

Compliance Guidelines

I. Objective of the Guidelines

The group of companies managed by Vonovia SE ("**Vonovia**") is subject to numerous laws, regulations, administrative provisions and contractual obligations. In addition, Vonovia's management has established in-house guidelines and instructions. As a result, all transactions and processes have to be conducted in such a way that they comply, in terms of both formal requirements and content, with the relevant laws, regulations and administrative provisions as well as with contractual obligations and in-house guidelines and instructions (collectively referred to as "**compliance requirements**"). Failure to meet compliance requirements can give rise to considerable disadvantages for Vonovia.

With this in mind, a Compliance Management System (**CMS**) is being implemented for Vonovia as a whole. These Vonovia Group guidelines ("**Compliance Guidelines**") set out the basis for the establishment and operation of Vonovia's compliance organization and describe how the CMS is structured. Together with the Code of Conduct, they are therefore at the very top of Vonovia's in-house hierarchy of compliance regulations and form the starting point, and the point of reference, for all subordinate compliance regulations at Vonovia. All compliance regulations must be compatible, consistent and complete. Vonovia's compliance regulations include, in particular (as amended in each case):

- > The Code of Conduct
- > The Business Partner Code
- > The Inspection Guidelines
- > The Group Guidelines on Guideline Management

The Compliance Guidelines are to be reviewed at regular intervals, but at least every two years, and adapted/added to in terms of content as and when required. Major amendments and supplements to the Compliance Guidelines are submitted to the CEO of Vonovia for approval.¹

¹ Cf. Group Guidelines KR-00 Guideline Management.

II. Responsibilities and Scope

1 Responsibility

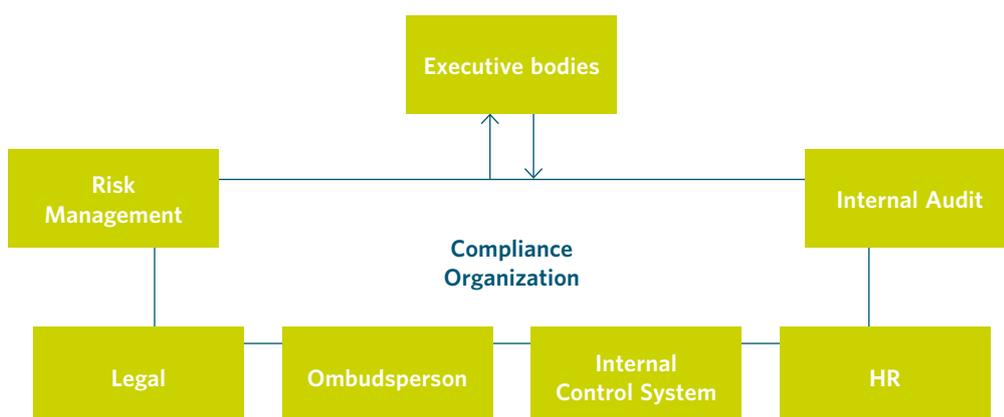
The Compliance Guidelines are prepared, and updated on a regular basis, by the Compliance Officer (CO) in consultation² with the various departments within Vonovia, in particular Legal, Risk Management, Human Resources and Internal Audit. The CO is responsible for the establishment, operation and further development of Vonovia's CMS.

2 Scope

These guidelines apply to the entire Vonovia Group, as well as to all subsidiaries and joint ventures that are subject to the economic governance of Vonovia.³

3 Interface Management and Boundaries

Efficient implementation of the CMS requires cooperation between the compliance organization and various areas of the company. These guidelines describe the delegation of tasks and responsibilities from the Management Board to the CO, as well as the latter's reporting obligations. It also sets out provisions governing interface management and boundaries in the implementation of the CMS for the areas of Risk Management, Human Resources, Internal Audit, Legal and the ombudsperson.



The areas of the company concerned work together in the spirit of trust and in line with their individual responsibilities, inform each other of any suspected cases, coordinate their fundamental procedures and exchange information on a regular basis, particularly within the Compliance Committee (CC) pursuant to section 5.1.8.

² Details on the coordination process can be found in Group Guidelines KR-00 Guideline Management; details on cooperation within the Compliance Committee can be found later on in these Group Compliance Guidelines in section 5.1.8.

³ Vonovia comprises all companies in which the Group holds a stake of more than 50%.

III. Definition of Compliance

Pursuant to section 4.1.3 of the German Corporate Governance Code (GCGC), the Management Board, as the management body, is responsible for ensuring that all provisions of law and the company's internal policies are complied with, and works to ensure that they are observed by the Group companies. The term "compliance" includes all measures designed to ensure that all members of Vonovia's executive bodies and all of its employees⁴ adhere to the compliance requirements.

Compliance also describes adherence to Vonovia's core ethical values. These include treating each other with respect and tolerance, recognizing the dignity of each and every individual, acting fairly and responsibly, assuming corporate social responsibility and avoiding any conflicts of interest.

These standards of integrity and sound behavior apply to all members of the company's executive bodies, all managers and other employees of Vonovia as well as to companies, business partners and their employees who work, or wish to work, for Vonovia.

IV. Basic Elements of the Compliance Management System

The statutory requirements and due diligence standards that apply to listed companies of Vonovia's size result in a number of recognized principles regarding the structure and key content of the CMS.

The Compliance Guidelines are consistent with the *Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW AsS 980)*.⁵ In addition, the guidance on the *2010 UK Bribery Act*⁶ is also taken into account.

Vonovia's CMS consists of the following basic elements:

- > Compliance culture
- > Compliance objectives
- > Compliance risks
- > Compliance program
- > Compliance organization
- > Compliance communication
- > Compliance monitoring & improvement

These basic elements create a regulatory framework for the CMS and are not associated with rigid requirement criteria and parameters, preserving necessary scope for action and freedom to design an appropriate system.



⁴ To simplify matters, the term "employees" is used below to refer to all of Vonovia's employees, including managers.

⁵ Institute of Public Auditors in Germany Auditing Standard 980 (Compliance Management System), April 2011.

⁶ The Bribery Act - Guidance, UK Ministry of Justice, March 2011.

1 Compliance Culture

The appropriateness and effectiveness of the CMS is shaped to a decisive degree by Vonovia's compliance culture. The compliance culture is largely determined by the fundamental attitude and behavior of the members of the company's executive bodies and managers (collectively referred to as the "management"). This has a decisive impact on the importance that all employees and business partners attach to the concept of compliance.

The compliance culture is determined by the following characteristics, in particular:

- > Established core ethical values that are put across in a sustainable manner (section III)
- > Clear, sincere and repeated commitment to compliance by the management (tone at the top)
- > Conscious stance taken by the management in decisions to enforce compliance measures
- > Correct employee conduct in both commercial and legal terms that is characterized by integrity and reliability
- > Availability of documentation on all of the compliance regulations throughout the company
- > Company-wide access to the compliance specialists for all employees
- > Company-wide awareness of and accessibility to the ombudsperson
- > Consideration of insufficient compliance in employee appraisals and in the context of promotions

Vonovia's compliance culture is based on open communication and an open corporate culture. This transparency makes individuals more likely to report misconduct.

Any indications of abuse, or suspected abuse, reported by employees and business partners are investigated with the necessary confidentiality and diligence.

Vonovia tenants who wish to lodge a complaint can first of all contact the complaints departments within Vonovia's customer service (call center/hotline). If these complaints point toward misconduct, or suspected misconduct, within the meaning of these Guidelines, the matter must be reported to the CO. To ensure that this service is fit for purpose, customer service employees must be trained accordingly.

Whistleblowers have the right to remain anonymous and are entitled to special protection from Vonovia with regard to any personal, work-related or financial disadvantages that could arise as a result of their report. This applies to all whistleblowers who make a report in good faith, regardless of the information channel used (ombudsperson, IT systems, superiors, management, CO, compliance manager).

2 Compliance Objectives

2.1 Corporate Objectives

In principle, the compliance objectives are first of all derived from Vonovia's corporate objectives. The compliance objectives must be worded so as to make them consistent, comprehensive, practicable and measurable. The definition of the objective in turn forms the basis for the scope of the assessment of Vonovia's general and specific compliance risks.

2.2 General Compliance Objectives

Vonovia implements an effective and appropriate CMS first of all in order to comply with its legality obligation. Pursuant to sections 93 (1), 396 (1) of the German Stock Corporation Act (AktG)⁷, a company's management has to act in accordance with the law when performing its duties.

⁷ As a Societas Europaea in accordance with Article 51, 9(1c), ii) of Regulation (EC) No 2157/2001 of October 8, 2001 (EC SE Regulation), German stock corporation law applies to Deutsche Annington Immobilien SE.

Second, compliance with the legality obligation also has to be monitored. This means that the company's management has to ensure that the employees who report to it also behave in accordance with the law. Consequently, implementation of the CMS complies with the monitoring obligation under company law in accordance with sections 76 (1), 93 (1), 91 (2) AktG and the monitoring obligation under administrative offense law in accordance with sections 130 (1), 30 of the German Administrative Offenses Act (OWiG).

2.3 Special Compliance Objectives

2.3.1 Guidance, Security and Advisory Function

Vonovia's CMS is designed to create transparent structures and processes that promote and support legally compliant behavior of all employees in accordance with the applicable regulations and create security in day-to-day working life in the complex regulatory environment that a listed company and market leader in the housing industry operates in.

2.3.2 Active Risk Management

The CMS is designed to ensure that compliance risks are identified reliably and at an early stage and managed systematically.

2.3.3 Protective Function

The CMS is designed to reduce and prevent the detrimental impact of any misconduct for which Vonovia is responsible on the company and its executive bodies. To this end, the CMS organizes three staggered lines of defense (see diagram in Annex 2).⁸ The first line of defense consists of the operational management of Vonovia's business units, which implements the internal control mechanisms. The second line of defense comprises the CMS and the risk management system, in particular. The third and final line of defense is made up of the Internal Audit organization, as an auditor that is independent of the system.

2.3.4 Coordination Function

The CMS will ensure compliance with general and special housing industry compliance requirements in collaboration with the responsible departments at Vonovia. Coordination is achieved, in particular, by way of regular consultation (at least once a year) with the relevant departments. The CO can invite the relevant departments to meetings of the CC.

2.3.5 Reputation Function

The CMS strengthens the confidence of the general public, shareholders, business partners and other stakeholders in Vonovia's integrity and reliability.

3 Compliance Risks

3.1 Compliance Risk Analysis

Vonovia's management has a wide margin of discretion in implementing the structure of the CMS. The requirements and limits of the *Business Judgment Rule* pursuant to section 93 (1) sentence 2 AktG, however, have to be observed. In line with this rule, the company's compliance risk profile has to be determined as the basis for every organizational decision to establish or adapt the CMS, so as to allow the company to define and implement suitable, necessary and appropriate measures to minimize and control compliance risks on the basis of the risks identified.

In principle, each and every corporate process at Vonovia can involve compliance risks. If certain conduct is prohibited or required in an area for which Vonovia is responsible, it can be assumed that there is a compliance risk. Major general and specific housing industry-related compliance risks that are already acknowledged are listed in sections 3.2 and 3.3.

⁸ "Three Lines of Defense Model," Statement by DIIR – Deutsches Institut für Interne Revision e.V. on the EU Green Paper "The EU corporate governance framework," p. 10.

In the event of misconduct, Vonovia can risk suffering the following disadvantages, in particular:

- > Loss of reputation
- > Administrative and monetary fines
- > Disgorgement of profits and surplus revenue
- > Claims for damages in the event of damage suffered by third parties
- > Exclusion from public tender procedures in cases involving corruption
- > Negative reactions on the capital markets
- > Greater difficulties in accessing new capital
- > Reduced appeal as an employer
- > Considerable financial expenditure to clarify and deal with the matter

In addition, members of Vonovia's executive bodies, as well as its managers and employees, may also face personal risks with regard to claims for damages, or even consequences relating to criminal or administrative law. These scenarios can also have labor law implications for the individuals involved.

The CO is responsible for conducting a company-wide compliance risk analysis at regular intervals, at least every two years. These compliance risk analyses are designed to allow compliance risks to be identified, documented and evaluated in a systematic and reliable manner. The analysis methodology and the results are coordinated with Risk Management and the CC and are presented to the management and the Audit Committee of the Supervisory Board (either as part of the Risk Management report or in a separate report).

Before the acquisition of stakes in companies or majority company takeovers, the specific compliance risks associated with the target company and the risks following a takeover by Vonovia are also examined as part of the due diligence process where this is possible and appropriate and, if necessary, reflected in the contractual structure of the transaction.

3.2 General Compliance Risks

The general compliance risks and content requirements for the CMS implemented by Vonovia as a listed company include, by way of example:

- > White-collar crime (**fraud**), in particular corruption, fraud, embezzlement, theft, misappropriation
- > Breaches of the German Money Laundering Act (Geldwäschegesetz)
- > Breaches of competition and antitrust law
- > Failure to comply with protective labor law regulations
- > Failure to comply with data privacy requirements
- > Improper accounting
- > Failure to comply with tax requirements
- > Failure to comply with the covenants set out in loan agreements and bond conditions
- > Failure to comply with capital market requirements
- > Mistakes made when selecting and/or monitoring business partners and subcontractors (particularly with regard to Vonovia's own craftsmen's organization)

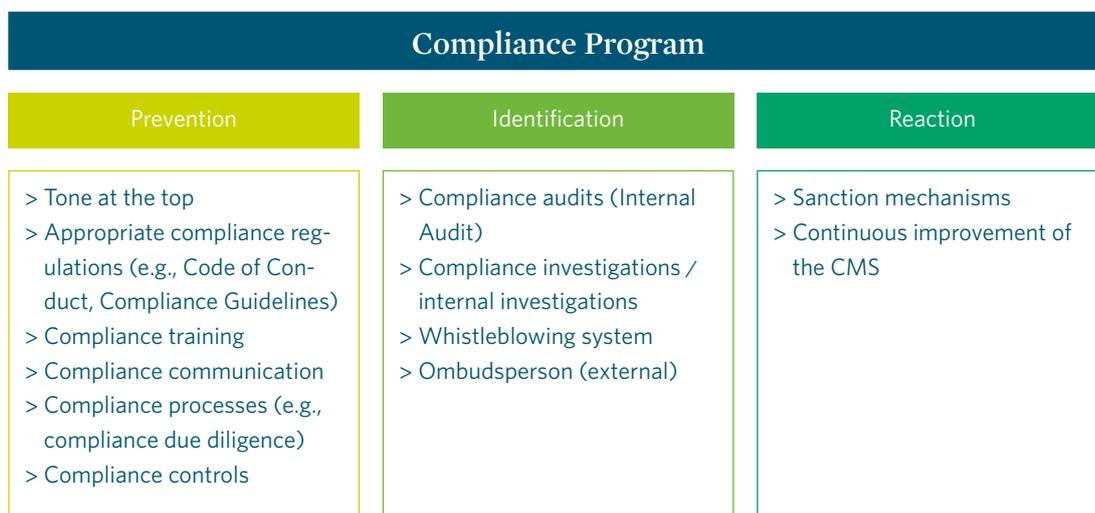
3.3 Special Compliance Risks

As a market leader in the housing industry, Vonovia's special compliance risks include, by way of example:

- > Incorrect allocation of ancillary costs
- > Improper safekeeping and payout of security deposits
- > Failure to comply with safety requirements and restrictions on the use of properties
- > Failure to comply with the requirements set out in takeover agreements and joint venture agreements (e.g., vis-à-vis the Federal Railway Fund (Bundeseisenbahnvermögen))
- > Breach of environmental law requirements (e.g., contaminated soil and buildings, water pollution)

4 Compliance Program

Vonovia's CMS is designed to ensure that future misconduct is prevented ("**prevention**"), that any misconduct that has already occurred is identified ("**identification**") and that Vonovia takes appropriate and effective action in response to any misconduct identified ("**reaction**"). The three pillars of the compliance program make up an extensive system of compliance measures and processes. The focus of our appropriate and effective CMS is on preventing misconduct.



4.1 Prevention

The first pillar of the compliance program is the avoidance/prevention of potential compliance misconduct. Depending on the results of the compliance risk analyses and the business processes concerned, the following compliance measures and processes can be considered:

- > Support for the management in promoting the compliance culture
- > Drawing up, developing and implementing suitable, necessary and appropriate compliance regulations, such as the Business Partner Code, Anti-Fraud Policy
- > Preventing compliance breaches by conducting regular and target group-specific training sessions, e.g., face-to-face training sessions and e-learning programs
- > Active compliance communication to Vonovia's employees as well as to customers and business partners where appropriate
- > Defining and implementing business-related compliance processes, such as compliance due diligence for business partners

- > Defining and implementing compliance controls, such as compliance spot checks or reports
- > Advising operational management and employees in the business units on all compliance matters, in particular on compliance risk analysis and on the incorporation of suitable, necessary and appropriate compliance controls into business processes (e.g., separation of functions, independent cross-checks such as the dual control principle, job rotations)
- > Coordination of compliance issues with the responsible departments within Vonovia

One outcome of the compliance risk analysis is the establishment of risk-based compliance controls to be implemented in an appropriate scope and at appropriate intervals. These can include, for example, provisos on approvals, compliance spot checks or reports.

4.2 Identification

This pillar of the compliance program allows Vonovia to detect any misconduct reliably and early on. It includes, among other things:

- > Conducting regular or ad hoc compliance audits (Internal Audit)
- > Conducting compliance investigations/internal investigations in particular individual cases (conducted by the Internal Audit department (if commissioned accordingly by the Management Board), otherwise by the CO or a representative of the CO)
- > Developing and implementing a whistleblowing system for employees and business partners
- > Systematic evaluation of any reports made
- > Supporting the external ombudsperson

Ensuring systematic links between all appropriate sources of information makes it more likely that any misconduct will be detected, irrespective of where it occurs in the company. This makes a key contribution to the systematic application of the compliance system and, as a result, to how compliance is observed at Vonovia. Finally, any misconduct that is identified also forms the basis for targeted training sessions and ongoing adjustments and enhancements to the compliance program to meet the standards that apply to a market leader in the housing industry.

Internal Audit, where appropriate with the support of other organizational units (e.g., Legal, Compliance and/or Human Resources, other departments) and individuals, is responsible for clarifying the facts in the event of misconduct or suspected misconduct, or in cases involving spot checks performed without any concrete suspicion or reason (e.g., performed at random) on a case-by-case basis. Compliance investigations to clarify the facts of the case are to be carried out quickly, comprehensively and in a structured manner in order to avoid further damage and to obtain evidence that can be used in court without jeopardizing subsequent investigations conducted by law enforcement agencies.⁹ The facts clarified are to be documented in writing carefully and in full in a manner that makes them comprehensible to third parties.

The suspect's right to privacy, as well as general principles of the rule of law, in particular adherence to the principle of proportionality, must be taken into account when investigating the facts of the case. The Legal department is to be involved where appropriate. Evidence may only be collected using lawful means. Personal data is to be handled in accordance with the data protection guidelines that apply within Vonovia and in accordance with the German Federal Data Protection Act (Bundesdatenschutzgesetz) as amended. Only those individuals and departments that have a legitimate interest in the information are informed of suspicious circumstances and investigation results.

Whistleblowers and the information received as part of the whistleblowing process must be treated as particularly confidential at Vonovia. Any individual who reports circumstances pointing to misconduct or suspected misconduct in good faith enjoys special protection and the right to remain anonymous if they wish. Vonovia takes all measures that are necessary and reasonable to ensure that a whistleblower does not suffer any personal, work-related or financial disadvantages as a result of having reported the case in question.

⁹ Annex 3 shows the procedure, responsibilities and information flow for compliance investigations.

4.3 Reaction

The third pillar of the CMS agrees on a systematic reaction to any misconduct that is identified, with sanctions that are commensurate with the case in question, thus laying the foundation for the continuous further development of the CMS. It primarily includes:

- > Sanction mechanisms (depending on the number and type of compliance breaches, drawing up a systematic catalog of labor law sanctions in close collaboration with the Legal and Human Resources departments where appropriate)
- > Continuous improvement of the CMS by performing a structured analysis of the misconduct identified, identifying case patterns and adapting suitable prevention measures, such as training sessions and communication

5 Compliance Organization

Vonovia's compliance organization meets the risk-based requirements for an appropriate and effective CMS for a listed company that is a market leader in the German housing industry, taking into account, in particular, the principles of impartiality and efficiency of the compliance organization, the incorporation of compliance into business processes, transparency of decision-making processes and sustainability in compliance reporting.

5.1 Organizational Structure and Responsibilities

A clear and transparent structure for the compliance organization, as an integral component of Vonovia's overall corporate organization, which includes a precise description of the individual duties and responsibilities, as well as rights and obligations of the individual members of the compliance organization, is essential for a functioning CMS.

5.1.1 Supervisory Board

The Supervisory Board is responsible for monitoring the CMS established by the Management Board. In accordance with section 10.2 of its Rules of Procedure, the Supervisory Board delegates the monitoring of CMS to the Audit Committee in accordance with section 5.3.2 sentence 1 GCGC.

5.1.2 Audit Committee

The duties and responsibilities of the Audit Committee of Vonovia's Supervisory Board are defined in the Stock Corporation Act, the German Corporate Governance Code, the Articles of Association and the Rules of Procedure of the Supervisory Board, and are to be applied within the context of the CMS. To this end, the Audit Committee discusses and monitors the following topics on a regular basis:

- > Status of the CMS
- > CMS processes and measures
- > Compliance reporting
- > Statutory and regulatory developments

The Audit Committee has the authority to commission internal compliance investigations.

5.1.3 Management Board

Pursuant to section 4.1.3 GCGC, the Management Board ensures that all provisions of law and the company's internal policies are complied with, and endeavors to achieve their compliance by the Group entities. In this respect, it is responsible for compliance, in particular for the implementation of the CMS and the establishment and operation of the compliance organization. The Management Board must equip the CMS with the necessary resources to enable it to perform its legality control and monitoring duties. The Management Board delegates the implementation of the CMS to the CO.

The Management Board has the authority to commission internal compliance investigations.

5.1.4 Compliance Officer (CO)

Vonovia's CO has company-wide responsibility for the implementation and further development of the CMS. This includes, in particular, the effective implementation of the compliance program and the personal management of the compliance organization. The CO is the central point of contact for compliance matters within Vonovia. The CO advises the Management Board and the business units and regions on all compliance-related issues that arise from operational management, and makes concrete suggestions for improvement and measures to the Management Board. The Human Resources department and the managers concerned are responsible for any measures under labor law and, if necessary, for any sanctions. The Human Resources department informs the CO of any measures taken and sanctions imposed.

5.1.4.1 Main Remit of the CO

The CO's main remit includes:

- > Coordinating compliance processes and measures
- > Monitoring the performance of internal and external compliance audits and measures (e.g., by including the CO on the Internal Audit report distribution list)
- > Recommending measures to be taken in the event of compliance breaches
- > Convening, heading and informing the CC (section 5.1.8)
- > Preparing regular compliance status reports
- > Designing, monitoring or implementing and evaluating regular compliance training sessions
- > Providing assistance, information and advice to employees on compliance issues
- > Performing compliance risk analyses
- > Internal and external compliance communication

5.1.4.2 CO's Reporting Channel

The CO reports to the CEO of Vonovia at regular intervals and on an ad-hoc basis in special cases. In addition, the CO reports (following prior consultation with the CEO) to the Audit Committee of Vonovia's Supervisory Board on a regular basis (standard report).

If, in the course of their activities, the CO finds concrete evidence of fraudulent acts by one or more members of the Management Board, they must report this to the Chairman of the Supervisory Board immediately (immediate report).

5.1.5 Compliance Manager (CM)

The CM supports the CO in carrying out their company-wide duties and reports directly to the CO.

In addition, the CM is directly responsible for providing advice and support on all of the following compliance matters:

- > Compliance in connection with Vonovia's procurement activities
- > Compliance in connection with Vonovia's sales activities
- > Coordination in criminal proceedings, searches and seizures
- > Business partners and subcontractors (in particular the craftsmen's organization)

The CM also works in close cooperation with the company departments responsible to ensure that additional housing industry-related compliance requirements are met. To this end, the CM coordinates and monitors appropriate information and control processes in respect of these special compliance requirements:

- > Allocation of ancillary costs in accordance with the contractual provisions
- > Due and proper safekeeping and payout of security deposits
- > Safety requirements governing the use of real estate

5.1.6 Operational Compliance Specialists

If need be, the CO can delegate further tasks to one or more employees in certain company departments, regions or central functions, such as procurement, sales or the craftsmen's organization, in consultation with the relevant individuals affected, their managers and the individual heads of department. These staff members are to be deployed to the extent that is considered necessary to ensure the appropriateness and effectiveness of the CMS. The employees appointed report to the CM in this function.

5.1.7 Ombudsperson

The ombudsperson acts as an external, impartial arbitrator for Vonovia. The ombudsperson is responsible for receiving compliance reports from Vonovia employees and business partners. The ombudsperson forwards these reports to the CO or the CM, with or without comments, at their own due discretion. The ombudsperson is obliged to keep the whistleblower's identity anonymous if the whistleblower so wishes. The ombudsperson attends the meetings of the CC as and when invited by the CO.

5.1.8 Compliance Committee (CC)

The CC supports and advises Vonovia's CO, who chairs the CC. The main remit of the CC includes:

- > Advising the CO
- > Coordinating cross-departmental compliance measures
- > Evaluating compliance risks, processes and measures
- > Providing support in the planning and implementation of compliance audits and measures
- > Providing support in the regular evaluation of the appropriateness and effectiveness of the CMS
- > Providing support in the continuous improvement and further development of the CMS

The CC comprises the following participants:

- > CO (Chair of the CC)
- > CM
- > Head of Legal
- > Head of Risk Management
- > Head of Human Resources
- > Head of Internal Audit
- > Ombudsperson
- > Representative of the Group Works Council

Other individuals, e.g., from the Corporate Communications department, can also participate in CC meetings if proposed by the CO. The CC meets on a regular basis (target: once per quarter) and on specific occasions as and when required. The CO organizes the meetings of the CC and prepares an agenda. Minutes of the outcome of the CC meetings are prepared and made available to all participants.

5.2 Reporting Lines



6 Compliance Communication

6.1 Internal Communication

All compliance rules are to be made accessible to all employees, for example, on Vonovia's intranet, with additional communication measures to be taken as and when required. This is not solely the responsibility of the CO, but is also to be actively supported by all Vonovia managers.

Internal compliance communication is to be developed in a targeted manner in close cooperation with the Corporate Communications department and is to be implemented in a sustainable manner. The communication measures include the following:

- > Introduction and maintenance of the Vonovia Compliance intranet
- > Email communication on the development of the Vonovia CMS
- > Activities to promote awareness of compliance among all employees
- > Ad-hoc communication on special compliance events and topics, such as the introduction of new Compliance Guidelines or a new compliance process

The Vonovia Compliance intranet serves as an important platform for internal compliance communication and is accessible to all Vonovia employees. The following compliance content is to be published on the intranet or made available via appropriate links:

- > Code of Conduct
- > Compliance Guidelines
- > General information on the CMS
- > Where appropriate, introductory compliance documents for new hires
- > Information on the compliance organization and contacts, including the personal telephone and email addresses of the CO, CM and ombudsperson
- > Information on the internal reporting system
- > Where appropriate, examples and case studies of compliance processes
- > Where appropriate, the latest information and news on all compliance-related matters

6.2 External Communication

The CO is responsible, in close coordination with the Corporate Communications and Investor Relations departments, for actively communicating the compliance culture in the annual reports and on the internet.

In addition, the contents of the Deutsche Annington Business Partner Code must be communicated to Vonovia's business partners and implemented as a binding requirement in the corresponding contractual agreements. Business partners must be given the opportunity to report any misconduct by Vonovia employees to the ombudsperson.

7 Compliance Monitoring and Improvement

7.1 Reporting

Systematic reporting is an essential part of the CMS and forms a key basis for compliance monitoring and improvement. The sharing of information is based on regular reporting to the management and the other members of the compliance organization in accordance with the organizational structure and reporting lines set out in section 5 "Compliance Organization."

7.2 Monitoring and Improvement

Continuous compliance monitoring ensures that independent areas of Vonovia, such as the Internal Audit department or external auditors, can assess and check the appropriateness and effectiveness of the CMS. The CMS is subjected to an audit focusing on risk. Sufficient documentation is essential to ensure the appropriateness and effectiveness of the CMS; this includes clear responsibilities and task assignments within the organizational structure and regular reporting. The CO is responsible for the systematic enforcement of the CMS, for eliminating any shortcomings and for continuous improvement.

Compliance monitoring and improvement largely comprises the following measures:

- > Further development of a structured system for monitoring compliance principles
- > Recommendation of specific monitoring topics for the annual audit plan of Internal Audit
- > Regular review of responsibilities
- > Analysis of reporting
- > Identification of case patterns
- > Investigation and communication of weak points
- > Definition of appropriate measures to prevent breaches in the future
- > Review of sanction mechanisms

V. Annex to the Guidelines

1 Basic CMS Elements in an International Comparison



UK Bribery Act Guidance

- > Proportionate procedures
- > Top-level commitment
- > Risk assessment
- > Due diligence
- > Communication (incl. training)
- > Monitoring & review

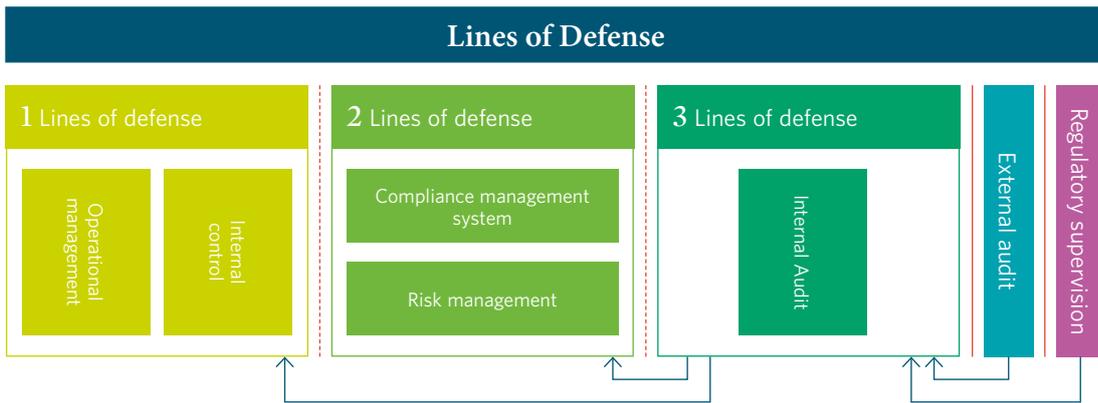


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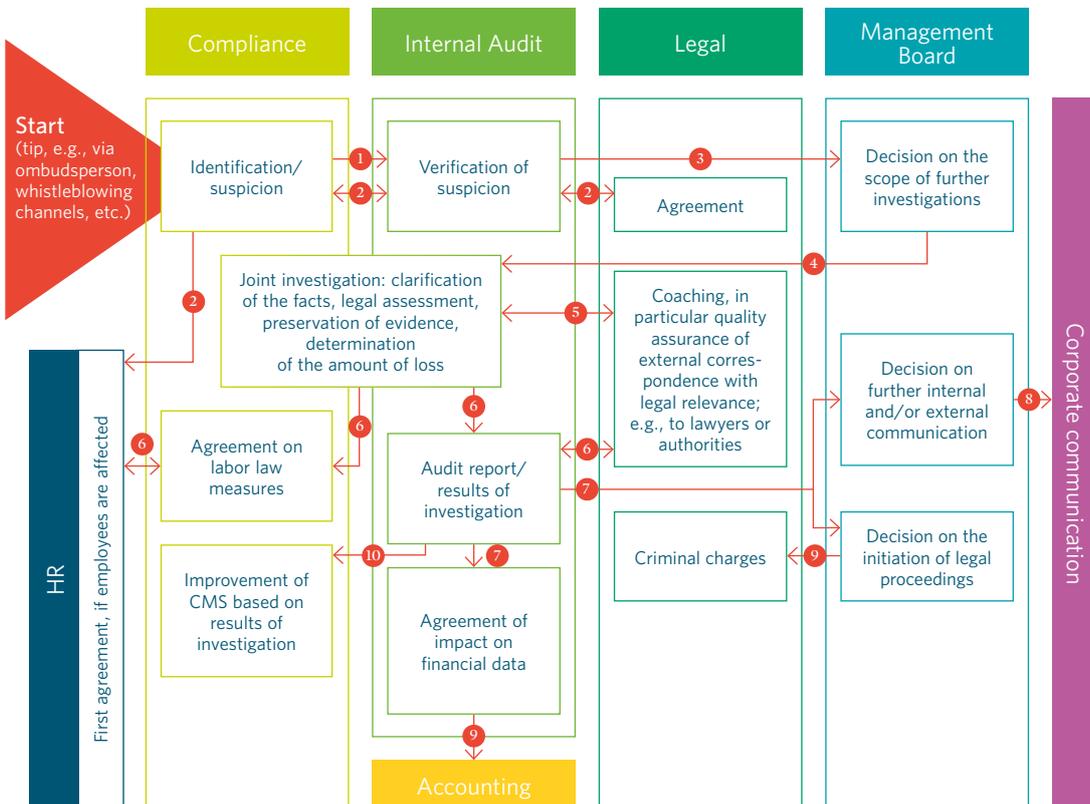
- > Compliance culture
- > Compliance objectives
- > Compliance risks
- > Compliance program
- > Compliance organization
- > Compliance communication
- > Compliance monitoring and improvement

Sources: The Bribery Act – Guidance, UK Ministry of Justice, March 2011 – "The Six Principles"; IDW AsS 980 = Institute of Public Auditors in Germany Auditing Standard 980 (Compliance Management System), April 2011 – "Basic elements of a CMS."

2 Protective Function of the CMS



3 Procedure for Compliance Investigations



Note: In accordance with section 3.1 of the Rules of Procedure for Internal Audit, the latter is commissioned exclusively by the Management Board.