

GRI-REPORT_Acting Sustainably
2014



de

+
**Added
Value**
in numbers



ABOUT THE REPORT

Deutsche Wohnen AG hereby presents its third Sustainability Report. It relates to the financial year 2014 and is aimed at employees, investors, analysts, politicians, tenants and business partners, as well as all other stakeholders who are interested in our company and in our social and environmental performance. The purpose of this Report is to create transparency and to show not only our numerous activities and services but also those areas in which we can still do more – at least in terms of providing verifiable evidence.

Alignment with GRI Guidelines

In taking inventory for and compiling the content of this Report, we followed the guidelines published by the Global Reporting Initiative (GRI). This initiative, established in the 1990s, has developed a global framework to promote comparability and credibility when companies and organisations report on their performance. The present Report complies with the GRI guidelines G3.1. These require the disclosure of a company's strategy, organisation and values and of key performance indicators in the areas of the economy, the environment and society. Additionally, in preparing this Report we have taken account of industry-specific requirements as formulated by the European Public Real Estate Association (EPRA).

Structure of our Sustainability Report

This Report meets the requirements for Application Level B. GRI has confirmed that the Report has been prepared according to the GRI G3.1 Guidelines, at Application Level B. Our aim is to comply as far as possible with the GRI specifications in the medium term and, thus, to meet the growing demand for transparency required by both analysts and investors. Together with the Sustainability Report, which is available online in PDF format, we have published a magazine that aims to provide a wide audience with a clear overview of our activities and includes the key economic, environmental and social performance figures.

Editorial notes

The data contained in this Report relates to the financial year 2014; material developments occurring in the first six months of 2015 are described in the text. The cut-off date for this Report was 31 July 2015.

CONTENT

STANDARD DISCLOSURES	2
VISION AND STRATEGY	2
ORGANISATIONAL PROFILE	3
REPORT PARAMETERS	8
GOVERNANCE, COMMITMENTS AND ENGAGEMENT	9
PERFORMANCE INDICATORS	18
ECONOMIC PERFORMANCE INDICATORS	18
ECOLOGICAL PERFORMANCE INDICATORS	22
SOCIAL PERFORMANCE INDICATORS	31
Labour practices and decent work	31
Human rights	39
Society	40
Product responsibility	43
GRI INDEX (G3.1 & SECTOR SUPPLEMENT)	46
CONTACT AND IMPRINT	50

STANDARD DISCLOSURES

1. VISION AND STRATEGY

1.1 Statement from the Chief Executive Officer

The social and political expectations of the housing industry are considerable. Whilst there is vacancy in rural areas, there is a huge demand for housing in attractive cities and dynamic conurbations. Moreover, there is a growing need for climate protection concepts, which, in turn, necessitates measures for energy-efficient refurbishment and sustainable supply concepts. Meanwhile, the political willingness to take responsibility here is decreasing. Solar energy and combined heat and power plants are, in part, becoming unprofitable due to falling feed-in tariffs and the loss of the price advantage for self-generated power. This means that a greater share of modernisation costs has to be borne by tenants as well; and there is growing resistance to this amongst the general public.

These are just some of the challenges faced by the housing industry. And meeting these challenges is no easy task because the requirements of our various stakeholders differ and sometimes even contradict each other. In order to increase acceptance of our economic actions, we want to engage in more intensive dialogue with social groups and political representatives. We will actively inform our tenants about our plans in good time, as we are currently doing in the case of Hellersdorfer Promenade. Our on-site employees are our link to our customers in this process.

Our property portfolio is, and remains, our most important asset. Our primary aim is to realise potential and improve quality. That is why we have set aside EUR 280 million for the purpose of modernising our holdings over the next four years and increasing their energy efficiency. Our decision to start constructing new buildings was an important step in 2014. We are investing approximately EUR 21 million in our project in Potsdam-Babelsberg in order to create 103 new apartments that meet the high standards of the German Sustainable Building Council [DGNB]. Developments in the value of our holdings show that our investments and our focus on Core+ regions are the correct approach.

We are confident that these measures will lead to long-term, and at the same time, high-quality growth. This means that we can offer our employees secure jobs and a modern working environment, whilst generating an attractive return for our shareholders. Our stakeholders increasingly appreciate the considerable contribution which these activities make to environmental protection and, often, to social cohesion as well. The following Report, which is based on the guidelines of the Global Reporting Initiative (GRI), describes what we do, how we do it and with what results.

Berlin, September 2015

Michael Zahn

Chief Executive Officer, Deutsche Wohnen AG

1.2 Key sustainability risks, opportunities and impacts

In order to develop its sustainability strategy and activities, Deutsche Wohnen identified key areas for action in 2012. Since then, it has refined the strategic focus of these areas and increased their number to seven.

- **Responsible management**

A course for growth, a value-enhancing portfolio strategy that concentrates holdings on Core+ regions, sound governance and the surpassing of statutory requirements ensure our economic consistency.

- **Responsibility for property portfolio**

We enhance the quality of our portfolio by making targeted investments in the maintenance and modernisation of our holdings. When it comes to our listed buildings, we attach particular importance to maintaining cultural identity. For our tenants we offer a high-quality service.

- **Sustainable new building**

We have recognised that it is important to create new housing and have included this as an area for action. We take into consideration the entire life cycle of our new buildings. In building them, we include sustainability criteria and are guided by the certification standards for sustainable building.

- **Responsibility towards employees**

We want to be a good, family-friendly employer that offers attractive personal development and career opportunities as well as a proper work-life balance. On the basis of the employee survey we conducted, we are developing measures to help us to achieve these goals.

- **Environmental and climate protection**

We wish to achieve the implementation of our environmental protection goals through modernisation and maintenance work, the use of regenerative and efficient power generation, as well as the reduction of CO₂ emissions in our administrative processes.

- **Responsibility for society**

Our social commitment becomes visible when we take full responsibility in our neighbourhoods, when we ensure – in the case of modernisation – that individual tenants are not put under too much financial pressure, when we maintain transparent communication and dialogue with politicians and society and when we also ensure the balance between housing quality and energy efficiency.

- **Responsible nursing and assisted living**

By offering high-quality nursing and assisted living, we want to create attractive accommodation for elderly people. In order to achieve this, we are working on and with innovative forms of therapy. Furthermore, our facilities are perceived as centres of cultural togetherness.

Our aim is to take these challenges into account in our business strategy and to offer quality to our stakeholders. In the reporting year, our focus was on integrating GSW and its sustainability strategy. The measures we are taking to address such risks and opportunities in terms of sustainability are presented in more detail in our sustainability programme (see page 16 f.).

2. ORGANISATIONAL PROFILE

2.1 Name of the organisation

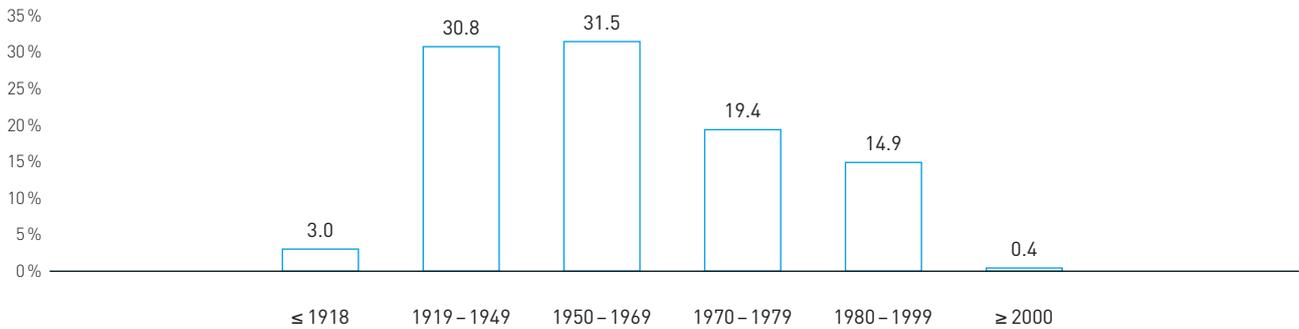
Deutsche Wohnen AG

2.2 Important brands, products and services

The focus of Deutsche Wohnen's business operations is on the management and development of its residential property portfolio. At the end of the reporting year, the portfolio contained of more than 149,000 residential and commercial units as well as 21 nursing facilities with around 2,200 nursing places and apartments. 98% of the portfolio is located in dynamic growth regions such as Greater Berlin, the Rhine-Main area or the Rhineland, as well as in medium-sized German cities such as Hanover, Brunswick, Magdeburg and Leipzig. Our existing portfolio in Greater Berlin, which alone makes up 73% of our total portfolio, comprises around 107,000 residential and around 1,600 commercial units. This makes Deutsche Wohnen the largest private residential property company in the capital.

Deutsche Wohnen AG's roots extend back to the 1920s. GEHAG [Gemeinnützige Heimstätten-, Spar- und Bau-Aktiengesellschaft] was founded in 1924 and belongs to the richest traditional German housing associations. In 2007, it merged with Deutsche Wohnen, which has been listed on the German stock exchange since 1999 and which moved up into the MDAX in 2010 as one of Germany's largest publicly listed residential property companies. Through its acquisition of the Berlin-based GSW Immobilien AG in 2013, Deutsche Wohnen has advanced to become one of the seven largest publicly listed residential property companies in Europe, as measured by EPRA on the basis of its free float market capitalisation as at 27 February 2015.

Residential units according to year of construction



With its pioneering residential buildings and housing projects, GEHAG wrote an important chapter in the social and architectural history of the 20th century. Around 24,000 of the more than 107,000 residential units that Deutsche Wohnen now owns in Greater Berlin are protected as listed buildings. Deutsche Wohnen has further traditional portfolios in Wittenberg and Magdeburg. With our new building programme, we are staying true to the tradition of timeless quality, as established by the world-heritage settlements of the Berlin Modernism era. Over the last four years we have optimised our residential and commercial portfolio through accretive acquisitions.

With around 2,200 nursing and assisted living places, KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH is among the leading providers of high-quality nursing and assisted living services for the elderly in Berlin-Brandenburg, Saxony, Lower Saxony and Rhineland-Palatinate. The facilities offer full in-patient care with the aim of helping the residents to maintain an active lifestyle and their independence to the greatest extent possible. In addition, comprehensive support services that are geared to the needs of the elderly are offered within the assisted living framework. KATHARINENHOF® GmbH was founded in 1990 and operated 21 facilities in the reporting year, as well as two out-patient care services in Brandenburg (Falkenhöh) and Berlin (Uferpalais).

2.3 Operational structure and main divisions

In line with our business strategy, the focus is on the management and development of our real estate portfolio in Germany's high-growth conurbations and metropolitan regions. In organisational terms, there is a separation between management and asset companies. In this context, Deutsche Wohnen AG performs the role of a classic holding company.

The management and administration of residential property, the management of rental contracts and the provision of support services to tenants are carried out predominantly by subsidiaries of Deutsche Wohnen AG. Since 2014, this role has been assumed by Deutsche Wohnen Management GmbH (DWM), Deutsche Wohnen Immobilien Management GmbH (DWI) and Deutsche Wohnen Construction and Facilities GmbH (DWCF). The disposal of condominiums and portfolios is carried out by Deutsche Wohnen Corporate Real Estate GmbH. These companies constitute the pillars of the residential division segment. The Nursing and Assisted Living business segment is solely managed by KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH. The corporate Group is divided into three levels:

1. The top level is formed by Deutsche Wohnen AG, which, as a holding company, performs central financial and management duties in, for example, the areas of Portfolio Management, Corporate Finance, Human Resources, Investor Relations, Corporate Communication and Legal/Compliance.

2. In the reporting year, the value-creation level comprised the operating companies of the business segments:

Residential Property Management: Deutsche Wohnen Management GmbH (DWM), Deutsche Wohnen Immobilien Management GmbH (DWI) and Deutsche Wohnen Construction and Facilities GmbH (DWCF)

Portfolio/Transaction Management: Deutsche Wohnen Corporate Real Estate GmbH (DWC)

Nursing and Assisted Living: KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH

3. The Group's real estate is consolidated within its so-called asset companies.

At the beginning of the financial year 2015, the Nursing and Assisted Living business became part of a shareholding structure, with 51 % of the shares being sold to KH Beteiligungs GmbH. Deutsche Wohnen remains the holder of 49 % of the shares in KATHARINENHOF® and the owner of the nursing properties. Alongside the newly founded KH Beteiligungs GmbH, which manages the KATHARINENHOF® facilities, our strategic shareholdings include additional areas of business such as the procurement of services as part of technical facility management, insured loss management and energy services via the G+D Gesellschaft für Energiemanagement mbH (G+D), which was founded as a joint enterprise with the energy service provider GETEC from Magdeburg. Our strategic shareholdings now include almost all activities that go beyond the scope of our core areas of business.

Business model of the Group



2.4 Location of organisation's headquarter

Deutsche Wohnen's head office is in Frankfurt/Main and its central office in Berlin. Support for tenants and interested parties is provided among others through the local service points.

2.5 Countries where the company operates

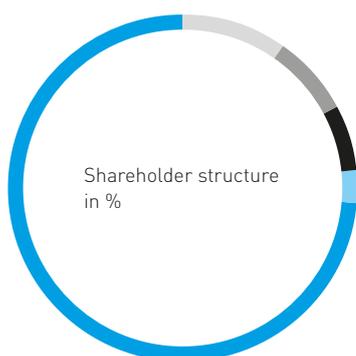
Deutsche Wohnen AG operates solely within Germany.

2.6 Nature of ownership and legal form

The Deutsche Wohnen Group is a publicly listed company under German law. It is listed on Deutsche Börse's MDAX and is also listed in the key indices EPRA/NAREIT and GPR 100. Five domestic and foreign institutional investors hold around 31 % of Deutsche Wohnen's shares. Around 69 % of shares belong to domestic and foreign institutional investors and private shareholders who have not exceeded the legal reporting threshold of 3%. According to the definition of Deutsche Börse (German stock exchange), the free float of our shares is currently at 93.29%.¹⁾

Shareholders¹⁾

■ Sun Life Financial Inc. ²⁾ /MFS	9.94 %
■ BlackRock, Inc. ²⁾ ³⁾	7.19 %
■ Norges Bank (Central Bank of Norway) ³⁾	6.71 %
■ APG Asset Management N.V.	3.01 %
■ Other	73.15 %



¹⁾ Based on the latest WpHG notifications received from above-stated shareholders; as at 19/06/2015

²⁾ Attributed voting rights according to sec. 22, para. 1 sent. 1 no. 6 WpHG in conjunction with sec. 22 para. 1 sent. 2 WpHG

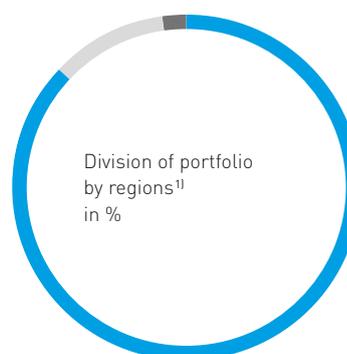
³⁾ Attributed voting rights according to sec. 22 para. 1 sent. 1 no. 1 WpHG

2.7 Markets served

98 % of our portfolio of 147,105 residential units is located in stable to dynamic regions in Germany, for which a constant or increasing demand in the housing market has been forecasted:

Division of portfolio according to region

	Residential units number	Share of total portfolio in %
■ Core+	127,798	87 %
thereof: Greater Berlin	106,798	73 %
Rhine-Main	9,320	6 %
Mannheim/Ludwigshafen	4,811	3 %
Rhineland	4,701	3 %
Dresden	2,168	1 %
■ Core	15,816	11 %
thereof: Hanover/Brunswick	8,860	6 %
Magdeburg	2,101	1 %
Kiel/Lübeck	2,025	1 %
Halle/Leipzig	1,684	1 %
Erfurt	619	0 %
Other	527	0 %
■ Non-Core	3,491	2 %



¹⁾ In residential units

In the reporting year the portfolio of KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH included around 2,200 nursing and assisted living places for elderly people in 21 facilities in Berlin-Brandenburg, Saxony, Lower Saxony and Rhineland-Palatinate. 18 of the 21 facilities were owned by Deutsche Wohnen with a fair value as at 31 December 2014 of EUR 144.8 million.

¹⁾ As of 19/6/2015

Nursing and Assisted Living	Facilities Number	Places Number
Berlin	7	847
Brandenburg	5	595
Saxony	7	475
Lower Saxony	1	131
Rhineland-Palatinate	1	126
	21	2,174

2.8 Scale of the reporting organisation

	31/12/2014	31/12/2013
Employees¹⁾		
Residential	784	477 ²⁾
Nursing and Assisted Living	1,435	1,400
Total employees	2,219	1,877²⁾
Residential units	147,105	150,219
Living space in million sqm	8.9	9.1
Commercial units	2,063	2,146
Nursing and Assisted Living places	2,174	2,166
Turnover in EUR m⁵⁾	951.9	602.5
Market capitalisation in EUR bn	approx. 5.8	approx. 4.0
Total assets in EUR m	11,446.2	10,127.0⁴⁾
Equity in EUR m	4,876.1	3,944.3
Net financial liabilities in EUR m	5,131.3	5,215.3⁴⁾

¹⁾ All employees incl. those on maternity/parental leave, temporary staff and marginal employees excl. trainees

²⁾ Excluding GSW

³⁾ Revenues from Residential Property Management, income from Disposals and income from Nursing and Assisted Living

⁴⁾ Change in numbers for the previous year because of a change in allocation of the purchase price (PPA) for first time consolidation of GSW Immobilien AG retroactively as at 30/11/2013

⁵⁾ Related to the entire year

The real estate-specific performance indicators regarding Deutsche Wohnen's business results, FFO I, EPRA NAV and LTV, can be found in the current Annual Report for 2014 (pages 72 – 74).

2.9 Significant changes during the reporting period

The business segment Nursing and Assisted Living under the KATHARINENHOF® brand was transformed into a shareholding at the beginning of the financial year 2015 through the sale of 51 % of shares to KH Beteiligungs GmbH. Deutsche Wohnen remains the holder of 49 % of the shares in KATHARINENHOF® and the owner of the nursing properties.

2.10 Awards received in the reporting period

In 2014, Deutsche Wohnen received the Immobilienmanager Award in the category of "Investment". The award was in recognition of the successful acquisition of GSW Immobilien AG.

Deutsche Wohnen AG's 2013 Annual Report received awards in two competitions for Annual Reports in 2014. At the Annual Report Competition (ARC), it won the gold award as well as the grand award in the category "Interior Design Europe". Likewise, at the "2013 Vision Awards" hosted by the League of American Communication Professionals (LACP), it received a gold award.

Deutsche Wohnen's first Sustainability Report was also recognised with an award. The Report, titled "W+ Mehr als Wachstum" ("W+ More than Growth"), received the silver award for the sector at the "2013 Vision Awards", hosted by the League of American Communication Professionals (LACP).

3. REPORT PARAMETERS

3.1 Reporting period

The reporting period is the financial year 2014 (1 January 2014 to 31 December 2014). Wherever possible, data from 2013 is provided as a comparison.

3.2 Date of most recent Report

The 2013 GRI Report was published in October 2014.

3.3 Reporting cycle

The Report is published on an annual basis.

3.4 Contacts for questions regarding the Report

Kati Pohl
Juliane Kieslinger
Investor Relations
Phone +49 (30) 89786-5413
ir@deutsche-wohnen.com

Berlin office
Deutsche Wohnen AG
Mecklenburgische Straße 57
14197 Berlin, Germany

3.5 Process for defining Report content

The Deutsche Wohnen Group used the GRI guideline G3.1 and the "Construction & Real Estate Sector Supplement" (CRESS) to select the content of the Report. It also made use of the sustainability indicators of the European Public Real Estate Association (EPRA). Before this Report was compiled, a stakeholder survey was conducted regarding the achievements of Deutsche Wohnen in the field of sustainability and the challenges it still faces. This survey was used as a basis for determining important content as well. The key results of the stakeholder survey are presented in section 4.16. Our sustainability programme, which is presented in section 4.17, summarises our actions in response to these challenges in the following areas: responsible company management, responsibility for property portfolio, sustainable new building, responsibility towards employees, environmental and climate protection, responsibility for society and responsible nursing and assisted living.

3.6 Boundaries of the Report

The Report relates to the five operating companies¹¹ and the holding company listed in section 2.3. In 2014, a domination agreement was concluded between Deutsche Wohnen as the controlling company and GSW as the controlled company. Insofar as there is no information to the contrary, GSW is fully included in this Report. For 2013 the ecology and employee-related figures still do not include GSW. Majority holdings of more than 51 % in GEHAG Immobilien Management GmbH (GIM) and Facilita Berlin GmbH were sold to external partners. Therefore, these companies are not included in the scope of this Report.

The data in the chapter on the environment is based on approximately 140,000 of our 147,105 rented residential units (residential units full-year owned by the company). Of the owner-occupied administrative facilities by Deutsche Wohnen (excluding KATHARINENHOF® GmbH), ecological data was collected for 15 of the 21 permanent locations, which each have usable space in excess of 200 sqm and were each occupied by at least five employees or for more than half of the year. This equates to approximately 73 % of the used space that meets these criteria; this space has increased by approximately 15 % to 20,142 sqm. The environmental data of KATHARINENHOF® GmbH increased from one location in the previous reporting year to five locations in 2014. Data was recorded for all the fully inpatient nursing homes in Berlin, including the KATHARINENHOF® facilities Am Preußenpark, City West, Am Spreeufer, In Friedenau and Alt-Britz.

3.7 Restrictions/limitations of the Report

None other than those listed in section 3.6.

3.8 Basis for reporting on joint ventures, subsidiaries and outsourcing

See sections 3.6 and 3.9

3.9 Data collection methods and data collection principles

With respect to the collection of data, the Deutsche Wohnen Group includes all relevant organisational units of which it had a shareholding of at least 51 % in 2014. Data was collected with regard to the environment, employees and society using a written survey conducted in the key departments of the Group.

¹¹ Deutsche Wohnen Management GmbH (DWM), Deutsche Wohnen Immobilien Management GmbH (DWI), Deutsche Wohnen Construction and Facilities GmbH (DWCF), Deutsche Wohnen Corporate Real Estate GmbH and KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH

3.10 Changes in the presentation of information in comparison to earlier Reports

None.

3.11 Changes from previous reporting periods in the subjects, scope or measurement methods

The present Report includes all the Deutsche Wohnen properties that were owned during the entire year. The basis for the ecological data thereby increased from approximately 78,000 to approximately 140,000 residential units. The economic data already included all units in 2013. New data primarily includes ecological data regarding our new building project in Potsdam-Babelsberg.

The data base for our pilot project, which serves as an example for the collection and analysis of data regarding the consumption of water and energy for heating in all our properties, was extended from eight to 21 properties in 2014, and thereby from a total of 975 residential units with approximately 52,500 sqm of living space to 2,429 residential units with approximately 137,000 sqm of living space. Of the owner-occupied administrative facilities of Deutsche Wohnen (excluding KATHARINENHOF® GmbH), the number of locations for which data was collected increased from 13 to 15.

The consumption data for KATHARINENHOF® GmbH increased from one nursing facility with 120 beds to five nursing facilities with 550 beds.

3.12 GRI Index table

See page 46.

3.13 External audit of the statements made

None.

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

4.1 Governance structure and responsibility for sustainability

Deutsche Wohnen AG is based in Frankfurt/Main and is subject to the provisions of German stock corporation and capital market legislation and the provisions of its articles of association. With its Management and Supervisory Boards, the company has a dualistic management and monitoring structure. These bodies are answerable to the Annual General Meeting, at which the company's shareholders are involved in fundamental decisions affecting the company. Together, these three bodies are required to act in the interests of the shareholders and to ensure the welfare of the company. The Management Board and the Supervisory Board have submitted a declaration of conformity with the Corporate Governance Code, as required by the German Stock Corporation Act [AktG], and made this declaration permanently accessible to the shareholders online at www.deutsche-wohnen.com.

The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions that are of fundamental importance to the company. The work of the Supervisory Board and its various committees is coordinated by the Chairman of the Supervisory Board. The Management Board runs the company and conducts its business under its own responsibility. In performing this function, it is required to act in the company's interests by working towards the goal of sustainable value creation. It develops the strategic approach of the company in consultation with the Supervisory Board and ensures its implementation. It is also responsible for appropriate risk management and controlling in the company, and for regular, timely and comprehensive reporting to the Supervisory Board. In the financial year 2014, the Management Board was extended to three members by the appointment of Mr Andreas Segal as CFO (Chief Financial Officer). The Chief Executive Officer is Mr Michael Zahn. The third member of the Management Board is CIO (Chief Investment Officer) Lars Wittan.

The work of the Management Board is governed by procedural rules including the allocation of responsibilities according to function-based criteria. The agreement of the Supervisory Board is required for certain transactions and measures carried out by the Management Board.



The Management Board of the Deutsche Wohnen Group is committed to its corporate responsibilities and to achieving the objectives of sustainable business management. These issues also fall within the remit of the Senior Management Circle, which was established in 2013 and comprises the Managing Directors for Human Resources, Mergers & Acquisitions, Asset Management, Corporate Finance, Finance & Tax, Legal and Compliance, Debt Financing, as well as the Managing Directors of Deutsche Wohnen Management GmbH, Deutsche Wohnen Immobilien Management GmbH, Deutsche Wohnen Construction and Facilities GmbH and KATHARINENHOF® GmbH. Their role is to provide impetus for the further development of the company's sustainability activities with the support of the various specialist areas within the Group. The sustainability project team, which is part of the Investor Relations department, coordinates those involved, promotes the relevant topics internally from the company's headquarters and is responsible for sustainability reporting.

4.2 Independence of the Chairman of the Supervisory Board

The Supervisory Board is made up of six members. None of them are members of the Management Board. The Chairman of the Supervisory Board is Uwe E. Flach, Senior Advisor to Oaktree GmbH, Frankfurt/Main. All members of the Supervisory Board are elected as representatives of the shareholders by the Annual General Meeting. The Supervisory Board is not subject to employee participation. In accordance with the applicable laws and articles of association, the respective term of the Supervisory Board members is generally five years. Members of the Supervisory Board are selected on the basis of the knowledge, abilities and specialist experience they require for the performance of their duties. The Supervisory Board is governed by procedural rules; its work is carried out in plenary sessions and by committees. The work of the four committees aims to improve the efficiency of the Supervisory Board's activities. The committee chairmen report regularly to the Supervisory Board on the work of their committees:

- The Executive Committee is responsible for consulting and advising the Management Board on an ongoing basis. It also prepares Supervisory Board meetings, insofar as that is appropriate, taking into account the scope and importance of the items discussed. The Executive Committee is also responsible for the conclusion and content of Management Board contracts in accordance with the corresponding decisions made in plenary sessions. Advice and, insofar as appropriate, decisions regarding urgent matters are also within its remit.
- The Nomination Committee suggests suitable candidates for election to the Supervisory Board by the Annual General Meeting.
- The Audit Committee is responsible for the preliminary examination of documents relating to the annual financial statements and consolidated financial statements and preparations for their adoption and/or approval, as well as the Management Board's proposals for the utilisation of profits. It discusses the principles of compliance, risk reporting, risk management and the appropriate functioning of internal control systems with the Management Board.
- The Acquisition Committee prepares the decisions of the Supervisory Board regarding the acquisition of companies or portfolio items.

In the financial year 2014, the Supervisory Board held nine meetings to discuss current business developments, important matters and business requiring approval, three times by means of a telephone conference. One member of the Supervisory Board was unable to attend two meetings, three further members were each unable to attend one meeting; otherwise all meetings were attended by all members of the Supervisory Board.

4.3 Highest management body for companies without a Supervisory Board

Not applicable, because the company is a publicly listed company according to German law.



4.4 Process for dialogue between shareholders and employees with the Supervisory Board/ Management Board

Intensive communication with our shareholders, with analysts and with potential investors was once again high on our agenda in the financial year 2014, and we successfully provided market participants with a comprehensive and transparent insight into our strategy and our prospects for future development. We actively seek dialogue with national and international investors, in particular by participating in conferences held throughout the world and so-called roadshows.

In 2014, we attended numerous national and international banking conferences: the Kempen & Co. Seminar in Amsterdam, the UBS Best of Germany Conference and Bank of America Merrill Lynch Global Real Estate Conference in New York, as well as the EPRA Annual Conference, the Berenberg Mid Cap Conference and the UBS European Real Estate Conference in London. In addition, we conducted a number of roadshows.

We hold telephone conferences in conjunction with the publication of our Annual Report and of each of our Interim Reports, during which investors, analysts and media representatives are given the opportunity to put their questions directly to the Management Board. The conferences are also transmitted live as webcasts, which are subsequently available for download from the Investor Relations section of our website, where current Financial Reports and company presentations are also available at all times. Also provided on our website is an overview of all our current activities based on our financial calendar. In addition, information on the Deutsche Wohnen share and the company, the current share price, adhoc statements, directors' dealings, the shareholder structure, voting rights notifications, press releases and corporate news, as well as all information concerning the Annual General Meeting can be obtained on our website.

For Deutsche Wohnen, Investor Relations means prompt and transparent reporting, active and regular dialogue with our shareholders and with potential investors, together with the expansion of our existing network of national and international contacts. Our Investor Relations department will continue to promote and expand these measures in the future.

The stakeholder survey we conducted in the autumn of 2012 also included our first survey of employees' satisfaction with the Deutsche Wohnen Group as their employer. The response rate of 85% represented a substantial majority of the employees who were contacted. In addition, a company-wide survey of Deutsche Wohnen's employees was also conducted in April 2014. The results were systematically assessed and incorporated into our strategic human resources work.

Since the end of 2007, the focus group, which represents the Deutsche Wohnen Group's employees, has served to voice the views of staff. Around 20 employees from various professional fields and differing locations come together twice a year to discuss current issues. The focus group can, where applicable, extend an invitation to the Chief Executive Officer with a view to discussing and finding solutions to current matters.

Since September 2013, we have also been providing our employees with information on the latest developments at Deutsche Wohnen via the company-wide employee newsletter "bruno". It is published four times a year.

4.5 Connection between compensation for members of the highest governance bodies and the organisation's performance

The remuneration system for the Management Board is the subject of regular consultations, reviews and redesigns in the plenary sessions of the Supervisory Board.

The Management Board contracts of Deutsche Wohnen AG contain fixed and variable components. The variable component for all members of the Management Board is adjusted to the requirements of section 87 para. 1 sent. 3 of the German Stock Corporation Act [AktG]. It is tied to the achievement of the company's economic goals and is primarily based on multi-year assessment criteria. The variable remuneration may only be claimed if there has been a corresponding positive development in the business. In this way, the compensation structure is aligned to sustainable business development and the incentive and risk effects of the variable remuneration optimised.

The introduction of the Stock Option Programme 2014 ("AOP 2014") is intended to allow the members of the Management Board, who shape and implement the company's strategy and thus bear major responsibility for its performance, to partake in the company's financial risks and opportunities.



However, in order to safeguard the shareholders' interest in the sustainable enhancement of the value of the company, the stock options may only be exercised where defined performance targets are reached at the end of the waiting period. The stock options may only be exercised if and to the extent that the following performance targets are reached: increase in the Adjusted NAV per share and FFO I (without disposals) per share, as well as share price development. The targets take into consideration both, the relative performance of the company's share compared to a group of publicly listed German competitors, as well as the absolute development of the industry-specific key company figures, NAV per share and FFO per share. This is intended to encourage the beneficiaries of the programme to act in furtherance of the goal of achieving a sustainable and positive development in the value of the company.

In accordance with section 193 para. 2 no. 4 of the German Stock Corporation Act [AktG], the waiting period for a tranche of stock options commences in each case on the date of issue and ends four years after that date. The period for the exercising of the options is three years. Stock options that are not or cannot be exercised by the end of the relevant seven-year term expire or are forfeited without replacement or compensation.

Deutsche Wohnen AG's detailed Remuneration Report for the financial year 2014 can be found on pages 83–84 of the Management Report and on the company's website at <http://ir.deutsche-wohnen.com/websites/deuwo/English/8460/report-on-compensation.html>.

4.6 Processes to ensure that conflicts of interest are avoided

Our code of conduct, which supplements the relevant statutory provisions and has applied to all employees and the Management Board since 2011, makes the following statements with regard to conflicts of interest: "Employees must avoid all situations that may prevent them from fulfilling their professional duties objectively and without any conflicts of interest. If there is the possibility of a conflict of interest in connection with the fulfilment of their professional obligations, they are required to inform their superior or a member of the company's management of this without delay."

The members of the Management Board must immediately disclose any conflicts of interest to the Supervisory Board and their colleagues on the Management Board. Significant business transactions between members of the Management Board, as well as parties closely associated with them and the company, require the approval of the Supervisory Board, as does the taking up of ancillary activities outside the company.

Deutsche Wohnen has appointed a Compliance Officer. This person manages, among other things, the company's list of insiders and informs management, employees and business partners about the relevant legal framework and the consequences of, for instance, violations of insider regulations. In addition, the Compliance Officer ensures compliance with the standards of conduct and norms prescribed by the German Corporate Governance Code, as well as the relevant statutory provisions.

4.7 Qualifications and expertise of the highest governance body in terms of sustainability

The selection of the six members of the Supervisory Board by the Annual General Meeting and that of the Management Board members by the Supervisory Board, is based, in particular, on the knowledge, skills and professional experience that these members require for the fulfilment of their tasks. This is also laid out in internal guidelines.

In managing the company, the Management Board is obligated to act in the company's interest with a view to creating value on a sustainable basis. In doing so, the Management Board receives advice from the Chief Compliance Officer, the Managing Directors of the business divisions, the Managing Directors of the subsidiaries, as well as, with regard to sustainability, the Sustainability Officers in the Investor Relations department. Sustainability performance in the area of new build is ensured by the Project Leader for technical project management.

4.8 Mission statement, corporate values and codes of conduct

All Deutsche Wohnen Group employees are bound by the code of conduct adopted in 2011, which, among other things, contains provisions for the avoidance of conflicts of interest. The "Leading with Values" management principles in place at Deutsche Wohnen Management GmbH and Deutsche Wohnen Immobilien Management GmbH, which, in the financial year 2014, employed the majority of our residential property staff, call for constructive interaction among employees, reliability, mutual respect and transparency. The mission statement and corporate values for the company as a whole have yet to be codified. We greet new employees with introductory welcome brochures and induction guides.

4.9 Board-level processes for overseeing Sustainability Performance

The Management Board of Deutsche Wohnen bears overall responsibility for achieving sustainability. In the summer of 2012, it set up the Sustainability Project Team, entrusting it with the task of coordinating cross-business sustainability measures, the continual advancement of processes and the documentation of progress in the Sustainability Report. This document is the third Report. The Sustainability Officers in charge of the project team report directly to the Management Board. Sustainability-related issues also fall within the remit of the Senior Management Circle, which is presided over by the Management Board.

4.10 Processes for evaluating the Management Board's Sustainability Performance

See section 4.5.

4.11 Implementation of the precautionary approach

Deutsche Wohnen continually examines any opportunities that may arise for securing the continued development and growth of the Group. The exploitation of such opportunities may also entail exposure to certain risks.

Deutsche Wohnen considers the maintenance of an appropriate risk management system (RMS) to be an important element of responsible corporate management. Deutsche Wohnen's RMS guarantees that all corporate risks are detected, analysed, prioritised and communicated to the appropriate decision-makers at an early stage. An internal risk management handbook documents Deutsche Wohnen's specifications regarding the organisational measures taken by the RMS and serves as a basis for the work of all employees.

A central component of the RMS are its detailed reporting procedures, which are continually monitored and developed, and which establish reference points for identified areas of risk on the basis of relevant key operating and financial figures. In the process, Deutsche Wohnen places particular emphasis on the key figures relating to the development of lettings and privatisations, on cash flow, liquidity and key balance sheet figures.

We record all previously identified and new risks in the form of a risk inventory, which is updated quarterly. This allows the monitoring and early detection of risks, interdepartmental communication and the active management of countermeasures.

All essential information arising from the RMS is incorporated into reports presented to the Management Board and Supervisory Board. The transparent, regular and prompt presentation of information regarding corporate planning, strategic development, the Group's position and risk situation help Deutsche Wohnen's decision-makers to weigh up opportunities and risks.

4.12 Support for external standards, agreements and initiatives

Deutsche Wohnen AG has been a member of the Deutsche Entwicklungshilfe für soziales Wohnungs- und Siedlungswesen e.V. (DESWOS, <http://www.deswos.de>; German Institute for Development Aid with regard to Social Housing and Habitation Matters) from the outset with a view to combating poverty and housing shortages in developing countries.

4.13 Memberships in associations and advocacy groups

In the course of the integration of GSW, it became clear that some memberships overlapped and that some weren't relevant. For this reason, such memberships were discontinued. The following list comprises a representative selection of current memberships:

Akademie der Immobilienwirtschaft e.V.
(BBA; Academy of Real Estate Management)
<http://www.bba-campus.de>

Baukammer Berlin (BK; Berlin Building Chamber)
<http://www.baukammer-berlin.de>

Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V. (GdW; Federal Association of German Housing and Real Estate Companies)
<http://web.gdw.de>

Bundesverband privater Anbieter sozialer Dienste e.V.
(Federal Association of Private Providers of Social Services)
www.bpa.de

Creditreform e.V. (company dealing with debt collection, credit checks and accounts receivable management)
<http://www.creditreform.de>

Deutscher Investor Relations Verband e.V. (DIRK; German Association of Investor Relations)
<http://dirk.org>

Deutsche Schutzvereinigung für Wertpapierbesitz e.V.
(DSW; German Society for the Protection of Securities Holders)
<http://www.dsw-info.de>

Deutsche Prüfstelle für Rechnungslegung e.V.
(DPR; German Financial Reporting Enforcement Panel)
<http://www.frep.info>

Deutsches Rechnungslegungs Standards Committee e.V.
(DRSC; Accounting Standard Committee of Germany)
<http://www.drsc.de>

Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e.V. (DV; German Association for Housing, Urban Development and Regional Planning)
<http://www.deutscher-verband.org/>

European Public Real Estate Association (EPRA)
<http://www.epra.com>

Gerontopsychiatrisch-geriatischer Verbund Charlottenburg Wilmersdorf e.V. (gpv; Gerontopsychiatric and Geriatric Association of Charlottenburg Wilmersdorf)
www.gpverbund.de

Gesellschaft für Datenschutz und Datensicherheit e.V.
(GDD; German Association for Data Protection and Data Security)
<https://www.gdd.de>

Schutzgemeinschaft der Kapitalanleger e.V.
(SdK; German Association for the Protection of Investors)
<http://www.sdk.org>

Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V. (BBU; Association of Housing Companies in Berlin and Brandenburg)
<http://www.bbu.de>

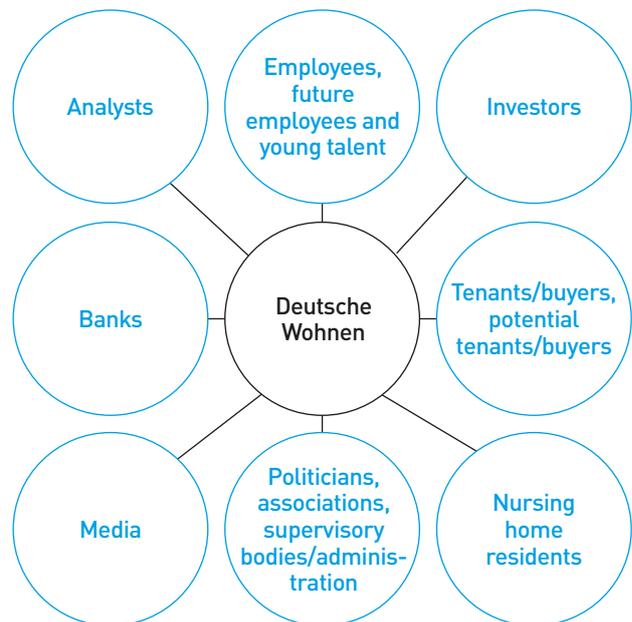
Zentraler Immobilienausschuss e.V.
(ZIA; German Property Federation)
<http://www.zia-deutschland.de>

4.14 List of stakeholder groups engaged by the company

Employees, investors and analysts, tenants and buyers, business partners, nursing home residents, supervisory bodies, the press, associations and politicians are considered to be key stakeholders of the Deutsche Wohnen Group. The general conditions within the real estate industry are largely determined by their interests.

4.15 Basis for identifying stakeholders

To be able to act in a sustainable manner, a company must be aware of the interests of its stakeholders. Both the development of our sustainability strategy and the expansion of our sustainability reporting activities entailed the systematic identification of stakeholder groups and their demands.



The Senior Management Circle has prioritised the stakeholders of Deutsche Wohnen as follows:

- Employees, future employees and young talent
- Investors
- Tenants/buyers, potential tenants/buyers
- Business partners
- Nursing home residents
- Politicians, associations, supervisory authorities/ administration, media, banks
- Analysts



4.16 Approaches to stakeholder engagement

The Deutsche Wohnen Group maintains regular contact with its stakeholder groups. Communication with society is conducted by way of its membership in associations, with its tenants via the Service Centre, at the Service Points or at dialogue events during redevelopment and new construction projects, with the media through regular press releases and detailed, direct communication, with politicians and business partners via direct discussions or events and with employees via the intranet, internal events and regular company newsletters.

In the autumn of 2012, the Deutsche Wohnen Group conducted its first ever stakeholder survey involving around 900 stakeholders from all relevant groups. The aim was to gather assessments of Deutsche Wohnen's sustainability performance, along with the stakeholders' expectations and their view of future challenges. The response rate was high and the valuations were incorporated into our sustainability strategy, into our process for determining relevant sustainability issues, as well as into our Reports. For the key results of the stakeholder survey, we would refer you to the Sustainability Report 2013, p. 16. A new stakeholder survey is planned as part of the upcoming materiality analysis for the next reporting cycle in 2015 in accordance with the standard GRI G4.

In 2014, a Group-wide employee survey was conducted. For results, please see p. 32.

Forms of communication with stakeholders

Groups	Media
Employees	Internet, intranet, brochures (re training, etc.), internal communication campaigns on specific topics, summer party, exhibitions, interdepartmental, quarterly staff newsletter "bruno", welcome package for new employees, KATHARINENHOF® conference, closed meetings, facility workshops, monthly informational periodical "In&Out"
Tenants and buyers	Service Points, Service Centre, welcome packs, newsletters, e-service, e.journal, homepage, brochures, neighbourhood and residential facility parties, exhibitions, tenant advisory committees, neighbourhood associations, tenant meetings
Investors and analysts	Annual Report, Interim Reports, homepage, presentations, webcasts, ad-hoc statements, corporate news, Annual General Meeting, roadshows, (bank) conferences, participation in trade fairs, telephone conferences regarding publication of Annual and Interim Reports
Politicians, associations and media	Annual Report, homepage, press releases, conferences, events, personal conversations, telephone conferences regarding publication of Annual and Interim Reports, discussion panels and professional forums, political initiatives and alliances
Business partners	Annual Report, homepage, participation in trade fairs

4.17 Statement on key stakeholder issues

As a result of its business model, which comprises the management and development of its residential holdings, Deutsche Wohnen is facing a number of different social and political demands with regard to housing.

We are addressing the economic, social and environmental challenges identified in the stakeholder survey with a variety of measures. This Report constitutes a response to these challenges, as does our sustainability programme¹¹ with its concrete goals, which we will continue to develop.

Area for action	Targets for 2014	Targets achieved in 2014	Targets for 2015
Responsible company management	Sustainability strategy and management	<ul style="list-style-type: none"> • Sustainability Officers within Investor Relations department appointed • Processes and structures professionalised 	<ul style="list-style-type: none"> • Adaptation of the CR strategy to essentials • Data collection process optimisation
	Definition of additional relevant key sustainability figures	Definition and recording of <ul style="list-style-type: none"> • maintenance and modernisation expenses • proportion of managers trained at the company • share of developed and managed holdings • division of portfolio into energy efficiency classes 	<ul style="list-style-type: none"> • Continual increase in key figures • Expansion of energy efficiency classification to GSW holdings
	Continuation of stakeholder dialogue	Development of dialogue with tenants and politicians: <ul style="list-style-type: none"> • Tenant involvement in current redevelopments/modernisations and new construction projects • Participation in Federal Expert Commission on housing, as well as in first nationwide "Energy Dialogue" 	<ul style="list-style-type: none"> • Conducting a stakeholder survey • Further development of dialogue
Responsibility for property portfolio	Integration of GSW	<ul style="list-style-type: none"> • Operational integration of GSW successfully completed (approximately 60,000 residential units) 	<ul style="list-style-type: none"> • Data migration
	Maintenance		<ul style="list-style-type: none"> • EUR 280 million modernisation programme over the next four years
Sustainable New Construction	Inclusion of environmental criteria in new construction, maintenance and modernisation projects	<ul style="list-style-type: none"> • DGNB pre-certification of new construction in Potsdam (silver certificate) • Criteria for gold certification as sustainable city quarter in Berlin's Westend integrated into planning processes 	<ul style="list-style-type: none"> • Development of sustainability criteria, building biology and Cradle to Cradle® concept

¹¹ Sustainability programme expanded compared to previous year to include action field sustainable new building

Area for action	Targets for 2014	Targets achieved in 2014	Targets for 2015
Responsibility towards employees	Enhancement of measures for employee development and talent management	<ul style="list-style-type: none"> • Development of dual training • Preparation for participation in dual study programme "Technical Facility Management" • KATHARINENHOF® Talent Academy with workshops on leadership topics 	<ul style="list-style-type: none"> • Implementation of human resources development strategy • Introduction of performance-focused remuneration structure in line with market • Introduction of structured appraisal interviews with employees
	Evaluation of and increase in administrative offices	<ul style="list-style-type: none"> • Conduct employee survey 	<ul style="list-style-type: none"> • Avoidance of overtime through increased number of new hires • Reduction of labour turnover via onboarding process
	Development of range of flexible work time models	<ul style="list-style-type: none"> • Following employee survey result revealing over 80 % satisfaction with current work time regulations, no additional models introduced 	<ul style="list-style-type: none"> • Greater use of parental leave by fathers with corresponding work time models
Environmental and climate protection	Development of pilot project regarding metering in holdings	<ul style="list-style-type: none"> • Pilot project expanded to include 13 additional residential properties 	<ul style="list-style-type: none"> • Continued development of pilot project on metering
	Expansion of data collection for administrative offices	<ul style="list-style-type: none"> • Increase in Deutsche Wohnen administrative offices from 13 to 15 • Increase from 1 to 5 locations in the case of KATHARINENHOF® GmbH¹⁾ 	<ul style="list-style-type: none"> • Expansion to include 4 GSW office locations within data collection system
	Analysis of energy efficiency potential of holdings by G+D Gesellschaft für Energiemanagement mbH	<ul style="list-style-type: none"> • Data-based review of 1,600 facilities and 300 inspections • Implementation of first efficiency measures 	<ul style="list-style-type: none"> • Full analysis of GSW holdings • Implementation of additional efficiency measures
Societal responsibility	Additional strengthening of living environment through the promotion of social and educational projects	<ul style="list-style-type: none"> • Promotion of local social projects • Supported NaDu Kinderhaus with its craft project "Journey through Time: Original Handicrafts" in Hanover • Supported reading festival during 20th anniversary of founding of the "Ehm Welk" library in Marzahn-Hellersdorf • Start of realignment of donation strategy 	<ul style="list-style-type: none"> • Neighbourhood development • Promotion of local social projects • Housing services for the socially disadvantaged • Adoption of donation strategy by the Management Board
Responsible nursing and support for elderly people (KATHARINENHOF®)	Formulation of sustainability goals for KATHARINENHOF®	<ul style="list-style-type: none"> • Improved efficiency in supply of energy and heating • Switch to combined heat and power plants in single location 	
	Continuation of support for fight against dementia	<ul style="list-style-type: none"> • Additional training of skilled personnel; professional collaboration on and financing of the project "Fairy Tales against Dementia" 	

¹⁾ As at 01/01/2015, Deutsche Wohnen no longer majority stake holder in KATHARINENHOF®

PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS

Management approach

Deutsche Wohnen is one of the leading, publicly listed real estate companies in terms of market capitalisation in Germany and Europe. Our operational focus is on the management and development of our residential holdings, which are primarily located in German metropolitan areas. Here we profit from dynamic market developments and the consistently high demand for living space. Since 2010, we have acquired more than 115,000 residential units with a transaction volume in excess of EUR 6.5 billion through value-enhancing acquisitions, thereby significantly optimising our residential and commercial portfolio. As at 31 December 2014, it included approximately 149,000 units (approximately 147,000 residential units and approximately 2,000 commercial units).

The significant positive development of our holdings shows that our portfolio strategy, which is focused on Core⁺ regions, is effective. The increase in the value of our inventory, as determined in the course of the annual portfolio valuation in 2014, was EUR 953 million, and the total current value of our portfolio in 2014 is approximately EUR 10 billion, with further potential for growth.

Our portfolio management system is based on the regional and strategic clustering of our property holdings. Regional clustering in Core⁺, Core and Non-Core segments was carried out using a scoring model, based on macroeconomic and property-specific data relating to the attractiveness and potential of the locations. It included an analysis of developments in population and household size, of local employment markets, purchasing power and infrastructure data, among other factors. A total of 87% of our holdings are located in Core⁺ markets, an increase of 8% compared to the previous year. These markets are in metropolitan regions with high population density and are characterised by the dynamic development of economic factors such as economic power, income, innovation and competitiveness. Approximately 11% of our holdings are located in markets with moderately increasing rents and a stable outlook with regard to the development of the rental market. This means we have an outstanding foundation on which we can grow constantly and profitably and help to shape the German housing market.

Furthermore, through our shareholding KATHARINENHOF® Senioren- Wohn- und Pflegeanlage Betriebs-GmbH, we are active in an extremely dynamic market driven by demographic change. Under this umbrella brand, we operate retirement and nursing homes that offer their residents the greatest possible opportunity to maintain an active lifestyle and their independence. Within our Assisted Living segment we offer services that are appropriate to elderly people. KATHARINENHOF® GmbH has approximately 2,200 nursing places and apartments. Since the beginning of the financial year 2015, Deutsche Wohnen has been even more focused on its core business and will continue to operate its care and assisted living business as a strategic investment.

With its stable, sustainable business model, based on the triad of sustainable acquisitions, portfolio-optimising sales and targeted investment, Deutsche Wohnen achieved both organic and external growth in the year under review. Our programme of expansion has been aligned with clear strategic goals since it began. We consider ourselves a part of society and act in the interests of our employees, shareholders and tenants.

Economic performance

EC1 Economic value generated and distributed

The financial year 2014 was a successful one for Deutsche Wohnen, which realised a consolidated Group profit in the amount of EUR 889.3 million. This represents an increase of EUR 676.6 million compared to the previous year (EUR 212.7 million).

Earnings before tax, adjusted for extraordinary and valuation effects, doubled to EUR 283.3 million (previous year: EUR 131.9 million).

This increase is attributable to improved earnings from Residential Property Management in the amount of EUR 505.8 million (previous year: EUR 292.3 million), which exceeded the projected earnings from lettings slightly by EUR 5.8 million, and high proceeds from sales in the amount of EUR 52.4 million (2013: EUR 23.0 million). The Nursing and Assisted Living segment contributed EUR 16.3 million (2013: EUR 13.2 million) to the overall profit of the Group – EUR 1.3 million more than forecasted. The disproportionately low increase in administrative expenses to EUR 90.5 million (2013: EUR 52.9 million), despite the integration of GSW holdings totalling approximately 60,000 residential units, was, amongst other things, a result of the synergies achieved in the merger of the administrative structures of GSW

with those of Deutsche Wohnen. This led to a decrease in the cost ratio (on a pro forma basis), i.e. the relationship between staff and materials expenses and gross rental income, from 17.3% in the previous year to 14.4%. Staff expenses (excluding KATHARINENHOF® GmbH) amounted to EUR 56.9 million in the year under review (2013: EUR 31.8 million).

In 2014, liquidity-related tax expenses totalled EUR 16.5 million (2013: EUR 11.3 million).

The sustainable funds from operations (FFO I, without disposals) increased by approximately 90% to EUR 217.6 million (previous year: EUR 114.5 million) as a result of our acquisitions and operational improvements.

The Loan-to-Value Ratio of the Group decreased to 51.0% as at the reporting date (2013 GB S. 133: 57.4%) due to the positive development in portfolio values, among other factors. A dividend of EUR 0.44 per bearer share with ISIN DE000A0HN5C6 that was eligible for dividends in the financial year 2014 was paid on 12 June 2015 with the agreement of the Annual General Meeting. This equates to a total amount of approximately EUR 129.9 million and approximately 60% of the FFO I in 2014 (for further details regarding payments to investors, see the Financial Report accompanying the Annual Report 2014, p. 50 onwards). Our voluntary community-related expenditure (including donations) in 2014 amounted to approximately EUR 91,000 (2012: approximately EUR 178,000).

Against the background of this positive development in our business, and to honour the high commitment of our employees, we paid out performance-related bonuses totalling approximately EUR 2 million.

EC2 Financial implications, risks and opportunities due to climate change

The Deutsche Wohnen Group is indirectly affected by climate change due to regulations governing the reduction of energy consumption and CO₂ production in residential holdings. Politicians regularly call for increases in energy efficiency and improved thermal insulation, and these calls affect our holdings as well. In order to comply with these requirements, we have invested in the joint enterprise G+D Gesellschaft für Energiemanagement mbH, Magdeburg (G+D), which will help us to further improve the energy efficiency of our holdings. With its help we will adapt the energy-efficient performance of our inventory to

these requirements and achieve additional cost savings through the use of efficient heat and energy generation. The amendment to the German Renewable Energy Act [EEG] that came into force in 2014 represents a risk to further steps in this direction, because electricity generated on-site for housing companies and their tenants is now subject to the renewable energy surcharge. Against this background, it is now necessary to re-evaluate investments which had already been planned.

EC3 Coverage of benefit plan obligations

Deutsche Wohnen paid out EUR 3.5 million (2013: EUR 3.5 million) in employee benefits (pensions, invalidity pensions, surviving spouse pensions and surviving dependant benefits) to eligible active and former employees and their surviving dependants in the year under review. On the basis of statutory provisions, Deutsche Wohnen pays contributions to state pension insurance funds from defined contribution plans. Furthermore, employees who commenced their employment with Deutsche Wohnen prior to 2000 also have the benefit of a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter BVK) — the supplementary pension fund for municipalities in Bavaria. The supplementary pension comprises a partial or full reduced earnings capacity pension plus an age-related pension in the form of a full pension or surviving dependant's pension. The charge levied by the BVK is determined by the employees' compensation used to calculate the supplementary pension contribution. We subsidise the canteen at our Berlin headquarters, so that our employees can take advantage of attractive prices. A pension plan drawn up in accordance with the regulations governing public sector supplementary pensions is in place at GSW, including partial or full reduced earnings capacity pension, plus an age-related pension as a full pension or surviving dependant's pension. All employees of KATHARINENHOF® GmbH have the opportunity to take out employer-subsidised retirement pension insurance.

The Group's pension liabilities amounted to EUR 67.7 million in 2013 (2013: EUR 55.3 million). Expenses for defined contribution plans amounted to EUR 8.2 million (previous year: EUR 4.8 million). Therefore, total expenses for defined benefit and defined contribution plans amounted to EUR 8.6 million (previous year: EUR 5.2 million).

The integration and reduction of staff from GSW involves restructuring and reorganisation expenses of EUR 15.2 million. A social plan and redundancy plan for the closure of the holding company was agreed with the works council in 2014.

(See the Annual Report 2014, p. 120f).

EC4 Financial assistance received from government

Deutsche Wohnen received government grants in the form of disbursement subsidies, disbursement loans and subsidised-interest loans. The disbursement loans and subsidised-interest loans are property loans and offer advantages such as lower interest rates and interest-free and repayment-free periods. Deutsche Wohnen also received investment subsidies in the amount of EUR 0.9 million (previous year: EUR 1.3 million), which were deducted from acquisition expenses. For details of the ownership structure, see 2.6 above.

Market presence

EC5 Relationship between standard salaries and the local minimum wage

Starting salaries are significantly higher than the minimum wage and are set according to market rates. For more information see LA14.

EC6 Payments to local suppliers

The Deutsche Wohnen Group operates solely within Germany. In 2014, we invested a total of EUR 152.9 million in the modernisation and maintenance of residential units and buildings (2013: EUR 86.2 million). In awarding contracts, we generally strive to select regional companies in order to strengthen local infrastructure. Moreover, in concluding agreements, we expressly impose obligations on our contractors to comply with statutory provisions for the prevention of illicit work and with the provisions of the German Employee Secondment Act [AEntG], the German Act on Temporary Employment [AÜG] and German social security legislation.

Typical modernisation measures include the replacement of bathrooms, the installation of new wiring and windows, the refurbishment or retrofitting of balconies and energy-efficiency measures such as the installation of thermal glazing and other insulation measures. Many of these measures are carried out by local subcontractors. For further information see EC9.

EC7 Hiring local personnel

We recruit employees primarily from within the vicinity of our German locations, while most of our management personnel come from within our own ranks. The training and professional development of our employees is accordingly of great importance to us.

Indirect economic impacts

EC8 Infrastructure investments and services for public benefit

Deutsche Wohnen has decided to carry out a comprehensive programme of modernisation over the next four years. We will invest more than EUR 280 million in a total of approximately 17,000 residential units, thereby directly influencing the quality of our tenants, housing and the quality of life in their residential estate.

In the last financial year, the focus of investment was, in particular, the continuation of multi-year projects in listed estates in Berlin built in the 1920s and 1930s. For example, since 2007 we have been carrying out comprehensive modernisation measures in numerous stages on the approximately 800 apartments in the Waldsiedlung in Zehlendorf. The complete refurbishment of the historic estate in Elstal (near Berlin) is also progressing. Because the creation of living space in metropolitan areas is a social need and our core aim is to meet that need, we will also convert loft space in Elstal.



The refurbishment measures in Weiße Stadt [White City] in Berlin-Reinickendorf, which are part of the programme of investment in „National UNESCO World Heritage Sites“ by the Federal Ministry of the Environment, Nature Conservation, Construction and Nuclear Safety are continuing successfully. Since 2009, Deutsche Wohnen has invested around EUR 8.2 million (of which EUR 2.35 million came from public subsidies) in the refurbishment of the listed building shells and the restoration of the estate's green spaces. The measures are part of the complete refurbishment of Weiße Stadt, which will be completed in 2017 and will cost a total of EUR 23 million. Weiße Stadt includes 1,268 residential units and became a UNESCO World Heritage Site in 2008.

Ringsiedlung Siemensstadt [the Ring Estate] is also a UNESCO World Heritage Site and is largely owned by Deutsche Wohnen. The estate has been comprehensively refurbished in a manner appropriate to its listed status, at a total cost of EUR 9.5 million since 2009. This work was completed in the year under review. Further refurbishment appropriate to listed buildings, and taking energy-related requirements into account, will be carried out on the GSW holdings in Goebelstraße and Jungfernheideweg in Siemensstadt until the end of 2016.

In Berlin-Treptow, we are modernising two further estates constructed in the 1920s and 1930s on Rixdorfer Straße/Friedrich-List-Straße and Baumschulenweg. We are investing a total of approximately EUR 23 million in these holdings, which comprise more than 1,000 residential units. The building facades will be refurbished in a manner appropriate to their listed status, while non-listed buildings will be insulated. We have also installed new heating systems with efficient condensing boiler technology, which will reduce costs and CO₂ emissions.

In summer 2014, we started comprehensive refurbishment work on the approximately 1,300 residential and commercial units on the Hellersdorfer Promenade estate in Berlin. This work will be completed in stages, with completion expected by the end of 2017. We are investing a total of approximately EUR 20 million in the properties, which were built in the late 1980s.

The new construction activity that has begun in Potsdam-Babelsberg, and the new quarter in Berlin-Charlottenburg planned for 2017, will contribute to the aim of creating new housing.

In its Nursing and Assisted Living segment Deutsche Wohnen is active in an area that is becoming increasingly important to society as a result of demographic change. We have been developing our nursing homes and assisted living facilities over a number of years into regional cultural centres. A broad offering of cultural events such as concerts, readings and exhibitions, as well as culinary highlights and daily midday meals at in-house restaurants are organised and financed by the homes. The events are open to residents, tenants and external guests. The aim is to establish the homes as social centres. KATHARINENHOF® GmbH wants to bring art and culture into its facilities because the residents and tenants are generally not able to visit museums and theatres. In doing so, it also wants to attract a broad public that can establish contact with the residents. These visitors include local residents and neighbours, senior citizens' associations and public institutions. The swimming pools and event venues in a number of facilities are also available for use by the public.

These activities help overcome societal barriers where retirement and nursing homes are concerned and increase acceptance for assisted living and care homes.

Deutsche Wohnen wants to increase its social engagement, particularly in those areas where we have the opportunity to use our core capabilities to create real added value. That is why the company plans to increase development in areas in which housing plays a decisive role. One result is our collaboration in Berlin with "hestia e.V.", which provides women who are victims of domestic violence with a new place to live as quickly as possible. Hestia has reached an agreement with two Deutsche Wohnen Service Points under which suitable flats are offered to the association before they are made available via the normal letting process. In 2014, many women and their children were again provided with a safe home with support from Deutsche Wohnen.



The realignment of Deutsche Wohnen's donation strategy, which began in the year under review, has further focused the company's social engagement. While it made larger individual donations in the previous year, the donations made in the year under review were more broadly distributed and helped support social projects located close to the company's properties. These donations were informed by the core principle that smaller local activities have a greater effect than a single large project. The focus is on major estates built in the 1960s and 1970s in Berlin and Hanover. The measures were aligned with the needs of the integrated GSW holdings and are undergoing further development.

Deutsche Wohnen again provided winter road clearance and glass cleaning services to the "Sonnenhof" children's hospice in Berlin-Pankow, as well as making a donation, thus providing financial assistance totalling EUR 7,500. In 2014, in Gropiusstadt in Berlin, we continued to support the Manna family centre operated by Malteser Hilfsdienst e.V. with a donation of EUR 5,000. Since 2012, we have been providing financial assistance to the NaDu day care centre on a public housing estate characterised by high-rise buildings in Hanover. In 2014, Deutsche Wohnen supported its "Journey through Time: Original Work" project and made a significant contribution to the salary of a social worker with a total donation of approximately EUR 29,000. Approximately EUR 4,500 was donated to an amateur puppet theatre in Berlin, while the Sport- und Kulturzentrum Spok GmbH received a donation of approximately EUR 4,000. Every year, we support the Luisa-Haeuser Women's Charity in Frankfurt/Main by waiving ground rent in the amount of EUR 13,744; in this way we are able to contribute towards the operation of an old people's home. The social engagement of selected associations in the GSW properties in Spandau and Deutsche Wohnen properties in Hellersdorf was also supported with rent-free space. And Deutsche Wohnen continued to support the "memorial workshop" youth project in the Hufeisensiedlung [Horseshoe Estate] in Berlin, which encourages young people to maintain memorials, and the "neighbour's garden" project in Gropiusstadt, a student project for the improvement of green spaces in large housing estates.

EC9 Indirect economic impacts

Deutsche Wohnen's property management operations make a significant contribution to the regional economy and local tradespeople. In the year under review, Deutsche Wohnen awarded 32,880 individual contracts with a total value of EUR 39.6 million to local companies. Of these contracts, 54% related to work arising from a change in tenant, 35% were for ongoing maintenance work and 11% related to the removal of asbestos.

ECOLOGICAL PERFORMANCE INDICATORS

Management approach

Housing accounts for a significant proportion of global energy consumption. That means energy-efficient residential buildings are an important factor when it comes to meeting climate targets agreed at the international level. With approximately 147,000 residential units in its portfolio, Deutsche Wohnen is aware of its responsibilities with regard to these targets.

In order to create transparency, both for ourselves and for our stakeholders, we began collating ecological data in 2012. We are continually working to develop our database in order to obtain an accurate picture of overall consumption and raw material flows. To this end, we have broadened the range of data we collect for the second successive year and have established in greater detail the energy and water consumption of our administrative locations, the KATHARINENHOF® locations and our existing properties, and the associated CO₂ emissions. Data regarding administrative activities was collected for two additional locations, bringing the total to 15, while data regarding KATHARINENHOF® facilities now covers 5 of 21 locations. The pilot project for existing holdings saw the greatest growth and now includes 21 rental properties with a total of 2,429 residential units of various sizes, levels of modernisation and technical equipment. Individual properties are selected to allow conclusions to be drawn about the company's overall holdings.

The recording of current data depends on the provision of consumption data by our utilities suppliers. Delays can arise as a result of changes in the recording process and irregular meter readings. This is why the data provided includes exceptions, which are noted in the footnotes. We are working to improve the data recording process.

With regard to our holdings, we record the communal electricity requirements of virtually all the residential rental properties under our ownership throughout the year. This covered approximately 140,000 rental flats (2013: 78,000). Communal electricity requirements include consumption for entrance and hallway lighting and other general electrical installations. However, it is not possible to collect all the consumption data for our tenants, for example data on energy, heating and water. As is normal in housing administration, our tenants are not exclusively supplied by Deutsche Wohnen; instead they agree independent contracts with suppliers.

We are constantly modernising our holdings in order to achieve more efficient energy use. To this end, we invest in insulation and the replacement of heating systems, as well as in renewable or efficient energy generation. This primarily means decentral generation using combined heat and power systems. In 2013, we entered into a strategic cooperation with the energy service provider GETEC for the analysis of our holdings and the development of individual concepts for increased efficiency and the reduction of consumption.

The new construction work that began in the year under review has been holistically aligned with sustainability criteria from the outset, and the buildings meet standards such as those of the German Sustainable Building Council [Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB]. They include criteria relating to building biology, such as the use of non-hazardous materials, the creation of a healthy interior climate, high interior air quality, wood window frames from sustainable forestry and network circuit breakers to combat electromagnetic radiation. We have high standards with regard to the sustainability of our new buildings and sometimes use materials certified according to the Cradle to Cradle® concept. They are conceived for circular material flows, creating a closed cycle for the full re-use of materials.

Materials

EN1 Materials used

Deutsche Wohnen primarily uses materials in three categories: Those used in major projects such as the refurbishment of residential buildings (for example the Ringsiedlung Siemensstadt), those used in small projects for ongoing maintenance and during changes of tenant, and those used in new construction. As such projects are carried out by subcontractors, the quantities of materials used can only be partially recorded (see EC9). For example, 30 t of screed was used to replace asbestos. A total of 2,476 m³ of styrofoam, 1,119 m³ of mineral wool and 123 m³ of cellulose cavity wall insulation were used as insulation in our existing properties. In future, our residential property management company, DWCF, will aim to select insulation materials on the basis of strict ecological criteria.

We can provide more precise data regarding our new build in Potsdam-Babelsberg. A total of 6,417 m³ of concrete, 664 t of steel, 480 m³ of wood and 910 m³ of sand-lime bricks have been used in the building's masonry, while 1,890 m³ of mineral wool and wood fibre has been used for insulation.

The administrative locations (excluding KATHARINENHOF® GmbH) used 45.0 t of paper (2013: 43.6 t), including 38.2 t of copier paper, 5.9 t of letter paper and 0.9 t of forms (2013: 36.7 t of copier paper, 5.9 t of letter paper and 1.1 t of forms).

EN2 Percentage of materials used that are recycled

Of the materials used to insulate the new build in Potsdam-Babelsberg, 44.9% were from renewable sources, while 3.4% of the insulation material used in existing buildings was renewable (see EN1).

Energy

EN3 Direct energy consumption

In the year under review, the Deutsche Wohnen Group (excluding KATHARINENHOF® GmbH) directly consumed 1,197.5 MWh (2013: 1,036.2 MWh) of energy in its business operations, including the operation of its vehicle fleet. We use district heating in the majority of our rented properties, often generated using energy-efficient combined heat and power systems.

The increase in the use of diesel is the result of adaptations to Deutsche Wohnen's vehicle fleet. KATHARINENHOF® GmbH's fleet remained the same as in the previous year.

The significantly higher consumption of the KATHARINENHOF® locations, compared to Deutsche Wohnen, is due to the 24-hour operation of the nursing homes, along with the provision of energy-intensive services, such as laundry and canteen services. The comparatively small increase, despite the extension of the data basis to include five locations, is due to weather conditions and the mild winter, as the facilities are heated using in-house natural gas systems. In 2014, 2,447.3 MWh of direct energy was used [2013: 1,149.0 MWh at one location]. The total consumption that is covered by non-renewable energy providers is 11,307.4 MWh [40,706.6 GJ].

Total direct energy

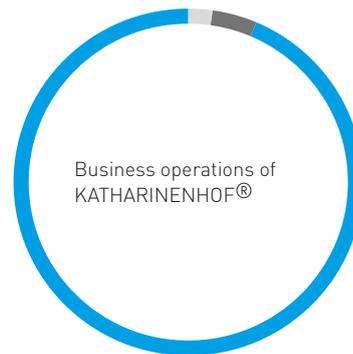


in MWh	2014	2013
■ Natural gas ¹⁾	564.8	442.8
■ Petrol (transport) ²⁾	494.8	521.6
■ Diesel (transport) ²⁾	137.9	71.8
Total direct energy	1,197.5	1,036.2

¹⁾ Data not directly comparable: 2013 consumption data for natural gas for 19% of the floor space in use, compared to 13% of the floor space in use in 2014

²⁾ Transport data from all locations

Total direct energy



in MWh	2014	2013
■ Natural gas ¹⁾	2,287.0	988.7
■ Petrol (transport)	55.9	55.9
■ Diesel (transport)	104.4	104.4
Total direct energy	2,447.3	1,149.0

¹⁾ Data not directly comparable: The 2013 consumption data is for the Am Preußenpark nursing home (Berlin) with 120 nursing places (1 of 21 locations), while the 2014 data is for five nursing homes in Berlin with 550 nursing places (5 of 21 locations)

Pilot project rented residential units ¹⁾	2014 MWh	2013 MWh
Natural gas	6,319.0	6,694.1 ²⁾
Heating oil	1,343.6	-
Total direct energy	7,662.6	6,694.1

¹⁾ Data not directly comparable: 2013 consumption data (including tenant consumption) for eight rental properties in Berlin with a total of 975 residential units and approximately 52,500 sqm of living space, compared to 2014 consumption data for 21 rental properties with a total of 2,429 residential units and approximately 137,000 sqm of living space

²⁾ Data retroactively adapted to the corrected underlying data

EN4 Indirect energy consumption

In the year under review, the Deutsche Wohnen Group (excluding KATHARINENHOF® GmbH) indirectly consumed 1,171.5 MWh of energy (electricity, district heating) (2013: 2,053.6 MWh) in its business operations. The entire communal electricity requirements of our administrative offices were met with energy generated through hydropower. The electricity usage of KATHARINENHOF® facilities in Berlin in the year under review totalled 1,132 MWh and has also been fully covered with energy generated using hydropower since 2014.

The communal electricity requirements of our approximately 140,000 rented residential units (electricity for entrance and hallway lighting, and technical installations) amounted to 30,940 MWh (2013: 15,021 MWh for approximately 78,000 residential units). All of the communal building electricity for our rented portfolio was also generated through hydropower.

Business operations of Deutsche Wohnen (excl. KATHARINENHOF®) ¹⁾	2014 MWh	2013 MWh
Electricity (100% from hydropower)	698.3	605.4
District heating	949.8	1,448.2
Total indirect energy	1,648.1	2,053.6

¹⁾ Data not directly comparable: 2013 for 85% (district heating: 51%) of the floor space in use, compared to 2014 for 69% (district heating: 40%) of the floor space in use

Business operations of KATHARINENHOF®	2014 MWh	2013 MWh
Electricity ¹⁾ (100% from hydropower since 2014)	1,132.0	380.6

¹⁾ Data not directly comparable: The 2013 consumption data is for the Am Preußenpark nursing home (Berlin) with 120 nursing places (1 of 21 locations), while the 2014 data is for five nursing homes in Berlin with 550 nursing places (5 of 21 locations)

Rented residential units in total ¹⁾	2014 MWh	2013 MWh
Electricity (100% from hydropower)	30,940	15,021
Communal electricity per residential unit	0.22	0.19

¹⁾ 2013 consumption data for approximately 78,000 residential units, 2014 data for approximately 140,000 residential units

CRE1 Building energy intensity

In 2014, the extension to the range of data compiled, and the resulting diversification of the data basis, led to a reduction in energy usage per sqm of usable space, in both KATHARINENHOF® GmbH facilities and the pilot project.

	2014 MWh	2013 MWh
Business operations of Deutsche Wohnen (excluding KATHARINENHOF®)¹⁾		
Energy consumed per sqm of usable space	0.16	0.21
Business operations of KATHARINENHOF®²⁾		
Energy consumed per sqm of usable space	0.14	0.21
Pilot project rented residential units³⁾		
Energy consumed per sqm of living space	0.11	0.16

¹⁾ Data not directly comparable: 2013 consumption data for natural gas, electricity and district heating for up to 85% of the floor space in use, compared to up to 69% of the floor space in use in 2014. Transport data from all locations

²⁾ 2013 consumption data for natural gas, transport and electricity for one nursing home with 120 nursing places (1 of 21 locations), 2014 data for five nursing homes with 550 nursing places (5 of 21 locations)

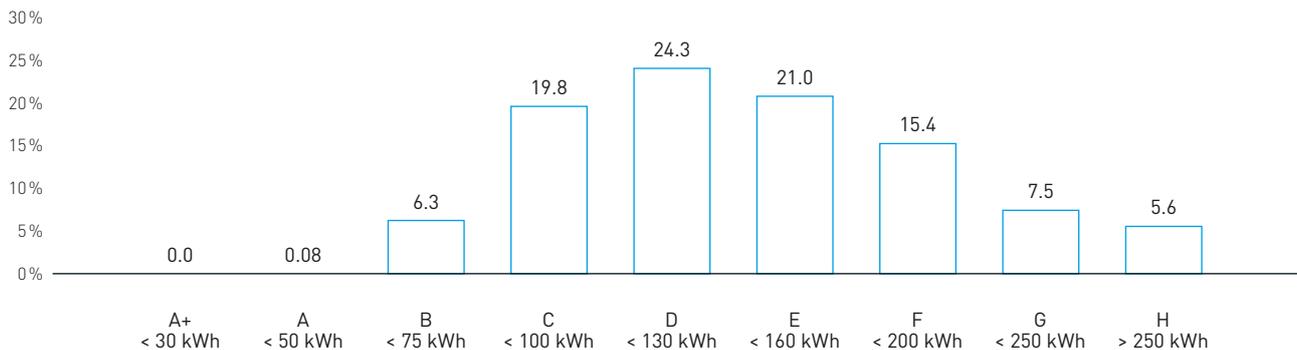
³⁾ 2013 consumption data for natural gas (including tenant consumption) for eight rental properties in Berlin with a total of 975 residential units and approximately 52,500 sqm of living space, compared to 2014 data for 21 rental properties with a total of 2,429 residential units and approximately 137,000 sqm of living space

Under the Energy Saving Ordinance, we analysed the energy intensity of our holdings, in the past without the GSW residential units. The analysis for 2014 is almost fully complete. The results show that Deutsche Wohnen's portfolio is well positioned in terms of energy efficiency. This demonstrates that the comprehensive investment in modernisation measures over recent years has been successful.

- Approximately 72% of our residential units consume less than the German annual average of 160 kWh per sqm per year.
- Approximately 26% of our residential units have low consumption – less than 100 kWh per sqm per year (class A+ to C).
- The mean average for our holdings (see graph below) is 138.9 kWh per sqm per year.
- The median is 127.7 kWh per sqm per year. The median is measured by dividing the overall data into two halves, so that 50% of the residential units are above this value while 50% are below it.
- Around 28% of our residential units consume more than 160 kWh per sqm per year and offer potential for modernisation.

Energy intensity of the residential units

By energy consumption in kWh per year, clustered in energy efficiency categories¹⁾



¹⁾ Differences of approximately 20 kWh can arise in the figures for energy use due to missing data regarding the type of heating. The categorisation by energy efficiency class therefore only follows the classification of the Energy Saving Ordinance (EnEV). The data includes approximately 75% of the total holdings (excluding GSW). Approximately 20% of our holdings are listed and are therefore exempt from classification and 5% are not classified.

EN5 Energy saving initiatives

The joint enterprise G+D, which was established in cooperation with GETEC, examined a total of 1,600 properties from our overall holdings, as well as the properties of KATHARINENHOF® GmbH, from the perspective of potential energy efficiency. This analysis was carried out on the basis of data and is, where necessary, verified by a site visit. Local verification was carried out at 300 properties. One measure that has resulted from this process is, for instance, the conversion of one KATHARINENHOF® location in Saxony to a combined heat and power (CHP) system with 20 kW of electrical and 20 kW of thermal output, along with condensing boilers and high-efficiency pumps. The long-term aim is to convert all suitable locations to combined heat and power technology.

A Deutsche Wohnen residential complex in Langenfeld was converted to a combined heat and power system with 360 kW of electrical and 389 kW of thermal output. In 2014, even though it was not being operated at full load, it saved 153 t of CO₂ equivalents per year. The central heating system at a further residential complex in Berlin was modernised and two new gas boilers were installed, leading to savings of 157 t of CO₂ equivalents per year. This equates to a saving of 21% compared to previous years, and this figure will increase when the system has been in permanent operation for the entire year. The conversion of the combined heat and power plant in Weiße Stadt to biogas saved 1,959 t of CO₂ equivalents, compared to natural gas. That is a reduction of 31.2%.

Deutsche Wohnen will continue to implement various measures to increase energy efficiency in 2015. Within the scope of its ModErn project, 74 boiler systems will be replaced or refurbished at a total cost of approximately EUR 3 million. G+D will optimise an additional 30 systems, which will lead to a projected saving of 1,390 MWh per year or 1,260 t of CO₂ equivalents. The possibility of commercial heat supply is being investigated for all properties that currently use in-house central heating systems. This solution allows Deutsche Wohnen to save investment capital while receiving energy from highly efficient, environmentally friendly sources. Furthermore, in the case of the commercial supply of heating and hot water the statutory provision concerning so-called gross rent neutrality applies. This means that the heating and hot water costs remain the same for the tenants or are even lower than before the measure was implemented.

The new build in Potsdam-Babelsberg will achieve a high level of efficiency by using district heating from a combined heat and power plant.



Within the scope of our "Green IT" programme, the efficiency programme for our IT infrastructure, the printer systems used by Deutsche Wohnen were replaced by more efficient models in 2014. Before their replacement, the company used approximately 360 printers. The centralisation of printers within the company reduced that number to 110. The total saving achieved by replacing the printers is approximately 58.5 MWh per year. In the period under review, we also began replacing our computer system with energy-saving "thin clients". The conversion should be completed in 2015 and result in energy savings of approximately 44.0 MWh per year.

EN6 Energy saving initiatives for products

See EN5.

EN7 Reduction of indirect energy use

All employees of KATHARINENHOF® GmbH were given a Jobticket. These season tickets for public transport means that their journey to work results in lower CO₂ emissions.

Water

EN8 Total water withdrawal by sources

The water consumption arising from our business activities (including KATHARINENHOF® GmbH) was met using fresh water from the public mains.

	2014 m ³	2013 m ³
Fresh water		
Business operations of Deutsche Wohnen (excluding KATHARINENHOF®) ¹⁾	3,587.8	4,231.8
Business operations of KATHARINENHOF® ²⁾	25,549.0	7,558.0
Pilot project rented residential units ³⁾	170,401.8	62,975.0

¹⁾ Data not directly comparable: 2013 for 75% of the floor space in use, compared to 51% of the floor space in use in 2014

²⁾ Data not directly comparable: 2013 consumption data for one nursing home with 120 nursing places (1 of 21 locations), 2014 data for five nursing homes with 550 nursing places (5 of 21 locations)

³⁾ Data not directly comparable: 2013 consumption data (including tenant consumption) for eight rental properties in Berlin with a total of 975 residential units and approximately 52,500 sqm of living space, compared to 2014 consumption data for 21 rental properties with a total of 2,429 residential units and approximately 137,000 sqm of living space

CRE2 Building water intensity

In 2014, the extension to the range of data compiled and the resulting diversification of the data basis led on the one hand to a reduction in water use per sqm of usable space at the KATHARINENHOF® GmbH facility and on the other hand to a slight increase in the pilot project.

	2014 m ³	2013 m ³
Business operations of Deutsche Wohnen (excluding KATHARINENHOF®)¹⁾		
Fresh water per sqm of usable space	0.29	0.29
Business operations of KATHARINENHOF®²⁾		
Fresh water per sqm of usable space	0.97	1.02
Pilot project rented residential units³⁾		
Fresh water per sqm of living space	1.24	1.20

¹⁾ Data not directly comparable: 2013 consumption data for 75% of the floor space in use, compared to 51% of the floor space in use in 2014

²⁾ 2013 consumption data for one nursing home with 120 nursing places (1 of 21 locations), 2014 data for five nursing homes with 550 nursing places (5 of 21 locations)

³⁾ 2013 consumption data (including tenant consumption) for eight rental properties in Berlin with a total of 975 residential units and approximately 52,500 sqm of living space, compared to 2014 consumption data for 21 rental properties with a total of 2,429 residential units and approximately 137,000 sqm of living space

Biodiversity

EN11 Activities in protected areas

All administrative sites, as well as all residential units owned by the Deutsche Wohnen Group, are located in urban areas and therefore not in designated protected areas. One of the locations of KATHARINENHOF® GmbH, Haus Quellenhof in Wolkenstein, is located in a water protection area. Here, we comply with the relevant statutory provisions relating to the extraction and discharge of water. A total of 7.3% of our residential stock (10,718 residential units), the majority in Berlin, is located in the outer protection zones of water protection areas.

EN12 Effects on protected areas and biodiversity

None of our properties affects a nature reserve. A total of 7.3% of our inventory borders on water protection areas. Water discharge is prohibited in water protection areas. In the surrounding protection zones, discharge is subject to regular inspections, which take place every 10 or 20 years, depending on the zone.

Emissions, effluents and waste

EN16 Direct and indirect greenhouse gas emissions

The Deutsche Wohnen Group calculates its CO₂ emissions on the basis of the Global Emission Model for Integrated Systems (GEMIS 4.81), including the effect of all greenhouse gases along the value creation chain. Emissions are reported in accordance with the international standards of the Greenhouse Gas Protocol. Company-wide greenhouse gas emissions arising as a result of business activities of the Deutsche Wohnen Group (excluding KATHARINENHOF® GmbH) amounted to 488.3 t of CO₂ equivalents in 2013 (2013: 530.9 t of CO₂ equivalents). Of those emissions, around 29% (2013: 21%) were attributable to gas consumption and approximately 30% (2013: 44%) to the use of electricity and district heating. In 2014, the emissions of KATHARINENHOF® GmbH's nursing homes totalled 625.9 t of CO₂ equivalents, a disproportionately low increase compared to the increase in the scope of the underlying data. This was primarily due to the switch to electricity from renewable sources.

Business operations of Deutsche Wohnen (excluding KATHARINENHOF®)	2014 t CO ₂ eq	2013 t CO ₂ eq
Direct CO ₂ emissions from production/heating (Scope1) ¹¹	142.3	111.6
Indirect CO ₂ emissions from electricity/district heating (Scope2) ¹¹	147.2	231.3
Direct CO ₂ emissions from transport (Scope1)	198.8	188.0
Total CO₂ emissions	488.3	530.9

¹¹ Data not directly comparable: 2013 data calculated on the basis of consumption data for natural gas, electricity and district heating for up to 85% of the floor space in use, compared to 69% of the floor space in use in 2014

Business operations of KATHARINENHOF® ¹¹	2014 t CO ₂ eq	2013 t CO ₂ eq
Direct CO ₂ emissions from production/heating (Scope1)	576.1	249.0
Indirect CO ₂ emissions from electricity/district heating (Scope2)	- ²¹	190.3
Direct CO ₂ emissions from transport (Scope1)	49.8	49.8
Total CO₂ emissions	625.9	489.1

¹¹ 2013 consumption data for natural gas, transport and electricity for one nursing home with 120 nursing places (1 of 21 locations), 2014 data for five nursing homes with 550 nursing places (5 of 21 locations)

²¹ Due to the use of CO₂-neutral electricity from renewable sources in 2014

EN17 Other relevant greenhouse gas emissions

The emissions calculations for rental units in the 21 properties with 2,429 residential units included in the pilot project resulted in a total of 3,286.9 t of CO₂ equivalents (2013: 1,912.4 t of CO₂ equivalents).

Pilot project Rented residential units ¹¹	2014 t CO ₂ eq	2013 t CO ₂ eq
Direct CO ₂ emissions from production/heating (Scope1)	2,031.1	1,686.3 ²¹
Indirect CO ₂ emissions from electricity/district heating (Scope2) ³¹	1,255.8	226.1
Total CO₂ emissions	3,286.9	1,912.4

¹¹ Data not directly comparable: 2013 consumption data (including tenant consumption) for eight rental properties in Berlin with a total of 975 residential units and approximately 52,500 sqm of living space, compared to 2014 consumption data for 21 rental properties with a total of 2,429 residential units and approximately 137,000 sqm of living space

²¹ Data retroactively adapted to the corrected underlying data

³¹ In 2013, the proportion of building electricity accounted for by conventional electricity was 13%

CRE3 Greenhouse gas emissions intensity from buildings

The CO₂ intensity of KATHARINENHOF® GmbH's business operations decreased by 63.6% compared to 2013. This was the result of the switch to electricity from hydropower in the year under review and the mild winter. The measured CO₂ intensity of the residential units in existing buildings decreased by 55.8%. In addition to the mild winter, this was due to the fact that the data basis was extended to cover oil and district heating and so made more representative. A further reason was differences in the year of construction of the various nursing homes and in the extent to which they have been modernised.



	2014 t CO ₂ eq	2013 t CO ₂ eq
Business operations of Deutsche Wohnen (excluding KATHARINENHOF®)¹¹		
Specific CO ₂ emissions per sqm of usable floor space	0.020	0.024
Business operations of KATHARINENHOF®²¹		
Specific CO ₂ emissions per sqm of usable floor space	0.024	0.066
Pilot project rented residential units³¹		
Specific CO ₂ emissions per sqm of usable floor space	0.024	0.043

¹¹ Calculate on the basis of 2013 consumption data for natural gas, electricity and district heating for up to 85% of the floor space in use, compared to up to 69% of the floor space in use in 2014. Transport data from all locations

²¹ Calculated on the basis of 2013 consumption data for natural gas, transport and electricity for one nursing home with 120 nursing places (1 of 21 locations), 2014 data for five nursing homes with 550 nursing places (5 of 21 locations)

³¹ Calculated on the basis of 2013 consumption data (including tenant consumption) for eight rental properties in Berlin with a total of 975 residential units and approximately 52,500 sqm of living space, compared to 2014 consumption data for 21 rental properties with a total of 2,429 residential units and approximately 137,000 sqm of living space

CRE4 Greenhouse gas emission intensity from construction activity

In the case of the construction phases for the new build in Potsdam-Babelsberg that were completed in 2014, 167.4 MWh of on-site electricity was consumed. Relative to the living space of around 7,260 sqm that has already been completed, this consumption figure corresponds to a CO₂ intensity of 0,003 t of CO₂ equivalents per sqm of living space.¹¹

EN18 Initiatives to reduce greenhouse gas emissions

We met 100% of the communal building electricity requirements (entrance and hallway lighting and other central electrical installations) of our rented holdings (only includes holdings that we owned during the entire year) using hydropower, thereby achieving total savings of approximately 15,612 t of CO₂ equivalents in the year under review (2013: 7,580 t), an increased saving of 8,032 t compared to the previous year.

In 2014, we achieved total savings of 15,964 t of CO₂ equivalents (2013: 7,885 t of CO₂ equivalents), including the electricity requirements of our administrative locations, which totalled 698 MWh (2013: 605 MWh) – an increase of 8,079 t or 49% compared to the previous year.

Company bicycles for transport between the administrative buildings were provided in 2014.

EN19 Emissions of ozone-depleting substances

The coolant we use for air conditioning systems in our conference rooms, the canteen and rooms used to house technical equipment at the Berlin head office complies with the latest standards and does not have any potential for ozone depletion. As a non-producing company, the collection of data regarding emissions of ozone-depleting substances is not of relevance to Deutsche Wohnen.

EN20 Other air emissions

The calculated amount of sulphur and nitrogen emissions, as well as particulate matter, generated by the use of gas and district heating and by the vehicle fleet of the Deutsche Wohnen Group (excluding KATHARINENHOF® GmbH) in 2012 was 0.889 t. The pilot project calculated emissions resulting from the consumption of our tenants at 1.146 t.

Business operations of Deutsche Wohnen (excluding KATHARINENHOF®) ¹¹	2014 t	2013 t
Emissions into the air: SO ₂	0.219	0.278
Emissions into the air: NO _x	0.632	0.757
Emissions into the air: particulate matter	0.038	0.044
Total emissions into the air	0.889	1.079

¹¹ 2013 data calculated on the basis of consumption data for natural gas and district heating for up to 70% of the floor space in use, compared to 53% of the floor space in use in 2014. Transport data from all locations

Business operations of KATHARINENHOF® ¹¹	2014 t	2013 t
Emissions into the air: SO ₂	0.058	0.037
Emissions into the air: NO _x	0.600	0.295
Emissions into the air: particulate matter	0.027	0.014
Total emissions into the air	0.685	0.346

¹¹ Calculated on the basis of 2013 consumption data for natural gas and transport for one nursing home with 120 nursing places (1 of 21 locations), compared to 2014 data for five nursing homes with 550 nursing places (5 of 21 locations)

¹¹ Emission factor of the energy provider mix of the EWP (Potsdam Electricity and Water) in accordance with section 42 of the Energy Industry Act [EnWG – Energiewirtschaftsgesetz], status 2013

EN21 Water discharge

In line with the relevant statutory provisions, waste water is discharged into the public sewer system and waste water treatment plants.

Our new build in Potsdam-Babelsberg has a separation system for the disposal of waste and rain water via the municipal sewer system. However, the majority of rain water is drained directly into the building's plot in order to combat the effects of sealed surfaces in the built environment and replenish groundwater.

EN22 Waste by type and method of disposal

In the year under review, we recycled 36.0 t of paper. The business activities of KATHARINENHOF® GmbH generated 2,880.0 m³ (2013: 665.9m³) of waste; of that, a total of 530.4 m³ of paper, cardboard and glass (19%) were reused, while the remaining 2,314.3 m³ (81%) went to waste-to-energy plants. Further data for all types of waste – whether arising as a result of our business activities or produced in our rented residential units – cannot be considered reliable as it refers to communal tonnage or estimated volume data, and is therefore not reported.

In 2014, 66.7 t of waste containing asbestos, including flexible tiles, milled material, grinding dust and windowsills, were removed by qualified disposal companies.

The ground below the new build in Potsdam-Babelsberg contained peat, which was disposed of according to the regulations governing organic material. It was partly used to refill the excavation, thereby avoiding the need for disposal in a landfill or by burning.

EN23 Significant spills

No pollutants were released in the year under review.

CRE5 Land remediation

The materials used in our buildings are selected on the basis of environmental compatibility. For example, in external areas we use paving stones that can absorb pollutants from the ground.

The use of composite insulation with thick plaster and a special surface avoids the need for biocides and fungicides normally required for such systems, which are then washed into the surrounding earth. The system used also has a significantly longer life than conventional plasters.

We dispose of materials that contain asbestos and other harmful materials from existing buildings professionally and replace them with suitable alternatives.

Products and services

EN26 Initiatives to mitigate environmental impacts of products and services

The residential units of Deutsche Wohnen must meet high standards. This aim is an element of our core business, and we are constantly working to achieve it.

In 2014, 153 measures for the removal of asbestos were carried out. They involved replacing potentially hazardous tiles and windowsills with safe materials such as screed. During the refurbishment of the historic Eisenbahnersiedlung [Railway Workers' Estate] in Elstal, unused loft areas that were painted with carcinogenic material (Hylotox) 80 years ago were covered. In lofts that were converted to increase capacity, we completely removed the contaminated roofs and tiles and disposed of them in accordance with the applicable regulations, to ensure that there is no danger to future residents.

Greening projects for the ecological integration of buildings were also implemented. In Elstal, we are using wild vines to restore the greening of the facades around the market place. At the new build in Potsdam-Babelsberg we are protecting and maintaining the old orchard within the block and other existing trees, and planting native hedges and shrubs. We are also currently investigating whether we can green the facades, possibly with fruit shrubs.



The new build takes into account criteria relating to building biology and the Cradle to Cradle® concept. The buildings' non-load-bearing interior walls are not being insulated with the usual mineral wool fibre, but with environmentally friendly, permeable, lightweight wood fibre boards. They have no negative effect on building biology and also offer better acoustic insulation than comparable mineral wool boards, despite being thinner. We are using wood and wood/aluminium windows, rather than plastic (PVC chain) windows. They lead to lower exterior refurbishment costs and contribute positively to room climate and improved aesthetics. Silicate paints with mineral binding elements are being used instead of plastic dispersions. Material suppliers for the new building project are required to comply with the DGNB standard for sustainable materials. That was confirmed in writing by all suppliers.

When refurbishing our office locations, we install resource-saving equipment. We only use water-saving taps, devices with an A++ energy efficiency rating and LED lighting.

In addition to using hydropower and efficient co-generation plants, Deutsche Wohnen also uses photovoltaic power generation to ensure that its energy supply is environmentally friendly. A total of 79 photovoltaic systems are installed on the roofs of its holdings, particularly in Brandenburg, Berlin, Saxony and Saxony-Anhalt. Their combined output is 1,318 kWp and they produce approximately 1,075 MWh of electricity each year. This resulted in savings of approximately 622 t of CO₂ equivalents in 2014.

EN27 Reclaimed products and packaging

As a real estate company, the collection of data regarding reclaimed products and packaging is not of relevance for Deutsche Wohnen.

Compliance

EN28 Fines and sanctions for non-compliance with environmental regulations

No fines were imposed on the Deutsche Wohnen Group for violations of environmental regulations in the year under review.

SOCIAL PERFORMANCE INDICATORS

Labour practices and decent work

Management approach

Due to the company's significant growth, Deutsche Wohnen has more than doubled the number of people it employs in the last three years. We offer qualified professionals secure and attractive positions, which also provide excellent career opportunities, thanks to our flat hierarchies and the dynamic environment in which we operate. We know that we owe a large part of our success to the commitment and motivation of our employees. In the year under review, we recognised their outstanding performance with the payment of a special bonus and introduced a system that ensures appropriate compensation based on market conditions and the performance of employees, and according to uniform standards. We also emphasise transparent communication, and strive to provide our staff with individual opportunities for professional development and support in achieving a positive work/life balance. We rely on high quality, targeted training to further develop the high level of expertise and personal competencies of our employees, and consider professional training programmes to be a strategic tool for the retention of staff. We foster new and existing management talent with comprehensive internal development programmes that combine theoretical knowledge and company know-how in the best possible way. Approximately 17% of our current managers are former trainees.

We mainly rely on internal potential for the recruitment of young talent. Each year we offer young people the opportunity to gain a foothold in the real estate and nursing care industries – in the form of training for careers such as real estate managers, health care professionals or qualified nurses. The dual bachelor's degree course in Business Administration and the Real Estate Industry is very popular as well. In order to attract an even broader range of talent, we are also offering a work-study programme leading to a Bachelor of Engineering in Technical Facility Management from this year.



Our Code of Conduct and management principles, which were adopted in 2011 and apply to all of our employees, provide a basis for constructive interaction, reliability, respect and transparency. We promote diversity and prohibit all discrimination on grounds of gender, age, ethnic origin, disability or sexual orientation in the context of the hiring, ongoing employment or professional development of employees, basing all decisions in this regard solely on the performance, personality, abilities and suitability of the individuals in question. We employ temporary workers only in exceptional cases and do not take on any unpaid interns.

An employee survey conducted in the year under review produced predominantly positive results. A total of 76% of employees said they were proud or very proud to work for Deutsche Wohnen, while 77% said they identified strongly or very strongly with the company. Following a full evaluation of the results, further targeted measures to ensure continuing increases in employee satisfaction will be carried out in 2015.

We will continue to work to maintain and improve the high standards in all areas of Deutsche Wohnen in terms of our performance and quality. A large number of new employees joined the company as a result of the integration of GSW. One of our central tasks in the coming year will be to include them and other new employees in our structures and to develop a common corporate culture. In order to offer our managers

and their new staff the best possible support during their professional, social and organisational integration, an induction concept has been developed and will be implemented in all areas of Deutsche Wohnen from this year onwards. We also plan to introduce structured appraisals and a strategic staff development process in 2015.

Employment

LA1 Total workforce

As at the reporting date of 31 December 2014, the Deutsche Wohnen Group had 2,219 employees (excluding apprentices), 784 of whom worked for the holding company and in the residential division, and 1,435 in the Nursing and Assisted Living segment (KATHARINENHOF® GmbH).

The number of part-time employees is 92 (Deutsche Wohnen Group excluding KATHARINENHOF® GmbH). KATHARINENHOF® GmbH has given particular attention to the work-related wishes, needs and requirements of older employees in the nursing area. Consequently, we grant employees' requests, where necessary, for less physically demanding work, two-shift instead of three-shift employment, and fewer weekend hours. There are 707 employees making use of these part-time options.

Overview of employees in the Deutsche Wohnen Group ¹⁾	Deutsche Wohnen including KATHARINENHOF®		Deutsche Wohnen excluding KATHARINENHOF®		KATHARINENHOF®	
	31/12/2014	31/12/2013 ²⁾	31/12/2014	31/12/2013 ²⁾	31/12/2014	31/12/2013
Number of employees	2,219	1,877	784	477	1,435	1,400
Thereof women	1,692	1,422	522	299	1,170	1,123
Thereof men	527	455	262	178	265	277
Average age in years	42.5	42.5	41.9	40.5	42.9	43.1
Number of apprentices ³⁾	130	112	58	40	72	72
Thereof women	78	67	33	23	45	44
Thereof men	52	45	25	17	27	28

¹⁾ Excluding apprentices

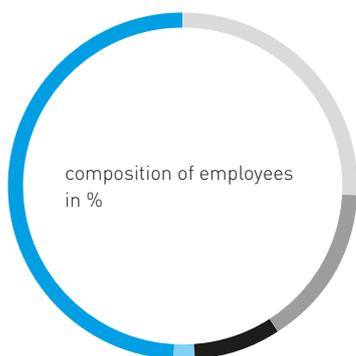
²⁾ Excluding GSW

³⁾ Including adult education

Employees in flexible employment	Deutsche Wohnen excluding KATHARINENHOF®	
	2014	2013 ¹⁾
Part-time	92	33
In %	11.7	6.9
Thereof women	84	31
Thereof men	8	2
Employed on fixed-term basis	34	37
In %	4.5	7.8
Thereof women	22	21
Thereof men	12	16

¹⁾ Excluding GSW

Growth-based composition of employees



■ New jobs in the Deutsche Wohnen Group because of growth since 2008	49%
■ GSW	26%
■ GEHAG/ESG	15%
■ Deutsche Wohnen before 2008	8%
■ Other acquisitions	2%

LA2 Employee turnover

In 2014, the turnover rate for the Deutsche Wohnen Group (excluding KATHARINENHOF® GmbH and GSW) was 6.9% (2013: 8.6%). Due to the restructuring process following the takeover of GSW, the turnover rate is given without GSW. The average length of service (excluding KATHARINENHOF® GmbH, apprentices, temporary staff and caretakers, including GSW) rose in comparison to the previous year from 8.3 years to 10.3 years on account of growth.

At around 25% per year, the cumulative turnover rate across all facilities in KATHARINENHOF® GmbH is at a level common in the care services sector on account of the difficult general conditions and lack of skilled workers. Expressed in terms of average KATHARINENHOF® GmbH employee numbers, including apprentices, this turnover rate for 2014 indicates a change of around 1.5 employees per facility per month due to reasons such as retirement, the conclusion of training or termination by the employee or the employer. Despite the legislation in effect since 2014 regarding the lowering of the retirement age ("Pension at 63"), the turnover rate decreased slightly by 0.5%.

Length of service in years



In %	31/12/2014	31/12/2013 ²⁾
■ Up to 1 year	9	23
■ 1-5 years	31	36
■ 6-15 years	30	20
■ 16-20 years	10	7
■ More than 20 years	21	14

¹⁾ Excluding apprentices, temporary staff and caretakers

²⁾ Excluding GSW, including GIM



	Deutsche Wohnen excluding KATHARINENHOF®		KATHARINENHOF®	
	2014	2013	2014	2013
Employee turnover¹⁾				
Men	13	15	n. s. ²⁾	n. s. ²⁾
Women	21	24	n. s. ²⁾	n. s. ²⁾
Turnover rate ³⁾ total in %	6.9	8.6	25.8 ⁴⁾	26.3 ⁴⁾
Men	9	5	n. s. ²⁾	n. s. ²⁾
Women	6	12	n. s. ²⁾	n. s. ²⁾
Turnover rate for employee-instigated terminations in %	3.0	3.8	n. s. ²⁾	n. s. ²⁾

¹⁾ Excluding apprentices, GSW

²⁾ Due to decentralised collection of data, no accurate information possible

³⁾ Including employee-instigated and employer-instigated terminations, employees reaching retirement age, and termination agreements

⁴⁾ Including apprentices

LA3 Employee benefits

As a principle, Deutsche Wohnen provides full- and part-time employees, as well as apprentices and staff employed on a fixed-term basis (excluding KATHARINENHOF® GmbH and GSW), with the same support benefits. In 2014, we introduced voluntary special benefits to provide support to our employees in special circumstances, such as the birth of a child, or marriage or the death of a relative. Additional offers such as massages, fruit baskets, health days and sport activities are available to all employees.

We also recognise exceptional trainer performances with an annual bonus. At KATHARINENHOF® GmbH, mentors fulfilling a training role receive additional remuneration as compensation for the responsibility that they assume as part of training.

For all employees (including KATHARINENHOF® GmbH), travel expenses for company training are borne by the company. In addition, KATHARINENHOF® GmbH generally bears all necessary expenses associated with staff qualifications.

LA15 Return and retention rate after parental leave

In 2014, 50 employees were on parental leave, with 18 employees on parental leave returning to work during the year (excluding KATHARINENHOF® GmbH). At KATHARINENHOF® GmbH in 2014, there were 28 employees on parental leave – 26 of whom were female and 2 male – corresponding to 100% of employees with a claim to parental leave. Of the 27 employees who returned to work, 25 were female and 2 male.

	Deutsche Wohnen excluding KATHARINENHOF®	
	2014	2013 ¹⁾
Utilisation of parental leave		
On parental leave	50	26
In %	6.4	5.5
Thereof women	42	23
Thereof men	8	3
Returning employees	18	12
Thereof women	11	10
Thereof men	7	2

¹⁾ Excluding GSW

Labour/Management Relations

LA4 Percentage of employees covered by collective bargaining agreements

The interests of Deutsche Wohnen employees (excluding KATHARINENHOF® and GSW) are represented by the focus group set up at the end of 2007. This representative body for employees of the Deutsche Wohnen Group serves as a mouthpiece for staff. Around 20 employees from various professional fields and differing locations meet twice a year to address the latest issues. The issues discussed and the outcomes of the meetings are made available on the intranet in the form of minutes, as well as in the employee newsletter. In addition, the focus group can, where applicable, extend an invitation to the Chief Executive Officer with a view to discussing and resolving current problems. Contact persons and anonymous mailboxes are provided throughout the entire year for suggestions and complaints.



Deutsche Wohnen employs agency workers on an interim basis only when necessary and does not take on any unpaid interns. In exceptional cases, KATHARINENHOF® GmbH does employ agency workers in order to overcome bottlenecks with regard to nursing specialist and nursing assistant numbers that arise as a result of the job market.

The GSW works councils represent the interests of GSW employees. The interests of KATHARINENHOF® employees are safeguarded by local works councils at two locations. Furthermore, employees are actively involved in the discussions and decisions regarding the further development of facilities and the company as a whole. For years, special committees have been in place for this purpose, such as an annual delegates' conference for the entire workforce including a day workshop, workshops for individual facilities, company-wide and facility-related closed meetings, and the intranet-based information periodical "In&Out" for employees.

Employees are paid based on the relevant norms established in the residential property industry. Employees at KATHARINENHOF® GmbH are paid in accordance with regional remuneration guidelines, which are based on the relevant peer group. Company wage agreements exist for GSW. Around 47% of employees (Deutsche Wohnen Group including GSW, excluding KATHARINENHOF® GmbH) are subject to these wage agreements.

LA5 Minimum notice periods regarding operational changes

We provide comprehensive information with regard to operational changes to all parts of the company in due time while observing the applicable laws. The information channels given in 4.16 and LA4, among others, are used for this purpose.

KATHARINENHOF® GmbH employees are promptly informed of operational changes by the Executive Board or Regional Management/Nursing Facility Management. The regional works councils are informed of such changes during periodic discussions with the executives in charge, and then pass this information onto the relevant employees.

Occupational Health and Safety

LA7 Rates of injuries, absenteeism and work-related fatalities

The incidence rate for illness (paid and unpaid sick days) for 2014 was 4.61%, having fallen slightly compared to the previous year's figure of 4.98% (Deutsche Wohnen Group excluding KATHARINENHOF® GmbH and GSW). All work-related accidents (including commuting accidents) are centrally recorded in the Administration department and reported to the workers' compensation board. Any illness-related absences from work which may arise or have arisen as the direct result of work-related accidents are not recorded separately, but are included in the general incidence rates for illness. As in previous years, there were no work-related fatalities in 2014.

The incidence rate for illness for KATHARINENHOF® GmbH in 2014 was 7.9%. All work-related accidents (including commuting accidents) are recorded at each individual facility and reported to the workers' compensation board. Periods of absence connected to these accidents are included in the above-mentioned incidence rate for illness and are not recorded separately. The number of work-related accidents reported to the workers' compensation board was 37, constituting a slight increase compared to the 2013 figure of 32. There were no work-related fatalities in the reporting year.

CRE6 Health and safety management systems

Workplace inspections concerning worker protection are regularly conducted with the occupational safety specialist and company doctor. In accordance with official regulations, our employees are equipped with protective workwear to the extent necessary, for example, at construction sites.

At KATHARINENHOF® GmbH an external occupational safety officer is responsible for ensuring the provisions regarding occupational safety and health protection. This person, together with the assigned persons present at each facility, conducts regular inspections and consultation sessions at least once a year and creates a log of the results of the inspections, in addition to any measures that may need to be introduced (including revision periods).

Furthermore, all KATHARINENHOF® facilities undergo regular checks and reviews by authorities. Alongside those concerning the core business of nursing (quality checks by the German Health Insurance Medical Service), these checks and reviews include fire protection checks, hygiene checks, process and procedure checks (care home supervisory authorities), checks regarding service quality and customer orientation, as well as the company's own checks and audits in these relevant areas.



LA8 Prevention and risk-control programs

The health of our employees is very important to us. For that reason, Deutsche Wohnen attaches great significance to the company's active promotion of health: In doing so, we regularly organise health awareness days, when sport and a healthy lifestyle take centre stage, and employees at each of our locations are treated to a free massage. Massages are also offered at reduced prices on a weekly basis. Employees wanting to improve their physical fitness through weight training can also access the services of a training provider at preferential rates. Every year, we organise company runs in Berlin and Frankfurt/Main and, where there is interest, at other locations, too (as was the case in Hanover in 2014). Our Deutsche Wohnen football team took part in the "JLL Cup – Charity Football Event" in 2014. We also had 14 employees compete in the Velothon in Berlin.

In 2014 via a bonus initiative, we once again encouraged our staff to participate in sporting events involving skating, cycling, running and walking and thereby collect vouchers that were able to be redeemed at various partner organisations. Under this initiative, Deutsche Wohnen teams that once again successfully completed the relay races organised by the Berliner Wasserbetriebe (Berlin water services), or took part in the J.P. Morgan Corporate Challenge, for instance, were able to collect bonus points.

In 2014, at our offices in Berlin, Potsdam-Babelsberg, Frankfurt/Main, Mainz and Hanover, our collaborative action with the Siemens company health insurance scheme [SBK] once again gave employees the opportunity to have their "heart health", or the "susceptibility to stress" of their cardiovascular system, assessed by a medical specialist by means of a heart rate variability measurement (HRV measurement for short). Furthermore, staff also had the chance to monitor the level of tension or relaxation they were experiencing by observing the change in colour of the "Biodots®" with which they were provided.

We plan to further develop our company's health management system in 2015.

At KATHARINENHOF® GmbH, health, enthusiasm and fun at work are also fixed components of the corporate philosophy. The year 2014 saw us enhance our supporting instruments in this respect, which include regular health awareness days with tips and information about how to have a healthy lifestyle, as well as vital

sign measurements. Moreover, the KATHARINENHOF® bonus card allows our employees to receive discounts at selected health and fitness centres. Several teams from various facilities also successfully took part in company runs in Berlin in 2014.

Training and education

LA10 Training hours per year and employee

In acquiring new talent, the Deutsche Wohnen Group draws on its own aspiring young employees in particular. This is also the reason for our extensive apprenticeship programme: In 2014, a total of 130 apprentices (2013: 112) were employed at Deutsche Wohnen Group, of whom 78 were women and 52 men.

Our employees' development and their bond with the company is very important to us. It was for this reason that, in 2014, we worked out a structured employee induction concept, prepared for the introduction of employee discussions and further developed our strategic human resources development system. One focus of our activities in 2014 was the integration of GSW into the Deutsche Wohnen Group, which will continue to be a priority with us in 2015. The year under review also saw us develop our next set of executive development programmes, which we will commence in 2015. Deutsche Wohnen invested around EUR 200,000 in the training and professional development of its employees in 2014.

Deutsche Wohnen is a partner of the Berlin School of Economics and Law (HWR Berlin) for dual study courses, whereby study and practical phases alternate in cycles of approximately three months. Students on dual study courses complete the theoretical phases of their course at the university and the practical phases at Deutsche Wohnen. There are currently six students enrolled in the "Business Studies and Property Management" course of studies. From 2015 onward, there will also be one place on offer for the "Technical Facility Management" course.

Partly because the job market is difficult, training forms the basis upon which qualified employees are acquired at KATHARINENHOF® GmbH. For this reason, KATHARINENHOF® GmbH makes more training places available each year than can be compensated for through a refinancing of the expenses via the state-specific regulations of the nursing care insurance funds. In 2014, 72 apprentices were taken on, for 25 of whom there was no refinancing option (for example, adult education, employment agencies).



Just as relevant is the continual professional development of all employees. Internal professional development and training sessions, as a wound manager, dementia specialist or documentation specialist, for instance, are conducted by employees of the company who possess a high level of specialist expertise, or by external experts. These professional development events take place in all facilities on a monthly basis. Under the terms of their employment contract, staff are required to provide evidence of having completed 25 hours of training per year.

In order to secure young management talent, KATHARINENHOF® GmbH developed the concept for a talent academy in 2014 and then began the implementation process. This qualification course, which involves eight full-day workshops on specific management topics, comprehensively prepares aspiring junior staff for future managerial positions. The theoretical portion is accompanied by internships and trial deployment in vacant managerial positions including mentoring from a manager.

LA12 Percentage of employees receiving performance reviews and development plans

All employees are reviewed on a yearly basis by their supervisors and receive feedback as part of their target agreements and performance review for their individual bonus. For 2015, there are plans to introduce comprehensive employee discussions regarding performance reviews and development planning.

At KATHARINENHOF® GmbH, annual development discussions are held with all managers from the first to the third managerial level. The discussions address aspects of professional and personal development in the manager's area of responsibility, the potential for development, development needs and development goals, as well as the resources required to achieve these. These discussions, which involve an emphasis on coaching, ensure transparency with regard to the managerial staff's own potential-related assessment and serve to clarify available career paths, in addition to any necessary development steps.

These personal development discussions are closely connected with the annual target agreement discussions with managers, during which previous and current business objectives are discussed, and the variable component of the managers' overall remuneration is assessed. The aim is to introduce development discussions as a management instrument for all employees at KATHARINENHOF® GmbH.

Diversity and equal opportunity

LA13 Composition of governance bodies and breakdown of employees (by aspects of diversity)

Deutsche Wohnen promotes equal opportunities and work-life balance: more than 70 % of the total workforce of the Deutsche Wohnen Group are women. The proportion of female staff has fallen slightly compared to the previous year. At the executive level, which consists of managing directors, directors and managers with leadership responsibilities for the Deutsche Wohnen Group, women fill 59.1 % of positions, a slight decrease compared to 2013 (59.5 %). Former apprentices account for 17 % of executives.

KATHARINENHOF® GmbH's executives comprise the General Management, the Regional Management, the Nursing Facility Managers and Nursing Service Managers. Women fill 74.4 % of positions. The average age of KATHARINENHOF® executives was 44.5 years. The figure for employees was 42.9 years (excluding apprentices).

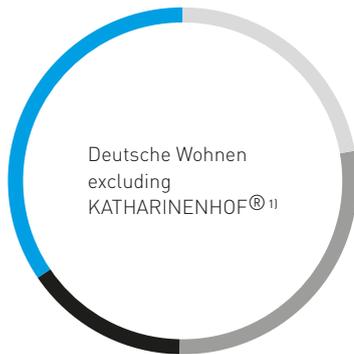
In the case of the Deutsche Wohnen Group, the average age of employees (excluding apprentices and KATHARINENHOF® GmbH) was 41.9 years for 2014 (2013: 40.5 years). The proportion of employees aged over 55 years is 14.9 % (excluding KATHARINENHOF® GmbH; 2013: 12 %). For KATHARINENHOF® GmbH, this figure was 18.3 %.

	Deutsche Wohnen including KATHARINENHOF®		Deutsche Wohnen excluding KATHARINENHOF®		KATHARINENHOF®	
	31/12/2014	31/12/2013 ²⁾	31/12/2014	31/12/2013 ²⁾	31/12/2014	31/12/2013
Percentage women ¹⁾						
Women in %	76.3	75.8	66.6	62.7	81.5	80.2
Women in management positions in %	59.1	59.5	48.2	46.3	74.4	73.7

¹⁾ Excluding apprentices

²⁾ Excluding GSW

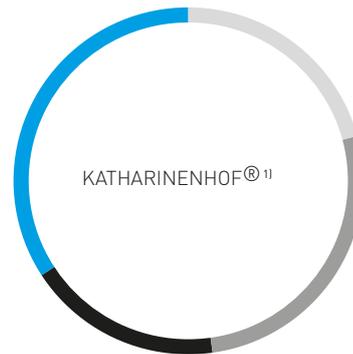
Age structure for employees of the Deutsche Wohnen Group



In %	31/12/2014	31/12/2013 ²⁾
■ Up to 35 years	35	42
■ 36 to 45 years	22	24
■ 46 to 55 years	28	23
■ Over 55 years	15	12

¹⁾ Excluding apprentices²⁾ Excluding GSW, including GIM

Age structure for employees of KATHARINENHOF®



In %	31/12/2014	31/12/2013 ²⁾
■ Up to 35 years	34	35
■ 36 to 45 years	21	20
■ 46 to 55 years	27	27
■ Over 55 years	18	17

¹⁾ Excluding apprentices²⁾ Change in employee population to 1,407 due to change in compilation date

Equal remuneration for women and men

LA14 Ratio of basic salary of men to women

Our employees' remuneration is based on their duties, qualifications and experience, as well as the level of difficulty of their duties and associated responsibilities, and is guided by the performance principle. Male and female employees naturally receive equal treatment in this regard.

Furthermore, Deutsche Wohnen offers support to working mothers and fathers faced with the challenge of finding a balance between work and family life. The parent and child rooms set up in 2010 at the offices in Berlin and Frankfurt/Main enable parents to bring their children to work with them for short periods of time during the holidays or on project days. Moreover, Deutsche Wohnen is developing intelligent part-time working schemes with a view to alleviating the burden on working mothers and fathers, including those in management positions. As a general rule, employees returning from parental leave are given the option of coming to work on a part-time basis and also, where necessary, of working part-time during their parental leave.

In 2014, a transparent, performance-based remuneration structure in line with the market was developed for the Deutsche Wohnen Group, which will be introduced in 2015. To achieve this, Deutsche Wohnen conducted a market comparison for all jobs within the individual company areas, which it then used as a basis for the development of four salary levels. These salary ranges (gross annual salaries including variable salary component) are guided in the operating divisions by sector wage agreements (the GSW wage agreement, for example). In the divisions of the holding company, they are aligned with a country-wide remuneration study conducted by the corporate consultancy firm Kienbaum. Grouping is determined by the Head of Human Resources together with the Human Resources Department and is carried out on the basis of employees' duties and qualifications. The salary ranges are guided by market data subject to review at least once every two years. Each year, individual salaries are checked against the salary ranges and, based on a performance assessment conducted by the relevant supervisor and taking corporate development into account, adjusted where applicable.



At KATHARINENHOF® GmbH, there are regional remuneration guidelines that prevent women and men in comparable professional positions from receiving different levels of remuneration. Remuneration is adjusted annually on the basis of a market comparison with sector competitors, so that wage and salary increases usually take place every year.

Human Rights

Management approach

Deutsche Wohnen is very much aware of the importance of respecting human rights and strives to uphold them within its sphere of influence. This includes precluding and penalising discriminatory conduct within the company and ensuring appropriate conduct by its external service providers and suppliers. All business activities are essentially subject to German law, including the provisions of the German Constitution, which make clear statements regarding, for example, freedom of association and forced labour. Since the issue of human rights is regulated by law for real estate companies operating solely within Germany, there are no additional procedures in place at Deutsche Wohnen beyond compliance guidelines.

Our contractors in the area of new construction are under an obligation to abide by the German Sustainable Building Council [DGNB] standard. This standard stipulates that recognised environmental and social standards are observed.

Investment and procurement practices

HR1 Investment agreements incorporating human rights clauses

The Deutsche Wohnen Group operates solely within Germany. In conducting our business activities, we comply with the statutory provisions that prohibit violations of human rights. This principle is also enshrined in our Code of Conduct: "The Deutsche Wohnen Group undertakes to comply with all applicable statutes and regulations." Deutsche Wohnen has also appointed a Compliance Officer in order to ensure that these commitments are upheld. Our contractors are, as described in HR2 and HR6, placed under a contractual obligation to respect human rights.

HR2 Significant suppliers and contractors that have undergone human rights screening

The Deutsche Wohnen Group operates solely within Germany. In 2014, Deutsche Wohnen awarded around 33,000 individual contracts to local companies for the modernisation and maintenance of apartments and buildings. In concluding agreements, we expressly impose obligations on all our contractors to comply with statutory provisions, including those of the German Employee Secondment Act [AEntG], the German Act on Temporary Employment [AÜG] and German social security legislation, as well as those used in the prevention of illegal work. We take care to ensure that the providers of cleaning services for our administrative buildings are paid for the number of hours actually worked. If we discover any discrepancies, we seek to enter into a dialogue with the relevant service provider. Any subsequent failure on the part of the contractor to rectify the situation is then deemed to constitute grounds for terminating the contractual relationship.

Compliance with health and safety measures is taken into account when selecting suppliers and service providers for KATHARINENHOF® facilities. This means that future business partners are required to provide evidence regarding the fulfilment of the relevant statutory norms.

Non-discrimination

HR4 Total number of incidents of discrimination and actions taken

As a principle, no form of discriminatory conduct is tolerated within the Deutsche Wohnen Group. All members of Deutsche Wohnen's management are familiar with the provisions of the German General Act on Equal Treatment [AGG]. The Group is not aware of any instances of discrimination during the year under review.

The proportion of severely disabled employees at Deutsche Wohnen AG (the holding company) and GSW was higher than the rate of 5% laid down by law. The proportions at DWCF and DWC were in accordance with statutory requirements. DWM and DWI do not achieve the relevant targets, and make their contribution via the equalisation fee, as does KATHARINENHOF® GmbH, which reached a rate of 3.7%.

Freedom of association and collective bargaining

HR5 Business operations entailing a serious risk to the freedom of association

The Deutsche Wohnen Group operates solely within Germany and observes the statutory regulations in conducting its business activities. The right to freedom of association is enshrined in the German Constitution. In concluding agreements, our contractors are placed under obligations corresponding to those described in HR2.

Child labour

HR6 Business operations entailing an increased risk of child labour

The Deutsche Wohnen Group operates solely within Germany and observes the statutory regulations in conducting its business activities. In Germany, the prohibition of child labour is enshrined in the German Child Protection Act [BKISchG].

Contractors in the area of new construction are under an obligation to comply with the DGNB standard. This encourages the use of building products produced and processed in accordance with recognised environmental and social standards. The goal is to preclude child labour and, during the natural stone extraction process, to comply with social and environmental standards that improve the working conditions in quarries and processing facilities in developing and emerging countries.

Forced and compulsory labour

HR7 Operations entailing an increased risk of forced or compulsory labour

The Deutsche Wohnen Group operates solely within Germany and observes the statutory regulations in conducting its business activities. The prohibition of forced labour is enshrined in the German Constitution. Any potential forced labour within the companies participating in new construction projects is, as described in HR2 and HR6, excluded.

Society

Management approach

Housing is a basic human need. Good housing standards and functioning infrastructure are very important to the quality of an individual's life and make a significant contribution to a positive social climate in our society. The creation of affordable living space is a joint responsibility of federal, state and municipal governments, in cooperation with companies and investors. The real estate industry plays a central role in this process. We want to live up to that responsibility and engage in the lively debate about the conditions necessary for the construction of new housing.

The real estate industry has been developing dynamically for a number of years. However, new construction is still failing to meet demand. This is leading to large increases in the cost of living in some areas and is having a particularly severe impact on tenants with lower incomes. The forecasts of the Federal Institute for Research on Building, Urban Affairs and Spatial Development [BBSR] predict that 250,000 additional residential units will be required annually in the coming years. In the long term, only increased investment can take pressure off the market for rental flats. In the year under review, for the first time, Deutsche Wohnen initiated two new building projects in order to meet the need for high-quality, affordable urban housing. Here we want to reconnect with the traditions of the classic modernist period and the "workers' estates" of the 1920s and 1930s, which featured innovative concepts, bright rooms and practical layouts that still meet contemporary housing needs. We are making our buildings as energy-efficient as possible, in order to ensure that the ancillary costs faced by our tenants and buyers remain stable in the long term and that our residential units are climate-friendly. The foundation stone for 103 rental units in Potsdam-Babelsberg – including 23 with disabled access – was laid in 2014. In future, the entire estate will be supplied with district heating and meet the requirements of the KfW 70 energy standard. Construction of a new quarter with a total of almost 600 contemporary urban apartments in Berlin-Charlottenburg is scheduled to begin in 2017. The projects meet the criteria for sustainable building of the German Sustainable Building Council [DGNB].



Life in these developments, and the mix of tenants, is as important as the buildings themselves. That is why we are working to improve diversity in the new quarters and generally aim to increase the inclusion of marginalised groups. In order to support a functioning neighbourhood, our Service Point employees make conscious decisions when selecting tenants. It is important to achieve the right mix and ensure a harmonious balance between new and existing tenants. Housing for political asylum seekers is a current social challenge. We aim to be actively involved in making a difference and are already working successfully with affected municipalities across Germany. In early 2015 we reached an agreement with Berlin's municipal authorities regarding the provision of housing to asylum seekers. Numerous suitable flats have already been provided to asylum seekers since the beginning of 2015.

KATHARINENHOF® GmbH offers many individuals an attractive home in their twilight years. We strive to achieve this by means of individually tailored nursing and support services, including innovative therapies, in accordance with the latest standards. KATHARINENHOF® GmbH's facilities are also cultural centres in the communities they serve, and are available to all local residents as event locations.

Community

S01 Policies to manage impact on communities

We make a significant economic contribution in the regions in which we operate by providing jobs and training positions, and by awarding contracts to local companies. As a result of their rural settings, KATHARINENHOF®'s facilities are often among the biggest employers in their respective regions. A solid economic situation and sound growth ensure high levels of job satisfaction and security for our employees.

Ongoing investment in maintenance and modernisation help us to ensure high quality standards and keep our properties attractive. Our efficient administrative processes, and the rapid handling of enquiries by our Service Points, allow us to keep vacancies to a minimum, and thereby help ease the pressure on the residential property market. In 2014 our average vacancy

rate was 2.2%. In our strategic core and growth regions we reduced the vacancy rate from 2.0% to 1.9%, particularly as a result of increased rental activity in core markets. In order to create new housing, Deutsche Wohnen supports the Bündnis für Wohnungsneubau in Berlin, an alliance for new housing construction in Berlin, which it helped shape by offering specialist advice.

Deutsche Wohnen is unique among larger residential property companies in having an in-house receivables management department, the advantages of which include the option of offering tenants who find themselves in financial difficulty solutions at an early stage. We ensure that tenants receive payment reminders in good time and, where necessary, offer tenants the opportunity to meet face-to-face with one of our housing advisers in Berlin or Hanover, our goal being to avoid evictions and to find alternative solutions. We also permit payment of outstanding rents in instalments and, where necessary, put tenants in touch with local debt counsellors. This advisory system has been successively extended to GSW tenants over the course of the year under review. GSW also maintains a social fund that is used to support tenants who have encountered difficulties through no fault of their own. Deutsche Wohnen will continue to operate this fund. Tenants can apply for subsidies from the fund in emergency situations in which there is no legal right to support from the state or no entitlement to make insurance claims.

KATHARINENHOF® GmbH's facilities see themselves as cultural centres for their residents and other citizens, and contribute to the life of the communities that surround them. Their commitment to society includes participation in local structures by means of cooperation with specialist groups and committees as well as the provision of in-house community facilities.

KATHARINENHOF® GmbH is also involved in industry-related research projects, including a three-year study on the effectiveness of interaction tools in the daily care of patients suffering from dementia. The company is currently providing financial support and staff to a project to study the positive effect of reading fairy tales on the behaviour of patients with dementia.

CRE7 Number of persons voluntarily and involuntarily displaced and/or resettled

A total of 200 tenants are affected by the demolition of existing residential units to make way for the new build in Berlin-Westend, with construction planned for 2017. Acceptance of energy-efficient, higher densification in the quarter is very important to Deutsche Wohnen. That is why it entered into dialogue in 2014 with the people affected by means of an event at the Berlin Chamber of Commerce and Industry [IHK], an on-site office and a dedicated project website (www.siedlung-westend.de). The tenants will be offered equivalent apartments from the company's holdings and existing tenants will be given first refusal on tenancies in the new buildings. In order to make moves within the estate possible, construction will be carried out in a number of stages.

Corruption

S02 Percentage of business units analysed for risks related to corruption

All the business divisions and processes of Deutsche Wohnen are subjected to regular reviews with regard to compliance risks. Our Code of Conduct, which stipulates and defines the type of conduct that is within the law, applies bindingly to all of the company's employees. A regulation regarding signatories is in place that requires a second signature and a plausibility check. The position of the signatory in the hierarchy depends on the value of the order and it rises correspondingly.

S03 Percentage of employees trained in anti-corruption policies and procedures

Our Code of Conduct makes it unequivocally clear that employees are not permitted to accept or demand any gifts or benefits, in particular where they are given or granted in return for making assurances as to the possible conclusion of a business transaction. Our Code of Conduct also clearly prohibits employees from attempting to unlawfully influence business partners by according them preferential treatment, giving them gifts or granting them other benefits. The Code of Conduct is presented to all new employees when they take up employment, and they are required to follow its regulations. Managers also work to sensitise their employees to such issues. Deutsche Wohnen's Compliance Officer is, in particular, the first point of contact for questions and/or reports concerning possible infringements of the Code of Conduct or suspicions of illegal or improper activity.

S04 Actions taken in response to incidents of corruption

As in previous years, there were no known cases of corruption during the year under review.

Public policy

S05 Participation in public policy decision processes and lobbying activities

The attention paid to housing in politics and society again increased significantly in 2014. Demographic development and urbanisation have an effect on the residential property market. Climate protection and the development of energy prices also pose new challenges for property owners and tenants. Social pressures and political regulations are putting the real estate industry under increasing pressure. Social acceptance can only be achieved if we react adequately to the moral, ecological and economic demands being made of us and are able to present our position. With its experience and expertise as one of the leading real estate companies in Germany, Deutsche Wohnen is a natural partner for politicians at federal, state and municipal levels. That is why we significantly increased our political communication and lobbying activities in the year under review. With more than 100,000 residential units, we are one of the biggest private residential property companies in Berlin, and we want to position ourselves as a point of contact for economic and political questions relating to the residential property market, and as a value-oriented company with responsible corporate governance. These communication efforts are built on a broad basis and are not restricted to individual addressees. This is because we are interested in issues and not political trends. Therefore, we enter into dialogue with all the parties that are represented in the Bundestag (German Federal Parliament).

The Deutsche Wohnen Group also pursues its economic aims through its membership in industry associations that represent its interests (see Section 4.13). Deutsche Wohnen recently became the largest member of the Verband Berlin-Brandenburgischer Wohnungsunternehmen [BBU], an association of residential property companies in the German states of Berlin and Brandenburg. In the year under review, the BBU annual conference elected Deutsche Wohnen's CEO, Michael Zahn, to its organising committee.

Employees of Deutsche Wohnen regularly attend events and panel discussions in the political arena as part of our communication efforts aimed at external stakeholders, especially in the federal capital, Berlin. These efforts include discussions held by the federal expert groups on "urban development" and "taxes" of the CDU Economic Council (Wirtschaftsrat der CDU e.V.); events organised by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety's "Bündnis für bezahlbares Wohnen und Bauen", an alliance for affordable housing and construction; and the first "energy dialogue 2014" with Federal Minister for Economic Affairs Sigmar Gabriel. Deutsche Wohnen's CEO, Michael Zahn, also participated in a parliamentary breakfast meeting on the subject of price controls and in the 10th German CSR Forum in Ludwigsburg.

S06 Total value of financial contributions to political parties and politicians

Deutsche Wohnen donated EUR 5,000 for the summer party of Parlamentskreis Mittelstand (PKM), the parliamentary group for small and medium-sized enterprises of the CDU/CSU, the biggest party in the Bundestag. In 2014 Deutsche Wohnen paid a membership fee of EUR 10,000 to become a member of the Economic Council (Wirtschaftsrat der CDU e.V.). It is also active in the associations listed in Section 4.13. Our most significant memberships – in the Verband Berlin-Brandenburgischer Wohnungsunternehmen, the Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung, the European Public Real Estate Association, the Bundesverband deutscher Wohnungs- und Immobilienunternehmen and the Zentraler Immobilienausschuss – cost a total of EUR 120,000 in the year under review.

Anti-competitive behaviour

S07 Legal action due to anti-competitive behaviour

As in previous years, Deutsche Wohnen was not aware of any legal action due to anti-competitive behaviour or the formation of cartels or monopolies during the year under review.

Compliance

S08 Fines and sanctions for non-compliance with laws and regulations

No significant fines or sanctions were imposed for statutory violations in the reporting period.

Product Responsibility

Management approach

Our property portfolio is the foundation of our economic activity. It is our responsibility, and in our interest, to keep the quality of our portfolio as high as possible and to develop it in order to achieve higher levels of quality. A total of 76% of our holdings are already in good to very good condition. We plan to develop a further 12% and will invest approximately EUR 280 million in modernising equipment and buildings over the next four years. We spent EUR 152.9 million, or almost EUR 17 per sqm, on maintenance and modernisation in the financial year (2013: EUR 15 per sqm). Of that sum, EUR 88.8 million was spent on maintenance and EUR 64.1 million was spent on modernisation. In order to ensure a high quality of life, every residential unit is provided to the tenant or buyer in the best possible condition. In 2014 an average of EUR 3,359 was invested in each newly let apartment.

Optimum environmental sustainability, achieved by means of insulation and energy efficiency, is our responsibility. Our measures and successes in this area are described in the chapter on ecology (see page 22). We also consider the effect of our buildings on health, particularity with regard to the materials used. For information regarding the removal of asbestos, see Section EN26.

Quality is also of primary importance in our new buildings. We take the entire life cycle of the building into account, so that the urban environment and architecture deliver long-term benefits and materials can be used in other applications at the end of their useful life. As a result of good, holistic planning, the resulting residential units offer the same level of comfort while using less space and reducing running costs per tenant. They also have attractive outdoor spaces, including terraces, loggias and communal spaces. We aim to achieve low construction costs, with energy-efficient designs and technical equipment, all of which offers our tenants and buyers benefits in terms of comfort, initial investment and ancillary rental costs.

In nursing, our responsibility focuses on providing the best possible care and assistance. All KATHARINENHOF® GmbH facilities offer above-average service quality compared to the industry standard. This is reflected in evaluations by the German Health Insurance Medical Service [MDK]. In 82 categories, the KATHARINENHOF® facilities received very good ratings of between 1.0 and 1.2. Above-average occupancy rates over a period of years also show our high quality standards. In the year under review, our average occupancy rate was 96.1%.

In the case of our listed holdings, which numbered 28,420 units, or 19.3% of our total holdings as at 31 December 2014, the concept of product responsibility is a matter of special importance. It involves balancing the needs of our tenants against the standards and requirements applicable for the preservation of historic monuments. We therefore cooperate closely with the appropriate regional monument protection authorities and the relevant local authorities to ensure the proper preservation and maintenance of our portfolio.

Customer health and safety

PR1 Health and safety impacts of products and services

Every time there is a change of tenant, we inspect our residential units to identify and eliminate safety issues and negative effects on health. That applies to our entire holdings.

We consider the sustainable and safe design of our new buildings over their entire life cycle, from design, planning and implementation to the utilisation of the building.

Product and service labeling

PR3 Product and service information required

We are gradually improving our compliance with the stipulations of the new German Energy Saving Ordinance [EnEV] by making energy certificates available to tenants and purchasers, for example. Our listed holdings are exempt from the ordinance. When tenants move into our properties, we provide them with a comprehensive tenant file containing information on contact persons and tips for maintaining a healthy home environment. Employees are available to answer queries at our local Service Points and via the service hotline.

CRE8 Sustainability certifications

Our new building projects are built according to the Assessment System for Sustainable Building [BNB] and the criteria of the DGNB's seal of approval. For example, our terraced houses in Potsdam-Babelsberg received the silver standard (currently pre-certified) by meeting the KfW 70 energy standard, among other criteria. We are also aiming to achieve the silver standard for the apartments in the same development. They are slightly above the KfW 55 standard, which is comparable to a passive-house method of construction. For the project in Berlin-Westend, sustainability criteria are already included in the brief for the tendering process. Here we are aiming to achieve the gold standard for a sustainable urban quarter.

PR5 Practices related to customer satisfaction

The tenant service agents at our Service Points help tenants with any issues they may have and are happy to receive suggestions for improvements. Tenants can also contact the company via its website and central Service Centre. Queries are handled individually, and are not subject to central recording and assessment. As part of the marketing process, customers can also evaluate our services using the independent platform immobilien Scout24.de. Over the last twelve months, our rating on that portal was "very good" (3.3 out of a possible 5 stars). Project-specific tenant committees and tenants' meetings regarding the modernisation and refurbishment measures in Berlin-Hellersdorf and the Westend new building project in Berlin-Charlottenburg also allow us to include tenants in communication regarding projects.



Customers can also contact us using E-Service, an online portal for customer contact. Online forms – including those for changes of bank details, requesting confirmation of tenancy, ordering keys and for reporting damage – are available via the E-Service portal. It allows customers to send us feedback directly and ensures that tenants' requests are handled rapidly. Approximately 5% of our tenants currently use E-Service, and we plan to increase that number in the coming years.

Marketing communications

PR6 Adherence to standards for advertising, marketing and sponsoring

In carrying out our communications-related activities, we comply with the relevant statutory provisions. We additionally adhere to the recommendations of the Deutscher Werberat, the German advertising standards council.

With regard to sponsorship, we strive to foster social and cultural projects, preferably in the vicinity of our properties. After the takeover of GSW, we refined our sponsorship concept and also aligned it with the requirements of the GSW holdings. We want to achieve significant local effects with a larger number of smaller activities. We are also working to exploit our core competencies better.

The way our employees communicate online is a decisive factor in shaping external perceptions of the Deutsche Wohnen Group. Our Code of Conduct, which applies throughout the company, includes guidelines regarding professional communication on social networks.

PR7 Incidents of non-compliance with regulations and voluntary codes concerning advertising, promotion and sponsorship

No infringements were reported during the year under review.

Customer privacy

PR8 Complaints regarding breaches of customer privacy

Deutsche Wohnen complies with the Federal Data Protection Act [BDSG]. Compliance is ensured by internal guidelines, which are available to all employees via the intranet. Our security policy includes detailed guidelines regarding the handling of data and use of equipment, thereby ensuring that employees maintain the security of data. A data protection officer monitors the proper application of the technologies used, works to implement measures for data protection and trains employees. No complaints were reported during the year under review.

Deutsche Wohnen is currently preparing a response to a query from the Berlin Commissioner for Data Protection and Freedom of Information relating to the partial surveillance of adjoining public spaces by CCTV at an administrative location.

Compliance

PR9 Fines and sanctions for non-compliance with laws and regulations concerning the use of products and services

We were not aware of any infringements or associated imposition of fines during the reporting period.



GRI INDEX (G3.1 & SECTOR SUPPLEMENT)



● fully reported ○ partially reported

GRI Index (G3.1 & Sector Supplement)	Performance	Reference
1. Strategy and Analysis		2
1.1 Statement from the Chief Executive Officer	●	2
1.2 Key sustainability risks, opportunities and impacts	●	2
2. Organisational Profile		3
2.1 Name of the organisation	●	3
2.2 Important brands, products and services	●	3
2.3 Operational structure and main divisions	●	5
2.4 Location of organisation's headquarters	●	6
2.5 Countries where the company operates	●	6
2.6 Nature of ownership and legal form	●	6
2.7 Markets served	●	6
2.8 Scale of the reporting organisation	●	7
2.9 Significant changes during the reporting period	●	7
2.10 Awards received in the reporting period	●	7
3. Report parameters		8
3.1 Reporting period	●	8
3.2 Date of most recent Report	●	8
3.3 Reporting cycle	●	8
3.4 Contacts for questions regarding the Report	●	8
3.5 Process for defining Report content	●	8
3.6 Boundaries of the Report	●	8
3.7 Restrictions/limitations of the Report	●	8
3.8 Basis for reporting on joint ventures, subsidiaries and outsourcing	●	8
3.9 Data collection methods and data collection principles	●	8
3.10 Changes in the presentation of information in comparison to earlier Reports	●	9
3.11 Changes from previous reporting periods in the subjects, scope or measurement methods	●	9
3.12 GRI Index table	●	9
3.13 External audit of the statements made	●	9

With regard to the performance indicators, all required core indicators have been marked in bold. Any information provided for the additional indicators (not marked in bold) is voluntary.



● fully reported ○ partially reported

GRI Index (G3.1 & Sector Supplement)		Performance	Reference
4. Governance, Commitments and Engagement			9
4.1	Governance structure and responsibility for sustainability	●	9
4.2	Independence of the Chairman of the Supervisory Board	●	10
4.3	Highest management body for companies without a Supervisory Board	●	10
4.4	Process for dialogue between shareholders and employees with the Supervisory Board/Management Board	●	11
4.5	Connection between compensation for members of the highest governance bodies and the organisation's performance	●	11
4.6	Processes to ensure that conflicts of interest are avoided	●	12
4.7	Qualifications and expertise of the highest governance body in terms of sustainability	●	12
4.8	Mission statement, corporate values and codes of conduct	●	12
4.9	Board-level processes for overseeing Sustainability Performance	●	13
4.10	Processes for evaluating the Management Board's Sustainability Performance	●	13
4.11	Implementation of the precautionary approach	●	13
4.12	Support for external standards, agreements and initiatives	●	13
4.13	Memberships in associations and advocacy groups	●	13
4.14	List of stakeholder groups engaged by the company	●	14
4.15	Basis for identifying stakeholders	●	14
4.16	Approaches to stakeholder engagement	●	15
4.17	Statement on key stakeholder issues	●	16
Economic Performance Indicators			18
Management approach		●	18
Economic performance	EC1 Economic value generated and distributed	●	18
	EC2 Financial implications, risks and opportunities due to climate change	○	19
	EC3 Coverage of benefit plan obligations	●	19
	EC4 Financial assistance received from government	●	20
Market presence	EC5 Relationship between standard salaries and the local minimum wage	○	20
	EC6 Payments to local suppliers	●	20
	EC7 Hiring local personnel	○	20
Indirect economic impacts	EC8 Infrastructure investments and services for public benefit	●	20
	EC9 Indirect economic impacts	●	22
Ecological Performance Indicators			22
Management approach		●	22
Materials	EN1 Materials used	○	23
	EN2 Percentage of materials used that are recycled	○	23
Energy	EN3 Direct energy consumption	●	23
	EN4 Indirect energy consumption	●	25
	CRE1 Building energy intensity	●	25
	EN5 Energy saving initiatives	●	26
	EN6 Energy saving initiatives for products	●	27
	EN7 Reduction of indirect energy use	○	27

With regard to the performance indicators, all required core indicators have been marked in bold. Any information provided for the additional indicators (not marked in bold) is voluntary.



● fully reported ◐ partially reported

GRI Index (G3.1 & Sector Supplement)		Performance	Reference
Water	EN8 Total water withdrawal by sources	●	27
	CRE2 Building water intensity	●	27
Biodiversity	EN11 Activities in protected areas	●	27
	EN12 Effects on protected areas and biodiversity	●	27
Emissions, effluents and waste	EN16 Direct and indirect greenhouse gas emissions	●	28
	EN17 Other relevant greenhouse gas emissions	●	28
	CRE3 Greenhouse gas emissions intensity from buildings	●	28
	CRE4 Greenhouse gas emission intensity from construction activity	◐	29
	EN18 Initiatives to reduce greenhouse gas emissions	●	29
	EN19 Emissions of ozone-depleting substances	●	29
	EN20 Other air emissions	●	29
	EN21 Water discharge	◐	30
	EN22 Waste by type and method of disposal	◐	30
	EN23 Significant spills	●	30
	CRE5 Land remediation	●	30
Products and services	EN26 Initiatives to mitigate environmental impacts of products and services	●	30
	EN27 Reclaimed products and packaging	●	31
Compliance	EN28 Fines and sanctions for non-compliance with environmental regulations	●	31
Social Performance Indicators			31
Labour practices and decent work			31
Management approach		●	31
Employment	LA1 Total workforce	●	32
	LA2 Employee turnover	◐	33
	LA3 Employee benefits	◐	34
	LA15 Return and retention rate after parental leave	●	34
Labour/Management Relations	LA4 Percentage of employees covered by collective bargaining agreements	◐	34
	LA5 Minimum notice periods regarding operational changes	◐	35
Occupational Health and Safety	LA7 Rates of injuries, absenteeism and work-related fatalities	◐	35
	CRE6 Health and safety management systems	●	35
	LA8 Prevention and risk-control programs	●	36
Training and education	LA10 Training hours per year and employee	◐	36
	LA12 Percentage of employees receiving performance reviews and development plans	◐	37
Diversity and equal opportunity	LA13 Composition of governance bodies and breakdown of employees (by aspects of diversity)	◐	37
Equal remuneration for women and men	LA14 Ratio of basic salary of men to women	●	38

With regard to the performance indicators, all required core indicators have been marked in bold. Any information provided for the additional indicators (not marked in bold) is voluntary.



● fully reported ◐ partially reported

GRI Index (G3.1 & Sector Supplement)			Performance	Reference
Human Rights				39
Management approach			●	39
Investment and procurement practices	HR1	Investment agreements incorporating human rights clauses	●	39
	HR2	Significant suppliers and contractors that have undergone human rights screening	◐	39
Non-discrimination	HR4	Total number of incidents of discrimination and actions taken	●	39
Freedom of association and collective bargaining	HR5	Business operations entailing a serious risk to the freedom of association	●	40
Child labour	HR6	Business operations entailing an increased risk of child labour	●	40
Forced and compulsory labour	HR7	Operations entailing an increased risk of forced or compulsory labour	●	40
Society				40
Management approach			●	40
Community	S01	Policies to manage impact on communities	●	41
	CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled	◐	42
Corruption	S02	Percentage of business units analysed for risks related to corruption	◐	42
	S03	Percentage of employees trained in anti-corruption policies and procedures	◐	42
	S04	Actions taken in response to incidents of corruption	●	42
Public policy	S05	Participation in public policy decision processes and lobbying activities	●	42
	S06	Total value of financial contributions to political parties and politicians	●	43
Anti-competitive behaviour	S07	Legal action due to anti-competitive behaviour	●	43
Compliance	S08	Fines and sanctions for non-compliance with laws and regulations	●	43
Product Responsibility				43
Management approach			●	43
Customer health and safety	PR1	Health and safety impacts of products and services	◐	44
	PR3	Product and service information required	◐	44
Product and service labeling	CRE8	Sustainability certifications	◐	44
	PR5	Practices related to customer satisfaction	◐	44
Marketing communications	PR6	Adherence to standards for advertising, marketing and sponsoring	●	45
	PR7	Incidents of non-compliance with regulations and voluntary codes concerning advertising, promotion and sponsorship	●	45
Customer privacy	PR8	Complaints regarding breaches of customer privacy	●	45
Compliance	PR9	Fines and sanctions for non-compliance with laws and regulations concerning the use of products and services	●	45

With regard to the performance indicators, all required core indicators have been marked in bold. Any information provided for the additional indicators (not marked in bold) is voluntary.



CONTACT AND IMPRINT

Kati Pohl
Juliane Kieslinger
Investor Relations
Phone +49 (0)30 897 86 5413
ir@deutsche-wohnen.com

Berlin office
Deutsche Wohnen AG
Mecklenburgische Straße 57
14197 Berlin

Published by

Deutsche Wohnen AG, Frankfurt/Main

Concept and Editorial

akzente kommunikation und beratung gmbh, München
Deutsche Wohnen AG

Design and realisation

HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg

This GRI Report is available in German as well as English.
You can download these as well as our Sustainability Magazine,
which provides a summary of our environmental and social
initiatives, from www.deutsche-wohnen.com.

The German version of this report is binding. The company cannot
be held responsible for any misunderstanding or misinterpretation
arising from the translation.

DEUTSCHE WOHNEN AG

Registered office

Pfaffenwiese 300
65929 Frankfurt/Main

Berlin office

Mecklenburgische Straße 57
14197 Berlin

Phone +49 (0)30 897 86 0

Fax +49 (0)30 897 86 1000

info@deutsche-wohnen.com

www.deutsche-wohnen.com