

Sustainable Governance

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Responsible Business Practices and Governance



GRI 102-9, 102-11, 102-13, 102-16, 102-22, 102-24, 102-25, 102-31, 102-35, 102-36, 103-1, 103-2, 103-3, 207-1, 207-2, 207-3, 414-1, 414-2, 415-1

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



Disclosure

In order for a company to be successful, its business model has to be accepted by all relevant stakeholder groups, from its customers through to civil society and the public, investors and business partners. Managing with integrity, the sustainability of business models and the extent to which a company is perceived as living up to its social responsibilities are playing an increasingly important role. Housing is a basic human need, and is therefore always an emotional issue for our customers. Reliable, transparent and trust-based corporate governance is therefore at the heart of our business model. Securing the trust of our customers, employees and all other key stakeholders is our top priority. This requires managers who lead the company responsibly and independently in accordance with the principles of good corporate governance, and whose “tone from the top” attests to their credibility. The same applies to compliance with legislation, directives and regulations, because it is only by consistently following all of the rules – both those defined by law and those we set ourselves – that we will be seen as reliable and trustworthy.

If we fail to meet the expectations of our stakeholders in terms of responsible corporate governance, this may lead to risks that could have an impact on our business and our reputation. That’s why we strive to be seen by our stakeholders as a trustworthy and reliable partner in order to strengthen the competitiveness of our company. Non-compliance with laws and regulations would also imply financial risks, such as liability risks, the risk of administrative penalties or other official sanctions.

With this in mind, we are continuously refining our corporate strategy to include stakeholder expectations and the ESG (environment, social and governance) targets defined by international standard-setters. We want to play an active role in society and engage with stakeholders on an equal

HIGHLIGHTS 2021

- > Sustainability Performance Index (SPI) introduced and included in report for the first time in 2021 – with relevance for remuneration at board and management levels: SPI 2021 target achievement of 109%
- > Supervisory Board with all 12 members fully independent
- > Independent Whistleblower Hotline
- > Revision of guidelines on whistleblowing, information security, compliance and data protection
- > Code of Conduct updated
- > Group-wide, web-based compliance risk analysis carried out

footing. Their opinions make a valuable contribution to what we do as a company. This engagement is particularly important at this time due to the general uncertainty in society surrounding the coronavirus pandemic. Without it, we would be less aware of what stakeholders are looking for. The capital market and other key stakeholders may see this as being detrimental to society.

Vonovia is committed to upholding human rights in everything that it does, not least due to the recently introduced due diligence legislation. However, the legal systems of

Germany, Austria and Sweden already provide workers with a secure framework when it comes to labor and social standards. Vonovia develops and builds homes itself, in particular via the subsidiaries of its BUWOG brand. The focus is therefore on compliance with labor and social standards on construction sites from a risk/human rights perspective.

In light of the ongoing trend of digitalization and the integration of digital working and communication processes into the world of business, the structured management of information and data is an increasingly relevant topic. This issue is particularly relevant for us as we handle sensitive corporate and personal data. It is extremely important that we keep this data safe in order to avoid a loss of reputation and potential legal fees.

We have identified **corporate governance and compliance** as a material topic in the action area Responsible Business Practices and Governance due to its relevance. Other important topics are **stakeholder orientation, respect and support for human rights, information management and data protection and privacy**.

Governance and Compliance

GRI 102-11, 102-13, 102-16, 102-22, 102-24, 102-25, 102-31, 102-35, 103-1, 103-2, 103-3, 205-3, 207-1, 207-2, 207-3

Our Approach

Changes in society and regulations are transforming the standards for modern governance. We meet the standards by being transparent with our stakeholders. Our approach to corporate governance – or business ethics – is the foundation for the company's ongoing economic success.

The primary objective of our governance strategy is to establish, implement and consistently maintain a clear, functional and transparent system of rules that meets the demands of modern society. Our Group-wide business philosophy, Code of Conduct and Business Partner Code (see [☞ Compliance and Guidelines](#)): provide a framework for governance within Vonovia. The Declaration of Respect for Human Rights adopted by our Management Board sets out many of the principles that we follow in this area (see [☞ Attitude](#)). We live up to this attitude with our independent Supervisory Board and our commitment to the principles of the German Corporate Governance Code (GCGC, see [☞ Corporate Governance Declaration](#)).

Further information on corporate governance at Vonovia can be found in the [☞ 2021 Annual Report](#).

A good compliance management system (CMS) makes a key contribution to sustainable company performance and value creation, and gives our customers and partners even greater security concerning their relationship with us. By adhering to compliance rules, we not only protect the integrity of employees, customers and business partners, but also shield our company from negative influences. This provides Vonovia with the foundation it needs to act and to be perceived as a reliable and trustworthy partner.

That's why we place such an emphasis on compliance with applicable legislation and tenancy law. This is as true for our employees as it is for our suppliers and service providers (see [→ Sustainable Relationships With Business Partners](#)) because they play a key role in Vonovia achieving its objectives, very much in the spirit of the long-term partnerships that we are aiming for.

The CMS is based on three pillars: the "prevention of", "identification of" and "reaction to" any misconduct. 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 (see [☞ Compliance and Anti-Corruption](#)), which follow the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW PS 980).

Important Internal and External Guidelines

- > German Corporate Governance Code (GCGC) as amended on March 20, 2020
- > Code of Conduct
- > Business Partner Code
- > Vonovia's own compliance guidelines (based on the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems, IDW PS 980)
- > Policies on anti-corruption, money laundering prevention and whistleblowing
- > Core labor standards of the International Labour Organization (ILO)
- > UN Global Compact (UNGC)
- > Vonovia Declaration of Respect for Human Rights

Organizational Focus

The Management Board and Supervisory Board office coordinates the work of Vonovia's committees. It also organizes information flow and cooperation between the Management Board and the Supervisory Board. The Legal department, Management Board and Supervisory Board office work together closely to decide how to implement resolutions taken by the decision-making bodies.

At Vonovia, compliance management is the responsibility of the Legal department, which monitors adherence to the rules that apply within our central CMS. The Management Board (CEO) is responsible for the implementation of the CMS. The CMS applies to the entire Group. Managing directors of subsidiaries are supported in compliance matters by the Vonovia Legal department (see [📄 Compliance Management](#)).

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

All employees and business partners are able to contact the external ombudsperson confidentially if they have any questions concerning compliance. Vonovia also has a whistleblowing hotline that is managed by an independent law firm. Compliance breaches can also be reported [📄 online](#).

This service is available to employees, suppliers, customers and other stakeholders. Reporting within the whistleblowing system (BKMS) may be anonymous or personalized as desired.

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

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. The responsibility lies with the respective managing directors.

Objectives and Measures

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

Corporate Governance

At Vonovia, corporate governance refers to all of the functions, processes, frameworks and divisions that ensure our company is managed and monitored responsibly and independently. We have implemented uniform standards across the company for corporate governance and employee behavior, such as our Code of Conduct and our business philosophy. Whenever we integrate new companies into the structures of the Group, we determine which policies are already in effect and identify any changes that are required. The responsible managers review our guidelines every two years to determine if they have to be updated. In 2021, updates were made to our guidelines related to the whistleblowing system, information security, compliance and data protection, among others. The Code of Conduct was also updated. We started the process of harmonizing our guidelines with our Swedish subsidiaries.

We also submit an annual [📄 Declaration of Conformity](#) with the principles of the GCGC and are guided by the principles of the Institute for Corporate Governance in the German Real Estate Industry. Our Management Board and Supervisory Board are responsible for their implementation. Effective and secure audit and control processes at a Supervisory Board level, e.g., the Executive and Nomination Committee and the Audit Committee, help us to monitor corporate governance. Our corporate governance declaration states that all members of the Supervisory Board of Vonovia SE should be independent.

Our Investor Relations website provides additional information about [corporate governance](#), including the [shares in our company held by our board members](#).

We have also taken steps to further integrate standard processes for related party transactions (RPT), established in 2020, into the company's operations. These included reporting them on a regular basis to the Annual General Meeting as part of the Supervisory Board report. The Supervisory Board receives information from the Management Board on other related party transactions - once a year from board members and twice a year in the form of the compliance report in accordance with the German Stock Corporation Act. Transactions with related parties are documented in accordance with ARUG II. The Supervisory Board reserves the right to make a decision itself on any RPT requiring approval or to delegate the decision to one of its committees. There were no RPTs during the reporting period that met this criteria.

Elements of Long-term Variable Management Board Remuneration

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

As reported in the previous year [2020 Sustainability Report](#), we agreed on a new remuneration structure for the Management Board, which includes sustainability targets. These targets are defined in our sustainability performance index (SPI). The new remuneration structure was presented to the Annual General Meeting in April 2021 at the time that the SPI was introduced, and approved by over 80% of the votes in attendance. We prepared our first report about the SPI in 2021. The SPI achieved an index value of 109% in the 2021 reporting year. A detailed description of our [Management System](#) is provided in our Annual Report. Further information is available in the [Remuneration Report](#).

The remuneration report was prepared in accordance with the German Commercial Code (HGB), German accounting standards (DRS 17), legislation governing the disclosure and appropriateness of Management Board remuneration (VorstAG, VorstOG) and the principles of the German Corporate Governance Code (GCGC). In addition to providing information about the remuneration for each Board member, the remuneration report also includes rules about topics like clawback, malus and say on pay.

Management Board: **25%**

Supervisory Board: **33%**

Proportion of women in management and supervisory bodies

We will continue to improve the diversity of the Group's decision-making bodies going forward by taking diversity criteria into account when members are appointed to the Management Board and Supervisory Board. In accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, Vonovia's Supervisory Board consists of at least 30% women and 30% men. Vonovia intends for the Nomination Committee to continue to have at least one female member. Vonovia intends for its Supervisory Board to meet both criteria in the period up to December 31, 2021, and the following period, which runs up to the end of 2026. The company met 33% of this target in the reporting year.

The Supervisory Board set a target of at least 20% female members on the Management Board in the period between December 31, 2021, and December 31, 2026. A new target was set for 29% of positions in the two management levels below the Management Board to be held by women by December 31, 2024 (see [→ Approach to Diversity and Equal Opportunities](#)). The targets for the Management Board were met in full.

More information can be found in the [Corporate Governance](#) section of the Annual Report.

Compliance

In the 2021 fiscal year, we carried out a Group-wide, web-based compliance risk analysis at the level of senior company executives. As part of this analysis, information was requested on the topics of active and passive corruption, money laundering, antitrust law, social compliance and IT/data security. The aim of the survey was to systematically evaluate compliance risks, increase comparability between the countries in which Vonovia operates and identify potential areas of focus for further development of the CMS. Overall, the findings of the survey were positive. The potential for improvement was identified in the areas of money laundering prevention and cyber security - both of which involve a moderate level of risk. Social compliance was evaluated as the area least exposed to risk. Compliance management identifies a catalog of measures from the findings, including a comparison of material compliance risks with the Group risk management system and an expansion of the training catalog for compliance-related topics. With a view to enabling the transfer of best practice, the Austrian process for determining beneficial owners will be rolled out to Germany, as the Austrian requirements are more stringent in this regard (see → project box “Compliance Risk Analysis”).

Group-wide, web-based

compliance risk analysis

carried out at the level of senior company executives

Main Compliance Regulations at Vonovia

- > Compliance guidelines
- > Code of Conduct
- > Business Partner Code
- > Inspection guidelines
- > Group guidelines on guideline management
- > Donations and sponsorship guidelines
- > Anti-corruption program
- > Whistleblowing guidelines

Regular training sessions are the cornerstone for preventing misconduct before it happens. A comprehensive catalog of regular and mandatory training events is already firmly established and has been adapted for the various internal target groups. The Procurement department, for which the issue is particularly relevant, receives special training on corruption and criminal law pertaining to corruption, for example. As certain compliance seminars could not be held in person in the previous year due to the coronavirus pandemic, we digitalized and, in some cases, reworked further seminars in the reporting year. For example, the Code of Conduct and data protection seminars, including progress tests, are now available online to all employees. All employees in Germany are required to complete training on these topics every two years. The close cooperation between the Compliance and HR departments plays a vital role in the success of these training courses. The Compliance department is responsible for choosing which departments go through special training, while HR is responsible for allocating personnel and other tasks.

The complaints management

and whistleblower protection system has now entered regular operation

The complaints management and whistleblower protection system, expanded in 2021, has now entered regular operation. The anonymous ☒ [whistleblowing hotline](#) is not only available to employees, but also to external parties such as customers and business partners, in both German and English. This is safeguarded by ☒ [Group Policies](#) on preventing and tackling corruption, on preventing money laundering, on the whistleblowing system and on the compliance guidelines. It complements and extends the existing system of the independent ombudsman. The hotline is also integrated

Compliance Risk Analysis

Process analysis

We performed a Group-wide compliance risk analysis during the reporting period in order to evaluate Vonovia's core business processes from a compliance perspective. This risk analysis used a web-based questionnaire that covered the topics of money laundering, social compliance, antitrust law, active and passive corruption and cyber security. Our aim was to identify any risks in our compliance management system (CMS) and provide a reliable foundation for Group-wide international comparisons. We plan to repeat this process every five years, but with varying groups of people and questions.

Identifying areas of improvement

The responses we received from 139 senior executives in Germany, Austria and Sweden provided the company with valuable information and pointed out specific areas of the CMS that could be improved. The six compliance areas mentioned above, which are covered by the compliance risk analysis, were found to involve a low or moderate level of risk. Potential for improvement was identified in the areas of money laundering prevention and cyber security – both of which involve a moderate level of risk. The lowest level of



risk was identified in the area of social compliance. The questions related to this area covered topics such as the speak-up culture and compliance culture at Vonovia.

Measures

A comprehensive report was prepared on the findings of the compliance risk analysis. Based on this report, Vonovia Compliance Management has put together a package of measures for improvements. The first measures to be implemented include aligning Vonovia's guideline management with the Swedish company Victoriahem, and implementing the strict Austrian money laundering verification process – in line with best practices – in Germany and Sweden. The remaining measures are set to be implemented over the course of the year.



within the partner portal for business partners. A whistleblower report is prepared by an external party every six months. This report is incorporated into the company's compliance report. One of the key performance indicators in this area is the total number of proven cases of corruption in Germany (see [☐ Combating Corruption and Bribery](#)). There were no proven cases of corruption during the reporting year.

No

confirmed incidents of corruption or breaches of anti-money laundering regulations in 2021

As at October 11, 2021, 45 (2019: 103, 2020: 53) suspected cases of corruption or compliance issues had been reported and carefully investigated in Germany in the 2021 fiscal year. No material compliance violations were uncovered. The severity of all reported cases was determined to be minor. The vast majority of reported cases involved incidents with tenants, racist statements or abuse, conflicts of interest involving employees, unauthorized brokerage activities and violations of confidentiality requirements/data protection.

Tax Strategy

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

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

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

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

The appropriateness and implementation as well as the effectiveness of our tax compliance management system was subjected to an external audit by the auditor in Germany for selected tax types in the reporting year and successfully certified in January 2022. The Austrian subsidiaries were also successfully audited for adequacy in 2020, followed by an effectiveness audit for the period from July 1 to December 31, 2020, at the beginning of 2021. The auditor did not identify any issues.

More information about taxes can be found in the [☐ Annual Report](#).

Respect for and Promotion of Human Rights

GRI 102-9, 414-1, 414-2

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. Our commitment to complying with and fostering these rights is reflected in our ethos and mission statement. We regularly scrutinize our guidelines and adapt them to reflect changes in society and the regulatory environment. As part of the process of integration of Deutsche Wohnen, we have scheduled an update of our corporate guidelines for the coming year.

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

Vonovia develops and builds homes itself, in particular via the subsidiaries of its BUWOG brand. Compliance with labor and social standards on construction sites is a challenge from a risk/human rights perspective. This challenge is, however, mitigated by the fact that the company performs around one-third of its trade/construction activities in Germany via its own technical service. This lessens dependency on external construction companies and therefore this risk, as Vonovia is in a position to exclude service providers and suppliers that do not comply with labor law requirements without a material negative impact on operations (see [→ Promoting Health and Safety](#)).

Concrete cooperation with external partners and contractors (see [→ Social and Environmental Standards in the Supply Chain](#)) is governed by Vonovia through its [Business Partner Code](#), the [general terms and conditions of purchasing](#), the [general terms and conditions of Vonovia SE for building services](#), and individual contractual agreements within the scope of structured supplier management. As such, we ensure compliance with common European standards and regulations, as well as material sustainability criteria, in the area of procurement.

Suppliers are required to sign the Business Partner Code before entering into a contract with Vonovia – this sets out, among other things, all material requirements necessary for compliance with human rights – from legal conformity and the fulfillment of legal standards for working conditions to an assurance of freedom of association and the exclusion of discrimination. It is updated regularly – most recently in the fourth quarter of 2021 – and applies for contractual relations in Germany and Austria. A corresponding separate code is in place in Sweden.

The Vonovia Business Partner Code

- > Provides the economic, legal and ethical basis for a business relationship in the spirit of partnership
- > Also applies to subcontractors of Vonovia’s direct contractual partners
- > Sets out clear expectations regarding integrity, legal compliance and ethical conduct
- > Has to be signed to indicate binding acceptance and put into practice in all business areas
- > Is monitored by direct contacts to ensure compliance
- > Stipulates that illicit employment must be ruled out, that the legal minimum wage must be paid and that valid German regulations on occupational safety and human rights, and applicable environmental laws, must be observed
- > Is supplemented by the Vonovia Declaration of Respect for Human Rights

As part of the regular evaluation of our major suppliers and contractors via our partner portal, we ensure that the criteria stated in the Code are complied with. In the event of incidents and breaches, a structured management of measures is activated, which – once all other means have been exhausted – may result in blocks on orders and termination of contract. In Germany, suppliers and contractors are checked against the EU sanctions list before any agreement is entered into. If a supplier or contractor is found on this list, the Compliance department is informed. 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). We are not currently aware of any infringements by our suppliers. Any suspicions can be reported to us via our [Whistleblowing System](#) at any time.

In 2022, we will focus on preparing for the Supply Chain Diligence Act (LkSG), which will come into effect in Germany on January 1, 2023. This process also includes the review of existing guidelines, codes and processes, e.g., the aforementioned Declaration of Respect for Human Rights. An additional benchmark here will be the applicability of the minimum safeguards criteria of the EU Taxonomy.

We also use long-term cooperation in the spirit of partnership to build a close relationship of trust with our contractual partners. This is largely the responsibility of the Procurement department and allows any misconduct to be addressed. The Procurement department reports to the CFO division of the Management Board with the intention of ensuring a high degree of neutrality and compliance both internally and externally. This responsibility moved to the Chief Transformation Officer (CTO) with effect from January 1, 2022.

Stakeholder Orientation

GRI 102-13, 102-40, 102-42, 102-43, 102-44, 415-1

Vonovia has close links with a wide variety of stakeholders, and is committed to addressing their needs and feedback. Their perspectives and their specific concerns (which sometimes conflict) provide valuable input for our corporate strategy and the development of our neighborhoods. We see ourselves as bridge-builders and value ongoing communication on an equal footing to find common solutions that foster a positive community spirit in our neighborhoods. We point the way for others, and the size of our company means that we have a particular responsibility to society and the environment – a responsibility that we take seriously. We are also well aware of our need to take responsibility due to our position as the largest private provider of homes in Europe.

Our key stakeholders are tenants, employees (see → **Attractiveness as an Employer**), shareholders and analysts (see → **Appeal on the Capital Market**) and policymakers at a municipal, state and federal level. Our other stakeholders are tenant associations, suppliers and service providers (see → **Sustainable Relationships with Business Partners**), media and non-governmental organizations (NGOs) (see → **Inclusion, Diversity and Social Cohesion**).

Our dialogue with stakeholders is as an expression of our outreach activities that enhances our reputation and can have a positive impact on how others view our activities. We structure the dialogue with our stakeholders on an individual

basis and are guided by the ever-changing expectations that groups have of us. As a community developer, what we do goes beyond providing homes. By developing infrastructure and green spaces, we play a role in shaping the urban environment. We take as many requests and suggestions from tenants into account as possible when planning our work. That is why we inform them of our plans ahead of time, in addition to inviting them to discuss projects and take an active role in shaping them (see → **Involvement and Participation**).

Selected Memberships in Industry Associations and Initiatives

Vonovia is well aware of its responsibilities in the field of housing, and discusses the issue on a regular basis with policymakers. At the same time we have no party-political affiliation and do not make donations to political parties. This position is codified in a Group guideline that applies to the entirety of Vonovia.

However, we are still committed to playing a role in political discussions and taking a position on policy issues. We do this transparently and openly. All business meetings with a political dimension are coordinated with Corporate Communications, and may only be attended by the individuals defined in the Group guideline. We do this to ensure compliance with provisions of the lobbying register at a European level and in some state parliaments, as well as the requirements for registering as a lobbyist with the German Parliament, which came into effect on January 1, 2022. Vonovia is not a part of any national or international associations, and does not partner with state institutions.

We are transparent about the positions that we take – with a focus on issues that involve the interplay between housing and the environment. Representatives from the world of business, research and politics took part in our own ☒ **“Outlook for Climate-neutral Living”** forum in 2019 and 2020 at Vonovia’s headquarters in Bochum. We will continue taking this successful approach to specialist conferences in 2022, with a focus on sustainable construction (see → **Sustainable Construction and Development**).

We are also active in a number of residential and property management associations at a national and European level, contributing to the strengthening of the property management sector. In Germany, Vonovia is represented in the economic fora of the CDU, SPD and Bündnis 90/Die Grünen

political parties. We are also involved in several initiatives aimed at protecting the climate. Vonovia was a member of the following associations in the 2021 reporting year:

- > Återbruksnätverket Öst (Sweden)
- > AGV Arbeitgeberverband der Deutschen Immobilienwirtschaft e. V.
- > AGW Arbeitsgemeinschaft Großer Wohnungsunternehmen
- > BeBo – Energimyndighetens nätverk för energieffektiva flerbostadshus (Sweden)
- > buildingSMART Austria (Austria)
- > DDIV Dachverband Deutscher Immobilienverwalter e. V.
- > Digital Findet Stadt (Austria)
- > DENEFF – Deutsche Unternehmensinitiative Energieeffizienz
- > Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e. V.
- > DIRK Deutscher Investor Relations Verband e. V.
- > EPRA European Public Real Estate Association
- > Fastighetsägarna (Sweden)
- > FGW – Forschungsgesellschaft für Wohnen, Bauen und Planen (Austria)
- > GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e. V.
- > Initiative Wohnen.2050 e. V.
- > Initiativkreis Ruhr
- > Institut für Corporate Governance in der deutschen Immobilienwirtschaft e. V.
- > InWIS Forschung und Beratung – Förderverein e. V.
- > KlimaDiskurs. NRW e. V.
- > Klimaaktiv – a climate action initiative launched by the Austrian Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology (Austria)
- > Linköpingsinitiativet (Sweden)
- > Österreichische Gesellschaft für nachhaltige Immobilienwirtschaft (Austria)
- > Österreichischer Verband der Immobilienwirtschaft (Austria)
- > Open District Hub e. V.
- > respACT – Austrian business council for sustainable development (Austria)
- > SABO (Sweden)
- > UN Global Compact
- > Verein der Freunde und Förderer der EBZ School e. V.
- > vhw – Bundesverband für Wohnen und Stadtentwicklung e. V.
- > ZIA Zentraler Immobilien Ausschuss e. V.

Corporate Communications liaises with our stakeholders on a daily basis and ensures that our internal and external

communication is consistent. Social media such as Facebook, Twitter and Instagram have become increasingly important for us in recent years. The Public Affairs department ensures dialogue with politicians.

Information Management and Data Protection

Information and its management are an important part of our commercial success. Our information comes from a number of different areas – from marketing through to customer services, development and finance. Data security and protection is particularly important for us.

We adhere strictly to the applicable laws governing the protection and security of personal data. We have also developed a number of measures, including a uniform Group-wide rulebook on data protection and privacy, information security and the internal control system, and a cyber security system to protect company-related data. These measures are detailed in corresponding [Group guidelines](#). The comprehensive framework is strengthened by clear responsibilities and contact persons for all relevant areas of the Group. In addition to our data protection officer, we also have data protection coordinators in all departments in Germany and Austria and conduct regular training on data protection and privacy for our employees. All employees are required to complete this training when they joined the company and every year afterwards. Our data protection training was digitalized in 2021 and included in the online training catalog. As a result, employees can complete the training independently from any location. Data protection coordinators track the training on behalf of the employees in their department to ensure that they complete it. Detailed information about our data protection measures is available here: <https://www.vonovia.de/en/datenschutz>

Uniform Group-wide rule book

on cyber security, information security and the internal control system introduced

Elements of the system for the protection of company-related data:

- > Implementation of the Risk2Value DPMS data protection management tool to help us meet statutory data protection requirements. This data protection management system catalogs the processes that involve the processing of personal information. We can also use the system to document and assess any data breaches that occur, in addition to taking steps in response.
- > Definition of a fundamental level of information protection to protect the company's assets and image; information security policy to ensure compliance with statutory requirements and the related tasks
- > Establishment of an IT security administrator with responsibility for achieving the IT security targets and for direct reporting to the Chief Information Officer (CIO)
- > Companies and specialist departments are responsible for security risks relating to information and data that is predominantly created, collected, used or processed within their sphere of responsibility
- > Management of the process with IT systems
- > Raising employee awareness as a prerequisite for information security
- > Holding regular data protection audits for providers that process personal data on behalf of Vonovia. Topics covered by the audit include the procedures and measures used to guarantee system resilience and IT disaster recovery plans.
- > Scanning relevant IT systems for weaknesses on a regular basis (e.g., pen tests). Cyber security is one of our key focus areas. We follow the current recommendations of the Federal Office for Information Security (BSI).
- > Certification of service providers (data center) to ensure that all IT systems are 99% covered in accordance with ISO 27001

Due to the extensive measures that we have taken in the area of data protection, we believe that risks related to inadequate IT security or violations of the General Data Protection Regulation only have an extremely low probability of occurrence. Mobile working, which we use far more extensively now than was the case before the coronavirus pandemic, does not involve any significant data protection-related risks.

The Management Board is provided with information about developments in the area of data protection and information security once a year. In Austria, a status report is provided to the management of BUWOG once a year. The Supervisory Board's audit committee deals with topics related to data security, and is also provided with the data protection report on an annual basis.

Future Fitness and Capital Market



GRI 103-1, 103-2, 103-3



Disclosure

Vonovia has been listed on the Deutsche Aktienindex (DAX) since 2015. It became the first residential real estate company to be listed on the EURO STOXX 50 index in 2020, and is currently the only real estate company on the index. Our company is focused on the capital market. The access that we have to external capital and funding opportunities through the capital market is a core aspect of our business operations and our commercial success. This gives us the robust foundation that we need to respond to the challenges facing the housing industry, both now and in the future. Sustainability, transparency and success are more closely intertwined than ever. We take care to weigh up the interests of our shareholders against those of other stakeholders – particularly our customers – to make sure that we retain this access in future. We also have an increasingly stringent legal framework to comply with.

Both analysts and investors are taking greater notice of ESG (environmental, social and governance) criteria when deciding who to invest in. Investors can turn to a number of rating systems and benchmarks to assess the performance of a company from an ESG perspective. Failure to meet ESG expectations can sometimes even result in a company being excluded from an investor’s investment portfolio or other access to capital. On the other hand, Vonovia can secure itself access to a wide range of investors by providing transparent information about its excellent performance in the area of sustainability – particularly in terms of its ESG ratings.

ESG criteria are also gaining in relevance in the political sphere. The EU Committee has launched its Sustainable Finance action plan in order to pursue its main sustainability objectives. The EU Taxonomy for sustainable activities came into effect in mid-2020 on the basis of the Taxonomy Regulation as part of this action plan. From 2024 onwards, the Corporate Sustainable Reporting Directive will further increase the need for structured and transparent sustainability reporting as of the reporting year 2023.

HIGHLIGHTS 2021

- > Stability of the business model proven – despite the pandemic
- > Positive business development once again
- > Sustainability risks integrated into risk management – implementation of TCFD recommendations
- > Green Bond Framework published in February 2022 updated and first social bond (100% EU Taxonomy-compliant) issued
- > Further improvement in some ESG ratings – ranking among the top 7% of all real estate companies worldwide in the Dow Jones Sustainability Index Europe

The EU Taxonomy is covered in greater detail in our 2021 Annual Report in the [Non-financial Group Declaration](#).

We want our business model to be sustainable and fit for the future. The digitalization trend has a significant role to play in making our company more sustainable and communicating about our sustainability performance in a transparent manner. The coronavirus pandemic accelerated this trend even further – leading both to new challenges and new opportunities for Vonovia. The high level of digitalization within the Group allows us to record and handle both opportunities and risks effectively while tying up fewer and fewer resources. We can secure the company’s long-term success by acting early to respond to challenges and make use of any opportunities that arise. Particularly in these

times where opportunities for meeting in person are limited, this trend allows us to provide clear and reliable information about our activities, both to groups within the company and external parties. This allows us to establish and maintain long-term relationships with our business partners and tenants.

The section below covers our approach to handling these challenges, the measures we have taken to integrate this approach into our processes and the targets and measures derived from this approach, with a particular focus on the material topic **Appeal on the Capital Market**. Also covered are the important topics **Sustainable and Long-term Growth**, **Digitalization of Processes**, **Management of Opportunities and Risks** and **Sustainable Relationships with Business Partners**.

Appeal on the Capital Market

GRI 103-1, 103-2, 103-3

Our Approach

As a real estate company with a long-term focus, we aim to strike a balance between commercial activity on the one hand, and social responsibility and ecological objectives on the other. We are committed to the principles of the social market economy and profitability. The only way for us to be sustainable is if we are also commercially successful. We believe that our long-term success is dependent on having access to a broad mix of financing instruments so that we can choose the right product at the right time. This will allow us to attract different capital market participants like investors, banks and insurance companies while also guaranteeing our access to the capital market.

SPI (Sustainability Performance Index)
introduced in 2021 – target achievement:

109%

Due to the increasing importance of ESG factors for the capital market, Vonovia used 2021 to enhance the company's strategic and operational governance in line with ESG criteria. This included integrating sustainability concerns into our corporate strategy. We have established and implemented structures and processes to this end (see → **Our Approach to Sustainable Development in Detail**). One key element of our approach is the Sustainability Performance Index (SPI) (see [Non-financial Performance Indicators](#) in 2021 Annual Report). This has been one of the Vonovia Group's main non-financial performance indicators since 2021. Another key to ensuring sustainable governance is integrating sustainability risks into our risk management strategy (see → **Managing Opportunities and Risks**). We are also issuing new financing instruments to appeal to sustainability-conscious investors.

You can find more information in the [Strategy](#) section of the 2021 Annual Report.

Communication with our stakeholders on the capital market is handled by the Investor Relations (IR) department in consultation with the Management Board. Transparency is the guiding principle here. It is important to us to provide relevant information on our company and our economic development, but also on the sustainable direction of Vonovia, thereby providing an accurate picture of Vonovia. This also strengthens trust in the Vonovia brand. At the same time, IR acts in an inward-facing way so that the topics

communicated to us by capital market actors come to the attention of the right people within the company.

We have also established structures which enable us to process sustainability ratings systematically. By providing clear and transparent information about our activities, we can satisfy our stakeholders' demand for transparency while also meeting our legal obligations. We incorporate the latest trends and developments such as the EU Taxonomy, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see → [Environment and Climate](#)) and the United Nations Sustainable Development Goals (SDGs) (see → [Material Topics](#)) into our reporting, while also making sure that we are guided by their requirements. In this context, the application of the GRI standards and the regulations of the EU Taxonomy and possible further European standards have priority for us as a European company. Due to the importance of English-speaking investors for us, we are also creating a mapping of the indicators for the content published in this report for the Real Estate reporting framework of the → [Sustainability Accounting Standards Board](#) (SASB). We have also made our report on the EPRA Best Practice Recommendations on Sustainability Reporting available on our [Website](#).

Organizational Focus

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for our activities in the capital market. The Sustainability/Strategy department coordinates the company's participation in ESG ratings with the involvement of the operational departments. Communication with the capital market and our investors is handled by the IR department, which reports to our CEO, as does the Sustainability/Strategy department. Decisions regarding ESG ratings are made in the sustainability committee, which receives regular information on developments in this area. Finance & Treasury is responsible for implementing our financing instruments and reports to the CFO.

Objectives and Measures

We want to make sure that the information we provide to our stakeholders is transparent and reliable. Our aim is to provide investors with all of the information they need to get an accurate impression of our company. We want to generate attractive risk-adjusted rates of return for our investors and achieve sustainable revenue and value increases. Our overarching objective is to build trust in Vonovia.

Our participation and good performance in a variety of ESG rating systems is clear evidence of our commitment to sustainability. Our aim is to be represented in all relevant international ESG indices and obtain good to very good ratings in comparison to our peers. Our IR department surveys key investors every two years to identify the ESG rating systems that are most relevant to them. We use these surveys to check whether we are represented in the ratings that are most important for us and our stakeholders on a regular basis. The Sustainability Committee discusses which ESG ratings Vonovia should focus on based on this decision. We systematically use the results of ESG rating systems to enhance our sustainability efforts and make improvements in specific areas.

Among the top 3 performers

out of 1,054 real estate companies
in the Sustainalytics ESG Risk Rating

As such, we were able to maintain our membership of the prestigious Dow Jones Sustainability Index Europe and ISS-ESG Prime Status in the year under review. In the ESG Risk Rating of Sustainalytics, Vonovia was (as of December 9, 2021) one of the top 25 companies within the set evaluated, which included some 15,000 companies worldwide, as well as one of the top three performers in the real estate sector (out of 1,054 companies). We intend to keep our performance at a high level while making continuous improvements in the ESG rating systems that we are included in.

The results of selected rating systems from 2021 are available on our [IR-website](#) and provided in the [→ ESG Ratings and Indices](#) section of this Sustainability Report. In 2022, we did not take part in GRESB due to the changes to the methodology used by the rating system and the significant changes that will be made in future.

DJSI EUROPE Index

Ranking among top 7% of all
real estate companies worldwide

Our IR department use a variety of formats to stay in regular contact with capital market players. The Capital Markets Day is an event that we use to showcase our company. Despite having to cancel the event in 2021 due to the coronavirus pandemic, we continue to use investor conferences, roadshows and one-to-one conversations to stay in contact with shareholders and potential investors. We are also making increasing use of visual formats. Our Annual General Meeting, for instance, was for the second time held virtually in April 2021.

We believe it is important to have access to a broad mix of financing instruments so that we can choose the right product at the right time, like bonds, promissory notes, secured real estate loans, commercial paper, 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). We also have access to innovative sources of finance like blockchain-based promissory notes, which we issued for the first time in 2021. This puts us in a position to attract different capital market participants like investors, banks and insurance companies. This diversification helps us to spread out our risk and handle periods where individual sources of financing are not available due to rapid developments in the capital market, as occurred with the coronavirus pandemic.

One of the steps that we took during the year under review to expand the mix of financing instruments at our disposal was to issue a green bond certified by the Climate Bond Initiative with a volume of € 600 million. The fact that this bond was thoroughly oversubscribed demonstrates that there is healthy demand for investments of this nature. In 2022, we will revise our Sustainable Finance Framework – which was published in February 2022 – in light of the EU Taxonomy, and add social components in order to be able to issue [Social/Sustainability Bonds](#). Based on the new framework, green and social bonds were successfully placed for the first time in March 2022 in the amount of € 2.6 billion (see [→ project box “Vonovia Social Bonds - Unique in the Real Estate Sector”](#); [Investor Relations](#)). Through the success of this additional financing option, we feel strengthened in the continued development of our sustainable projects, especially in terms of the goal of a virtually climate-neutral building portfolio.

Sustainable Finance Frame- work

developed and first social bond issued (2022)

Vonovia established a Green Finance Committee in 2020 to coordinate and refine this and other sustainable financing activities. It includes representatives from several different departments and is chaired by the Head of Finance & Treasury. With the update to the framework, the Green Finance Committee was renamed the Sustainable Finance Committee.

Vonovia Social Bonds – Unique in the Real Estate Sector



“The bonds demonstrate that we take our social responsibilities seriously and are committed to our sustainability strategy.”

**Philip Grosse,
Vonovia SE, CFO**

Sustainable financing is an effective tool for achieving the EU’s environmental targets and the UN Sustainable Development Goals (SDGs). For this reason, Vonovia updated its first Green Bond Framework (first published in March 2021) in February 2022. The purpose of this framework is to drive up investment in assets with proven ecological and social benefits. On March 21, 2022, for the first time Vonovia issued two social bonds, with terms of 3.85 and 6.25 years, and a green bond with a ten-year term that is 100% EU Taxonomy-compliant. These were the first such bonds to be issued by a company in the real estate sector.

The proceeds from the social bonds will be invested in social projects. This will include, for example, housing for low-income households and agreements for privately financed housing in Berlin with rents that are at least 15% lower than the standard local comparative rent charges, ensuring access to affordable housing. The proceeds from the social bonds will also be used to modernize housing to make it more accessible for an increasingly elderly population. Further information on green bonds, social bonds, and the use of funds, can be found in the [Sustainable Finance Framework](#).

The generation of renewable energies via, e.g., photovoltaic systems is one of the selection criteria for the awarding of green bonds.



Sustainable and Long-term Growth

GRI 102-10, 102-11

Housing has become an increasingly scarce and desirable asset in many locations, particularly urban areas. Vonovia wants to help solve this problem by providing modern and attractive homes at fair prices.

Vonovia's business model is built on three main pillars:

- > Letting quality, modern homes at fair prices
- > Developing and building new apartments for our own portfolio and for sale
- > Providing housing-related services

The Vonovia business model proved to be robust and highly resilient during the coronavirus pandemic. We continued to concentrate on keeping our business processes going, particularly at the start of the pandemic, and on protecting customers and staff. The fact that our business processes were already largely digitalized meant that our back-office staff could continue to work remotely without any disruption. Downtime at construction sites was negligible.

Since 2013 we have pursued a corporate strategy with four basic pillars: property management, portfolio management, financing and value-add. This strategy is reinforced and rounded off by our acquisition and internationalization strategy, which includes opening up selected European markets. The acquisition of Deutsche Wohnen during the year under review was born out of this ongoing sustainable growth strategy. This strategy allows us to leverage new synergies, harmonize processes and make our procedures more efficient.

More information about our 4+2 strategy is available in our 2021 Annual Report under [Strategy](#).

The company has to maintain a robust strategy in this area due not only to the increasing pace of relevant megatrends but also sustainable business models becoming ever more important for a wide range of stakeholders. We want to play an active role in combating climate change by taking a sustainable approach to construction and modification, reducing the greenhouse gas emissions of our real estate portfolio, introducing innovations in the areas of energy supply, (construction) materials and biodiversity, cutting water consumption and reducing waste (see [Environment and Climate](#)). Our neighborhoods are where the housing industry needs to focus its efforts in order to be socially responsible. By providing housing in our neighborhoods that meets people's needs in partnership with our tenants, we will improve customer satisfaction while also making our increasingly diverse society more integrated (see [Homes and Customers](#)). Vonovia wants to be an attractive employer

which ensures that its employees have equal opportunities, supports them in their personal and professional development and offers positions which are secure and stable (see [Employees](#)). We intend to emphasize the sustainability-related aspects of our successful strategy to ensure that both the strategy and business model are fit for the future.

Digitalization of Processes

Digitalization is becoming an increasingly important topic, both within the company and in terms of our interaction with customers. Standardization and simplification will allow us to improve our processes while freeing up staff and saving money, time and natural resources. Making our business processes more digital opens up new opportunities but also exposes us to new risks, such as the possibility of violating data protection requirements. We monitor these risks on an ongoing basis and take action whenever necessary (see [Information Management and Data Protection](#)).

For this reason we continuously review our processes in different divisions to identify areas that could be improved. We have already introduced digital tenant and personnel files, along with a digital technician portal.

Remote working has been given a boost by the coronavirus pandemic. We are making greater use of collaborative digital tools and software than before. Digitalization is opening up a number of avenues that we can use to manage our portfolio more efficiently. Almost all of the elevator systems in our buildings send reports to the technology center in real time (see project box). This information is used to provide an overview of statistics, reports and data on a digital platform. Internet of Things (IoT) technology makes it possible for us to make data-based decisions, while also enabling us to analyze the condition of our elevator systems remotely and effectively. Remote monitoring of our central heating systems will also be rolled out in 2022. This technology will enable us to improve the carbon footprint of our buildings, while also making it easier to rectify faults thanks to a significantly improved reporting chain (see [project box "Reducing Carbon Emissions and Cutting Costs - the Heating Monitoring Pilot Project"](#)).

We are also using digitalization to improve our processes and develop new ideas when it comes to our relationship with our tenants. Our customer service department uses systems to automatically categorize customer requests to make sure they are directed to the right person. This enables us to respond more quickly and more precisely to inquiries from our customers. Our updated tenant app improved our communication with our tenants. The app makes a number of processes easier for our customers and our employees to manage. It has also improved our sustainability performance

by reducing the amount of resources that we use (see → **Customer Satisfaction and Service Quality**).

We are also taking digital steps in the area of financing and have initiated the financing of a fully digital bond via an online marketplace (see → **Appeal on the Capital Market**). We are committed to using digitalization in order to increase the efficiency and standardization of our business processes. This will provide a solid foundation for us to meet new challenges and react to developments in future.

We ramped up our efforts to digitalize our internal processes in the reporting year. We began using SuccessFactors modules in our HR department and digitalized HR processes such as reporting absences due to illness. Digital working has been expanded, partly due to the coronavirus pandemic (see → **Attractiveness as an Employer**).



Modern heating systems can be optimized by enabling remote reading.

Reducing Carbon Emissions and Cutting Costs – the Heating Monitoring Pilot Project

Our digital heating monitoring project has the potential to significantly reduce carbon emissions and costs. The aim is to monitor these in real time and increase the efficiency of existing and new gas central heating systems. For this, we use the management and optimization tool of our partner othermo, which offers an innovative solution. It is based on an IoT gateway installed in the boiler room and a web portal coupled to it.

Digital heating monitoring systems provide environmental and economic advantages that benefit us as a company just as much as our tenants. Fuel savings benefit the tenants first and foremost, with associated reductions in heating costs. The company's economic benefit is based on three pillars: 1. Reduced carbon tax and certificate costs due to lower emissions both for tenants and Vonovia, 2. No need for multiple visits from craftsmen, and 3. Improved tenant communication and information through real-time data on heating status.



Current:

Configuration of heating systems is often not optimally adapted to the individual conditions on site.

Multiple trips to identify and rectify faults, notification of faults by tenants.

Objective:

Remote, highly customized configuration of heating systems according to load patterns and building condition to improve system efficiency and reduce carbon emissions.

Automatic notification of faults without tenant involvement and including detailed information on the cause, enabling the fault to be rectified promptly and in a targeted manner.

Managing Opportunities and Risks

GRI 102-15, 102-30

Assessing the risk related to sustainability factors is becoming increasingly important in the list of requirements that investors and analysts look at. This is reflected, by way of example, in the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which call upon companies to disclose the direct and indirect financial impact of climate change on their businesses for transparency (see → **Implementation of the TCFD Recommendations**).

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

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

The risk management system was revised in 2020 to bring it into alignment with the sustainability aspects of the corporate strategy. ESG risks were examined and assessed in terms of their impact on Vonovia (outside-in view) and their impact on the environment and society (inside-out view); an approach known as “double materiality.”

Integration

of sustainability aspects
into risk management

For transparency purposes, we explain the risk situation at Vonovia in detail in our annual reporting and provide an up-to-date risk assessment on behalf of the Management Board (see [☞ Opportunities and Risks](#) in the Annual Report 2021). We also provide a wide range of information in this sustainability report based on the TCFD framework for disclosing climate-related risks (see → **Environment and Climate**).

Potential Sustainability Risks for Vonovia

- > Unfavorable carbon tax
- > Failure to achieve climate path and carbon intensity targets
- > Violations of social charters
- > Failure to comply with statutory rent control provisions
- > Effects of crises or disasters such as floods, earthquakes or extreme weather events
- > Non-compliance with changing construction regulations
- > Non-compliance with legislation on working conditions, such as minimum wages and safety standards and human rights in the supply chain
- > Non-compliance with legislation on occupational health and safety management
- > Violations of the Code of Conduct, the Anti-Corruption Policy, legal requirements relating to bribery and corruption
- > Failure to meet the expectations of stakeholder and statutory requirements in terms of diversity
- > Failure to meet statutory requirements and expectations of investors or analysts concerning sustainability reporting
- > Loss of sustainable financing instruments due to a failure to meet sustainability targets
- > Long-term economic downturn triggered by macroeconomic and geopolitical risk factors, such as the intensification of trade wars, the economic impact of the coronavirus pandemic or foreign policy conflicts

Since 2020, the risk of an “unfavorable carbon tax” has been considered to be of material significance for the company, and is therefore closely monitored by the Management Board and the Supervisory Board. The German government has decided to levy a carbon price on energy used for heating as a policy instrument and a climate protection measure. The price of carbon emissions has been set until 2025 and will increase annually from a starting point of € 25 per ton in 2021. We were able to pass on the entirety of this cost to our customers in the year under review – it therefore had no effect on earnings. The new federal government is trialing a graduated model which divides the carbon price between tenants and landlords. Landlords are charged more in buildings which are less energy efficient. This model will be introduced in mid-2022 or at the beginning of 2023. We continue to estimate that the potential risk volume could be between € 25 million and € 100 million in the next five years, with a probability of occurrence of between 60% and 95%.

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

Detailed information about [📄 Opportunities and Risks](#) is provided in the 2021 Annual Report.

Sustainable Relationships With Business Partners

GRI 102-9, 102-15

Vonovia is committed to long-term, constructive and trusting relationships with all of its business partners. This allows us to reliably provide a quality product and a high level of service, while also increasing our efficiency by reducing the amount of resources that we use.

In Germany, these working relationships are governed by the [📄 Business Partner Code](#) and the [📄 Code of Conduct](#), which oblige our partners to observe economic and legal rules of conduct and to comply with anti-corruption policies in all of their dealings with sub-contractors. The Vonovia Business Partner Code was adapted in Austria in 2019 as part of the integration of BUWOG. In Sweden, the Code of Conduct fulfills this function (see [→ Respect for and Promotion of Human Rights](#)). This structured and sustainable approach to partner management minimizes violations and risks in the supply chain. In 2021, to ensure compliance with the Supply Chain Diligence Act (LkSG), we performed a gap analysis and drew up a plan for surveying environmental standards and human rights violations in preparation for the implementation of the requirements of the LkSG, which was adopted in 2021. We will perform this survey in 2022, before the LkSG comes into effect as of January 1, 2023.

The [📄 Vonovia Partner Portal](#) has been an important element of our long-term partnership with our service providers and suppliers since 2019. We also use it for risk and supplier management. Vonovia uses the portal as a central repository for all of the documents and data used to assess suppliers and award contracts. This reduces our administrative workload, while also allowing us to track the suitability of business partners from a formal, technical and social perspective. The system will be expanded to include sub-contractors over time. When selecting service providers and suppliers, the Procurement department uses the Vonovia partner portal to check that the provider in question has acknowledged its duty to respect human rights as set out in the Business Partner Code. In the event of any irregularities

or scenarios in which these obligations are ignored, the cases are documented accordingly and sanctions are imposed. The Vonovia Partner Portal is also linked directly to our [📄 whistleblower system](#), making it easy to handle complaints made against individual partner companies.

We digitalized our tendering processes on a separate platform in 2020 in order to be transparent about our supplier base and enter into partnerships and submit orders on a paperless basis. This platform uses an SAP-based process which is capable of setting contract award and payment blocks. Vonovia uses the [📄 NOVA BIM](#) platform to manage its tendering processes. In addition to removing the need for SharePoint and a manual email-based tendering process, the platform also makes it possible for departments to access individual tenders. As a result, the Procurement department is able to view the status of a tender, prices, bidder lists, tender documents and a standardized set of specifications, in addition to providing access to the GAEB files which are commonly used in the construction industry. This gives us the flexibility we need to manage ongoing tenders within departments. We upgraded the technology behind our craftsmen tool in 2021 to standardize and streamline the ordering process with our craftsmen. In future, we will be talking to our strategic business partners about the additional functions they think could add value and want to see added. Sustainability concerns have already been implemented into our purchasing processes and the supplier management system. We have also increased the level of digitalization within the Procurement department to make these processes more efficient and more transparent (see [→ Respect for and Promotion of Human Rights](#)).