**€ 1.75–1.95 billion**	**mid-point of € 1.75–1.95 billion**	**€ 1,847.1 million**
Group FFO per share (incl. discontinued operations)*	€ 2.58	suspended	mid-point of € 2.15–2.39	€ 2.29
EPRA NTA per share**	**€ 57.48**	**suspended**	**suspended**	**€ 46.82**
Sustainability Performance Index (SPI)*****	**103%**	**~100%**	**105–110%**	**111%**
Rental income	€ 3,168.1 million	€ 3.15–3.25 billion	upper end of € 3.15–3.25 billion	€ 3,253.4 million
Organic rent growth (eop)	3.3%	above previous year	3.7–3.8 %	3.8%
Modernization/portfolio investments	€ 837.4 million	~€ 0.5 billion	~€ 0.5 billion	€ 470.8 million
New construction/space creation	€ 607.1 million	~€ 0.35 billion	~€ 0.35 billion	€ 291.2 million
Number of units sold Recurring Sales	2,710	3,000–3,500	suspended	1,590
Fair value step-up Recurring Sales	38.8%	~25%	suspended	33.4%

* Based on the weighted average number of shares carrying dividend rights.
** Based on the shares carrying dividend rights on the reporting date.
*** As reported incl. Care segment and gross profit Development to hold.
****Up to and incl. 2022, excl. Deutsche Wohnen. 2023 forecast, incl. Deutsche Wohnen (excl. Care segment and SYNVIA).

The 2024 fiscal year forecast is based on the adjusted management system and does not take discontinued operations into account.

	Actual 2023	Forecast for 2024
Adjusted EBT	**€ 1,866.2 million**	**€ 1.70–1.80 billion**
Adjusted EBITDA total	**€2,538.8 million**	**€ 2.55–2.65 billion**
EPRA NTA per share*	**€ 46.82**	**suspended**
Sustainability Performance Index (SPI)	**111%**	**100%**
Rental income	€ 3,253.4 million	~€ 3.3 billion
Organic rent growth	3.8%	3.4–3.6%
Additional rent increase claim**	1.8%	>2%

* Based on the shares carrying dividend rights on the reporting date.
** For Germany: additional rent increase claim regarding the apartment in relation to the local comparable rent (OVM) that is guaranteed by law but can only be implemented once the three-year period for maximum rent growth ("Kappungsgrenze") has lapsed. The percentage value refers to the cumulative rent increase claim at the respective point in time and -for that period- cannot be added to the organic rent growth as the implementation occurs in subsequent years.

Bochum, February 28, 2024

The Management Board

Rolf Buch
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Arnd Fittkau
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Philip Grosse
(CFO)

Daniel Riedl
(CDO)

Ruth Werhahn
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