

Ladies and gentlemen, Dear Readers,

✉ 102-14

As a residential real estate company, Vonovia is an integral part of today's society. This is a very good situation, but one that entails great responsibility, too. We are able to help ensure that people in cities have homes worth living in. However, it is also a challenging position. It puts our company under the microscope for a number of stakeholder groups, who all have very different expectations from us.

We investigate these expectations immediately because we want to fulfil them, as far as they fall under our responsibilities, to the fullest extent possible. This isn't always an easy task. Finding solutions to varying demands often involves compromise. But by maintaining dialogue we are always able to bring different points of view together.

Our business approach is also helpful in this regard. As a service provider and the provider of homes for around one million people, our focus is on our customers and their needs. With this in mind, we preserve our buildings and actively shape the residential environment. This is also why we are committed to offering contemporary, senior-friendly apartments and developing services that offer better quality of living. Our focus on customers is also the reason why we are addressing a social issue that is particularly important at the moment: the construction of new apartments.

Last year we began construction work on more than 1,000 apartments; in the coming years it will be significantly more. The new apartments will not be constructed just anywhere, but where they are needed: in conurbations. The average rent for the apartments in our portfolio is around €6.50 per m². This is affordable for the large majority of people.

To some extent, we also consider it our responsibility to ensure that people can live together in their neighborhoods harmoniously. That is why we are implementing comprehensive neighborhood projects throughout Germany, cooperating with charities, promoting cultural and neighborhood projects and working closely with the local communities. In the past year alone, we invested €50 million in neighborhood projects like this. We also donate money through our foundations. It is also our aim to understand interaction in our neighborhoods better and are therefore actively investing in research in this area. We are financing an endowed professorship in Bochum for research into neighborhood development.

We support the German government's ambitious target of achieving an almost climate-neutral building stock by 2050 through a number of measures to reduce energy consumption and the release of CO₂e emissions. Implementing energy-efficiency modernizations and maintaining buildings are important measures in this regard. We were able to achieve a refurbishment rate of 5% once more in 2018 and thereby significantly improve the energy intensity of many buildings. This shows that we are on the right track.

I'm pleased that we are also very popular as an employer now, too. Almost 10,000 people work for us now – around 1,000 of those are located in Austria and Sweden. The majority of our employees is in direct contact with our customers, which also makes their work very valuable in a social sense. We currently employ 485 trainees completing commercial and craftsmen/technician traineeships throughout the whole Group.

We take care of things. And we do it sustainably. That's because our business has a long-term focus and flourishes best in a healthy environment.

In our latest sustainability report, you can read in detail all about what Vonovia is doing in Germany to ensure people feel happy with us for the long term and how we are taking our responsibility as a corporate citizen seriously.

I hope you enjoy reading the report.

Bochum, April 2019

Yours,

A handwritten signature in black ink, appearing to read 'R. Buch', with a stylized flourish at the end.

Rolf Buch

SUSTAINABILITY AT VONOVIA

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About Vonovia

☒ 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10, 102-16, 103-2, 201-1

As a service provider that puts its customers at the heart of its activities, Vonovia is fully focused on offering attractive homes and innovative housing-related services at fair prices. We are aware of our responsibilities toward society and the environment, and are involved in solving economic, social and environmental challenges in a number of ways – from the long-term maintenance of the properties in our portfolio to the inclusive approach we take in designing our neighborhoods, through to creating new homes.

The Company 103-2

As a residential real estate company, Vonovia plays a central part in society. Including the German BUWOG portfolio, we manage around 358,000 apartments (Dec. 31, 2018) in attractive cities and regions in Germany, and a portfolio of around 23,000 homes in Austria and approximately 14,000 in Sweden. Vonovia also holds a minority stake in a portfolio previously held by the French railway operator SNCF. Altogether, more than a million people are currently renting their homes from us. 102-1, 102-7

In order to meet the associated responsibilities, we thoroughly investigate the numerous issues that are important to our target groups. We communicate with our stakeholders through various channels and always align our targets with their needs.

This results in a business model that allows us to offer an efficiently managed property portfolio of affordable homes and modern housing-related services for a wide range of the population. We simultaneously guarantee our homes remain attractive through maintenance and modernization work, and take a holistic approach to developing the neighborhoods in which our properties are located.

Recently, implementing modern and innovative new construction concepts has gained in importance for us – particularly since the acquisition of the Austrian company BUWOG last year, which brought additional project development skills to the Group.

In addition to the rental and service business, we also want to use new ideas to set trends for the housing industry. We therefore contribute to society in various ways at a political, social and economic level – for instance, as an initiator of participative neighborhood development projects. 102-2, 102-4, 102-6

We have been listed since 2013. Our share has been traded in the DAX 30 index since 2015. We consider our share to be an attractive investment for those interested in a long-term investment with stable and reliable dividends.

Corporate Structure

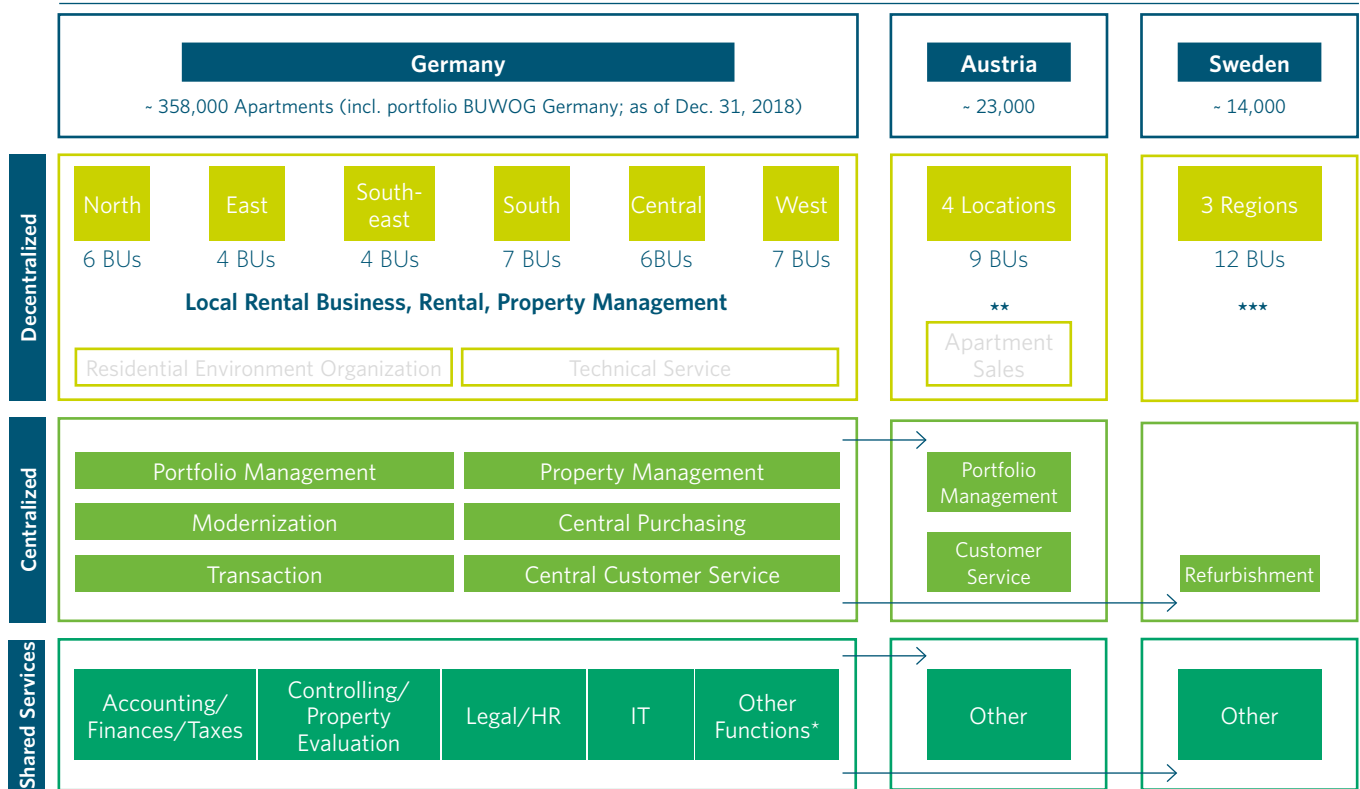
Vonovia SE, the parent company of Vonovia Group, is organized in the legal form of a dualistic European company (SE) and is managed by a Management Board consisting of four members, assisted by a Supervisory Board. Vonovia SE has its registered headquarters in Germany. Since 2017, its registered office has been in Bochum. 102-3

The parent company performs the function of the management holding company for the Group. As such, 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, financing, service, and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management. 102-5

Unless stated otherwise, all figures in this report relate to Vonovia's operations in Germany, without the business activities and the portfolios of the recently acquired BUWOG and Victoria Park. A detailed list of Vonovia SE shareholdings can be found in the Annual Report.

Vonovia's core operating business is divided into six regions – north, east, southeast, central, south and west. These are, in turn, split into business units (BUs), each of which is responsible for an average of around 10,500 residential units on site as part of a decentralized structure. Organization of caretakers, technicians and the residential environment is also based on a regional structure.

Corporate Structure Rental



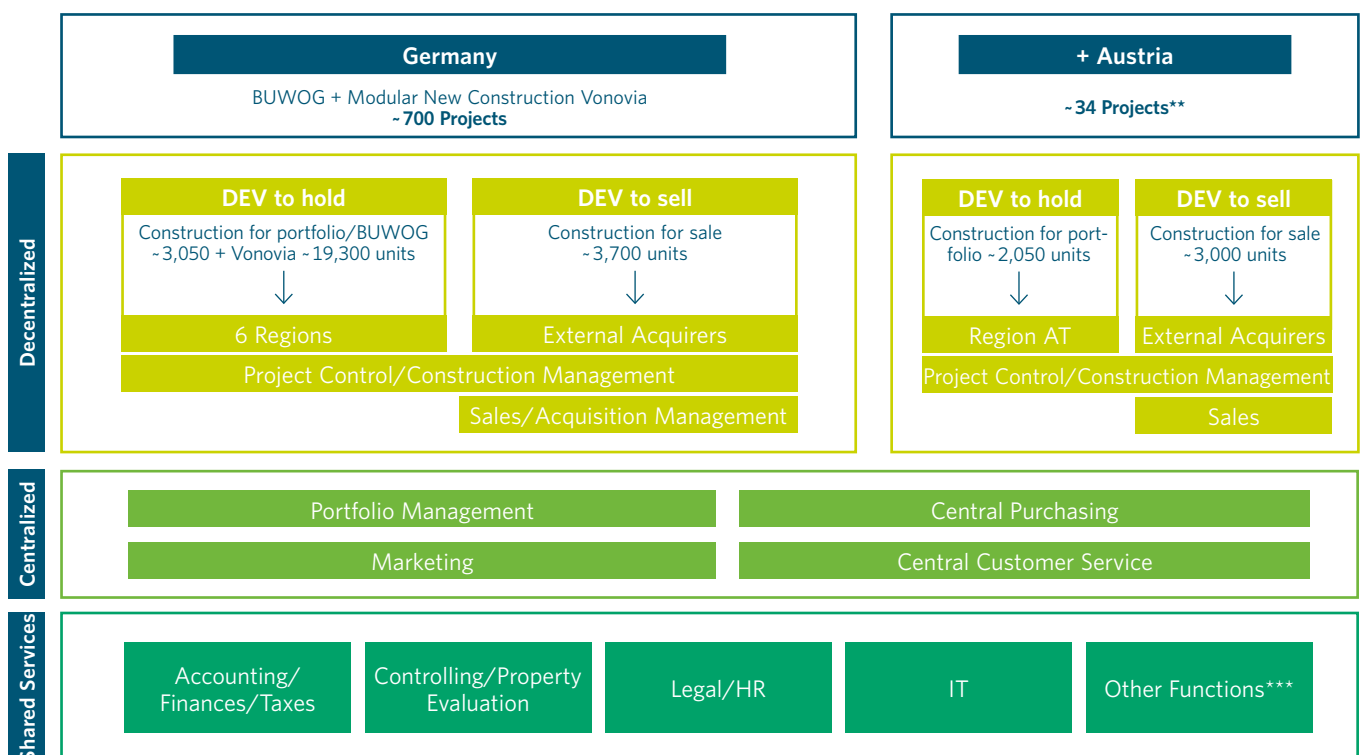
* Other shared services and staff functions: investor relations, product management, revision, corporate communication, insurance.

** Asset management, commercial and technical property management, rental, caretakers/facility support.

*** Customer service, facility support, rental, local rental business.

→ = Partial takeover from or existence of central functions or shared services.

Corporate Structure Development*



* Not included in this Sustainability Report.

** Total projects in progress, preparation and planning.

*** Other shared services and staff functions: investor relations, revision, corporate communication, insurance.

Responsibility for the other activities that belong to the Value-add segment, in particular product management, data and energy services, vertical expansion and modernization, is centralized at Vonovia. The same applies to activities relating to sales and acquisition. 102-2

The management of the business is based on the company's strategic approaches and, since last year, has been conducted via the four segments: Rental, Value-add, Recurring Sales and Development. For more information about our corporate structure, we refer to the Annual Report (see chapter Fundamental Information About the Group [AR 2018, p. 60 et seq.](#)).

BUWOG

About BUWOG

The three main companies of BUWOG (BUWOG Group GmbH, BUWOG Bauträger GmbH and BUWOG Immobilien Treuhand GmbH) have been wholly owned subsidiaries of Vonovia SE since November 2018. While BUWOG Bauträger GmbH focuses on the development business in Germany and BUWOG Immobilien Treuhand GmbH handles the management of apartments for third parties in northern Germany, BUWOG Group GmbH manages the entire value chain of the residential sector in Austria with the business areas of asset management, property sales and property development. The existing real estate portfolio in Austria encompasses approximately 21,300 portfolio units. The development pipeline includes about 5,000 residential units in Vienna and about 7,000 residential units in Germany. The BUWOG brand stands for a high level of customer satisfaction in the real estate development business. As a result, approximately 11,000 new apartments are planned in Austria and Germany in the next five to six years. Of these, about 5,000 units are intended for rental by the company. The company is thus making an important contribution to easing the shortage of apartments (see chapter Corporate Structure [AR 2018, p. 64 et seq.](#)).

In terms of sustainability performance, we consider employees and climate and environmental protection in the portfolio to be topics of particular relevance and cover both in greater detail below.

Climate and Environmental Protection in Our Development Activities

The planning and development of new residential properties takes place within a social framework in which climate and environmental protection are playing an increasingly important role. Of particular significance are the issues of:

- > energy supply and consumption,
- > the use of environmentally friendly materials,
- > mobility, and
- > residential environment and neighborhood solutions.

Energy supply, consumption and energy-efficient building technology are the main issues in development. Various pilot and research projects, including energy supplied from renewable energy sources and other energy-related innovations, are implemented in new constructions. One example of this is the new construction project "52 Grad Nord" in the Grünau district of Berlin with its own district heat supply for the neighborhood. This puts the primary energy factor at zero. District heat is primarily generated by biomethane gas from non-fossil sources using a cogeneration unit specifically set up for this purpose. The facade of the CHP unit has also been planted with vegetation. In addition to a total of approximately 1,000 residential units, neighboring buildings are also set to be supplied in future.

We are also investing in the use of sustainable materials in the new construction project in Berlin by using wood-hybrid construction and other methods. The facades and roofs of several buildings are made of prefabricated wood-wall elements, while supporting building elements, such as floor slabs, stairs and partition walls are made of concrete. Other materials, such as insulation, wood and paints, are selected with sustainability criteria in mind and should have the corresponding certification.

In order to handle valuable raw materials that we come across when dismantling old buildings in a sustainable manner, BUWOG launched a large-scale project in Vienna in 2018 for recycling and reusing entire construction elements. In collaboration with social enterprises and recycling businesses, we have organized dismantling operations in such a way that it is possible to separate a considerable amount of miscellaneous materials such as aluminum, copper, marble, etc., and return them to the materials cycle for reuse. During the dismantling of real estate in Vienna that formerly belonged to Coca Cola, we were also able to prevent around 450 tons of waste and recycle some of the materials, such as the roofing panels.

Designing ecological leisure spaces is a primary concern in all of BUWOG's new construction projects. Numerous buildings feature extensive 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 heat building up in densely populated urban areas. The new neighborhood “Biotop City” in Vienna will be a pioneering example of urban design incorporating vegetation.

Intelligent mobility solutions, too, will become increasingly important in urban areas and play an increasingly larger part in our urban development projects. We include e-mobility, bicycle concepts and public transport in our new construction projects from an early stage and take future needs for electric charging stations and empty cable tunnels for retrofitting into consideration in order to avoid higher costs later and to actively contribute to ecological transport developments.

We are currently aiming to obtain building certification, such as the German Sustainable Building Council (DGNB) gold standard or the Austrian Sustainable Building Council gold standard, for various development projects in Germany and Austria. This certification helps us to show investors, owners, tenants and the wider public to what extent we consider sustainability aspects in the planning, construction and operation of our buildings.

Certified Energy Management System

BUWOG is a long-term partner of the ambitious “klima-aktiv pakt2020” climate protection initiative launched by the Austrian Federal Ministry for Sustainability and Tourism. It has had an ISO 50001-certified energy management system in place in Austria since 2013/14, which features both established processes and a written energy policy. This tool for the professional management of energy-related issues was expanded to cover the area of development in Germany in 2018. This means management of energy issues in the entire new construction portfolio of the BUWOG companies and the portfolio management of BUWOG Group GmbH in Austria is conducted within a certified energy management system.

Employees

Responsibility, commitment, flexibility and professionalism are the qualities of the BUWOG team. In order to ensure that this does not change, we are focusing on employees’ long-term health, safety, performance and motivation.

We have been committed to promoting family life for years now, the aim being to allow our employees to strike a balance between family and work commitments by offering a range of tools designed to meet their specific needs. This is a matter that is particularly important to BUWOG Group GmbH in Austria. As a result, our subsidiary has been participating in the “berufundfamilie” (work and family) audit conducted by the Austrian Federal Ministry of Families and Youth since 2017. This is a voluntary government seal of quality that aims to achieve improvements in the awareness of family issues. The seal is awarded as part of a structured audit process. The objective is also to use the audit to achieve positive commercial effects on employer appeal, employee loyalty, motivation and identification, and to minimize staff turnover and absences.

In addition to a company physician, an occupational psychologist and a safety officer, our health promotion within the company also includes a health day, held roughly twice a year, where we inform our employees about topics such as exercise, ergonomics, nutrition and psychology. Our employees can also take a medical exam or receive biofeedback. Workshops on a diverse range of topics, such as reducing stress, conflict management and relaxation, were also offered in cooperation with the occupational psychologists.

We conduct annual appraisals with the aim developing our employees’ skills and promoting their personal development. Targets are formulated and development and training requests are discussed along with more general development options. The range of individual measures offered in the form of individual training or group training includes professional courses covering topics such as non-profit housing law and tenancy law, and personal development seminars based on the Process Communication Model®. In the reporting year, the focus of our management training was on measures to support the change process for the integration with Vonovia SE. The efforts we made in the past to train employees to take on management positions have paid off once again. We were able to fill virtually all new team and department head positions internally.

Find out more at www.buwog.at/en/company/sustainability

Victoria Park

Sustainability Performance

Victoria Park, a subsidiary of Vonovia, has a portfolio consisting of 14,288 apartments with a total area of 1,128,000 m² and a market value of 18.1 billion Swedish krona (SEK). Victoria Park's business model is to acquire, develop and manage residential real estate with a high level of development potential in growing cities throughout Sweden. We aim to constantly improve our portfolio by renovating apartments in such a way that value appreciates, and through densification.

Victoria Park also focuses on socially sustainable management in order to raise the long-term attractiveness of their neighborhoods and thereby also the value of the apartments.

Based on our portfolio of existing and acquired apartments, our management approach is as follows:

Investing in Raising Standards:

- > We intend to achieve a standard that makes our apartments comparable with newly constructed owner-occupied apartments through an efficient and high-quality refurbishment process. Refurbishments are always performed when apartments are vacant in order not to encumber existing tenants.
- > By making cost-saving investments, we also want to lower the impact our buildings have on the climate and improve their energy efficiency. For instance, by improving the ventilation systems, installing LED motion-sensor lighting, additional insulation in the attics, heating systems controlled by weather forecasts and systems for individual water meter reading.

Socially Sustainable Management:

- > We actively work on our relationships with residents and cultivate a sense of belonging in the buildings and the neighborhood. This enables us to contribute to the creation of calm, safe and attractive residential areas.
- > We strive to be included fully in the local social environment, e.g., through comprehensive cooperation with the authorities, municipalities, organizations and owners.

Socially Sustainable

A material element of Victoria Park's management model is our sustainability agenda. By establishing sustainable relationships between companies, citizens and society, we can cultivate commitment and promote integration, contributing toward more sustainable urban and social developments. This encourages more people to actively participate in their neighborhood and contribute toward creating a calm, safe and attractive residential environment.

We always aim to commission companies that have a social clause covering local procurement.

Since 2013, Victoria Park has been employing long-term unemployed people – primarily residents from our own neighborhoods – to work on a temporary basis in the Victoria Park program as environment wardens or residential coaches. Environment wardens are responsible for maintenance of the residential buildings, while residential coaches deal with practical rental issues and recording refurbishment needs. In 2017, the national economist Ingvar Nilsson conducted an external study of the Victoria Park program and wrote an evaluation report entitled "Behind the Financial Statements." The results showed the program had both economic and socioeconomic advantages. Over a period of 20 years, reintegrating long-term unemployed people into the world of work results in a social profit of around SEK 120 million. Additionally, we published a comprehensive report on our social sustainability initiative in the Herrgård area of Rosengård, Malmö, in 2018. The report "Droppen som urholkar stenen" (little strokes fell big oaks) analyzes the effect of our initiatives between 2013 and 2018 and presents the direct social impacts that they have, e.g., that residents get back into work after a (longer) period of unemployment and are therefore no longer reliant on welfare. In order to create a financial parameter for measuring the effect of this kind of social sustainability work, Ingvar Nilsson used a calculation method that employed various realistic assumptions and precautionary principles. His calculations show that the advantages that result from the social sustainability work implemented and planned by Victoria Park in Herrgård will amount to SEK 261 million over the next ten years.

Environment

In our apartments, energy is primarily used for heating, ventilation, running laundry rooms and lighting public spaces. Almost 90% of our energy consumption is from district heating and 10% is from electricity that is generated without any fossil fuels whatsoever. Tenants also use electricity for lighting, household devices and electronics, but this electricity consumption is not normally included in the rent and therefore not recorded by Victoria Park.

Our aim is to achieve a constant improvement in the portfolio's energy efficiency. We achieve this by using new technology, better insulation and intelligent control systems, for example. In 2015, Victoria Park launched an ambitious project to regulate the heating system according to the weather forecast, thus aiming to optimize energy consumption. By the beginning of 2018, this technology had been fitted in around 5,000 apartments. Thanks to comprehensive investments in energy-saving measures – around SEK 100 million in 2018 – energy efficiency was improved, CO₂ emissions were reduced and energy intensity was lowered. This development shows that measures to reduce the impact of climate change are working. With large, unused roof spaces facing south, many of our apartments have favorable conditions for photovoltaic plants. A solar module test project was launched at the end of 2018. We expect that this initiative will allow a total of 200,000 kWh of environmentally friendly electricity per year.

Another important topic is the reduction of water consumption. As part of our kitchen and bathroom refurbishments to improve standards, we regularly implement measures throughout the portfolio that contribute to reducing water consumption. For example, water-saving faucets and toilets that significantly reduce consumption are installed in 1,200 apartments per year. Our water project also includes the replacement of sanitary facilities and repairing sewage pipes. Water consumption can also be effectively reduced by installing individual water meters. This means that residents receive detailed information regarding their water consumption and can adapt their behavior accordingly.

These investments have a direct impact on both tenant behavior and climate. We have achieved reductions in water consumption of more than 20% on average in the residential portfolio.

Victoria Park also assigns refurbishment and conversion work to quality companies that take into account environmental aspects, such as energy efficiency, material selection and correct handling of hazardous chemicals.

Employees

Victoria Park strives to create an inclusive working environment that allows all of our employees, regardless of age, gender, ethnic origin or sexuality, to remain true to their character. We wish to offer our employees a progressive working environment that promotes work satisfaction and a healthy lifestyle. We stepped up our strategic agenda regarding the working environment in 2018 with the aim of securing high attendance rates and an effective process for helping returning employees to settle back into their work. A central safety committee was established for this purpose that will deal with all issues relating to the workplace, covering social, organizational and health concerns.

Our Code of Conduct clearly condemns all forms of discrimination and includes our customers, suppliers and partners in this. As part of our endeavors to ensure that the Code of Conduct is applied correctly and to simplify the reporting of irregularities, we introduced an external whistle-blowing service in 2018.

Find out more at www.victoriapark.se

Mission Statement 102-16

Vonovia is well established in its communities and maintains constant communication with a number of stakeholders. In order to live up to their expectations and our expectations of ourselves, we have set out binding principles for our conduct in our mission statement.

The **vision** explains how Vonovia wishes to be perceived by its stakeholders. Our goal is to be held in high esteem by all our partners as a force shaping the housing industry.

As far as society at large is concerned, we are committed to the idea that "owning residential property implies an obligation" and we aim to act in a manner that embraces the three aspects of sustainability: financial, ecological and social responsibility.

The **mission** describes the company's core business and its responsibilities toward its stakeholders. As a leading real estate company, Vonovia aims to give people a home:

- > Homes form the basis of our business, which we are constantly enhancing using our competence and financial strength, in order to set new trends in the housing industry.
- > We offer our customers affordable homes that meet their needs together with housing-related services and reliable customer support.
- > We offer a high level of customer orientation and a scalable business model that aims to establish us as the quality leader in our market.

We offer our customers more than just a residence – Vonovia provides a home for the whole family. We are on hand to provide reliable service when our customers need us. We want our employees to identify with their employer, Vonovia, thanks to our commitment to putting team spirit into practice, a long-term focus, a culture of appreciation and continual new challenges. The company provides investors with sustainable and adequate yields. We act as a discerning and fair partner to our suppliers.

Vonovia Germany in Figures (incl. portfolio BUWOG Germany)

(Dec. 31, 2018)

☒ 102-4, 102-6, 102-7



On site

in 526 cities and
communities and
16 federal states



Employees

9,923
(incl. BUWOG Austria
and Victoria Park)



Garages and parking spaces

93,030



Own apartments

358,451



Average apartment size

approx. 62 m²



Commercial units

4,022



Total living area

22,364,651 m²

You can see more key figures in our 2018 Annual Report

☒ AR 2018, p. 104

Sustainability Management

☒ 102-15, 102-19, 102-20, 102-44, 201-2

The size of our property and service portfolio means Vonovia has an equally large responsibility toward the environment and society. We strive to fulfil our responsibilities in the interests of our stakeholders and align our activities with this aim. We include sustainability issues and current societal developments in our decisions and planning for this purpose.

Our Understanding of Sustainability

Vonovia's business model aims to maintain the value and foster the long-term development of the real estate portfolio as well as to keep our service promise to our customers. On this basis, we work to achieve the sustainable growth of our company with stable income over the long term.

Our business model is integrated into social and ecological change processes. For our company, these include, in particular, demographic change, the ongoing trend for urbanization, migratory flows to Germany and regulatory and social changes brought about by climate change.

As a result of our business model, we believe that economic, ecological and social sustainability are closely interlinked and covered by regulatory frameworks. This is the framework within which Vonovia operates in order to generate added value for its core business in ecological and social areas too.

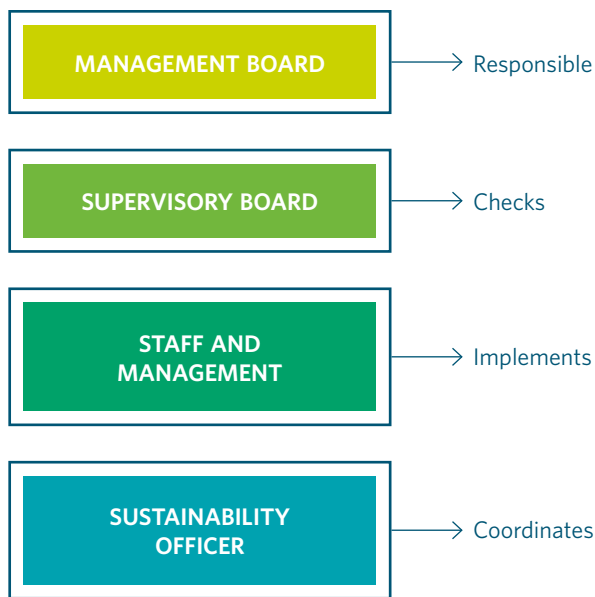
Our Sustainability Approach

Our sustainability approach takes into account the developments affecting our business. We also take into consideration the impact of our business processes on society and the environment. The main focal point, however, is always on providing a comfortable home. After all, a home is a basic human need. Good living standards and sound neighborhoods are essential for making sure that customers feel content in their homes over the long term. We meet our customers' needs by providing affordable, high-quality homes that are integrated in lively neighborhoods. [102-44](#)

Within this context, we also implement extensive measures to maintain and develop our portfolio. These efforts include, in particular, measures to improve the energy efficiency of our stock. This allows us to make a contribution to protecting our climate. At the same time, well-insulated apartments increase efficiency and simultaneously reduce ancillary costs for our customers. Compliance with the regulatory requirements of environmental, energy and tenancy law is always a material component of our business processes.

A nice, stable environment is part of a good residential atmosphere. Therefore, together with other social actors, we become involved beyond our properties and set trends with cities, companies and city planners, with associations, initiatives and, last but not least, with our local customers for the sustainable development of entire neighborhoods.

Sustainability organization



In order to ensure that sustainability issues can be tackled in a more structured, cross-departmental manner and to expand our dialogue with stakeholders, the function of a sustainability specialist was established in 2017. General topics such as sustainability reporting, corporate citizenship, adjustments to relevant guidelines or the development of interfaces with relevant company processes are handled there on a centralized basis.

One particular challenge facing the real estate industry involves making environmental key figures available for the housing stock. These are calculated based on the consumption of resources in rented areas which is, in turn calculated largely based on the statements prepared by the utilities companies. In order to place more emphasis on this complex issue within the company and to significantly increase data quality, Vonovia launched a project on the collection and reporting of key environmental figures, under the auspices of the central controlling department at the end of 2018. [102-20](#)

Framework

Vonovia always focuses on valid laws and provisions in its sustainability activities. In addition, numerous national and supranational standards and agreements serve as a guide for the structure and design of our sustainability concept. This includes the 2015 Paris Agreement and the German government's 2050 climate protection plan as well as upholding human rights and working standards, fulfilling our duty of care and adhering to safety provisions.

Establishment in the Company

At the highest level, the Chief Executive Officer of Vonovia SE is responsible for the issue of sustainability at Vonovia. The Supervisory Board supports and monitors the issue in the Audit Committee. [102-20](#)

The operational processing of sustainability-related issues is performed via the staff positions and line functions of Vonovia SE. Those responsible from the customer service, residential environment, product management, process management, HR, purchasing, accounting and communication departments, and the technical service ensure that the agreed measures are implemented in everyday business and our objectives are achieved. [102-19](#)

Environmental Developments

102-15, 201-2

Environmental developments relevant to Vonovia's business

How we prepare for them

Society

The demand for (affordable) housing is increasing.

Social tensions in society (and on the housing market) are on the rise.

By means of efficient property management, we are keeping costs low in order to maintain rents appropriate. At the same time, we build new homes where we can.

In the future, we will be conducting less modernization work than in the past. Our modernization allocation will be restricted to €2 per square meter. We keep our modernization measures affordable and do our best to avoid causing hardship with efficient processes, the help of volume advantages and by looking for individual solutions. We ensure an attractive residential environment and support socially disadvantaged groups with active neighborhood management. We are increasing our dialogue with stakeholders, and have been including them right from the planning process stages.

The proportion of senior citizens is growing.

We are stepping up our senior-friendly extension and refurbishment activities and expanding our portfolio to include residential communities supervised by nursing assistants, for instance.

More and more people are moving into metropolitan areas. This is putting more pressure on large cities in particular.

By means of densification and vertical expansion, we are creating additional living space on our land and in our existing properties. Future-oriented mobility concepts allow us to reduce car parking spaces wherever possible and to create new spaces for alternative uses.

Regulation

Statutory requirements relating to housing and construction are rising, occasionally resulting in conflicting aims.

We are in dialogue with policymakers and participate in deliberations about the feasible simplification of statutory law. At the communal level, we are involved in constructive discussions to find solutions that benefit all parties.

Environment and Climate

The real estate sector is responsible for a considerable amount of greenhouse gas emissions. The ecological and economic costs are rising for the housing industry.

The German government is pursuing the ambitious target of establishing a virtually climate-neutral building stock by 2050. We are currently conducting energy-efficiency refurbishments in approximately 5% of our portfolio and are researching further cost-effective and efficient processes for reducing CO₂ emissions. The efficiency of our processes enables us to keep the environmental costs and consequences of our operations as low as possible. For example, the centralized procurement of materials and route optimization has allowed us to reduce fuel consumption considerably.

The energy revolution is stagnating in an increasing degree, while fossil fuels are becoming ever more scarce.

For the country to reach its climate targets, Germany needs a comprehensive energy and heating revolution. Vonovia is actively involved in helping to achieve these targets with the energy-efficiency measures conducted in our properties; for example, by fitting good insulation and new windows. When installing new heating units, we use modern and resource-conserving technologies. We are also investing in the expansion of decentralized renewable energy.

Digitization

Processes are increasingly being linked and automated.

We are monitoring digitization developments, examining their impact and benefits on our business model and, where necessary, adapting solutions for application at Vonovia. With interconnected processes we can improve interactions with our customers and the coordination of our employees.

Material Topics

☒ 102-46, 102-47, 102-48, 102-49, 103-1

In order to meet our responsibilities toward the environment and society, we focus our sustainability efforts on topics that are material and relevant to Vonovia. We analyze and update these topics based on developments in the European real estate markets, society and politics. We also include topics that we can influence with our business model.

Performing a Materiality Analysis

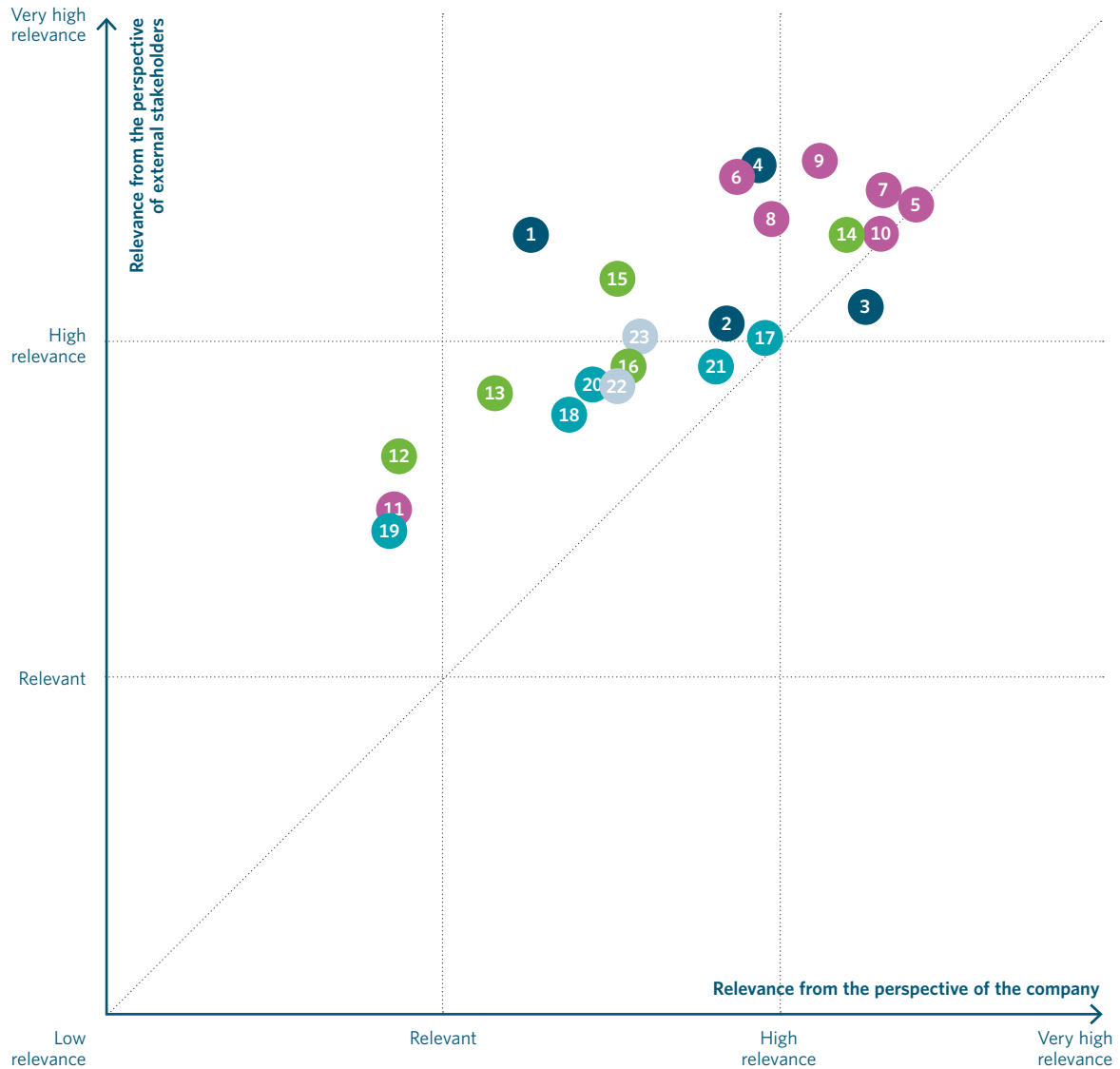
We identified and prioritized the topics that were material to our company and our business activities for the first time in preparing the 2015 sustainability report. A stakeholder survey was conducted at the beginning of 2017 to validate and amend these topics. Please refer to the 2016 Sustainability Report for a detailed description of the procedure. [☒ SR 2016, p. 22 et seq.](#) 102-48, 102-49

The evaluation of the topics was transferred to a materiality matrix, which showed that none of the topics were classified as irrelevant by the stakeholders. The topics raised by the stakeholders themselves were all topics that Vonovia already addresses. 102-46

We intend to perform another materiality analysis in 2020. The aim is to reflect the course taken until that point and give us the opportunity to include or reevaluate current developments and issues in our sustainability management.

Materiality Matrix

102-47



Sustainable Management

- 1 Adjustments to Reflect Climate Change
- 2 Compliance and Anti-Corruption
- 3 Long-Term Growth
- 4 Open Dialogue with Society
- 22 Social and Labor Standards in the Supply Chain
- 23 Environmental Standards in the Supply Chain

Society and Customers

- 5 Portfolio Maintenance
- 6 Affordable Rents
- 7 Tenant Health and Safety
- 8 Neighborhood Development
- 9 Creation of Homes
- 10 Service Quality and Customer Satisfaction
- 11 Corporate Citizenship

Environment

- 12 Impact of Transportation/Logistics
- 13 Company Environmental Protection
- 14 Energy Efficiency and Reducing Greenhouse Gas Emissions in the Portfolio
- 15 Environmental Protection in the Portfolio
- 16 Environmental Protection in Connection with Renovation and New Construction Measures

Employees

- 17 Initial and Further Training
- 18 Occupational Health and Safety
- 19 Co-Determination
- 20 Diversity and Equal Opportunities
- 21 Work-Life Balance

Material Topics per Focus Areas

☒ 102-47, 103-1

Material topic	Material for			GRI topics	Page reference
	Vonovia/ business processes	Custo- mers/ society	Supply chain		
Sustainable corporate governance					
Long-term growth	x			Economic performance	22-27
Open dialogue with society		x		Public policy // Stakeholder engagement	28-30, 41
Compliance and anti-corruption	x		x	Anti-corruption // Human rights // Anti-competitive behavior // Environmental compliance // Socio-economic compliance // Marketing and labeling	32-36, 65-67
Adjustments to reflect climate change	x	x		Economic performance	22-27
Environmental standards in the supply chain			x	Procurement practices // Supplier environmental assessment	65-67
Social and labor standards in the supply chain			x	Procurement practices // Supplier social assessment // Human rights	32-36, 65-67
Society and customers					
Portfolio maintenance	x	x	x	Material topic – not covered by GRI	43-45
Tenant health and safety		x		Customer health and safety	33-36, 43-45
Creation of homes		x		Local communities	47-49, 51-53
Service quality and customer satisfaction		x		Stakeholder engagement	28-29, 41
Neighborhood development	x	x		Indirect economic impact // Local communities	26-29, 41-42, 47-49, 51-53, 64
Affordable rents	x	x		Indirect economic impact	26-29, 41-42, 47-49, 64
Corporate citizenship		x		Indirect economic impact	26-29, 41-42, 47-49, 64

Material topic	Material for			GRI topics	Page reference
	Vonovia/ business processes	Custo- mers/ society	Supply chain		
Environment					
Energy efficiency and reducing greenhouse gas emissions in the portfolio	x	x		Energy // Emissions	59-62, 68-71
Environmental protection in the portfolio	x	x		Biodiversity // Water // Effluents and waste	59-62, 63-64
Environmental protection in connection with renovation and new construction measures	x			Water // Effluents and waste	59-62, 65-67
Company environmental protection	x			Energy // Emissions // Water // Effluents and waste	59-62, 68-71
Impact of transportation/logistics	x			Energy // Emissions	59-62, 68-71
Employees					
Training and education	x			Training and education	76-79
Work-life balance	x			Employment // Occupational health and safety	73-75, 80-85
Diversity and equal opportunities	x			Diversity and equal opportunity // Anti-discrimination/equal treatment	33-36, 86-87
Health management/occupational health and safety	x			Occupational health and safety	80-83
Co-determination	x			Labor/management relations // Freedom of association and collective bargaining	73-75